Health Fitness Corp /MN/
Form 4
January 26, 2006

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
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(Print or Type Responses)

1. Name and Address of Reporting Person *
HURT DAVE

(Last) (First) (Middle)

3600 AMERICAN BLVD. WEST, SUITE 560

(Street)

MINNEAPOLIS, MN 55431

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
Health Fitness Corp /MN/ [HFIT]

3. Date of Earliest Transaction (Month/Day/Year)
01/24/2006

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Vice President of Operations

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security	2. Conversion or Exercise	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any	4. Transaction Code	5. Number of Derivative Securities	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)

(Instr. 3)	Price of Derivative Security		(Month/Day/Year)	(Instr. 8)		Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)					
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Employee Stock Option (Right to Purchase)	$ 0.55							(1)	12/13/2007	Common Stock	40,000
Employee Stock Option (Right to Purchase)	$ 0.47							(2)	02/21/2008	Common Stock	15,000
Employee Stock Option (Right to Purchase)	$ 0.39							(3)	02/10/2009	Common Stock	15,000
Employee Stock Option (Right to Purchase)	$ 2.07							(4)	03/10/2014	Common Stock	10,000
Employee Stock Option (Right to Buy)	$ 2.81							(5)	02/04/2011	Common Stock	7,500
Employee Stock Option (Right to Buy)	$ 2.69	01/24/2006		A		20,000		(6)	01/24/2012	Common Stock	20,000

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
HURT DAVE 3600 AMERICAN BLVD. WEST SUITE 560			Vice President of Operations	

MINNEAPOLIS, MN 55431

Signatures

/s/ Wesley W. Winnekins for David T. Hurt pursuant to Power of Attorney previously filed | 01/26/2006

**Signature of Reporting Person | Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Exercisable in annual increments of 10,000 shares each, commencing 12/13/02.

(2) Exercisable in annual increments of 3,750 shares each, commencing 2/21/03.

(3) Exercisable in annual increments of 3,750 shares each, commencing 2/10/04.

(4) Exercisable in annual increments of 1,875 shares each, commencing 3/10/05.

(5) Exercisable in annual increments of 1,875 shares each, commencing 2/4/06.

(6) Exercisable in annual increments of 5,000 shares each, commencing 1/24/07.

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11

81

63

241

Global components sales, as adjusted
$
3,742

$
3,551

5.4
%

$
10,785

$
10,373

4.0
%

Global ECS sales, as reported
$
1,882

$
1,581

19.0
%

$
5,650

$
5,145

9.8
%
Impact of changes in foreign currencies
—

(6
)

—

32

Impact of acquisitions
3

192

36

628

Global ECS sales, as adjusted
$
1,885

$
1,767

6.7
%

$
5,686

$
5,805

(2.1
)%

26

Consolidated sales for the third quarter and first nine months of 2014 increased by $565.0 million, or 11.2%, and $1.17 billion, or 7.7%, respectively, compared with the year-earlier periods. The increase for the third quarter and first nine months of 2014 was driven by an increase in global components business segment sales of $264.0 million, or 7.6%, and $663.3 million, or 6.6%, respectively, and by an increase in global ECS business segment sales of $301.0 million or 19.0%, and $504.6 million or 9.8%, respectively, compared with the year-earlier periods. The translation of the company's international financial statements into U.S. dollars resulted in an increase in consolidated sales of 1.0% for the first nine months of 2014, compared with the year-earlier period, due to a weaker U.S. dollar. Adjusted for the impact of changes in foreign currencies and acquisitions, the company's consolidated sales increased by 5.8% for the third quarter of 2014 and increased by 1.8% for the first nine months of 2014, compared with the year-earlier periods.

In the global components business segment, sales for the third quarter and first nine months of 2014 increased 7.6% and 6.6%, respectively, compared with the year-earlier periods primarily due to an increase in demand for products worldwide, the impact of recently acquired businesses, and the impact of a weaker U.S. dollar on the translation of the company's international financial statements. Adjusted for the impact of changes in foreign currencies and acquisitions, the company's global components business segment sales increased by 5.4% and 4.0% for the third quarter and first nine months of 2014, respectively, compared with the year-earlier periods.

In the global ECS business segment, sales for the third quarter and first nine months of 2014 increased 19.0% and 9.8%, respectively, compared with the year-earlier periods, primarily driven by growth in services and software, offset, in part, by a decrease in demand for servers. Adjusted for the impact of changes in foreign currencies and acquisitions, the company's global ECS business segment sales increased by 6.7% and decreased by 2.1% for the third quarter and first nine months of 2014, respectively, compared with the year-earlier periods.

