SECURITIES AND EXCHANGE COMMISSION

FORM PRE 14A

Preliminary proxy statement not related to a contested matter or merger/acquisition

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BELL INDUSTRIES INC/DE/

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SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE SECURITIES
EXCHANGE ACT OF 1934 (AMENDMENT NO.)

Filed by the Registrant /X/

Filed by a Party other than the Registrant / /

Check the appropriate box:

<TABLE>
<S> <C>
/X/ Preliminary Proxy Statement / / Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
/ / Definitive Proxy Statement
/ / Definitive Additional Materials
/ / Soliciting Material Pursuant to sec.240.14a-11(c) or sec.240.14a-12
</TABLE>

Bell Industries, Inc.
- ---
(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

/X/ $125 per Exchange Act Rules 0-11(c)(1)(ii), or 14a-6(i)(1), or 14a-6(i)(2) or Item 22(a)(2) of Schedule 14A.

/ / $500 per each party to the controversy pursuant to Exchange Act Rule 14a-6(i)(3).

/ / Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

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

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

/ / Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

PRELIMINARY COPY

BELL INDUSTRIES, INC.
11812 SAN VICENTE BOULEVARD
LOS ANGELES, CALIFORNIA 90049-5069

Dear Shareholder:

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This year's Annual Meeting of Shareholders will be held on Tuesday, May 9, 1995, at 10:00 A.M., at the Company's Corporate Office, 11812 San Vicente Boulevard, Los Angeles, California. Management hopes that you will come to the meeting and give us an opportunity to meet you and discuss any questions you may have.

The formal notice of meeting and the Proxy Statement follow. The only formal actions to be taken at the meeting are (1) the election of the Board of Directors for the ensuing year; and (2) the consideration of a proposal to change the Company's state of incorporation from Delaware to California. I urge you to review the Proxy Statement carefully and, at your earliest convenience, sign, date and mail the enclosed proxy card so that your shares will be represented at the meeting. A prepaid return envelope is provided for this purpose.

Sincerely yours,

THEODORE WILLIAMS
Chairman

March 17, 1995

PRELIMINARY COPY

BELL INDUSTRIES, INC.
11812 SAN VICENTE BOULEVARD
LOS ANGELES, CALIFORNIA 90049-5069

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

MAY 9, 1995

The Annual Meeting of Shareholders of Bell Industries, Inc., a Delaware corporation, will be held at the Company's Corporate Office, 11812 San Vicente Boulevard, Los Angeles, California, on Tuesday, May 9, 1995 at 10:00 A.M.

The purposes of the meeting are:

(1) To elect seven directors to hold office until the next Annual Meeting of Shareholders and thereafter until their successors are elected;

(2) to consider changing the Company's state of incorporation from Delaware to California; and

(3) to transact any other business that may properly come before the meeting or any adjournments thereof.

The Board of Directors has fixed the close of business on Friday, March 17, 1995 as the record date for the determination of shareholders entitled to receive notice of, and to vote at, said meeting and any adjournment or adjournments thereof.

By Order of the Board of Directors

JOHN J. COST
Secretary

March 17, 1995

YOUR VOTE IS IMPORTANT. IF YOU DO NOT EXPECT TO ATTEND THE ANNUAL MEETING OF SHAREHOLDERS, OR IF YOU DO PLAN TO ATTEND AND WISH TO VOTE BY PROXY, PLEASE DATE, SIGN AND PROMPTLY RETURN THE ENCLOSED PROXY CARD, FOR WHICH A RETURN, STAMPED ENVELOPE IS PROVIDED. YOUR PROMPT RETURN OF THE PROXY CARD WILL HELP THE COMPANY AVOID THE ADDITIONAL EXPENSE OF FURTHER SOLICITATION TO ASSURE A QUORUM AT THE MEETING.

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PROXY STATEMENT

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ANNUAL MEETING OF SHAREHOLDERS
OF BELL INDUSTRIES, INC.

MAY 9, 1995

INTRODUCTION

This Proxy Statement is being mailed on or about March 17, 1995 to shareholders of Bell Industries, Inc. (the "Company") in connection with the solicitation of Proxies by the Company's Board of Directors for use at the Company's Annual Meeting of Shareholders to be held on May 9, 1995, or any adjournments thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Shareholders. Expenses relating to the proxy statement, the proxy and the solicitation thereof will be paid by the Company.

The persons named in the accompanying proxy have advised the Company that they intend to vote the proxies received by them in their discretion for as many director nominees as the votes represented by such proxies are entitled to elect (see "Election of Directors") and FOR the proposal to change the Company's state of incorporation from Delaware to California. Any shareholder may revoke his or her proxy at any time prior to its use by filing with the Secretary of the Company a written notice of revocation or a duly executed proxy bearing a later date.

Only shareholders of record at the close of business on Friday, March 17, 1995, will be entitled to notice of, and to vote at, the meeting or any adjournments thereof. At such record date, there were outstanding and entitled to vote 6,498,105 shares of Common Stock. Each of the foregoing shares is entitled to one vote on all matters other than the election of directors. In connection with the election of directors, each shareholder is entitled to cumulate votes. To approve changing the Company's state of incorporation to California, the approval of the holders of a majority of the outstanding shares is required. For all other matters to be voted upon at the meeting, the affirmative vote of a majority of shares present in person or represented by proxy, and entitled to vote on the matter, is necessary for approval. For purposes of determining the number of shares present in person or represented by proxy on a voting matter, all votes cast "for," "against" or "abstain" are included. "Broker non-votes," which occur when brokers or other nominees are prohibited from exercising discretionary voting authority for beneficial owners who have not provided voting instructions, are not counted for the purpose of determining the number of shares present in person or represented by proxy on a voting matter.

