ARROW ELECTRONICS INC
Form DEF 14A
March 23, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant þ

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

þ Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

ARROW ELECTRONICS, INC

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

þ No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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Michael J. Long

Chairman of the Board

March 23, 2012

Dear Shareholder:

You are invited to Arrow s Annual Meeting of Shareholders, on Friday, May 4, 2012, at the Four Seasons Hotel, 1111 14th Street, Denver, Colorado 80202 at 10:00 a.m. Mountain Time. The formal notice of the meeting and the Proxy Statement soliciting your vote at the meeting appear on the following pages.

The matters scheduled to be considered at the meeting are (i) the election of the Board of Directors; (ii) the ratification of the selection of the independent registered public accounting firm; and (iii) the holding of an advisory vote on executive compensation. These matters are discussed more fully in the Proxy Statement.

Arrow s Board of Directors recommends the approval of each proposal as being in the best interests of Arrow, and urges you to read the Proxy Statement carefully before you vote. Your vote is important regardless of the number of shares you own.

Under the rules adopted by the United States Securities and Exchange Commission, we are furnishing proxy materials to our shareholders online rather than mailing printed copies of those materials to each shareholder. Accordingly, you will not receive a printed copy of the proxy materials unless you request one. The Notice of Internet Availability includes instructions on how to access and review the materials, and how to access your proxy card and vote online. If you would like to receive a printed copy of our proxy materials please follow the instructions included in such Notice.

Please make sure you vote, whether or not you plan to attend the meeting. You can cast your vote at the meeting, online by following the instructions on either the proxy card or the Notice of Internet Availability, by telephone, or, if you received paper copies of our proxy materials, by mailing your proxy card in the postage-paid return envelope.

Sincerely yours,

Michael J. Long
Chairman of the Board

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ARROW ELECTRONICS, INC.

7459 S. Lima Street

Englewood, CO 80112

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TIME AND DATE

10:00 a.m. Mountain Time on Friday, May 4, 2012

PLACE

Four Seasons Hotel

1111 14th Street

Denver, Colorado 80202

ITEMS OF BUSINESS

The Annual Meeting will be held:

1. To elect directors of Arrow for the ensuing year.

2. To act upon a proposal to ratify the appointment of Ernst & Young LLP as Arrow s independent registered public accounting firm for the fiscal year ending December 31, 2012.

3. To hold an advisory vote on executive compensation.

4. To transact such other business as may properly come before the Annual Meeting or any adjournments thereof.

RECORD DATE

Only shareholders of record at the close of business on March 9, 2012 are entitled to notice of and to vote at the meeting or any postponements or adjournments thereof.

PROXY MATERIALS AND ANNUAL REPORT

If you wish to receive a printed copy of the proxy materials and our Annual Report you must request a copy. The Notice of Internet Availability has instructions for access to and review of our proxy materials online, as well as instructions for online voting.

Arrow s 2011 Annual Report (which is not a part of the proxy soliciting material) and this Proxy Statement were made available through www.proxyvote.com on or about March 23, 2012, and are also available at the Company s website at www.arrow.com/annualreport2011.

PROXY VOTING

Shareholders can vote by attending the meeting, by completing and returning the proxy card, online, or by telephone. The Notice of Internet Availability and the proxy card itself have detailed instructions for voting.

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Shareholders may revoke a proxy (change or withdraw the vote) at any time prior to its exercise at the meeting by following the instructions in the Proxy Statement.

By Order of the Board of Directors

Peter S. Brown
Secretary

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ARROW ELECTRONICS, INC.

ANNUAL MEETING OF SHAREHOLDERS

To be Held May 4, 2012

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ARROW ELECTRONICS, INC.

7459 S. Lima Street

Englewood, CO 80112

PROXY STATEMENT

in connection with the

2012 Annual Meeting of Shareholders

The Purpose of this Statement

The Board of Directors of Arrow Electronics, Inc., a New York corporation (Arrow or the Company), is furnishing this Proxy Statement to all shareholders of record to solicit proxies to be voted at the 2012 Annual Meeting of Shareholders. By returning a completed proxy card, or voting over the telephone or internet, you are giving instructions on how your shares are to be voted at the Annual Meeting of Shareholders. The Proxy Statement was made available through www.proxyvote.com on or about March 23, 2012.

Invitation to the Annual Meeting

Shareholders of record are invited to attend the 2012 Annual Meeting of Shareholders on Friday, May 4, 2012, beginning at 10:00 a.m. Mountain Time. The meeting will be held at the Four Seasons Hotel, 1111 14th Street, Denver, Colorado 80202.

Voting Instructions

Please vote your shares by telephone or through the internet, or if you received printed copies of the proxy materials, complete, sign, and date your proxy card and return it promptly in the postage-paid return envelope provided. Whether or not you plan to attend the meeting, your prompt response will assure a quorum and reduce solicitation expense.

If shares are held in street name (that is, in the name of a bank, broker, or other holder of record), such holder should receive instructions from the record shareholder that must be followed in order for such shares to be voted (including at the meeting). Internet and/or telephone voting also will be offered to shareholders owning shares through most banks and brokers.

Unless you indicate otherwise, the persons named as proxies on the proxy card will vote your shares FOR all of the nominees for director named in this Proxy Statement, FOR the ratification of Ernst & Young LLP as Arrow s registered public accounting firm, and FOR the advisory vote on executive compensation.

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Shareholders Entitled to Vote

Only shareholders of record of Arrow s common stock at the close of business on March 9, 2012 (the record date) are entitled to notice of and to vote at the meeting or any postponements or adjournments thereof. As of the record date, there were 111,768,403 shares of Arrow common stock outstanding. Each share of common stock is entitled to one vote on each matter properly brought before the meeting. The presence in person or by proxy of a majority of the shares entitled to vote at the meeting shall constitute a quorum.

If a stockholder is a participant in the Arrow Electronics Stock Ownership Plan (the ESOP), the stockholder can vote using the methods described above. This will serve as a voting instruction for Vanguard Fiduciary Trust Company (the Trustee), where all accounts are registered in the same name. As a participant in the ESOP, the stockholder has the right to direct the Trustee, who is the holder of record, regarding how to vote the shares of common stock credited to the participant s account at the Annual Meeting. If voting instructions for the shares of common stock in the ESOP are not received, those shares will be voted by the Trustee in the same proportions as the shares for which voting instructions were received from other participants in the ESOP. Voting (including any revocations) by ESOP participants will close at 11:59 p.m. Eastern Time on May 1, 2012. The Trustee will then vote all shares of common stock held in the ESOP by the established deadline.

Revocation of Proxies

The person giving the proxy may revoke it at any time prior to the time it is voted at the meeting by giving written notice to Arrow s Secretary. If the proxy was given by telephone or through the internet, it may be revoked in the same manner. You may also revoke your proxy by attending the Annual Meeting of Shareholders and voting in person. If your shares are held in street name you must contact the record holder of the shares regarding how to revoke your proxy.

Cost of Proxy Solicitation

Arrow pays the cost of soliciting proxies. Arrow has retained D.F. King & Co., Inc. to assist in soliciting proxies at an anticipated cost of approximately $10,500 plus expenses. Arrow will supply soliciting materials to the brokers and other nominees holding Arrow common stock in a timely manner so that the brokers and other nominees may send the material to each beneficial owner and Arrow will reimburse the brokers and other nominees for their expenses in so doing. In addition to this solicitation by mail, employees of the Company may solicit proxies in person or by telephone.

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CERTAIN SHAREHOLDERS

Holders of More than 5% of Common Stock

The following Table sets forth certain information with respect to the only shareholders known to the Company to own beneficially more than 5% of the outstanding common stock of Arrow as of March 9, 2012.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percent of Class
FMR Corp (1) 82 Devonshire Street Boston, Massachusetts 02109	11,003,261	9.8%
Wellington Management Company, LLP (2) 280 Congress Street Boston, Massachusetts 02210	10,835,753	9.7%
Artisan Partners Holdings LP (3) 875 East Wisconsin Avenue Milwaukee, Wisconsin 53202	9,038,083	8.1%
BlackRock Inc. (4) 40 East 52nd Street New York, New York 10022	6,677,863	6.0%

(1) Based upon a Schedule 13G filed with the United States Securities and Exchange Commission (the SEC) on February 14, 2012, FMR LLC, a parent holding company has sole dispositive power with respect to all shares and sole voting power with respect to 18,364 shares.

(2) Based upon a Schedule 13G filed with the SEC on February 14, 2012, Wellington Management Company, LLP, a registered investment advisor, has shared dispositive power with respect to all shares and shared voting power with respect to 3,771,353 shares.
Based upon a Schedule 13G filed with the SEC on January 26, 2012, the shares beneficially owned by Wellington Management Company, LLP include 6,426,550 shares (5.7% of the Company s outstanding common stock) beneficially owned by Vanguard Windsor Funds Vanguard Windsor Fund, a registered investment company, which has sole voting power with respect to all shares.

(3) Based upon a Schedule 13G filed with the SEC on February 6, 2012, Artisan Partners Holdings LP is a registered investment advisor of which Artisan Investment Corporation is the general partner. ZFIC, Inc. is the sole stockholder of Artisan Investment Corporation and Mr. Andrew A. Ziegler and Ms. Carlene M. Ziegler are the principal stockholders of ZFIC, Inc. Artisan Partners Limited Partnership is a registered investment advisor of which Artisan Partners Holdings LP is the sole limited partner and Artisan Investments GP LLC is the general partner. Each of these persons and entities beneficially own the shares shown and have shared dispositive power with respect to 9,038,083 shares and shared voting power with respect to 8,782,083 shares. The shares reported were acquired on behalf of discretionary clients of Artisan Partners Holdings LP. Persons other than Artisan Partners

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Holdings LP are entitled to receive all dividends from, and proceeds from the sale, of those shares. Included in the shares beneficially owned by Artisan Partners Holdings LP are 6,269,747 shares on behalf of Artisan Partners Funds, Inc., a registered investment company, which has shared voting and dispositive power with respect to all shares.

(4) Based upon a Schedule 13G filed with the SEC on February 13, 2012, BlackRock Inc., a parent holding company, has sole voting and dispositive power with respect to all shares.

Shareholding of Executive Officers and Directors

As of March 9, 2012, all of the Named Executive Officers (the Chief Executive Officer, the Chief Financial Officer, and each of the other three most highly compensated executive officers of the Company other than the Chief Executive Officer and the Chief Financial Officer) and directors of Arrow as a group were the beneficial owners of 1,134,538 shares of the Company s common stock, which is approximately 1.0% of the total shares of common stock outstanding, as follows:

Shares of Common Stock Beneficially Owned

	Currently Owned (1)	Common Stock Units (2)	Acquirable w/in 60 Days	% of Outstanding Common Stock
Michael J. Long	**387,789**			*
Paul J. Reilly	**209,268**			*
Peter S. Brown	**55,544**			*
Peter T. Kong	**171,888**			*
Andrew S. Bryant	**56,202**			*
Barry W. Perry	**4,000**	**34,347**		*
Philip K. Asherman		**5,175**		*
Daniel W. Duval	**23,200**	**32,405**		*
Gail E. Hamilton		**11,845**		*
John N. Hanson	**8,500**	**30,501**		*
Richard S. Hill		**17,703**		*
M.F. (Fran) Keeth		**20,741**		*
Andrew C. Kerin		**3,023**		*
Stephen C. Patrick	**15,000**	**28,971**		*
John C. Waddell	**35**	**18,401**		*
Total Executive Officers and Director s Beneficial Ownership	**931,426**	**203,112**		**1.0%**

* Represents holdings of less than 1%.

(1) Includes vested stock options and restricted shares granted under the Arrow Electronics, Inc. 2004 Omnibus Incentive Plan (the Omnibus Incentive Plan), as amended, as well as shares owned independently.

(2) Includes common stock units deferred by non-employee directors and restricted stock units granted to them under the Omnibus Incentive Plan.

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PROPOSAL 1: ELECTION OF DIRECTORS

Each nominee for election as a member of the Board of Directors of Arrow (the Board) is to be elected to hold office until the next Annual Meeting of Shareholders.

After 25 years as a director of the Company, Daniel Duval has informed the Board of Directors that he does not intend to stand for re-election upon the expiration of his term at the 2012 Annual Meeting of Shareholders. Mr. Duval will continue to serve as a director of the Company until the expiration of his term at the 2012 Annual Meeting of Shareholders. The Board will not fill the vacancy left by Mr. Duval s departure at the 2012 Annual Meeting of Shareholders and, by resolution, has fixed the number of directors at ten, effective May 4, 2012, the date of the 2012 Annual Meeting of Shareholders. The Chairman, together with his colleagues on the Board, for themselves and on behalf of Arrow, gratefully acknowledge Mr. Duval s many years of service and his numerous valuable contributions to the Company, particularly his willingness to accept the role of Lead Director from May 2006 to May 2011 and for acting as interim Chief Executive Officer from September 15, 2002 to February 2, 2003.

The Board recommends a vote FOR all of the nominees named below.

All nominees identified below are current members of the Board. All have been recommended for re-election to the Board by the Corporate Governance Committee and approved and nominated for re-election by the Board. The Board does not contemplate that any of the nominees named below will be unable or unwilling to serve as a director. If any nominee should refuse or be unable to serve (an event which is not anticipated), the proxy will be voted for a person designated by the Board, or in lieu thereof, the Board may reduce the number of directors. In accordance with the Company s By-laws, the ten nominees receiving a plurality of votes cast at the meeting will be elected directors, subject to the Director Resignation Policy described below.

An uncontested election of directors is no longer considered a routine item under the New York Stock Exchange rules. As a result, if a shareholder holds shares in street name through a broker or other nominee, the broker or nominee is not permitted to exercise voting discretion with respect to this proposal. For this reason, if a shareholder does not give his or her broker or nominee specific instructions, the shareholder s shares will not be voted on this proposal.

In accordance with the Company s corporate governance guidelines, members of the Board should have the education, business experience, and insight necessary to understand the Company s business. Further, members of the Board should be able to evaluate and oversee its direction and performance for the Company s continued success. The directors should also possess such functional skills, corporate leadership, and international experience as to contribute to the development and expansion of the Board s knowledge and capabilities. Moreover, the directors should have the willingness and ability to objectively and constructively appraise the performance of executive management and, when necessary, recommend appropriate changes. Neither the Board nor the Corporate Governance Committee has a formal policy regarding diversity. However, the Board believes that its membership should reflect diversity in its broadest sense, and, consistent with that philosophy, the Board does consider a candidate s experience, education, geographic location, and difference of viewpoint when evaluating his or her qualifications for election to the Board. Whenever the Corporate Governance Committee evaluates a potential candidate, it considers that individual in the context of the composition of the Board as a whole. Based on the nominee s experience (including international experience), attributes, and skills, which exemplify the sought after characteristics described above, the Board has concluded that each nominee possesses the appropriate qualifications to serve as a director of the Company. All of the following nominees are currently directors of the Company and were elected at last year s Annual Meeting of Shareholders.

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Barry W. Perry, 65, director since 1999

Mr. Perry has been the Lead Director of the Company since May 2011. He was Chief Executive Officer and Chairman of the Board of Engelhard Corporation, a surface and materials science company, for more than five years prior to his retirement in June 2006. Mr. Perry is also currently a director of the Albermarle Corporation and Ashland Inc. Mr. Perry served as a director of Cookson Plc, UK from January 2002 until May 2011.

While he was Chief Executive Officer of Engelhard Corporation, Mr. Perry established his company s vision and strategy, selected key management personnel, and evaluated the risks of participating in various markets. Further, his experience as a director of a number of public multinational companies provides him with the skills to objectively and accurately evaluate the financial performance and corporate strategies of a large company.

Philip K. Asherman, 61, director since 2010

Mr. Asherman has been President and Chief Executive Officer of Chicago Bridge & Iron Company (CB&I) since 2006. He served as an Executive Vice President and Chief Marketing Officer of CB&I from 2001 to 2006 and Managing Director of Chicago Bridge & Iron Company N.V. (CB&I N.V.) from 2002 to 2006. Prior thereto, Mr. Asherman served as the Senior Vice President of Fluor Global Services as well as other executive positions with Fluor Daniel, Inc. and its operating subsidiaries. He has more than 30 years of experience in the engineering and construction industry in a variety of project, operations management, and sales and marketing roles. Mr. Asherman has handled assignments in Asia Pacific, Europe, and South America. He serves as a director of CB&I, CB&I N.V., and the Fletcher School at Tufts University.
Mr. Asherman has been chosen to serve as a director of the Company because of his service as Chief Executive Officer of a multi-national public company, knowledge of international business, and human relations skills.

Gail E. Hamilton, 62, director since 2008

Ms. Hamilton was Executive Vice President of Symantec Corporation, an infrastructure software and services provider, from March 2000 to January 2005. Previously, she served as the General Manager of the Communications Division of Compaq Computer Corporation and as the General Manager of the Telecom Platform Division for Hewlett-Packard Company. She is currently a director of OpenText Corp., Ixia, and Westmoreland Coal Company. In the last five years, Ms. Hamilton has also served as a director of Washington Group International and Surgient, Inc.

Ms. Hamilton has been responsible for designing, manufacturing, and selling electronic systems for over 20 years. While at Symantec, Ms. Hamilton oversaw the operations of the enterprise and consumer business. In that role, she was responsible for budgeting and helped steer the company through an aggressive acquisition strategy. The Board believes Ms. Hamilton s experience at Symantec, a leading software company, makes her particularly valuable in providing guidance to our Enterprise Computing Solutions business with regard to its direction and strategy.

John N. Hanson, 70, director since 1997

Mr. Hanson has been the non-executive Chairman of the Board of Joy Global Inc., a manufacturer of mining equipment for both underground and surface applications, since February

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2007. He was Chairman, Chief Executive Officer, and President of Joy Global Inc. (formerly known as Harnischfeger Industries, Inc.) for more than five years prior thereto. He is Chairman of the American Coal Foundation.