Gross Profit

Following is an analysis of gross profit (in millions):

	Quarter Ended			Nine Months Ended		
	September 27, 2014	September 28, 2013	% Change	September 27, 2014	September 28, 2013	% Change
Consolidated gross profit, as reported	$729	$672	8.5 %	$2,180	$2,003	8.8 %
Impact of changes in foreign currencies	—	(1)		—	16	
Impact of acquisitions	3	46		23	145	
Consolidated gross profit, as adjusted	$732	$717	2.1 %	$2,203	$2,164	1.8 %
Consolidated gross profit as a percentage of sales, as reported	13.0 %	13.3 %	(30) bps	13.3 %	13.2 %	10 bps
Consolidated gross profit as a percentage of sales, as adjusted	13.0 %	13.5 %	(50) bps	13.4 %	13.4 %	flat

The company recorded gross profit of $728.7 million and $2.18 billion in the third quarter and first nine months of 2014, respectively, compared with $671.7 million and $2.00 billion in the year-earlier periods. The increase in gross profit was primarily due to the aforementioned 11.2% and 7.7% increase in sales during the third quarter and first nine months of 2014, respectively. Gross profit margins decreased approximately 30 basis points in the third quarter of 2014 and increased approximately 10 basis points in the first nine months of 2014, compared with the year-earlier periods. Adjusted for the impact of changes in foreign currencies and acquisitions, the company's consolidated gross profit margins decreased approximately 50 basis points in the third quarter of 2014 and remained flat in the first nine months of 2014, compared with the year-earlier periods. The decrease in the third quarter of 2014 is primarily due to a change in geographic mix with Asia Pacific components being a larger percentage of the global components' consolidated sales compared with the year-earlier period. The gross profit margin also decreased in the global ECS business segment compared with the year-earlier period. The gross profit margins of products sold in the global components business segment are typically higher than the gross profit margins of products in the global ECS business segment and the gross profit margins of the components sold in the Americas and EMEA (Europe, Middle East, and Africa) tend to be higher than the gross profit margins of products in the Asia Pacific region. The financial impact of the lower gross profit margins in the global ECS business segment and the Asia Pacific region were offset, in part, by lower operating costs in these businesses relative to the company's other businesses.

Selling, General, and Administrative Expenses and Depreciation and Amortization

Following is an analysis of operating expenses (in millions):

	Quarter Ended			Nine Months Ended		
	September 27, 2014	September 28, 2013	% Change	September 27, 2014	September 28, 2013	% Change
Selling, general, and administrative expenses, as reported	$486	$454	7.0 %	$1,454	$1,376	5.6 %
Depreciation and amortization, as reported	39	32	20.5 %	115	97	19.5 %
Operating expenses, as reported	525	486	7.9 %	1,569	1,473	6.5 %
Impact of changes in foreign currencies	—	—		—	13	
Impact of acquisitions	2	40		16	125	
Operating expenses, as adjusted	$527	$526	flat	$1,585	$1,611	(1.6)%

Selling, general, and administrative expenses increased by $31.9 million, or 7.0%, in the third quarter of 2014 on a sales increase of 11.2%, and increased by $77.5 million, or 5.6%, in the first nine months of 2014 on a sales increase of 7.7%, compared with the year-earlier periods, primarily due to recent acquisitions. Selling, general, and administrative expenses, as a percentage of sales were 8.7% and 8.9% for the third quarter and first nine months of 2014, respectively, compared with 9.0% and 9.1% in the year-earlier periods.

Depreciation and amortization expense increased by $6.6 million, or 20.5%, and $18.8 million, or 19.5%, for the third quarter and first nine months of 2014, compared with the year-earlier periods, primarily due to recent acquisitions and further implementation of the company's enterprise resource planning ("ERP") initiative. Included in depreciation and amortization expense is identifiable intangible asset amortization of $11.1 million ($9.1 million net of related taxes or $.09 per share on both a basic and diluted basis) and $32.9 million ($26.9 million net of related taxes or $.27 per share on both a basic and diluted basis) for the third quarter and first nine months of 2014, respectively, and $8.9 million ($7.1 million net of related taxes or $.07 per share on both a basic and diluted basis) and $26.8 million ($21.2 million net of related taxes or $.21 and $.20 per share on a basic and diluted basis, respectively) for the third quarter and first nine months of 2013, respectively.

