

Roy Valles
310-558-
2541

file
AVNET

C- FAX
to: Ed Kamus
cc Ed Lucente
this is one of those problems that, when
resolved would be a win-win!
① Please call Greg Monte
to let him know our game
plan for working with them.
② Let Ed Lucente and myself
see a plan to address this for all
of our partners.
Thanks.
Russ S.



June 24, 1993

Mr. Russ Gullotti
Digital Equipment Corporation
3 Results Way
Marlboro, MA. 01752-3011

Dear Mr. Gullotti:

I would like to take a minute of your time to introduce myself and to address an issue of great concern to our mutual customers.

I am Avnet, Inc.'s Vice President of Worldwide Customer Satisfaction, and as such, hold the responsibility to represent the interest of our customers to Avnet's senior management team. In a recent conversation with Mr. Rich Ward, the challenges associated with processing orders for Digital Equipment products and meeting customer expectations was reviewed. During our conversation, Mr. Ward informed me he has held similar conversations with you and suggested I provide another perspective of the issue.

Without question, the number one issue facing any distributor is the ability to deliver products and services, both economically and in accordance with our commitments. This issue is the basis of our relationship with a customer and is critical to effectively insure a positive repurchase intention. In order to achieve this objective, we must determine an accurate lead time and receive products in accordance with the established lead time.

We are struggling with both of these issues. We continue to receive a variety of lead time information and have been forced to use a best guess approach to quoting. Additionally, as measured by our internal supplier performance reports, Digital Equipment is performing at below 50% on time to your initial confirmed promise date.

Based on the difficulties of accurately determining lead time and delivery dates, we have been forced to invest in a team of individuals who's entire function is auditing Digital Equipment commitments. These people are working each and every customer order, and in doing so, this not only costs Avnet money, but also costs Digital money to field and handle these calls.

Ultimately, we must address the process used to set expectations, and then begin to meet commitments without dedicated people chasing every order. Avnet is willing to commit full time resources to solve this issue and feel Digital must also commit dedicated, full time resources to this critical issue.

a table
7/15
① response?



Page Two
Mr. Russ Gullotti
June 24, 1993

I invite the opportunity to discuss this matter further and look forward to the continuous improvement of our mutual business.

Sincerely,



Greg Monte
Vice President
Worldwide Customer Satisfaction

GM/dg

cc: Rich Ward

I N T E R O F F I C E M E M O R A N D U M

Doc. No: 058482
Date: 12-Jul-1993 10:01am DST
From: ED KAMINS
KAMINS.ED AT A1 at MCIS5 at MR

Dept: U.S. CHANNELS
Tel No: 508-467-9373 (DTN 297-9373)

TO: RUSS GULLOTTI @MKO

CC: KENT STVRAIN

(STVRAIN.KENT AT A1 at MCIS5 at MRO)

Subject: RE: Avnet - Greg Monte letter

Russ, I'd suggest a polite response to Greg Monte and Rich Ward suggesting Greg and I get together. I know Greg very well - he is very unimpressive.

Here is an interesting note. Avnet's A/R is the worst (and it's all our fault), but with all the same procedures everybody else finds a way to pay their bills on time. Same is true of their inventory. This takes constant management on our end.

I'll tell you more when I see you.

Regards,
Ed

/bjm

*a - attach
original
letter to me*

Printed by RUSS GULLOTTI @MKO
DIGITAL CONFIDENTIAL Document

I N T E R O F F I C E M E M O R A N D U M

Doc. No: 069698
Date: 16-Mar-1994 10:19am EST
From: ROBERT NEALON @BXC
NEALON.ROBERT AT A1 at ISLNDS
Dept:
Tel No: 508-635-7768

TO: RUSS GULLOTTI @MKO

CC: ED KAMINS @MRO
CC: STEVE WOODARD @MRO
CC: ED MCDONOUGH @BXC
CC: JIM MCCLUNEY @BXC

Subject: PROPOSED LETTER TO AVNET

Steve Woodard and I have composed the attached draft memo for you to send to R.J. Graz in response to his memo of February 8.

Please let us know if there are any further questions.

Regards,
Steve & Bob

Talking
Sincerely
Actions

Bob Gracz
Cust help
AVNET 708-

860-8572

Peggy

Group of 1/3
Hailmark integrated
100 unit VARS
alpha chip/Board order
for PEI
DC helping @SAP

R.J. GRACZ,
AVNET COMPUTER
1124 THORNDALE AVENUE
BENSENVILLE, IL 60106

DRAFT LETTER FROM RUSS GULLOTTI

Dear Mr. Gracz:

I would like to thank you for your candor and obvious concern communicated in your recent letter to me. It is true that Digital is experiencing manufacturing and delivery issues that bring with them serious consequences for both of our business models. During 1993, Digital implemented a significant consolidation of manufacturing activities resulting in the closing of 14 plants. These actions were taken to reduce our cost structure and position Digital to provide products with very competitive prices. Unfortunately, we have been experiencing some erosion of predictability performance as we realign our processes and systems.

In order to simplify our operations further, we outsourced the manufacture of some product components. By taking advantage of the high volume costs of specialty companies, we acted to contribute to further product cost reductions. In two specific cases, the selected vendors have experienced start up issues as they implement Digital's Product Designs.

On a positive note, we have seen a tremendous market response to the Alpha Workstation family and continue to ramp up production at a dramatic rate. This, however, has caused our problems to be further inflated by a high customer demand. We are now working our way out of a backlog situation; sort of a good news/bad news scenario.

At this time, I believe that these issues and their underlying causes are well understood. Action programs have been initiated to improve our predictability and prevent reoccurrence of these issues in the future.

I have been told that you will be invited to meet with Ed McDonough, V.P. Manufacturing and Logistics and his Team in the near future. This should be a planning meeting with roles, responsibilities and acceptable time frames established. Shame on us all if we don't tackle these hard problems head on. I know Ed wants to understand first hand what you have been experiencing and to get your feedback and suggestions.

We are committed to meeting Avnet's business requirements and expanding our mutual business opportunities. I will be following up with Steve Woodward, your Global Account Manager, on the results of your meeting with our Manufacturing and Logistics Teams.

Once again, thank you for your initiative, for it is essential that Digital have valued business partners like Avnet to work with for mutual success.

Regards,

A-
I'll talk to
this on my
call with this
guy. feel dealer
this is a good move

DIGITAL CONFIDENTIAL Document

DIGITAL CONFIDENTIAL Document



1124 Thorndale Avenue
Bensenville, IL 60106
(708) 860-8572

February 8, 1994

Mr. Russ Gullotti
Digital Equipment Corporation
3 Results Way
Marlboro, MA 01752-3011

Dear Mr. Gullotti:

I would like to take opportunity to introduce myself, and to again address an issue of great concern to our mutual customers.

I am Avnet Computer Marketing Group's (ACMG) Vice President of Customer Satisfaction, and as such, hold the responsibility to represent the best interests of our customers, as well as our employees. In recent conversations with many employees, as well as customers, it is very apparent that we continue to fall far short of the commitments made by Digital in respect to On-Time Delivery and lead time.

Of greater concern, is a similar approach to business that I have experienced in my working relationship with Digital. I find a continuous lack of accomplishment and an indifference to the commitments made to the action items defined, in conjunction with Digital Management (reference attached document), when I request the status of these issues.

Without question, the number one issue facing a distributor is the ability to deliver products and services to their commitment. I am only as good as the information I receive from my partners. This issue is the basis of our relationship with the customers, and is critical to our survival. In order to achieve this, we must determine an accurate lead time, and receive products in accordance with the established lead time.

As brought to your attention once before, we continue to struggle with both of these issues. As a measurement of our internal supplier performance, Digital Equipment Corp. is performing below 30% OTD to your initial confirmation date. This performance, far below minimum required, represents a continuous trend in the wrong direction for some time now.

*Candy
FAX CC TO
- Kamins
- Nealon
- McIlwain
- Nadler
time given to fresh with
him by phone.
what do I feel
him! ?
Rump*


*7
0
Candy -
Schedule call
with customer
in about a week.
I need responses before the
call.
R
RKL
PI*



I have been working with various personnel within Digital to develop long term strategies to resolve these pressing issues, only to fall far short of our goals.

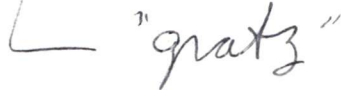
I invite the opportunity to further discuss this matter with you, and look forward to accomplishing our mutual goal of Customer satisfaction and business growth.

Sincerely,



Robert J. Gracz
Vice President, Customer Satisfaction

maz



Enclosures

cc: S. Woodward, Digital
J. Beall
G. Smith
R. Ward

Call customer
Tuesday to
Schedule call
after trip.

Have responses
ready-day
before



1124 Thorndale Avenue
Bensenville, IL 60106
(708) 860-8572

January 14, 1994

Ms. Sue Ann Walker
Digital Equipment Corporation
3 Results Way
Marlborough, MA 01752

Dear Ms. Walker:

I would like to take this opportunity to introduce myself. My name is Robert Gracz. I am Vice President of Customer Satisfaction for Avnet Computer Group. I had a very good working relationship with Andrew Davis in which we were working on many inconsistencies in the partnership between our corporations. I am aware that Mr. Davis has taken on a new role within Digital Corporation. Your name was given to me as the person that I am to continue to work with in regards to identification/resolution of all my issues.

I would like to point your attention to the enclosed documentation which spells out specifically the Management Summary dated 9/23/93 and lists all the open activities that have been identified to Mr. Davis as problems that need to be worked on to better improve upon the working relationship between our companies. We have many critical problems occurring between our organizations including communication and lack of consistency all across our entire curriculum.

The bottom line, most crucial problem that we have is a creditability and/or lack there of, the ability for Digital Equipment Corp. to make a commitment and be held to that commitment. It is paramount to the success of our partnership that you deliver to that commitment. We repeatedly run into numerous situations where commitment after commitment after commitment is just not met. Frankly, I don't expect to give my customer a commitment and then not honor that commitment, nor do I anticipate that you have that desire either.

I have also included for your review some information regarding Digital's delivery slips as of recent months. The astronomical amount of product that was committed to by Digital Corporation and then at the very last minute slipping for whatever reason is just unbelievable.

It has also been brought to my attention in discussions with a number of my people that we are having extreme difficulties with the Digital order expedite process. The lack of detail describing why an order could not be expedited, inaccurate information from manufacturing and lack of access to individuals with sufficient authority to modify bill schedules are just a few of the issues that we face on a day-to-day basis.

I cannot continue operating my business giving my customers answers of, "I don't know," or "I'll find out about it." I give them a commitment based on the information that your corporation



Ms. Sue Ann Walker
Digital Equipment Corporation
January 14, 1994
Page 2

has delivered to me only to fall flat on my face by having to recommit and then recommit again and again. This is not acceptable, nor should it be tolerated, not by my corporation and definitely not by yours.

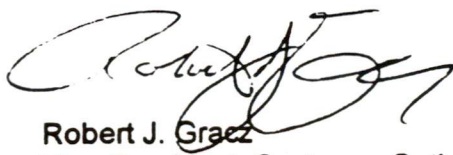
Also for your review, I have included a letter that was sent to Mr. Russ Gullotti, via Mr. Steve Woodward, in regards to our extreme disappointment with Digital Equipment Corporation in reference to their ability to meet and maintain no better than a 30% on-time delivery with all the products that are delivered to us on a regular basis. I am going to be soliciting Mr. Gullotti's assistance in providing the necessary resources to fix this once and for all.

I would like to point out that I started on this endeavor back in November of 1992, and to date have seen only 4 or 5 issues resolved since then. This type of performance is not acceptable. My customers would not accept this performance from me, nor can I accept this type of performance from you.

In summary, I would like for you to take an opportunity to read through all the information I have supplied you and then get in touch with me at your earliest convenience to set up a meeting, at which time we can discuss the status of all the open items on the Activity Summary List. We should use all the resources available to both of us, to determine why we continue to fail in our ability to deliver satisfaction to the customer on a regular basis, and what we need to do to accomplish our goals.

I will be in the Boston from January 19-21, 1994. Looking forward to hearing from you.

Respectfully yours,



Robert J. Graez
Vice President, Customer Satisfaction
AVNET COMPUTER GROUP

maz

cc: S. Woodward - Digital
G. Smith
R. Ward

July 8, 1993

Andrew Davis
Sr. Customer Support Consultant
Digital Equipment Corporation
3 Results Way, MR03-2/P18
P.O. Box 1003
Marlboro, MA. 01752-5003



Dear Mr. Davis

I would like to thank you for the timely response to our Corporate Quality Assurance Survey. After review of the information you provided it appears that DEC has implemented an outstanding and comprehensive Quality System. I would like to congratulate you on achieving ISO-9000 registration on such a comprehensive scale. Avnet EMG has ISO-9002 registration by QMI as well. After discussions with Bob Gracz, Avnet Computer (P110), we feel that in the near future an on site visit by Bob and myself would be in order. I believe this visit will solidify our positive relationship and help foster a Total Quality Partnership. I'm sure that Bob will be contacting you to discuss the details of our visit. If you have any questions on Avnet related quality issues that I can assist you with please do not hesitate to call me.

Sincerely,

John C. Gardner
John C. Gardner
Manager, Supplier Quality Programs
Telephone: (602) 961-6507
Fax: (602) 961-1137

cc: Steve Schultz, C301
Greg Monte, AV01
Bob Gracz, P110

Tip: I have worked with Digital to complete our Quality Survey. This will help us play or improve ON-TIME Delivery with Digital. I plan to audit their Wisconsin facility because that is where all of our ON-TIME or back orders! never miss!

Bob G





June 24, 1993

Mr. Russ Gullotti
Digital Equipment Corporation
3 Results Way
Marlboro, MA. 01752-3011

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Ultimately, we must address the process used to set expectations, and then begin to meet commitments without dedicated people chasing every order. Avnet is willing to commit full time resources to solve this issue and feel Digital must also commit dedicated, full time resources to this critical issue.



Page Two
Mr. Russ Gullotti
June 24, 1993

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Sincerely,



Greg Monte
Vice President
Worldwide Customer Satisfaction

GM/dg

cc: Rich Ward

***** Printed For: ROBERT GRACZ *
 Date: Tuesday, 4 January 1994 10:22 PT
 To: ROBERT GRACZ
 Cc: PETER GITLIN,
 LAURIE GUILLI
 From: LAURIE GUILLI
 Subject: DIGITAL DELIVERY SLIPS

WE SPOKE ON THE CON-CALL THE OTHER DAY REGARDING DEC MISSING DELIVERY
 COMMITTS, INSTEAD OF RECREATING THE WHEEL IT THOUGHT I WOULD SEND THIS LIST.

IF YOU HAVE ANY QUESTIONS, PLEASE CALL.

THANK YOU
 LAURIE

----- Forwarded letter follows -----

Date: Thursday, 30 December 1993 14:38 PT

To: BRIAN ARMSTRONG

Cc: MARK LEAHY,

RICH WARD,

GONNA RUSSELL,

LAURIE GUILLI,

DAVID STACKHOUSE,

GEORGE SMITH,

ROBERT BRAVERMAN,

JEFF BEALL

From: PETER GITLIN

Subject: UPDATE OF EARLIER EMAIL WITH SHIPPER AUTHORIZATIONS ADDED

FOLLOWING IS A LIST OF SOU'S THAT HAVE BEEN COMMITTED BY DIGITAL TO SHIP
 BY TODAY WHICH HAVE EITHER FALLEN OUT OR HAVE POTENTIAL OF FALLING OUT OF
 OUR MONTH. WE ARE WORKING WITH THE SOLUTIONS DESK IN EVERY ORDER, AND IN
 SOME CASES HAVE CONFIRMED THAT THE PRODUCT WILL SHIP OVER THE WEEKEND. IN
 THOSE CASES, WE ARE WORKING TO PROVIDE "SHIPPER AUTHORIZATION" NUMBERS
 FROM DIGITAL. PER CONVERSATION THIS MORNING WITH BRIAN ARMSTRONG, WE WILL
 MAKE DECISIONS ON A CASE-BY-CASE BASIS LATER TODAY ON WHETHER WE WILL
 INVOICE BASED ON SHIPPER AUTHORIZATION NUMBER. IN EVERY CASE ON THIS LIST,
 AVNET HAS BEEN GIVEN A CONFIRMED SHIP DATE WHICH DIGITAL HAS RECOMMENDED,
 IN SOME CASES 3-4 TIMES

SO#	CUSTOMER	SO#	QTY	SA# (IF AVAIL)
P112	2015079 OTT CORP	940111670	101.0 *	IR66213
P114	2012075 ZENECA	940155093	71.0	IR72613
P114	2012155 RJR	940115531	134.0 *	IR66297
P117	2017782 BRUNNEN	940110162	322.7	IR66666
P120	2007687 BANKERS TRUST	940110170	28.6	IR76034
P114	2012155 PREMIER	940148332	78.7	IR60050
P143	2009566 BRIDMONT	PE431-LA	25.8	NO SA #
P164	2006078 OI/NEG	PE401-PX	73.8	IR65219
P166	2006084 DOW	PE530-DA	91.3	NO SA #
P166	2006470 DOW	PE400-DA	11.3	NO SA #
P166	2006517 DOW	PE530-DA	144.3	NO SA #

PAGE 0000000000

STORAGEWORKS 150.0

NO. 0000000000

TOTAL WITH SA# 964.2

TOTAL OTHER SLIP 452.6

TOTAL FALLOUT 1416.8

THOSE ORDERS MARKED WITH * INDICATE END-OF-YEAR FUNDS THAT WILL BE LOST
IF WE ARE UNABLE TO INVOICE THE CUSTOMER.

REGARDS,
PETER GITLIN

***** Printed For: ROBERT.GRACZ *
Date: Thursday, 13 January 1994 12:09pm ET
To: ROBERT.GRACZ
From: ANTHONY.VOTTIMA
Subject: PREMIER SOLUTIONS/PREMIER BANK P

BOB,

THE FOLLOWING IS AN ORDER SHIPPED TO A MAJOR CUSTOMER
WITH SOME REAL PROBLEMS (DIGITAL QUALITY) UNFORTUNATELY
THEY ARE VIEWED AS OUR PROBLEMS.

TONY V

----- Forwarded letter follows -----

Date: Thursday, 12 January 1994 1:58pm ET

To: ANTHONY.VOTTIMA,

GEORGE.DONNISTON,

PETER.BITLIN,

DONNA.RUSSELL,

DONNA.DRINKWATER

Cc: ALICIA.BROWN,

S.ROBERTS,

*

JIM.THOMPSON@DEC00314.X400

From: DANNY.SIEGHAVNET

Subject: PREMIER SOLUTIONS/PREMIER BANK PRODUCT ISSUES

Hello All,

This memo is to make you aware of some potential problems based around
a recent DEC shipment we made to Premier Bank a few weeks ago on
SO# P114-2012155.

LI:	PART NUMBER:	FACT PO:	DEC NO:	PROBLEM:
01	80-660UA-AM#LIST	P155-2080505	94014333Z	DEC field service opened box marked 660UA-AM and found only an English/Spanish install guide (How do we get this verified and reshipped)
02	M885A-DA			One shipped from stk, one from factory One of these boards I don't which one yet) arrived DDA. DEC field service has committed to replace.
05	SF74-AE	(Shpd from stk)	94201276Z	Firmware rev problem with 6610. DEC field service will address.
06	EP30R-AF (4ea)	P155-2080505	94014333Z	Did not ship with correct mounting hardware. Will get BOM from cust and work with Steve Roberts to get proper kits.

I don't know if this particular order is just linked, but this information
is to give you advanced notice that I may be asking you for help in the near

***** Printed For: ROBERT.GRACZ *
Date: Wednesday, 12 January 1994 11:57am MT
To: ROBERT.GRACZ
Cc: ROBERT.BRAVERMAN,
DOUG PLADEK,
JILL PARASCANDOLA,
ANNETTE POLEON,
STEVE WOODWARD, 17.372,
ANDY BYRANT,
PETER GUTLIN

From: ALAN RIGG
Subject: DIGITAL CRUE? EXPEDITE PROCESS

Bob - This E-mail will outline some of our frustrations which result from Digital's current order processing and escalation process.

One of the larger challenges we face in Sales Support is acquiring accurate information concerning delivery dates for orders. Far too frequently, the commit date we receive from Digital manufacturing has no relationship to the lead time published in Electronic Connection. This disparity creates customer dissatisfaction and results in a high number of expedite requests. The low quality of responses we receive to our expedite requests creates additional challenges.

One frustration which we escalated to Andrew Davis during the past two months was the fact that we had no clear escalation process to follow if the answers we were getting from the Solutions Desk did not satisfy our customers. The reasons behind customer dissatisfaction with Solutions Desk responses often included the following:

- LACK OF DETAIL DESCRIBING WHY AN ORDER COULD NOT BE EXPEDITED. In many cases, the response from the Solutions Desk would simply be, "Manufacturing cannot improve the commit date." We would then have to send our Solutions Desk contact back to Manufacturing for specifics, like "There is a processor module shortage which is delaying the build. At present, we expect to receive more processor modules on X date. Your order is at Y position in line, so it should/should not receive a module from this shipment." THIS IS THE TYPE OF INFORMATION OUR CUSTOMERS DEMAND FROM US.
- INACCURATE INFORMATION FROM MANUFACTURING. Many times the information we receive from the Solutions Desk is inaccurate or misleading. Many times we will submit a change order to fix one problem, only to find out that the issue we addressed was not truly the problem, or that there are additional shortages which are delaying the build. We don't feel this is due to a lack of effort on the part of the Solutions Desk staff; rather, we feel they are getting inaccurate information from Manufacturing.
- LACK OF ACCESS TO INDIVIDUALS WITH SUFFICIENT AUTHORITY TO MODIFY BUILD SCHEDULES. When we have circumstances where we face order cancellation if a commit date cannot be improved, we have to scramble around to a variety of people (Frank MacGillivray, Steve Woodward, Dan Ford, various OEC LAMs and Product Managers, etc.) trying to find someone who has the authority to change the position of our order in the build schedule. We would like to have a consistent mechanism for handling these types of issues.

In mid-December we received a copy of a memo from Robert Maslin which outlined

a "new" order escalation process. We are not sure how Digital is differentiating between "normal" pull-ins and customer satisfaction issues (most pull-in requests are the result of customer dissatisfaction), but the process we were told to use is as follows:

1. Contact the Solutions Desk. Give them the order details and ask them to expedite the order with Manufacturing.
2. If we do not get a satisfactory answer from the Solutions Desk, we are supposed to escalate the issue to Dan Ford.
3. If Dan cannot satisfy our need, at some point the issue is supposed to be raised to some "Officer of the Day". We are unclear how and when this escalation is supposed to happen.

Our practical experience with this process has been most unsatisfactory. Here are a couple of actual experiences:

DEC # 940151071: Avnet SOX P101 2014110, order from Maxon (reseller) for their customer Jet Propulsion Laboratories (JPL). JPL is filling an order from NASA. Product ordered is 44 PE420-BA. Commit date is 1/26. JPL needs the product on site by 1/20, as they need to load and test software before forwarding the systems to NASA by month-end. This order has a government priority rating of DEC2. Annette Poleon (Avnet Sales Support Manager) expedited this order through the Solutions Desk. Response: date cannot be improved. Solutions Desk forwarded Annette to Dan Ford. Response: date cannot be improved. Dan did not know how the government priority rating was supposed to impact order status. We asked Frank MacGillivray what the impact was supposed to be. Frank said Dan would not have access to such information. IF THAT IS SO, WHY ARE WE TOLD TO ASK DAN TO ESCALATE THIS TYPE OF ORDER? Current status: Sue Ann Walker is investigating to see if anything can be done. If not, she will at least tell us why not. (Neither the Solutions Desk nor Dan were able to tell us specifically why the commit date could not be improved.)

DEC # 94205194Z: Avnet SOX P102 2007816/7, (8) PV71U-AF for Nth Generation (Avnet Reseller). Product had a 35 day lead time when order was placed. Initial commit date was 1/19. Product has since gone on allocation. Solutions Desk said that DEC is filling systems orders before upgrades, so they cannot give us a new commit date for this order. Dan Ford said we could not escalate to him without answering a list of questions for the Solutions Desk people. We asked him why his Solutions Desk people had not raised this issue before forwarding us to him. Annette has since gone back to the Solutions Desk to answer the questions so that this can be escalated.

The net result is that we have not seen any improvement in the quality or accuracy of the information we receive by using the new escalation process. PLUS, THIS PROCESS DOES NOT PERTAIN TO PC DIRECT, OSE OR REFURBISHED PRODUCT ORDERS! We have no identified escalation process for these types of orders.

Our inability to provide accurate information to our customers is negatively impacting many of our relationships. Because we have not seen improvement by Digital, I called Andrew Davis again today. He said he is no longer involved in this type of "cross-functional" issue, and directed me to Sue Ann Walker. Sue Ann exhibited a solid awareness of the problems and a satisfying sympathy to our frustrations. She is trying to get another meeting together to review the escalation process. For now, she has directed us to use our CEOs if we do not get satisfaction from the escalation process.

I have FAXed you several additional examples of transactions where we have received poor quality information in response to our attempts to expedite orders. Please include them in the package you are preparing. Also, please give me a call if you would like to discuss any of this in more detail. Thanks for the help -

AR

***** Printed Form: ROBERT.GRACZ *

TO: 62037120

EASYLINK: 46479654002 23 DEC93 16:23 03 DEC93 15:14 EST

FROM:

XFH000013 X400USER

ATTN: ROBERT GRACZ

Subject: On-Time Delivery for Avnet

1

Russ,

Thank you for your interest and efforts to assist us with our current delivery issues to Avnet and their customers. Today I spoke with Mr. Bob Gracz who is the Avnet vice president responsible for improving quality and cutting these types of incidences. Bob informed me that Avnet is defining service initiatives as those that adhere to the Digital commit date with receipt of order. The window has been expanded to include shipment 15 days or less before the commit date and 4 days after that date. In other words, Digital is able to hit this 20 day window in only one of every three opportunities.

Bob is currently working with Andrew Davis in our organization to help improve the entire order flow. Communication of accurate information is our prime problem. Much effort is going into updating E-Store, as this is our primary ordering vehicle. Your office could help us here by directing to us the appropriate resources that could implement an automated acknowledgement process. This is currently a paper process that is antiquated. Any assistance you could render would be appreciated.

I have talked to George Smith and will continue to keep him informed on our collective progress to improve our business practices.

Thank you.

Steve

Forwarded message

Subject: George Smith

Russ,

We had a very interesting meeting with George Smith, Sr. VP, Sales, Avnet Computers. We wanted to meet with Dick Kneischer and I, with Mark Rozee (Albuquerque Unit Avnet Computer Manager). George had passed along some data that maybe of interest to you.

George stated that the following figures were for on time deliveries:

HP 87%

OG 92%

DEC 29%

So, according to George, we miss our deliveries to Avnet Computer's Customers over 71% of the time.

we would suggest that you talk to George, before making a decision
is that they might just reevaluate their relationship with us, since we
are no longer predictable & a viable business partner. George Smith can
be reached by calling (602)902-4203, December 27th around 0945 EST.
He is not a happy camper.

Thanks...Jay

-----400 Information-----

IPM Message ID:

30221232213991/1267 400

400 Message ID:

C=US; ADMO=MCI; PRMO=DIGITAL; IO=62121232213991/283983@USCTR1

-----400 Information-----

IPM Message ID:

34121232213991/1267 400

400 Message ID:

C=US; ADMO=MCI; PRMO=DIGITAL; IO=62121232213991/283983@USCTR1

From:

C=US; ADMO=MCI; PRMO=DIGITAL; O=DIGITAL; OU=UPD; S=WOODWARD; G=STEPHEN
Freeform Name=STEVE WOODWARD

Copy:

- 1 C=US; ADMO=MCI; PRMO=DIGITAL; O=DIGITAL; OU=UPD; S=KAMINS; G=EO
Freeform Name=EO KAMINS
- 2 C=US; ADMO=MCI; PRMO=DIGITAL; O=DIGITAL; OU=MRO; S=MADGILLIVRAY; G=FRANK
Freeform Name=Frank MacGillivray
- 3 C=us; ADMO=Western Union; O=Avnet Inc; S=Robert.Bravenman;
DDA.ELN=6007120
Freeform Name=R=Robert.Bravenman
- 4 C=US; ADMO=Western Union; O=Avnet Inc; S=Robert.Gracz; DDA.ELN=6007120
Freeform Name=R=Robert.Gracz
- 5 C=us; ADMO=Western Union; O=Avnet Inc; S=George.Smith; DDA.ELN=6007120
Freeform Name=S=George.Smith

Importance: Normal

Importance: Normal

digital

Product Delivery Document

Digital Equipment Corporation

Document Issue Date

36
#29

SZ126-GA
DV-31HTA-B9 #151

1/22/1993

Customer Order No.

DEC No.

Product Delivery No.

P155207708

8424093Z

155802

INCOMPLETE
Q155

Shipped To

AVNET COMPUTER
COMPANY 55
10 F CENTENNIAL DR
PEABODY MA

Mailed To

WESTMINSTER
670 - DIGITAL EQUIPMENT CORP.
146 MAIN STREET

019607902

NO
PART
NO#

HAYWARD

MA 01754

PB224-BD

Line-Item	Model/Part No.		Description - Serial No.	Quantity		Exceptions
	Ordered	Shipped		Scheduled	Shipped	
1.1	005	30-34905-04	MOUSE, PS/2 5 FT BULK not serialized			
1.3	005	QB-0QRAA-SA	VIN NT OS HW MM SHRNVKVP PK not serialized			
1.4	005	QC-008AA-HC	ECU DISKETTE FOR JENSEN not serialized			
1.5	005	QZ-00E8A-6Z	DEC 2000 CHIK PRE-PRELEAS KIT not serialized			
1.6	005	84-PB224-BD	PB224-BD:JENSENNT not serialized			

84-PB224-BD
KASSIERE57

RECEIVING INSPECTION
 DATE: 1-6-94
 MFG: DVK
 RCN: 458215
 QID: 253

Total Number of Pieces

1

Special Instructions

digital

Digital Equipment Corporation

Product Delivery Document

Document Issue Date

DEC-1993

Customer Order No.

P1552079431

DEC No.

940127242

Product Delivery No.

LR70000

Shipped To

COMPANY 55
AVNET COMPUTER
10 F CENTENNIAL DR
PEABODY MA

*NO PART
NOT!*

RECEIVING INSPECTION

DATE: 1-6-94
MRG: DVX
RCN: 4518207
QID: 259

Line-Item	Model/Part No.		Description - Serial No.	Quantity		Exceptions
	Ordered	Shipped		Scheduled	Shipped	
1.1		-LK401-AA.	LK401-A WITH USA/UK KEYCAPS HJ349F0870,		1	
1.2		-PE30A-8B.	DEC 3000 MODEL 300 WORKSTATION AB3500304Q,		1	
1.3		-VRT19-HA.	20" CLR MON 72HZ W H IS31771456,		1	
1.4		-VSXXX-6A.	3 BUTTON LOGITEC CORPORATE MOU 7A344J7800,		1	
1.5		17-00083-39.	PWR CORD, TERM N/A		1	
1.6		QL-MT4AE-6E.	DEC OSF/1 BASE 2USR DEC 3300 N/A		1	
2.		-RZ28-EP.	2.1 GB FORMATTED SCSI DISK AB35103FFR,		1	
3.1		-PMAZB-AA.	TURBOCHANNEL/DUAL SCSI SINGLE AB35103JJB,		1	

*PE301-CL
2-1*

*SHOULD
BE
20
&
30*

*NOT
INTERGRATED*

Total Number of Pieces

3

Special Instructions

Customer Order No.

P15520798 ⁵⁰
₀₁

DEC No.

94027658

Product Delivery No.

172557

Shipped To

AVNET COMPUTER
10 F CENTENNIAL DR
PEABODY MA

*INCOMPLETE
P.O.*

Invoiced To

WESTMINSTER
C/O DIGITAL EQUIPMENT CORP.
146 MAIN STREET

1960

MAYNARD

MA 01754

Line-Item	Model/Part No.		Description - Serial No.	Quantity		Exceptions
	Ordered	Shipped		Scheduled	Shipped	
1.1	001	ER-756AA-VB	466D2LPV, 8MB, 245MB IDE, S3805 KA401HCE27		1	

RECEIVING INSPECTION
 DATE: 1-6-94
 MFG: DYK
 PON: 4518214
 QID: 259

Total Number of Pieces

1

Special Instructions

digital

Digital Equipment Corporation

Product Delivery Document

Document Issue Date

1/01/1994

Customer Order No.

P1552079931

*INCOMPLETE
P.O.*

DEC No.

940280608

Product Delivery No.

TR73480

Shipped To

AVNET COMPUTER
10 F CENTENNIAL DR
PEABODY MA

Invoiced To

WESTMINSTER
C/O - DIGITAL EQUIPMENT CORP.
146 MAIN STREET

MAYNARD

MA 01754

1960

Line-Item	Model/Part No.		Description - Serial No.	Quantity		Exceptions
	Ordered	Shipped		Scheduled	Shipped	
1.1	001	FR-756AA-WB	466D2LPV, 8MB, 245MB IDE, 33805 KA401HEC32			

RECEIVING INSPECTION
 DATE: 1-6-94
 DFG: DYK
 RCN: 4518213
 QID: 259

Total Number of Pieces

1

Special Instructions

Document Issue Date

12/21/1993

Customer Order No.

P15520783 **28**

DEC No.

94011000Z

Product Delivery No.

TR66664

*INCOMPLETE
PISS-PO*

Shipped To

AVNET COMPUTER
COMPANY 55
10 F CENTENNIAL DR
PEABODY MA

Invoiced To

WESTMINSTER
I/O - DIGITAL EQUIPMENT CORP.
146 MAIN STREET

019607902

MAYNARD

MA 01754

Line-Item	Model/Part No.		Description - Serial No.	Quantity		Exceptions
	Ordered	Shipped		Scheduled	Shipped	
5.1	001	PB2RA-DA	1 068 SCSI DISK W/MNTG HDW & CAB not serialized		5	PC. SHORT

RECEIVING INSPECTION
DATE 1-6-94
MFG DVX
CN 4518217
QTY 259

Total Number of Pieces

3

Special Instructions

Digital Task Force

Digital Equipment Corporation
3 Results Way
Marlboro, Massachusetts 01752-3082
508.467.5111

December 8, 1993

digital

Avnet Computer
1124 Thorndale Ave,
Bensenville, IL 60106

Attn.: Mr. Robert Gracz:

Dear Robert,

I was recently informed that the correction to the Product Deliver Document previously scheduled for completion during the second week of December, will be delayed until the second week of January. The attached memo is an explanation for the delay.

Please feel free to contact me if you should have any questions.

Sincerely,

Andrew Davis
Andrew Davis

Digital Equipment Corporation
3 Results Way
Marlboro, Massachusetts 01752-3082
508.467.5111

Post-it® brand fax transmittal memo form	of pages
TO: Robert Gracz	FROM: Andrew Davis
CC:	CC:
OPER: (802) 860-8518	OPER: (802) 467-7056
EXT: (802) 723-2967	EXT: (802) 528-5640

November 29, 1993



Avnet Computer
1124 Thorndale Ave,
Bensenville, IL 60106

Attn.: Mr. Robert Gracz:

Dear Robert,

The intent of this memo is to provide you with an abbreviated update of our continuous improvement activities.

Included are some extracts from my crossfunctional status report:

O Special notes on orders:

A crossfunctional team of employees from Fulfillment, Distribution Manufacturing sites have reviewed the current processes, used for reading special notes, and made recommendations for resolving the problem.

Status: The results of our investigation indicates changes will be required within Digital and our Business Partners.

1. All direct ship sites, including manufacturing sites must re-enforce the potential impact to Digital and our Business Partners, for not reading the "special notes" on orders.

Digital Fulfillment Operations will incorporate a statement of "special notes", in a recently developed Service Level Agreement with all manufacturing sites. This Service Level Agreement will be reviewed quarterly.

2. Digital to communicate an advisory to our Business Partners, to identify the areas for their improvement. Refer to attachment.

O Serialization of Disk Drive:

The serial numbers listed on the disk drives barcode doesn't correspond with the serial number listed on the external barcode label.

Status: The serial numbers listed on the disk drives and the corrugated box, will appear on the content listings affix to each box. This is was implemented on October 18, 1993.

O Inaccuracy of lead-time on E-Store:

The lead-times on the E-Store were inaccurate.

Status: Digital has assigned key resources to eliminate or minimize the exposure of inaccurate lead-times for our products.