Within the past five years, Mr. Hanson also served as a director of the Milwaukee Symphony Orchestra and the Boys & Girls Clubs of Milwaukee. Immediately upon his appointment in 1999 as Chief Executive Officer of Harnischfeger Industries, Inc., Mr. Hanson provided the required guidance and leadership to bring it through its Chapter 11 bankruptcy reorganization. In so doing, the company became a more efficient, profitable organization. During this process, Mr. Hanson was responsible for leading that company s direction by developing and implementing a long-term strategy and assessing risks and opportunities. Mr. Hanson has run multiple businesses throughout his career, several of which used distribution as their principle sources of products and services. He has served as a director of seven different companies over his career. The Board believes that these skills make Mr. Hanson a valuable member of the Board.

Richard S. Hill, 60, director since 2006

Mr. Hill has been Chief Executive Officer and Chairman of the Board of Novellus Systems, Inc., a maker of devices used in the manufacture of advanced integrated circuits, for more than five years. He is currently a director of LSI Corporation and, until recently, was Chairman of the University of Illinois Foundation. Also, within the past five years, Mr. Hill served as a director of Agere Systems, Inc. and SemiLEDs Corporation.

Mr. Hill has had a broad base of experience as the Chief Executive Officer of Novellus. In that role, Mr. Hill sets the strategy by evaluating market risks to determine the ultimate direction of that company. Novellus is in the business of developing, manufacturing, and selling equipment used in the fabrication of integrated circuits. As a result, Mr. Hill has a thorough understanding of the semiconductor market in which Arrow operates.

M.F. (Fran) Keeth, 65, director since 2004

Mrs. Keeth was Executive Vice President of Royal Dutch Shell plc and Chief Executive Officer and President of Shell Chemicals Limited, a services company responsible for Royal Dutch Shell s global petrochemical businesses, from January 2005 to December 2006. She served as Executive Vice President of Customer Fulfillment and Product Business Units for Shell Chemicals Limited from July 2001 to January 2005 and was President and Chief Executive Officer of Shell Chemical LP, a U.S. petrochemical member of the Royal Dutch/ShellGroup, from July 2001 to July 2006. Mrs. Keeth also serves as a director of Verizon Communications Inc. and Peabody Energy Corporation.

Mrs. Keeth rose to the level of Chief Executive Officer and President of Shell Chemicals Limited. Her knowledge and expertise helped guide the direction, culture, and operational excellence of Shell. Further, during her career Mrs. Keeth has held a number of senior accounting positions, including Principal Accounting Officer and Controller. As a result of such experience and associated expertise, Mrs. Keeth is considered an audit committee financial expert as the term is defined in Item 407(d)(5) of Regulation S-K. In addition to her extensive financial expertise, Mrs. Keeth brings to the Board executive leadership experience as a chief executive officer and a global business perspective from her service as an executive officer of a large multinational company and from her service on other public company boards.

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Andrew C. Kerin, 48, director since 2010

Mr. Kerin was Executive Vice President, Aramark Corporation and Group President, Global Food, Hospitality and Facility Services, Aramark Corporation from June 2009 until March 9, 2012. He served as Executive Vice President, Aramark Corporation and Group President, North America Food, from 2006 to 2009. In 2004, Mr. Kerin was elected as an executive officer of Aramark Corporation as Senior Vice President and served as President, Aramark Healthcare and Education. Prior thereto, starting in 1995, Mr. Kerin served in a number of management roles within Aramark Corporation. Under his leadership were all of Aramark s U.S.-based food, hospitality, and facilities businesses including the management of professional services in healthcare institutions, universities, schools, business locations, entertainment and sports venues, correctional facilities, and hospitality venues.

Mr. Kerin serves on the President s Council of Fordham University and on the City Year, Inc. Board of Trustees. The Board believes that Mr. Kerin s extensive experience in the service industry makes him particularly valuable in providing guidance to the Company as it builds its services businesses.

Michael J. Long, 53, director since 2008

Mr. Long was appointed Chief Executive Officer of Arrow in May 2009 and Chairman of the Board effective January 2010. He was appointed President (and currently holds this position) and Chief Operating Officer of Arrow in February 2008. He served as Senior Vice President of the Company from January 2006 to February 2008, and, prior thereto, he served as Vice President of the Company for more than five years. He was appointed President, Arrow Global Components in September 2006. Mr. Long served as President, North America and Asia/Pacific Components from January 2006 until September 2006; President, North America from May 2005 to December 2005; and President and Chief Operating Officer of Arrow Enterprise Computing Solutions from July 1999 to April 2005. Mr. Long also serves as a Director of AmerisourceBergen Corporation.

As a result of his numerous years in leadership roles at the Company and in the distribution industry, Mr. Long understands the competitive nature of the business, has an in-depth knowledge of the Company, a strong management background, and broad executive experience.

Stephen C. Patrick, 62, director since 2003

Mr. Patrick was appointed Vice Chairman of Colgate-Palmolive Company, a global consumer products company, from January 2011 until his retirement in March 2011. Prior thereto, he served as the Chief Financial Officer of Colgate-Palmolive for approximately 14 years. In his more than 25 years at Colgate-Palmolive he has also held positions as Vice President, Corporate Controller, and Vice President of Finance for Colgate Latin America. Mr. Patrick also serves as a director of Crescent Capital Finance Group, Inc.

Mr. Patrick s experience and education make him an expert in financial matters. As the Chief Financial Officer of a successful public company, Mr. Patrick was responsible for assuring that all day-to-day financial transactions were accurately recorded, processed, and reported in all public filings. All of this requires a thorough understanding of finance, treasury, and risk management functions. Mr. Patrick is considered an audit committee financial expert as the term is defined in Item 407(d)(5) of Regulation S-K. In addition to his extensive financial expertise, Mr. Patrick brings to the Board executive leadership experience as a chief financial officer of a large multinational company.

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John C. Waddell, 74, director since 1969

Mr. Waddell retired as the Chairman of the Board of Arrow in May 1994 and since that time has served as the non-executive Vice Chairman. As one of the Company s founders and a director for more than four decades, Mr. Waddell has an in-depth understanding of the Company and its culture. He is an expert in electronic component distribution and very knowledgeable in the areas of enterprise and midrange computing products and services as well as supply chain solutions.

DIRECTOR RESIGNATION POLICY

In December 2011, the Board adopted a Director Resignation Policy, which provides that, in the event any director nominee does not receive a majority of the votes in an uncontested election in his or her favor, the nominee must tender a letter of resignation to the Board within five days of the certification of the shareholder vote. The Corporate Governance Committee must then consider whether to accept the director s resignation and make a recommendation to the Board as to acceptance or rejection. The Board will then consider the resignation and, within 90 days following the date of the shareholders meeting at which the election occurred, shall publicly disclose its decision. A director whose resignation is under consideration may not participate in any deliberation regarding his or her resignation. To receive a majority of votes in an uncontested election means that the number of votes cast for a nominee s election as a director exceeds the number of votes withheld for that nominee. The Director Resignation Policy can be found at the Corporate Governance link on the investor relations section of the Company s website, www.arrow.com.

THE BOARD AND ITS COMMITTEES

The Board meets in general sessions with the Chairman of the Board presiding, in meetings limited to non-management directors (which are led by the Lead Director), and in various committees. Committee meetings are open to all members of the Board.

Committee memberships and chair assignments are reviewed annually by the Corporate Governance Committee, which makes appointment and chair recommendations to the Board.

The Table below reflects committee memberships for calendar year 2011.

	Audit		**Compensation**		**Corporate Governance**	
	Jan - May	**May - Dec**	**Jan - May**	**May - Dec**	**Jan - May**	**May - Dec**
Barry W. Perry			p			
Philip K. Asherman						
Daniel W. Duval						
Gail E. Hamilton						
John N. Hanson				p		
Richard S. Hill						
M.F. (Fran) Keeth		p				
Andrew C. Kerin						
Roger King						
Michael Long						
Stephen C. Patrick	p					
John C. Waddell					p	p

p **Chair** **Member**

Lead Director

In accordance with the Company s corporate governance guidelines, the Board has determined that Mr. Perry will serve as the Lead Director. The Lead Director chairs Board meetings when the Chairman is not present. He also chairs the sessions of the non-management directors held in connection with each Board meeting. The Lead Director serves as a liaison between the Chairman and the independent non-management directors, and reviews and approves Board agendas and meeting schedules. The Lead Director has the authority to call meetings of the non-management directors.

Chief Executive Officer and Chairman Positions

The Company s Chief Executive Officer currently serves as Chairman of the Board. In his position as Chief Executive Officer, Mr. Long has primary responsibility for the day-to-day operations of the Company and provides consistent leadership on the Company s key strategic objectives. In his role as Chairman, he sets the strategic priorities for the Board, presides over its meetings, and communicates its findings and guidance to management. The Board believes that the combination of these two roles is the most appropriate structure for the Company at this time because: (i) this structure provides more consistent communication and coordination throughout the organization, which results in a more effective and efficient implementation of corporate strategy; (ii) this structure is important in unifying the Company s strategy behind a single vision; (iii) our Chief Executive Officer is the most knowledgeable member of the Board regarding risks the Company may be facing and, in his role as Chairman, is able to facilitate the Board s oversight of such risks; (iv) this structure has a long-standing history of serving our shareholders well, through many economic cycles, business challenges, and succession of multiple leaders; (v) the Company s current corporate governance processes, including those set forth in the various Board committee charters and corporate governance guidelines, preserve and foster independent communication amongst non-management directors as well as independent evaluations of and discussions with the Company s senior management, including the Company s Chief Executive Officer; and (vi) the role of the Lead Director, which fosters better communication among non-management directors, fortifies the Company s corporate governance practices making the separation of the positions of Chairman of the Board and Chief Executive Officer unnecessary at this time.

Committees

Each of the committees of the Board operates under a charter, copies of which are available at the Corporate Governance link on the investor relations section of the Company s website, www.arrow.com. As a matter of practice, beginning in May 2009, the Board determined that a director that acts as a Chair for a committee will not serve as a member of any other committee.

The **Audit Committee** reviews and evaluates Arrow s financial reporting process and other matters including its accounting policies, reporting practices, and internal accounting controls. The Audit Committee also monitors the scope and reviews the results of the audit conducted by Arrow s independent registered public accounting firm. It reviews with the corporate audit department (which reports to the Audit Committee) and management (i) the scope of the annual corporate audit plan; (ii) the results of the audits carried out by the corporate audit department, including its assessments of the adequacy and effectiveness of disclosure controls and procedures and internal control over financial reporting; and (iii) the sufficiency of the department s resources. The Board has determined that Mrs. Keeth and Mr. Patrick are qualified as audit committee financial experts.

The **Compensation Committee** is responsible for developing and reviewing Arrow s executive compensation philosophy. It implements that philosophy through compensation programs and plans designed to further Arrow s strategy, drive long-term profitable growth, and increase shareholder value. The Compensation Committee reviews and approves the corporate goals and objectives relevant to executive compensation and, subject to review and ratification by the other non-management members of the Board, reviews and approves the base salary, annual cash incentives, performance and stock-based awards, and retirement and other benefits for the Chief Executive Officer (in executive session) and the Company s other principal executives. In establishing the foregoing, the Compensation Committee reviews the performance of each of the Named Executive Officers and the Company as a whole.

In 2011, the Compensation Committee directly engaged Pearl Meyer & Partners as a consultant to examine and report exclusively to the Compensation Committee on best practices in the alignment of compensation programs for the Chief Executive Officer and other members of senior management with corporate goals by providing competitive benchmarking data, analyses, and recommendations with regard to plan design and target compensation. Pearl Meyer & Partners does not provide any other services to the Company. Pearl Meyer & Partners services to the Compensation Committee have not raised any conflicts of interests among the Compensation Committee, the Company, and management.

The **Corporate Governance Committee** has primary responsibility for developing the corporate governance guidelines for Arrow, to identify and recommend new candidates for nomination to fill existing or expected director vacancies, and for making recommendations with respect to committee assignments and other governance issues. In addition, the Corporate Governance Committee evaluates the performance of individual Board members and determines if each of them should be recommended for re-election to the Board. The committee annually reviews and makes recommendations to the Board regarding the compensation of non-employee directors.

The Corporate Governance Committee will consider shareholder recommendations of nominees for membership on the Board as well as those recommended by current directors, Company officers, employees, and others. Such recommendations may be submitted to Arrow s Secretary, Peter S. Brown, at Arrow Electronics, Inc., 7459 S. Lima Street, Englewood, CO 80112, who will forward them to the Corporate Governance Committee. Possible candidates suggested by shareholders are evaluated by the Corporate Governance Committee in the same manner as other possible candidates.

The Corporate Governance Committee s initial review of a potential candidate is typically based on any written materials provided to it. In connection with the evaluation of potential nominees, the committee determines whether to interview the nominee, and if warranted, the Corporate Governance Committee, the Chairman of the Board and Chief Executive Officer, the Lead Director, and others as appropriate, interview the potential nominees. The Corporate Governance Committee retains the services of a third-party executive recruitment firm to assist its members in the identification and evaluation of potential nominees for the Board.

The Corporate Governance Committee s expectations as to the specific qualities and skills required for directors including those nominated by shareholders are set forth in Section 4 of Arrow s corporate governance guidelines (available at the Corporate Governance link on the investor relations section of the Company s website, www.arrow.com).

Enterprise Risk Management

The role of the Board is to promote the best interests of the Company and its shareholders by overseeing the management of Arrow s business, assets, and affairs. Management is responsible for the day-to-day management of the risks facing the Company, including timely identification of risk and risk controls related to significant business activities, and developing programs and recommendations to determine the sufficiency of risk identification, the balance of

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potential risk to potential reward, and the appropriate manner in which to control risk. The Board implements its risk oversight responsibilities by having management provide regular briefing and information sessions on the significant risks that the company faces and how the company seeks to control those risks when appropriate. In some cases, risk oversight in specific areas is the responsibility of a Board committee, such as the Audit Committee s oversight of issues related to internal controls over financial reporting and regulatory compliance; the Governance Committee s oversight of the Board s succession planning and governance; and the Compensation Committee s oversight of risks related to compensation programs. Arrow s Chief Executive Officer has the ultimate management authority for enterprise risk management including responsibility for capability development, risk identification and assessment, and for policies, governance, and strategies and actions to address enterprise risk.

Compensation Risk Analysis

The Company believes that its executive compensation program reflects an appropriate mix of compensation elements and balances current and long-term performance objectives, cash and equity compensation, and risks and rewards associated with executive roles. The following features of the Company s executive incentive compensation program illustrate this point:

- Performance goals and objectives reflect a balanced mix of performance measures to avoid excessive weight on a certain goal or performance measure;
- Annual and long-term incentives provide a defined range of payout opportunities (ranging from 25% to 200% of target for annual cash incentives and 25% to 175% for long-term incentives);
- Total direct compensation levels are heavily weighted on long-term, equity-based incentive awards that vest over a number of years;
- Equity incentive awards are granted annually so executives always have unvested awards that could decrease significantly in value if the business is not managed for the long-term;
- The Company has implemented meaningful executive stock ownership guidelines so that the component of an executive s personal wealth that is derived from compensation from the Company is significantly tied to the long-term success of our Company; and
- The Compensation Committee retains discretion to adjust compensation based on the quality of Company and individual performance and adherence to the Company s ethics and compliance programs, among other things.

Based on the above combination of program features, the Company believes that: (i) its executives are encouraged to manage the Company in a prudent manner; and (ii) its incentive programs are not designed in a manner to encourage senior business leaders to take risks that are inconsistent with the Company s best interests.

It is the Company s opinion that the compensation policies and practices for all employees are not reasonably likely to create risks that could have a material adverse effect on the Company. The Company delivers, in the aggregate, most of its compensation in the form of base salary, with smaller portions delivered in the form of cash incentives and long-term incentives. The Company s cash incentive compensation plans, which represent the primary variable component of compensation, have been designed to drive performance of employees working in management, sales, and sales-related roles. These plans are typically tied to achievement of sales/financial goals that include maximums that prevent windfall payouts.

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Independence

The Company s corporate governance guidelines provide that the Board should consist primarily of independent, non-management directors. For a director to be considered independent under the guidelines, the Board must determine that the director does not have any direct or indirect material relationships with the Company and that he or she is not involved in any activity or interest that conflicts with or might appear to conflict with his or her fiduciary duties.

To be deemed independent, a director must also meet the independence standards in the New York Stock Exchange listing rules, which the Board has adopted as its standard. The Company has determined that all non-management directors are independent.

In addition to applying these guidelines, the Board will consider all relevant facts and circumstances in making an independence determination. In making this determination regarding Mr. Hill, the Board considered that Mr. Hill is an independent director of LSI Corporation, a semiconductor manufacturer (for which the Company is an authorized distributor), and Chairman and Chief Executive Officer of Novellus Systems, Inc. In 2011, the Company purchased approximately $115,000,000 of LSI products worldwide, which is 5.6% of LSI s total sales, and 0.6% of Arrow s total purchases. The Board determined that this relationship did not impair Mr. Hill s independence because he is an independent director of LSI, and receives compensation from LSI only in connection with his services as such. With respect to Novellus Systems, Inc., the Board determined that this relationship did not impair Mr. Hill s independence because Novellus purchased approximately $46,000 of product from Arrow in 2011. In addition, with regard to Mr. Kerin, the Company paid approximately $203,000 in 2011 to certain subsidiaries of Aramark Corporation for services rendered. The Board decided that these transactions were not material and that they did not impair Mr. Kerin s independence. Also, Mr. Kerin resigned from Aramark Corporation on March 9, 2012.

Further, the Board has considered the fact that Mr. Waddell was previously a member of upper management and the Chairman of the Board of the Company. However, he retired from employment with the Company eighteen years ago in 1994. Notwithstanding Mr. Waddell s former management role within the Company, the Board has determined that Mr. Waddell is currently independent. Nevertheless, effective on the date of the Annual Meeting of Shareholders and continuing thereafter for so long as he serves on the Board, Mr. Waddell will no longer serve as a member of any committee of the Board.