Adjusted for the impact of changes in foreign currencies and acquisitions, operating expenses remained flat for the third quarter of 2014 and decreased 1.6% in the first nine months of 2014.

Restructuring, Integration, and Other Charges

2014 Charges

The company recorded restructuring, integration, and other charges of $3.9 million ($2.6 million net of related taxes or $.03 per share on both a basic and diluted basis) and $25.2 million ($18.1 million net of related taxes or $.18 per share on both a basic and diluted basis) for the third quarter and first nine months of 2014, respectively. Included in the restructuring, integration, and other charges for the third quarter and first nine months of 2014 are restructuring and integration charges of $5.0 million and $26.4 million, respectively, related to initiatives taken by the company to improve operating efficiencies. Also included in the restructuring, integration, and other charges for the third quarter and first nine months of 2014 are charges (credits) of $.3 million and $(.05) million related to restructuring and integration actions taken in prior periods and acquisition-related expenses (credits) of $(1.3) million and $(1.1) million, respectively.

The restructuring and integration charge of $5.0 million and $26.4 million for the third quarter and first nine months of 2014, respectively, includes personnel costs of $2.5 million and $20.7 million, facilities costs of $2.0 million and $4.0 million, and other costs of $.5 million and $1.7 million, respectively. These restructuring initiatives are due to the company's continued efforts to lower cost and drive operational efficiency. Integration costs are primarily related to the integration of acquired businesses within the company's pre-existing business and the consolidation of certain operations.

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2013 Charges

The company recorded restructuring, integration, and other charges of $22.6 million ($16.1 million net of related taxes or $.16 per share on both a basic and diluted basis) and $74.4 million ($52.3 million net of related taxes or $.51 and $.50 per share on a basic and diluted basis, respectively) for the third quarter and first nine months of 2013, respectively. Included in the restructuring, integration, and other charges for the third quarter and first nine months of 2013 are restructuring and integration charges of $20.0 million and $65.9 million, respectively, related to initiatives taken by the company to improve operating efficiencies and acquisition-related expenses of $2.5 million and $7.6 million, respectively. Also included in the restructuring, integration, and other charges for the first nine months of 2013 are charges of $1.0 million related to restructuring and integration actions taken in prior periods.

The restructuring and integration charge of $20.0 million and $65.9 million for the third quarter and first nine months of 2013, respectively, includes personnel costs of $15.9 million and $56.6 million, facilities costs of $3.9 million and $8.4 million, and other costs of $.2 million and $.9 million, respectively. These restructuring initiatives are due to the company's continued efforts to lower cost and drive operational efficiency. Integration costs are primarily related to the integration of acquired businesses within the company's pre-existing business and the consolidation of certain operations.

As of September 27, 2014, the company does not anticipate there will be any material adjustments relating to the aforementioned restructuring and integration plans. Refer to Note I, "Restructuring, Integration, and Other Charges," of the Notes to the Consolidated Financial Statements for further discussion of the company's restructuring and integration activities.

Operating Income

Following is an analysis of operating income (in millions):

	Quarter Ended				Nine Months Ended			
	September 27, 2014		September 28, 2013		September 27, 2014		September 28, 2013	
Consolidated operating income, as reported	$200		$163		$586		$456	
Identifiable intangible asset amortization	11		9		33		27	
Restructuring, integration, and other charges	4		23		25		74	
Consolidated operating income, as adjusted*	$215		$194		$644		$557	
Consolidated operating income, as reported as a percentage of sales, as reported	3.6	%	3.2	%	3.6	%	3.0	%
Consolidated operating income, as adjusted as a percentage of sales, as reported	3.8	%	3.8	%	3.9	%	3.7	%

* The sum of the components for consolidated operating income, as adjusted may not agree to totals, as presented, due to rounding.

The company recorded operating income of $199.8 million, or 3.6% of sales, and $585.8 million, or 3.6% of sales, in the third quarter and first nine months of 2014, respectively, compared with operating income of $162.7 million, or 3.2% of sales, and $456.2 million, or 3.0% of sales, in the year-earlier periods. Excluding identifiable intangible asset amortization and restructuring, integration, and other charges, operating income, as adjusted was $214.9 million, or 3.8% of sales, and $643.9 million, or 3.9% of sales, in the third quarter and first nine months of 2014, respectively, compared with operating income, as adjusted of $194.2 million, or 3.8% of sales, and $557.3 million, or 3.7% of sales, in the year-earlier periods.