ELECTION OF DIRECTORS

In voting for directors of the Company, each shareholder has the right to cumulate votes and give one candidate a number of votes equal to the number of directors to be elected, multiplied by the number of votes to which the shares are entitled, or to distribute the votes on the same principle among as many candidates as

the shareholder chooses. The candidates receiving the highest number of votes, up to the number of directors to be elected, shall be elected. For a shareholder to exercise cumulative voting rights, such shareholder must give notice of intent to cumulate votes prior to the vote at the meeting.

The Company's Board of Directors presently consists of seven directors. The persons who are elected directors will hold office until the next Annual Meeting of Shareholders and thereafter until their successors are elected. All of the seven director nominees are currently directors of the Company. The names and principal occupations of the nominees for election as directors, and the respective numbers of shares of voting stock of the Company beneficially owned, directly or indirectly, by each nominee are set forth below.

<TABLE>
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	YEAR FIRST	SHARES BENEFICIALLY OWNED AS OF	PERCENT OF

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NAME AND PRINCIPAL OCCUPATION	AGE	ELECTED	MARCH 1, 1995	CLASS
<S>	<C>	<C>	<C>	<C>
John J. Cost(1)(3)..... Of Counsel Irell & Manella, Attorneys	60	1971	1,774(4)	(5)
Anthony L. Craig(3)..... Vice President, Digital Equipment Corporation	49	1993	105	(5)
Gordon M. Graham..... Senior Vice President	60	1994	14,304(6)	(5)
Bruce M. Jaffe(2)..... President and Chief Operating Officer	51	1981	26,680(7)	(5)
Charles S. Troy(1)(3)..... President, E&S Ring Management Corporation	51	1993	315	(5)
Milton Rosenberg(1)(3)..... Private investor and consultant to high technology companies	72	1975	3,931	(5)
Theodore Williams(2)..... Chairman and Chief Executive Officer	74	1969	277,318(4)	4.3%

</TABLE>

- ---

(1) Member of Audit and Nominating Committees.

(2) Member of Executive Committee.

(3) Member of Compensation Committee.

(4) Includes 27 shares and 1,571 shares held by Messrs. Cost and Williams, respectively, as custodians for their children.

(5) Less than 1% of total outstanding shares.

(6) Includes 764 shares issuable pursuant to currently exercisable stock options.

(7) Includes 2,402 shares issuable pursuant to currently exercisable stock options.

Mr. Williams was President and Chief Executive Officer of the Company since 1970. In January 1995, he resigned as President but remains Chairman and Chief Executive Officer. Mr. Jaffe had been Senior Vice President of the Company for more than five years prior to his appointment as Executive Vice President in 1989. He assumed the additional responsibility of Chief Operating Officer in 1990 and was elected President in January 1995 to succeed Mr. Williams. For more than the past five years, Mr. Graham has been employed by the Company in an executive capacity. Mr. Cost was a partner in the law firm of Irell & Manella, Los Angeles, California, from 1969 through December 1994. Effective January 1, 1995, Mr. Cost retired as a partner of that firm and now acts "of counsel" to it. He was elected Secretary in 1987. Irell & Manella acts as general counsel to the Company. For more than the past five years, Mr. Rosenberg has been self-employed as

an investor in, and consultant to, high technology companies. Mr. Rosenberg also serves as a director of M.R.V. Communications, a laser communications firm, based in Woodland Hills, California.

Since November 1993, Mr. Craig has been a Vice President of Digital Equipment Corporation, a New York Stock Exchange Company, located in Mayward, Massachusetts, engaged in the manufacture of computer equipment. From June 1992 until July 1993, he was a Senior Vice President of Oracle Systems Corp., a publicly traded data base and consulting company with annual revenues of over $1 billion. From June 1990 through February 1992, he was President and Chief Executive Officer of C3 Inc., a private company involved in systems integration for the U.S. Government. From October 1988 through September 1989, Mr. Craig was the Chief Executive Officer of Prime Computer, a publicly traded computer manufacturer. Mr. Craig is also a director of Iomega Corporation, a computer disc storage firm located in Roy, Utah. For more than the last five years, Mr. Troy has been President and Chief Executive Officer of E&S Ring Management Corporation, Culver City, California. E&S Ring Management is a regional property management firm, specializing in multi-family and commercial properties.

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If for any reason one or more of the nominees named above should not be available as a candidate for director, an event that the Board of Directors does not anticipate, the persons named in the enclosed proxy will vote for such other candidate or candidates as may be nominated by the Board and discretionary authority to do so is included in the Proxy.

Directors who are employees receive no additional compensation for serving on the Board of Directors. Non-employee directors receive an annual retainer of $30,000, plus $1,000 for each attendance at a meeting of the Board or a committee thereof which does not immediately precede or follow a meeting of the Board. The Company has a directors' retirement plan for non-employee directors. Under the plan, directors having served at least ten years as a director after reaching the age of 65 are entitled to receive an annual retirement benefit equal to 50% of the annual retainer fee in effect at the time of retirement, increasing 10% for each year of service after the tenth year. Such payments will be made for the number of years equal to the number of years served as a director or until his or her death; provided, that a surviving spouse is entitled for a period of five years after death to continue to receive the same benefits that such director would have been so entitled to receive. If a director has reached age 60 and ceases to serve as a director at the request of the Company, he will be entitled to the same retirement benefits as if he retired at age 65. In the event of a change in control, a director leaving the Board would be entitled to receive an immediate lump sum payment of the present value of his accrued retirement benefit.