Within past two months, I have conducted an audit of the of the lead-times listed on the E-Store as compared to the manufacturing lead-time, and have found them to have a direct correlation.

Note: Our major problem is "predictability"; shipping to the listed lead-times.

O Predictability enhancement process:

Status: Digital has intensified it's effort in identifying the Business Practice Breakthrough ideas, for improving its predictability performance. This effort is being managed by a newly formed "predictability results team".

Our goal is to identify business practice changes, which will bring about the required improvements.

O Inaccuracy of "FR" PC Price file:

Digital price file didn't reflect "standard prices" for all FR PC part numbers.

Status: The unique price file code used for identifying all FR PC to be sold at "standard pricing" instead of "list price", was corrected to eliminate the problem.

O EDI/E-Store business needs:

Digital EDI/E-Store transactions doesn't satisfy our Business Partners needs.

Status: After several attempts to prioritize the critical elements of EDI/E-Store, Digital Electronic Trading Group and IM&T organization, in collaboration with the re-engineering efforts, has identified deliverable for a short-term and long-term plan.

All of our Business Partners requirements were feed into the Electronic Trading planning process.

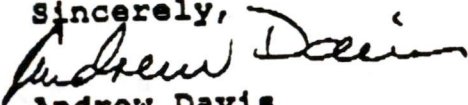
O Backlog re-pricing process enhancement:

Digital Backlog re-pricing report didn't capture all of our Business Partners backlog which required re-pricing adjustments.

Status: As of September 20, 1993, an enhanced report was implemented for use by the Logistics Services Center. This enhanced report provides visibility to all backlog orders, which was impacted by a price change.

We are currently unable to make changes for discounts. This limitation is expected to be resolved in the very near future.

Sincerely,



Andrew Davis
Sr. Customer Support Consultant

ADVISORY

PROBLEM STATEMENT:

Enhancement to Business Partners required "special notes" on orders.

KNOWLEDGEMENTS:

During my investigation for the above listed problem statement, I have arrived at two conclusions:

1. Digital process owners must ensure their capabilities are effective for reading our Business Partners "special notes".
2. Our Business Partners, where applicable, should ensure the process enhancement, listed below is integrated into their process during their order entry.

BENEFITS:

This enhancement will help to develop mutual understanding and close the Gap for "what our Business Partners expect" vs. "what Digital think our Business Partners expect".

PROCESSES ENHANCEMENT:

Partials Allowed = YES.

Partials Allowed = NO.

Note: Used for "Partial order delivery" requests.

Note: Used for "Must ship complete" order requests.

Steps

Steps

- .After entering your line items.
- .Select #4 (Add/Review Special Instructions) from the "Order Option Screen".
- .Specify the respective line items, which requires Spares or Configuration by manufacturing.
- .If you choose to receive your orders based on line items availability, disregard steps 2 and 3.

- 1.After entering your line items.
- 2.Select #3 (Review/Change Header Informations) from the "Order Option Screen".
- 3.Ensure "Partials Allowed" is set at N.

***** Printed For: ROBERT.GRACZ *

Date: Friday, 15 October 1993 10:11 CT

To: AC-EXEC,
AC-RSM,
AC-DSM
KATHLEEN.HAHN,
DAVID.SMAGALA,
DAVID.GRAINGER,
JOHN.MARTENS,
DEBBIE.COMPTON,
VERONICA.KWAN,
DEAN.THUENTE,
ANNA.SMITH-CREWS,
DAVID.STACKHOUSE,
BILL.ALLAN,
DONNA.RUSSELL,
NEO.MACBRIDE,
JILL.PARASCANOOLA,
ANNETTE.POLEON,
JON.MICHAELS,
GREG.STONER,
DOUG.HLADEK,
RANDY.HARDY,
ALLEN.MOSKOP,
DAVID.KURTZ,
LAURIE.GUILLI,
SHERRY.SNOW,
TIM.MCLAUGHLIN,
DEB.SCHULTZ,
STEPHEN.COWLES,
PETER.GITLIN,
ALAN.RIGG

From: ROBERT.GRACZ

From: Bob Gracz

Please take some time to review the following update from Digital regarding the various issues we continue to discuss with them and the progress they are making. Review with your team and if you have any questions, feel free to call.

I encourage you to review this with your local representative and gain their assistance in making this a heightened level of awareness at Digital for resolution of these obstacles we face. Let them know that WE have been partnering with Digital to assist in resolving these for ALL of distribution.

WE HAVE BEEN AND CONTINUE TO BE THE DRIVER IN REQUESTING CHANGE FOR THE BETTER OF THE CUSTOMER. RESULTS ARE STARTING TO HAPPEN AND THE CUSTOMER WILL SOON START TO RECEIVE THE BENEFITS OF ALL THE WORK THAT HAS BEEN AND CONTINUES TO BE DONE.

DISTRIBUTORS BUSINESS

CROSSFUNCTIONAL ISSUES

Rev. 6.0

A. DAVIS
9/23/93

MANAGEMENT

9/23/93

ACTIVITY SUMMARY

ACTIVITY	ORI	STATUS	EXP. COMPLETION DATE
Pro-active notification of change to order delivery dates.	A. Davis	OPEN	Q2'FY94
-Accuracy of systemic commit dates.	B. Crossman	OPEN	Q4'FY94
-Accuracy of systemic recommit dates.	P. Varney	OPEN	Q2'FY94
-Anticipated slips	J. Ellowitz	OPEN	TBD
-US Logistics predictability plan	D. St Lawrence	OPEN	Q2'FY93
EDI transactional issues.	B. Hancock	OPEN	TBD (REFER TO ATTCH)
Lead-time Management System.	B. Goodhue	OPEN	11/93
Customer Line Item Matching project (CLIM).	J. Wadlington	OPEN	TBD Impacting EDI "810" implementation.
Menu Management process:			
-Business Units (W/W)	P. Watson	OPEN	9/93
.US Implementation	D. Costa	OPEN	TBD
Re-examine product building block offering.	D. Costa	OPEN	TBD

New Product ID label implementation.	D. Forsythe	OPEN	(delayed) 6/30/93
New Product ID label implementation.	D. Forsythe	OPEN	(delayed) 9/30/93
Shipping transaction label implementation is ALL direct ship sites (EIA-556 std).	D. Forsythe	OPEN	(delayed) 6/30/93
Shipping transaction label implementation.	D. Forsythe	OPEN	(delayed) 9/30/93
Document USOS LOGISTICS business processes.	A. Davis	OPEN	TBD
-Assess the A/R process.	M. Hall	OPEN	TBD
-Document USOS LOGISTICS work flow.	A. Davis	OPEN	TBD
-Assess the Services process.	A. Davis	OPEN	TBD
.Policy for DOA/ Defective material	A. Davis	OPEN	12/93
.Services billing	A. Davis	OPEN	TBD
Enhance the Backlog/ Repricing process.	A. Davis	CLOSED	9/20/93
Enhance the Backlog/ Repricing report for Discount.	A. Davis	OPEN	TBD
Pricing Reporting Buis Requirements.	M. Reich	OPEN	TBD
Albuquerque Product Delivery compliance to DEC std.178.	M. Collins	OPEN	TBD
Customer notes on orders	C. Powers	OPEN	TBD
FR "PC options" pricing	C. Risotti	OPEN	10/1/93
FR "PC systems" designation code.	B. Ferreira	OPEN	TBD

Direct Responsible Individual mean; ensuring project completion.

Please refer to the attached document for details.

USOS ACTIVITY STATUS

9/23/93

O PROBLEM STATEMENT:

Order status and Pro-active notification of change to order delivery dates are not reliable/predictable.

O BENEFITS:

- Reduction in administrative cost.
- Prevent loss of business opportunity.
- Improve Customer Satisfaction.
- Prevent impact to customer's installation teams.
- Improve Supplier Relations.
- Improve Order Status information.
- Improve on our predictability.

O ACTION REQUIRED:

- 1. Westminster representatives to ensure that their current status reports are provided to Pioneer, Avnet, Wyle, and Total Tech.

STATUS: OPEN; The integrity of commit and re-commit dates for orders processed through the Common Schedule system still remain to be the major dissatisfier to our Business Partners.

Upcoming corrective action: Commit dates; Brenda Crossman is working with IM&T resources to development of an enhancement for increasing both the quality and timeliness of Order Status, for our initial commitments.

This proactive notification project will cover all orders in backlog. This will give the Distributors accurate order status including potential slips, therefore, reducing the number of calls into the Solutions Desk Hotline. The order status re-write and additional functionality is targeted for Q4'FY94 completion.

ORI: Michelle Walsh

Implementation is targeted for Q4'FY94.

Re-commit dates action: Pat Varney is leading a project team to enhanced the accuracy of Common Schedule system re-commit dates.

This means that in early Q2'FY94, our Business Partners should begin to see re-commit dates with a high % of integrity.

ORI: Pat Varney

Implementation is targeted for Q2'FY94.

Anticipated slips report: A proposal was developed by a joint USLS team to provide consistent, timely and accurate slip information to all customers as defined by their specification. This effort was established as a result of Digital's performance as measured by the Solutions Desk.

A sample of the data for Q4'FY93 indentified the Distributors as the most frequent caller to the Solutions Desk. This data also identifies the symptoms for improving our processes. They are as follows:

SYMPTOMS

RATE OF CALLS

Order status	65.0%
Serial numbers	7.5%
Expedites	6.0%
Other	6.0%
Recommits	5.7%
Change orders	5.5%
Lead-time	4.5%

This project is sponsored by Cathy Powers, and is managed by Jay Ellowitz.

It is expected that Jay Ellowitz and/or Cathy Powers will meeting with Kevin O'Brien to get manufacturing support for a successful completion.

ORI: Jay Ellowitz

Implementation date to be determined.

US Logistics predictability plan: To demonstrate US Logistics commitment to enable the achievement of Digital's goals for predictability performance of 95% in December of 1993. A program manager was identified to manage the predictability plan, focused on predictability improvement quarterly. The plan is focused on:

- Reduce the US Logistics caused predictability misses to less than 1% of total orders for channels by Q4'FY94.

(Q2FY94: <2.5%, Q3FY94: <1.5%, Q4FY94: <1%)

- Enable the achievement of Digital Q2'FY94 goal; 95% predictable.

PREDICTABILITY PERFORMANCE (JULY/AUGUST)

.Plant Planning & Execution	3716 Misses	31%
.External Suppliers	2606 Misses	22%
.Logistics Order Admin.	2146 Misses	18%
.Internal Suppliers	1435 Misses	12%
.Plant Order Admin.	1256 Misses	11%
.Forecast Deviation, Misc.	737 Misses	6%
	11896 Misses	100%

ORI: Dennis St.Lawarence

EXPECTED COMPLETION DATE: Q4'FY94.

O PROBLEM STATEMENT:

Digital to improve EDI transactional processes with Distributors.

O BENEFITS:

- Reduction of Order Administration costs.
- Increase "ease" of communication.

- Improvement of Ease of Doing Business.

O ACTION REQUIRED:

- EDI data elements to include P.O.#, P.O. acknowledgement, P.O. status, P.O. change, inventory levels, DEC ship notice, and invoice #.

STATUS: OPEN; All previous commitments are under review. Subject to delivery, based on the availability of resources.

TRANSACTION SETS	EXPECTED COMP. DATE
1).832-Price/Sales Catalogue	TBD
2).840-Request for Quotation	TBD
3).843-Response for request for Quotation	TBD
4).855-Purchase Order acknowledgment	TBD
5).865-P.O. Change Ack. Request	TBD
6).869-Order status inquiry	TBD
7).870-Order status report	TBD
8).850-Re-route P.O.'s through E-store to get DEC#'s quicker.	CLOSED
9).810-Invoice	DONE/awaiting CLIM pro Implementation

ORI: Bill Hancock

EXPECTED COMPLETION DATE: 100% COMPLETION ---- TBD.

O PROBLEM STATEMENT:

Our Business Partners perceives Lead-Time on E-Store to be inaccurate. That is OSPS and PSG doesn't co-incide.

Example:	E-Store	Product Shipping Guide
OY-46105-A9	7 days	11 days
MVAX3100-30	40 days	30 days
MS44-CA	1 day	21 days

ACTION TAKEN: Andrew Davis and Don Toohey met to discuss the problem statement to determine what processes are impacting our business practices.

STATUS: OPEN; Don and I both agree that perhaps there may be three parts to this problem statement: 1) Lead-Time accuracy, Responsiveness, and predictability.

A Lead-time management system is under development to enable a standard source of lead-time information for Focus system and the E-store. This single source of lead-time information will be updated daily.

DRI: Bill Goodhue

EXPECTED COMPLETION DATE: 11/93.

O PROBLEM STATEMENT:

Customer Purchase Order does not match Digital Invoice line items.

O BENEFITS:

- Eliminate delay in payment
- Eliminate Customer project delay
- Decrease Day Sales Outstanding
- Decrease reconciliation cost
- Decrease Administrative cost
- Decrease invoice cost per error
- Improve Quality of Purchase Order
- Eliminate unnecessary returns
- Create a favorable selling environment

STATUS: OPEN; The CLIM project was transferred to the Customer Administration group. A commit date is yet to be established for completion. This project was identified as an integral part of Digital's upcoming re-engineering efforts.

DRI: Joyce Waddlington.

EXPECTED COMPLETION DATE: CRITICAL ---TBD.

O PROBLEM STATEMENT:

Digital to reduce the current "product menu".

O BENEFITS:

- Increase order management.
- Reduce inventory costs.
- Enhance the sales selling strategy.
- Eliminate administrative and holding costs.
- Predictability against committed delivery.
- Align Supplier capability with published lead-times.
- Simplify the product and service offerings.
- Improve forecasting and inventory planning practices.

STATUS: OPEN; The Menu Management team has completed their worldwide implementation plan and a Users Guide. In addition, Dick Costa, U.S. Territory implementation manager, has developed a U.S. implementation plan.

The Supply Delivery Managers from the respective business units are responsible for ensuring that their menu meet the requirements of the Menu Management project. The respective menu status are:

- PC - 66 line items are available.
- NAC - Their menu will be as listed on Fast Ship.
- Memories - The current offerings will remain to be their menu.

Disk - Not yet available.

Software - Their menu will be as listed on Fast Ship

Workstations - A premier menu list will be available soon.

Note: By Q1 ending, all product menu's will be available on the system.

Note: Menu Management requirements will be reviewed against SAP functionality, the new software package that will be replacing Digital's Fulfillment systems.

DRI: Dick Costa. (US Territory implementation).

EXPECTED COMPLETION DATE: 9/93.

O PROBLEM STATEMENT:

Digital doesn't offer "product building blocks" for our low-end systems to our customers.

O BENEFITS:

- Increase the Distributors ability to do product integration.
- Provide the Distributors with lower inventory returns exposure.
- Provide the Distributors with increase flexibility.
- Will allow Distributors to inventory products at the lowest level.

O ACTION REQUIRED:

- 1. Digital to consider the offering of "modular" building blocks to our Distributors.
- 2. Digital to develop a building block strategy with processes and pricing for low-end systems.

STATUS: OPEN; This problem will be resolved under the umbrella of the "reduce product menu" design process implementation. The implementation is being managed by the respective Business unit teams.

In addition, USOS Operations Management group is currently working with resources at our Business Partners, to provide basic systems configuration. This effort will help our Business Partners to manage their inventory.

Note: Representatives from USOS Sales Operation and I will determine if Menu Management implementation will resolve this problem. If so, we will integrate this problem statement with "product menu reduction" of this report.

DRI: Dick Costa.

EXPECTED COMPLETION DATE: 9/93.

O PROBLEM STATEMENT:

Digital should increase bar-coded information on packaging and units.

O BENEFITS:

- Reduce customer receiving and documentation time.
- Digital to will meet the industry standard (EIA-556).
- Improve inventory management.
- Provide for a consistent process.
- Supports EDI transactional strategies.
- Improve productivity and controls.
- Help to facilitate automation at customer's receiving operations.

STATUS: OPEN; The newly developed DEC std. 047-2 (Shipping Transaction Label) review is complete, and was distributed to the responsible sites for their implementation. The implementation plans are not in place by all facilities.

Dale Foresythe will request an implementation plan from all affected sites. Therefore, the expected completion date of 9/30/93 will be revised after all plants have submitted their implementation plans.

DRI: Dale Foresythe.

EXPECTED COMPLETION DATE: 9/30/93

O PROBLEM STATEMENT:

In general, the Distributors Business processes are not documented.

USOS A/R PROCESS: Maryanne Hall will ensure that a process flow is in place which reflects USOS A/R work.

STATUS: OPEN; On 10/4, Kevin Oakes, Maryanne Hall and myself will discuss the next steps for completing this task.

DRI: Maryanne Hall

EXPECTED COMPLETION DATE: TBD.

2.USOS LOGISTICS WORK FLOW: Andrew Davis documented USOS Logistics work flow. This exercise will help to outline our status of work, and enhance/integrate all USOS Logistics work flow into a comprehensive package.

STATUS: OPEN; The Process Excellence group, managed by Joan Coulson, is currently documenting DecDirect and Desk Top Direct processes. I have decided to await the completion of their effort, and review their process outline with USOS Logistics work elements. This will provide us with an opportunity to manage the core process integration, identify and document USOS Logistics process uniqueness.

DRI: Andrew Davis

3. ASSESS SERVICES PROCESS: Two areas of the Services processes are under review, 1) Defective product returns, and 2) Service billing process.

STATUS 1: OPEN; The USOS business has included "defective product returns" in an addendum, to their business partner agreement. Under this new clause, "our business partners can return defective or non-conforming products for credit".

This business practice is in line with DECdirect and Desk Top Direct current business practices.

Acceptance change by our business partners, to this change in our business practice is expected to be completed during their respective negotiation with Digital.

EXPECTED CLOSURE DATE: 12/93.

STATUS 2: OPEN; The Service billing process seem to have deficiencies, which cause the generation of 1) duplicate billing, 2) Distributors billed for services not rendered, etc.

ORI: A. Davis

EXPECTED CLOSURE DATE: TBD.

0 PROBLEM STATEMENT:

The Backlog repricing report is not accurate.

STATUS: OPEN; As of 9/20, USOS Logistics Services have implemented the enhanced backlog repricing report. Further investigation is continuing to have discounts included as part of the backlog repricing reporting effort.

During a team review of the enhancement report, an action item was develop for Mike Reich to investigate how should "discounts" be included in this report.

Mike's investigation concluded that the data field "PB_DISC_IND" does show the discount code. Each value of this OEM discount code field represent two discounts 1) product discount, and 2) a dba discount.

Mike's recommendation is that I work with an IM&T resource familiar with the discounts structure in FOCUS/MACHI to capture the data in our report.

During the week of 9/28, I will work with the identified IM&T resource to determine the required steps to complete this task.

ORI: A. Davis

PHASE 1: IMPLEMENTATION COMPLETED: 9/20/93.

EXPECTED CLOSURE DATE: PHASE 2 IMPLEMENTATION (for discount) TBD.

0 PROBLEM STATEMENT:

Customer price and price-change reporting supplied to our business partners inaccurate.

Examples: Incomplete pricing, Timeliness, frequency, Format, and delivery method.

STATUS: OPEN; Mike Reich have finalized the Business requirements and have distributed internal to USOS business, and our Business Partners.

IM&T is currently sizing the business requirements, and is expected to provide their response to Mike Reich on 6/30/93.

Next steps, Mike Reich to present the IM&T response to the USOS Simplifications Team during the week of 10/4 for our review and validation.

DRI: M.Reich

EXPECTED COMPLETION DATE: TBD, during the week of 10/4.

O PROBLEM STATEMENT:

Albuquerque's Product Delivery document doesn't comply with DEC std. 178 DEC std. 047, and ISO9000 compliance. This problem creates delay at our Business Partners incoming, because "pre-intstall" line items are not identified, and the saleable part numbers are not listed.

STATUS: Albuquerque Customer Satisfaction group has generated a corrective action request within the facility, and have solicited support from other resources to resolve this problem.

On 9/24, there will be a con-call to review the program steps required to close this problem.

DRI: Mike Collins

EXPECTED COMPLETION DATE: TBD.

O PROBLEM STATEMENT:

Serial numbers on buyout drives doesn't match the serial numbers listed on the barcode on the container. This is in violation of DEC std 047, DEC std 178, and ISO900 compliance.

STATUS: OPEN; Dale Foresyhte, the standard owner, will initiate a corrective action request to current affected plant Albuquerque. ABO is expected to ensure that the serial numbers listed on the product corresponds to the serial numbers listed on the containers.

DRI: A.Gallegos

EXPECTED COMPLETION DATE: TBD.

O PROBLEM STATEMENT:

Customer's "special notes" listed on orders are not followed consistently.

This problem creates unnecessary cost to Digital, Business Partners and our

CUSTOMERS.

STATUS: OPEN; A crossfunctional team will meet on 10/5, to develop an action plan to resolve this problem.

DRI: A.Davis

EXPECTED COMPLETION DATE: TBD.

O PROBLEM STATEMENT:

FR "PC OPTIONS" part numbers reflects the "List prices" instead of the "Standard prices", on the price reports supplied to our Business Partners.

STATUS: OPEN; The price file reference group is making the necessary changes to correct this problem.

DRI: Chris Risotti

EXPECTED COMPLETION DATE: 10/1.

While working on the above listed problem, we have identified several PC's systems that are listed as options in our reference files. This problem help to compound our exposure to the above listed problem.

STATUS: OPEN; Barbara Ferreira is working with the Business Unit to have the designation codes changed to reflect the appropriate product types.

DRI: Barbara Ferreira

EXPECTED COMPLETION DATE: 10/8

-----X.400 Information-----

IPM Message ID:

63355192903991/251419 400

X400 Message ID:

C=US; ADMD=MCI; PRMD=DIGITAL; ID=51903192903991/1434430@MCISS

From:

C=US; ADMD=MCI; PRMD=DIGITAL; O=DIGITAL; OU=UPO; S=MACGILLIVRAY; G=FRANK
Freeform Name=Frank MacGillivray

To:

- 1 C=US; ADMD=Western Union; S=Bob.Braverman; DDA.ELN=62037120
Freeform Name=6=Bob.Braverman
- 2 C=US; ADMD=Western Union; S=Bob.Gracz; DDA.ELN=62037120
Freeform Name=6=Bob.Gracz
- 3 C=US; ADMD=Western Union; S=Dick.Crowley; DDA.ELN=62037120
Freeform Name=6=Dick.Crowley

Copy:

- 1 C=US; ADMD=MCI; PRMD=DIGITAL; O=DIGITAL; OU=UPO; S=WOODWARD; G=STEPHEN
Freeform Name=STEVE WOODWARD

-----X.400 Information-----

IPM Message ID:

X400 Message ID:

C=US; ADMD=MCI; PRMD=DIGITAL; ID=51903192903991/1434430@MCISS

To:

- 1 C=US; ADMD=MCI; PRMD=DIGITAL; O=DIGITAL; OU=MRO; S=ALDRICH; G=ANN
- 2 C=US; ADMD=MCI; PRMD=DIGITAL; O=DIGITAL; OU=BXC; S=COLLIGAN; G=DOON
- 3 C=US; ADMD=MCI; PRMD=DIGITAL; O=DIGITAL; OU=MRO; S=CROSSMAN; G=BRENDA
- 4 C=US; ADMD=MCI; PRMD=DIGITAL; O=DIGITAL; OU=MRO; S=GAGE; G=SHARON
- 5 C=US; ADMD=MCI; PRMD=DIGITAL; O=DIGITAL; OU=MRO; S=MAHONEY; G=PATTI
- 6 C=US; ADMD=MCI; PRMD=DIGITAL; O=DIGITAL; OU=MRO; S=MARINO; G=STEVE
- 7 C=US; ADMD=MCI; PRMD=DIGITAL; O=DIGITAL; OU=MRO; S=ORAREO; G=CHRIS

-----X.400 Information-----

IPM Message ID:

22455192903991/251419 400

X400 Message ID:

C=US; ADMD=MCI; PRMD=DIGITAL; ID=51903192903991/1434430@MCISS

-----X.400 Information-----

IPM Message ID:

52455192903991/251419 400

X400 Message ID:

C=US; ADMD=MCI; PRMD=DIGITAL; ID=51903192903991/1434430@MCISS

Importance: Normal

Importance: Normal

Importance: Normal

***** Printed For: ROBERT.GRACZ *

Date: Thursday, 21 October 1993 12:29 CT

To: KATHLEEN.HAHN,
DAVID.SMAGALA,
DAVID.GRAINGER,
JOHN.MARTENS,
DEBBIE.COMPTON,
VERONICA.KWAN,
DEAN.THUENTE,
ANNA.SMITH-CREWS,
CAROL.MARSHALL,
CINDY.BARRY,
DAVID.STACKHOUSE,
BILL.ALLAN,
DONNA.RUSSELL,
NED.MACBRIDE,
BARBARA.HART,
JILL.PARASCANDOLA,
ANNETTE.POLEON,
JON.MICHAELS,
GREG.STONER,
DOUG.HLADEK,
RANDY.HARDY,
ALLEN.MOSKOP,
DAVID.KURTZ,
LAURIE.GUILLI,
SHERRY.SNOW,
TIM.MCLAUGHLIN,
DEB.SCHULTZ,
STEPHEN.COWLES,
EMG-*DIGITAL-BOS

Cc: Andrews.Davis@5084675640.FAX,

JEFF.BEALL,
ROBERT.BRAVERMAN,
PETER.GITLIN,
ALAN.RIGG,
STEVE.JOHNSON <P172372 >,
EDWARD.KAZARICK,
ANDY.BRYANT,
GEORGE.SMITH,
RICH.WARD,
AC-DSM,
AC-RSM,

*

From: ROBERT.GRACZ@AVNET

Subject: CAR PROCESS IMPLEMENTED WITH DEC

I have implemented the CAR PROCESS for complete accountability all the way into Digital. I want you to understand the POWER I have just given you. When something consistently goes wrong, use the CAR process. Work your relationships, but use the CAR process to document and require Digital to provide us with the appropriate response for resolution to the problem we have known about for so long. Things are changing. IT REALLY DOES WORK!

Be tenacious in your pursuit for CUSTOMER SATISFACTION. Assist your supplier in identifying where we are experiencing trouble and give them the opportunity

to resolve the crisis as well as a permanent solution to the problem. That's being a true partner, and what partnerships are made of. ALWAYS BE PROFESSIONAL ABOUT IT.

Be involved, and get involved. YOU ARE YOUR COMPANY, DO NOT TAKE THAT LIGHTLY. We lead our industry in the Value we can bring to our customer, as well as working with our partners to provide the best service. Be part of the solution, and not problem.

YOU NOW HAVE THE POWER TO VOTE, BE JUDGE, AND JUROR.

----- (Enclosure 1 follows) -----

Date: Thursday, 21 October 1993 05:38 PT

To: RICHARD.CROWLEY,
JEFF.CHALIFOUR,
BOB.ELLIOT

Cc: PRISCILLA.REED,
PEGGY.FORTIN,
MICHAEL.O'CONNOR,
MARK.LEAMY,
LINDA.KASS,
CHARLENE.FESSENDEN,
TAMMIE.CULLEN,
ROBERT.GRACZ

From: MICHAEL.O'CONNOR

Subject: inbound telex 6244396M001

FYI.. THIS IS A RESPONSE FROM ANDREW DAVIS OF DEC TO BOB GRACZ'S GROUP REGARDING ORDERS INDICATING "INTEGRATED" IN COMMENTS BUT ITEMS STILL SHIPPING SEPERATELY. THEY ARE TRYING TO FIX IT NOW BUT SUGGESTED THAT UNTIL THEY HAVE A FIX IN PLACE WE INDICATE "NO PARTIAL" ON THE ORDER HEADER. OTHER SUGGESTION JUDY HAD WAS TO PLACE SEPERATE ORDERS IF SOME PRODUCT IS INTEGRATED BUT OTHER ITEMS ARE TO BE SHIPPED WHEN AVAILABLE AND NOT WAIT FOR THE INTEGRATED PRODUCT.. SO, IT LOOKS LIKE WE SHOULD GET WITH BOB GRACZ AND DECIDE OUR IMMEDIATE COURSE OF ACTION TO TRY AND RESOLVE THIS ISSUE.. DEC IS STILL TRYING TO RESOVLE ON THEIR END BUT WE NEED TO DECIDE WHAT WE WILL DO IN THE MEAN TIME..

.....MOC..

----- (Forwarded letter 2 follows) -----

----- (Forwarded letter 3 follows) -----

TO:62037120
EASYLINK 6244396M001 20 OCT93 12:50/20 OCT93 13:16 EST
FROM:
XFH000013 X400USER

ATTN:Mike O'CONNOR

Subject: Corrective Action on Integration

1

Forwarded Message

Subject: (I)CORRECTIVE ACTION RESPONSE TO AVNET.

1

In the attached you will find my response to Dee.

Regards,
Andrew
Forwarded Message
Subject: CORRECTIVE ACTION.

October 19, 1993

Avnet Electronic Marketing Group
Corporate CAR Center
60 South Mckemy Ave,
Chandler, AZ 85226

Attn.: Dee Rohrbaugh:

Dear Dee,

Please find Digital's response to your request for Corrective action follow-up on Avnet EMG numbers A93-0959C and P.O.#9366-H075F-A538.

After performing a thorough investigation of our processes, we have discovered that Avnet authorized "Partials" in the header section of your orders. The only reference to integration was in the notes section for P.O.#9366-H075F-A538.

The scheduling method used for most of our orders is thorough our Auto scheduling process, which has a built-in logic that would automatically source line items to the material available sites. This process, given Partials are allowed, will ship the respective line items independent of each other.

To help in resolving this problem, we would recommend that the "Partials Allowed" flag is set at NO, when complete integration is required.

This doesn't take away from the problem of some employees not reading notes as specified by your company. I am working to resolve this problem with our Fulfillment and Distribution organizations.

Thank you for providing us with the opportunity to assess process deficiencies, which will ultimately enhance the quality of our products and services.

Sincerely,

Andrew Davis
Sr. Customer Support Consultant

cc: Judy Stefanini
cc: Selena Gilfix
Sharon Gage

-----X.400 Information-----

IPM Message ID:

73144102013991/16055 4002

X400 Message ID:

C=US; ADMO=MCI; PRMD=DIGITAL; ID=53044102013991/1455704@MCISS

From:

C=US; ADMO=MCI; PRMD=DIGITAL; O=DIGITAL; OU=MRO; S=STEFANINI; G=JUDY
Freeform Name=JUDY STEFANINI @MRO

To:

- 1 C=US; ADMO=WESTERN UNION; S=O'Connor; G=Mike; DDA.ELN=62037120
Freeform Name=Mike O'Connor
- 2 C=US; ADMO=MCI; PRMD=DIGITAL; O=DIGITAL; OU=MRO; S=GILFIX; G=SELENA
Freeform Name=SELENA GILFIX

-----X.400 Information-----

IPM Message ID:

64144102013991/16055 4002

X400 Message ID:

C=US; ADMO=MCI; PRMD=DIGITAL; ID=53044102013991/1455704@MCISS

To:

- 1 C=US; ADMO=MCI; PRMD=DIGITAL; O=DIGITAL; OU=MRO; S=STEFANINI; G=JUDY
- 2 C=US; ADMO=MCI; PRMD=DIGITAL; O=DIGITAL; OU=MRO; S=GILFIX; G=SELENA

-----X.400 Information-----

IPM Message ID:

25144102013991/16055 4002

X400 Message ID:

C=US; ADMO=MCI; PRMD=DIGITAL; ID=53044102013991/1455704@MCISS

Importance: Normal

Importance: Normal

Importance: Normal

***** Printed For: ROBERT.GRACZ *
Date: Tuesday, 12 October 1993 13:11 PT
To: EMG-OFFICE-BOS
Cc: ROBERT.GRACZ
From: MICHAEL.O'CONNOR
Subject: inbound telex 3931534M002

FYI.....

....MOC..

----- (Forwarded letter 1 follows) -----

----- (Forwarded letter 2 follows) -----

TO:62037120
EASYLINK 3931534M002 12 OCT93 12:11/12 OCT93 12:11 EST
FROM:
XFH000013 X400USER

ATTN:MICHAEL.O'CONNOR

Subject: Shipping instructions

1

In the past, we have experienced situations where the shipping instructions, the carrier or the mode of transportation have not been followed. For whatever reason, this has caused much anxiety and customer satisfaction issues. The attached is a summary of what Manufacturing is doing to improve this process. First of all, they are attempting to make sure that the shipping site review the instructions on each order carefully. If there is any confusion, the shipping docks are expected to call the order management people (Maggie, Selina or Judy) for instructions.

Because of the frustration that you have experienced with some of the shipping errors, I am sharing with you the effort that Andrew Davis is making with regard to improving this process. I hope that his efforts and the process improvements that are made will resolve these unpleasant experiences.

Forwarded Message

Subject: (I) DISTRIBUTION ACTION FOR CUSTOMER SPECIAL NOTES.

1

Attached you find Distribution prompt action taken to resolve the problem.

Regards,

Andrew

Forwarded Message

Subject: Shipping Notes

1

Attached is a memo from Andrew Davis regarding adherence to shipping notes. There have been several instances where the shipping instructions have not been followed. There are two main reasons why this is occurring - the shipping docks disregarded the notes or the notes were not clearly stated on the shipping documents. This issue is significantly impacting customer satisfaction and the OSO.

I'm sending this memo to solicit your support to take the necessary steps

to ensure that your organization obtain the appropriate notes (instructions) and that your organization adhere to these instructions. If you cannot adhere to the notes, you must notify the CAS rep for resolution prior to shipment. If your fulfillment system does not contain sufficient notes the information can be obtained by accessing ORS. If your shipping department needs assistance in acquiring access to ORS, I would be happy to help.

the information is still unclear you should notify the CAS rep or contact me and I will seek immediate resolution. Also, I would appreciate DEC# information on orders where the appropriate notes do not exist so that I can work this issue with CAS.

We have an agreement from CAS that they will process orders which contain special shipping requirements as follows:

- SEE NOTES will appear in the SHIP VIA field.
- The CAS rep name, telephone # and the instructions will appear on the first three lines of external notes.

We realize that this may cause delays in the shipping process, but adherence to these notes is critical to customer satisfaction, our primary responsibility. If you have any questions please call me. Thank you for your support.

Sibby

INTEROFFICE MEMORANDUM

Date: 17-Aug-1993 08:31am EDT
From: Andrew Davis @MRO
DAVIS.ANDREW AT A1 AT MCIS3
Dept: U.S.LOGISTICS
Tel No: (508)467-7056 (DTN297-7056)

AT MRO

TO: See Below

Subject: (A) CUSTOMER DISSATISFACTION-- CUSTOMER NOTES ON ORDERS.

PURPOSE: The intent of this memo is to request your support in re-enforcing the need to read "customer notes on orders", and its impact to Digital's and our Business Partners success.

INTENDED

AUDIENCE: Primary: Pat Nelson, Pete Govoni.

Secondary: Kathy Powers, Distribution Managers, Sharon Wage,
and CLSC's.

CONTEXT

SETTING: As you read the problem statement, it should not be construed as an across Digital process problems. This is an opportunity for Digital to build on the pockets of excellence in Distribution, Fulfillment, and Manufacturing plants.

PROBLEM

STATEMENT: Our Distributor Partners has expressed extreme dissatisfaction with Digital, for not adhering to their special instructions listed on orders.

IMPACT: Customer orders are delayed.

End-User installation impact.

Orders can be refused; especially drop ship orders.

Orders may be delivered to wrong address.

Orders are shipped via wrong freight forwarder.

Parts are installed instead of shipped seperately.

Parts are shipped seperately instead of installed.

Incremental cost for Digital Service to install.

Un-necessary freight charges to Digital Cost Centers.

Affects End-User plan for Demo product.

Incremental Administration cost to Digital.

Incremental freight expense to Distributors.

Customer's requirements are not met.

Product return or replacement.

End-User move to another platform.

Lack of prompt payment.

DSO impact, (i.e. Account Receivable issues).

EXPECTATION/

NEXT STEPS: Assess the limitations and inconsistency across our systems to identify the root causes.

Andrew Davis is prepared to work with a representative from US Distribution and Fulfillment, to develop recommendations for resolving this problem.

RECENT

EXAMPLE: Customer stated; under 50lbs ship Fed EXP STD (collect), or over 50lbs ship Skyway Exp TRK (collect). Refer DEC#94001862Z.

Digital shipped this order via Consolidated Freight in error collect at \$400.00. This order was refused by customer.