Gain on Sale of Investment

During the third quarter of 2014, the company sold its 1.9% equity ownership interest in WPG Holdings Co., Ltd. for proceeds of $40.5 million and accordingly recorded a gain on sale of investment of $29.7 million ($18.3 million net of related taxes or $.19 and $.18 per share on a basic and diluted basis, respectively).

Loss on Prepayment of Debt

During the first nine months of 2013, the company recorded a loss on prepayment of debt of $4.3 million ($2.6 million net of related taxes or $.03 per share on both a basic and diluted basis), related to the redemption of $332.1 million principal amount of its 6.875% senior notes due July 2013.

Interest and Other Financing Expense, Net

The company recorded net interest and other financing expense of $27.5 million and $86.1 million for the third quarter and first nine months of 2014, compared with $27.2 million and $86.9 million in the year-earlier periods. The first nine months of 2013 include an increase in interest expense of $1.5 million ($.9 million net of related taxes or $.01 per share on both a basic and diluted basis) primarily related to the settlement of certain international tax matters. Excluding this item, net interest and other financing expense remained flat.

Income Taxes

The company recorded a provision for income taxes of $57.4 million and $152.2 million (an effective tax rate of 28.1% and 28.5%) for the third quarter and first nine months of 2014, respectively. The company's provision for income taxes and effective tax rate for the third quarter and first nine months of 2014 were impacted by the previously discussed restructuring, integration, and other charges, and gain on sale of investment. Excluding the impact of the aforementioned items, the company's effective tax rate for the third quarter and first nine months of 2014 was 26.5% and 27.9%, respectively.

The company recorded a provision for income taxes of $40.5 million and $105.3 million (an effective tax rate of 29.5% and 28.4%) for the third quarter and first nine months of 2013, respectively. The company's provision for income taxes and effective tax rate for the third quarter and first nine months of 2013 were impacted by the previously discussed restructuring, integration, and other charges. The company's provision for income taxes and effective tax rate for the first nine months of 2013 was also impacted by an increase in the provision for income taxes of $5.4 million ($.05 per share on both a basic and diluted basis) relating to the settlement of certain international tax matters, and the loss on prepayment of debt. Excluding the impact of the aforementioned items, the company's effective tax rate for the third quarter and first nine months of 2013 was 29.4% and 27.6%, respectively.

The company's provision for income taxes and effective tax rate are impacted by, among other factors, the statutory tax rates in the countries in which it operates and the related level of income generated by these operations.

Net Income Attributable to Shareholders

Following is an analysis of net income attributable to shareholders (in millions):

	Quarter Ended		Nine Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Net income attributable to shareholders, as reported	$147	$97	$382	$265
Identifiable intangible asset amortization	9	7	27	21
Restructuring, integration, and other charges	3	16	18	52
Gain on sale of investment	(18)	—	(18)	—
Loss on prepayment of debt	—	—	—	3
Settlement of tax matters:				
Income taxes	—	—	—	5
Interest (net of taxes)	—	—	—	1
Net income attributable to shareholders, as adjusted*	$140	$120	$409	$347

* The sum of the components for net income attributable to shareholders, as adjusted may not agree to totals, as presented, due to rounding.

The company recorded net income attributable to shareholders of $146.9 million and $381.9 million in the third quarter and first nine months of 2014, respectively, compared with net income attributable to shareholders of $96.8 million and $264.6 million in the year-earlier periods. Net income attributable to shareholders, as adjusted was $140.2 million for the third quarter of 2014, compared with $119.9 million in the year-earlier period primarily due to an increase in sales in the global components and global ECS segments, and the impact of recent acquisitions. Net income attributable to shareholders, as adjusted was $408.6 million for the first nine months of 2014, compared with $347.0 million in the year-earlier period primarily due to an increase in sales in the global components and global ECS segments, the impact of recent acquisitions, and the effect of a weaker U.S. dollar on the translation of the company's financial statements.

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Liquidity and Capital Resources

At September 27, 2014 and December 31, 2013, the company had cash and cash equivalents of $258.2 million and $390.6 million, respectively, of which $221.5 million and $347.4 million, respectively, were held outside the United States. Liquidity is affected by many factors, some of which are based on normal ongoing operations of the company's business and some of which arise from fluctuations related to global economics and markets. Cash balances are generated and held in many locations throughout the world. It is the company's current intent to permanently reinvest these funds outside the United States and its current plans do not demonstrate a need to repatriate them to fund its United States operations. If these funds were needed for the company's operations in the United States, it would be required to record and pay significant United States income taxes to repatriate these funds. Additionally, local government regulations may restrict the company's ability to move cash balances to meet cash needs under certain circumstances. The company currently does not expect such regulations and restrictions to impact its ability to make acquisitions or to pay vendors and conduct operations throughout the global organization.