The Board has determined that all of its directors and nominees, other than Mr. Long, satisfy both the New York Stock Exchange s independence requirements and the Company s guidelines.

As required by the Company s corporate governance guidelines and the New York Stock Exchange s listing rules, all members of the Audit, Compensation, and Corporate Governance Committees are independent, non-management directors and all members of the Audit Committee and Compensation Committee also satisfy additional independence requirements.

Compensation Committee Interlocks and Insider Participation

No member of the Compensation Committee is a present or former employee of the Company, except for Mr. Duval, who served as interim Chief Executive Officer from September 15, 2002 to February 2, 2003. The Board believes, however, that Mr. Duval s interim service did not alter his status as an independent, non-management director under the rules of the New York Stock Exchange nor did it require disclosure as a Compensation Committee interlock. Additionally, no other member of the Compensation Committee is an employee or director of any company where any employee or director of the Company serves on the Compensation Committee that requires disclosure of a Compensation Committee interlock.

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Meetings and Attendance

Consistent with the Company s corporate governance guidelines, it is the practice of the Board for all of its non-management directors to meet separately (without Company management present) following each regularly scheduled Board meeting, with the Lead Director presiding. In 2011, these non-management director meetings totaled five in number.

During 2011, there were seven meetings of the Board, eight meetings of the Audit Committee, five meetings of the Compensation Committee, and four meetings of the Corporate Governance Committee. All of the current directors attended 75% or more of all of the meetings of the Board and the committees on which they served. It is the policy of the Board that all of its members attend the Annual Meeting of Shareholders absent exceptional cause and all members of the Board did so in 2011.

Director Compensation

For the period January 1, 2011 through May 2, 2011, the independent, non-management members of the Board (that is, all members except Mr. Long) received the following fees in cash, on a pro rata basis:

Annual fee	**$ 50,000**
Annual fee for service as committee chair	**$ 10,000**
Additional annual fee for service as compensation or audit committee chair	**$ 5,000**

Each director also received a fee of $2,000 for each meeting attended during the time-frame identified above. Additionally, each director received an annual grant of restricted stock units valued at $90,000 based on the fair market value of Arrow common stock on the date of grant, except for Messrs. Asherman and Kerin who received restricted stock units valued at $33,750 because they joined the Board in December 2010. Based on the closing market price of $45.63 on May 2, 2011, the 2011 grant resulted in 1,972 restricted stock units being awarded to each director, except for Messrs. Asherman and Kerin who each received 740 restricted stock units. For his service as Lead Director until May 2, 2011, Mr. Duval received an additional grant of restricted stock units valued at $30,000 (658 units in 2011, based on the grant-date closing market price of $45.63). These restricted stock units were fully vested on the date of grant. However, the units are not transferable into Arrow common stock, salable or available to be used as collateral until one year after the director leaves the Board, when each vested unit is settled with the issuance of one share of Arrow common stock.

Messrs. Asherman and Kerin also each received restricted stock units valued at $90,000 on February 25, 2011 as a welcome aboard grant. Based on the closing market price of $39.41, each director was awarded 2,284 restricted stock units.

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The Board determined that it was in the Company s best interests to change the non-management director compensation. Therefore, effective May 2, 2011, the non-management director compensation was modified to the following:

Annual fee	**$ 80,000**
Annual fee for service as committee chair	**$ 10,000**
Additional annual fee for service as compensation or audit committee chair	**$ 5,000**

The Board eliminated the fees for attending Board and committee meetings. In addition to the cash fees, each non-employee director will receive an annual grant of restricted stock units valued at $120,000, based on the fair market value of Arrow common stock on the date of grant. Further, the Lead Director receives another annual award of restricted stock units valued at $30,000 in recognition of the additional responsibilities associated with the position.

The following Table shows the total dollar value of compensation received by all non-employee directors in or in respect of 2011.

Non-Employee Director Compensation

Name	Fees Earned ($)	Stock Awards ($)(1)	All Other Compensation ($)	Total ($)
Barry W. Perry	**87,430**	**90,000**	**500**	**177,930**
Philip K. Asherman	**75,930**	**123,750**	**2,212**	**201,892**
Daniel W. Duval	**87,930**	**120,000**	**2,387**	**210,317**
Gail E. Hamilton	**83,930**	**90,000**		**173,930**
John N. Hanson	**92,020**	**90,000**	**716**	**182,736**
Richard S. Hill	**85,930**	**90,000**		**175,930**
M.F. (Fran) Keeth	**96,020**	**90,000**		**186,020**
Andrew C. Kerin	**75,930**	**123,750**	**716**	**200,396**
Roger King	**30,750**	**90,000**		**120,750**
Stephen C. Patrick	**89,430**	**90,000**	**347**	**179,777**
John C. Waddell	**89,930**	**90,000**		**179,930**

(1) Amounts shown under the heading Stock Awards reflect the grant date fair values of the restricted stock units granted to each director during 2011 computed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718, *Compensation Stock Compensation.*

The Company no longer uses stock options as a part of the compensation of non-management directors. The following Table reflects the number of unexercised options held by each non-management director as of December 31, 2011. Because the restricted stock unit grants are fully vested, they are not shown on this Table. The dollar values of the 2011 restricted stock unit grants are shown under the heading Stock Awards on the Table above.

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Outstanding Equity Awards at Fiscal Year-End
Option Awards

Name	Number of Securities Underlying Unexercised Options (#)(1)	Option Exercise Price ($)(2)	Option Expiration Date (2)
Barry W. Perry	4,000	16.51	5/23/2013
Philip K. Asherman			
Daniel W. Duval	4,000	26.23	5/23/2012
	4,000	16.51	5/23/2013
Gail E. Hamilton			
John N. Hanson	4,000	26.23	5/23/2012
	4,000	16.51	5/23/2013
Richard S. Hill			
M.F. (Fran) Keeth			
Andrew C. Kerin			
Stephen C. Patrick	15,000	17.27	7/16/2013
John C. Waddell	4,000	16.51	5/23/2013

(1) This column shows the number of shares underlying outstanding stock options for each stock option grant to each non-employee director.

(2) These columns reflect the exercise price and expiration date, respectively, for all of the stock options under each award. Each option was granted ten years prior to its expiration date. All of the awards vested in two equal amounts on the first and second anniversaries of the grant date and have an exercise price equal to the closing market price of the common stock on the grant date.

Under the terms of the Non-Employee Director Deferred Compensation Plan, non-employee directors may defer the payment of all or a portion of their annual retainers and meeting fees until the end of their service on the Board. Unless a different amount is chosen by the director, 50% of the director s annual retainer fee is automatically deferred and converted to units of Arrow common stock. Other amounts that are deferred may be invested for the benefit of the director, or should a director so choose, be converted into the stock units. The units held by each director are included under the heading Common Stock Units in the Shares of Common Stock Beneficially Owned Table. The amounts deferred by each director for 2011, to the extent there are any, are included under the heading Fees Earned on the Non-Employee Director Compensation Table. For deferrals made prior to 2008 and those made during 2009, the deferral will be paid upon termination of Board service. For deferrals during 2008, payments will be made thirty days after the director s service ends for those 72 or older at the time of resignation, and for those less than 72, one year after termination of service on the Board. For deferrals during 2010 and later, payment will be made on the one-year anniversary after termination of service.

Stock Ownership by Directors

The Board recognizes that stock ownership by its directors may strengthen their commitment to the long-term future of the Company and further align their interests with those of the shareholders generally. As a result, the corporate governance guidelines specifically state that directors are expected over time to own beneficial shares of the Company s common stock having a value of at least three times their annual retainer (including shares owned outright and restricted stock units and common stock units in a deferred compensation account). All directors are in compliance with this requirement.

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AUDIT COMMITTEE REPORT

The Audit Committee represents and assists the Board by overseeing the Company s financial statements and internal controls; the independent registered public accounting firm s qualifications and independence; and the performance of the Company s corporate audit function and of its independent registered public accounting firm.

The Audit Committee currently consists of five directors, all of whom are independent in accordance with New York Stock Exchange listing standards and other applicable regulations. The Board has determined that Mrs. Keeth and Mr. Patrick are audit committee financial experts as defined by the SEC.

Company management has the primary responsibility for the preparation of the financial statements and for the reporting process, including the establishment and maintenance of Arrow s system of internal control over financial reporting. The Company s independent registered public accounting firm is responsible for auditing the financial statements prepared by management, expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, and auditing the Company s internal control over financial reporting.

In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed with both management and the independent registered public accounting firm the Company s quarterly earnings releases, Quarterly Reports on Form 10-Q, and the 2011 Annual Report on Form 10-K. Such reviews included a discussion of critical or significant accounting policies, the reasonableness of significant judgments, the quality (not just the acceptability) of the accounting principles, the reasonableness and clarity of the financial statement disclosures, and such other matters as the independent registered public accounting firm is required to review with the Audit Committee under the standards promulgated by the Public Company Accounting Oversight Board. Also discussed with both management and the Company s independent registered public accounting firm were the design and efficacy of the Company s internal control over financial reporting.

In addition, the Audit Committee received from and discussed with representatives of the Company s independent registered public accounting firm the written disclosure and the letter required by the applicable requirements of the Public Company Accounting Oversight Board (regarding the independent registered public accounting firm s communications with the Audit Committee concerning independence) and considered the compatibility of non-audit services rendered to Arrow with the independence of the Company s independent registered public accounting firm. The Audit Committee also discussed with the independent registered public accounting firm the matters required to be discussed by the Statement on Auditing Standards No. 61, as amended, and as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

The Audit Committee also discussed with the independent registered public accounting firm and Arrow s corporate audit group the overall scope and plans for their respective audits. The Audit Committee periodically met with the independent registered public accounting firm, with and without management present, to discuss the results of their examinations, their evaluations of Arrow s internal controls, and the overall quality of Arrow s financial reporting.

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In reliance on these reviews and discussions, the Audit Committee recommended to the Board that the audited financial statements be included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2011 for filing with the SEC.

M.F. (Fran) Keeth, Chair

Daniel W. Duval

Gail E. Hamilton

Stephen C. Patrick

Barry W. Perry

PRINCIPAL ACCOUNTING FIRM FEES

The aggregate fees billed by Arrow s principal accounting firm, Ernst & Young LLP, for auditing the annual financial statements and the Company s internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002, as amended, and related regulations included in the Annual Report on Form 10-K, the reviews of the quarterly financial statements included in the Quarterly Reports on Form 10-Q, statutory audits, assistance with and review of documents filed with the SEC, and consultations on certain accounting and reporting matters for each of the last two fiscal years are set forth as Audit Fees in the Table below.

Also set forth for the last two fiscal years are audit-related fees. Such fees are for services rendered in connection with business acquisitions, employee benefit plan audits, and other accounting consultations. Tax fees relate to assistance in tax return preparation and tax audits, and tax interpretation and compliance, in various tax jurisdictions around the world. Ernst & Young LLP did not provide any services to the Company related to financial information systems design or implementation, or provide any personal tax work or other services for any of the Company s executive officers or members of the Board.

	2011	2010
Audit Fees	**$ 6,526,936**	**$ 6,876,382**
Audit-Related Fees	**576,313**	**590,349**
Tax Return and Compliance Fees	**298,034**	**436,216**
Other Tax Related Fees	**994,564**	**952,016**
Total	**$ 8,395,847**	**$ 8,854,963**

The amounts in the Table above do not include fees charged by Ernst & Young LLP to Marubun/Arrow, a joint venture between the Company and the Marubun Corporation, which totaled $275,602 (audit-related fees) and $2,041 (tax-related fees) in 2011 and $247,525 (audit-related fees) and $1,879 (tax-related fees) in 2010.

Consistent with the Audit Committee charter, audit, audit-related, tax return and compliance, and other tax related services were approved by the Audit Committee, or by a designated member thereof. The Audit Committee has determined that the provision of the non-audit services described above is compatible with maintaining Ernst & Young LLP s independence.

PROPOSAL 2: RATIFICATION OF APPOINTMENT OF AUDITORS

Shareholders are asked to ratify the appointment of Ernst & Young LLP as Arrow s independent registered public accounting firm for the fiscal year ending December 31, 2012. Arrow expects that representatives of Ernst & Young LLP will be present at the meeting with the opportunity to make a statement if they desire to do so and that they will be available to answer appropriate inquiries raised at the meeting.

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The Board recommends that the shareholders vote FOR the ratification of the appointment of Ernst & Young LLP.

PROPOSAL 3: ADVISORY VOTE ON EXECUTIVE COMPENSATION

Last year, our shareholders had the opportunity to advise the Board of Directors as to whether the Company should conduct an advisory vote with respect to its executive compensation every one, two, or three years. The shareholders voted in favor of an annual advisory vote. In light of that result, the Board of Directors decided that the Company will hold an advisory say-on-pay vote each year in connection with its annual meeting of stockholders, until the next vote on the frequency of stockholder votes on the compensation of executives or until the Board of Directors otherwise determines that a different frequency for such advisory votes is in the best interests of the shareholders. The next required advisory vote on the frequency will occur no later than 2017.

Shareholders have an opportunity to cast an advisory vote on compensation of the Named Executive Officers. This proposal, commonly known as say-on-pay, gives shareholders the opportunity to approve, reject, or abstain from voting with respect to our executive compensation programs and policies and the compensation paid to the Named Executive Officers.

The Company is requesting shareholder approval of the compensation of our Named Executive Officers as disclosed in this proxy statement. Proposal 3 requires the affirmative vote of a majority of votes cast at the Annual Meeting of Shareholders. For purposes of determining the number of votes cast with respect to this Proposal 3, only those votes cast FOR or AGAINST are included. Abstentions and broker non-votes are counted only for purposes of determining whether a quorum is present at the Annual Meeting of Shareholders. As required by the Dodd-Frank Act, this is an advisory vote, which means that this proposal is not binding on the Company. The Compensation Committee, however, values the opinions expressed by our shareholders and will carefully consider the outcome of the vote when making future compensation decisions for our Named Executive Officers.

The Company asks that you review in detail the disclosure contained in this Proxy Statement regarding compensation of the Company s Named Executive Officers (including the Company s Compensation Discussion and Analysis, the compensation tables, and the narrative disclosures that accompany such compensation tables) and indicate your support for the compensation of the Company s Named Executive Officers that are described in this Proxy Statement.

The Board recommends that the shareholders vote FOR the approval of the compensation of the Company s Named Executive Officers as disclosed in this Proxy Statement pursuant to Item 402 of Regulation S-K (including in the Compensation Discussion and Analysis section, or CD&A, compensation tables and accompanying narrative disclosures).

Based on the foregoing, and as a matter of good corporate governance, the Board is asking shareholders to approve the following advisory resolution at the 2012 Annual Meeting:

RESOLVED that the shareholders of the Company approve, on an advisory basis, the compensation of the Company s Named Executive Officers disclosed in the Compensation Discussion and Analysis, the Summary Compensation Table and the related compensation tables, notes, and narrative in the Proxy Statement for the Company s 2012 Annual Meeting of Shareholders.

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REPORT OF THE COMPENSATION COMMITTEE

The substantive discussion of the material elements of all of the Company s executive compensation programs and the determinations by the Compensation Committee with respect to compensation and executive performance for 2011 are contained in the Compensation Discussion and Analysis that follows below. The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with the management representatives responsible for its preparation and the Compensation Committee s compensation consultants. In reliance on these reviews and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in the Definitive Proxy Statement on Schedule 14A for Arrow s 2012 Annual Meeting of Shareholders for filing with the SEC and be incorporated by reference in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

John N. Hanson, Chair

Philip K. Asherman

Daniel W. Duval

Richard S. Hill

Barry W. Perry

COMPENSATION DISCUSSION AND ANALYSIS

Executive Summary

Introduction

The Company s philosophy regarding executive compensation is to reward its executives for their contribution to the Company s performance and shareholder value by tying a significant portion of their total compensation directly to the Company s short- and long-term performance. The elements of the executives total compensation are base salary, annual cash incentive awards, long-term incentive awards, and retirement and other employee benefits. The Company designed a compensation program that makes a substantial percentage of executive pay variable, subject to increase when Company performance exceeds targeted levels and reduction when Company performance targets are not achieved.

Say-On-Pay Feedback from Shareholders

In 2011, the executive compensation program was submitted to an advisory vote of the shareholders and it received the support of approximately 90% of the total votes cast at the Annual Meeting of Shareholders. While the Compensation Committee had already approved the executive compensation program for 2011 by the time of the say-on-pay vote in May 2011, the Committee has and will continue to carefully consider any shareholder feedback in its executive compensation decisions. In fact, based on shareholder feedback, the Board of Directors decided to hold an annual say-on-pay vote.

Pay-for-Performance

A significant portion of the total compensation of the Named Executive Officers is directly linked to Company performance in the form of incentive awards of cash and equity. The Company believes this provides its executives an opportunity to earn above average compensation if the Company delivers superior results. In fiscal 2011, 76% of the Named Executive Officers compensation was variable and tied to corporate performance, measured by earnings per share (EPS).

Equity awards. One way the Company links pay and performance is to grant a significant amount of the executives compensation in the form of equity awards, the primary value of which is directly tied to the Company s stock price performance. In 2011, 57% of the average total compensation of the Named Executive Officers was in the form of equity.

Annual cash incentive awards. The Company also links a significant portion of the executives annual cash incentive compensation to Company performance, measured mainly by EPS and, to a lesser extent, achievement of other individual performance and team goals. This provides the Company with the flexibility of using a variable expense structure, allowing it to reduce compensation costs in challenging times and reward performance when business conditions and results warrant. In 2011, 70% of the Named Executive Officer s annual cash incentive compensation was tied to EPS.