INFORMATION REGARDING SHAREHOLDERS

PRINCIPAL SECURITY HOLDERS

To the Company's knowledge, except as hereinafter described, no single shareholder owned of record or beneficially as of March 1, 1995, more than 5% of the Company's Common Stock. As of that date, Cede & Co., a nominee of securities depositories for various segments of the financial industry, held 5,431,574 shares, representing 83% of the Company's outstanding Common Stock, none of which was owned beneficially by such organization. Based upon reports filed through March 1, 1995 with the Securities and Exchange Commission, the Company believes that each of the companies named below beneficially owns five percent (5.0%) or more of the Company's Common Stock:

<TABLE>
<CAPTION>

NAME AND ADDRESS OF BENEFICIAL OWNER	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP	PERCENT OF CLASS
<S>	<C>	<C>
Newsouth Capital Management..... 755 Crossover Lane Memphis, Tennessee 38117	558,547 (Direct)	8.6
Quest Advisory Corp. and Quest Management Company..... 1414 Avenue of the Americas New York, New York 10019	337,312 (Direct)	5.2

</TABLE>

SECURITY OWNERSHIP OF MANAGEMENT

The following table shows the beneficial ownership of the Company's common stock of those executive officers of the Company listed in the "Summary Compensation Table" under EXECUTIVE COMPENSATION, who are not directors, as well as the beneficial ownership of common stock of all nominees for directors and executive officers of the Company as a group as of March 1, 1995. Information regarding the stock ownership of director nominees is contained in the prior table under ELECTION OF DIRECTORS.

<TABLE>
<CAPTION>

NAME AND ADDRESS OF BENEFICIAL OWNER	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP	PERCENT OF CLASS
<S>	<C>	<C>
Paul F. Doucette..... Senior Vice President	42,450 (Direct)	(1)
D.J. Hough.....	33,373	(1)

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Vice President		(Direct)	
Tracy A. Edwards.....		3,827	(1)
Vice President		(Direct)	
All directors and executive officers as a group(11).....		405,795(2)	6.2

- ---

(1) Less than 1% of the outstanding shares.

(2) Includes 9,388 shares issuable pursuant to currently exercisable stock options.

COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN (A):
BELL INDUSTRIES, INC., NYSE MARKET INDEX AND PEER GROUP INDEX

[CHART]

MEASUREMENT PERIOD (FISCAL YEAR COVERED)	BELL IND. INC.	PEER GROUP	BROAD MARKET
1989	100	100	100
1990	118	96	96
1991	101	122	124
1992	110	165	130
1993	174	185	148
1994	202	174	145

- ---

(A) Assumes $100 invested on December 31, 1989 and dividends reinvested.

(B) The Peer Group consists of the following electronics and industrial distribution companies:

Arrow Electronics, Inc.	Milgray Electronics Inc.
Avnet, Inc.	Pioneer Standard Electronics
Jaco Electronics Inc.	Premier Industrial Corp.
Kent Electronics Corp.	Sterling Electronics Corp.
Marshall Industries	Wyle Laboratories Inc.

(C) The Broad Market Index chosen was the New York Stock Exchange Market Index.

EXECUTIVE COMPENSATION

The following table shows all cash compensation and certain other compensation paid to (i) the chief executive officer and (ii) the other four most highly compensated executive officers (the Named Officers) for the six month period ending December 31, 1994 and each of the last three fiscal years (ending June 30th) of the Company for services rendered in all capacities to the Company and its subsidiaries (the Company recently changed its fiscal year from one ending June 30th to one ending December 31st):

SUMMARY COMPENSATION TABLE

					LONG-TERM COMPENSATION AWARDS	
		ANNUAL COMPENSATION			OPTIONS	
NAME AND PRINCIPAL POSITION	YEAR	SALARY	BONUS	OTHER(1)	(NUMBER OF SHARES)	

<S>	<C>	<C>	<C>	<C>	<C>	
Theodore Williams.....	6 months 94	$200,000	$141,874	$ 14,296	0	
Chairman and Chief	1994	400,000	172,788	20,407	0	
Executive Officer	1993	356,300	0	446	0	
	1992	364,000	0	0	0	
Bruce M. Jaffe.....	6 months 94	$142,500	$101,085	$ 10,315	68,250	
President and Chief	1994	285,000	123,111	14,799	0	
Operating Officer	1993	260,000	0	446	10,920	
	1992	260,000	0	0	0	
Paul F. Doucette(2).....	6 months 94	$115,000	$ 81,577	$ 8,412	47,250	
Senior Vice President	1994	230,000	99,353	12,117	0	
	1993	230,000	0	446	10,920	
	1992	221,000	0	0	0	
D.J. Hough.....	6 months 94	$101,400	$ 71,930	$ 7,470	31,500	
Vice President and Chief	1994	202,800	87,603	10,790	0	
Information Officer	1993	202,800	0	446	6,552	
	1992	202,800	0	0	0	
Tracy A. Edwards.....	6 months 94	$ 72,760	$ 51,614	$ 5,487	26,250	
Vice President and Chief	1994	145,520	62,860	7,997	0	
Financial Officer	1993	124,500	0	446	6,552	
	1992	113,100	0	0	0	

</TABLE>

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Certain columns have not been included in this table because the information called for therein is not applicable to the Company or the individuals named above for the periods indicated.

(1) Consists of amounts contributed by the Company on behalf of the named individual under the Company's Savings and Profit Sharing Plan and Executive Deferred Income and Pension Plan.

(2) Mr. Doucette is married to a niece of Mr. Williams.

STOCK OPTIONS

The following table shows information on grants of stock options during the 1994 fiscal year and the six month period ended December 31, 1994 to the Named Officers reflected in the Summary Compensation Table.