During the first nine months of 2014, the net amount of cash provided by the company's operating activities was $216.2 million, the net amount of cash used for investing activities was $176.9 million, and the net amount of cash used for financing activities was $180.9 million. The effect of exchange rate changes on cash was an increase of $9.1 million.

During the first nine months of 2013, the net amount of cash provided by the company's operating activities was $235.6 million, the net amount of cash used for investing activities was $131.9 million, and the net amount of cash used for financing activities was $287.5 million. The effect of exchange rate changes on cash was an increase of $25.8 million.

Cash Flows from Operating Activities

The company maintains a significant investment in accounts receivable and inventories. As a percentage of total assets, accounts receivable and inventories were approximately 64.6% at September 27, 2014 and 65.8% at December 31, 2013.

The net amount of cash provided by the company's operating activities during the first nine months of 2014 was $216.2 million and was primarily due to earnings from operations, adjusted for non-cash items.

The net amount of cash provided by the company's operating activities during the first nine months of 2013 was $235.6 million and was primarily due to earnings from operations, adjusted for non-cash items, offset, in part, by an increase in net working capital to support the increase in sales.

Working capital as a percentage of sales was 15.6% in the third quarter of 2014 compared with 16.4% in the third quarter of 2013.

Cash Flows from Investing Activities

The net amount of cash used for investing activities during the first nine months of 2014 was $176.9 million, reflecting $129.5 million of cash consideration paid, net of cash acquired, for acquired businesses, $40.5 million of proceeds from sale of investment, and $87.9 million for capital expenditures. Included in capital expenditures for the first nine months of 2014 is $57.0 million related to the company's global ERP initiative.

During the first nine months of 2014, the company completed three acquisitions. The aggregate consideration paid for these acquisitions was $129.5 million, net of cash acquired, contingent consideration, and other amounts withheld.

The net amount of cash used for investing activities during the first nine months of 2013 was $131.9 million, reflecting $43.4 million of cash consideration paid, net of cash acquired, for acquired businesses, $85.5 million for capital expenditures, and $3.0 million other. Included in capital expenditures for the first nine months of 2013 is $43.0 million related to the company's global ERP initiative.

During the first nine months of 2013, the company completed two acquisitions. The aggregate consideration paid for these acquisitions was $43.4 million, net of contingent consideration.

Cash Flows from Financing Activities

The net amount of cash used for financing activities during the first nine months of 2014 was $180.9 million. The uses of cash from financing activities included $189.4 million of repurchases of common stock, $10.2 million of net repayments of long-term bank borrowings, and a $9.2 million decrease in short-term and other borrowings. The sources of cash from financing activities during the first nine months of 2014 were $28.0 million of proceeds from the exercise of stock options and other benefits related to stock-based compensation arrangements.

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The net amount of cash used for financing activities during the first nine months of 2013 was $287.5 million. The uses of cash from financing activities included $338.2 million of redemption of senior notes, $312.6 million of repurchases of common stock, $242.9 million of net repayments of long-term bank borrowings, and a $22.3 million decrease in short-term and other borrowings. The sources of cash from financing activities during the first nine months of 2013 were $591.2 million of net proceeds from a note offering, and $37.3 million of proceeds from the exercise of stock options and other benefits related to stock-based compensation arrangements.

During the first nine months of 2013, the company completed the sale of $300.0 million principal amount of 3.00% notes due in 2018 and $300.0 million principal amount of 4.50% notes due in 2023. The net proceeds of the offering of $591.2 million were used to refinance the company's 6.875% senior notes due July 2013 and for general corporate purposes.

During the first nine months of 2013, the company redeemed $332.1 million principal amount of its 6.875% senior notes due July 2013. The related loss on the redemption for the first nine months of 2013 aggregated $4.3 million ($2.6 million net of related taxes or $.03 per share on both a basic and diluted basis) and was recognized as a loss on prepayment of debt.