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Compensation Program Highlights

For fiscal 2011, the Company believes its compensation programs delivered payments commensurate with its performance. Below are the highlights of the executive compensation program:

- Elements of the Compensation Program. The Company has designed the executive compensation program to be largely performance-based. As further described in Elements of Total Compensation, the executives compensation consists primarily of base salary, short-term cash incentive awards, and long-term equity incentive awards.
  - *Base Salary.* In fiscal 2011, there were modest salary increases for Messrs. Reilly, Bryant, and Kong, while Mr. Long received a salary increase of 12.5%. These increases were intended to keep salaries competitive and consistent with the Company s compensation philosophy.
  - *Annual Cash Incentive Awards.* EPS, supplier market share expansion, and individual performance and team goals, are the key metrics for the Named Executive Officers annual cash incentive awards. For 2011, the Company s performance with respect to EPS, supplier market share expansion, and individual performance and team goals was 126.9%, 111.0%, and 100.0%, respectively, and therefore resulted in the payment of annual cash incentive awards above target levels for the Named Executive Officers.
  - *Long-Term Incentive Plan (LTIP).* Long-term incentive compensation continues to make up the majority of the compensation for each of the Named Executive Officers, comprised of equity awards which have value that is closely linked to the Company s EPS growth relative to its peers. In 2011, the Named Executive Officers were awarded long-term incentives in a mixture of 50% performance stock units, 25% restricted stock units, and 25% stock options.
- Pay and Governance Practices. The Company uses pay practices that are consistent with a pay-for-performance compensation philosophy. For example, the Company does not provide extensive perquisites to executives or provide tax gross-ups. There are no guaranteed salary increases or non-performance-based bonuses and the Company has stock ownership guidelines for its executives. The Company analyzes the impact of risk in its compensation program to ascertain that it does not encourage excessive risk-taking on the part of senior executives. While the Named Executive Officers participate in a Supplemental Executive Retirement Program (SERP), such program is part of a legacy plan that has been in existence since 1990. This plan covers a very limited number of executives and is intended to strengthen retention.

2011 Results

In light of the Company s strong financial performance in 2011, the Compensation Committee awarded cash incentives to the Named Executive Officers in alignment with the achieved performance.

- The Named Executive Officers attained an achievement percentage of 126.9% with respect to their Arrow EPS metric, which accounts for 70% of their annual performance metrics;
- They attained an achievement percentage of 111.0% with respect to their Supplier Market Share Expansion, which accounts for 15% of their annual performance metrics; and
- With respect to individual performance and team goals, the Named Executive Officers attained 100.0%. This accounts for 15% of their annual performance metrics.

The details of the foregoing are described under the heading Annual Cash Incentives.

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Overview

As a large, global provider of technology solutions operating in a highly competitive market, the Company views its people as critical assets and a key driver of its success. As discussed more fully below, the Company s executive compensation program, under the direction of the Compensation Committee, is designed to motivate, attract, and retain talented executives who are capable of successfully leading the Company s complex global operations and creating long-term shareholder value. The program is structured to support Arrow s strategic goals and reinforce high performance with a clear emphasis on accountability and performance-based pay for achievement of stated goals. Following is a detailed discussion of the Company s executive compensation program and how it is applied to the Named Executive Officers listed in the Summary Compensation Table of this Proxy Statement.

Executive Compensation Objectives

Arrow s executive compensation program is designed to:

- Drive performance in support of the business strategy;
- Attract and retain strong talent;
- Vary pay based on Company and individual performance; and
- Align the interests of executives with those of long-term shareholders.

The use of compensation to drive and reward performance is reflected in Arrow s emphasis on performance-based compensation, while the importance of alignment with shareholder interests in long-term value creation is reflected in the equity-based components of the total compensation mix. Arrow s pay-for-performance focus is evident in the substantially greater weight given to performance-based compensation versus fixed compensation.

Total Compensation Process

The Compensation Committee reviews the target total compensation of the Named Executive Officers, including base salaries, target annual cash incentives, target long-term incentives, retirement benefits, severance arrangements, and all other benefits and perquisites to ensure that all of its elements are appropriate based on historical practices, market conditions, competitive benchmarking data, and the furtherance of the Company s strategic objectives. The Compensation Committee also reviews the historical detail of each executive s prior year compensation and performance.

The Compensation Committee considers performance reviews prepared by the Chief Executive Officer for his direct reports and conducts its own performance review of the Chief Executive Officer. The Compensation Committee reviews the Company s performance on the metrics relevant to the execution of its strategy and evaluates the Chief Executive Officer s performance in light of that execution. For Named Executive Officers other than the Chief Executive Officer, the Compensation Committee s review includes input provided to the Compensation Committee by the Chief Executive Officer, but all decisions regarding Named Executive Officer pay are ultimately made by the Compensation Committee.

Compensation Committee meetings are regularly attended by the Company s Chief Executive Officer, the General Counsel (who also serves as secretary), the Senior Vice President of Global Human Resources, the Chief Financial Officer, and the Vice President Global Total Rewards & HR Services. Each of the management attendees provides the Compensation Committee with his or her specific expertise and the business and financial context necessary to

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understand and properly target financial and performance metrics. None of the members of management are present during the Compensation Committee s deliberations regarding their compensation. However, the Compensation Committee does include its independent compensation consultant, Pearl Meyer & Partners, in those discussions.

Additionally, Pearl Meyer & Partners provides the Compensation Committee with competitive data regarding market compensation levels at the 25^{th}, 50^{th}, and 75^{th} percentiles for total compensation and each major element of pay. The Compensation Committee also considers the compensation of other Company executives, levels of responsibility, prior experience, breadth of knowledge, and job performance in reviewing target total compensation levels.

Competitive Benchmarking and Use of Consultants

The Compensation Committee has selected and engaged Pearl Meyer & Partners as its independent compensation consultant to provide it with expertise on various compensation matters, including competitive practices, market trends, and specific program design. Pearl Meyer & Partners reports directly to the Compensation Committee and does not provide any other services to the Company or its management. Pearl Meyer & Partners services to the Compensation Committee have not raised any conflicts of interests between the Compensation Committee, the Company, and management.

To ensure that executive compensation plans and levels are appropriate and competitive, the Compensation Committee reviews analyses on peer company practices at various times throughout the year. Information on total compensation levels is considered in the context of peer performance analyses in order to effectively link compensation to absolute and relative performance. Through this process, and with input from its independent compensation consultants and management, the Compensation Committee determines appropriate benchmarking targets each year. The Compensation Committee concluded that generally targeting total direct compensation (the sum of base salary, annual cash incentives, and long-term incentives) at the market 50^{th} percentile is appropriate. For the purpose of Arrow s annual competitive benchmarking study, market data consists of an equal blending of data from industry/size relevant executive compensation surveys and the Company s 2011 peer group. Pearl Meyer & Partners used several surveys to benchmark pay levels: 2011 Mercer US Top Executive Survey; 2010/2011 Towers Watson Top Management Survey; and 2011 Pearl Meyer & Partners CHiPs Executive & Senior Management Total Compensation Survey.

The Compensation Committee evaluates the appropriateness of each Named Executive Officer s compensation as positioned against the market 50^{th} percentile based on factors that include Company and business unit performance, job scope, and individual performance. To the extent the Compensation Committee deems that the compensation level associated with a Named Executive Officer s position versus the market is not aligned on the relevant factors, the Compensation Committee may choose to modify one or more of the compensation components.

The Compensation Committee, together with its independent compensation consultant and management, annually reviews and approves the peer companies used for benchmarking to ensure they continue to meet its objectives. For 2011, the Compensation Committee reviewed analyses of compensation paid by companies in the Company s peer group from a benchmark study prepared by Pearl Meyer & Partners. At the Compensation Committee s request, Pearl Meyer & Partners conducted a comprehensive review of the peer group used in 2010, and no changes were made.

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The peer group companies reflect a combination of direct and broader industry peers. The companies used for 2011 compensation benchmarking consisted of the following (Peer Group):

Anixter International Inc.

Avnet, Inc.

Celestica Inc.

Flextronics International Ltd.

Ingram Micro Inc.

Jabil Circuit, Inc.

Tech Data Corporation

WESCO International, Inc.

The Compensation Committee also reviews other benchmarking data from time to time. This data can cover a variety of areas such as equity vesting practices, the prevalence of performance metrics among peer companies, types of equity vehicles used by peer companies, severance practices, equity burn rates, and any other market data the Committee needs to consider when evaluating the Company s executive compensation program.

Elements of Total Compensation

The following summarizes the compensation elements used to reward, motivate, and retain Arrow s executives.

Base Salary

To attract the necessary executive talent and maintain a stable executive team, the Compensation Committee generally targets executive officer base salaries for seasoned executives at approximately the 50^{th} percentile paid for similar jobs at companies in Arrow s Peer Group. The 50^{th} percentile includes data from Arrow s Peer Group and from compensation surveys used to develop competitive pay data. Decisions regarding base salaries are made annually based on a number of factors, including:

Individual performance;

Company or business unit performance;

Job responsibilities;

Peer benchmarking data; and

Internal budget guidelines.

For Named Executive Officers other than the Chief Executive Officer, the Compensation Committee, in consultation with its independent compensation consultants, reviews base salary recommendations provided by the Chief Executive Officer. The Compensation Committee then makes a final determination of base salaries for the Named Executive Officers. The Chief Executive Officer s base salary is determined by the Compensation Committee in executive session based on its evaluation of his individual performance, the Company s performance, and relevant peer benchmarking data. Additionally, as discussed under the heading Employment Agreements, each of the Named Executive Officers, including the Chief Executive Officer, has an employment agreement, which provides for a minimum base salary.

The Compensation Committee met in February 2011 to conduct its annual review of base salaries for Arrow s Named Executive Officers. The Compensation Committee awarded a 12.5% base salary increase to Mr. Long in order to keep his salary in line with market rate and in recognition of his successful guidance and implementation of the Company strategy. In recognition of their performance and to keep their salaries in line with market rate, the base salaries were increased for Messrs. Reilly, Kong, and Bryant, by 4.5%, 5.0%, and 5.9%, respectively. Base salary for Mr. Brown was not changed.

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Performance-Based Compensation

Annual performance-based cash incentives and equity-based long-term incentives play a significant role in executives overall compensation. They are essential to linking pay to performance, aligning compensation with organizational strategies and financial goals, and rewarding executives for the creation of shareholder value. All of the Named Executive Officers participate in each of the following programs.

The following chart reflects the weighted average distribution of the elements of the Named Executive Officers target compensation as a group, based on grant date values. The chart shows that, excluding SERP accumulations, 76% of the Company s Named Executive Officers target compensation was performance-based, including 57% delivered in the form of Arrow equity. Tying pay to the Company s and the individual s performance reflects the Compensation Committee s emphasis on at-risk compensation and accountability in support of the Company s strategic initiatives. The Compensation Committee has weighted the pay components to establish a total compensation package that effectively motivates the Company s leaders to drive superior performance in a manner that benefits the interests of shareholders but does not encourage excessive risk taking. Each form of performance-based compensation is discussed below.

Annual Cash Incentives

Arrow s annual cash incentives are designed to reward individuals for performance against pre-established targets that are set by the Compensation Committee at the beginning of the year. Each of the Company s Named Executive Officers is assigned an annual cash incentive target. Annual cash incentive targets are established based on market compensation analysis in the context of targeting total direct compensation at the 50th percentile.

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In order to provide consistency among management levels, the annual cash incentive for each of the Named Executive Officers follows the structure of the Company s Management Incentive Compensation Plan (MICP). The MICP is based on a combination of financial and non-financial goals, which are weighted 70% and 30%, respectively. Of the 70% financial component, executives can earn from 0% if performance falls below the pre-established threshold up to 200% of their targeted annual cash incentives for performance at or above the maximum levels. For 2011, the financial component was comprised of one performance metric, EPS, for all Named Executive Officers. The Compensation Committee selected EPS to reinforce the Company s overall profit objectives, based on the rationale that EPS is a primary driver of shareholder value.

Executives can also earn between 0% and 200% of the 30% non-financial component of MICP based on the Compensation Committee s evaluation of each individual s performance against his pre-established non-financial goals. The non-financial goals may be strategic or tactical, but all are designed to be specific and measurable and to further the objectives of the Company. For 2011, the non-financial component of MICP was based on market share expansion and on individual performance and team goals focused on: implementation of the Company strategy of expanding the value-added services models; acquisition integration; development of executive talent to address short- and long-term needs of the Company; and execution of the Company s enterprise resource planning initiative to plan.

The 2011 annual cash incentive metrics and results against those metrics for the Named Executive Officers are set forth in the following Table:

Performance Metric	**Performance Range**	**Achievement Percentage**	**Weighting**	**Weighted Achievement %**
Arrow Earnings Per Share	$3.57 - $5.95**	126.9%	70%	88.8%
Arrow Profitable Supplier Market Share Expansion	0%-2.0%	111.0%	15%	16.7%
Individual Performance and Team Goals	0%-200%	100.0%	15%	15.0%
TOTAL			**100%**	**120.5**

** Achievement of each performance metric at the midpoint of the performance range would result in a payout of 100% of the target opportunity for such metric and all other payments are interpolated based on the applicable performance range. For example, with respect to the EPS metric, if EPS equals $4.76, the resulting payout would be 100% of the target opportunity and achievement below $3.57 and above $5.95 would result in payouts of 0% and 200%, respectively.

For Mr. Long, the Compensation Committee applied the same basic methodology described above, including the same 70% financial component based on the above EPS performance range, and as stated in the table above he attained 126.9% achievement on his financial goal. The Compensation Committee tied the 30% non-financial component for Mr. Long s annual cash incentive to individual contributions made relative to strategic business imperatives of the organization. Based on the Compensation Committee s assessment of Mr. Long s successful performance on his non-financial objectives, it awarded him 111.0% on his supplier market share expansion goal and 100.0% on his other individual performance and team goals. This resulted in a total weighted achievement percentage of 120.5% for Mr. Long. In the exercise of its negative

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discretion, the Compensation Committee awarded an annual cash incentive of $1,200,000 to Mr. Long. The performance goals details under Section 162(m) requirements are discussed under the heading Tax and Accounting Considerations.

Long-Term Incentives

The Company s LTIP is designed to promote a balanced focus on driving performance, retaining talent, and aligning the interests of the Company s executives (including the Named Executive Officers) with those of its shareholders. Under the LTIP structure described below, awards are expressed in dollars and normally granted annually. The program includes a mix of performance stock units, restricted stock units, and stock options. The following is an overview of the long-term incentive program components.

LONG-TERM INCENTIVE PLAN STRUCTURE FOR 2011 GRANTS

Equity-Based Long-Term Instrument	Target Weighting as a % of Long-Term Award	Purpose	Award Terms
Performance Stock Units (PSUs)	50%	Rewards for three-year EPS growth relative to eight Arrow peer companies, as adjusted for Arrow s three-year return on invested capital Align long-term interests with those of shareholders Further supports pay for performance awards earned are directly related to relative performance	The number of PSUs earned (from 0% to 175% of target number of PSUs granted) are based on the Company s performance over a three-year period Vesting is contingent upon the Company achieving 2011 net income, as adjusted, greater than zero PSUs are paid out in shares of Arrow stock at the end of the three-year vesting term
Restricted Stock Units (RSUs)	25%	Align long-term interests with those of shareholders Award value is directly related to the performance of the Company s stock Aids in the retention of our Named Executive Officers	Vest in four equal annual installments beginning on first anniversary of grant. Vesting is contingent upon the Company achieving 2011 net income, as adjusted, greater than zero RSU s are paid out in shares of Arrow stock when vested
Stock Options	25%	Rewards for stock price appreciation	Vest in four equal annual installments beginning on first anniversary of grant

	Exercise price is equal to 100% of closing price on grant date
	Options expire ten years from grant date

The Compensation Committee makes LTIP award decisions for executives based on input from the Chief Executive Officer (other than for himself), prior grant history, the Compensation Committee s own assessment of each executive s contribution, potential contribution, performance during the prior year, peer compensation benchmarking analysis, and the long-term incentive award practices of the peer companies discussed above.

The Compensation Committee also evaluates the Chief Executive Officer s performance in light of the factors discussed above to determine his annual long-term incentive award. That award and those for the other Named Executive Officers are as set forth below. For more detail, including the expense to the Company associated with each grant, see the Grants of Plan-Based Awards Table.

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It is the practice of the Compensation Committee to make annual equity grants at the first regularly scheduled Board meeting of the calendar year. Hiring and promotion grants are made at the next regularly scheduled meeting of the Board that follows such an event, and in instances where retention awards are advisable, grants are made at the appropriate meeting. All stock option grants are made with exercise prices equal to the value of the Company stock on the grant date to ensure participants derive value only as shareholders realize corresponding gains over an extended time period. None of the options granted by the Company, as discussed throughout this Proxy Statement, have been repriced, replaced, or modified in any way since the time of the original grant. The Company s burn rate of 1.92% of weighted average basic common shares outstanding reflects its active management of equity shares used under its long-term incentive plan.

Performance Stock Units (PSUs). The 2011 PSU awards, representing 50% of the total LTIP award value, are tied to Arrow s three-year EPS growth as compared to the EPS growth of Arrow s Peer Group and adjusted for Arrow s three-year average return on invested capital (ROIC) in excess of its three-year weighted average cost of capital (WACC). The Compensation Committee chose EPS and ROIC as performance metrics in order to reward participants for successfully balancing profit maximization and the efficient use of capital, both key drivers in creating shareholder value. Provided the Company achieves a net income, as adjusted, of greater than zero, participants may earn from 0% to 175% of their targeted PSUs based on the matrix below, and subject to the individual s continued employment as of the applicable vesting date.