OPTION/SAR GRANTS IN FISCAL 1994 AND SIX MONTH PERIOD ENDED DECEMBER 31, 1994

<TABLE>
<CAPTION>

NAME	OPTIONS GRANTS(1)(2)	PERCENTAGE OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL 1994 AND SIX MONTH PERIOD	EXERCISE PRICE PER SHARE(2)(3)	EXPIRATION DATE	POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM(4) 5%	10%
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Theodore Williams..... Chairman and Chief Executive Officer	-0-	--	--	--	--	--
Bruce M. Jaffe..... President and Chief Operating Officer	68,250	25%	$ 17.98	9/14/2004	$771,700	$1,955,700
Paul F. Doucette..... Senior Vice President	47,250	17%	17.98	9/14/2004	534,300	1,354,000
D.J. Hough..... Vice President and Chief Information Officer	31,500	11%	17.98	9/14/2004	356,200	902,600
Tracy A. Edwards..... Vice President and Chief Financial Officer	26,250	9%	17.98	9/14/2004	296,800	752,200
Other employees.....	103,425	38%				

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	276,675	100%
	=======	===

</TABLE>

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(1) All options granted are exercisable in cumulative equal installments commencing one year from date of grant, with full vesting on the fourth anniversary date. Vesting may be accelerated in certain events relating to the change of the Company's ownership or certain corporate transactions.

(2) All stock option numbers and per share data have been adjusted to reflect stock dividends.

(3) All stock options were granted at market value (closing price on the New York Stock Exchange -- Composite Transactions of the Company's common stock) on the date of grant.

(4) Reported net of the option exercise price. These amounts represent certain assumed rates of appreciation only. Actual gains, if any, on stock option exercises are dependent on the future performance of the common stock, overall stock conditions, as well as the option holders' continued employment through the vesting period. The amounts reflected in this table may not be indicative of the value that will actually be achieved or realized.

OPTION EXERCISES AND HOLDINGS

The following table sets forth information with respect to the chief executive officer and the Named Officers, concerning the exercise of options during the six month period ended December 31, 1994 and for the last full fiscal year ended June 30, 1994 and unexercised options held as of December 31, 1994:

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FY-END OPTION VALUES

<TABLE>
<CAPTION>

NAME	SHARES ACQUIRED ON EXERCISE	VALUE REALIZED (MARKET PRICE AT EXERCISE LESS EXERCISE PRICE)	NUMBER OF UNEXERCISED OPTIONS AT DECEMBER 31, 1994		VALUE OF UNEXERCISED OPTIONS AT DECEMBER 31, 1994(1)	
			EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Theodore Williams..... Chairman and Chief Executive Officer	0	0	0	0	0	0
Bruce M. Jaffe..... President and Chief Operating Officer	0	0	2,402	76,768	$24,717	$241,968
Paul F. Doucette..... Senior Vice President	0	0	2,402	55,768	$24,717	$191,673
D.J. Hough..... Vice President and Chief Information Officer	0	0	1,529	36,523	$15,957	$123,094
Tracy A. Edwards..... Vice President and Chief Financial Officer	0	0	1,529	31,273	$15,957	$110,520

</TABLE>

- ---

(1) Based upon the closing price on the New York Stock Exchange on that date ($20.38).

EMPLOYMENT AGREEMENTS

In January 1979, the Company entered into employment agreements with Mr. Williams, the Company's Chairman and Chief Executive Officer, and two former executives of the Company. Mr. Williams' agreement provides for an annual salary

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of not less than $179,400. He is to be employed as Chief Executive Officer until retirement. Upon retirement, Mr. Williams is entitled to receive for his lifetime an annual amount equal to one-half of the average of the highest three years of salary plus bonus paid during his last ten years of employment. Also, the Company is required to maintain life and medical insurance benefits at least equal to those in effect at the time of retirement. In August 1994, Mr. Williams' agreement was amended so as to fix his retirement benefits to those accrued through June 30, 1994. As amended, Mr. Williams' employment agreement provides that upon his retirement or death prior to retirement, he or his estate will receive approximately $2,187,000, which amount represents the present value of the estimated future payments payable under his employment agreement as at June 30, 1994, as determined by recognized actuarial standards.

In February 1995, the Company entered into employment and retirement agreements with Bruce M. Jaffe, its President and Chief Operating Officer, and Paul F. Doucette, a Senior Vice President. These agreements provide for annual salaries of not less than $285,000 and $230,000, respectively. Mr. Jaffe is to be employed as President and either Chief Operating Officer or Chief Executive Officer and Mr. Doucette as a Senior Vice President or in a more senior office. Upon retirement at age 65, Messrs. Jaffe and Doucette are entitled to annual retirement payments for life equal to one-half of the average of the highest three years of

salary and bonus paid during his last ten years of employment. Further, each may elect early retirement at age 62, in which event the retirement payments are equal to one-third of such average amount. Under most circumstances, a termination by the Company prior to age 62 is deemed a retirement by the officer at age 62 and from age 62 through 65, the retirement payments are increased proportionately. If there is a voluntary termination by either person prior to age 62, he receives no retirement payments until he reaches age 62, at which time he is deemed to have retired at age 62. If either is terminated after a change in control, he is entitled to the same benefits as if he retired at age 65. Also, the Company is required to maintain life and medical insurance benefits at least equal to those in effect at the time of retirement. Both Mr. Jaffe and Mr. Doucette have been employed with the Company in managerial positions for over twenty-five years.

The Company has severance agreements with its executive officers, including Messrs. Graham, Hough and Edwards but not Messrs. Williams, Jaffe or Doucette. Each of these contracts provides, in essence, that should there be a "change in control" (as defined), and the officer's employment is terminated either (i) involuntarily, without just cause, or (ii) voluntarily, if the officer has determined in good faith that his duties have been altered in a material respect or there has been a reduction in his compensation or employee benefits, then upon termination, the officer would be entitled to receive a payment in the amount of 295% of the officer's "base amount" (generally equivalent to the average of his last three years compensation) as determined in accordance with Section 280G of the Internal Revenue Code. A "change of control" of the Company is generally defined as (i) any consolidation or merger of the Company, other than a merger of the Company in which the holders of the Company's common stock immediately prior to the merger have at least seventy-five percent (75%) ownership of the voting capital stock of the surviving corporation immediately after the merger, (ii) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Company, (iii) the shareholders of the Company approve any plan or proposal for the liquidation or dissolution of the Company, (iv) any person shall become the beneficial owner of thirty percent (30%) or more of the Company's outstanding common stock, or (v) during any period of two consecutive years, individuals who at the beginning of such period constitute the entire Board of Directors shall cease for any reason (except death) to constitute a majority thereof unless the election, or the nomination for election by the Company's shareholders, of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period.