The company has a $1.50 billion revolving credit facility, maturing in December 2018. This facility may be used by the company for general corporate purposes including working capital in the ordinary course of business, letters of credit, repayment, prepayment or purchase of long-term indebtedness and acquisitions, and as support for the company's commercial paper program, as applicable. Interest on borrowings under the revolving credit facility is calculated using a base rate or a euro currency rate plus a spread (1.30% at September 27, 2014), which is based on the company's credit ratings, or an effective interest rate of 1.40% at September 27, 2014. The facility fee is .20%. At September 27, 2014, the company had $49.8 million in outstanding borrowings under the revolving credit facility. There were no outstanding borrowings under the revolving credit facility at December 31, 2013. During the first nine months of 2014 and 2013, the average daily balance outstanding under the revolving credit facility was $383.2 million and $417.9 million, respectively.

The company has an asset securitization program collateralized by accounts receivable of certain of its subsidiaries. In March 2014, the company amended its asset securitization program and, among other things, increased its borrowing capacity from $775.0 million to $900.0 million and extended its term to mature in March 2017. The asset securitization program is conducted through Arrow Electronics Funding Corporation ("AFC"), a wholly-owned, bankruptcy remote subsidiary. The asset securitization program does not qualify for sale treatment. Accordingly, the accounts receivable and related debt obligation remain on the company's consolidated balance sheets. Interest on borrowings is calculated using a base rate or a commercial paper rate plus a spread (.40% at September 27, 2014), which is based on the company's credit ratings, or an effective interest rate of .62% at September 27, 2014. The facility fee is .40%. The company had $360.0 million and $420.0 million in outstanding borrowings under the asset securitization program at September 27, 2014 and December 31, 2013, respectively. During the first nine months of 2014 and 2013, the average daily balance outstanding under the asset securitization program was $443.3 million and $262.2 million, respectively.

Both the revolving credit facility and asset securitization program include terms and conditions that limit the incurrence of additional borrowings, limit the company's ability to pay cash dividends or repurchase stock, and require that certain financial ratios be maintained at designated levels. The company was in compliance with all covenants as of September 27, 2014 and is currently not aware of any events that would cause non-compliance with any covenants in the future.

In April 2014, the company entered into an agreement for an uncommitted line of credit. In September 2014, the company amended its uncommitted line of credit to increase its borrowing capacity from $70.0 million to $100.0

million. There were no outstanding borrowings under the uncommitted line of credit at September 27, 2014.

In the normal course of business certain of the company’s subsidiaries have agreements to sell, without recourse, selected trade receivables to financial institutions. The company does not retain financial or legal interests in these receivables, and accordingly they are accounted for as sales of the related receivables and the receivables are removed from the company’s consolidated balance sheets. Financing costs related to these transactions were not material and are included in "Interest and other financing expense, net" in the company’s consolidated statements of operations.

The company filed a shelf registration statement with the Securities and Exchange Commission in October 2012 registering debt securities, preferred stock, common stock, and warrants of Arrow Electronics, Inc. that may be issued by the company from time to time. As set forth in the shelf registration statement, the net proceeds from the sale of the offered securities may be used by the company for general corporate purposes, including repayment of borrowings, working capital, capital expenditures, acquisitions, and stock repurchases, or for such other purposes as may be specified in the applicable prospectus supplement.

Management believes that the company's current cash availability, its current borrowing capacity under its revolving credit facility, and asset securitization program, its expected ability to generate future operating cash flows, and the company's access to capital

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markets are sufficient to meet its projected cash flow needs for the foreseeable future. The company continually evaluates its liquidity requirements and would seek to amend its existing borrowing capacity or access the financial markets as deemed necessary.

Contractual Obligations

The company has contractual obligations for short-term and long-term debt, interest on short-term and long-term debt, capital leases, operating leases, purchase obligations, and certain other long-term liabilities that were summarized in a table of Contractual Obligations in the company's Annual Report on Form 10-K for the year ended December 31, 2013. Since December 31, 2013, there were no material changes to the contractual obligations of the company, outside the ordinary course of the company’s business, except as follows:

- In March 2014, the company amended its asset securitization program and, among other things, increased its borrowing capacity from $775.0 million to $900.0 million and extended its term to mature in March 2017. At September 27, 2014 and December 31, 2013, the company had $360.0 million and $420.0 million, respectively, in outstanding borrowings under this program.
- At September 27, 2014, the company had $49.8 million in outstanding borrowings under the revolving credit facility which matures in December 2018. There were no outstanding borrowings under the revolving credit facility at December 31, 2013.