3-Year ROIC-WACC	PAYOUT AS % OF TARGET								
3.0% or more	**0%**	**35%**	**75%**	**105%**	**115%**	**125%**	**135%**	**155%**	**175%**
2.0% to 2.9%	**0%**	**30%**	**70%**	**100%**	**110%**	**120%**	**130%**	**150%**	**170%**
0.6% to 1.9%	**0%**	**25%**	**65%**	**95%**	**105%**	**115%**	**125%**	**145%**	**165%**
0.5% to -0.5%	**0%**	**0%**	**60%**	**90%**	**100%**	**110%**	**120%**	**140%**	**160%**
-0.6% to -1.9%	**0%**	**0%**	**55%**	**85%**	**95%**	**105%**	**115%**	**135%**	**155%**
-2.0% to -2.9%	**0%**	**0%**	**50%**	**80%**	**90%**	**100%**	**110%**	**130%**	**150%**
-3.0% or less	**0%**	**0%**	**45%**	**75%**	**85%**	**95%**	**105%**	**125%**	**145%**
	9	**8**	**7**	**6**	**5**	**4**	**3**	**2**	**1**
	3-Year EPS % Change Ranking vs. Peer Companies								

Restricted Stock Units (RSUs). Grants of RSUs represent 25% of the LTIP value and vest in 25% increments on each of the first four anniversaries of the date of grant contingent upon the Company achieving net income, as adjusted, greater than zero and subject to the individual s continued employment as of the applicable vesting date. RSUs are intended to provide the Named Executive Officers with the economic equivalent of a direct ownership interest in the Company during the vesting period and provide the Company with significant retention security regardless of post-grant share price volatility.

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Stock Options. Stock option grants also represent 25% of the LTIP value and vest in 25% increments on each of the first four anniversaries of the date of grant, subject to the individual s continued employment as of the applicable vesting date. The Company grants stock options to provide Named Executive Officers with a strong incentive to drive long-term stock appreciation for the benefit of the Company s shareholders. Each stock option allows the holder to acquire shares of the Company at a fixed exercise price (fair market value on grant date) over a ten-year term, providing value only to the extent that the Company s share price appreciates over that period.

2011 LTIP Awards. The 2011 long-term incentive awards are listed in the following Table.

	Performance Stock Units Awarded	Restricted Stock Units Awarded	Stock Options Awarded
Michael J. Long	40,062	20,032	52,632
Paul J. Reilly	19,384	9,693	25,468
Peter S. Brown	10,661	5,331	14,007
Peter T. Kong	11,953	5,977	15,705
Andrew S. Bryant	10,338	5,170	13,583

Retirement Programs and Other Benefits

In keeping with its total compensation philosophy and in light of the need to provide a total compensation and benefit package that is competitive within the industry, the Compensation Committee believes that the retirement and other benefit programs discussed below are critical elements of the compensation package made available to the Company s executives.

Qualified Plans

The Named Executive Officers participate in the Arrow 401(k) Savings Plan and the ESOP, qualified plans available to all of Arrow s U.S. employees. Company contributions to these plans on behalf of the Named Executive Officers are included under the heading All Other Compensation in the Summary Compensation Table and specified under the headings ESOP and 401(k) Company Contribution on the All Other Compensation Detail Table.

Supplemental Executive Retirement Plan

The Company maintains the Arrow Electronics, Inc. SERP, an unfunded retirement plan in which, as of December 31, 2011, ten current executives selected by the Board participate. All of the Named Executive Officers participate in the SERP, the details of which are discussed under the heading SERP .

Management Life Insurance Plan

All of the Named Executive Officers participate in Arrow s Management Life Insurance Plan. In the event of the death of the executive, the Company provides a life insurance benefit to the executive s named beneficiary equal to four times the executive s final total annual cash compensation. The benefit ends with separation of service.

Current death benefits for each executive are set forth on the Potential Payouts Upon Termination Table. Premiums paid by the Company on behalf of each executive are included under the heading All Other Compensation in the Summary Compensation Table and specified under the heading Management Insurance Plan on the All Other Compensation Detail Table.

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Employment and Change of Control Agreements

Employment agreements for senior management are used by the Company to establish key elements of the agreement between the Company and the executive, including the promised minimum periods of employment and the fundamental elements of compensation, as well as the details of the individual arrangement which differ from the Company s standard plans and programs. The agreements also facilitate the creation of covenants, such as those prohibiting post-employment competition or hiring by executives or limitations on the reasons for which an executive may be terminated without compensation, which would not otherwise be part of the employment relationship.

Arrow has entered into employment and change of control agreements with each of the Named Executive Officers that are discussed in the section entitled Agreements and Potential Payments upon Termination or Change of Control. Also detailed in that section are the potential payouts for each of the officers under the variety of potential termination scenarios covered by the agreements. Those potential payouts are part of the total compensation package for each executive reviewed by the Compensation Committee each year.

None of the employment agreements or change of control agreements include tax gross-up provisions of any kind. The Company did not enter into or amend any employment or change in control agreements with any of the Named Executive Officers in 2011.

Stock Ownership Requirements

The Compensation Committee recognizes the importance of equity ownership by delivering a significant portion of the executives total compensation in the form of equity. To further align the interests of the Company s key executives with those of shareholders, we require them to hold specified amounts of Arrow stock. The Named Executive Officers are required to hold Arrow equity valued at a multiple of base salary, as set forth in the following Table. Until specified levels of ownership are achieved, the Named Executive Officers are required to retain an amount equal to 50% of the net shares acquired through vesting of restricted shares/units, performance shares/units, and shares received as a result of the exercise of stock options.

	Multiple of Base Salary
Chief Executive Officer	5X
Other Named Executive Officers	3X

Shares that count toward satisfaction of the stock ownership requirements include:

- Shares owned direct and indirect;
- Shares owned by the executive in the ESOP plan;
- Performance shares/units (count as full shares after performance satisfied);
- Unvested restricted shares/units; and
- Vested stock options that are in the money.

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Arrow does not maintain stock option and restricted share holding periods since the Company believes the current stock ownership requirements require executives to hold a meaningful amount of Arrow stock.

Tax and Accounting Considerations

A variety of tax and accounting considerations influence the Compensation Committee s development and implementation of the Company s compensation and benefit plans. Among them are Section 162(m) of the Internal Revenue Code, which limits to $1 million the amount of non-performance-based compensation that Arrow may deduct in any calendar year for its Chief Executive Officer and Named Executive Officers other than the Chief Financial Officer. Compensation that meets the IRS requirements of performance-based is not subject to this limit.

The Company s long-term incentive awards described above that were awarded to the Named Executive Officers are designed to meet these requirements so that Arrow can continue to deduct the related expenses. Shareholders have approved the basis for performance goals for awards made to Named Executive Officers.

The annual cash incentive plan includes a maximum award based on a formula approved by the Compensation Committee to comply with the regulations of Section 162(m). The formula is based on a net income above a pre-established target level and sales divided by net working capital. Once this maximum annual cash incentive amount is determined, the Compensation Committee may exercise negative discretion to reduce the amounts to be paid to Named Executive Officers based on the methodology described above.

PSUs awarded to the Named Executive Officers were subject to performance criteria that required that the Company achieve: 1) an annual net income, as adjusted, greater than zero, which percentage may then be reduced by the Compensation Committee s exercise of negative discretion; and 2) a three-year EPS growth as compared to the EPS growth of Arrow s Peer Group and is adjusted for Arrow s three-year average return on invested capital in excess of its three-year weighted average cost of capital.

RSUs awarded to the Named Executive Officers were subject to performance criteria that required that the Company achieve an annual net income, as adjusted, greater than zero (in the grant year) or they would be canceled.

Stock Options awarded to the Named Executive Officers were granted with an exercise price equal to the closing market price of the common stock on the grant date, such that all value realized by the Named Executive Officers upon exercise would be based on share appreciation from the date of grant.

The Compensation Committee s policy, in general, is to maximize the tax deductibility of compensation paid to executive officers under Section 162(m). The Compensation Committee recognizes, however, that in order to effectively support corporate goals, in some instances, compensation may be delivered such that not all amounts may qualify for deductibility. All compensation decisions for executive officers are made with full consideration of the Section 162(m) implications.

As discussed under the heading Agreements and Potential Payments Upon Termination or Change of Control, the Company s change of control agreements, are designed not to exceed the limitations of Section 280G of the Internal Revenue Code, avoiding excise taxes for

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executives under Section 4999 of the Internal Revenue Code. As is also discussed, the Company has modified all such agreements in order to avoid penalties to executives under Section 409A. The Company s current policy is not to provide tax gross-ups in the event of a change of control.

Compensation Practices and Risk

At the Compensation Committee s request, in 2011 Pearl Meyer & Partners conducted an assessment of risk associated with the Company s annual cash incentive and long-term equity incentives programs. The Committee concluded the overall design of the Company s compensation programs maintained an appropriate level of risk. No suggested plan design changes were recommended to further mitigate risk exposure.

COMPENSATION OF THE NAMED EXECUTIVE OFFICERS

Summary Compensation Table

The following Table provides certain summary information concerning the compensation of the Named Executive Officers for 2011 and, to the extent an officer was a Named Executive Officer in prior years, for 2010 and 2009.

Summary Compensation Table

	Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)	Stock Option Awards ($)(2)	Non-Equity Incentive Compensation ($)(3)	Change in Pension Value & NQDC Earnings ($)(4)	All Other Compensation ($)(5)	Total ($)
Michael J. Long	2011	900,000		2,325,037	775,002	1,200,000	2,147,569	48,745	7,396,353
	2010	800,000		2,100,022	693,722	1,500,000	1,216,322	44,581	6,354,647
Chief Executive Officer	2009	666,186		2,025,028	579,474	1,198,313	554,737	39,715	5,063,453
Paul J. Reilly	2011	575,000		1,124,989	375,014	572,164	950,422	34,277	3,631,866
	2010	550,000		1,125,013	371,643	775,800	611,676	30,724	3,464,856
Executive Vice President, Finance & Operations & Chief Financial Officer	2009	514,263		1,080,015	310,083	664,276	453,100	30,285	3,052,022
Peter S. Brown	2011	490,000		618,730	206,252	361,367	115,433	43,342	1,835,124
	2010	490,000		618,747	204,401	517,200	405,190	32,679	2,268,217
Senior Vice President & General Counsel	2009	471,154		618,774	175,702	459,000	430,980	32,672	2,188,282
Peter T. Kong	2011	525,000		693,712	231,255	481,822	125,504	228,225	2,285,518
	2010	500,000		675,002	222,986	646,500	180,069	429,255	2,653,812
President, Arrow Global Components	2009	442,820		645,021	185,420	295,988	289,784	518,665	2,377,698
Andrew S. Bryant	2011	450,000		600,005	200,009	403,526	297,983	40,994	1,992,517
	2010	425,000		600,014	198,209	560,300	172,045	33,677	1,989,245
President, Arrow Global Enterprise Computing Solutions									

(1) Amounts shown under the heading Stock Awards reflect the grant date fair values of such awards computed in accordance with FASB ASC Topic 718, excluding the effect of estimated forfeitures. For stock awards that are subject to performance conditions, such awards are computed based upon the probable outcome of the performance conditions as of the grant date which were consistent with the estimates used by the Company to measure compensation cost determined as of the grant date. Assuming the maximum performance is achieved for

stock awards that are subject to performance conditions, amounts shown under this heading for Messrs. Long, Reilly, Brown, Kong, and Bryant would be $3,487,536,

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$1,687,464, $928,086, $1,040,559, and $899,987, respectively, for 2011. For 2010, the amounts shown under this heading for Messrs. Long, Reilly, Brown, Kong, and Bryant would be $3,150,019, $1,687,505, $928,114, $1,012,489, and $900,008, respectively. For 2009, the amounts shown under this heading for Messrs. Long, Reilly, Brown, and Kong would be $3,375,059, $1,800,029, $1,031,302, and $1,075,046, respectively.

(2) Amounts shown under the heading Stock Option Awards reflects the grant date fair values for stock option awards calculated using the Black-Scholes option pricing model based on assumption set forth in Note 12 to the Company s Consolidated Financial Statements in its Annual Report on Form 10-K for the year ended December 31, 2011.

(3) The amounts shown under Non-Equity Incentive Compensation are the actual amounts paid for both the financial and non-financial goals related to the Named Executive Officer s MICP awards.

(4) The amounts shown under the heading Change in Pension Value & NQDC Earnings reflect the difference from year-to-year in the present value of each executive s accumulated pension plan benefit as is discussed below under the heading SERP.

(5) See the All Other Compensation Detail Table below.

Each of the Named Executive Officers has an employment agreement which impacts or defines certain of the elements of the compensation shown above. The material terms of those agreements are discussed below under the heading Employment Agreements.

All Other Compensation Detail

This Table sets forth each of the elements comprising each Named Executive Officer s 2011 All Other Compensation from the Summary Compensation Table, above.

		All Other Compensation Perquisites				
Name	**Management Insurance Plan ($)**	**Car Allowance ($)**	**Other ($)(1)**	**ESOP ($)**	**401(k) Company Contribution ($)**	**Total ($)**
Michael J. Long	**23,040**	**10,200**	**4,480**	**3,675**	**7,350**	**48,745**
Paul J. Reilly	**10,983**	**10,200**	**2,069**	**3,675**	**7,350**	**34,277**
Peter S. Brown	**12,938**	**10,200**	**9,179**	**3,675**	**7,350**	**43,342**
Peter T. Kong	**26,020**		**192,895**	**3,675**	**5,635**	**228,225**
Andrew S. Bryant	**14,788**	**10,200**	**6,257**	**3,675**	**6,074**	**40,994**

(1) For Mr. Kong, Other includes his expatriate assignment allowance of $192,842, comprising of $14,881 for foreign taxes, $114,501 for housing, $40,420 for home leave, and $23,040 for cost of living adjustments.

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Grants of Plan-Based Awards

The following Table provides information regarding the 2011 annual cash incentives and awards of performance shares and restricted stock in 2011.

Grants of Plan-Based Awards

		Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards (2)			All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
Name	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	(#)(3)	(#)(4)	($/Sh)	($)(5)
Michael J. Long	2011	225,000	900,000	1,800,000							
	2/24/11				10,016	40,062	70,109			38.69	1,549,999
	2/24/11							20,032		38.69	775,038
	2/24/11							--	52,632	38.69	775,002
Paul J. Reilly	2011	118,750	475,000	950,000							
	2/24/11				4,846	19,384	33,922			38.69	749,967
	2/24/11							9,693		38.69	375,022
	2/24/11								25,468	38.69	375,014
Peter S. Brown	2011	75,000	300,000	600,000							
	2/24/11				2,665	10,661	18,657			38.69	412,474
	2/24/11							5,331		38.69	206,256
	2/24/11								14,007	38.69	206,252
Peter T. Kong	2011	100,000	400,000	800,000							
	2/24/11				2,988	11,953	20,918			38.69	462,462
	2/24/11							5,977		38.69	231,250
	2/24/11								15,705	38.69	231,255
Andrew S. Bryant	2011	83,750	335,000	670,000							
	2/24/11				2,585	10,338	18,092			38.69	399,977
	2/24/11							5,170		38.69	200,027
	2/24/11										

S-12 Associates	$680	5.9 %	May 2016 (1)
Ramco/West Acres LLC	8,401	13.1 %	(2)
Ramco/Shenandoah LLC	11,622	7.3 %	February 2012
Ramco/Lion Venture LP	223,132	5.0% - 8.2 %	Various (3)
Ramco 450 Venture LLC	171,897	5.3% - 6.0 %	Various (4)
Ramco 191 LLC	8,488	1.7 %	June 2012
	$424,220		
	916		

Unamortized premium	
Total mortgage debt	$425,136

(1) Interest rate resets annually per formula.
(2) Default interest rate (reflected above), effective July 1, 2010. Original maturity was April 2030. Lender accelerated payment of the note in February 2011. See below for addition information.
(3) Interest rates range from 5.0% to 8.2% with maturities ranging from August 2011 to June 2020.
(4) Interest rates range from 5.3% to 6.0% with maturities ranging from January 2013 to January 2018.

At March 31, 2011, the Ramco/West Acres LLC joint venture, in which we own a 40% interest, was in default on its $8.4 million non-recourse loan. On February 10, 2011, the lender accelerated payment of the loan. Accordingly, the joint venture has been in discussions with the lender to transfer the property ownership to the lender in consideration for the repayment of the loan. The joint venture recorded an impairment loss of $0.1 million which was the extent of the joint venture's equity balance as of March 31, 2011. The joint venture is currently accruing interest at a default rate of 13.1%. Based upon our 40% ownership interest in the joint venture, our share of the debt was $3.4 million at March 31, 2011.

In February 2011, the Ramco 450 Venture LLC joint venture, in which we own a 20% interest, repaid one property mortgage in the amount of $11.0 million. Our proportionate share of the debt repayment was approximately $2.2 million.

Joint Venture Management and Other Fee Income

We are engaged by certain of our joint ventures to provide asset management, property management, leasing and investing services for such venture's respective properties. We receive fees for our services, including a property management fee calculated as a percentage of gross revenues received and recognize these fees as the services are rendered.

The following table provides information for our fees earned which are reported in our consolidated statements of operations:

	Three Months Ended March 31,			
		2011		2010
	(In thousands)			
Management fees	$	746	$	723
Leasing fees		145		178
Development fees		75		99
Total	$	966	$	1,000

6. Consolidated Variable Interest Entity

In January 2011, we executed a transaction with our joint venture partner that transferred the partner's interest in the Ramco Hartland SC, LLC joint venture to us for $1.0 million, which approximated the partner's equity interest in the joint venture at October 1, 2010.

The property is comprised of several undeveloped land parcels available for future development or sale and construction in progress of approximately $26.0 million.

7. Other Assets, Net

Other assets consisted of the following:

	March 31, 2011	December 31, 2010
	(In thousands)	
Deferred leasing costs, net	$ 14,670	$ 15,136
Deferred financing costs, net	6,210	6,703
Intangible assets, net	7,428	7,969
Other, net	2,544	2,111
Straight-line rent receivable, net	17,783	17,864
Prepaid expenses and other	10,315	8,475
Other assets, net	$ 58,950	$ 58,258

Total accumulated amortization of other assets was $42.3 million and $42.0 million at March 31, 2011 and December 31, 2010, respectively.