The Company has entered into Indemnity Agreements with all directors and all executive officers of the Company after having received shareholder approval at the Company's 1986 Annual Meeting. The Indemnity Agreements provide for indemnification of directors and officers in cases where indemnification might not otherwise have been available.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

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Mr. Cost who is also a member of the Compensation Committee is the Secretary of the Company but not an employee. He receives no direct compensation for his services as Secretary.

COMPENSATION STRUCTURE AND COMMITTEE RESPONSIBILITIES

The Company compensates its executive officers with two basic forms of compensation: cash (salary and incentive bonus) and stock options. Although no bonuses were awarded for fiscal 1992 and 1993, significant bonuses were granted for the fiscal year ended June 30, 1994 and for the six month period ended December 31, 1994, based upon the formulas described hereafter. Further, in September 1994, executives were awarded substantial stock options under Bell's stock option plans at an exercise price equal to the fair market value of the underlying shares on the date of grant.

The Company Compensation Committee currently consists of Messrs. Cost, Craig, Troy and Rosenberg. The duties of the Compensation Committee are to determine the overall compensation policy for the Company's executive officers, including specifically fixing the compensation of the chief executive and chief operating officers.

The following report is submitted by the Compensation Committee as it relates to both cash compensation of, and stock options granted to, executive officers of the Company. This report is not deemed "filed" with the Securities and Exchange Commission and is therefore not intended to be incorporated by reference in any other document filed by the Company with the Commission.

REPORT OF THE COMPENSATION COMMITTEE

The Company's compensation philosophy is based upon the belief that the Company's success is the result of the coordinated efforts of all employees working towards common objectives. Its executive officer compensation program is composed of base salary, annual incentive cash bonuses and long-term incentive compensation in the form of stock options.

BASE SALARY

The Committee attempts to set the base salary levels competitively with those paid by others in the electronic distribution business and other comparable companies. In determining salaries, the Committee also takes into account individual experience and performance, past salary history and specific issues particular to the Company.

ANNUAL INCENTIVE BONUS

Prior to fiscal 1994, cash bonuses were considered annually and awarded generally upon a subjective evaluation of the particular officer's performance during the year and were dependent upon the overall financial achievement of the Company during the year. For example, bonuses usually were not given in years where the Company's growth was nominal. Thus, no incentive cash bonuses were awarded for fiscal 1992 and 1993. For the fiscal year ended June 30, 1994 and for the six month period ended December 31, 1994, the Committee established specific goals for Company performance and based incentive awards for the 1994 fiscal year and the six month period upon the degree to which such goals were achieved. Individual performance may also be taken into consideration in determining bonuses. The Committee intends to establish specific goals for Company performance for the current fiscal year upon which bonuses will be awarded.

LONG-TERM INCENTIVE PROGRAM

Currently, the Company's long-term incentive program consists of the award of stock options to executive officers and other key employees at current market prices. The grant of options with exercise prices at prevailing market prices is designed to align executive compensation and shareholder long-term interests by creating a direct link between long-term executive compensation and shareholder return as evidenced by increased stock market value.

The Compensation Committee's current policy is to award significant amounts of stock options to executive officers and other key employees. Exercise prices are established equal to the fair market value of Bell's common stock on the date of grant. Options are usually for a term of 5 years and become vested over a period of four years dependent upon continued employment. The number of stock

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options granted to executive officers is based upon an evaluation of the particular officer's deemed ability to influence the long-term growth

and profitability of the Company. Stock options were granted to the Company's executive officers in September 1994 with exercise prices equal to fair market value at the time of grant.

CHIEF EXECUTIVE AND OPERATING OFFICERS' COMPENSATION

Mr. Williams has been the Company's Chief Executive Officer for over twenty years. His annual base salary was $400,000 for the fiscal year ended June 30, 1994 and continued at that rate through December 31, 1994. Additionally, Mr. Williams was awarded a cash bonus of $172,788 for fiscal 1994 and $141,874 for the six month period ended December 31, 1994 based upon predetermined achievements of specific goals for Company performance. The Committee has fixed Mr. Williams' base salary for the current fiscal year at an annual rate of $400,000. Due to his substantial stock ownership, the Committee decided that it was not necessary to provide Mr. Williams with additional long-term incentive through the grant of stock options.

Mr. Jaffe has been Chief Operating Officer since 1990. For many years prior, he had been the Company's Chief Financial Officer. His annual base salary for fiscal 1994 and for the six month period ended December 31, 1994 was $285,000 and he received a cash bonus of $123,111 and $101,085, respectively, for those periods also based upon predetermined achievements of specific goals for Company performance. Additionally in September 1994, Mr. Jaffe was granted a stock option, as long-term incentive, covering 68,250 shares at an exercise price equal to fair market value at date of grant. The Committee has fixed Mr. Jaffe's base salary for the current fiscal year at $285,000.

The Committee believes that both Mr. Williams and Mr. Jaffe have managed the Company exceptionally well during the past few years in the face of a very challenging business environment. Due to the substantial improvement in the Company's operating results during fiscal 1994 and for the six month period ended December 31, 1994, each was awarded a cash bonus based upon predetermined achievement of performance goals.