Share-Repurchase Programs

In July 2013, the company's Board of Directors (the "Board") approved the repurchase of up to $200 million of the company's common stock through a share-repurchase program. In May 2014, the company's Board approved an additional repurchase of up to $200 million of the company's common stock. As of September 27, 2014, the company repurchased 4,037,375 shares under these programs with a market value of $223.6 million at the dates of repurchase, of which 852,286 shares with a market value of $50.0 million were repurchased during the third quarter of 2014.

Subsequent to quarter end, the company repurchased 1,140,967 shares through October 24, 2014 under the May 2014 program with a market value of $55.4 million at the dates of repurchase.

Off-Balance Sheet Arrangements

The company has no off-balance sheet financing or unconsolidated special purpose entities.

Critical Accounting Policies and Estimates

The company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the company to make significant estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses and related disclosure of contingent assets and liabilities. The company evaluates its estimates on an ongoing basis. The company bases its estimates on historical experience and on various other assumptions that are believed reasonable under the circumstances; the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

There were no significant changes during the first nine months of 2014 to the items disclosed as Critical Accounting Policies and Estimates in Management's Discussion and Analysis of Financial Condition and Results of Operations in the company's Annual Report on Form 10-K for the year ended December 31, 2013.

Impact of Recently Issued Accounting Standards
See Note B of the Notes to Consolidated Financial Statements for a full description of recent accounting pronouncements, including the anticipated dates of adoption and the effects on the company's consolidated financial position and results of operations.

Information Relating to Forward-Looking Statements

This report includes forward-looking statements that are subject to numerous assumptions, risks, and uncertainties, which could cause actual results or facts to differ materially from such statements for a variety of reasons, including, but not limited to: industry conditions, the company's implementation of its new enterprise resource planning system, changes in product supply, pricing and customer demand, competition, other vagaries in the global components and global ECS markets, changes in relationships with key suppliers, increased profit margin pressure, the effects of additional actions taken to become more efficient or lower costs, risks related to the

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integration of acquired businesses, changes in legal and regulatory matters, and the company’s ability to generate additional cash flow. Forward-looking statements are those statements which are not statements of historical fact. These forward-looking statements can be identified by forward-looking words such as "expects," "anticipates," "intends," "plans," "may," "will," "believes," "seeks," "estimates," and similar expressions. Shareholders and other readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. The company undertakes no obligation to update publicly or revise any of the forward-looking statements.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

There were no material changes in market risk for changes in foreign currency exchange rates and interest rates from the information provided in Item 7A – Quantitative and Qualitative Disclosures About Market Risk in the company's Annual Report on Form 10-K for the year ended December 31, 2013, except as follows:

Foreign Currency Exchange Rate Risk

The notional amount of the foreign exchange contracts at September 27, 2014 and December 31, 2013 was $365.6 million and $445.7 million, respectively. The fair values of foreign exchange contracts, which are nominal, are estimated using market quotes. The translation of the financial statements of the non-United States operations is impacted by fluctuations in foreign currency exchange rates. The change in consolidated sales and operating income was impacted by the translation of the company's international financial statements into U.S. dollars. For the first nine months of 2014, the translation of the company's international financial statements into U.S. dollars resulted in an increase in sales and operating income of $105.0 million and $3.4 million, respectively, compared with the year-earlier period. Sales and operating income would decrease by approximately $498.4 million and $18.1 million, respectively, if average foreign exchange rates declined by 10% against the U.S. dollar in the first nine months of 2014. These amounts were determined by considering the impact of a hypothetical foreign exchange rate on the sales and operating income of the company's international operations.

Interest Rate Risk

At September 27, 2014, approximately 77% of the company's debt was subject to fixed rates, and 23% of its debt was subject to floating rates. A one percentage point change in average interest rates would not materially impact net interest and other financing expense for the first nine months of 2014. This was determined by considering the impact of a hypothetical interest rate on the company's average floating rate on investments and outstanding debt. This analysis does not consider the effect of the level of overall economic activity that could exist. In the event of a change in the level of economic activity, which may adversely impact interest rates, the company could likely take actions to further mitigate any potential negative exposure to the change. However, due to the uncertainty of the specific actions that might be taken and their possible effects, the sensitivity analysis assumes no changes in the company's financial structure.

In April 2014, the company entered into an interest rate swap, with a notional amount of $50.0 million. The swap modifies the company's interest rate exposure by effectively converting a portion of the fixed 6.00% notes to a floating rate, based on the six-month U.S. dollar LIBOR plus a spread (an effective rate of 4.2% at September 27, 2014), through its maturity. The swap is classified as a fair value hedge and had a negative fair value of $.3 million at September 27, 2014.