Intangible assets included the following:

	March 31, 2011	December 31, 2010
	(In thousands)	
Lease origination costs	$ 8,962	$ 9,499
Less: accumulated amortization	(3,368)	(3,513)
Lease origination costs, net of accumulated amortization	5,594	5,986
Above market leases	$ 3,138	$ 3,138
Less: accumulated amortization	(1,304)	(1,155)
Above market leases, net of accumulated amortization	1,834	1,983
Total intangible assets	$ 12,100	$ 12,637
Less: accumulated amortization	(4,672)	(4,668)
Total intangible assets, net of accumulated amortization	$ 7,428	$ 7,969

These assets are being amortized over the lives of the applicable leases as reductions to minimum rent revenue, as appropriate, over the initial terms of the respective leases. Amortization of the intangible lease assets resulted in a reduction of rental revenue of approximately $0.1 million and $31,000 for the three months ended March 31, 2011 and 2010, respectively.

The average amortization period for intangible assets attributable to lease origination costs and for above market leases are 5.5 years and 4.5 years, respectively.

Included in accounts payable and accrued expenses at March 31, 2011 and December 31, 2010 were intangible liabilities related to below market leases of $3.5 million. The lease-related intangible liabilities are being accreted over the terms of the acquired leases, which resulted in an increase of revenue of $0.1 million and $0.2 million for the three months ended March 31, 2011 and 2010, respectively.

Deferred financing costs, net of accumulated amortization were $6.2 million at March 31, 2011, compared to $6.7 million at December 31, 2010. We recorded amortization of deferred financing costs of $0.6 million and $0.5 million, respectively, during the three months ended March 31, 2011 and 2010. This amortization is included in interest expense in our condensed consolidated statements of operations.

Other assets included $17.8 million and $17.9 million of unbilled straight-line rent receivables, net of an allowance of $0.7 million at March 31, 2011 and December 31, 2010.

The following table represents estimated aggregate amortization expense related to other assets as of March 31, 2011:

Year Ending December 31,

2011 (April 1 - December 31)	$	6,866
2012		7,914
2013		4,663
2014		3,125
2015		1,984
Thereafter		6,300
Total	$	30,852

8. Mortgages and Notes Payable

The following table summarizes our mortgages and notes payable as of March 31, 2011 and December 31, 2010:

Mortgages and Notes Payable		March 31, 2011		December 31, 2010
		(In thousands)		
Fixed rate mortgages	$	355,117	$	341,341
Fixed rate mortgage related to property held for sale		9,555		-
Variable rate mortgages		22,357		22,478
Secured revolving credit facility		132,500		119,750
Secured term loan facility		-		30,000
Secured bridge loan		30,000		30,000
Junior subordinated notes, 7.9%, unsecured		28,125		28,125
	$	577,654	$	571,694

Our fixed rate mortgages have interest rates ranging from 4.8% to 7.6%, and are due at various maturity dates from May 2011 through April 2020. Included in fixed rate mortgages at March 31, 2011 and December 31, 2010 were unamortized premium balances related to the fair market value of debt of $0.1 million and $0.1 million, respectively. Our variable rate mortgages have interest rates ranging from 3.8% to 6.0%, and are due at various dates from December 2011 through June 2012. The mortgage notes, both fixed rate and variable rate, are secured by mortgages on properties that have an approximate net book value of $423.2 million as of March 31, 2011.

We have a $150.0 million secured credit facility (the "Credit Facility") that matures in December 2012 and bears interest at LIBOR plus 350 basis points with a 2% LIBOR floor. The Credit Facility is secured by mortgages on various properties that have an approximate net book value of $247.1 million as of March 31, 2011. In addition, we had a short-term bridge loan of $30.0 million secured by one of our wholly-owned shopping centers and pledges of equity interests in two other centers that bears interest at LIBOR plus 350 basis points. The interest rate as of March 31, 2011 was 3.8%. In April 2011, we used net proceeds from our cumulative convertible perpetual preferred offering to repay our $30.0 million secured bridge loan and reduce borrowings on our Credit Facility.

At March 31, 2011, outstanding letters of credit issued under the Credit Facility, not reflected in the accompanying condensed consolidated balance sheets, were $1.6 million. These letters of credit reduce the availability under the Credit Facility.

The Credit Facility contains financial covenants relating to total leverage, fixed charge coverage ratio, tangible net worth and various other calculations. As of March 31, 2011, we were in compliance with the covenant terms.

In March 2011, the $30.0 million secured term loan facility was repaid in full.

On March 31, 2011, we closed on a new $24.7 million mortgage secured by the Jackson Crossing shopping center in Jackson, Michigan that has an approximate net book value of $27.6 million. The mortgage bears interest at a fixed rate of 5.8% and matures in April 2018.

On April 29, 2011, we closed on a new $250.0 million unsecured bank facility comprised of a $175.0 million revolving line of credit and a $75.0 million term loan. The facility replaces our prior secured line. The new revolving line of credit and term loan have terms of three and four years, respectively. Subject to customary conditions, both the revolving line and the term loan can be extended for one year at our option. Borrowings under the facility are priced at LIBOR plus 200 to 275 basis points depending on our leverage ratio. It is anticipated that funds borrowed under the aforementioned credit facility will be used for general corporate purposes, including working capital, capital expenditures, repayment of indebtedness or other corporate activities.

The mortgage loans encumbering our properties, including properties held by our unconsolidated joint ventures, are generally non-recourse, subject to certain exceptions for which we would be liable for any resulting losses incurred by the lender. These exceptions vary from loan to loan but generally include fraud or a material misrepresentation, misstatement or omission by the borrower, intentional or grossly negligent conduct by the borrower that harms the property or results in a loss to the lender, filing of a bankruptcy petition by the borrower, either directly or indirectly, and certain environmental liabilities. In addition, upon the occurrence of certain events, such as fraud or filing of a bankruptcy petition by the borrower, we or our joint ventures would be liable for the entire outstanding balance of the loan, all interest accrued thereon and certain other costs, including penalties and expenses.

We have entered into mortgage loans which are secured by multiple properties and contain cross-collateralization and cross-default provisions. Cross-collateralization provisions allow a lender to foreclose on multiple properties in the event that we default under the loan. Cross-default provisions allow a lender to foreclose on the related property in the event a default is declared under another loan.

The following table presents scheduled principal payments on mortgages and notes payable as of March 31, 2011:

Year Ending December 31,

2011 (April 1 - December 31)	$	68,146
2012		170,803
2013		34,856
2014		33,455
2015		76,736
Thereafter		193,658
Total	$	577,654

With respect to the various fixed rate mortgages due in 2011 and 2012, it is our intent to refinance or repay these mortgages and notes payable. However, there can be no assurance that we will be able to refinance our debt on commercially reasonable or any other terms.

9. Other Liabilities

Other liabilities were $2.9 million and $3.5 million at March 31, 2011 and December 31, 2010, respectively. In December 2010, we acquired The Shoppes at Fox River in Waukesha, Wisconsin. As part of the transaction, we recorded a $1.8 million deferred liability related to the fair value of an earn-out provision if certain spaces that were vacant at acquisition were to become leased in the future. In January 2011, we leased one of the vacant spaces included in the earn-out provision and paid the seller, thereby reducing the deferred liability by approximately $0.6 million.

Also in the fourth quarter of 2010, we recorded a deferred liability of $1.5 million related to a tax increment financing agreement with the City of West Allis, Wisconsin ("City") for the redevelopment of the West Allis Towne Centre. The City reimbursed us for certain costs incurred to improve the shopping center which will be repaid to the City over ten years in the form of increased tax revenues, not to exceed $0.2 million per year until 2020.

10. Fair Value

We utilize fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Derivative instruments (interest rate swaps) are recorded at fair value on a recurring basis. Additionally, we, from time to time, may be required to record other assets at fair value on a nonrecurring basis. As a basis for considering market participant assumptions in fair value measurements, GAAP establishes three fair value levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. The assessed inputs used in determining any fair value measurement could result in incorrect valuations that could be material to our consolidated financial statements. These levels are:

Level 1 Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability.

The following is a description of valuation methodologies used for our assets and liabilities recorded at fair value.

Derivative Assets and Liabilities

In the past, we had interest rate swaps for which quoted market prices are not readily available. For those derivatives, we measure fair value on a recurring basis using valuation models that use primarily market observable inputs, such as yield curves. We classify derivative instruments as Level 2. As of March 31, 2011, we did not have any interest rate swaps in effect. Refer to Note 11 for additional information on our derivative financial instruments.

We did not have any material assets or liabilities that were required to be measured at fair value on a recurring basis at March 31, 2011.

The carrying values of cash and cash equivalents, restricted cash, receivables and accounts payable and accrued liabilities are reasonable estimates of their fair values because of the short maturity of these financial instruments. As of March 31, 2011 and December 31, 2010, the carrying amounts of our borrowings under variable rate debt approximated fair value.

We estimated the fair value of fixed rate mortgages using a discounted cash flow analysis, based on our incremental borrowing rates for similar types of borrowing arrangements with the same remaining maturity. The following table summarizes the fair value and net book value of properties with fixed rate debt:

	March 31, 2011	December 31, 2010
	(In thousands)	
Fair value of debt	$ 402,311	$ 389,279
Net book value	$ 392,724	$ 369,384

The following is a description of valuation methodologies used for our assets and liabilities recorded at fair value on a nonrecurring basis:

Net Real Estate

Our net real estate, including any identifiable intangible assets, is subject to impairment testing on a nonrecurring basis. To estimate fair value, we use discounted cash flow models that include assumptions of the discount rates that market participants would use in pricing the asset. To the extent impairment has occurred, we charge to expense the excess of the carrying value of the property over its estimated fair value. We classify impaired real estate assets as nonrecurring Level 3. As of March 31, 2011, we did not have any material real estate required to be measured at fair value on a recurring basis.

Equity Investments in Unconsolidated Joint Ventures

Our equity investments in unconsolidated joint ventures are subject to impairment testing on a nonrecurring basis if a decline in the fair value of the investment below the carrying amount is determined to be a decline that is other-than-temporary. To estimate the fair value of properties held by unconsolidated entities, we use cash flow models, discount rates, and capitalization rates based upon assumptions of the rates that market participants would use in pricing the asset. To the extent other-than-temporary impairment has occurred, we charge to expense the excess of the carrying value of the equity investment over its estimated fair value. We classify other-than-temporarily impaired equity investments in unconsolidated entities as nonrecurring Level 3. We did not have any material equity investments in unconsolidated joint ventures that were required to be measured at fair value on a recurring basis at March 31, 2011.

11. Derivative Financial Instruments

We utilize interest rate swap agreements for risk management purposes to reduce the impact of changes in interest rates on our variable rate debt. On the date we enter into an interest rate swap, the derivative is designated as a hedge against the variability of cash flows that are to be paid in connection with a recognized liability. Subsequent changes in the fair value of a derivative designated as a cash flow hedge that is determined to be highly effective are recorded in other comprehensive income ("OCI") until earnings are affected by the variability of cash flows of the hedged transaction. The differential between fixed and variable rates to be paid or received is accrued, as interest rates change, and recognized currently as interest expense in the consolidated statement of income.

As of March 31, 2011 and December 31, 2010, we had no interest rate swap agreements in effect. As of March 31, 2010, we had interest rate swap agreements with an aggregate notional of $100.0 million. Based on rates in effect at March 31, 2010, the agreements provided for fixed rates ranging from 6.4% to 6.7% on a portion of our secured credit facility. All outstanding interest rate swaps expired in December of 2010.

The effect of derivative financial instruments on our condensed consolidated statements of income for the three months ended March 31, 2011 and 2010 is summarized as follows:

Derivatives in Cash Flow Hedging Relationship	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion) Three Months Ended March 31,		Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) Three Months Ended March 31,	
	2011	2010		2011	2010
Interest rate contracts	$ -	$ 490	Interest Expense	$ -	$ (715)
Total	$ -	$ 490		$ -	$ (715)

12. Earnings Per Common Share

The following table sets forth the computation of basic earnings per share (“EPS”):

	Three Months Ended March 31, 2011	2010
	(In thousands, except per share data)	
Loss from continuing operations	(359)	(1,445)
Net loss from continuing operations attributable to noncontrolling interest	29	678
Allocation of continuing income to restricted share awards	13	14
Loss from continuing operations attributable to common shareholders	(317)	(753)
Loss from discontinued operations	106	92
Net income from discontinued operations attributable to noncontrolling interest	(7)	(8)
Allocation of discontinued income to restricted share awards	(1)	(1)
Income from discontinued operations attributable to common shareholders	98	83
Net loss attributable to common shareholders	(219)	(670)
Weighted average shares outstanding — basic	37,927	31,020
Basic earnings per share attributable to the common shareholders		
Loss from continuing operations	$(0.01)	$(0.02)
Income from discontinued operations	-	-
Net loss	$(0.01)	$(0.02)

The following table sets forth the computation of diluted EPS:

	Three Months Ended March 31, 2011	2010
	(In thousands, except per share data)	
Loss from continuing operations	(359)	(1,445)
Net loss from continuing operations attributable to noncontrolling interest	29	678
Loss from continuing operations attributable to RPT	(330)	(767)
Allocation of losses to restricted share awards	13	14
Allocation of continuing loss to restricted share awards	(2)	(2)
Loss from continuing operations attributable to common shareholders	$ (319)	$ (755)
Income from discontinued operations	106	92
Net income from discontinued operations attributable to noncontrolling interest	(7)	(8)
Allocation of discontinued income to restricted share awards	-	-
Income from discontinued operations attributable to common shareholders	99	84
Net loss attributable to common shareholders	(220)	(671)
Weighted average shares outstanding - basic	37,927	31,020
Stock options using the treasury method	-	-
Dilutive effect of securities	-	-
Weighted average shares - diluted	37,927	31,020
Diluted earnings per share attributable to common shareholders:		
Loss from continuing operations	$ (0.01)	$ (0.02)
Income from discontinued operations	-	-
Net loss	$ (0.01)	$ (0.02)

13. Share-based Compensation Plans

As of March 31, 2011, we have two share-based compensation plans in effect; 1) The 2009 Omnibus Long-Term Incentive Plan ("LTIP") under which our compensation committee may grant, subject to the Company's performance conditions as specified by the compensation committee, restricted shares, restricted share units, options and other awards to trustees, officers and other key employees. The LTIP allows us to issue up to 0.9 million shares of our common stock or stock options, of which 0.3 million are available for issuance. The maximum number of shares that can be awarded under the LTIP to any one person is 100,000 shares per year. Vesting periods for restricted stock and stock options are determined by our compensation committee. We measure compensation costs for restricted stock awards based on the fair value of our common stock at the date of the grant and recognize the expense over the requisite service period. The fair values of each option granted used in determining the share-based compensation expense is estimated on the date of grant using the Black-Scholes option-pricing model. The performance-based restricted stock is earned based on the achievement of specific performance measures established by our compensation committee over a period of three years; and 2) the 2008 Restricted Share Plan for Non-Employee Trustees (the "Trustees' Plan") which provides for granting up to 160,000 restricted shares awards to non-employee trustees of the Company, of which 128,000 shares are available for issuance.

For the three months ended March 31, 2011 and 2010, we recognized total share-based compensation expense of $0.5 million and ($23,000) (net of a $0.5 million adjustment), respectively.

The following table reflects the stock option activity for the three months ended March 31, 2011:

	2011	
	Shares Under Option	Weighted-Average Exercise Price
Outstanding at January 1, 2011	323,948	$ 25.06
Granted	-	-
Exercised	(25,000)	9.61
Forfeited or expired	-	-
Outstanding at March 31, 2011	298,948	$ 26.36
Exercisable at the end of period	248,948	$ 29.72
Weighted average fair value of options granted during the period		-

For the three months ended March 31, 2011 and 2010, we recognized expense related to the vesting of options of approximately $17,000 and $12,000, respectively.

The following table presents information regarding restricted stock activity during the three months ended March 31, 2011:

	2011	
	Number of Shares	Weighted-Average Grant Date Fair Value
Outstanding at January 1, 2011	264,657	$ 10.78
Granted	111,886	13.41
Vested	(92,556)	8.97
Forfeited or expired	-	-

Outstanding at March 31, 2011	283,987	$	12.41

For the three months ended March 31, 2011 and 2010, we recognized expense related to restricted share grants of approximately $0.5 million and ($33,000) (net of $0.5 million adjustment), respectively.

During the three months ended March 31, 2011, we granted 111,886 shares of service-based restricted stock that vest over five years and the expense is recognized on a graded vesting basis. Also during the three months ended March 31, 2011, we granted 102,686 of performance-based awards that are earned subject to a future performance measurement based on a three-year total shareholder return peer comparison ("TSR Grant"). Once the performance criterion is met and the actual number of shares earned is determined, certain shares will vest immediately while others will vest over an additional service period. We determine the grant date fair value of TSR Grants based upon a Monte Carlo Simulation model and will recognize the compensation expense ratably over the requisite service period.

As of March 31, 2011, we had $4.8 million of total unrecognized compensation expense related to unvested options and restricted shares granted under our plans. This expense is expected to be recognized over a weighted-average period of 5.0 years.

14. Income Taxes

We conduct our operations with the intent of meeting the requirements applicable to a REIT under sections 856 through 860 of the Internal Revenue Code. In order to maintain our qualification as a REIT, we are required to distribute annually at least 90% of our REIT taxable income, excluding net capital gain, to our shareholders. As long as we qualify as a REIT, we will generally not be liable for federal corporate income taxes.

Certain of our operations, including property management and asset management, as well as ownership of certain land, are conducted through our Taxable REIT Subsidiaries ("TRSs") which allows us to provide certain services and conduct certain activities that are not generally considered as qualifying REIT activities.