RESOLUTION: A representatives at Westminster provided the CLSC representative with a cost center to pay for the delta of \$302.00.

The cost of non-conformance in this example was \$302.00 plus Administrative costs.

FOOTNOTE: In working with two ship sites, I have discovered the complexity of this problem, and a need to have a focus person representing both Fulfillment and US Distribution systems/processes.

Our Business Partners have reported this problem in the past,
and has yet to see a total resolution.

Regards,
Andrew

- 1 C=US; ADMO=MCI; PRMO=DIGITAL; O=DIGITAL; OU=MRO; S=STEFANINI; G=JUDY
Freeform Name=JUDY STEFANINI @MRO
- 2 C=US; ADMO=MCI; PRMO=DIGITAL; O=DIGITAL; OU=MRO; S=GILFIX; G=SELENA
Freeform Name=SELENA GILFIX
- 3 C=US; ADMO=MCI; PRMO=DIGITAL; O=DIGITAL; OU=MRO; S=MORREALE; G=MAGGIE

-----X.400 Information-----

IPM Message ID:

80846121013991/9869 4002

X400 Message ID:

C=US; ADMO=MCI; PRMO=DIGITAL; ID=31413121013991/1446676@MCISS

To:

- 1 C=US; ADMO=MCI; PRMO=DIGITAL; O=DIGITAL; OU=MRO; S=CROSSMAN; G=BRENDA
- 2 C=US; ADMO=MCI; PRMO=DIGITAL; O=DIGITAL; OU=MRO; S=ALDRICH; G=ANN
Freeform Name=Eemote Addressee
- 3 C=US; ADMO=MCI; PRMO=DIGITAL; O=DIGITAL; OU=MRO; S=GAGE; G=SHARON
- 4 C=US; ADMO=MCI; PRMO=DIGITAL; O=DIGITAL; OU=MRO; S=GILFIX; G=SELENA
- 5 C=US; ADMO=MCI; PRMO=DIGITAL; O=DIGITAL; OU=MRO; S=ORAREO; G=CHRIS
- 6 C=US; ADMO=MCI; PRMO=DIGITAL; O=DIGITAL; OU=MRO; S=STEFANINI; G=JUDY

-----X.400 Information-----

IPM Message ID:

22846121013991/9869 4002

X400 Message ID:

C=US; ADMO=MCI; PRMO=DIGITAL; ID=31413121013991/1446676@MCISS

To:

Freeform Name=STEPHEN TRUMPOLT @WMO
Freeform Name=FRANK GALLO @WMO
Freeform Name=CLARENCE DELOREY @WMO
Freeform Name=ROBERT HACHEY @WMO
Freeform Name=LARRY WALSH @WMO

Copy:

Freeform Name=PETER THOMPSON @WMO
Freeform Name=KEN PAUL @WMO

-----X.400 Information-----

IPM Message ID:

95746121013991/9869 4002

X400 Message ID:

C=US; ADMO=MCI; PRMO=DIGITAL; ID=31413121013991/1446676@MCISS

From:

C=US; ADMO=MCI; PRMO=DIGITAL; O=DIGITAL; OU=UPO; S=MACGILLIVRAY; G=FRANK
Freeform Name=Frank MacGillivray

To:

***** Printed For: ROBERT.GRACZ *
Date: Tuesday, 12 October 1993 13:14 PT
To: EMG-OFFICE-BOS
Cc: ROBERT.GRACZ
From: MICHAEL.O'CONNOR
Subject: inbound telex 3933271M002

MORE FYI.....

....MOC..

----- (Forwarded letter 1 follows) -----

----- (Forwarded letter 2 follows) -----

TO: 62037120
EASYLINK 3933271M002 12 OCT93 12:15/12 OCT93 12:16 EST
FROM:
XFH000013 X400USER

ATTN: MICHAEL.O'CONNOR

Subject: More on Shipping Instructions - FYI
1

Forwarded Message

Subject: (A) CUSTOMER "SPECIAL NOTES MEETING" MINUTES.
1

The following are the results of a recent meeting with Fulfillment Operations and Distribution, to discuss the impact of Digital not reading our customer's notes listed on orders.

0 PROBLEM STATEMENT:

Our Business Partners has expressed extreme dissatisfaction with Digital, for not adhering to their special instructions listed on orders.

0 ACTION REQUIRED BY DISTRIBUTION SITES:

Peter Thompson has taken an action to check with ALL direct ship sites to customers, to ensure that they have the capabilities for reading our customers "shipping instruction" notes.

Peter suggested a possible solution; perhaps all Distribution sites should be assigned a "ORS account". This will enable them to read all notes on orders.

ORI: Peter Thompson

EXPECTED COMPLETION DATE: 10/22.

0 ACTION REQUIRED BY FULFILLMENT OPS/MANUFACTURING:

Cathy Powers to ensure that ALL Manufacturing sites are capable of reading our customer's special notes, and to stress the impact to Digital and our customers when notes are not read.

DRI: Cathy Powers

EXPECTED COMPLETION DATE: 10/15.

ACTION REQUIRED BY LSSC CENTER:

Kathleen Vanwert to determine if the DCV group is making any changes to our Business Partners special notes listed on their orders.

DRI: Kathleen Vanwert

EXPECTED COMPLETION DATE: 10/15

0 ACTION REQUIRED BY USDS DISTRIBUTION CSC'S:

1. Andrew Davis to discuss, with Michelle Walsh, the possibility of "hard coding" the Distributions profile on E-Store.

DRI: Andrew Davis

EXPECTED COMPLETION DATE: 10/15.

2. ALL CSC'S to re-enforce, where applicable, the need for our Business Partners to set the PARTIAL flags correctly.

DRI: USDS CSC's.

EXPECTED COMPLETION DATE: 11/22.

0 FOLLOW-UP:

Andrew Davis to prepare and communicated a follow-up status within three weeks.

Regards,
Andrew

- 1 C=US; ADMD=MCI; PRMD=DIGITAL; O=DIGITAL; OU=MRO; S=STEFANINI; G=JUDY
Freeform Name=JUDY STEFANINI @MRO
- 2 C=US; ADMD=MCI; PRMD=DIGITAL; O=DIGITAL; OU=MRO; S=GILFIX; G=SELENA
Freeform Name=SELENA GILFIX
- 3 C=US; ADMD=MCI; PRMD=DIGITAL; O=DIGITAL; OU=MRO; S=MORREALE; G=MAGGIE

-----X.400 Information-----

IPM Message ID:

84407121013991/281119 400

X400 Message ID:

C=US; ADMD=MCI; PRMD=DIGITAL; ID=63314121013991/1446713@MCISS

To:

1 C=US; ADMD=MCI; PRMD=DIGITAL; O=DIGITAL; OU=MRO; S=ALDRICH; G=ANN

Copy:

1 C=US; ADMD=MCI; PRMD=DIGITAL; O=DIGITAL; OU=MRO; S=CROSSMAN; G=BRENDA

Digital Equipment Corporation
146 Main Street
Maynard, Massachusetts 01754-2571

digital

10 September 1993

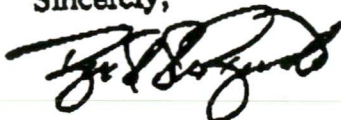
Mr. William L. Stowers, Vice President
Supplier Management and Procurement - East
McDonnell Douglas Aerospace MC106 6100
P.O. Box 516
St. Louis, MO 63166

Dear Mr. Stowers,

Digital has undertaken an aggressive program to eliminate all loosefill dunnage from our operations. We have actively eliminated the need for dunnage or replaced loosefill with alternatives such as non-shredded paper. This has also been restricted as of late and the application of dunnage in any form has been reduced significantly over the past 12 months. Digital's operations no longer support the purchase or reuse of loosefill dunnage that may be sent to us in supplier shipments.

Digital has also pursued elimination of loosefill dunnage of any kind as well as solid plastic dunnage such as foam in place urethane from our suppliers. This requirement is set forth in Digital Standard 043-0 which is currently being used for Digital specific packaging and handling requirements for our supply base. There may be isolated instances where loosefill or other restricted forms of dunnage may be used by our suppliers. These instances are of great interest to us in order that we may pursue corrective action with our suppliers. Our goal is to eliminate the useage of such forms of dunnage in shipments to Digital and therefore prevent accidental reshipment to our customers. This is in reaction to requests from our customers as well as our own goals in reducing waste.

Sincerely,



Brian McBride, Digital Standard 043-0 Owner
Industrial Package Engineering
Digital Equipment Corporation

CC: Al Barakauskas
Olivette Fulton
Chuck Rabe

Christopher Penta
Jim Gruss
Art Fechan

Digital Equipment Corporation
3 Results Way
Marlboro, Massachusetts 01752-3082
508.467.5111

August 17, 1993

*To: G. Smith
R. Ward
A. Beull
B. Bawner
RSM
REC - Team
Frank Gentle
F.Y.I. Update!
Bob Green*



Avnet Computer
1124 Thorndale Ave,
Bensenville, IL 60106

Dear Robert,

Please find Digital's response to the following issues identified during my visit to facility, located in Peabody, on July 15.

O Product Delivery Document:

Digital process is not consistent in listing the saleable part numbers, and pre-install line items on the Product Delivery Document.

Status:

The results of our investigating shows that our manufacturing plant in Albuquerque didn't comply with our DEC Std.178. This standard is designed to ensure consistency in our general shipping documentation, and container labeling.

Action Taken:

Albuquerque has generated a corrective action request to their IM&T resources, to modify the capability of their system.

O Disk Drive serials numbers matching problem:

The serial numbers listed on the RZ23L-EH as compared to the serial number listed on the shipper container bar code doesn't match.

Status:

Albuquerque have introduced the serial number on the shipping container as a manufacturing control number. The Customer Satisfaction Manager and the Supplier Manager are having discussions with their supplier to resolve this complaint.

O Quality of License Pak:

License Pak's were shipped in an inconsistent manner, which impact the quality of the document.

Status:

1. I have requested that all sites institute an audit in their process to ensure that the quality of License Paks is maintained.

2. A effort is in progress with representatives of the Licensee Pak Corporate office, to implement a standard License Pak as a product. This effort will include all software business consultants in the U.S.

O Saleable part numbers listed on Barcode:

Listed in our DEC std. 047-2, is a customer product ID column. This column will have a combination of alphanumeric characters used by a customer or buyer to identify a product, part number, or model number.

Status:

All Manufacturing and Distribution facilities are currently reviewing the standard, to put in place their respective implementation strategy.

There will be a delay in this implementation.

Our commitment to quality ensures we provide superior products and services which meet or exceed our customers' requirements. This level of performance can only be accomplished by working together in identifying areas of joint concern that have an impact to our interactive partnership.

If you should have any further questions, please feel free to contact me at (508)467-7056.

Sincerely,



Andrew Davis
Sr. Customer Support Consultant



1124 Thorndale Avenue
Bensenville, Il. 60106
(708) 773-8573

Inter--Office Communication

Date: July 26, 1993

To: Greg Monte

From: Bob Gracz

Subj: Digital Information

.....
Order Cycle Time

average for getting order to point of purchase is 2 days
average time to accept order and acknowledge is 24 hours except specials
must configure order before placing order, around 1 day
will process order placement without all LOI information for invoicing such that it will not delay order placed on manufacture

Number One Issue

No advance information on recommit date
late delivery issue
Lead times not accurate and inconsistent
Albuquerque- U.S., Kanada- Canada, and Galway- Ireland are all problem locations with delivery
We only find out by inquiring ourselves
field team looks up delivery date on E-Store and determines not acceptable and expedites most of the orders
Credit / Rebill and RMA turn around request take around two weeks due to required authorization of personal that are not always available

Quoting

Use E-Store to quote price and delivery
Pricing is very accurate
Delivery is inconsistent and not reliable
Work off weekly U.S. Shipper report which shows all new product and critical allocation.
Provided hard copy weekly from print off of E-Store. is statues by "code" names.
Have ability to go to Solution desk to get critical information needed. Is a call in process that is handled by a person that has the ability to look at the 4 to 6 system that Digital has for order delivery. Then they can go to manufacturing if necessary. Answers are always given via a return call

Use Distributor Quote System (DQS) to generate quote with price, description, lead times, etc.

Lead times are not accurate, same as E-Store

Good format, price protection

Includes services, warranty, installation, etc.

Use Service config on E-Store and it works well

Use Software Licensee Config on E-Store

No Hardware config that is reliable

Totally disabled old system that had artificial intelligence. Present system is menu driven and not worth the time spent to use it.

Digital

OTD is less than 50%

Lead times not accurate and inconsistent

late delivery issue

We only find out by inquiring ourselves

No advance information on recommit date

Albuquerque- U.S., Kanada- Canada, and Galway- Ireland are all problem locations with delivery

Hard copy invoices take 3 weeks to get from Digital.

Causes need to look up every order to verify cost.

Get hard copy reject report after the fact and sparingly

Inform field of information usually causes change order to meet customer commit

General

We don't stock DPP product to take advantage of quantity price breaks

E-Store tells order status buy Dec #

have to search by individual order, only way to keep up on accurate order status

Software and Licensee orders seem to be fine. Have to go to EMG team for information, they go to

CASS group but information is reliable.

Place 150 - 250 purchase orders daily not including stocking orders

We change orders frequently due to

Tech edit failure, late delivery, lack of loi approval from Digital on specials, Config changes

2 out of 5 orders fail tech edit at Digital

Place UOF due to Digital inability to deliver timely

Not updating mfg commit date because of man power shortage

(I suggested he start putting in standard date of E-Store at point of purchase order input and he is reviewing with team now)

Look-up all FDS orders to verify shipment for timely invoicing via E-Store

Digital went to JIT inventory but not able to provide JIT delivery

Continue to bring up issue of lack of coverage to Sharon Gage

We have good people supporting but are not always available or there. Almost all issues are responded to us with a call next day

Digital trying to streamline process but there infrastructure is set up such that it works against them

Doug Hladek

Use E-Store to quote price and delivery

Pricing is very accurate

Delivery is inconsistent and not reliable

Work of weekly U.S. Shipper report which shows all new product and critical allocation. Provided hard copy weekly from ??? Believe this is feed by manufacturing, CSS group, PC group

Have ability to go to Solution desk to get critical information needed

Use Distributor Quote System (DQS) to generate quote with price, description, lead times, etc.

Lead times are not accurate, same as E-Store

Good format, price protection

Includes services, warranty, installation, etc.

Use service config on E-Store

Use Software Licensee Config on E-Store

No Hardware config that is reliable ???

E-Store tells order status buy Dec #

Biggest issue

No advance information on recommit date

Lead times not accurate and inconsistent

Albuquerque- U.S., Kanada- Canada, and Galway- Ireland are all problem locations with delivery

We don't stock DPP product to take advantage of quantity price breaks

Greg Stoner

Use E-Store to quote price and delivery

Pricing is very accurate, but changes frequently

Delivery is not reliable and only used as a ballpark indicator

Work of weekly U.S. Shipper report which shows all new product and critical allocation. Provided hard copy weekly from print off of E-Store.

Have ability to go to Solution desk to get critical information needed

Is a call in process that is handled by a person that has the ability to look at the 4 to 6 system that Digital has for order delivery. Then they can go to manufacturing if necessary. Answers are always given via a return call

Use Distributor Quote System (DQS) to generate quote with price, description, lead times, etc.

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E-Store tells order status buy Dec #

have to search by individual order, only way to keep up on accurate order status

Biggest issue

No advance information on recommit date

We only find out by inquiring ourselves

Lead times not accurate and inconsistent

PC group, Desktop direct has there delivery all over the place. Albuquerque- U.S. is improving and seems to be getting over the fact that they did inventory at our month / year end that cause a two week delay in everything., Kanada- Canada, and Galway- Ireland are all problem locations with delivery, primarily because they are locations that require shipment through consolidation and customs. Can not ship from these locations to customer site.

Loose credit with customer because Digital can not meet commitment and re commitment so the customer looks at us as if we don't know what is going on.

Digital went to JIT inventory but not able to provide JIT delivery

Software and Licensee orders seem to be fine. Have to go to EMG team for information, they go to

CASS group but information is reliable.

Dick Crowley

Place 150 - 250 purchase orders daily not including stocking orders

Use E-Store to get price, cost and delivery

Pricing, cost is very accurate

Delivery is not reliable and only used as a ballpark indicator

There is a weekly U.S. Shipper report which shows all new product and critical allocation. This is available off E-Store but is statues by "code" names.

Have ability to go to Solution desk to get critical information needed. Is a call in process that is handled by a person that has the ability to look at the 4 to 6 system that Digital has for order delivery. Then they can go to manufacturing if necessary. Answers are always given via a return call

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Not updating mfg commit date because of man power shortage

(I suggested he start putting in standard date of E-Store at point of purchase order input and he is reviewing with team now)

Look-up all FDS orders to verify shipment for timely invoicing via E-Store

Digital has X con and X cell Hardware config that we do not use

Totally disabled old system that had artificial intelligence. Present system is menu driven and not worth the time spent to use it.

E-Store tells order status buy Dec #

have to search by individual order, only way to keep up on accurate order status

Now we are checking cost on all orders we place on E-Store / Genesis to insure proper cost update at point of order

Biggest issue

late delivery issue

field team looks up delivery date on E-Store and determines not acceptable and expedites most of the orders

Credit / Rebill and RMA turn around request take around two weeks due to required authorization of personal that are not always available

Albuquerque- U.S., Kanada- Canada, and Galway- Ireland are all problem locations with delivery.

Galway is being removed and large box orders will be moved to Albuquerque

Digital went to JIT inventory but not able to provide JIT delivery

Continue to bring up issue of lack of coverage to Sharon Gage

We have good people supporting but are not always available or there. Almost all issues are responded to us with a call next day

Digital trying to streamline process but there infrastructure is set up such that it works against them

smipdec1.doc



Date: July 30, 1993
To: Greg Monte
From: Bob Gracz
Subject: Digital Issues Identified November 22, 1992

Here is a summary of most of the issues raised within the last six months.

ORDER PLACEMENT

- *Single point of order management with performance ownership*
- *Order acceptance within 24 hours of placement or notification of specific problems*
- *Order schedule within 24 hours of acceptance.*

To date, Digital has a single group for us to contact with our orders. Communication has improved substantially since we started to work these issues. Special order approval through the operations manager still seems to be the biggest hang-up. Notification of orders is done via hard copy and is very cumbersome, but helpful. These issues continue to be worked through Sharon Gage's group.

DELIVERY

- *Shipment to original schedule or notification via rejection report.*

Still is the biggest and single most frustrating delivery problem we have. Note On-Time Delivery performance chart showing a trend in the wrong direction which needs to be corrected.

Right now, Digital's on-time delivery is poor, but there is an improvement in the balance of all late items being received within the current month. Digital continues to struggle with its own internal system, which I believe is not giving them the capability to build the forecast. They have no way to get forecast information early enough to manufacturing to create a JIT build cycle, even though they appear to have gone into that cycle of manufacturing. Albuquerque appears to always be our biggest problem area. As of 7/30/93, Digital V.P. Manufacturing has been give a target to achieve of 95% on time delivery based upon a true commitment date by the end of Q2. Albuquerque has a new plant manager!

- *Provide a single packing slip by purchase order.*

This has been fixed since we now place all purchase orders via the DVX product code.

- *Packing slip to provide part numbers that match BOM matrix and product labeling.*

This is still a problem. Note letter dated June 22, 1993 that Digital has accepted the problem is theirs to fix.

Digital representative, Andrew Davis, came to Peabody on July 15, 1993 to review and see first hand the following warehouse/receiving issues.

- Non-identification of pre-install equipment
- No salable part number on product delivery document
 - As of 7/30/93, the problem has been identified by Digital and a fix was implemented. Need verification of correction on our end.
- Serial numbers not matching between shipping box and hardware for disk drive
- Memory product not displaying serial numbers on shipping boxes
- High amount of short ships
- Separate shipment with BOM items for single part
- BOM internal part number used instead of salable part number
- License not packaged correctly
 - As of 7/30/93, an interim fix to packaging license in envelopes has been implemented. A new re-work spec is being looked at for consistency across all manufacturing.
- Combining multiple orders in consolidated shipping container. (Shipping to us like an end-user versus reseller)
- Shipping contents list show BOM part number versus salable

- *Insure all shipments include full purchase order number, 11 digits, on packing slips.*

This was resolved with the DEC to DVX transition. This helps clear up many receiving and P.O. match problems.

- *Provide bar code DEC serial numbers on all packages, distinguish CPU serial number.*

Digital implemented EIA-556 standard June 30, 1993. I have confirmed with Andrew Davis that this has gone into effect. We should start to see the new shipping label within this current month. This will help automate and improve productivity because our warehouse personnel can use the new bar code information for processing. Change to 7/30/93 implementation to include all manufacturers on same bar code spec.

- *Provide a primary contact for product receipt issue.*

Right now the contact we use is through our order fulfillment desk, Sharon Gage's group. Once several of the receiving issues are cleared up, the activity around this should be minimized.

ADMINISTRATION

- *Issue invoices with accurate and complete dates within 24 hours of product or service delivery.*

This is still a problem. Invoices take about three weeks to be received by D. Crowley's team. He receives duplicate copies from Marlboro.

- *Provide and maintain a product BOM matrix for all products which ship as multiple devices*

The BOM matrix is available from Sharon Gage's group. All we have to do is ask for it. This works out okay, however, an automated fix of on-line information is preferred.

- *Provide and maintain a product shipping weight, size and box count matrix.*

Some system information is available in the options catalog. There is a real problem with trade-ins.

- *Provide consistent delivery information across support systems.*

The OTD for Digital products is at an all time low and needs to be fixed. We have done many things to try to improve this area to no avail.

- *Issue return material authorizations within 48 hours of request.*

Two week turn around seems to be the best Digital can do at this time. Credit/rebill request for cost adjustments are a real problem area. Any exception to the process requires many signature approvals, which delays everything.

- *Our customer P.O. on FDS header*

This problem has been resolved.

Progress Points: U.S. Perspective

- **Total Q3 revenue \$1.2B**
 - Best quarter of the year
 - Flat year-over-year with product revenue up 3%
- **Order rates up**
 - 16% over previous quarter
 - 17% year-over-year



Digital Equipment Corporation

Directions and Discussion

Russ Gullotti
President, Americas Area





Digital Equipment Corporation

Directions and Discussion

Russ Gullotti
President, Americas Area



Digital: Directions & Discussion

- **Financial Update**
- **Progress Points**
- **Digital's Directions**
- **Open Client/Server Leadership**
- **Channels Direction**
- **Clear Accountability:
Business Unit Structure**

Digital: Directions & Discussion

- **Financial Update**
- **Progress Points**
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- **Channels Direction**
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Business Unit Structure**





Financial Update

Revenue and Gross Margins: A Perspective

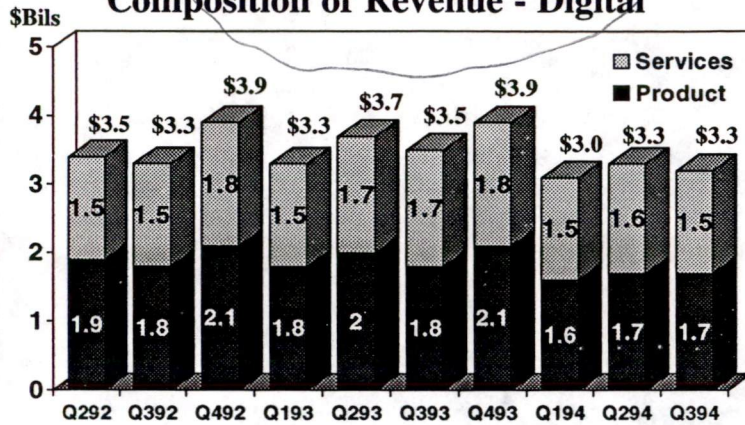
Financial Update

Revenue and Gross Margins: A Perspective



Financial Update

Composition of Revenue - Digital



TOT
NOTE

Q2 92 3.3
Q3 93 3.5
Q3 94 3.3

~~Prod~~
Serv

92
93
94

1.5
1.7
1.5

~~Serv~~
Prod

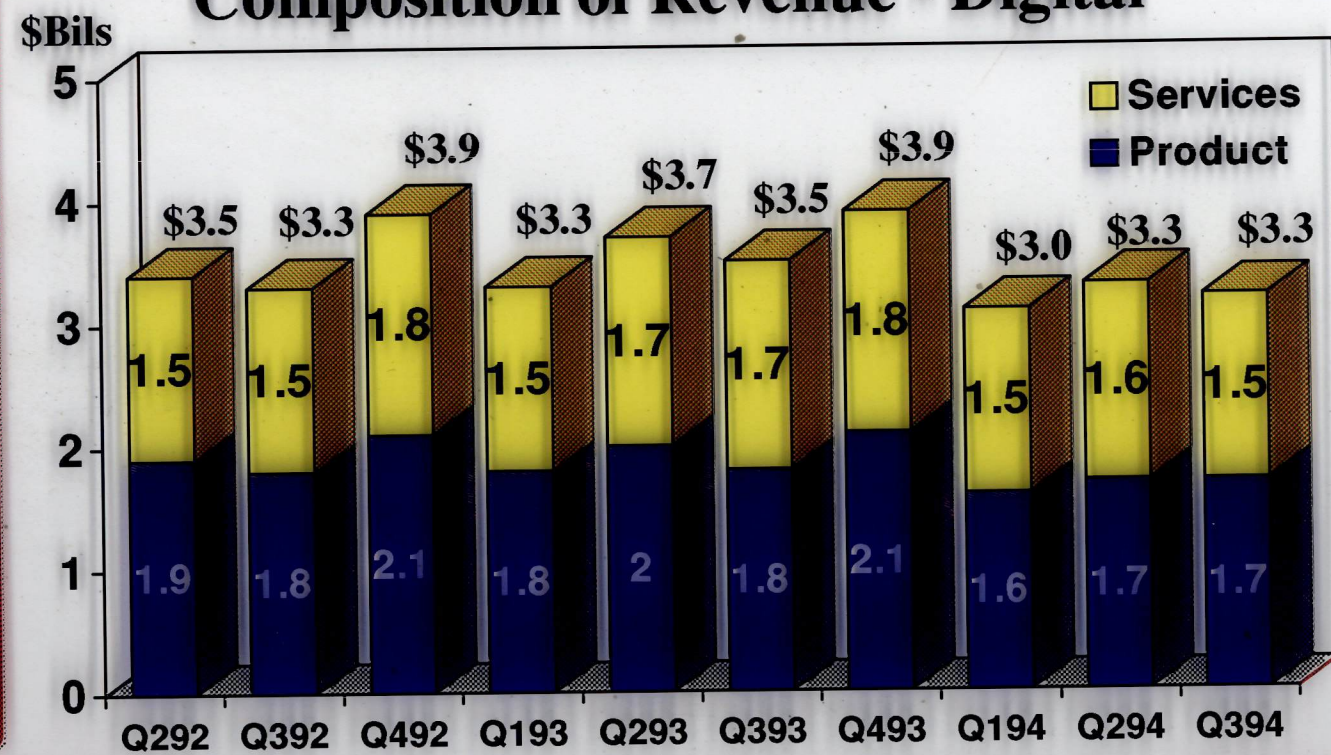
1.8
1.8
1.7

flat

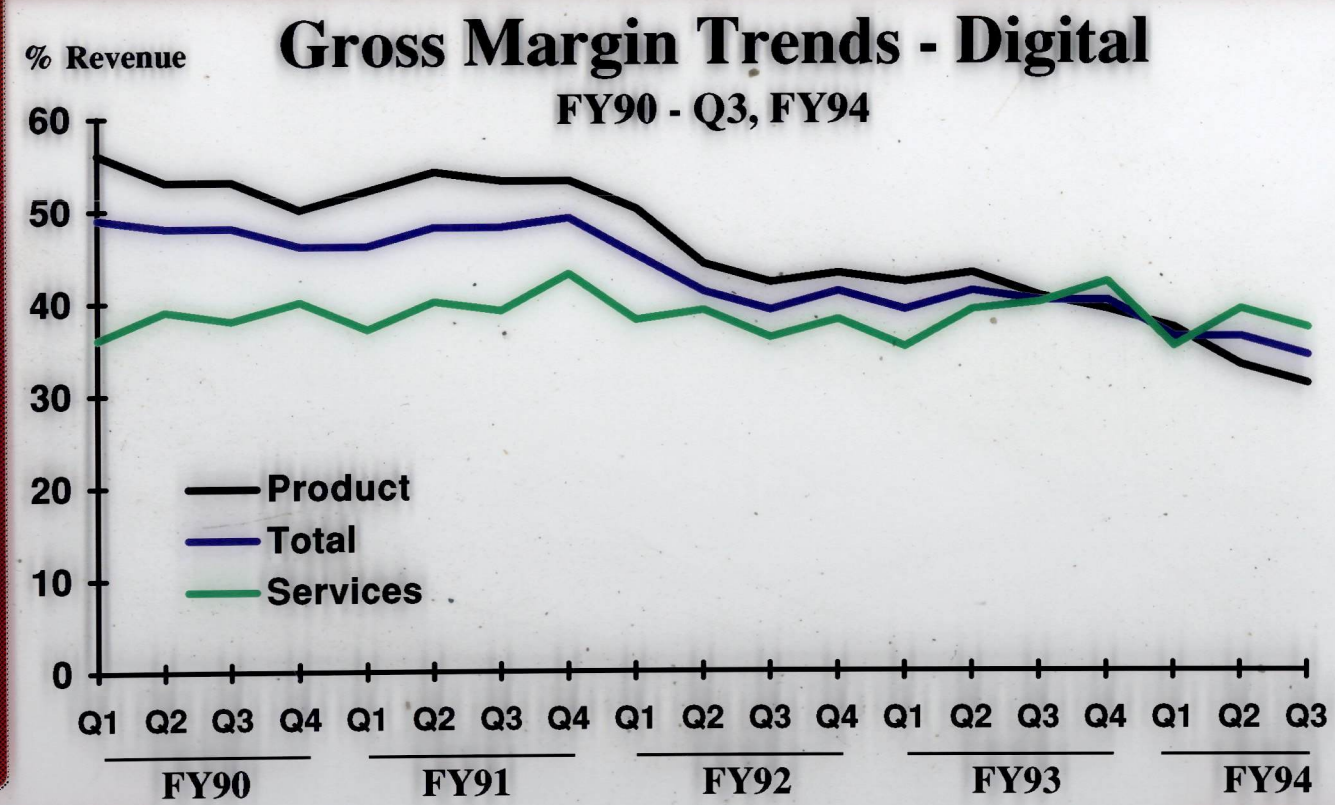
- ① Alpha X15700
- ② Stru @ unit (open)
- ③ X15700 of CBDS - org

Financial Update

Composition of Revenue - Digital

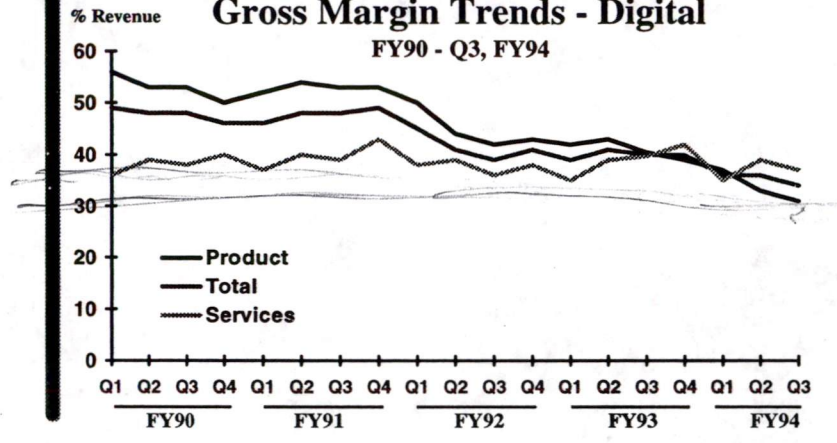


Financial Update



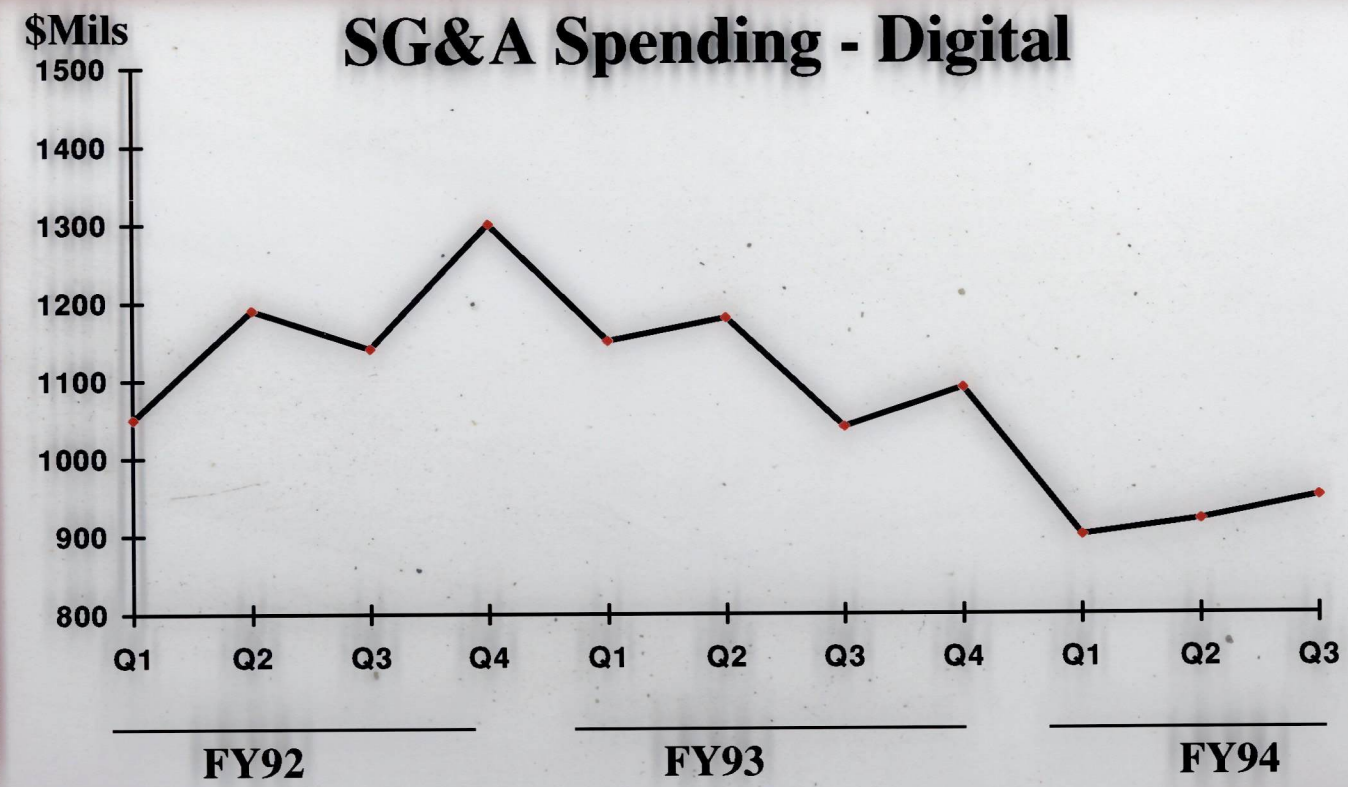
Financial Update

Gross Margin Trends - Digital
FY90 - Q3, FY94

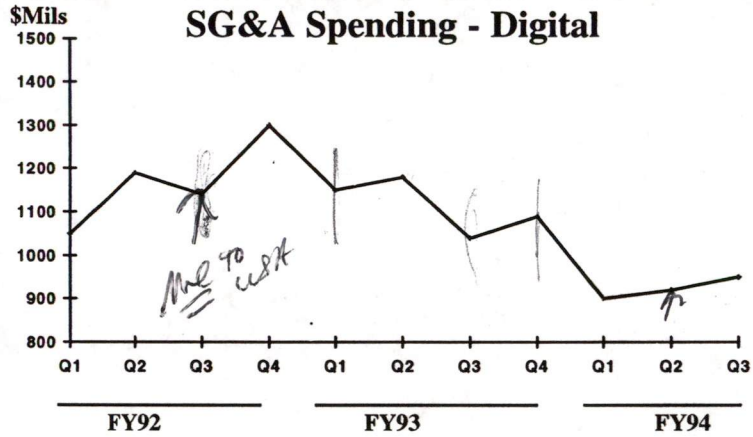


You know about this.
So, flat NOR
20 points q. to drop.