Submitted By: John J. Cost (Chairman), Anthony Craig, Charles Troy and Milton Rosenberg

OTHER COMPENSATION

SAVINGS AND PROFIT SHARING PLAN

The Company established the Bell Industries' Employees' Savings and Profit Sharing Plan (the "PSP") in 1973 under which both employees and the Company may make contributions. The PSP will continue until terminated by the Board of Directors. Employees must contribute at least 1% of their annual compensation to participate in the PSP. The Company's contribution to the PSP is determined by the Board of Directors in its discretion. During the fiscal year ended June 30, 1994 and for the six month period ended December 31, 1994, the Company contributed $500,000 and $370,000, respectively, to the PSP.

EXECUTIVE DEFERRED INCOME AND PENSION PLAN

In July 1993, the Company adopted an Executive Deferred Income and Pension Plan (the "EDP"). Under the EDP, each officer and such other highly compensated employees as the Board may designate are eligible to participate. Each participant may elect a percentage (not more than 10%) of his salary that he wishes to defer. The Company matches the amount of the chosen deferral. Such deferred sums bear an assumed interest at a rate equal to the Lehman Brothers Long T-Bond index.

In the event of an unforeseen emergency, a participant may withdraw his deferred salary plus accrued interest but no portion of the matching funds contributed by the Company. In such an event, the participant would be ineligible from participating in the EDP for a period of two years. After reaching age 62 and retiring, a participant may elect to have his benefit paid

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in a lump sum or payable over a period of 5 to 15 years.

If a participant voluntarily resigns before age 62, he will be entitled to receive at age 62 only a pro-rata portion of Company matching funds through the date of his termination. That proration is based upon the period of EDP participation compared with the participant's age at the time of resignation. If a participant dies while employed, his beneficiary would receive a lump sum payment equal to all amounts that have accrued for his benefit through date of death. If a participant's employment is terminated without cause or after a change in control, he will receive the same benefit as he would have received if his employment had been terminated due to death. If a participant is terminated for cause, or if the Board determines within one year after termination that cause existed at the time of termination, he will be entitled to receive in a lump sum payment only the amount attributable to his deferred salary plus accrued interest.

REINCORPORATION PROPOSAL

GENERAL

The Board of Directors believes that it is in the best interests of the Company and its shareholders to change the Company's state of incorporation from Delaware to California (the "Reincorporation"), and therefore the Board of Directors has unanimously approved the Reincorporation. If the shareholders approve the Reincorporation, the Company, a Delaware corporation ("Bell Delaware"), will as promptly as practicable be merged into a newly-formed California corporation ("Bell California") pursuant to an Agreement and Plan of Merger (the "Merger"), a copy of which is attached hereto as Exhibit A, and Bell California will be the surviving corporation. However, the Merger may be abandoned if circumstances develop which, in the opinion of the Board of Directors, make proceeding with the Merger inadvisable.

Upon the completion of the Merger, each outstanding share of common stock of Bell Delaware will be automatically converted into a comparable share of Bell California common stock. It will not be necessary to exchange Bell Delaware stock certificates for Bell California stock certificates. It is anticipated that Bell California shares will be listed on the New York Stock Exchange, as the Bell Delaware shares are now listed.

The authorized capital stock of Bell California will be the same as that of Bell Delaware, consisting of 10,000,000 shares of common stock, $.25 par value, and 1,000,000 shares of preferred stock, $1.00 par value.

CHANGES RESULTING FROM THE REINCORPORATION

The Reincorporation will not effect any change in the business, management, properties or financial condition of the Company. The stock option plans of Bell Delaware will be continued by Bell California, and stock options outstanding will become exercisable with respect to equivalent numbers of shares of Bell California common stock. All other employee benefit plans and arrangements will continue without change.

The Reincorporation, however, will result in a number of important changes in the rights of shareholders. Upon completion of the Merger, the Company will be governed by California law, which differs in many respects from Delaware law. In addition, the Company will be governed by new articles of incorporation (the "California Articles") and bylaws (the "California Bylaws"), which include several provisions which do not exist in the Company's present charter documents. See "Certain Significant Differences Between the Corporation Laws of California and Delaware." Approval of the Reincorporation by the shareholders will constitute approval of the California Articles and the California Bylaws.

APPROVAL OF THE REINCORPORATION WILL SIGNIFICANTLY AFFECT CERTAIN RIGHTS OF THE SHAREHOLDERS. THEREFORE, THE SHAREHOLDERS ARE URGED TO READ CAREFULLY THIS ENTIRE PROXY STATEMENT AND THE EXHIBITS HERETO BEFORE VOTING. UNDER DELAWARE LAW SHAREHOLDERS DO NOT HAVE DISSENTERS' OR APPRAISAL RIGHTS IN CONNECTION WITH THE REINCORPORATION.

PRINCIPAL REASONS FOR THE REINCORPORATION

The decision by the Company to incorporate in Delaware, despite the fact that the Company's principal executive offices were located in California, was made at a time when Delaware corporate law contained several benefits not then

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provided under California corporate law. In recent years, however, California law has been modified such that many of these benefits are now provided to California corporations. In particular, Delaware, to a larger extent than California, authorized the limitation of liability of corporate directors in situations not involving personal gain, dishonesty or other wrongful acts. In addition, Delaware law authorized broader indemnification for directors and officers than did California. In recent years, California's legislature has adopted provisions regarding limitation of directors' liability and indemnification of corporate officers and directors similar to those previously adopted by the Delaware legislature. Consequently, one of the principal reasons for being incorporated in Delaware is no longer applicable.

Additionally, Delaware law contained certain provisions regarding control of the Company, largely absent from California law, that made it more difficult for an individual to undertake a hostile takeover of the Company at the expense of its other shareholders, such as the right to establish a classified board of directors with staggered terms of office and to permit the removal of directors only for cause. The California legislature has in recent years adopted some of these provisions. Thus, another principal reason for being incorporated in Delaware is no longer as compelling.