Deferred tax assets and liabilities reflect the impact of temporary differences between the amounts of assets and liabilities for financial reporting purposes and the bases of such assets and liabilities as measured by tax laws. Deferred tax assets are reduced by a valuation allowance to the amount where realization is more likely than not assured after considering all available evidence, including expected taxable earnings and potential tax planning strategies. Our temporary differences primarily relate to deferred compensation, depreciation and net operating loss carryforwards.

In July 2007, the State of Michigan signed into law the Michigan Business Tax Act, replacing the Michigan Single Business Tax with a business income tax and modified gross receipts tax. These new taxes became effective January 1, 2008, and, because they are based on or derived from income-based measures, the accounting requirements for income taxes apply as of the enactment date. In September 2007, an amendment to the Michigan Business Tax Act was also signed into law establishing a deduction to the business income tax base if temporary differences associated with certain assets result in a net deferred tax liability as of September 30, 2007. The tax effect of this deduction, which was equal to the amount of the aggregate deferred tax liability as of September 30, 2007, has an indefinite carryforward period.

As of March 31, 2011, we had a federal and state deferred tax asset and liability of $4.3 million and $2.9 million, respectively. We believe that it is more likely than not that the results of future operations will generate sufficient taxable income to recognize the net deferred tax assets. These future operations are primarily dependent upon the profitability of our TRSs, the timing and amounts of gains on land sales, the future profitability of our unitary filing group for Michigan Business Tax purposes, and other factors affecting the results of operations of the TRSs.

During the three months ended March 31, 2011 and 2010, we recorded an income tax (provision) benefit of approximately ($59,000) and $0.1 million, respectively.

15. Commitments and Contingencies

Construction Costs

In connection with the development and expansion of various shopping centers as of March 31, 2011, we had entered into agreements for construction costs of approximately $2.3 million.

Deferred Liabilities

At March 31, 2011, we had certain deferred liability arrangements totaling $2.9 million. See Note 9 for further information.

Litigation

We are currently involved in certain litigation arising in the ordinary course of business.

In December 2008, John Carlo , Inc. ("Carlo") filed a lawsuit against the Company and J. Raymond Construction Company in the Circuit Court of the Fourth Judicial District in Duval, Florida related to a dispute regarding final payment for concrete and road work for a development project in Florida. On March 10, 2011, a settlement was reached as a result of which Carlo has been paid an additional amount for concrete and road work improvements relating to the 2008 River City Marketplace development project. That amount has been added to our investment in income producing property for accounting purposes. In connection with that settlement, the Carlo suit has been dismissed with prejudice.

Leases

We have an operating lease for our corporate office space in Michigan for a term expiring in 2014. We also have operating leases for office space in Florida and land at one of our shopping centers. Total amounts expensed relating to these leases were $0.4 million and $0.4 million for the three months ended March 31, 2011 and 2010, respectively.

16. Subsequent Events

We have evaluated subsequent events through the date that the condensed consolidated financial statements were issued.

In April 2011, we completed an $80.0 million cumulative convertible perpetual preferred offering priced at a dividend rate of 7.25%. Net proceeds from the transaction of $77.6 million were used to repay our $30.0 million secured bridge loan and reduce borrowings on our secured revolving credit facility. On April 29, 2011, we closed on an additional $20.0 million, or 0.4 million preferred shares, relating to a re-opening of the same security.

On April 29, 2011, we closed on a new $250.0 million unsecured bank facility comprised of a $175.0 million revolving line of credit and a $75.0 million term loan. The facility replaces our prior secured line which was scheduled to mature in December 2012 and bore interest at LIBOR plus 350 basis points with a 2% LIBOR floor. The new revolving line of credit and term loan have terms of three and four years, respectively. Subject to customary conditions, both the revolving line and the term loan can be extended for one year at our option. Borrowings under the facility are priced at LIBOR plus 200 to 275 basis points depending on our leverage ratio. In addition, the facility contains customary covenants, including financial covenants regarding debt levels, total liabilities, interest coverage, fixed charge coverage, unencumbered properties, permitted investments and others.

On April 29, 2011, we sold the Lantana Shopping Center located in Lantana, Florida for $16.9 million.

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

The following discussion and analysis of the financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements, including the respective notes thereto, which are included in this Form 10-Q.

Overview

We are a fully integrated, self-administered, publicly-traded REIT which owns, develops, acquires, manages and leases community shopping centers in the Eastern and Midwestern regions of the United States. At March 31, 2011, we owned and managed, either directly or through our interest in real estate joint ventures, a portfolio of 89 shopping centers and one office building, with 20.5 million square feet of GLA, of which 15.6 million is owned directly by us and our real estate joint ventures. We also owned interests in four parcels of land held for development and four parcels of land adjacent to certain of our existing developed properties located in Florida, Georgia, Michigan, Tennessee and Virginia. Our overall portfolio, which includes joint venture properties and properties under redevelopment, was 90.1% leased at March 31, 2011.

Economic Outlook

The retail shopping center sector has been negatively affected by general economic conditions that have impacted our tenants' retail operations. These conditions have forced weaker retailers, in some cases, to declare bankruptcy and/or close stores. Certain retailers have sought rent relief from us as and/or announced store closings even though they have not filed for bankruptcy protection. Any reduction in our tenants' abilities to pay base rent, percentage rent or other charges, may adversely affect our financial condition and results of operations. Further, our ability to re-lease vacant spaces may be negatively impacted by the slow economic recovery. While we believe the locations of our centers and diverse tenant base should mitigate the negative impact of the economic environment, we may continue to see an increase in vacancy that will have a negative impact on our revenue and bad debt expense. We continue to monitor our tenants' operating performances as well as trends in the retail industry to evaluate any future impact.

Business Strategy

We intend to maximize shareholder value through a well-defined business strategy that incorporates the following elements:

Leasing and managing our shopping centers to increase occupancy, maximize rental income, and control operating expenses and capital expenditures;

Redeveloping our centers to increase gross leasable area, reconfigure space for credit tenants, create outparcels, sell excess land, and generally make the centers more desirable for our tenants and their shoppers;

Acquiring new shopping centers that are located in targeted metropolitan markets and that provide opportunities to add value through intensive leasing, management, or redevelopment;

Developing our land held for development into income-producing investment property, subject to market demand, availability of capital and adequate returns on our incremental capital;

Selling available-for-sale land parcels and using the proceeds to pay down debt or reinvest in our business;

Maintaining a strong and flexible balance sheet by capitalizing our Company with a moderate ratio of debt to equity and by financing our investment activities with various forms and sources of capital; and

Managing our overall enterprise to create an efficient organization with a strong corporate culture and transparent disclosure for all stakeholders.

We periodically review our performance on these endeavors and adjust our operational and financial tactics accordingly.

Although the current retail real estate environment remains challenging, we were able to execute upon our strategy and accomplish the following activity during the three months ended March 31, 2011:

Significant Transactions

- Closed on a new $24.7 million CMBS loan secured by our Jackson Crossing shopping center in Jackson, Michigan;
- Repaid our $30.0 million secured term loan early using proceeds from the transaction listed above;
- Issued 650,000 common shares through a controlled equity offering generating $8.4 million in net proceeds; and
- Sold two land outparcels located in Jacksonville, Florida for aggregate net sales proceeds of $1.2 million generating a combined net gain of $0.2 million.

Leasing Activity

- Executed 34 new leases comprised of 291,980 square feet with an average rental rate of $12.83 per square foot, a 9.3% decrease over the average expiring rate; and
- Executed 72 renewal leases totaling 312,003 square feet with an average rental rate of $13.24 per square foot, a 1.3% increase over the average expiring rate.

Redevelopment Activity

For the quarter ended March 31, 2011, we completed two redevelopment projects. One redevelopment project of a wholly-owned property was located in West Allis, Wisconsin for a total investment of approximately $12.7 million. We also completed a redevelopment project in a joint venture in which we have a 30% ownership interest located in West Bloomfield, Michigan for a total investment of approximately $9.6 million, of which $2.9 million was our proportionate share.

As of March 31, 2011, we did not have any redevelopment projects in progress.

Land Held for Development or Sale

At March 31, 2011, we had four projects under pre-development and various smaller parcels of land held for development or sale. The following table summarizes the cost as of March 31, 2011:

Property Name	City, State	Cost to Date as of 3/31/11 (In millions)
Hartland Towne Square (1)	Hartland Twp., MI	$31.6
The Town Center at Aquia	Stafford Co., VA	18.3
Gateway Commons	Lakeland, FL	21.3
Parkway Shops	Jacksonville, FL	13.5
Other	Various	8.4
		$93.1

(1) We acquired our partner’s 80% interest in the Ramco RM Hartland SC LLC joint venture that owns a portion of Hartland Towne Square for $1.0 million during the first quarter of 2011.

Our policy to start vertical construction on new development projects is only after the project has received entitlements, significant anchor commitments, construction financing and joint venture partner commitments, if appropriate. We are in the entitlement and pre-leasing phases at the development projects listed above. We do not expect to secure financing and to identify joint venture partners until the entitlement and pre-leasing phases are complete.

Critical Accounting Policies and Estimates

Our 2010 Annual Report on Form 10-K contains a description of our critical accounting policies, including initial adoption of accounting policies, revenue recognition and accounts receivable, real estate investment, off balance sheet arrangements, fair value measurements and deferred charges. For the three months ended March 31, 2011, there were no material changes to these policies.

Comparison of three months ended March 31, 2011 to 2010

The following summarizes certain line items from our unaudited condensed statements of income which we believe are important in understanding our operations and/or those items which have significantly changed in the three months ended March 31, 2011 as compared to the same period in 2010:

	Three Months Ended March 31,		
	2011	2010	% Change
	(In thousands)		
Total revenue	$ 30,982	$ 30,070	3.0 %
Recoverable property operating expense	8,753	8,293	5.5 %
Other non-recoverable operating expense	763	817	(6.6)%
Depreciation and amortization	8,857	7,692	15.1 %
General and administrative expense	5,057	4,126	22.6 %
Other income (expense)	(210)	(330)	(36.4)%
Gain on sale of real estate	156	-	NM
Earnings from unconsolidated joint ventures	961	867	10.8 %
Interest expense	8,759	8,614	1.7 %
Impairment charge on unconsolidated joint ventures	-	2,653	NM
Income tax (provision) benefit of taxable REIT subsidiaries	(59)	143	(141.3)%
Income from discontinued operations	106	92	15.2 %
Net loss attributable to noncontrolling intererst	(21)	(670)	(96.9)%
Net loss attributable to common shareholders	$ (232)	$ (683)	(66.0)%

Total revenue increased $0.9 million, or 3.0%, to $31.0 million for the three months ended March 31, 2011 from $30.1 million in 2010, primarily due to a $0.6 million increase in minimum rent primarily related to our acquisitions in 2010 and a $0.3 million increase in other property income mostly attributable to lease termination income and temporary tenant income.

Recoverable property operating expense increased by $0.5 million, or 5.5%, to $8.8 million in 2011 from $8.3 million in 2010. The increase was primarily related to our acquisitions in 2010.

Other non-recoverable operating expense decreased by $0.1 million, or 6.6%, to $0.7 million in 2011 from $0.8 million in 2010. The decrease was primarily due to lower bad debt expense.

Depreciation and amortization expense increased $1.2 million or 15.1%, to $8.9 million in 2011 from $7.7 million. The increase was primarily due to our acquisitions in 2010.

General and administrative expenses increased by $1.0 million, or 22.6%, to $5.1 million in 2011 from $4.1 million in 2010. The increase in 2011 was primarily related to the following:

- an increase of $0.6 million in net compensation expense due primarily to annual pay increases in 2011, lower capitalization of development and leasing salary and related costs in 2011, and a $0.4 million adjustment to long-term incentive expense in 2010 for not meeting performance measures;
- an increase in legal fees of $0.2 million related to our defense against a lawsuit with a subcontractor; and
- an increase of $0.1 million in trustee fees and related expenses.

Other expense decreased $0.1 million, or 36.4%, to $0.2 million in 2011 from $0.3 million in 2010. The decrease was primarily related to lower real estate tax expense in 2011 on development projects that were placed on hold in 2010.

Gain on sale of real estate increased $0.2 million in 2011. The increase was attributable to the sale of two outparcels in Jacksonville, Florida.

Interest expense increased $0.1 million, or 1.7%, to $8.7 million in 2011 from $8.6 million in 2010 due primarily to a higher revolving line of credit balance and lower capitalized interest.

In the first quarter of 2010, the Company recorded a non-cash impairment charge of $2.7 million resulting from other–than-temporary declines in the fair market value of various equity investments in unconsolidated joint ventures.

The income tax provision was $0.1 million in the first quarter of 2011 as compared to a benefit of $0.1 million in 2010. The increase in income tax expense was primarily due to positive business tax adjustments in 2010 of $0.2 million.

Noncontrolling interest decreased $0.6 million primarily due to the acquisition of our partner's 80% interest in the Ramco RM Hartland SC LLC joint venture in the first quarter 2011.

Liquidity and Capital Resources

The majority of our cash is generated from operations and is dependent on the rents that we are able to charge and collect from our tenants. The principal uses of our liquidity and capital resources are for operations, developments, redevelopments, including expansion and renovation programs, acquisitions, and debt repayment. In addition, we make dividend payments in accordance with REIT requirements for distributing the substantial majority of our taxable income on an annual basis. We anticipate that the combination of cash on hand, cash from operations, availability under our credit facilities, additional financings, equity offerings, and the sale of existing properties will satisfy our expected working capital requirements through at least the next 12 months. Although we believe that the combination of factors discussed above will provide sufficient liquidity, no such assurance can be given.

At March 31, 2011, we had $12.7 million and $7.2 million in cash and cash equivalents and restricted cash, respectively. Restricted cash was comprised primarily of funds held in escrow to pay real estate taxes, insurance premiums, and certain capital expenditures.

Short-Term Liquidity Requirements

Our short-term liquidity needs consist primarily of funds necessary to pay operating expenses associated with our operating properties, interest and scheduled principal payments on our debt, expected dividend payments (including distributions to Operating Partnership unit holders) and capital expenditures related to tenant improvements and redevelopment activities.

In the second quarter of 2011, we have approximately $39.2 million of debt maturities related to mortgages payable and our $30.0 million bridge loan. Subsequent to quarter end, we repaid the bridge loan and a portion of our borrowings under our credit facility with the proceeds generated from our preferred equity offering, which closed in April 2011. As opportunities arise and market conditions permit, we will continue to pursue the strategy of selling mature properties or non-core assets that no longer meet our investment criteria. Our ability to obtain acceptable selling prices and satisfactory terms and financing will impact the timing of future sales. We anticipate using net proceeds from the sale of properties to reduce outstanding debt.

Long-Term Liquidity Requirements

Our long-term liquidity needs consist primarily of funds necessary to pay indebtedness at maturity, potential acquisitions of properties, redevelopment of existing properties, the development of land held and non-recurring capital expenditures.

As of March 31, 2011, we had a secured credit facility consisting of a $150.0 million secured revolving credit facility, of which $15.9 million was available to be drawn subject to certain covenants that may affect availability.

On April 29, 2011, we closed on a new $250.0 million unsecured bank facility comprised of a $175.0 million revolving line of credit and a $75.0 million term loan. The facility replaces our prior secured line which was scheduled to mature in December 2012 and bore interest at LIBOR plus 350 basis points with a 2% LIBOR floor. The new revolving line of credit and term loan have terms of three and four years, respectively. Subject to customary conditions, both the revolving line and the term loan can be extended for one year at our option. Borrowings under the facility are priced at LIBOR plus 200 to 275 basis points depending on our leverage ratio.

As a result of closing both our sale of $100.0 million of convertible perpetual preferred stock and our new $250.0 million unsecured bank facility subsequent to quarter end, we have paid off a substantial portion of our debt maturities in 2011 and 2012. In addition, we have reduced our borrowings under our new $175.0 million line of credit to approximately $8.0 million. We have also extended the maturity of our bank debt to 2014 and 2015, obtained an option for a further one-year extension at our option, and released the mortgages that secured our prior bank facility. The replacement of our prior secured bank facility with our new unsecured bank facililty enhances our financial flexibility by providing for additions to and removals from the pool of unencumbered properties that comprise a borrowing base, subject to certain criteria. Our financing strategy is to maintain ample liquidity, financial strength, and financial flexibility by sourcing equity and debt capital in appropriate balance, managing our debt maturity schedule, and monitoring our exposure to interest rate risk.

The following is a summary of our cash flow activities:

	Three Months Ended March 31, 2011	2010
Cash provided from operations	$ 5,642	$ 5,394
Cash used in investing activities	(10,869)	(7,277)
Cash provided by (used in) financing activities	7,749	(1,815)

For the three months ended March 31, 2011, our cash flows were as follows compared to the same period in 2010:

We generated $5.6 million in cash flows from operating activities as compared to $5.4 million. Cash flows from operating activities were higher mainly due to higher net cash outflows for accounts payable and accrued expenses in 2010. Investing activities used $10.9 million of cash flows as compared to $7.3 million. Cash flows used in investing activities were higher in 2011 due to higher additions to real estate, investments in unconsolidated entities primarily made to pay off a joint venture loan, and the purchase of our partner's equity interest in a consolidated joint venture for $1.0 million. Additionally, proceeds from sales of real estate were higher in 2011 by $1.2 million. Cash flows provided by financing activities were $7.7 million as compared to cash used of $1.8 million. We received proceeds of $8.4 million from the issuance of common shares in 2011 with no similar proceeds in 2010. Additionally, we borrowed a net of $6.0 million of mortgages and notes payable in 2011 as compared to borrowing a net of $4.4 million in 2010. In 2011, we paid cash dividends to common shareholders of $6.2 million as compared to $5.0 million in 2010 due to the increase in number of common shares outstanding from equity offerings.