Progress Points



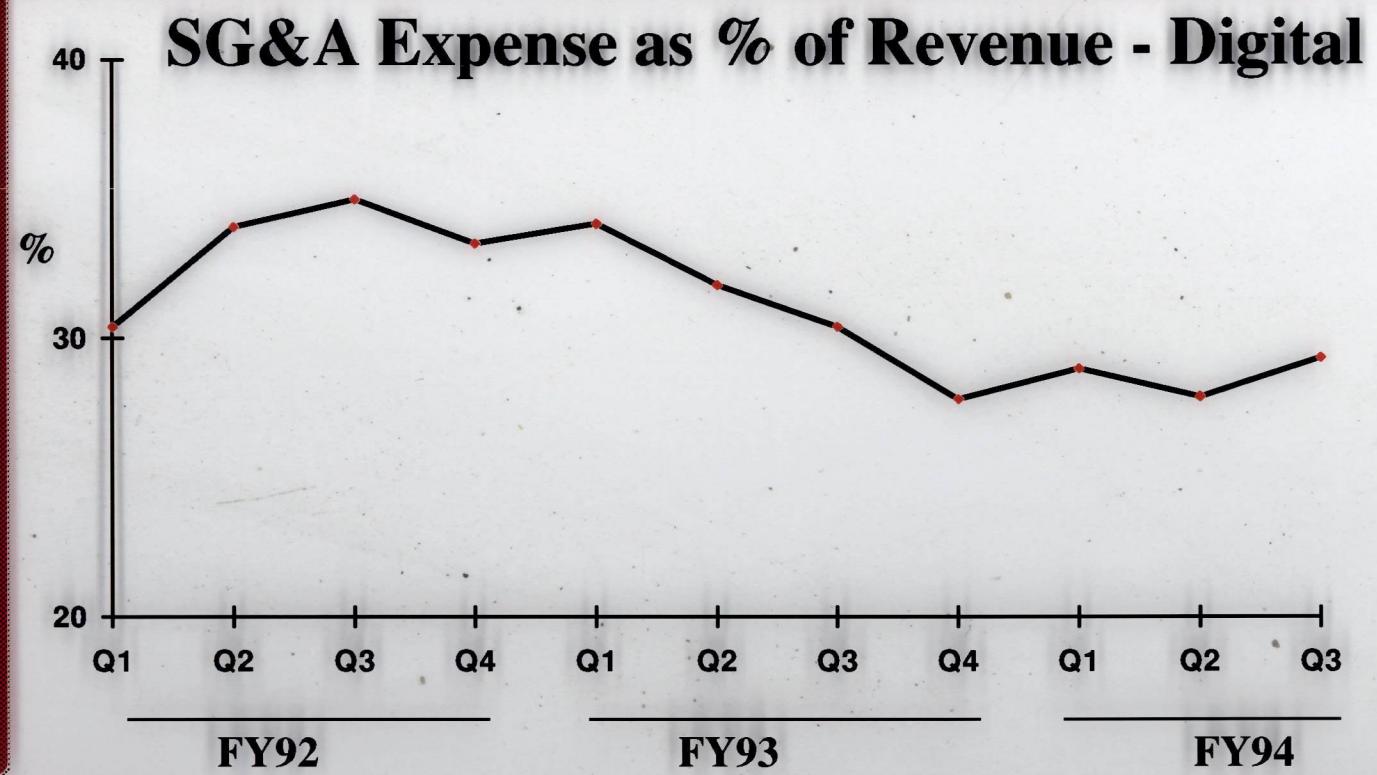
Progress Points



good news - down
 Bad news - not enough

13K people in USA
 32
 19

Progress Points

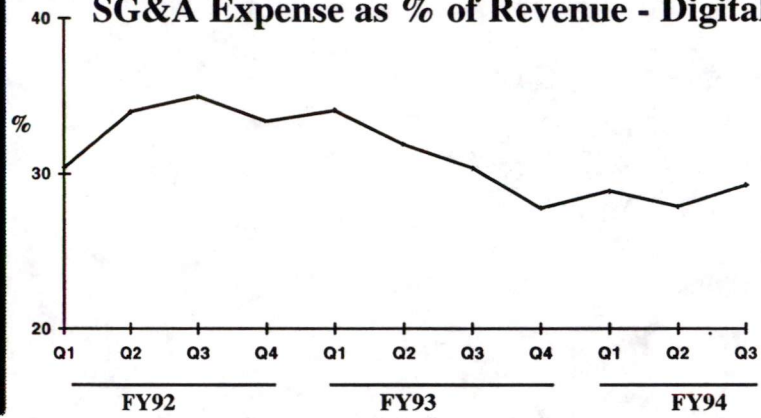


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Progress Points

SG&A Expense as % of Revenue - Digital



9M 3800
 S&A 30
 - RFE 11

Financial Update

- Net loss of \$183M, revenue decline of 6% in Q3
- Good balance sheet
- Cash balance \$1.2B
- Debt to total capital ratio < 20%
- Year-over-year, research and engineering expenses down 10%, SG&A expenses down 8%
- Q3 not acceptable... but can't overlook real progress on many fronts

Financial Update

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- Q3 not acceptable... but can't overlook real progress on many fronts



*debit
income good
more ups + downs
ahead.*

- If good cash balance, why ask for accelerated cash payments?
- AVNET can accelerate payment though an advance payment.
- AVNET might ask for cash incentive to pay early
- Receivables under 30 days at end of June are expected to be ~\$14M

*- cost to
decrease
- \$ to finance
receivables
- thanks for
your help*

Progress Points

- **PC business: Doubling revenues year-over-year**
- **Storage business: Double-digit growth**
- **Alpha AXP sales in Q3**
 - 46% of systems revenue (excluding PCs)
 - 66% growth quarter-to-quarter
 - 2100 Server launch
- **Product revenues: After two quarters of double digit declines, flat worldwide. Order rates up**
- **% of U.S. business sold by Channels:**
FY93 = 32%, FY94 = 46%

Progress Points

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FY93 = 32%, FY94 = 46%



*Sensitive time
quiet period*

*business
looks good*

*1
Kawm's
- despite turmoil*

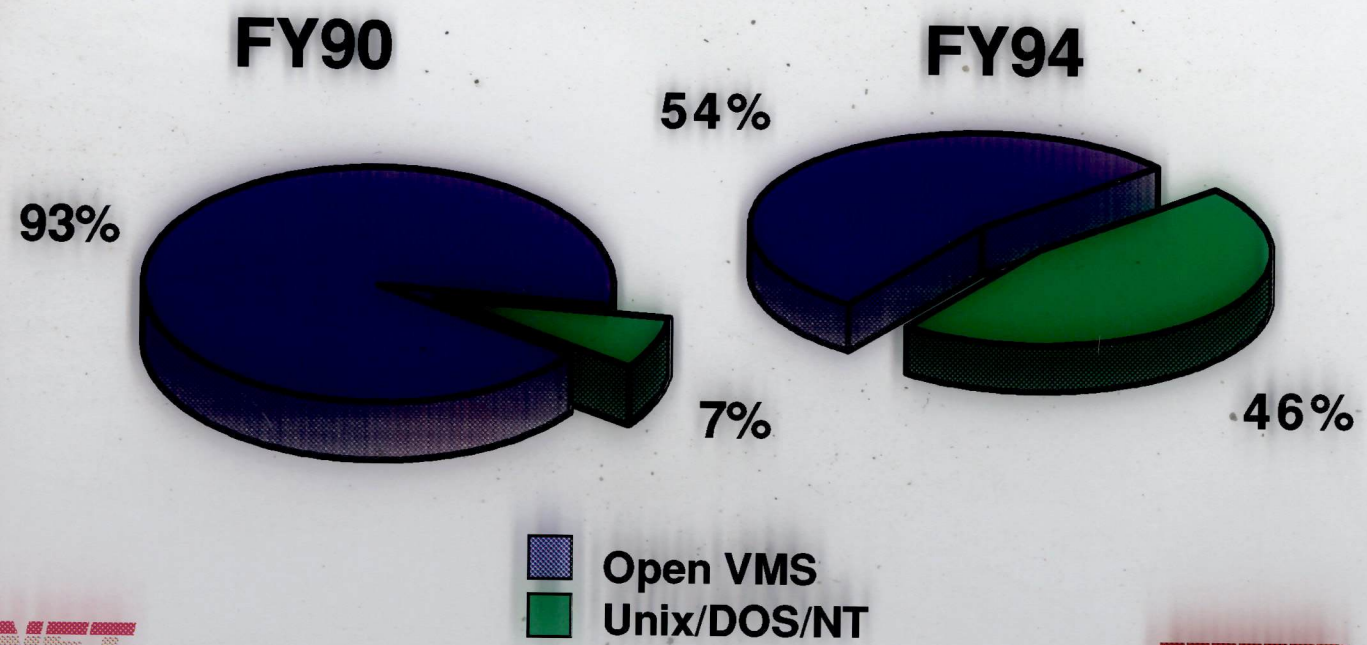
- Analogy of PC business as a Fortune 500 stand alone company would be good.
- AVNET storage business goal for FY94 is \$40M. Expected to finish at ~ \$44M.

Progress Points: U.S. Perspective

- **Total Q3 revenue \$1.2B**
 - Best quarter of the year
 - Flat year-over-year with product revenue up 3%
- **Order rates up**
 - 16% over previous quarter
 - 17% year-over-year

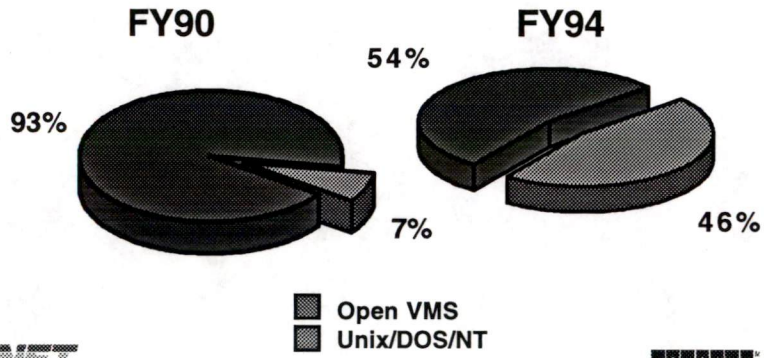
Progress Points

Total System Revenue - Digital FY90 and FY94 YTD



Progress Points

Total System Revenue - Digital FY90 and FY94 YTD

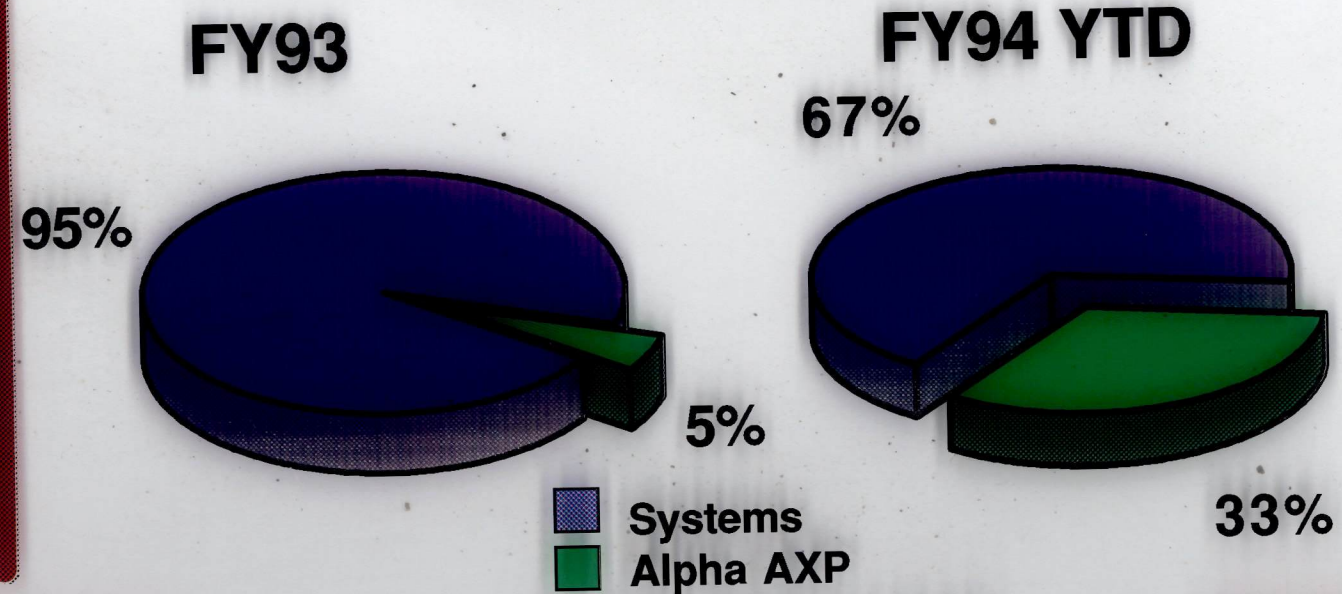


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Progress Points

Alpha AXP % of System Revenue* - Digital FY93 and FY94 YTD (Percentage of Total)

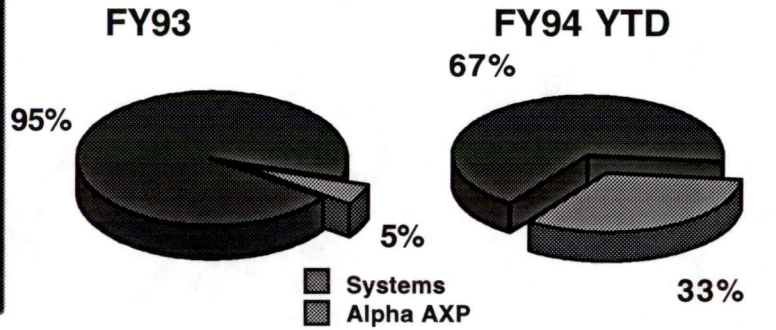


*Systems exclusive of Intel PC



Progress Points

Alpha AXP % of System Revenue* - Digital FY93 and FY94 YTD (Percentage of Total)



■ Systems
■ Alpha AXP
*Systems exclusive of Intel PC



- Digital 46% Q3 Alpha
- AVNET has experienced a strong trend to Alpha AXP products.

Started in late Q1/94

Digital's Directions

- Continued customer/market focus
- Hardware company with supportive software/services
- Cost structure focus
- Leadership in Open Client/Server Computing
- Growth via indirect channels
 - We don't compete with our Partners
- Clear accountability



Digital's Directions

- Continued customer/market focus
- Hardware company with supportive software/services
- Cost structure focus
- Leadership in Open Client/Server Computing
- Growth via indirect channels
 - We don't compete with our Partners
- Clear accountability



- Client-Server: AVNET has chosen Digital Consulting in U.K. to execute a pilot project to tie 7 subsidiaries together. 3 key Digital players have left within the last 3 weeks. AVNET is questioning Digital ability to deliver.
- Clear accountability. Who is accountable? AVNET has seen both extremes.
- Channel clearly growing; Q4/94 will be an all time record
~ \$53M sales out at resale
- Digital does not intend to compete with our partners.

Open Client/Server Leadership

- **Computer systems - 2 platforms**
- **3 Operating systems**
- **Networks**
- **Enterprise objects**
- **Data and messaging integration**
- **Technical, production, workgroup integration**
- **Partner applications**
 - **800 firms**
 - **5000 applications moving to 6000**
- **Services and Partners to bring it all together**



Open Client/Server Leadership

- Computer systems - 2 platforms
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- Networks
- Enterprise objects
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 - 800 firms
 - 5000 applications moving to 6000
- Services and Partners to bring it all together



Open Client/Server Leadership

October 12: *Open Client/Server Strategy*

November 29: *Common Object Model*

February 8: *Software Frameworks*

April 12: *Digital 2100 Server*



- Concern over moving the 2100 products to master resellers.
Street price erosion main concern.

Open Client/Server Leadership

October 12: *Open Client/Server Strategy*

November 29: *Common Object Model*

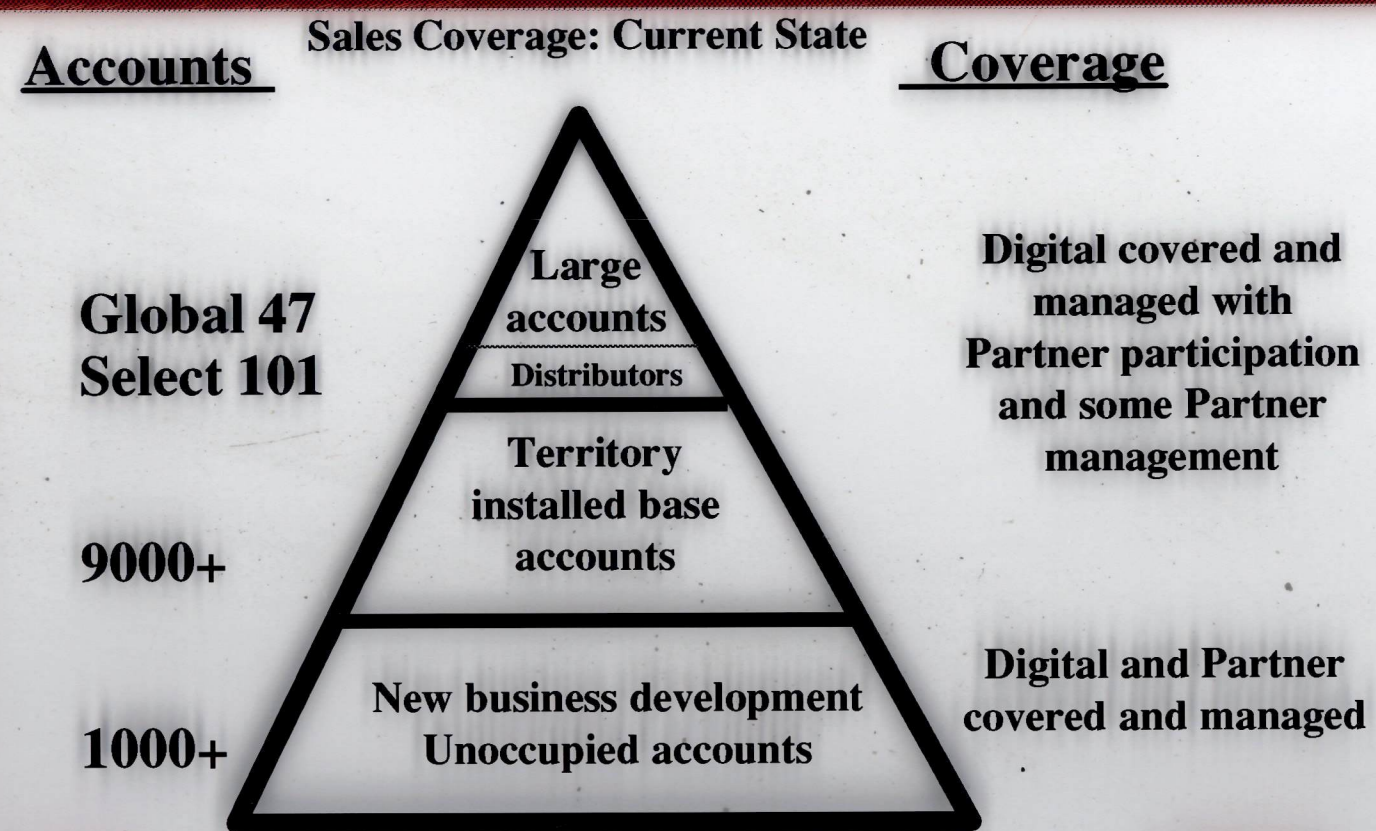
February 8: *Software Frameworks*

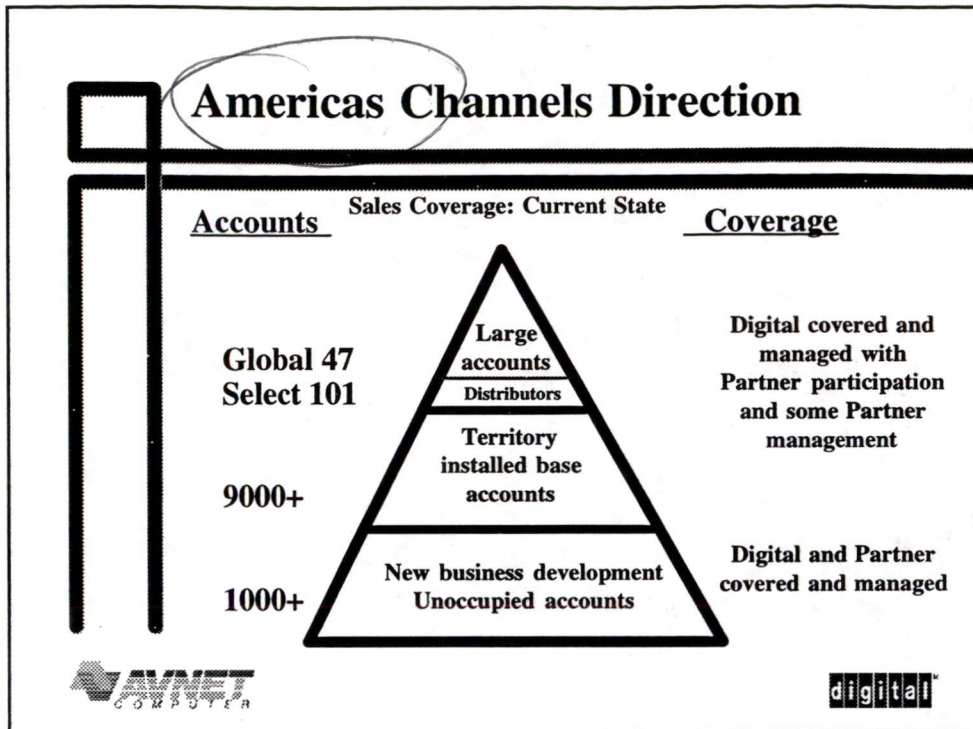
April 12: *Digital 2100 Server*

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Americas Channels Direction





- AVNET role in all segments still planned.

*AVnet in large + TTY acct
helping @ new accts - everywhere*

SS + A too high.

~ low people 4/10

Americas Channels Direction

Sales Coverage: Near Term

Accounts

Coverage

800

Large accounts

Digital covered and managed with Partner participation

Distributors

10,000

Territory installed base accounts

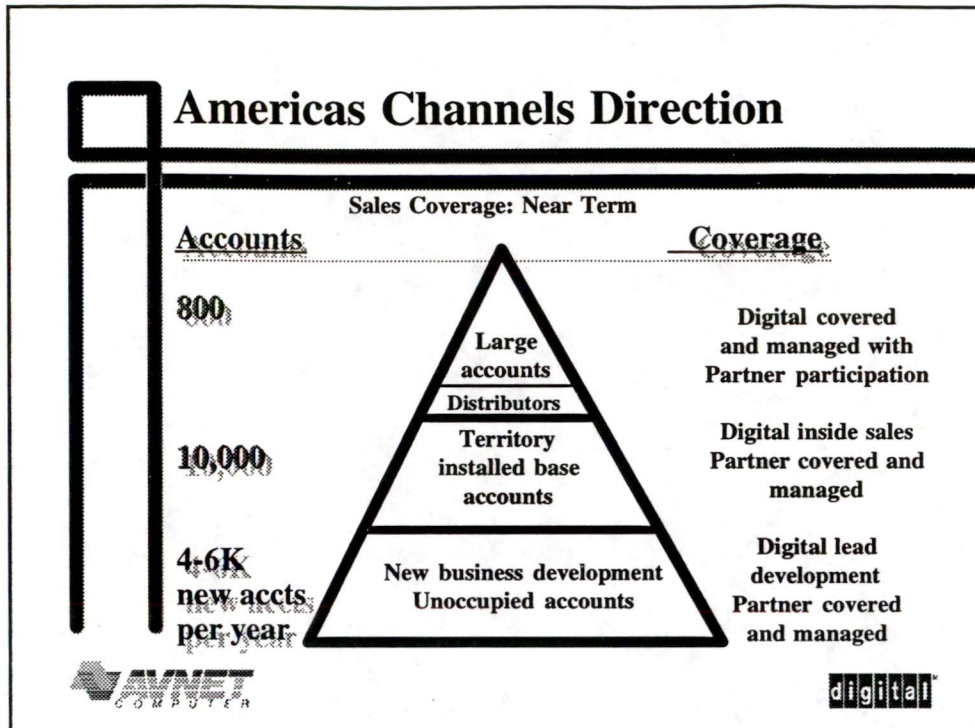
Digital inside sales Partner covered and managed

4-6K new accts per year

New business development
Unoccupied accounts

Digital lead development Partner covered and managed





- Does AVNET have the resources to handle the upside opportunity.

- Inside sales - AVNET has extensive experience with telesales model

Support vs Hub

- o Only distributor to "HUB" (consolidate support functions)
- o Recommended to Scott - single location if possible
 - cover the clock (East coast/
West coast)
 - Central part of country for location
 - Contain the knowledge in tools vs. people.

Americas Channels Direction

Sales Coverage: Future State

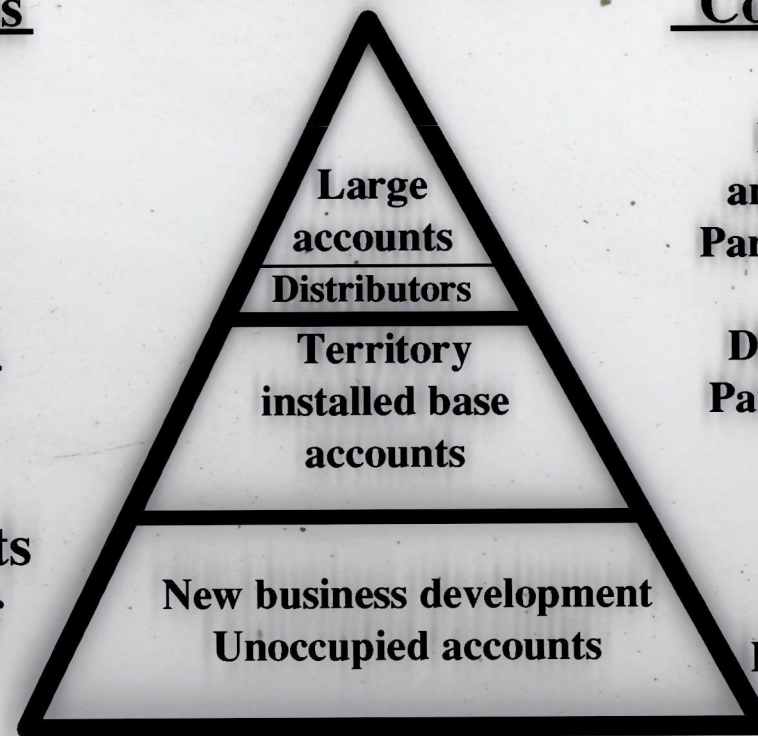
Accounts

Coverage

< 800

10,000 +

4-6K
new accts
per year

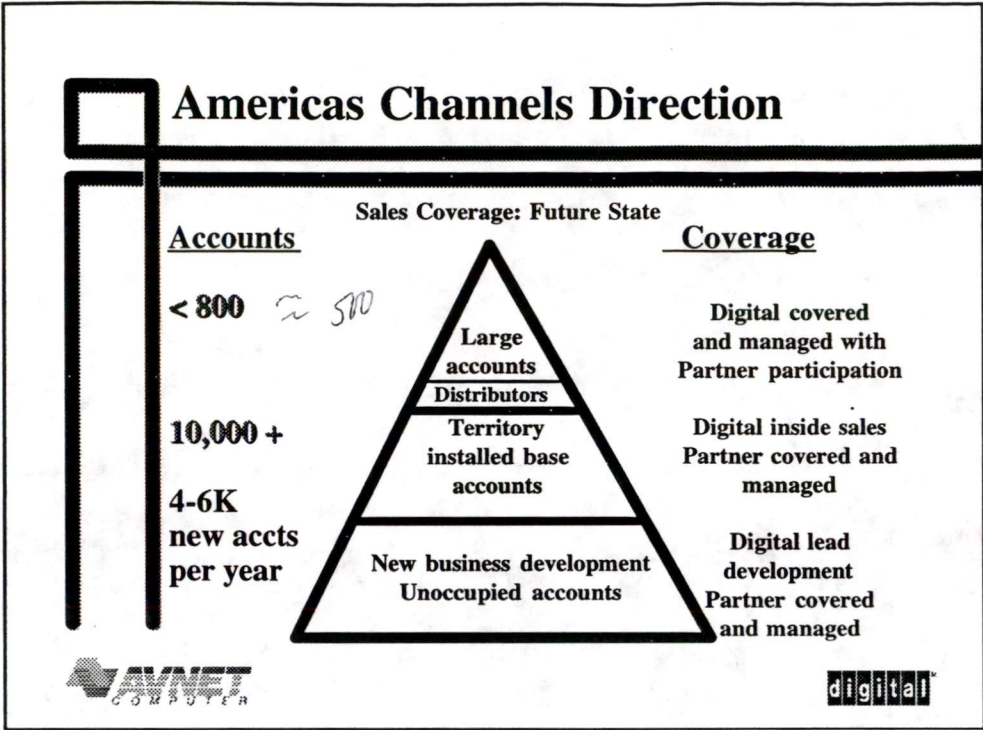


Digital covered
and managed with
Partner participation

Digital inside sales
Partner covered and
managed

Digital lead
development
Partner covered
and managed





- Create inside sales
- custom accts
- partners ready?
 - plans over next 3-4 mos
- Plans to Digital Mgrs in July.
 - Much clearer then.
- No competition @ partners

Clear Accountability: Business Unit Structure

- **Systems**
- **Personal Computers**
- **Components & Peripherals**
- **Storage Products**
- **Multivendor Customer Service**
- **Digital Consulting Service**

- **Managed/hosted by our geographical management**

Clear Accountability: Business Unit Structure

- Systems
- Personal Computers
- Components & Peripherals
- Storage Products
- Multivendor Customer Service
- Digital Consulting Service
- Managed/hosted by our geographical management



- ~~Multiple interfaces to Digital for sales out~~
- ~~Single interface responsible for total NOR.~~

Today's Model.

change needed for indirect model

Direct vs indirect

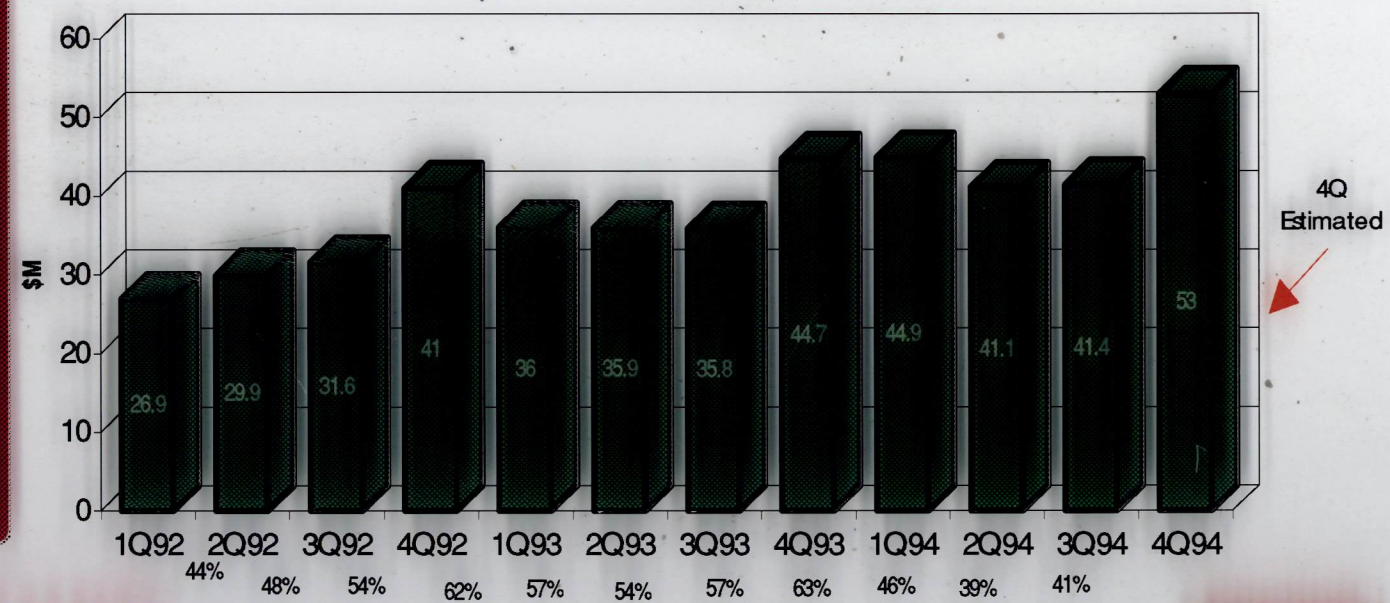
MCS

commodities, systems

attach to you

Avnet Computer

Avnet Computer
Sales Out @ Resale
DVX/DEC - % of Total Computer Sales



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Digital Equipment Corporation

Thank you for your business.

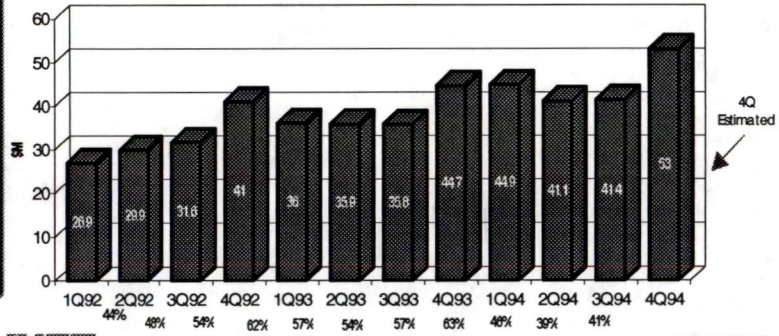
*Thank you for being such a
great partner.*


COMPUTER

digital[™]

Avnet Computer

Avnet Computer
Sales Out @ Resale
DVX/DEC - % of Total Computer Sales



Digital Equipment Corporation

Thank you for your business.

*Thank you for being such a
great partner.*



~ Executive partner discussions possible.

— important to keep doing this

I N T E R O F F I C E M E M O R A N D U M

Date: 13-Jun-1994 10:25am EDT
From: STEVE WOODWARD
WOODWARD.STEVE AT A1 AT USCTR1
Dept: US DISTRIBUTOR SALES
Tel No: DTN 297-9321

TO: Shane Patterson @MKO

CC: Sharon Frederick @MRO
CC: KENT STVRAIN

(STVRAIN.KENT AT A1 AT USCTR1 AT MRO

Subject: Avnet Corporate Staff Meeting, 6/16/94

Shane,

Per our discussion, here the latest information on the upcoming Avnet BOD meeting.

Time: 6/16/94 from 12:00 til 2:00pm

Location: Avnet, Inc. corporate headquarters
80 Cutter Mill Road
Great Neck, NY 11021
(516) 466-7000

Participants:

Avnet

Leon Machiz, CEO, Avnet, Inc.
Roy Vallee, Avnet COO [lunch and meeting]
Rich Ward, President, Avnet Computer Marketing Group [lunch and meeting]
David Birk, Sr. V.P. and General Counsel
John Carfora, V.P., Tax Department
Anthony DeLuca, Sr. V.P., CIO
Irwin Lubalin, Sr. V.P.
Raymond Sadowski, Sr. V.P., CFO
Stephanie Wagoner, Treasurer
George Smith, Executive V.P., Avnet Computer Sales
Terry McMullen, Executive V.P., Hall-Mark Computer Sales
Andy Bryant, V.P., Volume E/U and Component Sales/Marketing
Jeff Beall, V.P., Systems Marketing
John Spensieri, V.P., Business Development

Digital

Russ Gullotti, President Americas Area
Kent St. Vrain, Manager, U.S. Distributor Sales
Steve Woodward, Global Account Manager, Avnet

Preliminary Itinerary:

Depart Hanscom at 10:30

Arrive at Republic Airport by 11:30am.

Transportation (Gold Crest Limo) to Great Neck; travel time approx. 15 minutes.

12:00 Lunch with Roy Vallee, Leon Machiz and Rich Ward

1:00 Digital presentation to Avnet BOD.

2:00 Depart for airport (Gold Crest Limo).

Lunch: Possible Topics

- o Digital's Business Climate
- o Allowance and Expense Practices
- o Telesales Directions from Digital - Avnet would like to share their experience with Russ.