Whereas the major benefits of being a Delaware corporation vis-a-vis being a California corporation have to a large extent disappeared, certain drawbacks of being a Delaware corporation have appeared. Principally, under Delaware's system of taxation, certain franchise taxes are assessed against the Company based on the number of shares authorized. This formula of taxation has resulted in increased tax costs to the Company. For the year ended December 31, 1994, the Company paid Delaware franchise taxes totaling approximately $50,000. On the other hand, the tax imposed on California corporations by virtue of being incorporated in

California is only $800 per year. Thus, had the Company been incorporated in California in 1994, it would have paid approximately $50,000 less in taxes.

As described below, there are other differences between California and Delaware law. However, the Board of Directors does not believe that the substantive rights of the shareholders would be materially diminished as a result of these differences.

CERTAIN SIGNIFICANT DIFFERENCES BETWEEN THE CORPORATION LAWS OF CALIFORNIA AND DELAWARE

California law and Delaware law differ in many respects, and, consequently, it is not practical to summarize all of the differences. The following is a summary of certain significant provisions of both laws (including provisions of the charter documents of the two companies, which provisions were adopted pursuant to those laws), which may affect the rights and interest of shareholders.

LIMITATION OF DIRECTORS' LIABILITY

Both California and Delaware law provide for inclusion in the corporation's articles or certificate of incorporation (and the California Articles will contain) a provision eliminating or limiting the personal liability for monetary damages of a director to the corporation for breach of his fiduciary duty as a director; provided, that in each case such liability cannot be eliminated or limited for breaches of the director's duty of loyalty, acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law or from which the director derived an improper personal benefit. California law, however, does not permit elimination or limitation of liability (i) for acts or omissions that show a reckless disregard for the director's duty to the corporation or its shareholders in circumstances in which the director was aware, or should have been aware, in the ordinary course of performing a director's duties, of a risk of serious injury to the corporation or its shareholders, (ii) for acts or omissions that constitute an unexcused pattern of inattention that amounts to an abdication of the director's duty to the corporation or its shareholders, (iii) for transactions between the corporation and such director or an entity in which such director has a material financial interest, or (iv) who approves prohibited liquidating distributions or prohibited loans or guarantees for directors or officers.

INDEMNIFICATION

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With some exceptions, California law and Delaware law have similar statutory provisions and limitations regarding indemnification by a corporation of its officers, directors, employees and other agents. Each provides that indemnification is mandatory under certain circumstances (generally in respect of expenses incurred by an indemnified party who is successful on the merits in the proceeding giving rise to the claim for indemnification) and permissive in others, subject to authorization. The standard of conduct required of a person seeking indemnification from a corporation is generally the same under California and Delaware law and requires that a person seeking indemnification shall have acted in good faith and in a manner he or she reasonably believed to be in (or in the case of Delaware, not opposed to) the best interests of the corporation and, in the case of a criminal proceeding, have no reasonable cause to believe his conduct was illegal. In addition, both California and Delaware law state expressly that the indemnification provided by statute shall not be deemed exclusive of any other rights under any bylaw, agreement, vote of shareholders or disinterested directors, or otherwise, except that with respect to breach of fiduciary duty, California law prohibits indemnification for any act for which a director may not be relieved of liability by the Corporation.

CLASSIFICATION OF THE BOARD OF DIRECTORS

One traditional major difference between the laws of the two jurisdictions has been the issue of a classified or "staggered term" board of directors. Generally, with a classified board, the board will be divided into three classes, with their three-year terms expiring at different times. As a result, only one class of directors is elected at each annual meeting of shareholders, with the remaining classes continuing their respective three-year terms. Thus, it would generally take a new majority shareholder at least two annual shareholders' meetings to elect a majority of the board and three to replace the entire board.

Delaware law allows a classified board of directors; California law traditionally has required that each director be elected annually. However, in 1989 California law was amended to permit "listed companies" (which include corporations, such as the Company, with outstanding securities listed on the New York Stock Exchange) to classify the board. The Company has no present intent to classify its board of directors.

CALL OF SPECIAL MEETINGS OF SHAREHOLDERS

Under California law, a special meeting of shareholders may be called by the board of directors, the chairman of the board, the president or the holders of shares entitled to cast not less than 10% of the votes at such meeting. Delaware law provides that special meetings of shareholders may be called by the board of directors. Delaware law also permits special meetings to be called by any other person designated in the certificate of incorporation or bylaws, but neither Bell Delaware's certificate of incorporation (the "Delaware Certificate") or its bylaws (the "Delaware Bylaws") designate any such person.

Since 10% of the shareholders can call a special meeting in California, it is easier for a potential acquiror to call such a meeting if the Company reincorporates in California. This does not affect the percentage of the shareholders required to take action at such a meeting.

"BUSINESS COMBINATIONS" (ANTI-TAKEOVER LAW)

Delaware has a "business combination" form of anti-takeover law. Briefly, the Delaware statute prevents "business combinations" (e.g., mergers, sales of assets, and certain stock transactions) between any corporation covered by the Delaware statute (generally, all publicly-traded Delaware corporations with at least 2,000 shareholders which have not "opted-out" of the statute) and any person who owns 15% or more of the voting stock of such corporation (an "interested shareholder") for three years from the date such person became an interested shareholder, unless (1) prior to becoming an interested shareholder, the board of directors of the target corporation approved the business combination or the transaction making such person an interested shareholder, (2) upon consummation of the transaction making such person an interested shareholder, such person owned at least 85% of the voting stock (excluding certain management-owned shares), or (3) the business combination is approved by the board of directors and the holders of 2/3 of the outstanding voting stock of the target corporation (excluding stock owned by the interested shareholder but including management-owned stock) upon or after the transaction making such person an interested shareholder.