In April 2014, the company entered into an interest rate swap, with a notional amount of $50.0 million. The swap modifies the company's interest rate exposure by effectively converting a portion of the fixed 6.875% senior debentures to a floating rate, based on the six-month U.S. dollar LIBOR plus a spread (an effective rate of 5.5% at September 27, 2014), through its maturity. The swap is classified as a fair value hedge and had a negative fair value of $.3 million at September 27, 2014.

In September 2011, the company entered into a ten-year forward-starting interest rate swap (the "2011 swap") which locked in a treasury rate of 2.63% on an aggregate notional amount of $175.0 million. This swap managed the risk associated with changes in treasury rates and the impact of future interest payments. The 2011 swap related to the interest payments for anticipated debt issuances to replace the company's 6.875% senior notes due to mature in July 2013. The 2011 swap was classified as a cash flow hedge. In the first nine months of 2013, the company paid $7.7

million to terminate the 2011 swap upon issuance of the ten-year notes due in 2023. The fair value of the 2011 swap is recorded in the shareholders' equity section in the company's consolidated balance sheets in "Accumulated other comprehensive income" and is being reclassified into income over the ten-year term of the notes due in 2023. For the 2011 swap, the company reclassified into income \$(.2) million and \$(.5) million for the third quarter and first nine months of 2014 and \$(.2) million and \$(.1) million for the third quarter and first nine months of 2013, respectively.

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Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The company’s management, under the supervision and with the participation of the company’s Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of the company’s disclosure controls and procedures as of September 27, 2014 (the "Evaluation"). Based upon the Evaluation, the company’s Chief Executive Officer and Chief Financial Officer concluded that the company’s disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934) are effective.

Changes in Internal Control over Financial Reporting

There was no change in the company's internal control over financial reporting that occurred during the company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1A. Risk Factors

There were no material changes to the company's risk factors as discussed in Item 1A - Risk Factors in the company's Quarterly Report on Form 10-Q for the quarter ended June 28, 2014 and in Item 1A - Risk Factors in the company's Annual Report on Form 10-K for the year ended December 31, 2013.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

In July 2013, the company's Board approved the repurchase of up to $200 million of the company's common stock through a share-repurchase program. In May 2014, the company's Board approved an additional repurchase of up to $200 million of the company's common stock.

The following table shows the share-repurchase activity for the quarter ended September 27, 2014:

Month	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs (b)	Approximate Dollar Value of Shares that May Yet be Purchased Under the Programs
June 29 through July 31, 2014	3,592	$60.16	—	$226,428,610
August 1 through August 31, 2014	853,008	58.65	852,286	176,440,352
September 1 through September 27, 2014	5,687	62.11	—	176,440,352
Total	862,287		852,286	

(a) Includes share repurchases under the Share-Repurchase Programs and those associated with shares withheld from employees for stock-based awards, as permitted by the Omnibus Incentive Plan, in order to satisfy the required tax withholding obligations.

(b) The difference between the "total number of shares purchased" and the "total number of shares purchased as part of publicly announced programs" for the quarter ended September 27, 2014 is 10,001 shares, which relate to shares withheld from employees for stock-based awards, as permitted by the Omnibus Incentive Plan, in order to satisfy the required tax withholding obligations. The purchase of these shares were not made pursuant to any publicly announced repurchase plan.

Item 6. Exhibits

Exhibit Number	Exhibit
31(i)	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31(ii)	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32(i)	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32(ii)	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
10(a)	Amendment No. 2 to Dealer Agreement dated as of November 9, 1999, between Goldman, Sachs & Co., J.P. Morgan Securities LLC (f.k.a. Chase Securities Inc.), Morgan Stanley & Co. LLC (f.k.a. Morgan Stanley & Co. Incorporated), Merrill Lynch, Pierce, Fenner & Smith Incorporated (f.k.a. Bank of America Securities LLC) and Arrow Electronics, Inc., as amended by Amendment No. 1 dated as of October 11, 2011.
10(b)	Issuing and Paying Agency Agreement, dated as of October 20, 2014, by and between Arrow Electronics, Inc. and BNP Paribas.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Documents.
101.DEF	XBRL Taxonomy Definition Linkbase Document.

SIGNATURE

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.

	ARROW ELECTRONICS, INC.
Date: October 29, 2014	By: /s/ Paul J. Reilly Paul J. Reilly Executive Vice President, Finance and Operations, and Chief Financial Officer

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