Presentation Topics

- o Digital's Financial Situation
- o Digital's Organizational Structure for FY95
- o North American Rollout of the Implementation
- o Role of Indirect Channels in the Overall Strategy

Sales Objectives

- o Assure the Avnet BOD that Digital is a good investment in FY95 and beyond
- o Ask for an Avnet organization commitment (financial and philosophical) to grow the Digital relationship and business.
- o The business climate and press has been at an all time negative high with regard to Digital. Our future, however, looks very optimistic with the:
 - PC business being a Fortune 500 company with a tremendous growth;
 - Sable product introductions bringing state-of-the-art computing to a price sensitive customer who has not been a Digital customer in the past;
 - Progress and pent up demand for the Windows NT solutions and tools.

We need to be able to convey to Avnet that we recognize the positives and have a workable plan to maximize our collective opportunities.

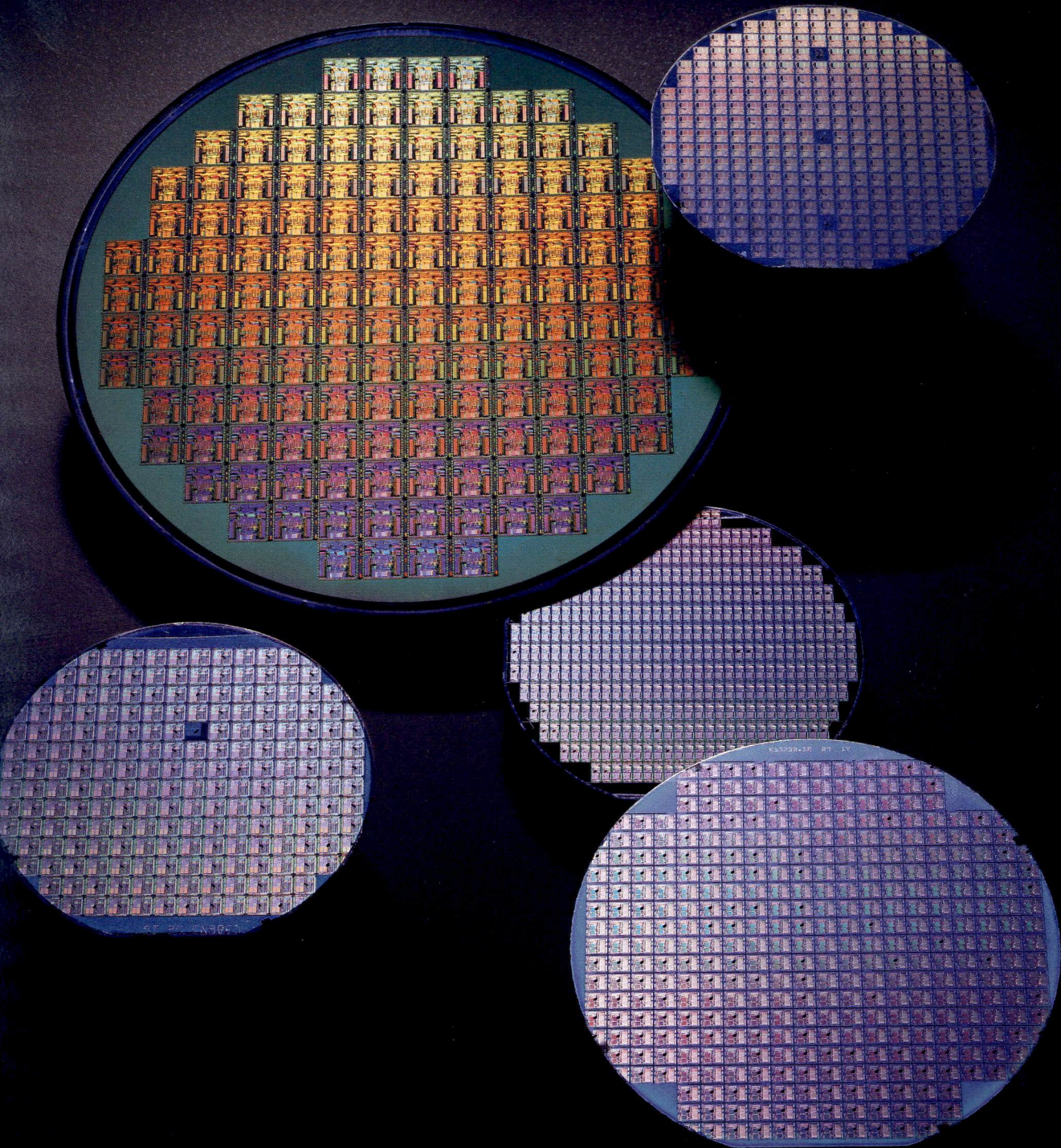
Regards,
Steve



digital

Steve Woodward
Avnet Account Group Manager
U.S. Distribution Sales

Digital Equipment Corporation
3 Results Way, MRO3-2/M18
Marlboro, MA 01752-3011
508.467.9321
FAX 508.467.1125



About Avnet

Avnet, Inc., which operates throughout North America and Europe, is the world's largest distributor of electronic components and computer products for industrial and military customers. They are shipped either as received from its suppliers or with assembly or other value added. It also produces or distributes other electronic, electrical and video communications products. Avnet's shares are traded on the New York Stock Exchange and on other principal exchanges, under the symbol "AVT."

In June 1991 Standard & Poor's selected Avnet for inclusion in their MidCap Index. The 400 stocks in the new index were chosen for their size and industry group leadership.

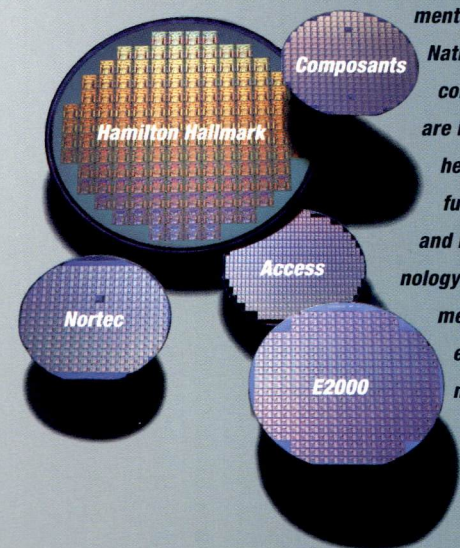
More detailed information about Avnet's operations and products appears throughout this Report.

About the Cover

Shown on the cover are five silicon wafers which contain semiconductor microchips and range in size from two to eight inches in diameter. In anticipation of soaring worldwide demand for the next generation of microchips, Intel, AMD, Motorola and Texas Instruments are building \$1 billion fabrication plants. The next generation of microchips will contain multiple layers of circuit elements as small as one-quarter of a micron, or 400 times smaller than a human hair.

Avnet is also preparing to meet the burgeoning global demand for microchips. Already the world's largest semiconductor distributor, we recently acquired Hall-Mark, a major North American distributor, and four European distributors, each of whose primary businesses is semiconductor distribution. Like Avnet, they are now franchised by the top five U.S. semiconductor suppliers, Intel, Motorola, Texas Instru-

ments, AMD and National Semiconductor, who are investing so heavily in the future growth and higher technology requirements of the electronics market.



Shareholders' Information

Annual Meeting

The Annual Meeting of Shareholders will be held at The Garden City Hotel, 45 Seventh Street, Garden City, N.Y., on November 17, 1993 at 10:30 A.M. Eastern Standard Time. A formal notice of the meeting together with a proxy statement and form of proxy, will be mailed to each shareholder.

Shareholder Inquiries

All shareholder inquiries should be directed to Irwin Lubalin, Sr. Vice President, Avnet, Inc., 80 Cutter Mill Road, Great Neck, N.Y. 11021, Telephone 516-466-7000.

Form 10-K

A copy of the Company's annual report on Form 10-K filed in September 1993 with the Securities and Exchange Commission may be obtained by writing to Raymond Sadowski, Avnet's Sr. Vice President and CFO, at the above address.

Transfer Agent

The Bank of New York
New York, New York
Telephone 800-524-4458

Auditors

Arthur Andersen & Co.
New York, New York

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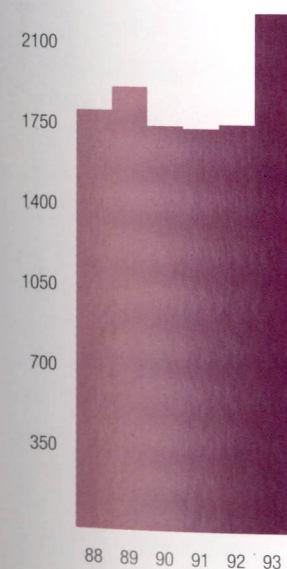
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Financial Review 1988-1993

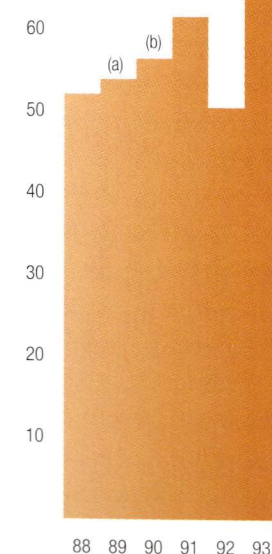
(\$ Millions except per share data)

	1993	1992	1991	1990	1989	1988
Income:						
Sales	\$ 2,238.0	\$ 1,759.0	\$ 1,740.8	\$ 1,751.3	\$ 1,918.7	\$ 1,817.2
Gross profit	486.8	408.3	422.5	438.9	448.1	437.8
Income taxes	45.1	32.9	38.4	42.2	33.3	34.1
Earnings	69.1	50.5	61.6	56.5(b)	54.0(a)	52.2
Financial Position:						
Working capital	\$ 803.1	\$ 848.9	\$ 858.9	\$ 843.8	\$ 803.1	\$ 765.4
Total assets	1,247.3	1,242.7	1,181.5	1,157.5	1,126.0	1,152.6
Long-term debt	106.6	175.3	201.1	201.9	211.1	221.3
Shareholders' equity	868.2	837.2	801.4	769.7	735.4	696.0
Per Share:						
Earnings	\$ 1.91	\$ 1.42	\$ 1.72	\$ 1.57(b)	\$ 1.51(a)	\$ 1.46
Dividend on common	.60	.60	.60	.60	.50	.50
Book value	24.35	23.56	22.60	21.46	20.60	19.52
Ratios:						
Profit margin on sales	3.1%	2.9%	3.5%	3.2%(b)	2.8%(a)	2.9%
Return on equity	8.1%	6.2%	7.9%	7.5%(b)	7.6%(a)	7.7%
Return on capital	7.6%	5.8%	7.1%	6.8%(b)	6.8%(a)	6.9%
Quick	2.1:1	2.7:1	3.3:1	3.2:1	2.8:1	1.9:1
Working capital	3.9:1	4.7:1	5.8:1	5.5:1	5.5:1	4.3:1
Long-term debt to capital	10.9%	17.3%	20.1%	20.8%	22.3%	24.1%
Number of Employees:	6,500	6,650	7,250	7,500	8,500	10,000

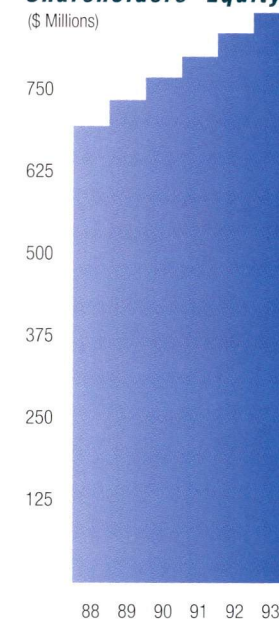
Sales (\$ Millions)



Earnings (\$ Millions)



Shareholders' Equity (\$ Millions)



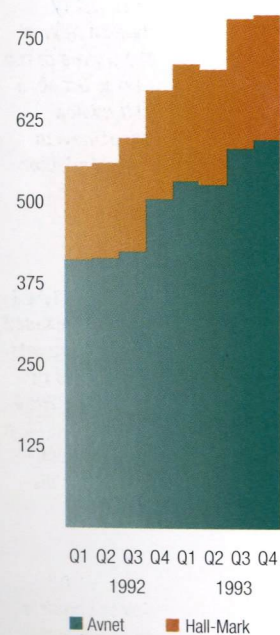
(a) After \$1.3 and \$.04 per share net gain on the disposition of four operations.
(b) After \$9.8 and \$.27 per share net loss on the disposition of one and restructuring of two operations.

Management's Report To Our Shareholders

The acquisitions of Nortec, the largest Scandinavian electronics distributor, of Electronic 2000 AG, the third largest German electronics distributor, and of Hall-Mark Electronics, the third largest North American electronics distributor—without the loss of a single major supplier—should enable us to add another \$1 billion of profitable business to our fiscal 1994 consolidated results.

Avnet/Hall-Mark Sales

(\$ Millions)



Avnet's fiscal 1993 sales of \$2.238 billion if combined with Hall-Mark's sales of \$744 million for the same period totaled just under \$3 billion.

Fiscal 1993 was the most exciting and most productive year in Avnet's history. Our acquisition of Hall-Mark Electronics—which was completed at the start of our 1994 fiscal year—combines the strengths of the first and third largest electronics distribution companies in North America. Hall-Mark posted sales of \$744 million in Avnet's fiscal 1993 period. We also made two key acquisitions in Northern Europe and signed a letter of intent to purchase a third in Italy and expect to complete that acquisition in the near future. All told, these acquisitions should enable us to add about \$1 billion of profitable business to our fiscal 1994 consolidated results.

Avnet's fiscal 1993 sales—which do not include Hall-Mark's—totalled \$2.238 billion, a gain of \$479 million—or 27%—over the prior year figure. Earnings also rose sharply, climbing to \$69.1 million, a gain of \$18.6 million—or 37%—over fiscal 1992. To put those numbers in perspective, Avnet's revenue growth rate for the year was about twice that of the distribution industry.

This is the third consecutive year that a portion of our annual report has been devoted to acquisitions. And acquisitions will continue to play an important part in our growth strategy. In 1991, we acquired The Access Group (now known as Avnet Access), a leading UK semiconductor distributor with an excellent management team. It formed the basis of an acquisitions program which greatly

enhanced our European presence. In the following two years we acquired three additional leading semiconductor distributors: Avnet Composites in France; Avnet Nortec with branches in Sweden, Norway, Denmark, Finland and Estonia; and Avnet E2000, which does business in Germany, Austria and Switzerland.

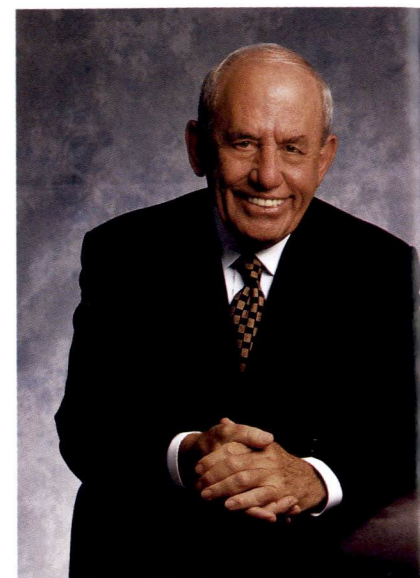
Strong management, substantial financial resources, and the ability to garner new franchises enabled our overseas acquisitions to substantially increase their sales and their profits, despite a stagnant European economy. When the recession ends, we can expect an even greater performance from these operations.

We have yet to incorporate into our European operations many of the logistical advantages that Avnet enjoys domestically. Moreover, we have only just begun to introduce our value-added services to Europe. Once accomplished, still further growth and profitability should result.

As has been widely reported, our acquisition of Dallas-based Hall-Mark represents a quantum leap forward for Avnet. The tremendous synergy, added value, additional franchises and economies of scale that each company brings to the other will initiate a period of growth unlike any other in Avnet's history.

Moreover, Hall-Mark's geographic strengths complement ours: they are strongest in the Southeast and South Central regions of the U.S., while we are strongest in the large urban areas of the East and West. As a result of this acquisition, we have added 25,000 customers

and 450 technical sales and sales support personnel to our already industry-leading totals. Equally impor-



Leon Machiz, Chairman and Chief Executive Officer

tant, we were able to combine Hamilton/Avnet and Hall-Mark's line cards without the loss of a major supplier—an unprecedented coup when two such large distributors join forces.

We are particularly pleased with our acquisition of Hall-Mark's highly profitable Allied Electronics catalog business, which focuses on sales of semiconductors and passive and electromechanical devices. By expanding its product offering and substantially increasing its circulation, we expect Allied to contribute significantly to Avnet's future growth.

The merger of our two companies is proceeding smoothly and efficiently, as indicated by Hall-Mark's seamless conversion to Avnet's computer

system. This reflects the similarity of our technological competence as well as our corporate cultures. We share the same commitment to quality and high levels of customer service. Like Avnet, Hall-Mark is ISO 9002 certified and an applicant for the Malcolm Baldrige Award, making us the only two companies in our industry whose quality efforts are so far advanced.



Roy Vallee, Vice Chairman, President and Chief Operating Officer

To fully appreciate the strategic value of the Hall-Mark acquisition, it is important to understand the trends that are reshaping the distribution industry. Today, manufacturers expect their distributors to provide higher levels of technical sales support along with a comprehensive array of value-added services. But the advanced technology and specialized skills such services require are beyond the reach of all but the best capitalized companies. Similarly, the growing demand for quality

certification requires a significant commitment of financial resources. In recent years, the major suppliers have steadily reduced their roster of distributors, retaining only those with the financial strength to make that commitment. Because of this—and the consolidation among suppliers and distributors—the 10 largest distributors increased their share of the total available market from 58% to 71% between 1980 and 1992.

Given these trends, the Hall-Mark acquisition presented Avnet with a unique opportunity to solidify and strengthen our position of leadership in the distribution industry. In one stroke, we substantially increased our customer base and our market share, while improving our coverage of important growth markets in the U.S. and Mexico. At a time when even the slightest gain in market share can yield enormous rewards, ours has risen to nearly 25%—more than the combined market share of our two closest competitors. We also improved the caliber of our already industry-leading line card. As a result of this ac-

quisition, Avnet is the only U.S. distributor to carry all of the top five American semiconductor lines.

At the same time, our European acquisitions have made us a much stronger competitor abroad. We now have a major presence in four of the top five European markets and expect to enter the fifth market shortly. Throughout Europe, as in the U.S., the quality of our line card and the strength of our franchises are second to none. And the value-added services we can provide will give us a clear competitive edge over our European rivals.

Avnet today is the world's leading electronics distributor. By fully capitalizing on the superb talent in our domestic and European operations, we will become increasingly valuable to our suppliers and our customers. Our prospects for dynamic growth and profitability have never been more promising.

For their contributions to our success, we are grateful to our suppliers, our customers and especially our employees for their unstinting dedication during this difficult but exciting period.

Respectfully submitted,

Leon Machiz
Chairman and
Chief Executive Officer

Roy Vallee
Vice Chairman, President and
Chief Operating Officer

Acquisition Time Line

Access

June 1991
Avnet acquired the shares of The Access Group, a \$34 million UK semiconductor distributor.

Composants

April 1992
Avnet acquired the shares of FHTec Composants, a \$75 million French semiconductor distributor.

Nortec

July 1992
Avnet acquired the shares of the Nortec Group, a \$68 million Scandinavian semiconductor distributor.

E2000

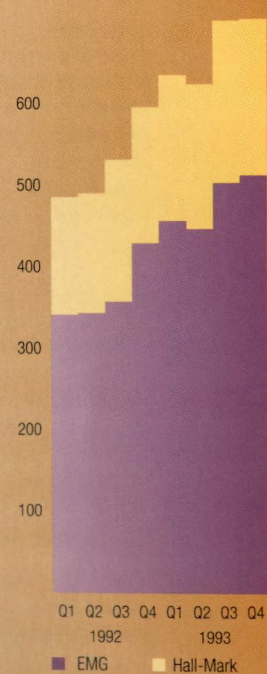
January 1993
Avnet purchased the components businesses of Electronic 2000 AG, a \$75 million German semiconductor distributor.

Hall-Mark

July 1993
Avnet acquired, for cash and stock, Hall-Mark Electronics, the number 3 U.S. electronic components distributor with sales of \$744 million.

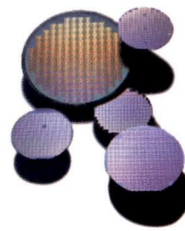
As the distribution industry has become more concentrated, the Electronic Marketing Group has become an increasingly stronger competitor both in the U.S. and abroad. Avnet's financial strength, EMG's ISO 9002 certification and its ability to offer the top product lines have contributed greatly to this growth. Exceptional order turnaround time and value-added services have further distinguished Avnet's EMG from its competitors.

EMG and Hall-Mark Sales (\$ Millions)



Avnet's Electronic Marketing Group sales for fiscal 1993 were \$1.92 billion. Hall-Mark's sales for the comparable period were \$744 million. Their combined fourth quarter sales were in excess of \$700 million.

Electronic Marketing Group



Avnet's Electronic Marketing Group (EMG), which accounted for

97% of the Company's consolidated earnings in fiscal 1993, is the world's largest distributor of electronic components. The acquisition of Hall-Mark Electronics and two leading Northern European distributors has made it an even more powerful global competitor. To reflect the added strength that Hall-Mark brings to Avnet, we recently changed the name of EMG's largest member from Hamilton/Avnet to Hamilton Hallmark. That same acquisition also brought a new member to the EMG: Allied Electronics, Hall-Mark's catalog distribution subsidiary. Additionally, Hall-Mark Computer was added to EMG's Avnet Computer Group, providing each with important franchises, economies of scale and greater customer focus.

In fiscal 1993, Avnet's EMG posted record sales of \$1.917 billion, a gain of 30% over last year. Group after-tax earnings rose by 41% over last year to \$67 million.

Hamilton/Avnet and Avnet Europe were the main contributors to the Electronic Marketing Group's improved results, while Avnet Computer and Time, in the aggregate, posted only slightly higher sales and earnings than in the prior year.

Industry Consolidation

The electronics distribution industry has become more concentrated in recent years, largely as a result of mergers and acquisitions. This trend has been further fueled by the decision of the largest suppliers to be much more selective in awarding franchises. Increasingly, the top suppliers are choosing to work only with financially strong national or international distributors who can supply a full range of products, as well as value-added and support services. This limits the number of distributors qualified to handle the top semiconductor lines. For example, over the last decade Motorola has reduced its roster of North American distributors from 36 to only four. The other top suppliers have made similar reductions. At the same time, customers are also becoming more selective in choosing their suppliers. They prefer to purchase components from distributors who are ISO 9002 quality certified, who carry the major lines and who offer the broadest inventories, the fastest order turnaround and the most comprehensive value-added services.

Other Major Trends

Electronic components are now being used in a wider array of products than ever before, including automobiles, appliances and other consumer goods. That trend and the rising use of computers, as well as the advent of mixed media, are expected to drive industry growth in the future.

Continued price competition for personal computers at the retail level has resulted in soaring unit sales, creating tremendous demand for components. The personal computer market is expected to remain strong in the near term, which is good news for the semiconductor industry, especially for suppliers of the new, more powerful microprocessors and their distributors. Fortunately, Avnet is well-positioned to exploit this trend since we distribute microprocessors for Intel, AMD, Texas Instruments and Motorola.

While product mix changes have impacted gross margins, unlike distributors in other industries, electronics distributors have been shielded by manufacturer price and obsolescence protection from excessive gross margin pressures caused by inventory write-downs.

Customers have accelerated the trend toward outsourcing in order to concentrate on product design and marketing. In turn, Avnet has increased its commitment to value-added services. This includes turnkey project management, material procurement and inventory management, and POURSSM, our proprietary point-of-use replenishment system, in addition to kitting.

The downside in demand for military type electronic components appears to have bottomed out. Little further volume declines are expected, although near term growth remains unlikely. Accordingly, Avnet has shifted much of its em-

phasis from military connectors to the growing commercial connector business, thereby stabilizing and beginning to increase its overall connector sales.

programs. At the same time, we eliminated huge inter-facility transshipping costs and the resultant delays in order turnaround times. Centralization and computerization

and Avnet Europe. Details about their operations are provided in the following 10 pages.

Our acquisitions have necessitated major management and strategic changes within the Group's sales and marketing units, as well as the rationalization of redundant facilities and personnel. They have also led us to incorporate a number of "best practices" which were recommended by 19 EMG transition teams and accepted by management. The adoption of these "best practices" will significantly improve our warehousing and value-added services, as well as our financial operations, materials management, and even our information systems and programs. Each of these functions in the U.S. is unified and provides support to every Group member. While many of these changes will be accomplished during our first fiscal quarter, long-range projects—such as the closing of facilities—will require most of the fiscal year to complete. These efforts will ultimately make us leaner, more streamlined, more efficient and more competitive than we are now. They will help us prepare for consolidating our European operations as we centralize inventories and value-added operations and unify disparate computer systems.



From Left Standing—Joseph Semmer, President Hamilton Hallmark; Richard Ward, Executive Vice President Sales and Marketing Avnet Computer Group; Burton Katz, Executive Vice President Time Electronics; Seated—James Smith, Executive Vice President Sales and Marketing Hamilton Hallmark

In order to obtain economies of scale and eliminate redundant facilities, Avnet in recent years has reduced its U.S. inventory centers from over 100 to four megawarehouses. This also allowed us to cost justify the advanced logistics and information technologies we employ, as well as the investments associated with our total quality

have enabled Avnet to reduce its headcount since 1988 by some 40%—before its recent acquisitions—while vastly increasing efficiency and productivity.

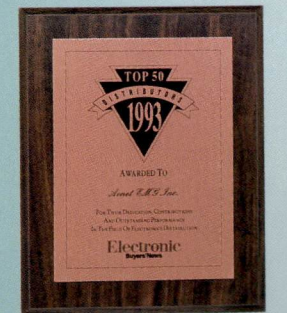
As a result of Avnet's surge in acquisitions over the last year, every member of EMG has experienced significant changes in its management and direction. The group now consists of Hamilton Hallmark, Avnet Computer Group, Time Electronics, Allied Electronics



Globe Award—Avnet received Intel's Globe Award for outstanding performance with \$200 million in Intel sales for calendar 1992.



ISO 9002—In fiscal 1992, Avnet obtained the International Standards Organization's certification in all four EMG warehouses without a single corrective action.



EBN Outstanding Performance Award—Avnet's EMG received Electronic Buyers' News 1993 Award for "Outstanding Performance in the Field of Electronics Distribution."

Hamilton/Avnet, which posted record sales and earnings in fiscal 1993, has been combined with the comparable operations of Hall-Mark to form Hamilton Hallmark. Their merger will result in considerable cost savings in such areas as warehousing and administration and through the consolidation of inventories and value-added services. It will also give Hamilton Hallmark the strongest distribution presence in every region of the United States.

Market Share of Leading Distributors

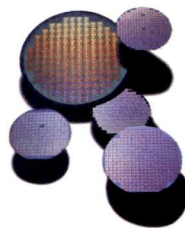
Company	1992 Market Share Estimate
Avnet/Hall-Mark	23.4%
Arrow	15.9
Pioneer	6.7
Marshall	6.0
Anthem	5.3
Future	4.7
Wyle	4.3
Bell	2.6
TTI	1.7

70.6%

Source: Electronic News Distribution Trends 1993

Avnet/Hall-Mark combined would have had a 23.4% share of the U.S. distribution market in calendar year 1992. The top ten distributors that year had a market share of 70.6% of the total distribution industry.

Electronic Marketing Group — Hamilton Hallmark



At the beginning of fiscal 1994, Hamilton/Avnet, the largest member of Avnet's EMG, was combined with the comparable operations of Hall-Mark to form Hamilton Hallmark. Their merger brings together the two most admired North American distribution organizations, who share the same commitment to Total Quality Management and who are noted for their high levels of technical sales support.

For fiscal 1993, Hamilton/Avnet's sales totaled \$1.059 billion, accounting for 55% of EMG sales. This represents a gain of 23% over the prior year, or roughly twice the estimated growth of the distribution industry as a whole. Its earnings for the year grew by 31% over the fiscal 1992 figure.

Hall-Mark's sales for its comparable operations—excluding Hall-Mark Computer and Allied sales—were about half those of Hamilton/Avnet for the same 12 month period. Because Hall-Mark's various product sectors were comingled, no comparable earnings figures are available.

Combining Complementary Strengths

The merger of these two organizations is notable not only because of its size and scope, but also be-

cause of the geographic and line card synergy that it will afford, as well as the resulting economies of scale. The combination of Hamilton/Avnet with Hall-Mark will result in substantial cost reductions in warehousing, operating facilities



Joseph Semmer, President Hamilton Hallmark and James Smith, Executive Vice President Sales and Marketing Hamilton Hallmark

and computer systems. Further economies will be gained by combining administrative functions and consolidating inventories and value-added operations. Moreover, because of their complementary geographic coverage, Hamilton Hallmark will now have the strongest distribution presence in every region of the United States.

Equally important, in an era when semiconductor sales are soaring—semiconductors having accounted for 57% of total EMG sales in fiscal 1993—Hamilton Hallmark is now the only distributor

in the United States to be franchised by all of the top five U.S. semiconductor manufacturers. Motorola has agreed to extend its existing agreements with both Hamilton/Avnet and Hall-Mark to the new Hamilton Hallmark organi-

zation. Advanced Micro Devices, Intel and National Semiconductor, which had existing franchise agreements with Hamilton/Avnet, but not with Hall-Mark, have also agreed to extend their distribution contracts to the combined company. And Texas Instruments has likewise agreed to extend its agreement with Hall-Mark to all Hamilton Hallmark locations in North America.

The extension of these franchises represents a long-term commitment on the part of Avnet and the leading semiconductor manufacturers that will be mutually rewarding. It reaffirms the objectives of the major suppliers to reduce their distribution networks to those distributors with stable finances, limited product focus, broad market coverage and superior quality, services and support. In addition to its U.S. distribution contracts, Avnet's EMG also has existing franchise agreements with these top five semiconductor manufacturers throughout its European operations.

Of course, what makes Hall-Mark such a valuable acquisition for Avnet is not simply its franchises, its inventory or its customer base. Above all, Hall-Mark brings the strength of a talented management team that made it the third largest U.S. electronic components distributor and earned it a well deserved reputation for excellence.

Reflecting Avnet's recognition of that talent, Hall-Mark executives will hold a number of positions in the Hamilton Hallmark organization and throughout the EMG. Joseph Semmer, Hall-Mark's former President and CEO, will serve as President of Hamilton Hallmark. James Smith, former Executive Vice President of Hamilton/Avnet, now holds that position at Hamilton Hallmark.

A Shared Commitment To Quality

An important element in bringing our two companies together involves the sharing of "best practices", the detailed business processes that enable us to best meet our customers' needs. For distributors, this includes such functions as order fulfillment, purchasing and asset management. In order to simplify such activities and eliminate redundant or unnecessary procedures, teams from Hamilton/Avnet and Hall-Mark worked closely together after the merger to develop performance measures to gauge improvement in our business processes by "benchmarking" the best practices of internal organizations. They also compared them against distribution industry trade statistics, and even against leading operations outside the distribution industry.

Both Hamilton/Avnet and Hall-Mark had already implemented programs as part of their ISO 9002 and Malcolm Baldrige applications. Hamilton/Avnet's 1993 first place award in the Customer Preference Survey of Electronic Buyers' News attests to the effectiveness of these programs. Additionally, both Hamilton/Avnet and Hall-Mark have ongoing, well established Total Quality Management (TQM) programs that extend to every level of their organizations. Such programs are increasingly vital to electronic component distributors not only as a means of increasing productivity and service levels, but

also as a way of establishing continuity with the TQM programs of their suppliers and their customers.

Outlook

As the unquestioned leader in its industry, Hamilton Hallmark can look forward to a period of accelerated and unprecedented growth. It boasts the industry's most powerful franchises, strongest line card and the most comprehensive coverage of the U.S. market. Its considerable economies of scale will significantly lower its costs, while its advanced computer system and state-of-the-art logistics and material handling technology will ensure continuing improvements in service. And its longstanding commitment to quality has earned it the recognition of ISO 9002 certification. Most important, in an industry in which change is the only constant, Hamilton Hallmark can rely on a seasoned, aggressive management team to keep it ahead of the curve and lead it to new levels of performance and profitability.



EBN Excellence In Distribution Award—Hamilton/Avnet won Electronic Buyers' News 1993 Most Preferred Distributor Award overall in the distribution industry.



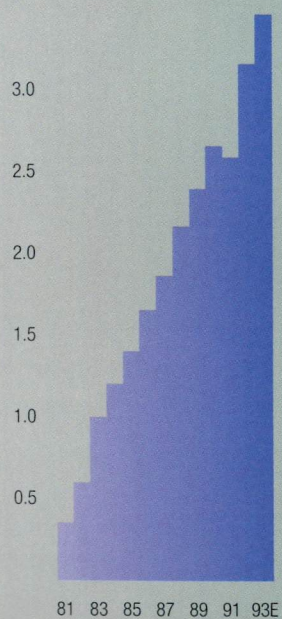
EBN Most Preferred Distributor/Semiconductors—Awarded to Hamilton/Avnet in the category of semiconductors for 1993.



3M Distributor of the Year—Hall-Mark Electronics was named 3M's Distributor of the Year for 1992, an indication of Hall-Mark's strength and reputation in its marketplace.

As a result of the Hall-Mark acquisition, Avnet Computer and Hall-Mark Computer Products have been combined to form Avnet Computer Group. Each will function as a separate unit to prevent market channel overlap. Both will benefit from new products, new customers and significant economies of scale.

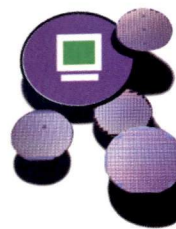
Industrial Distribution Volume Computer Systems, Peripherals & Boards (\$ Billions)



Source: Electronic News Distribution Trends

Fierce price cutting by PC and desktop manufacturers provided the impetus to pull industrial computer products distributors out of their 3 year doldrums with a 22% sales gain in 1992 and a 10% sales gain estimated for 1993.

Electronic Marketing Group — Avnet Computer Group



Avnet Computer, the second largest member of the Electronic Marketing Group, ac-

counted for 16% of Group sales in fiscal 1993, during which it returned to profitability, rebounding from declining sales and negative earnings in the prior year. Sales for the year totaled \$300 million, a gain of 3% over fiscal 1992. This was partly due to a new marketing position and to new products introduced by its largest supplier, Digital Equipment Corporation which made it a more effective competitor in the new world of open systems and strengthened Avnet Computer's end user sales.

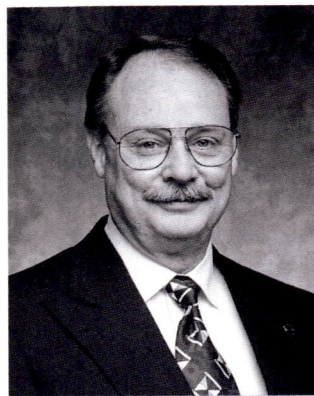
In order to sell computer accessories and peripherals, which carry relatively low margins, to high volume users Avnet Computer adopted a lower cost telesales model, which has already yielded impressive results. In spite of reducing its telesales centers from five to three—in Toronto, Ontario, Peabody, Massachusetts and Tempe, Arizona—it was able to increase daily sales and line item rates. Additionally, the VAX Migration Center and the Technology Maintenance Management ServiceSM, which were launched last year, have broadened Avnet Computer's customer base and substantially improved its sales efficiency.

The New Avnet Computer Group

On July 1, 1993, the first day of Avnet's 1994 fiscal year, as part of the Hall-Mark acquisition, we acquired Hall-Mark Computer Products, which—together with Avnet Computer—posted a combined annual sales volume of about \$432 million for the period corresponding to Avnet's 1993 fiscal year. Each unit will operate as part of the Electronic Marketing Group under the Avnet Computer Group umbrella. However, each will function as a separate business unit in order to prevent market channel overlap.

Avnet Computer will continue to concentrate on sales to end users. Hall-Mark Computer Products will continue to serve the reseller channel under its own logo, which is well established in that market. Maintaining the Hall-Mark identity will also support those resellers who are more comfortable doing business with a distributor who does not sell to end users, as Avnet Computer does. By keeping the two businesses separate, we will assure Hall-Mark's reseller customers of security in their dealings with Hall-Mark Computer Products. However, because many of the support operations and all of the product lines will be universal, both businesses will realize valuable economies of scale.