Dividends and Equity

Under the Internal Revenue Code of 1986, as amended ("the Code"), as a REIT we must distribute annually to our shareholders at least 90% of our REIT taxable income, excluding net capital gain. Distributions paid are at the discretion of our Board of Trustees and depend on our actual net income available to common shareholders, cash flow, financial condition, capital requirements, restrictions in financing arrangements, the annual distribution requirements under REIT provisions of the Code and such other factors as our Board of Trustees deems relevant.

We declared a quarterly cash dividend distribution of $0.16325 per common share paid to shareholders of record on March 20, 2011, unchanged from the dividend paid of $0.16325 per share in the comparable quarter of 2010. Our dividend policy has not changed in that we expect to continue making distributions to shareholders of at least 90% of our REIT taxable income, excluding net capital gain, in order to maintain qualification as a REIT. On an annualized basis, our current dividend is above our estimated minimum required distribution.

Distributions paid by us are funded from cash flows from operating activities. To the extent that cash flows from operating activities were insufficient to pay total distributions for any period, alternative funding sources are used as shown in the following table. Examples of alternative funding sources may include proceeds from sales of real estate and bank borrowings. Although we may use alternative sources of cash to fund distributions in a given period, we expect that distribution requirements for an entire year will be met with cash flows from operating activities.

	Three Months Ended March 31, 2011	2010
Cash provided by operating activities	$ 5,642	$ 5,394
Cash distributions to common shareholders	(6,165)	(5,042)
Cash distributions to operating partnership unit holders	(509)	(477)
Total distributions	(6,674)	(5,519)
Surplus (deficiency)	$ (1,032)	$ (125)
Alternative sources of funding for distributions:		
Net borrowings on mortgages and notes payable	5,969	4,365
Total sources of alternative funding for distributions	$ 5,969	$ 4,365

In the first quarter of 2011, we issued 650,000 common shares through a controlled equity offering generating $8.4 million in net proceeds.

Debt

In March 2011, we repaid our $30.0 million secured term loan facility in full.

On March 31, 2011, we closed on a new $24.7 million mortgage secured by the Jackson Crossing shopping center in Jackson, Michigan. The mortgage bears a fixed rate of 5.8% and matures in April 2018.

In April 2011, we used net proceeds from our cumulative convertible perpetual preferred offering to repay our $30.0 million secured bridge loan and reduce borrowings on our secured revolving credit facility.

It is anticipated that funds borrowed under our credit facilities will be used for general corporate purposes, including working capital, capital expenditures, the repayment of indebtedness or other corporate activities. For further information on the credit facilities and other debt refer to Note 8 of the condensed consolidated financial statements.

At March 31, 2011, our variable rate debt accounted for approximately $184.9 million of outstanding debt with a weighted average interest rate of 5.2%. Variable rate debt accounted for approximately 32.3% of our total debt and 16.9% of our total market capitalization. We did not have any interest rate swap agreements in effect at March 31, 2011.

At March 31, 2011, excluding our secured credit facility and bridge loan, we had $387.0 million of mortgage loans, both fixed and floating rate, encumbering certain consolidated properties. Such mortgage loans are non-recourse, subject to certain exceptions for which we would be liable for any resulting losses incurred by the lender. These exceptions vary from loan to loan but generally include fraud or a material misrepresentation, misstatement or omission by the borrower, intentional or grossly negligent conduct by the borrower that harms the property or results in a loss to the lender, filing of a bankruptcy petition by the borrower, either directly or indirectly, and certain environmental liabilities. In addition, upon the occurrence of certain of such events, such as fraud or filing of a bankruptcy petition by the borrower, we would be liable for the entire outstanding balance of the loan, all interest accrued thereon and certain other costs, penalties and expenses.

Off Balance Sheet Debt

Real Estate Joint Ventures

We consolidate entities in which we own less than 100% equity interest if we have a controlling interest or are the primary beneficiary in a variable interest entity, as defined in the Consolidation Topic of FASB ASC 810. From time to time, we enter into joint venture arrangements from which we believe we can benefit by owning a partial interest in a property.

As of March 31, 2011, we had eight equity investments in unconsolidated joint venture entities in which we owned 50% or less of the total ownership interest. Refer to Note 5 of the notes to the condensed consolidated financial statements. We review our equity investments in unconsolidated entities for impairment on a venture-by-venture basis whenever events of changes in circumstances indicate that the carrying value of the equity investment may not be recoverable. In the first quarter of 2010, we recorded an impairment charge of $2.7 million resulting from other-than-temporary declines in the fair market value of various equity investments in unconsolidated joint ventures. We had no impairment loss for the comparable period in 2011.

We have a 30% ownership interest in our Ramco Lion joint venture which owns a portfolio of 16 properties totaling 3.2 million square feet of GLA. As of March 31, 2011, the properties had consolidated equity of $291.0 million. Our total investment in the venture at March 31, 2011 was $81.3 million. The Ramco Lion joint venture has total debt obligations, which other than customary carve-outs are nonrecourse to us, of approximately $224.7 million with maturity dates ranging from 2011 through 2020. Our proportionate share of the total debt is $66.9 million.

We have a 20% ownership interest in our Ramco 450 joint venture which is a portfolio of nine properties totaling 1.7 million square feet of GLA. As of March 31, 2011, the properties in the portfolio had consolidated equity of $134.7 million. Our total investment in the venture at March 31, 2011 was $16.6 million. The Ramco 450 venture total debt obligations, which other than customary carve-outs are nonrecourse to us, of approximately $171.3 million with maturity dates range from 2013 through 2017. Our proportionate share of the total debt is $34.4 million.

We also have ownership interests ranging from 20% - 50% in six smaller joint ventures that each own one or two properties. As of March 31, 2011, our total investment in these ventures was $9.3 million and our proportionate share of the total non-recourse debt was $10.0 million with maturity dates ranging from 2012 through 2016. Refer to Note 5 of the notes to the condensed consolidated financial statements for more information related to our real estate joint ventures.

Contractual Obligations

The following are our contractual cash obligations as of March 31, 2011:

	Payments due by period				
Contractual Obligations	Total	Less than 1 year (1)	1-3 years	3-5 years	More than 5 years
			(In thousands)		
Mortgages and notes payable:					
Scheduled amortization	$ 26,998	$ 4,142	$ 9,911	$ 7,325	$ 5,620
Payments due at maturity	550,656	64,004	195,748	102,866	188,038
Total mortgages and notes payable	577,654	68,146	205,659	110,191	193,658
Employment contracts	1,633	632	1,001	-	-
Capital lease	7,818	509	1,354	5,955	-
Operating leases	4,104	689	1,898	762	755
Construction commitments	2,318	2,318	-	-	-
Total contractual obligations	$ 593,527	$ 72,294	$ 209,912	$ 116,908	$ 194,413

(1) Amounts represent balance of obligation for the
remainder of 2011.

At March 31, 2011, we did not have any contractual obligations that required or allowed settlement, in whole or in part, with consideration other than cash.

We anticipate that the combination of cash on hand, cash provided from operating activities, the availability under the Credit Facility ($15.9 million at March 31, 2011 subject to covenants, plus up to an additional $50 million dependent upon there being one or more lenders willing to fund the additional commitment), our access to the capital markets and the sale of existing properties will satisfy our expected working capital requirements through at least the next 12 months. Although we believe that the combination of factors discussed above will provide sufficient liquidity, no assurance can be given.

Mortgages and notes payable

See the analysis of our debt included in “Liquidity and Capital Resources” above.

Employment Contracts

At March 31, 2011, we had employment contracts with our Chief Executive Officer and Chief Financial Officer that contain minimum guaranteed compensation. All other employees are subject to at-will employment.

Operating and Capital Leases

We lease office space for our corporate headquarters and our Florida office under operating leases. We also have an operating lease at our Taylors Square shopping center and a capital ground lease at our Gaines Marketplace shopping center for which we may be obligated to purchase the land parcel.

Construction Costs

In connection with the development and expansion of various shopping centers as of March 31, 2011, we have entered into agreements for construction activities with an aggregate cost of approximately $2.3 million.

Planned Capital Spending

We are focused on our core strengths of enhancing the value of our existing portfolio of shopping centers through successful leasing efforts and the completion of our redevelopment projects currently in process.

During the three months ended March 31, 2011, we spent approximately $7.6 million on capital expenditures including tenant allowances, leasing commissions paid to third-party brokers, legal costs related to lease documents, capitalized leasing and construction costs, renovations, and roof and parking lot repairs.

For the remainder of 2011, we anticipate spending approximately $16.0 million for capital expenditures.

Capitalization

At March 31, 2011, our total market capitalization was $1.1 billion. Our market capitalization consisted of $571.5 million of net debt (including property-specific mortgages, a secured revolving credit facility, a secured bridge loan, junior subordinated notes, and a capital lease obligation), and $522.3 million of common shares and OP Units. Our net debt to total market capitalization was 52.2% at March 31, 2011, as compared to 59.8% at March 31, 2010. The decrease in total net debt to market capitalization was due primarily to the impact of the May 18, 2010 equity offering and the increase in the price per common share from $11.26 at March 31, 2010 to $12.53 at March 31, 2011. Our outstanding debt at March 31, 2011 had a weighted average interest rate of 5.7%, and consisted of $392.7 million of fixed rate debt and $184.9 million of variable rate debt. Outstanding letters of credit issued under the credit facility totaled approximately $1.6 million at March 31, 2011.

At March 31, 2011, the noncontrolling interest in the Operating Partnership represented a 7.0% ownership in the Operating Partnership. The OP Units may, under certain circumstances, be exchanged for our common shares of beneficial interest on a one-for-one basis. We, as sole general partner of the Operating Partnership, have the option, but not the obligation, to settle exchanged OP Units held by others in cash based on the current trading price of our common shares of beneficial interest. Assuming the exchange of all OP Units, there would have been 41,684,698 of our common shares of beneficial interest outstanding at March 31, 2011, with a market value of approximately $522.3 million.

Inflation

Inflation has been relatively low in recent years and has not had a significant detrimental impact on the results of our operations. Should inflation rates increase in the future, substantially all of our tenant leases contain provisions designed to partially mitigate the negative impact of inflation in the near term. Such lease provisions include clauses that require our tenants to reimburse us for real estate taxes and many of the operating expenses we incur. Also, many of our leases provide for periodic increases in base rent which are either of a fixed amount or based on changes in the consumer price index and/or percentage rents (where the tenant pays us rent based on a percentage of its sales). Significant inflation rate increases over a prolonged period of time may have a material adverse impact on our business.

Funds from Operations

We consider funds from operations, also known as "FFO," an appropriate supplemental measure of the financial performance of an equity REIT. Under the National Association of Real Estate Investment Trusts (NAREIT) definition, FFO represents net income attributable to common shareholders, excluding extraordinary items (as defined under GAAP) and gains (losses) on sales of depreciable property, plus real estate related depreciation and amortization (excluding amortization of financing costs), and after adjustments for unconsolidated partnerships and joint ventures. FFO is intended to exclude GAAP historical cost depreciation and amortization of real estate investments, which assumes that the value of real estate assets diminishes ratably over time. Historically, however, real estate values have risen or fallen with market conditions and many companies utilize different depreciable lives and methods. Because FFO adds back depreciation and amortization unique to real estate, and excludes gains and losses from depreciable property dispositions and extraordinary items, it provides a performance measure that, when compared year over year, reflects the impact on operations from trends in occupancy rates, rental rates, operating costs, acquisition and development activities and interest costs, which provides a perspective of our financial performance not immediately apparent from net income attributable to common shareholders determined in accordance with GAAP. In addition, FFO does not include the cost of capital improvements, including capitalized interest.

For the reasons described above we believe that FFO provides us and our investors with an important indicator of our operating performance. This measure of performance is used by us and other REITS for several business purposes, and it provides a recognized measure of performance other than GAAP net income attributable to common shareholders, which may include non-cash items. Other real estate companies may calculate FFO in a different manner.

We recognize FFO's limitations when compared to GAAP net income attributable to common shareholders. FFO does not represent amounts available for needed capital replacement or expansion, debt service obligations, or other commitments and uncertainties. In addition, FFO does not represent cash generated from operating activities in accordance with GAAP and is not necessarily indicative of cash available to fund cash needs, including the payment of dividends. FFO should not be considered as an alternative to net income attributable to common shareholders (computed in accordance with GAAP) or as an alternative to cash flow as a measure of liquidity. FFO is simply used as an additional indicator of our operating performance.

The following table illustrates the calculations of FFO:

	Three Months Ended March 31, 2011		Three Months Ended March 31, 2010	
Net income (loss) attributable to RPT common shareholders (1)	$	(232)	$	(683)
Add:				
Rental property depreciation and amortization expense		8,733		7,585
Pro rata share of real estate depreciation from unconsolidated joint ventures		1,623		1,676
Loss (gain) on sale of depreciable real estate		-		-
Noncontrolling interest in Operating Partnership		(17)		(69)
Funds from operations	$	10,107	$	8,509
Weighted average common shares		37,927		31,020
Shares issuable upon conversion of Operating Partnership Units		2,899		2,902
Dilutive effect of securities		299		-
Weighted average equivalent shares outstanding, diluted		41,125		33,922
Net income per diluted share to FFO per diluted share reconciliation:				
Net income (loss) attributable to RPT common shareholders per diluted share	$	(0.01)	$	(0.02)
Add:				
Rental property depreciation and amortization expense		0.21		0.22
Pro rata share of real estate depreciation from unconsolidated joint ventures		0.04		0.05
Noncontrolling interest in Operating Partnership		-		-
Less:				
Assuming conversion of OP Units		0.01		-
Funds from operations per diluted share	$	0.25	$	0.25
(1) Includes: Gain on sale of nondepreciable real estate	$	156	$	-
Impairment charge on unconsolidated joint ventures	$	-	$	2,653

Forward Looking Statements

This document contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements represent our expectations, plans or beliefs concerning future events and may be identified by terminology such as "may," "will," "should," "believe," "expect," "estimate," "anticipate," "continue," "predict" or similar terms. Al forward-looking statements made in this document are based on our good faith beliefs, reasonable assumptions and our best judgment based upon current information, certain factors could cause actual results to differ materially from those in the forward-looking statements, including: our success or failure in implementing our business strategy; economic conditions generally and in the commercial real estate and finance markets specifically; our cost of capital, which depends in part on our asset quality, our relationships with lenders and other capital providers; our business prospects and outlook; changes in governmental regulations, tax rates and similar matters; our continuing to qualify as a REIT; and other factors discussed elsewhere in this document and our other filings with the SEC, including our Annual Report on Form 10-K for the year ended December 31, 2010. Given these uncertainties, you should not place undue reliance on any forward-looking statements. Except as required by law, we assume no obligation to update these forward-looking statements, even if new information becomes available in the future.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We have exposure to interest rate risk on our variable rate debt obligations. Based on market conditions, we may manage our exposure to interest rate risk by entering into interest rate swap agreements to hedge our variable rate debt. At March 31, 2011, we did not have any interest rate swap agreements in effect. We are not subject to any foreign currency exchange rate risk or commodity price risk, or other material rate or price risks. Based on our debt and interest rates at March 31, 2011, a 100 basis point change in interest rates would impact our future earnings and cash flows by approximately $1.8 million annually. We believe that a 100 basis point change in interest rates would impact the fair value of our total outstanding debt at March 31, 2011 by approximately $14.4 million.

The following table sets forth information as of March 31, 2011 concerning our long-term debt obligations, including principal cash flows by scheduled maturity, weighted average interest rates of maturing amounts and fair market:

	2011	2012	2013	2014	2015	Thereafter	Total	Estimated Fair Value
Fixed-rate debt	$29,389	$24,702	$34,784	$33,455	$76,736	$193,658	$392,724	$402,311
Average interest rate	7.3 %	6.5 %	5.6 %	5.5 %	5.3 %	6.0 %	5.9 %	4.6 %
Variable-rate debt	$38,757	$146,100	$-	$-	$-	$-	$184,857	$184,857
Average interest rate	4.3 %	5.4 %	-	-	-	-	5.1 %	

We estimated the fair value of our fixed rate mortgages using a discounted cash flow analysis, based on our incremental borrowing rates for similar types of borrowing arrangements with the same remaining maturity. Considerable judgment is required to develop estimated fair values of financial instruments. The table incorporates only those exposures that exist at March 31, 2011 and does not consider those exposures or positions which could arise after that date or firm commitments as of such date. Therefore, the information presented therein has limited predictive value. Our actual interest rate fluctuations will depend on the exposures that arise during the period and on market interest rates at that time.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in our reports under the Securities Exchange Act of 1934, as amended ("Exchange Act"), such as this report on Form 10-Q, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the designed control objectives, and therefore management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

We carried out an assessment as of March 31, 2011 of the effectiveness of the design and operation of our disclosure controls and procedures. This assessment was done under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer. Based on such evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that such disclosure controls and procedures were effective at the reasonable assurance level as of March 31, 2011.

Changes in Internal Control Over Financial Reporting

During the quarter ended March 31, 2011, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

For a description of the litigation with a subcontractor, see to Note 15 of the notes to the condensed consolidated financial statements. There is no material pending governmental proceedings.

Item 1A. Risk Factors

You should review our Annual Report on Form 10-K for the year ended December 31, 2010 which contains a detailed description of risk factors that may materially affect our business, financial condition or results of operations.

Item 6. Exhibits

Exhibit No.	Description
12.1*	Computation of Ratio of Earnings to Fixed Charges.
31.1*	Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of CEO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley Act of 2002.
32.2*	Certification of CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley Act of 2002.

* filed herewith

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.

RAMCO-GERSHENSON PROPERTIES TRUST

Date: May 5, 2011	By: /s/ Dennis E. Gershenson Dennis E. Gershenson President and Chief Executive Officer (Principal Executive Officer)
Date: May 5, 2011	By: /s/ Gregory R. Andrews Gregory R. Andrews Chief Financial Officer (Principal Financial and Accounting Officer)

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