The merger will generate new opportunities for both Hall-Mark Computer Products and Avnet Computer. Both will benefit from new product lines as well as new customers for existing lines. Among the new product lines



Richard Ward, Executive Vice President Sales and Marketing Avnet Computer Group

gained by Hall-Mark are Digital Equipment, Intel, NCR, Seagate and Okidata. Avnet Computer also gained several new franchises, including Hewlett-Packard (HP), whose products are highly valued in the systems market. Additionally, Hall-Mark Computer Products will gain new marketing capabilities and new services for their Most Valuable Player program, which provides support to their resellers.

As a result of the acquisition, Avnet Computer Group will now operate under three different business models—each with its own operating management and profit and loss responsibilities. Avnet Computer will focus on the systems market. It will also concentrate on volume desktop telesales. It will sell primarily to end users in each of these two markets. Hall-Mark Computer Products will focus on sales of peripherals and

components to the value-added reseller market. Hall-Mark Computer Products should realize significant growth in fiscal 1994, as two-step distribution has gained substantial momentum from strong, ongoing unit demand for PCs and peripherals. Additionally, there is a shift by major vendors toward this distribution channel and—in the case of Hall-Mark Computer Products—the addition of important new product lines. The systems market involves higher gross margins than the reseller market. It also involves higher cost technical sales support to enable it to supply complete systems to end users. New Alpha AXP™-based products from Digital Equipment are in growing demand and should continue to boost Avnet Computer's sales in the coming year. The addition of the Hewlett-Packard line, which boasts a number of hot products, should bolster sales still further. Avnet Computer's volume desktop business, which consists of low cost telesales to high volume end users, also looks promising. An improved marketing approach and an increased focus on telesales should result in growing sales to this market. Hall-Mark Computer Products is equally well positioned for growth. Its new franchises have made it an even more valuable distributor to its value-added reseller customers. Moreover, it appears that disk drive prices may have stabilized. If so, the industry may benefit from the rising unit demand resulting from price elasticity, thereby improving its margins.

Outlook

The prospects for all three businesses of the Avnet Computer Group are extremely bright. Digital Equipment, its largest supplier, is under new management which is more favorably disposed to the use of distribution channels. Its new attitude toward distributors, coupled with an expected sales surge from its new Alpha-based systems, is most encouraging. During the first month of fiscal 1994, all three of Avnet Computer Group's business units showed strong growth in both sales and earnings. Sales of the Avnet Computer Group for the entire year could

exceed \$500 million. Earnings are also expected to increase significantly, due in part to economies of scale that will significantly affect the bottom line. Additionally, it will realize meaningful savings in warehousing and information system costs, and from more effective asset management. To further expand its market position, Avnet Computer Group will continue to make customer satisfaction the top priority, a commitment that Avnet Computer and Hall-Mark Computer Products have in common, as do all of Avnet's Electronic Marketing Group members.

Enterprise Network Computing

Combining the Best of the Three Prior Computing Paradigms

	1960s	1970s	1980s	1990s
Computing Paradigm	Mainframe Computing	Minicomputer Computing	Personal Computing	Enterprise Network Computing
Computer Platform	Mainframe	Minicomputer	Personal Comp/Workstation	Mainframe, Minicomputer, PC/Workstation, LANs
Technology Advance	Batch Processing	Interactive Processing	Desktop Processing	Desktop access to all computer resources
Computing Environment	Single Vendor	Single Vendor	Single Vendor	Multiple Vendors
Application Source	In-house and Third Party*	In-house and Third Party*	Shrink Wrapped	In-house and Third Party**,**
Primary Application	Enterprise	Enterprise	Personal Productivity	Enterprise
Computer Buyers	Corporate MIS	Corporate MIS	Departments/End Users	Corporate MIS and Departments/End Users
New Distribution Channel	Direct Sales	OEMs/VARS	Retail	Systems Integrators

*Third Party= independent software vendor (ISV) or system integrator (SI)
 **with optional integration of shrink-wrapped personal productivity application(s) Source: Robertson, Stephens & Company

Work stations and personal computers are displacing traditional mainframes and minicomputers. They are being adapted to serve as data-storing hubs in client-server (enterprise network) computing, in which people using desktop machines work as teams linked by computer networks and share data that reside on servers. As computer users convert to enterprise network solutions, Avnet Computer Group is excellently positioned, technically and product-wise, to assist its computer customers and resellers in making these conversions.



Digital Equipment Recognition Award—Avnet Computer was presented with this beautiful replica of DEC's original headquarters in recognition of achieving \$1 billion in sales of Digital products.



Hewlett-Packard 20 Year Recognition Award—This award was made to Hall-Mark Electronics in 1992 in recognition of its outstanding performance over 20 years as an authorized Hewlett-Packard distributor.

In response to declining military/aerospace sales, Time is expanding its share of the growing commercial connector market. Its wider range of products and value-added services give Time an important advantage over its local and regional distribution competitors.

Top 10 Connector Distributor Sales Calendar 1992 (\$ Millions)



Source: Electronics Purchasing, Bishops Report, Fleck

Avnet's Electronic Marketing Group ran away with first place in connector distribution in calendar 1992 with three times the sales of its nearest competitor.

Electronic Marketing Group — Time Electronics



Time Electronics, the leading distributor of interconnect products in the world, is increasing its focus on electromechanical devices and passive components, while continuing to sell semiconductors, primarily to industrial and military/aerospace original equipment manufacturers (OEMs). It contributed 13% of EMG sales in fiscal 1993, down from 18% last year.

Faced with declining sales in its major military/aerospace market, due to sharply reduced defense spending since the cessation of the Cold War and weak aerospace and airline industries, Time is meeting the challenge of reordering its business focus. While maintaining its military connector business—whose margins are higher than those in the commercial market—it is dedicated to expanding its share of the growing commercial connector market. Having increased its sales of commercial interconnect products from 45% of its total interconnect sales in calendar year 1991 to 54% in calendar year 1993, Time's new focus is clearly proving effective.

Another key element of Time's strategy is to differentiate itself from the other top tier distributors through its product offerings and its expanded value-added services. The other major distributors are microprocessor oriented and focus largely on the sale of high tech products, primarily in the semiconductor industry. Although Time continues to increase its sales of semiconductors, they will not be its main focus. Time's primary goal will be to serve a broad segment of its customer base with the type of expertise that other major distributors do not possess. That includes providing value-added services not readily available from other distributors which will play a vital role in broadening Time's customer base. At its assembly facility in Peabody, Massachusetts, for example, as many as 30 different components can be automatically assembled into a single connector. By utilizing value-added resources, such as Electronic Data Interchange, advanced bar coding, automated assembly and testing techniques, POURSSM and kitting, Time can also effectively compete against local and regional distributors—whose resources are limited—by providing more comprehensive services as well as a wider range of products.

Since the beginning of calendar 1993, Time has also expanded its product offering of electromechanical devices and passive components. Taking advantage of Avnet's acquisition of Hall-Mark Electronics, it has added such product lines as AVX, Bourns, CTS, EECO, Globe Motors and Fans and Vishay. These new product lines will substantially enhance Time's strategy of expanding its business in electro-mechanical and passive products. Moreover, they will not only contribute to increased sales of these commodities, but will also help establish the image of Time as the major distributor of electromechanical and passive products.

To further broaden its customer support, Time is currently expanding its cable assembly capabilities to support customers in growth industries such as medical instrumentation, telecommunications and industrial controls. As an integral part of this program, Time will provide technical assistance and assembly capabilities to support the sales force and the customer base, thereby increasing Time's value-added services as well as its product offering. Time plans to pursue this strategy in all major North American markets, and eventually in Europe and the Far East.

Time's strategy to be identified as a distributor specialist—whose sales organization is technically proficient to support its customers' needs for interconnect, electro-mechanical and passive components and value-added services—has enabled it to successfully compete against broad line distributors. This strategy will be reinforced by an acquisition program designed to seek out other distributors with a similar product focus whose value to its customers can be enhanced by utilizing Time's assembly, value-added and financial resources.

Because Time has shifted a larger percentage of its business from the military to the commercial marketplace, it has experienced a decline in gross profit margins. To help offset this decline, it embarked on a major program to increase productivity and reduce expenses during the past year. As a result, it has increased its sales, while substantially reducing its personnel. Not only have sales per employee increased, but gross profits per employee have increased as well.

Productivity standards and sales per employee are monitored on a regular basis to ensure expense reduction as a percentage of sales. Since initiating its productivity and cost reduction program, Time is achieving a reduction of its expense-to-sales ratios.



Burton Katz, Executive Vice President Time Electronics

As part of the re-engineering of its business structure, Time has substantially modified its product management and marketing organization. Formerly, each sales location had product managers to support all product lines. Product management and marketing support have been centralized on a regional or area basis so that multiple sales locations are now supported by a single product support group. This new program improves customer service while also providing greater cost containment.

Although Time has changed its business focus, its commitment to Total Quality Management (TQM) and providing the highest levels of customer service remains unchanged. In recognition of that commitment, it won the Electronic Buyers' News Preferred Distributor Award in the connector category for the 11th consecutive year in 1993.

Looking ahead, there is no reason to expect an upsurge in demand for military/aerospace connectors, so Time's gross profit margins will continue to suffer near term. At the same time, its increased focus on the commercial market, its new product lines, its greater emphasis on value-added services and its improved expense-to-sales ratios leave it well-positioned for the future. In the long-term, Time should realize steadily growing sales and profits.

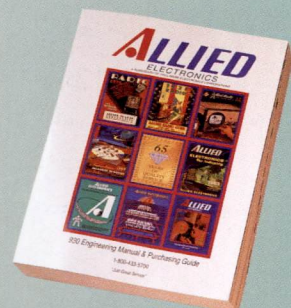


EBN Most Preferred Distributor/Connectors—Awarded to Time Electronics in the category of connectors for 1993.



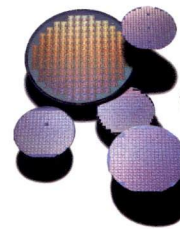
AMP Excalibur Award—AMP Inc., the world's largest connector manufacturer, recognized Time Electronics as its top distributor by conferring its Excalibur Award in May 1992.

Allied Electronics is a well-established catalog distributor of electronic components. Allied is now a member of Avnet's Electronic Marketing Group. With financial backing from Avnet, Allied will be able to increase its catalog content and its circulation, add more computer capacity, more sales offices and significantly broaden its customer base.



This 900 page Allied Electronics catalog has an annual circulation of 350,000 copies and is used in conjunction with a nationwide 800 number that allows customers to reach one of Allied's 73 local sales offices. Allied Electronics is the second largest broadline catalog distributor of electronic components in the U.S.

Electronic Marketing Group — Allied Electronics



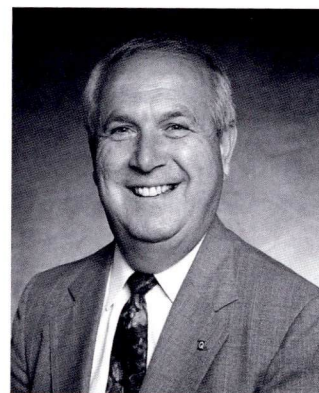
Allied Electronics Inc., formerly a catalog subsidiary of Hall-Mark Electronics, is now a member of Avnet's Electronic Marketing Group. Allied Electronics is a well recognized name in the industry, dating back to its founding as Allied Radio in 1928. It issued its first industrial catalog in 1962. Purchased in 1986 by Hall-Mark Electronics, Allied joined Avnet in July with Hall-Mark. In the new corporate relationship, Allied is part of the Electronic Marketing Group, but will operate as an independent business unit. Allied has the potential to make Avnet a major presence in the growing electronics and MRO (maintenance, repair and operations) catalog market. During the period corresponding to Avnet's 1993 fiscal year, its sales totaled \$60 million, a gain of 22% from the prior year.

Allied is a broad line industrial distributor of active and passive electronic components, test equipment and electronic equipment,

which it sells by means of its catalog and telesales operations. Its customers include MRO organizations, and research and development and engineering departments of both large and small original equipment manufacturers (OEMs). With an average order of around \$215, Allied serves a market segment whose orders are too small to be economically fulfilled by the typical OEM electronic components distributor. Nevertheless, it is a rapidly growing market, partly because more types of equipment include electronic parts, which are required in small quantities for prototypes, preproduction models or short runs. This segment of the electronic distribution market currently represents annual sales of more than \$2 billion and is growing significantly.

Allied operates from 73 sales offices throughout the U.S., enabling it to maintain a local sales and order-taking presence supported by a catalog of nearly 900 pages, which contains the lines of more than 260 manufacturers. The catalog is published every 15 months and is produced in-house with the help of Allied's suppliers, who provide the artwork. With the additional suppliers of Hamilton Hallmark, Time and other Avnet units, next year's catalog may well

run 1,000 pages or more. Allied takes between nine and twelve months to produce its catalog. To keep ahead of customers' needs, Allied produces supplements periodically on newly introduced products and new product lines. Allied also publishes a line card for those customers who prefer to order from line cards rather than catalogs. Allied has a customer base



David Yaniko, President Allied Electronics

of approximately 55,500, and its most recent catalog mailing—in January 1993—totaled 350,000 copies. Allied maintains a nationwide 800 number that allows customers around the country to reach the nearest sales office.

Each sales person can provide instant sales and customer service information using an on-line connection to the computers at Allied's headquarters in Fort Worth. On an average day, Allied handles more than 5,500 calls and ships about 3,500 line items.

In keeping with Avnet's and Hall-Mark's commitment to quality assurance, Allied is actively involved in a special quality improvement program adopted by Hall-Mark in 1990. The program, which is known as TQC²—or Total Quality Commitment for Customers—is designed to ensure continuous quality improvement. It includes in-depth training that uses audiovisual tools to demonstrate telemarketing techniques, instill product knowledge and assist in sales instruction. Allied has already graduated more than 250 of its people from its basic quality education course. That represents about 95% of Allied em-

ployees who have been with the company for more than six months. Through its participation in TQC², Allied has improved its already excellent on-time delivery record and enhanced its productivity. Allied prides itself on the service it provides to customers. Service is a strong contributing factor to Allied's growth. Some of its key services are its strong in-stock position, same day shipment, and after-sales follow-up.

Maximizing Allied's Growth Potential

Avnet plans to make Allied a strong contender for the title of the nation's leading electronic components and MRO catalog distributor. Avnet will provide Allied with the financial strength needed to substantially increase both its customer base and its catalog circulation. Besides increasing its catalog circulation, its strategy includes the opening of additional sales offices, increasing the capacity of its computer system, expanding its inventory and enlarging its service and support staff. To further fuel its growth, major new electronic component lines from Avnet's EMG line card, as well as MRO products from Brownell Electro and Mechanics Choice catalogs will be added.

Although catalog orders are smaller, their gross margins are appreciably higher than those of traditional OEM electronic components distributors such as Hamilton Hallmark and Time Electronics. With higher gross margins, an expanding market, a more comprehensive catalog with a much broader circulation and the synergy that exists between Allied and its fellow members of the Electronic Marketing Group and the Electrical and Industrial Group, we expect Allied to make an increasingly important contribution to Avnet's future profitability and growth.



AMP Prism Award—Awarded to Allied Electronics in 1991 for distinguished marketing achievement. The award reflects Allied's dedication and commitment to specialized distribution.



Ohmite President's Award—Awarded to Allied Electronics in 1992 in recognition of its outstanding performance as a distributor of passive and electromechanical devices.



Alpha Partnership Award—Awarded to Allied Electronics in 1992 in recognition of its commitment to the growth and success of the Alpha/Allied partnership in the wire and cable business.

With the acquisitions of Nortec and E2000 in fiscal 1993, Avnet now has a major presence in four of the top five European markets. The Company expects to enter the fifth market in the first half of fiscal 1994, having signed a letter of intent to purchase Adelsy—an Italian electronic components distributor—in June 1993.

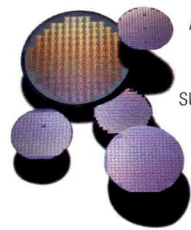
The European Market by Region 1992 (\$ Millions)



- Germany \$1,764
- UK \$1,178
- France \$848
- Italy \$659
- ROE \$590
- Nordic \$480
- Benelux \$400

European Distribution Market by Region—The European market is approximately \$5.9 billion, about 58% of the size of the U.S. distribution market. While Avnet's marketshare at \$300 million is only 5% of the European distribution market, Avnet's EMG Europe is the fastest growing member and should exceed \$400 million in sales in fiscal 1994.

Electronic Marketing Group — Avnet Europe



Avnet's European Group performed superbly in fiscal 1993, achieving a fivefold revenue growth to \$300 million, compared to \$59 million in the prior year. Net income was more than three times higher than last year's figure and a solid return on our \$121 million investment. Group sales for the fourth quarter totaled just under \$100 million which, if annualized, comes to \$400 million for fiscal 1994 before any growth.

In keeping with our European expansion strategy, we achieved significant gains in sales and profitability from our earlier acquisitions, while also benefitting from the steadily improving performance of our more recent acquisitions. We began the year with the acquisition of Nortec (now known as Avnet Nortec), the number one Scandinavian semiconductor distributor with wholly-owned distribution operations in Sweden, Denmark, Norway and Finland as well as 70% of a distribution joint venture in Estonia. In January, we acquired the components business of Electronic 2000 AG (now known as Avnet E2000), the third largest German semiconductor distributor with operations in Germany, Austria and Switzerland. In June, we signed a letter of intent to acquire Adelsy, an Italian electronic components distributor with annual sales of \$20 million. Upon completion of this acquisition, Avnet will have operations in the five most important European regions. The UK, Germany, France, Scandinavia and Italy account for 83% of the European total available market for distribution.

Among the year's most notable accomplishments was our ability to realize profits from our three most recent European acquisitions, which had been unprofitable prior to our acquiring them. A key step in this direction involved paying down their debt, which eliminated burdensome interest payments. Additionally, we gave them the financial backing that



Keith Williams, President Avnet EMG Europe and Michael Mason, Vice President, Finance Director Avnet EMG Europe

enabled them to enhance their inventory. We also helped them add important franchises to their line card and made U.S. inventories available to them.

These initiatives, together with the adoption of sound cost control measures, helped improve the Group's operating income in fiscal 1993. Our start-up company, Avnet Time, was successfully launched in the UK during the first quarter. Avnet

Time is based at Avnet Access and is a connector, electromechanical and passive distribution specialist. Having already turned profitable, it will serve as a model for the launching of similar operations throughout Europe.

In addition to seeking opportune acquisitions in Europe, our overall strategy is to increase market share and profitability by steadily improving

customer service and enhancing our line cards. In both respects, we have a considerable advantage over our European competitors. While there are currently about 1,000 distributors in the European market, most of them operate as pure wholesalers, offering little or no value-added services. Our ability to provide value-added services, 24 hour order turnaround time, just-in-time delivery and customer-oriented inventory keeping, such as our unique Point-Of-Use Replenishment System (POURSSM), will quickly distinguish us from the competition.

Avnet Access—United Kingdom

Avnet Access had an outstanding year, posting a 59% gain in sales, while reducing operating expenses significantly. The second half of the year was also noteworthy for the introduction of value-added (VAD) services to the UK. Seven VAD programs, including POURSSM, have already proved successful with customers and have generated about \$9 million of incremental sales in just six months.

While much of Europe remains mired in recession, the economic forecast for the UK calls for a GNP increase of 1.5% to 2%, which should further boost fiscal 1994 sales for Avnet Access and Avnet Time.

Avnet Composants—France

Acquired in the fourth quarter of fiscal 1992, Avnet EMG France—which consists of Avnet Composants and Avnet Time France—made a dramatic turnaround in its first full year. During that time it was transformed from an unprofitable company with declining sales into a highly motivated, reasonably profitable and growing organization. Its efforts to eliminate redundancies, restructure operations and add the Intel line were largely responsible for this turnaround. Four warehouses were centralized into one and three operating systems into one, while head count was reduced by about 13%. As a result, operating costs were brought to a more acceptable level to create a base for profitable expansion.

Because the French economy shows no signs of emerging from the recession in the near term, we project only a modest market growth in fiscal 1994. But fueled by a lower expense-to-sales ratio, income should increase significantly.

Avnet Nortec—Sweden, Norway, Denmark, Finland

Fiscal 1993 saw Avnet Nortec achieve profitability with a huge gain over their pre-acquisition sales. They consolidated their position as the largest electronics distributor in the Scandinavian region and made major progress toward the establishment of a Pan-Nordic structure. They also made great initial strides toward central asset management for this group of companies, which should be accomplished within the first half of fiscal 1994.

Because the economies in the Scandinavian region are mixed, we anticipate only a slight market growth in Norway and Denmark, while we expect a moderate market growth in Sweden and good growth in Finland. Overall, we anticipate a strong sales gain for Avnet Nortec in fiscal 1994. This region offers the strongest opportunities for growth in Europe, with a number of major franchises becoming available for both semiconductors and interconnect and passive devices, and a completely untapped market for VAD services.

Avnet E2000—Germany, Austria, Switzerland

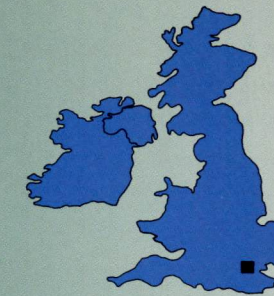
In the six month period since its acquisition in January 1993, the performance of Avnet E2000 has been nothing short of remarkable. After tak-

ing an operating loss in the first half of the year—before being acquired by Avnet—it achieved an operating profit of 2.9% in the second half and increased its annualized sales rate by 80%, despite a stagnant economy. With the highest productivity of any of our overseas operations, the disciplines of Avnet E2000 could serve as a model for our other European companies.

Nevertheless, the German economy is currently weak and getting worse. Against a projected GNP decline of around 2%, we forecast a moderate market growth and a strong sales growth in fiscal 1994, aided by having obtained the Motorola franchise for Germany in July 1993. The introduction of VAD services and Avnet Time should go a long way toward differentiating Avnet from its competition throughout Germany, Austria and Switzerland.

Adelsy—Italy

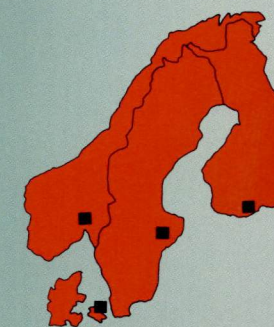
In June 1993, Avnet signed a letter of intent to acquire Adelsy, an Italian electronic components distributor. With annual sales of \$20 million, Adelsy is based in Milan and has sales offices throughout Italy. Once this acquisition is completed, Avnet will have established a presence in all five major European markets. We can then help Adelsy employ the same strategy proven so effective elsewhere in Europe—eliminating redundancies, enhancing line cards with major franchises and introducing VAD services. By taking these initiatives, Adelsy could make significant market share gains.



United Kingdom—Avnet Access. Acquired June 20, 1991.



France—Avnet Composants. Acquired April 3, 1992.



Sweden, Norway, Denmark, Finland—Avnet Nortec. Acquired July 6, 1992.

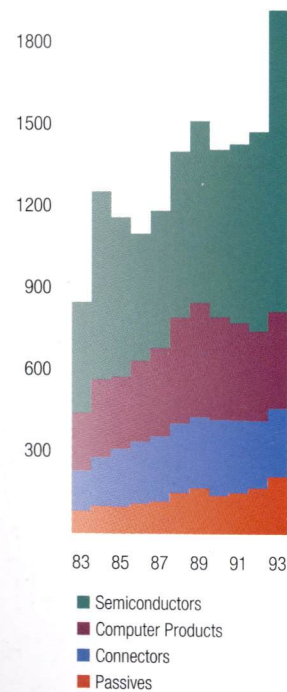


Germany—Avnet E2000. Acquired January 20, 1993.

Principal Suppliers and Products

The Electronic Marketing Group's semiconductor sales soared in fiscal 1993 from \$736 million last year to \$1.1 billion largely due to increased sales of microprocessors, PLDs and memory devices. Its computer and connector products sales rose slightly and its passive and other devices sales rose moderately.

EMG Group Sales by Product Sector F1983-1993 (\$ Millions)



Avnet's EMG was the nation's leading semiconductor distributor in fiscal 1993. If its semiconductor sales were combined with Hall-Mark's for the same period they would have exceeded \$1.5 billion.

Semiconductors The Electronic Marketing Group's semiconductor sales were \$1.1 billion, up 50% over last year. They accounted for 57% of the Electronic Marketing Group's 1993 fiscal year sales compared with \$736 million, or 50% of the Group's last year's sales. The extent of this increase can be put in perspective by comparing it with the semiconductor industry's 1992 sales growth of 15%. Hamilton/Avnet accounted for 73% of the Group's 1993 semiconductor sales. The Group's European operations accounted for 22% and Time for 5%. Adding recently acquired Hall-Mark's semiconductor sales would exceed \$1.5 billion.

According to World Trade Statistics, some 25% of all semiconductors consumed in the twelve months ending June 1993 were used in PCs. This created strong growth for microprocessors, programmable logic devices and dynamic random access memories whose revenues grew by 90%, 53% and 32%, respectively. Hamilton Hallmark will benefit significantly from the rising demand for these products. It now is franchised by the leading microprocessor suppliers, Intel, Motorola, AMD, and Texas Instruments; by the leading PLD suppliers, AMD, Xilinx and Texas Instruments; and by the leading U.S. DRAM suppliers, Texas Instruments and Micron.

In addition, Avnet Composants in France was granted the Intel franchise in the second half of fis-

cal 1993, and Avnet E2000 was granted the Motorola franchise in Germany at the beginning of fiscal 1994.

Computers Computer product sales, which increased 8% in fiscal 1993, accounted for \$355 million or 19% of the Electronic Marketing Group's sales compared with \$329 million or 22% of EMG sales last year.

Avnet Computer accounted for 84% of the Group's computer products sales. Hamilton/Avnet, which distributes computer boards, boxes and peripherals to OEMs, contributed 11%. The Group's European operations contributed the remaining 5% of sales in that category.

Were Hall-Mark Electronics' computer products sales for the comparable fiscal 1993 period to be added, total computer products sales would have been \$487 million.

The sales increase came principally from Digital Equipment's new Alpha AXP™ products, manufactured with its Alpha AXP™ technology which contains a revolutionary 64-bit microprocessor that can process data at record speeds of 400 million instructions per second and is compatible with everything from UNIX to Windows NT™ to Open VMS™ operating systems.

Connectors Connector sales, which were flat in fiscal 1993, accounted for \$250 million or 13% of the Electronic Marketing Group's sales compared with \$249 million last year.

Time accounted for 61% of the Group's connector sales, Hamilton/

Avnet contributed 37% and the Group's European operations contributed the remainder.

Hall-Mark Electronics' connector sales accounted for 4% of its total sales last year. Were these sales added to Avnet's comparable fiscal 1993 period, total connector sales would have been \$276 million.

Sluggish connector sales were due to the decline in demand for military connectors since the end of the Cold War and to the concurrent drop in demand for mil-aero connectors for new airplane manufacture and repair, as 2,000 older airplanes have been taken out of service by troubled airlines. Time and Hamilton/Avnet, the number one and number two ranked connector distributors, were able to supplant this shortfall in their mil-aero connector businesses by increasing their sales of lower margin commercial connectors.

Passives Passives and electromechanical device sales, which increased 31% in fiscal 1993, accounted for \$209 million or 11% of the Electronic Marketing Group's sales compared with \$160 million or 11% of EMG sales last year.

Hamilton/Avnet accounted for 59% of the Group's passive and electromechanical device sales. Time accounted for 26% and the Group's European operations accounted for the remaining 15%.

If recently acquired Hall-Mark Electronics' passive and electromechanical device sales for the same period were added, these sales would increase to \$284 million.

Semiconductors Principal Semiconductor Suppliers by Franchise Date and Product Line

Hamilton Hallmark

- '60 Motorola
- '60 National Semi.
- '68 Philips/Signetics
- '69 Intel
- '70 AMD
- '72 Hewlett-Packard
- '73 Analog Devices
- '73 Harris
- '74 Texas Instruments
- '75 Rockwell
- '77 Zilog
- '84 LSI Logic
- '85 Dallas
- '86 Micron
- '86 IDT
- '86 Xilinx

Time

- '85 WaferScale
- '85 Mitel
- '86 Motorola
- '86 Powerex
- '87 National Semi.
- '88 Mosel/Vitelec
- '90 Atmel

Avnet Access

- '80 Texas Instruments
- '81 Harris
- '83 National Semi.
- '85 AMD
- '86 Motorola
- '86 Intel
- '88 Int'l Rectifier
- '88 Analog Devices
- '90 IDT
- '92 Xilinx
- '92 SGS Thomson
- '92 Hewlett-Packard

Avnet Composants

- '70 Philips
- '71 National Semi
- '79 AMD
- '82 Motorola
- '85 Harris
- '86 SGS Thomson
- '86 Xilinx
- '86 Dallas
- '87 IDT
- '90 Analog Devices
- '91 Toshiba
- '93 Intel

Avnet Nortec

- '65 Motorola
- '69 Intel
- '73 Hewlett-Packard
- '77 Quality Technology
- '80 National Semi.
- '81 Fujitsu
- '86 AMD

Avnet E2000

- '76 Intel
- '81 Texas Instruments
- '85 Altera
- '85 Xicor
- '86 National Semi.
- '88 AMD
- '89 Lattice
- '93 Motorola
- '93 Xilinx

- Standard Semiconductors
- Programmable Semiconductors
- Microprocessors
- Gate Arrays & Standard Cells
- Customized Semiconductors

Computers Principal Computer Products Suppliers by Franchise Date and Product Line

Avnet Computer

- '69 Intel
- '74 Multitech
- '78 Digital Equip.
- '81 Archive
- '82 Okidata
- '83 Esprit
- '83 Wyse
- '84 Emulex
- '84 Seagate
- '84 SyQuest
- '87 Hewlett-Packard
- '88 Connor Periph.
- '89 Maxtor
- '90 Apple
- '91 NCR
- '91 US Design
- '92 Cognos
- '92 Dataram
- '92 Retix

Hall-Mark Computer

- '77 Texas Instruments
- '81 Universal Data Sys
- '83 Tecmar
- '84 Micropolis
- '84 Standard Microsyst.
- '85 UNISYS
- '86 Kodak
- '88 Hewlett-Packard
- '91 Diamond Flower Ins.
- '91 3COM
- '91 Data General

Hamilton Hallmark

- '69 Intel
- '81 Archive
- '81 UDS
- '84 Seagate
- '84 SyQuest
- '86 Adaptec
- '88 Connor Periph.
- '89 Maxtor

Avnet Nortec

- '65 Motorola
- '69 Intel

- Boards (Expansion, processing, controller)
- Mass Storage
- Communications (Modems, multiplexer, LANs)
- Peripherals & Subsystems
- Computers & Software

Connectors Principal Connector Suppliers by Franchise Date and Product Line

Time

- '52 ITT Cannon
- '64 Pyle-National
- '72 Viking
- '75 T&B Ansley
- '77 Matrix Science
- '80 Augat
- '82 Molex
- '83 Kings
- '84 ELCO
- '87 General Con.
- '88 TI Connector
- '88 AMP

Hamilton Hallmark

- '57 Amphenol/Bendix
- '63 Dale/Vishay
- '63 Augat
- '65 Winchester
- '81 Molex
- '84 AMP
- '88 3M
- '86 Spectra Strip
- '91 Matrix

Avnet Time UK

- '92 ITT Cannon
- '92 3M
- '92 Amphenol
- '92 Augat
- '92 Greenpar
- '92 Thomas & Betts
- '92 Molex
- '93 AMP

Avnet Time France

- '69 3M
- '72 Amphenol
- '78 Berg
- '79 Spectrum Control
- '87 AMP
- '89 Panduit
- '93 Molex

- Circular
- Rectangular (Rack & Panel, D-Subminiature)
- Printed Wiring Board
- Sockets
- Backpanel
- R/F Coaxial

Passives Principal Passive and Electro-mechanical Suppliers by Franchise Date and Product Line

Hamilton Hallmark

- '63 Dale/Vishay
- '63 Rotron
- '65 Bourns
- '65 Kemet
- '65 Philips
- '75 Vishay/Sprague
- '77 Hewlett-Packard
- '81 Globe
- '83 Kyocera
- '86 AVX

Time

- '62 Leach
- '80 Murata-Erie
- '83 Teledyne
- '84 Kemet
- '86 U't'd Chemi-Con
- '86 NDK America
- '88 Commun. Instr.
- '91 Grayhill
- '91 Cherry
- '91 Cutler-Hammer
- '91 EECO
- '91 Philips
- '93 Bourns
- '93 CTS
- '93 Valor
- '93 Vishay

Avnet Time UK

- '92 Bourns
- '92 Kemet
- '92 Murata
- '92 Philips
- '92 Vishay
- '93 Schaffner

Avnet Time France

- '72 Grayhill
- '80 AVX
- '81 Thermalloy
- '82 Kemet
- '82 Optek
- '85 Kinseki
- '86 Optrex
- '87 IEE

Avnet Composants

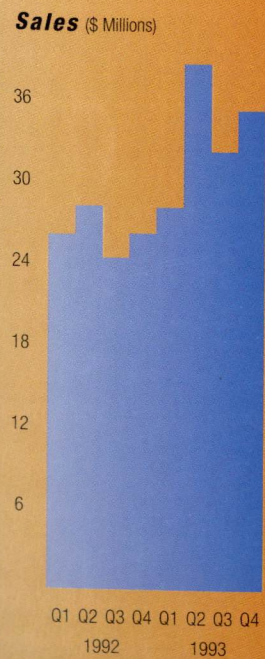
- '80 Quality Technology
- '91 Toshiba

Avnet Nortec

- '69 Schaffner
- '82 Optrex

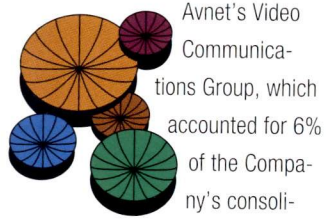
- Capacitors
- Potentiometers
- Resistors, Networks
- Switches
- Relays
- Optoelectronics and others

As a leading supplier of satellite antennas and mounts to Thomson Consumer Electronics and Primestar, the two major U.S. Direct Broadcast Satellite systems, Avnet's Video Communications Group can expect growing sales of these products for the next ten years. Its leadership in the development of such new technologies as flat antennas and collision avoidance sensors also ensures future growth.



The Video Communications Group's sales rose 28% in fiscal 1993 mainly as a result of strong sales of satellite decoding modules.

Video Communications Group



Avnet's Video Communications Group, which accounted for 6% of the Company's consolidated sales in fiscal 1993, now consists of the Channel Master companies located in the U.S. and the United Kingdom. They are leading manufacturers of TV roof antennas and satellite receiving antennas. Avnet Industries, the Group's Malaysian manufacturer of satellite receivers and turntables, and Channel Master-Canada were closed during fiscal 1993.

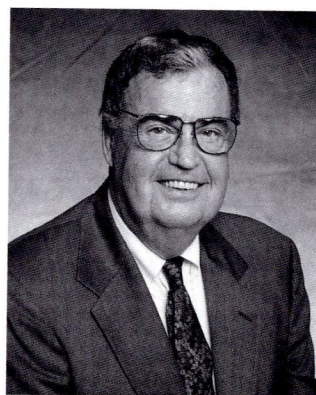
1993 Results

Although Group revenues rose by 28% to \$134 million in fiscal 1993, net income was essentially flat at \$1.8 million due to a one-time charge associated with the closing of Avnet Industries (Malaysia). The sharp increase in sales is largely attributable to strong sales of new Video Cipher™ Renewable Security (VCRS) satellite signal decoding modules, which prevent signal piracy. Sales of these modules are believed to be about evenly divided between "legal" satellite program subscribers and former "signal pirates", who have converted to VCRS and are now paying monthly subscriber

fees. The conversion of these former signal pirates occurred after cable TV programmers switched satellite-to-home signal transmission modes from their compromised VCII decoder mode to unbroadcast VCRS last year. The Group's fiscal 1993 earnings were affected by a one-time charge related to the closing of Avnet Industries. It also decided to discontinue Channel Master's unprofitable TVRO (Television Receive Only) large size backyard antenna dish line during the fourth quarter. Earnings were further affected by development costs for promising new antenna systems which should yield increasing profits in the coming years.

Outlook

Hughes Communications will spend nearly \$100 million in the U.S. to advertise the debut of its Direct Broadcast Satellite (DBS) transmission in 1994. Hughes DirecTV, the twin satellite, \$1 billion



Sylvester Herlihy, President Channel Master

project, will begin broadcasting 75 channels in April 1994 and 150 channels by September 1994. This innovative new service will play a key role in Channel Master's future growth.

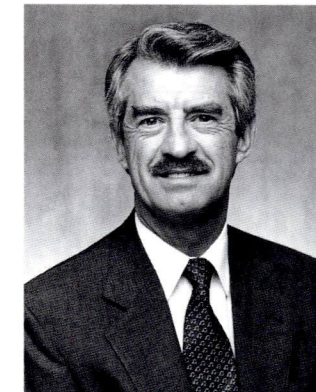
Thomson Consumer Electronics has been chosen by Hughes Communications to supply the initial one million indoor and outdoor receiving systems for its DirecTV DBS service. Channel Master has been awarded the contract from Thomson to be the lead supplier of the satellite antennas and mounts. Production shipments will begin in January 1994 and are projected to reach a total of 200,000 systems during fiscal 1994. Shipments for the calendar year are expected to exceed 600,000 systems.

Primestar, the DBS system owned by cable operators, will increase its service to 90 channels in the fall of 1994 and will begin using twin, high-powered satellites in the fall of 1996. The two major systems are expected to attract up to two million subscribers per year for the next 10 years, or over 10 million by the year 2000. The total potential U.S. market for these two systems is estimated at 50 million households.

Channel Master is well positioned to supply satellite antennas and accessories to this market through its existing purchase agreements with both major players. Additionally, Channel Master has ongoing development projects with both companies that should result in proprietary, specialized products for the future. Since local TV stations will continue to use terrestrial—not satellite—TV signals, as DBS subscriptions grow so will the need for roof antennas and accessories to connect these traditional TV sources to the DBS system. This will further boost Channel Master's sales of outdoor antennas and accessories.

Channel Master has also taken the lead in developing another promising technology. During fiscal 1993 it entered into a joint development project with Hughes Radar Systems to develop a line of flat antennas that would be applicable to a variety of DBS projects worldwide. Flat antennas will employ a new technology for satellite reception that is derived from military hardware developed by Hughes (with patent pending). Thomson has agreed to purchase a minimum of 100,000 flat antenna systems, provided Channel Master and Hughes can meet its performance and pricing structure.

In July 1992, Channel Master entered into a Teaming Agreement with Hughes Aircraft to develop antennas and manufacturing processes for the Dual Use (commercial and military) of Continuous Transverse Stub (CTS) antennas and collision



Harold Mills, Operations Manager Channel Master

avoidance sensors. The technology will be used for such applications as collision avoidance sensors for automobiles, proximity sensors for tractor-trailers and airplane collision avoidance sensors for airport ground control. Hughes is submitting a proposal to the U.S. Government to seek matching funding for developing the technology and the manufacturing processes. If the proposal is accepted, Hughes and Channel Master will enter into a subcontracting agreement. As the only antenna manufacturer in this development program, Channel Master will have an important competitive advantage when these proximity and collision avoidance sensor systems have been developed.

On another front, Channel Master's VSAT (Very Small Aperture Terminal) and BTU (Business Television) businesses continue to grow as more companies realize that financial data, instructional video and a wide variety of specialized business information can be instantly available for a relatively small investment.

Channel Master is currently negotiating with several mainland Chinese companies to establish joint ventures to manufacture satellite antennas and electronics to supply the vast Chinese television market. Because China has not yet been wired for cable TV, the growth potential for DBS could be enormous.

Looking ahead, Channel Master anticipates a new era of steady growth and profitability. It has closed two companies and discontinued an unprofitable product line to concentrate on those activities that hold greater future potential. Channel Master's VSAT and BTU products continue to gain share in these growing markets. It is a leading supplier in the high-growth DBS markets. It is also well along in the development of emerging technologies such as flat antennas and collision avoidance sensors. And its sales for the first two months of fiscal 1994 are more than double last year's. In short, Channel Master's near and long-term prospects look quite promising.

Evolution of TV Antennas

Channel Master has been a pioneer in antenna design and manufacture since the mid 50's. Shown below are some of its past innovations as well as those to come.



1955 Indoor TV Antenna



1973 TV Roof Antenna



1987 Low Power C-Band Satellite Antenna



1987 Medium Power KU-Band Satellite Antenna



1994 (Spring) DBS High Power KU-Band Antenna



1994 (Fall) Flat-Plate High Power KU-Band Antenna

Electrical and Industrial Group



Avnet's Electrical & Industrial Group (E&I), which accounted for 8% of consolidated sales in fiscal 1993, operates mainly as a distributor of electrical and electronic industrial materials. Although the Group's combined sales improved during fiscal 1993, its net earnings for the year declined. The Group consists of three members, Brownell Electro, Mechanics Choice and Freeman Products. A fourth Group member, I.W. Rice, was sold during the first quarter of fiscal 1994.

Brownell Electro

Brownell Electro, the Group's largest member, is a leading distributor of electric motors, motor repair parts, instruments and controls, magnet wire, electrical insulation, fluid and hydraulic power components and seals. Its customers include maintenance and repair organizations (MROs), original equipment manufacturers (OEMs) and small regional distributors and resellers.

The continued lack of economic growth, particularly in the military subcontract and housing markets contributed to a disappointing year for Brownell. Accordingly, it is restructuring and reorganizing in order to improve efficiency and enhance its customer and supplier focus.

As a result of its restructuring efforts, all operations related to value-added services, warehousing and purchasing have been united under one group. The group will be charted and measured to ensure that it provides these services at a level that is consistent with industry practices. Brownell has also consolidated four sales forces into two market-driven sales teams and established an infrastructure to speed the implementation of a Total Quality Management culture. Additionally, it has reduced management headcount and created an organizational structure that will form the framework for future growth.

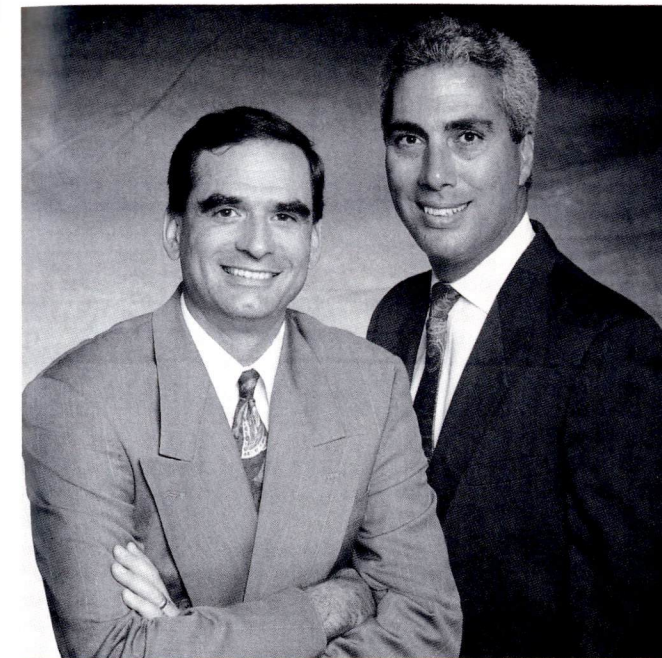
Avnet's recent acquisition of Hall-Mark offers Brownell a number of opportunities, including combining capabilities with Allied to make Brownell's products available to Avnet and Hall-Mark customers and to make Allied's products available to the Brownell customer base. During the first quarter of fiscal 1994, Brownell plans to make its product lines available to EMG's in-plant stores

and to EMG customers who may have a need for its motor and instrument and controls products.

Fiscal 1994 will be a year in which Brownell determines how to penetrate the MRO marketplace with the collaboration of Mechanics Choice, Allied Electronics and the resources of Avnet. It also plans further penetration of the Western U.S. and Mexican border regions.

Mechanics Choice

Mechanics Choice supplies a broad line of industrial maintenance supplies and factory equipment under the Mechanics Choice® name to industrial, commercial, governmental, agricultural, mining and utility markets throughout the U.S. and Canada. Although it experienced a 4% sales decline and negative earnings in fiscal 1993, Mechanics Choice anticipates an improved sales and earnings performance now that it has completed revising its operations. It now has a lean and focused core management team and has implemented new incentive programs based on performance. Additionally, its costs have been significantly low-



John Davidson, President Brownell Electro and John Carbone, President Mechanics Choice

ered through staff cuts and expense reduction programs. Its performance will be further enhanced by its successful conversion to Avnet's mainframe computer system.

For fiscal 1994, Mechanics Choice is focusing on four areas of growth. The first involves increasing sales in its traditional markets by adding sales representatives in areas where it currently has inadequate coverage.

Second, it plans to expand its distributor program by soliciting small to medium sized distributors who will promote Mechanics Choice® products in their areas. This effort also involves pursuing minority distributors who have major contracts with utilities, local governments and so forth. It has already formed Latin American alliances with distributors who will sell Mechanics Choice® products in various countries. The third area of growth lies in the OEM marketplace. Mechanics Choice plans to form master distributor partnerships with a number of fastener manufacturers, while also handling a large portion of their OEM business. Its fourth

area of growth involves selling both Allied Electronics and Brownell catalog products to its traditional MRO customers. With its aggressive growth strategy already underway, Mechanics Choice is better positioned for growth and profitability in fiscal 1994.

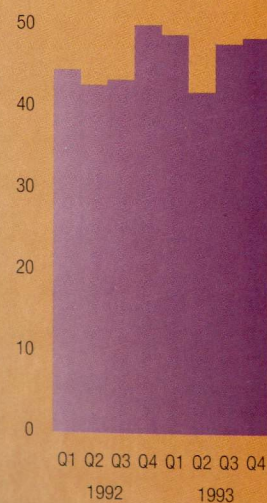
Freeman Products

Freeman Products manufactures and sells trophy components, recognition and incentive awards, engraving supplies, plastic injection moldings and zinc diecastings to over 5,000 dealers in the U.S. and abroad. Although its fiscal 1993 sales were 9% higher than in the prior year, its earnings were lower. This was due in part to costs associated with moving its headquarters and warehousing from its Englewood, New Jersey facility to a newly built facility in Congers, New York. This new facility has enabled Freeman to appreciably expand its customer service particularly in the advertising specialty business.

With new products for both its trophy and incentive and recognition markets and the start-up of production on its new vacuum plating facility, Freeman looks forward to a significantly improved performance in fiscal 1994.

Brownell and Mechanics Choice, the two largest members of Avnet's Electrical & Industrial Group, have successfully revised their organizations to develop a clearer market focus and control costs. Both will benefit from their conversion to Avnet's mainframe computer system and by exploiting synergies with Allied and other EMG members.

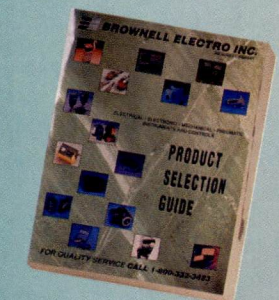
Sales (\$ Millions)



Electrical & Industrial Group sales rose 3% in fiscal 1993 as major changes in management, structure and direction were taking place.



Mechanics Choice's new 1,100 page catalog for the MRO market is a first step towards coordinated catalog sales with sister companies Brownell and Allied.



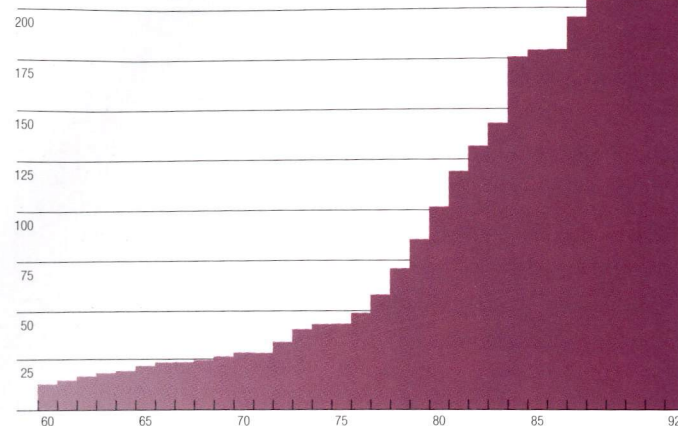
Pictured above, hot off the press, is Brownell's new 656 page catalog and product selection guide for the Electrical, Electronic, Mechanical, Pneumatic, and Instruments and Controls Products it distributes.



Pictured above is Brownell Electro's 240 page Electric Motors catalog. Brownell distributes electric motors and parts to industrial maintenance and repair organizations and other industrial OEMs.

Electronic Industry Data

1. Total U.S. Factory Sales of Electronics Calendar 1960-1992 (\$ Billions)



Source: EIA (Does not include Other Related Products/Services Category).

While the U.S. Electronics Industry has been the nation's most dynamic industry in the last two decades, it experienced two severe slowdowns—in 1984, '85 and '86 and in 1989, '90 and '91—then resumed its traditional growth rate in 1992 and the first half of 1993.

2. Growth of U.S. Electronic Industry Sales by Sectors Calendar 1973-1992 (\$ Billions)

Cal. Year	GNP Current	Electronic Industry	Factory Sales Semiconductors	Factory Sales Connectors	Industrial Distribution Industry*	% Share Distribution Industry		% Share Distribution Industry	
						Sales	Sales	Sales	Sales
1992	5961.9	231.8	29.79	3.21	9.80	8.11	82.8%	1.69	17.2%
1991	5685.8	218.1	25.92	3.15	8.71	7.10	81.5%	1.40	16.1%
1990	5465.1	221.3	23.55	3.32	8.83	7.20	81.5%	1.43	16.2%
1989	5234.0	214.4	22.25	3.59	8.08	6.78	83.9%	1.44	18.2%
1988	4864.3	205.3	19.79	3.75	8.00	6.79	84.9%	1.52	18.9%
1987	4526.7	194.6	16.82	3.63	6.72	5.55	82.6%	1.28	19.0%
1986	4235.0	178.5	14.41	3.03	5.78	4.90	84.8%	1.15	19.9%
1985	4010.3	178.2	14.65	2.90	5.60	4.50	80.4%	1.05	18.8%
1984	3772.2	174.8	17.03	3.20	6.60	5.45	82.6%	1.32	20.0%
1983	3401.6	142.0	12.57	2.59	5.02	3.93	78.3%	1.03	20.5%
1982	3166.0	130.7	10.73	2.15	4.07	2.87	70.5%	.79	19.4%
1981	3052.6	118.2	10.31	2.20	3.84	2.86	74.5%	.75	19.5%
1980	2732.0	100.6	9.09	2.02	3.75	2.70	72.0%	.74	19.7%
1979	2417.8	84.5	7.20	1.67	3.27	2.15	65.7%	.61	18.7%
1978	2163.9	70.1	5.51	1.29	2.63	1.53	58.2%	.42	15.9%
1977	1918.3	57.7	4.36	.98	2.25	1.25	55.6%	.32	14.2%
1976	1718.0	48.0	4.31	.83	1.95	1.05	53.8%	.26	13.3%
1975	1549.2	42.7	3.00	.73	1.66	.91	54.8%	.21	12.7%
1974	1434.2	42.5	3.11	.79	1.80	1.00	55.6%	.23	12.8%
1973	1326.4	40.0	2.76	.67	1.50	.86	57.3%	.19	12.7%

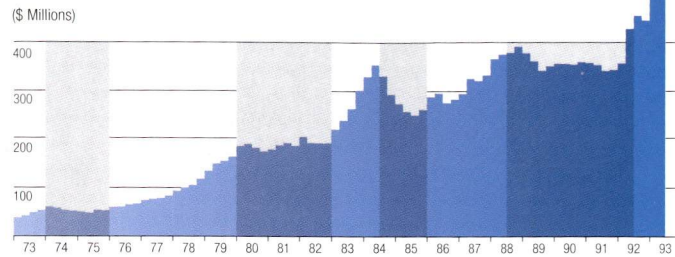
Sources: U.S. Dept. Commerce, EIA, EIA SIA, EIA FLECK, Electronic News, Electronic News, Avnet

■ Downcycle
* Does not include Premier (not in same OEM industrial distribution business)

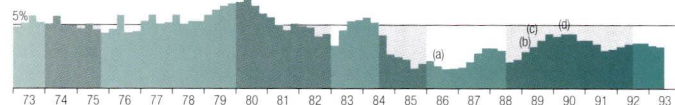
Over the last 20 years, the GNP grew fourfold, the Electronics Industry sixfold, Factory Sales of Semiconductors elevenfold, Factory Sales of Connectors fivefold, Industrial Distribution sixfold, the Top 25 Distributors about ninefold and Avnet's Electronic Marketing Group, including recently acquired Hall-Mark Electronics, more than twelvefold.

Electronic Marketing Group Data

3. Electronic Marketing Group Quarterly Sales Calendar Years (\$ Millions)

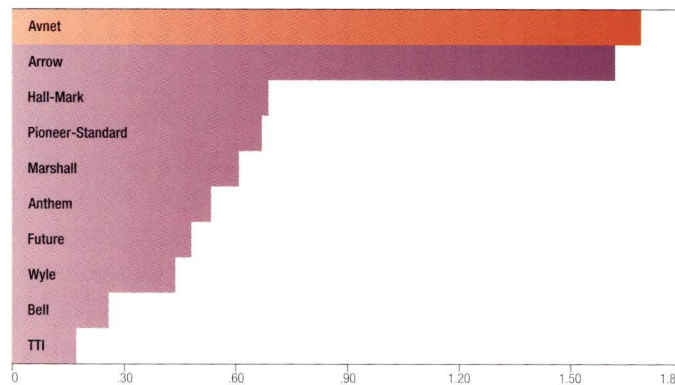


Net Profit as a Percent of Sales



■ Downcycle Excludes (a) one time write-down of \$3.9 million on closing of ATI, (b) one time loss of \$3.3 million on sale of Serstech/LSI, (c) \$2.9 million loss on disposition of Hybritek and FMI, (d) \$2.9 million restructuring loss.

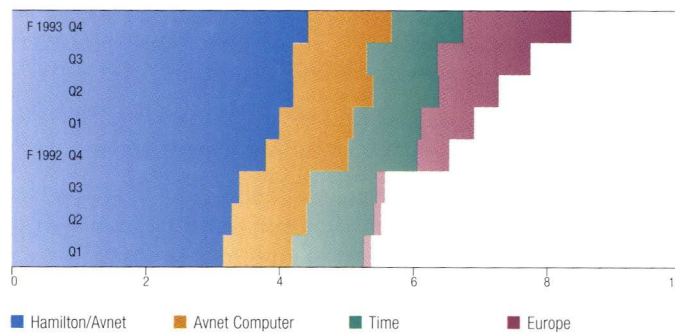
4. 10 Top Distributors Sales Calendar 1992 (\$ Billions)



Source: Electronic News 12/92 company estimates.

Avnet's EMG remains the nation's largest distributor in Calendar 1992 with sales of about \$1.7 billion and a 17.2% market share.

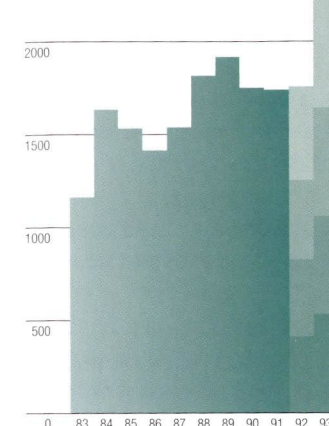
5. EMG Daily Shipments Run Rate Fiscal Years (\$ Millions)



Avnet's Electronic Marketing Group's daily shipping run rate has risen steadily over the last 8 quarters from \$5.4 million per day in Q1 F.'92, at the nadir of the recession, to \$8.4 million per day in Q4 F.'93.

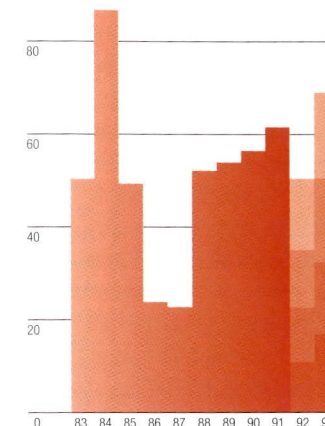
Avnet Data

6. Sales (\$ Millions)



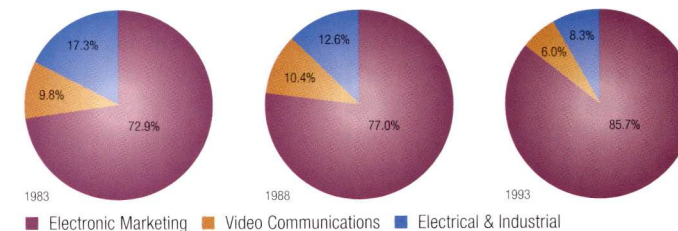
F.'93 sales rose 27% to \$2,238.0 million from \$1,759.0 million last year due to the EMG's record sales and a \$150 million contribution from the recently acquired Scandinavian and German operations which were not owned by Avnet last year.

7. Earnings (\$ Millions)



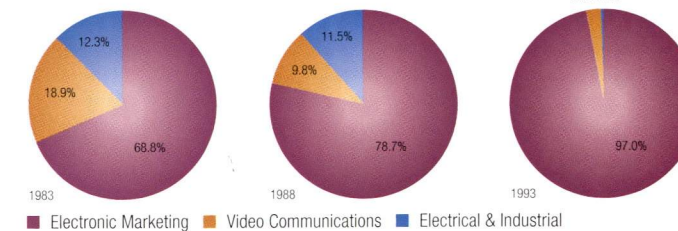
F.'93 earnings were \$69.1 million, which includes a \$1.15 million Q2 one-time charge, a gain of \$18.6 million—or 37%—over \$50.5 million last year.

8. Sales



The major sales change between F.'83 and F.'93 was the Electronic Marketing Group's increase from 72.9% to 85.7% of Avnet's consolidated sales. The Video Communication Group's share decreased from 9.8% to 6.0%, and the Electrical and Industrial Group's percentage decreased from 17.3% to 8.3%.

9. Earnings



The major earnings change between F.'83 and F.'93 was the Electronic Marketing Group's increase from 68.8% to 97.0% of Avnet's consolidated earnings. The Video Communications Group's earnings percentage decreased from 18.9% to 2.6%, and the Electrical and Industrial Group's percentage decreased from 12.3% to .4%.

10. Summary of Quarterly Results (Unaudited) (Millions except per share data)

Fiscal Quarter	Sales	Gross Profit	Pre-Tax Income	After-Tax Income	Earnings per Share
1st -93	\$ 533.2	\$ 117.8	\$ 28.7	\$ 16.9	\$.47
-92	412.9	98.4	18.1	11.0	.31
2nd -93 (a)	526.8	115.9	25.5	15.5	.43
-92	415.1	96.6	19.3	11.8	.33
3rd -93	582.5	127.1	30.1	18.2	.50
-92	425.6	98.0	19.8	12.4	.35
4th -93	595.5	126.0	29.9	18.5	.51
-92	505.4	115.3	26.3	15.4	.43
Year-93 (a)	\$2,238.0	\$ 486.8	\$ 114.2	\$ 69.1	\$ 1.91
-92	1,759.0	408.3	83.4	50.5	1.42

(a) After \$1.2 and \$.03 per share charge related to the shutdown of the Far East operations.

Group Data (\$ Millions)

11. Electronic Marketing

Fiscal Year	Sales	Net Income	% Profit Margin
1993	1,917.3	67.0	3.5%
1992	1,473.5	47.3	3.2
1991	1,428.2	55.3	3.9
1990	1,408.0	(a) 55.3	(a) 3.9
1989	1,512.6	(b) 33.6	(b) 2.2
1988	1,399.1	41.1	2.9
1987	1,183.7	15.0	1.3
1986	1,098.2	17.5	1.6
1985	1,159.4	35.3	3.0
1984	1,252.9	66.9	5.3
1983	849.6	34.6	4.1

Video Communications

Fiscal Year	Sales	Net Income	% Profit Margin
1993	134.0	(c) 1.8	(c) 1.3%
1992	104.9	1.8	1.7
1991	121.5	6.2	5.1
1990	134.9	(d) (2.0)	(d) (1.5)
1989	191.2	(e) 13.1	(e) 6.9
1988	189.1	5.1	2.7
1987	147.1	3.5	2.4
1986	107.7	.4	.3
1985	136.2	7.2	5.3
1984	145.7	10.5	7.2
1983	113.6	9.5	8.4

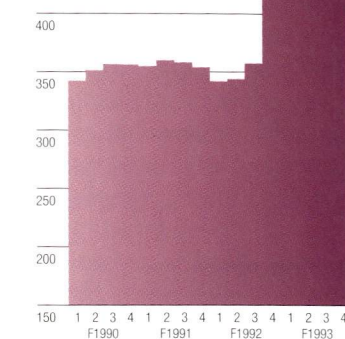
Electrical and Industrial

Fiscal Year	Sales	Net Income	% Profit Margin
1993	186.7	.3	.2%
1992	180.6	1.4	.8
1991	191.1	.1	.1
1990	208.4	3.2	1.5
1989	214.9	7.3	3.4
1988	229.0	6.0	2.6
1987	208.5	4.3	2.1
1986	209.7	6.0	2.8
1985	238.6	6.9	2.9
1984	236.9	9.4	4.0
1983	201.5	6.2	3.1

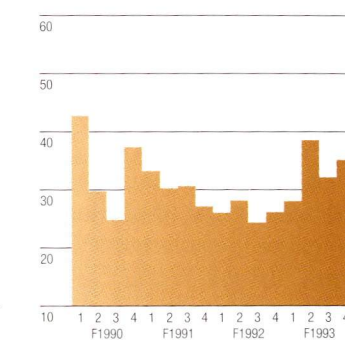
(a) After net loss of \$2.9 million on the restructuring of two companies. Excluding such loss, net income would have been \$58.2 million and the profit margin 4.1%. (b) After net loss of \$6.2 million on the disposition of units. Excluding such loss, net income would have been \$39.8 million and the profit margin 2.6%. (c) After \$1.2 million and \$0.03 per share charge related to the shutdown of the Far East operations. (d) After net loss of \$6.9 million on the disposition of Taiwan unit. Excluding such loss, net income would have been \$4.9 million and the profit margin 3.6%. (e) Includes net gain of \$7.5 million on disposition of cable TV system. Excluding such gain, the net income was \$5.6 million and the profit margin 2.9%.

Fiscal 1993 - The Electronic Marketing Group's sales increased 30% and its net income increased 41% to \$67.0 million. The Video Communications Group's sales increased 28% and its net income was flat after a one-time Q2 charge. The Electrical and Industrial Group's sales increased 3% and its net income decreased 77% to \$.3 million.

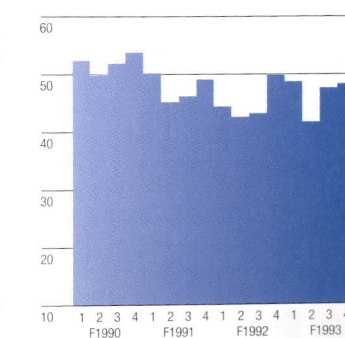
12. Electronic Marketing Quarterly Sales — F. 1990-1993



Video Communications Quarterly Sales — F. 1990-1993



Electrical and Industrial Quarterly Sales — F. 1990-1993



Management Discussion and Analysis

For an understanding of the significant factors that influenced the Company's performance during the past three years, the following discussion should be read in conjunction with the consolidated financial statements, including the related notes, and other information appearing elsewhere in this report.

Results of Operations

Results of operations during the last eleven years are shown on page 23. An analysis of the results during the last three years follows.

Consolidated

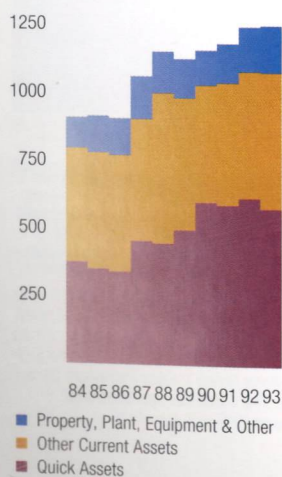
Consolidated sales were \$2.238 billion in 1993 or 27% higher than the \$1.759 billion in 1992. Of the \$479 million sales increase, \$150 million was contributed by Avnet Nortec and Avnet E2000, the Scandinavian and German operations which were acquired during 1993. Sales were higher during each quarter of 1993 than in the corresponding quarter of 1992, even if the sales of the Scandinavian and German operations were excluded. Average daily sales have increased in each quarter since the second quarter of 1992.

Consolidated sales in 1992 were slightly higher than the \$1.741 billion in 1991. Although the sales in 1992 benefitted from the acquisitions of Avnet Access and Avnet France, whose results were not included in 1991, they were negatively affected by the domestic economic slowdown.

Gross profit margins were 21.8%, 23.2% and 24.3% in 1993, 1992 and 1991, respectively. This downward trend is primarily due to the competitive environment in the electronic distribution marketplace. Although operating expenses in absolute dollars were sequentially higher during the last three years, they trended downward as a percentage of sales. The Company continued its efforts toward improving operating efficiencies, and was able to reduce operating expenses as a percentage of sales to 17.2% in 1993 as compared with 19.3% in both 1992 and 1991.

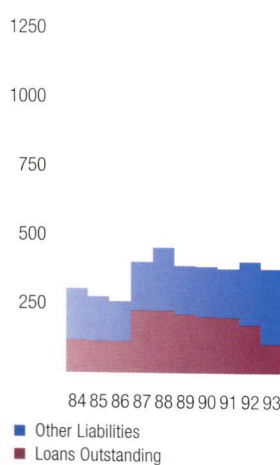
Assets (\$ Millions)

The Company's cash, investments, receivables, inventories, property and other assets.



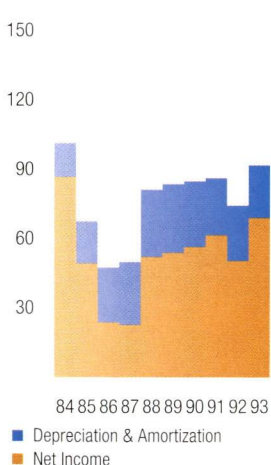
Liabilities (\$ Millions)

What the Company owes to suppliers, lenders, taxing authorities and others.



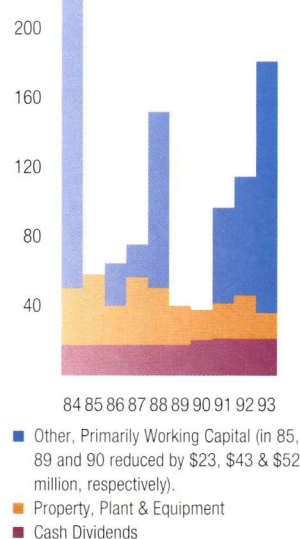
Cash Generated (\$ Millions)

The major sources of cash from internal operations, generally net income before depreciation.



Cash Usage (\$ Millions)

Working capital, property and dividends are the principal uses for cash.



Electronic Marketing

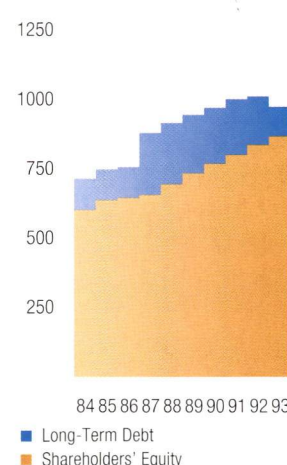
Group sales in 1993 were \$1.917 billion compared with \$1.474 billion and \$1.428 billion in 1992 and 1991, respectively. The \$443 million increase in 1993 included \$150 million from the recently acquired Avnet Nortec and Avnet E2000 operations. Sales of Hamilton/Avnet Electronics, the largest operation in the Group, were up 23% and sales of the Group's European operations, excluding Avnet Nortec and Avnet E2000, were up over 150% in 1993 as compared with 1992. Sales of Avnet Computer and Time Electronics were slightly higher during the same period. The Electronic Marketing Group increased its share of consolidated sales to about 86% in 1993 as compared with 84% and 82% in 1992 and 1991, respectively.

In 1993, domestic semiconductor sales were significantly higher than in 1992, which in turn were higher than in 1991. Sales of computer products and passives were higher in 1993 as compared with 1992, while connector sales were flat. In 1993 semiconductor, computer products, connector and passive sales represented 57%, 19%, 13% and 11%, respectively, of Group sales as compared with 50%, 22%, 17% and 11%, respectively, in 1992.

Gross profit margins declined by about 1.1% during each of the last two years due to the competitive environment within the industry. However, increased operating efficiencies resulted in a decrease in operating expenses as a percentage of sales which more than offset the decrease in gross margins in 1993 as compared with 1992. The Group's net profit margins were 3.5%, 3.2% and 3.9% in 1993, 1992 and 1991, respectively.

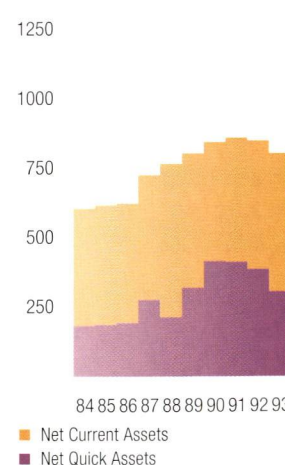
Capital (\$ Millions)

The Company's long-term borrowings plus shareholders' equity.



Net Current Assets (\$ Millions)

Current assets less current liabilities also known as working capital.



Video Communications

Group sales in 1993 were \$134.0 million compared with \$104.9 million and \$121.5 million in 1992 and 1991, respectively. Group sales represented about 6% of consolidated sales in 1993 and 1992 as compared with 7% in 1991. The \$29.1 million increase in 1993 sales was the result of a significant increase in the sales of modular descrambler equipment by the Group's Channel Master operation, offset by a decrease in sales by the Group's Far East operations as a result of the Company's decision in the second quarter of 1993 to shut down those operations. Gross profit margins in 1993 were lower than in 1992 and 1991 due to the increase in sales of lower margin descrambler equipment.

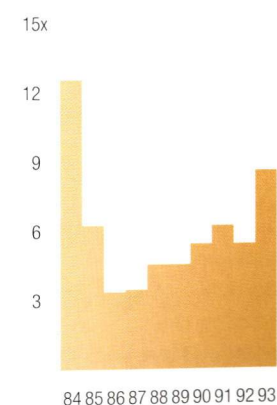
Net income of the Group in 1993 was \$1.8 million, after a \$1.15 million net after-tax charge related to the shutdown of the Group's Far East operations, as compared with net income of \$1.8 million and \$6.2 million in 1992 and 1991, respectively. The Group's net profit margins were 1.3%, 1.7% and 5.1% in 1993, 1992 and 1991, respectively.

Electrical and Industrial

Group sales in 1993 were \$186.7 million compared with \$180.6 million and \$191.1 million in 1992 and 1991, respectively. Group sales represented about 8% of consolidated sales in 1993 as compared with 10% and 11% in the prior two years, respectively. The sales of Brownell Electro, the Group's largest operation, and Freeman Products were higher in 1993 as compared with 1992.

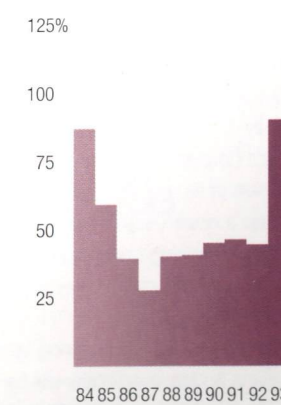
Coverage of Fixed Charges

Number of times pre-tax earnings cover interest and 1/3 of rental expense.



Cash Flow Coverage of Total Debt

How much debt could be repaid each year from cash generated internally.



Net income of the Group was \$0.3 million in 1993 as compared with \$1.4 million and \$0.1 million in 1992 and 1991, respectively. The Group's gross profit margin in 1993 was about 1.8% lower than in 1992 which was about three quarters of 1% lower than in 1991. This was primarily due to declines in margins at Brownell Electro and Mechanics Choice. The Group's net profit margins were 0.2%, 0.8% and 0.1% in 1993, 1992 and 1991, respectively.

Liquidity and Capital Resources

Over the last three years, the Company has generated \$84 million in cash before taking into account cash used for acquisitions, redemption and repurchase of debentures, and the repayment of other debt. In 1993, the Company generated \$21 million of cash before taking into account \$70 million used to redeem its 8% Convertible Subordinated Debentures and repay other debt, and \$36 million used for acquisitions, primarily Avnet Nortec and Avnet E2000. In 1992, the Company generated \$29 million of cash before considering the \$41 million used for the acquisition of Avnet Composants and \$25 million used for the repurchase of some of its debentures and repayment of other debt. The Company generated \$34 million of cash in 1991 before taking into account the \$37 million used for the acquisition of Avnet Access, the repurchase of some of its debentures and common stock, and the repayment of other debt.

During the last three years, cash generated from income before depreciation and other non-cash items amounted to \$269 million and exceeded the \$185 million needed for normal business operations. As described above, \$209 million was used during the last three years for acquisitions, repurchases of debentures and common shares, and repayment of other debt. This resulted in a reduction to the Company's cash and investment portfolio of \$125 million over the three-year period.

The Company's quick assets at June 30, 1993 totaled \$579 million compared with \$617 million at June 30, 1992. At June 30, 1993 quick assets exceeded the Company's current liabilities by \$306 million compared with a \$387 million excess at the end of 1992. Working capital at June 30, 1993 was \$803 million compared with \$849 million in 1992. At June 30, 1993 to support each dollar of current liabilities, the Company had \$2.12 of quick assets and \$1.83 of other current assets, for a total \$3.95 compared with \$4.69 at the end of the prior fiscal year. The decrease in the quick and working capital ratios as compared with last year was due primarily to the use of funds for the redemption of the Company's 8% Convertible Subordinated Debentures and the acquisitions of Avnet Nortec and Avnet E2000.

On July 1, 1993, the Company completed its acquisition of Hall-Mark Electronics Corporation. In order to fund the transaction, the Company used \$179 million of its available cash and borrowed \$141 million from Nations-Bank under a newly established credit arrangement. The credit arrangement consists of a revolving bridge loan followed by a revolving credit facility. The revolving bridge loan currently provides up to \$225 million for up to a six-month period ending December 31, 1993. The Company anticipates that it will complete a public debt offering later in the calendar year at which time the revolving bridge loan facility will be converted to the revolving credit facility. The revolving credit facility will be a three-year facility providing a credit line of up to \$150 million. The Company may select from various interest rate options and maturities under both facilities.

During 1993, the Company redeemed all of the \$68 million outstanding 8% Convertible Subordinated Debentures. As a result, at June 30, 1993 the Company's long-term debt amounted to \$107 million and represented 11% of capital (shareholders' equity plus long term debt). In 1993, income was almost nine times greater than fixed charges. Internally generated cash flow during 1993 represented by net income before depreciation and other non-cash items, was equivalent to 90% of total debt at June 30, 1993.

During the last three years, the Company's capital rose \$3 million, to a total of \$975 million. Shareholders' equity increased by \$98 million primarily from earnings reinvested in the business, while long-term debt decreased by \$95 million due to the redemption and repurchase of a portion of the Company's debentures, and repayment of other long-term debt.

At June 30, 1993, the Company did not have any material commitments for capital expenditures. During the fourth quarter of 1992, the Environmental Protection Agency (EPA) issued a remedial investigation and feasibility study in connection with the environmental clean-up at a Company-owned site in Oxford, North Carolina for which the Company has been designated a potentially responsible party. The EPA's preliminary estimate of the cost of the clean-up alternative it has recommended is approximately \$6.3 million. In addition, past costs of the EPA have amounted to approximately \$1.5 million. In May 1993, the Company settled its lawsuit against the prior owners of the site and entered into a Consent Decree and Court Order. Pursuant to that settlement, the former owners have agreed to bear at least 70% of the clean-up cost of the site. The Company will be responsible for not more than 30% of the clean-up costs. In August 1993 the Company and the former owners entered into a Consent Decree with the EPA pursuant to which the clean-up of the site will proceed. The Company believes that it has adequately reserved for its share of the costs of the clean-up.

The Company is not now aware of any commitments, contingencies or events within its control which may significantly change its ability to generate sufficient cash from internal or external sources to meet its needs.

Per Share Data

Dividends declared:

Cash dividends declared on the Company's common stock were 15 cents during each quarter in 1993 and 1992.

Market price:

Quarterly market prices of the Company's common shares on the New York Stock Exchange composite reporting system for the last two years were:

		1st	2nd	3rd	4th
1993	Low	26 3/4	27 7/8	29 3/4	29
	High	29 1/2	36	37	34 7/8
1992	Low	23 3/4	23 1/4	24 1/4	23 1/2
	High	27 5/8	27 1/2	30	28 1/8

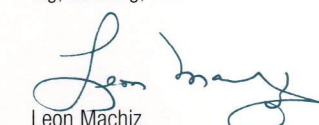
Management's Responsibility for Financial Reporting

The consolidated financial statements of Avnet, Inc. and Subsidiaries have been prepared under the direction of management in conformity with generally accepted accounting principles and include certain amounts based upon our best estimates and use of judgment. The financial information contained elsewhere in this report has also been prepared by management which is responsible for its accuracy and consistency with the financial statements.

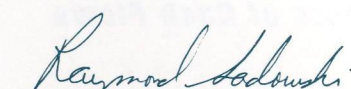
To meet management's responsibility for financial reporting, we have established a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial reporting, and to ensure that assets are properly accounted for and safeguarded. The concept of reasonable assurance is based on the recognition that there are inherent limitations in all systems of internal control, and that the cost of maintaining such systems should not exceed the benefits to be received. The Company has a professional staff of internal auditors whose responsibility, among other things, is to review these systems and controls, and monitor compliance therewith. The Company's independent accountants are engaged to express an opinion on the year-end financial statements based on an audit in accordance with generally accepted auditing standards, including a review of the internal control structure and tests of accounting procedures and records.

The Audit Committee of the Board of Directors is comprised solely of outside directors, and is charged with reviewing the status of the annual audit prior to its completion and determining the nature and extent of the issues,

if any, warranting consideration by the full Board, reviewing disagreements, if any, that have not been resolved to the satisfaction of both management and the independent accountants, evaluating the adequacy and effectiveness of Avnet's internal controls and reporting to the full Board with respect thereto. The Audit Committee meets periodically with the independent accountants, with our internal auditors, and with management, to review accounting, auditing, internal control structure and financial reporting matters.


Leon Machiz
Chairman and Chief Executive Officer


Roy Vallee
Vice Chairman, President and Chief Operating Officer


Raymond Sadowski
Sr. Vice President, CFO and Assistant Secretary


Report of Independent Public Accountants

The Board of Directors and Shareholders
Avnet, Inc.
Great Neck, New York

We have audited the accompanying consolidated balance sheets of Avnet, Inc. (a New York corporation) and Subsidiaries as of June 30, 1993 and 1992, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended June 30, 1993. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Avnet, Inc. and Subsidiaries as of June 30, 1993 and 1992, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 1993 in conformity with generally accepted accounting principles.


New York, New York
August 10, 1993

Consolidated Statements of Income

Avnet, Inc. & Subsidiaries

(Thousands except per share data)	Year Ended June 30,	1993	1992	1991
Revenues:				
Sales		\$ 2,237,954	\$ 1,759,008	\$ 1,740,770
Investment income and other, net		20,393	27,226	26,649
		<u>2,258,347</u>	<u>1,786,234</u>	<u>1,767,419</u>
Cost and expenses:				
Cost of sales		1,751,195	1,350,679	1,318,234
Selling, shipping, general and administrative		383,997	338,725	335,861
Interest		8,972	13,404	13,295
		<u>2,144,164</u>	<u>1,702,808</u>	<u>1,667,390</u>
Income before income taxes		114,183	83,426	100,029
Income taxes (Note 7)		45,123	32,904	38,419
Net income		\$ 69,060	\$ 50,522	\$ 61,610
Earnings per share		\$ 1.91	\$ 1.42	\$ 1.72
Shares used to compute earnings per share (Note 1)		38,253	35,666	38,337

Consolidated Statements of Cash Flows

(Thousands)	Year Ended June 30,	1993	1992	1991
Cash flows from:				
Operations:				
Net income		\$ 69,060	\$ 50,522	\$ 61,610
Add non-cash and other reconciling items:				
Depreciation and amortization		22,845	24,041	24,757
Deferred taxes		1,719	(1,283)	468
Other, net (Note 12)		2,922	5,023	7,392
		<u>96,546</u>	<u>78,303</u>	<u>94,227</u>
Receivables		(38,434)	(40,511)	(719)
Inventories		(13,210)	(1,691)	(9,089)
Payables, accruals and other, net		4,970	40,896	(11,369)
Net cash flows provided from operations		<u>49,872</u>	<u>76,997</u>	<u>73,050</u>
Financing:				
Repurchase of debentures		(68,117)	(25,083)	(341)
Payment of other debt		(1,432)	(168)	(2,260)
Repurchase of common stock		—	—	(11,084)
Cash dividends		(21,342)	(21,287)	(21,362)
Other, net		1,346	539	503
Net cash flows used for financing		<u>(89,545)</u>	<u>(45,999)</u>	<u>(34,544)</u>
Investing:				
Purchases of property, plant and equipment		(15,094)	(25,064)	(20,413)
Acquisition of operations (Note 12)		(36,183)	(39,672)	(21,037)
Disposition (acquisition) of interest-bearing investments, net (Note 12)		255,075	(5,367)	(4,480)
Other, net		(1,191)	50	(511)
Net cash flows provided from (used for) investing		<u>202,607</u>	<u>(70,053)</u>	<u>(46,441)</u>
Cash & cash equivalents —increase (decrease)		162,934	(39,055)	(7,935)
—at beginning of year		56,893	95,948	103,883
—at end of year		<u>\$ 219,827</u>	<u>\$ 56,893</u>	<u>\$ 95,948</u>
Additional cash flow information (Note 12)				
Net decrease in cash and total interest-bearing investments		\$ (84,847)	\$ (36,688)	\$ (3,091)

See pages 30 to 32 for notes to consolidated financial statements.

Consolidated Balance Sheets

Avnet, Inc. & Subsidiaries

(Dollars in Thousands)	June 30,	1993	1992
Assets:			
Current assets:			
Cash and cash equivalents		\$ 219,827	\$ 56,893
Other interest-bearing investments, at cost which approximates market		—	247,781
Cash and total interest-bearing investments		<u>219,827</u>	<u>304,674</u>
Receivables, less allowances of \$14,736 and \$12,519, respectively		359,200	312,717
Inventories (Note 2)		491,769	458,211
Other		4,797	3,478
Total current assets		<u>1,075,593</u>	<u>1,079,080</u>
Property, plant and equipment, at cost, net (Note 3)		102,539	101,687
Intangibles and other assets (Note 4)		69,181	61,894
Total assets		<u>\$ 1,247,313</u>	<u>\$ 1,242,661</u>
Liabilities:			
Current liabilities:			
Borrowings due within one year (Note 5)		\$ 107	\$ 448
Accounts payable		182,227	144,142
Accrued expenses and other (Note 6)		90,196	85,560
Total current liabilities		<u>272,530</u>	<u>230,150</u>
Long-term debt, less due within one year (Note 5)		106,623	175,290
Commitments and contingencies (Notes 9, 11 and 14)		—	—
Total liabilities		<u>379,153</u>	<u>405,440</u>
Shareholders' equity: (Note 10)			
Common stock \$1.00 par, authorized 60,000,000 shares, issued 36,131,000 shares and 36,043,000 shares, respectively		36,131	36,043
Additional paid-in capital		138,230	135,630
Retained earnings		719,308	671,608
Cumulative translation adjustments		(14,313)	5,756
Common stock held in treasury at cost, 483,000 shares and 514,000 shares, respectively		(11,196)	(11,816)
Total shareholders' equity		<u>868,160</u>	<u>837,221</u>
Total liabilities and shareholders' equity		<u>\$ 1,247,313</u>	<u>\$ 1,242,661</u>

Consolidated Statements of Shareholders' Equity

(Dollars in Thousands)	June 30,	Common Stock Outstanding	Additional Paid-in Capital	Retained Earnings	Cumulative Translation Adjustments	Total Shareholders' Equity
1990		\$ 33,978	\$ 132,516	\$ 602,075	\$ 1,162	\$ 769,731
Net income				61,610		61,610
Dividends, \$.60 per share				(21,301)		(21,301)
Cumulative translation adjustments					(33)	(33)
Repurchase of common stock and other, net, principally stock option and incentive programs		(10,499)	1,916			(8,583)
1991		23,479	134,432	642,384	1,129	801,424
Net income				50,522		50,522
Dividends, \$.60 per share				(21,298)		(21,298)
Cumulative translation adjustments					4,627	4,627
Other, net, principally stock option and incentive programs		748	1,198			1,946
1992		24,227	135,630	671,608	5,756	837,221
Net income				69,060		69,060
Dividends, \$.60 per share				(21,360)		(21,360)
Cumulative translation adjustments					(20,069)	(20,069)
Other, net, principally stock option and incentive programs		708	2,600			3,308
1993		\$ 24,935	\$ 138,230	\$ 719,308	\$ (14,313)	\$ 868,160

See pages 30 to 32 for notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Principles of consolidation—The statements include the accounts of the Company and all of its subsidiaries. All intercompany accounts and transactions have been eliminated.

Inventories—Stated at cost (first-in, first-out) or market, whichever is lower.

Depreciation—Depreciation is generally provided for by the straight-line method over the estimated useful lives of the assets.

Income taxes—No provision for U.S. income taxes has been made for \$39,463,000 of cumulative unremitted earnings of foreign subsidiaries because earnings are expected to be permanently reinvested outside the U.S. If such earnings were remitted to the U.S., any net U.S. income taxes would not have a material impact on the financial condition of the Company.

Statement of cash flows—The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Earnings per share—In computing earnings per share in fiscal 1992, the 6% Convertible Subordinated Debentures were not considered common equivalent shares because they would have been anti-dilutive. The 8% Convertible Subordinated Debentures, which were fully redeemed during fiscal 1993 (see Note 5), were not considered common equivalent shares in any of the years presented as they would have been anti-dilutive.

2. Inventories

(Thousands)	June 30,	1993	1992
Finished goods		\$422,823	\$380,017
Work-in-process		2,861	3,147
Raw materials		66,085	75,047
		\$491,769	\$458,211

3. Property, Plant and Equipment

(Thousands)	June 30,	1993	1992
Land		\$ 6,525	\$ 7,042
Buildings		73,547	72,554
Machinery, fixtures and equipment		174,732	159,082
Leasehold improvements		7,562	7,514
		262,366	246,192
Less accumulated depreciation		159,827	144,505
		\$102,539	\$101,687

4. Intangibles

Intangibles (net of amortization) at June 30, 1993, totaling \$41,480,000, including \$9,163,000 arising from the July 1, 1992 and January 1, 1993 acquisitions of Avnet Nortec and Avnet E2000, respectively (see Note 12), consist primarily of goodwill. At June 30, 1993, goodwill applicable to purchases made after October 31, 1970 of \$34,104,000, net of amortization, is being amortized over 40 years on the straight-line method.

5. External Financing

(Thousands)	June 30,	1993	1992
Convertible Subordinated Debentures:			
6%, due 4/15/12, convertible at \$43 per share		\$105,285	\$105,285
8%, due 10/1/13, convertible at \$52 per share		—	67,576
Other		1,445	2,877
		106,730	175,738
Less borrowings due within one year		107	448
Long-term debt		\$106,623	\$175,290

On October 1, 1992, the Company redeemed all of the \$67,576,000 outstanding 8% Convertible Subordinated Debentures at the redemption price of 100.8% of their principal amount together with accrued interest to the redemption date. The loss on extinguishment of these debentures was not material.

During fiscal 1992, the Company repurchased on the open market \$9,715,000 principal amount of the 6% Debentures to meet all sinking fund requirements through fiscal 1998. Subject to declining premiums through April 14, 1997, the 6% Debentures may be retired at any time.

Annual payments on long-term debt in 1994, 1995, 1996, 1997 and 1998 are \$107,000, \$47,000, \$48,000, \$49,000 and \$51,000, respectively.

6. Accrued Expenses and Other

(Thousands)	June 30,	1993	1992
Payroll and related expenses		\$ 26,725	\$ 23,274
Insurance		14,353	13,690
Interest expense		2,760	6,607
Income taxes		8,154	5,498
Dividend payable		5,347	5,329
Other accrued expenses		32,857	31,162
		\$ 90,196	\$ 85,560

7. Income Taxes

A reconciliation between the federal statutory tax rate and the effective tax rate is:

Year Ended June 30,	1993	1992	1991
Federal statutory rate	34.0%	34.0%	34.0%
State and local income taxes, net of federal benefit	5.0	4.2	5.0
Other, net	.5	1.2	(.6)
Effective tax rate	39.5%	39.4%	38.4%

The provision (future tax benefit) for deferred federal and state income taxes results from timing differences arising principally from inventory valuation and depreciation having the following tax effect:

(Thousands)	Year Ended June 30,	1993	1992	1991
Federal		\$ 1,502	\$ (736)	\$ 416
State and local		217	(547)	52
		\$ 1,719	\$ (1,283)	\$ 468

The Company will adopt FASB Statement No. 109, Accounting for Income Taxes, in the first quarter of fiscal 1994 as a cumulative effect of a change in accounting principle. The Company anticipates that the effect of this change on its fiscal 1994 net income will be immaterial.

8. Pension and Profit Sharing Plans

During the three years ended June 30, 1993, the following amounts were charged (credited) to income under the Company's pension plan, 401(k) plan and a discretionary profit sharing plan:

(Thousands)	Year Ended June 30,	1993	1992	1991
Pension		\$ (1,008)	\$ (977)	\$ (1,140)
Profit sharing		695	638	703
401(k)		447	438	—

The Company's defined benefit pension plan and 401(k) plan cover substantially all domestic employees, except for those at one unit covered by a profit sharing plan. The benefits under the pension plan are based primarily on years of service and career average pay. At June 30, 1993, the market value of the pension plan assets was \$111,769,000 and were comprised of U.S. Government securities (48%), corporate debt obligations (17%), common stocks (24%) and money market funds (11%).

In each of the last three years, the assumed interest rate and the expected return on plan assets were 8% while assumed salary increases were approximately 6% in 1993 and 1992, and 7% in 1991. The pertinent calculations covering the pension credits, obligations and prepaid pension cost are summarized below:

Credits to income

(Thousands)	Year Ended June 30,	1993	1992	1991
Earned:				
Return on Plan assets—actual		\$ 12,032	\$ 11,254	\$ 7,362
Higher than expected return—deferred		(4,264)	(3,939)	(376)
Expected return		7,768	7,315	6,986
Amortization of 7/1/85 excess assets		2,830	2,830	2,829
Amortization of prior service costs		(101)	(101)	(100)
		10,497	10,044	9,715
Less benefits:				
Present value of benefits earned during year		4,239	4,179	4,054
Interest on projected benefit obligation		5,250	4,888	4,521
		9,489	9,067	8,575
Net credit to income		\$ 1,008	\$ 977	\$ 1,140

Funded status of the Plan

(Thousands)	June 30,	1993	1992	1991
Projected benefit obligation:				
Vested benefits		\$ 65,803	\$ 61,130	\$ 56,156
Non-vested benefits		2,402	2,229	1,920
Accumulated benefit obligation		68,205	63,359	58,076
Future salary assumption		5,253	5,395	5,777
Projected benefit obligation		73,458	68,754	63,853
Unamortized 7/1/85 excess assets		21,788	24,618	27,448
Cumulative higher than expected:				
Return on Plan assets		10,447	7,344	2,244
Projected benefit obligation		(895)	(3,783)	(5,012)
Unamortized prior service costs		(915)	(1,016)	(1,117)
		103,883	95,917	87,416
Less market value of Plan assets		111,769	102,795	93,318
Prepaid pension cost		\$ 7,886	\$ 6,878	\$ 5,902

Not included in the above tabulations are pension plans of certain non-U.S. subsidiaries which are not material.

9. Long-Term Leases

The Company leases a portion of its operating facilities and is also committed under lease agreements for transportation and operating equipment. Rent expense charged to operations for the three years ended June 30, 1993 is as follows:

(Thousands)	Year Ended June 30,	1993	1992	1991
Buildings		\$ 14,779	\$ 12,681	\$ 13,565
Equipment		2,811	2,399	3,810
		\$ 17,590	\$ 15,080	\$ 17,375

At June 30, 1993, aggregate future minimum lease commitments, principally for buildings, in 1994, 1995, 1996, 1997, 1998 and thereafter (through 2003) are \$11,551,000, \$9,140,000, \$5,932,000, \$4,183,000, \$3,105,000 and \$6,678,000, respectively.

10. Stock Option and Incentive Programs

The Company has three stock option plans with shares still available for grant:

	1990 Qualified Plan	1984 and 1988 Non-Qualified Plans
Minimum exercise price as a percentage of fair market value at date of grant	100%	50%
Life of options	10 Years	10 Years
Exercisable	In whole or installments	25% annually after one year
Plan termination date	11/28/00	1984 plan—12/31/94 1988 plan—12/31/98
Shares available for grant at June 30, 1993	913,000	830,512

Under the non-qualified plans, the excess of the fair market value at the date of grant over the exercise price is considered deferred compensation which is amortized and charged against income as it is earned.

Pertinent information covering options is:

Option and Market Prices are Per Share	1993	1992	1991
Outstanding at June 30:			
Shares—Total	577,563	627,013	613,413
Exercisable	343,563	354,888	287,176
Option prices	\$11.75–34.50	\$11.75–42.13	\$11.75–42.13
Market prices at date granted	\$19.75–38.19	\$19.75–42.13	\$19.75–42.13
Granted:			
Shares	69,000	93,000	167,000
Option prices	\$28.00–34.50	\$18.50–26.50	\$18.25–28.50
Exercised:			
Shares	87,950	37,700	40,962
Option prices	\$14.00–31.25	\$11.75–24.25	\$11.75–19.75
Cancelled and expired:			
Shares	30,500	41,700	39,037
Option prices	\$19.75–42.13	\$14.00–42.13	\$14.00–42.13

Under the incentive stock program, a total of 284,663 shares are still available for award based on operating achievements. Delivery of incentive shares is spread equally over a four-year period and is subject to the employee's continuance in Avnet's employ. As of June 30, 1993, 55,765 shares previously awarded have not yet been delivered. The program will terminate on October 31, 1995.

At June 30, 1993, common shares reserved for stock option and stock incentive programs and conversion of debentures were 5,109,991 shares.

11. Contingent Liabilities

From time to time, the Company may become liable with respect to pending and threatened litigation, taxes, and environmental and other matters. During the fourth quarter of 1992, the Environmental Protection Agency (EPA) issued a remedial investigation and feasibility study in connection with the environmental clean-up at a Company-owned site in Oxford, NC for which the Company has been designated a potentially responsible party. The EPA's preliminary estimate of the cost of the clean-up alternative it has recommended is approximately \$6.3 million. In addition, past costs of the EPA have amounted to approximately \$1.5 million. In May 1993, the Company settled its lawsuit against the prior owners of the site and entered into a Consent Decree and Court Order. Pursuant to that settlement, the former owners have agreed to bear at least 70% of the clean-up cost of the site. The Company will be responsible for not more than 30% of the clean-up costs. In August 1993 the Company and the former owners entered into a Consent Decree with the EPA pursuant to which the clean-up of the site will proceed. The Company believes that it has adequately reserved for its share of the costs of the clean-up and it is not anticipated that any other contingent matters will have a material adverse impact on the Company's financial condition, liquidity or results of operations.

12. Additional Cash Flow Information

Other non-cash and reconciling items primarily include the provision for doubtful accounts and gains and losses on dispositions of marketable securities.

In 1993 the Company acquired Avnet Nortec, a Scandinavian electronics distributor, and Avnet E2000, a German electronics distributor, for a total investment of approximately \$36,491,000 paid in cash. In April 1992, the Company acquired Avnet Composants, a French electronics distributor, for a total investment of approximately \$41,240,000 paid in cash. In June 1991, the Company acquired Avnet Access, a United Kingdom electronics distributor, for approximately \$22,500,000 paid in cash. The net cash disbursed in each of the three years in connection with these transactions, as well as the net cash collected from dispositions prior to 1991, are reflected as cash flows arising from disposition or acquisition of operations.

Interest and income taxes paid were as follows:

(Thousands) Year Ended June 30,	1993	1992	1991
Interest	\$ 12,819	\$ 13,810	\$ 13,156
Income taxes	\$ 40,513	\$ 33,636	\$ 41,057

Transactions in interest-bearing investments, other than those considered cash equivalents, consist of the following:

(Thousands) Year Ended June 30,	1993	1992	1991
Purchases	\$ 114,806	\$ 77,792	\$ 120,950
Less proceeds, generally at maturity	369,881	72,425	116,470
Net cash (generated) used	\$ (255,075)	\$ 5,367	\$ 4,480

13. Industry Segment Data

Operating profit of the three business segments excludes general corporate expenses, interest expense, income taxes and certain other transactions.

(Millions) Segments (a)	Sales	Operating Profit	Identifiable Assets	Property, Plant and Equipment	
				Depreciation	Additions
Electronic Marketing					
1993	\$ 1,917.3	\$ 113.5	\$ 866.3	\$ 12.7	\$ 11.1
1992	1,473.5	81.7	765.6	13.7	10.8
1991	1,428.2	90.3	661.1	15.2	9.4
Electrical & Industrial					
1993	186.7	2.7	99.2	2.1	3.4
1992	180.6	4.1	103.0	1.8	8.8
1991	191.1	2.8	97.9	1.9	3.5
Video Communications					
1993	134.0	4.7	68.0	4.1	2.5
1992	104.9	4.6	63.1	3.7	3.8
1991	121.5	9.0	64.0	3.0	6.5
Corporate Office					
1993	-	(6.7)	213.8	.5	.2
1992	-	(7.0)	311.0	.5	.5
1991	-	(2.1)	358.5	.4	.2
Consolidated					
1993	\$ 2,238.0	\$ 114.2	\$ 1,247.3	\$ 19.4	\$ 17.2
1992	1,759.0	83.4	1,242.7	19.7	23.9
1991	1,740.8	100.0	1,181.5	20.5	19.6

Foreign operations, included above in the applicable operating group figures

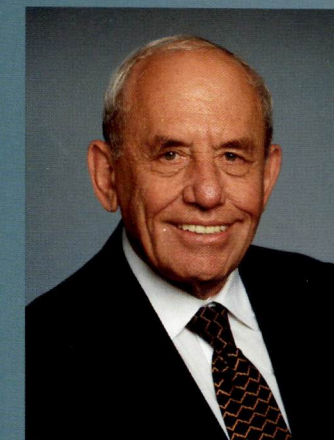
1993	\$ 403.4	\$ 16.0	\$ 224.8	\$ 2.7	\$.9
1992	174.5	4.4	153.9	2.0	4.7
1991	123.9	2.3	97.4	1.2	3.8

(a) The segments are described on pages 4 to 21. The identifiable assets in the Corporate Office are primarily cash and cash equivalents.

14. Subsequent Event

On July 1, 1993, the Company completed the acquisition of all of the stock of Hall-Mark Electronics Corporation, the nation's third largest distributor of electronic components, pursuant to an Agreement and Plan of Merger dated April 20, 1993. Each share of Hall-Mark common stock was exchanged for \$20 in cash and 0.45 shares of Avnet common stock, which had a market value of \$34.1875 on July 1, 1993. The total cost of the acquisition was approximately \$491.6 million, consisting of \$215.9 million in cash and \$166.1 million in Avnet stock for the Hall-Mark common stock, and \$109.6 million for the refinancing of Hall-Mark bank debt. The \$325.5 million of funding required to complete the transaction was financed through cash on hand, proceeds from the exercise of Hall-Mark options and warrants, and borrowings under a credit facility with NationsBank of North Carolina, N.A. The transaction will be accounted for as a purchase. For its latest fiscal year ended December 31, 1992, Hall-Mark had net sales of \$695.0 million, operating income of \$37.9 million and income before extraordinary items of \$21.5 million.

Directors



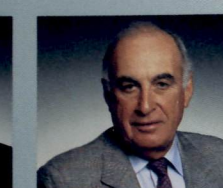
Leon Machiz
Chairman and CEO Avnet*



Roy Vallee
Vice Chairman, President and COO Avnet,
Executive Officer EM Group*



Stanley Benerofe
Sr. V.P. Avnet,
Exec. Officer E&I Group



Gerald J. Berkman
Senior Partner
Berkman & Leff (Ret.)* †



Joseph F. Caligiuri
Executive V.P.
Litton Industries, Inc. (Ret.)



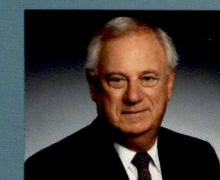
Alvin E. Friedman
Sr. Advisor Dillon, Read &
Co., Inc.* †



Sylvester D. Herlihy
Sr. V.P. and Secretary Avnet,
Exec. Officer Video Group



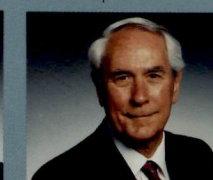
Salvatore J. Nuzzo
Chairman Hazeltine Corp.
(Ret.), Chairman Technautics
Corp.* †



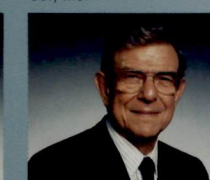
David Shaw
Sr. V.P. Avnet, Exec. Officer
EM Group (Ret.)



Howard Stein
Chairman and CEO
The Dreyfus Corporation* †



J. Sidney Webb
Chairman
The Titan Corporation*



George Weissman
Consultant (formerly Chair-
man and CEO) Philip Morris
Companies Inc. (Ret.)* †



Frederick S. Wood
Consultant (formerly Exec.
V.P. Contracts, Pricing and
International Offset) General
Dynamics Corp. (Ret.)* †

*Member Executive Committee
†Member Audit Committee

Corporate Staff Officers



David R. Birk
Sr. Vice President and
General Counsel



John A. Carfora
Vice President



John Cole
Controller



Anthony DeLuca
Sr. Vice President and CIO



George Kokkinakis
Sr. Vice President
Administration



Irwin Lubalin
Sr. Vice President



Lisa M. Palumbo
Assistant Secretary



Raymond Sadowski
Sr. Vice President, CFO and
Assistant Secretary



Morton M. Vogel
Vice President



Stephanie A. Wagoner
Treasurer

Officers

Leon Machiz
Chairman and CEO**
Roy Vallee
Vice Chairman,
President and COO**
Stanley Benerofe
Sr. Vice President**
David R. Birk
Sr. Vice President, and
General Counsel**

Anthony DeLuca
Sr. Vice President
and CIO**
Sylvester D. Herlihy
Sr. Vice President and
Secretary**
Burton Katz
Sr. Vice President**
George Kokkinakis
Sr. Vice President
Administration**

Irwin Lubalin
Sr. Vice President**
Daniel M. Robbin
Sr. Vice President
Raymond Sadowski
Sr. Vice President, CFO
and Assistant Secretary**
James H. Smith
Sr. Vice President**
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Vice President**

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Patrick Jewett
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Vice President
Donald E. Sweet
Vice President**
Linda Tommasulo
Vice President
Morton M. Vogel
Vice President**

Keith Williams
Vice President
Robert Zierk
Vice President**
John Cole
Controller
Lisa M. Palumbo
Assistant Secretary
Stephanie A. Wagoner
Treasurer**

**Member Executive
Management Committee

Avnet, Inc.

80 Cutter Mill Road
Great Neck, New York 11021
516-466-7000

Avnet, Inc. is an equal opportunity employer providing affirmative action programs for the full and effective utilization of qualified persons regardless of race, religion, color, age, sex, or national origin. We additionally support programs for the employment and advancement of qualified handicapped workers, qualified handicapped veterans and Vietnam-Era veterans.



FY94 Transitioned VARs

Direct VARs terminated

VAR Size	Number of VARs	FY93 NOR	FY94 NOR*		
			Mstr. Rslrs.	Direct	Total 94
>350k	4 **	n/a	n/a	n/a	n/a
350k-100k	40	\$ 7838k	\$ 471k	\$ 2800k	\$ 3271
<100k	249	1759	4039	700	4739
All VARs	293	\$ 9597k	\$ 4549k	\$ 3500k	\$ 8010

* FY94 NOR is thru May, FY93 is for full year.

** These 4 VARs contracts were terminated for special reasons that had nothing to do with the Transition Program.

Tiered VAR Business FY93 vs FY94

Account	FY93 NOR	FY94 NOR*	Growth
Arrow/MTI	\$ 1.5m	\$ 11m	633%
Avnet/Hmk	21.8	36	65%
Pioneer	35.0	39	11%
Total Tec	3.0	6	100%
Wyle	14.0	28	100%
Total U.S.	\$ 75.3m	\$ 120M	59%

* FY94 NOR based on 9 mo. actual + 30% of year in Q4

I N T E R O F F I C E M E M O R A N D U M

Doc. No: 004598
Date: 06-Jun-1994 02:44pm EDT
From: STEVE WOODWARD
WOODWARD.STEVE AT A1 AT USCTR1 AT MRO
Dept: US DISTRIBUTOR SALES
Tel No: DTN 297-9321

TO: Shane Patterson @MKO

CC: Sharon Frederick @MRO

(FREDERICK.SHARON AT A1 AT USCTR1 AT MRO)

CC: KENT STVRAIN

(STVRAIN.KENT AT A1 AT USCTR1 AT MRO)

Subject: Avnet BOD Meeting

Shane,

Per our discussion, here the latest information on the upcoming Avnet BOD meeting.

*Goldcrest Limo pickup
800-645-6736*

Time: 6/16/94 from 12:00 til 2:00pm

Location: Avnet, Inc. corporate headquarters
80 Cutter Mill Road
Great Neck, NY 11021
(516) 466-7000

Participants:

*\$ 1437 Canada
15
\$158*

Avnet

- Leon Machiz, CEO, Avnet, Inc.
- Roy Vallee, Avnet COO [lunch and meeting]
- Rich Ward, President, Avnet Computer Marketing Group [lunch and meeting]
- David Birk, Sr. V.P. and General Counsel
- John Carfora, V.P., Tax Department
- Anthony DeLuca, Sr. V.P., CIO
- Irwin Lubalin, Sr. V.P.
- Raymond Sadowski, Sr. V.P., CFO
- Stephanie Wagoner, Treasurer
- George Smith, Executive V.P., Avnet Computer Sales
- Terry McMullen, Executive V.P., Hall-Mark Computer Sales
- Andy Bryant, V.P., Volume E/U and Component Sales/Marketing
- Jeff Beall, V.P., Systems Marketing
- John Spensieri, V.P., Business Development

Digital

- Russ Gullotti
- Kent St. Vrain, Manager, U.S. Distributor Sales
- Steve Woodward, Global Account Manager, Avnet

Preliminary Itinerary:

Arrive at LaGuardia Airport by 11:00am.

Transportation (arranged) to Great Neck; travel time approx. 40 minutes.

12:00 Lunch with Roy Vallee, Leon Machiz and Rich Ward

1:00 Digital presentation to Avnet BOD.

2:00 Depart for airport (transportation arranged).

Lunch: Possible Topics

- o Digital's Business Climate
- o Allowance and Expense Practices
- o Telesales Directions from Digital - Avnet would like to share their experience with Russ.

Presentation Topics

- o **Digital's Financial Situation**
- o Digital's Organizational Structure for FY95
- o North American Rollout of the Implementation
- o Role of Indirect Channels in the Overall Strategy

Sales Objectives

- o Assure the Avnet BOD that Digital is a good investment in FY95 and beyond
- o Ask for an Avnet organization commitment (financial and philosophical) to grow the Digital relationship and business.
- o **The business climate and press has been at an all time negative high with regard to Digital. Our future, however, looks very optimistic with the:**
 - PC business being a Fortune 500 company with a tremendous growth;
 - Sable product introductions bringing state-of-the-art computing to a price sensitive customer who has not been a Digital customer in the past;
 - Progress and pent up demand for the Windows NT solutions and tools.

We need to be able to convey to Avnet that we recognize the positives and have a workable plan to maximize our collective opportunities.

Regards,
Steve

Printed by RUSS GULLOTTI @MKO

I N T E R O F F I C E M E M O R A N D U M

Doc. No: 073067
Date: 15-Jun-1994 10:05am EDT
From: NANCY BURNS
BURNS.NANCY AT A1 at GRANMA at
Dept: MID-ATLANTIC PC SALES
Tel No: (301) 918-5822

TO: See Below

Subject: RE: MTEL CONCALL THURSDAY 6/16/94

THIS MEMO IS FROM JIM COLEMAN

There is a concall scheduled for Thursday, June 16 from 9:00 EDT to 9:45 EDT. The number to call is:

264-9507 or (603) 884-9507

This concall is in preparation for Russ's phone call to MTEL Technologies' President, Jai Bagat.

Your attendance is greatly appreciated.

Regards,

Jim

Distribution:

TO: RUSS GULLOTTI @MKO
TO: LARRY DUNHAM @MKO
TO: GENE NELSON @MKO
TO: MARIA SCHWAB @COP
TO: JIM COLEMAN @COP

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