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In addition, the Delaware Certificate contains a further restriction on business combinations. Briefly, the Delaware Certificate prohibits business combinations between the Company and a person who owns 20% or more of the voting stock of the Company (an "interested shareholder"), unless the business combination is approved by 75% of the voting stock, and the majority of the voting stock other than the voting stock of which the interested shareholder is a beneficial owner. This prohibition, however, does not apply if the business combination is approved by the Company's Board of Directors prior to the person becoming an interested shareholder, or, if a majority of the outstanding shares of stock of the interested shareholder is owned by the Company. In addition, the Delaware Certificate provides that the purchase of shares by the Company from a

shareholder who is the beneficial holder of 5% or more of the Company's outstanding shares at a price per share in excess of the then "Market Price" (as defined) must be approved by the holders of at least a majority of the Company's outstanding shares excluding the shares owned by such selling shareholder.

California law does not provide anti-takeover protection similar to that provided by the Delaware "business combination" statute. However, the California Articles will contain a restriction on business combinations substantially similar to the restrictions imposed by the Delaware Certificate. Likewise, the California Articles will contain a provision substantially similar to the provision contained in the Delaware Certificate regarding the prior approval of shareholders for purchases of Company shares from of 5% holder at a price in excess of fair market value.

In addition, California law does restrict certain transactions between corporations and "interested parties" (as defined below), as follows. California law provides that if an interested party makes a tender offer (or proposes certain reorganizations) to some or all of a corporation's shareholders, he must deliver an opinion as to the fairness of the consideration (except if the corporation does not have at least 100 shareholders of record or the securities to be issued were qualified by the California Department of Corporations under certain provisions of the California Corporate Securities Law). "Interested party" is defined as a person who is a party to the transaction and (a) controls the corporation that is subject to the tender offer or proposal, (b) is an officer or director of the subject corporation, or (c) is an entity in which a material financial interest is held by any director or executive officer of the subject corporation.

NUMBER OF DIRECTORS

Under Delaware law, the board of directors may fix or change the authorized number of directors pursuant to an amendment of the bylaws, unless the certificate of incorporation fixes the number of directors (the Delaware Certificate does not). Under California law, only the shareholders can fix or change the authorized number of directors, although the board of directors may fix the exact number of directors from time to time within a range provided in the articles of incorporation or bylaws.

REMOVAL OF DIRECTORS

Under both California and Delaware law, a director may be removed without cause by shareholder vote, except as follows. If the corporation's board of directors is classified, he may not be removed under California law if the shares voting against such removal would be sufficient to elect the director under cumulative voting rules, and he may not be removed under Delaware law without cause, unless the certificate of incorporation otherwise provides. In addition, both California and Delaware provide that no director may be removed without cause (unless the entire board is removed) if the shares voted against removal would be sufficient to elect the director under cumulative voting rules, except that under Delaware law, this restriction applies only if the corporation has cumulative voting. Finally, California law permits a court, at the request of shareholders holding at least 10% of the outstanding shares of any class, to remove a director in the case of fraudulent or dishonest acts or gross abuse of authority or discretion.

CUMULATIVE VOTING FOR DIRECTORS

California law requires cumulative voting in the election of directors for most corporations upon notice given by a shareholder at a shareholders' meeting. However, as in the case of a classified board, the articles of incorporation of

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a California "listed company" can eliminate cumulative voting. Under Delaware law, shares may not be cumulatively voted for the election of directors unless the certificate of incorporation specifically provides for cumulative voting (the Delaware Certificate does, and the California Articles will). Shareholders

of the Company will have cumulative voting rights regardless of whether the Company is incorporated in Delaware or California.

VOTE REQUIRED FOR MERGERS AND REORGANIZATIONS

Delaware law relating to mergers and other corporate reorganizations differs from California law in a number of respects. Generally, California law requires a shareholder vote in more situations than does Delaware law. Both California and Delaware law provide for shareholder votes (except as indicated below and for certain mergers between a parent company and its 90% owned subsidiary) of both the acquiring and acquired corporation to approve mergers, and of the selling corporation for the sale by the corporation of substantially all of its assets. In addition to the foregoing, California law requires the affirmative vote of a majority of the outstanding shares of (i) an acquiring corporation in share-for-share exchanges, (ii) the acquiring and acquired corporation in sale-of-assets reorganizations, and (iii) any parent corporation whose equity securities are being issued or transferred in connection with a corporate reorganization. California law generally requires a class vote when a vote is required in connection with these transactions, whereas Delaware law generally does not (see "Class Vote for Certain Reorganizations" below).

Delaware law does not require a shareholder vote of the surviving corporation in a merger if (i) the merger agreement does not amend the existing certificate of incorporation, (ii) each outstanding or treasury share of the surviving corporation before the merger is unchanged after the merger, and (iii) the number of shares to be issued by the surviving corporation in the merger does not exceed 20% of the shares outstanding immediately prior to such issuance. California law contains a similar exception to its voting requirements for reorganizations where any corporation or its shareholders immediately before the reorganization own (immediately after the reorganization) more than five-sixths of the voting power of the surviving or acquiring corporation (or its parent).

CLASS VOTE FOR CERTAIN REORGANIZATIONS

With certain exceptions, California law requires that a merger or reorganization and certain sales of assets or similar transactions be approved by a majority vote of each class of shares outstanding, and provides for separate series votes in certain circumstances. By contrast, Delaware law generally does not require such class voting, except in circumstances where the transaction involves an amendment to the certificate of incorporation which would increase or decrease the aggregate number of authorized shares of such class, increase or decrease the par value of the shares of such a class, or alter or change the powers, preferences or special rights of the shares of such class so as to affect them adversely.

APPRAISAL RIGHTS IN MERGERS

Under both California and Delaware law, a dissenting shareholder of a corporation participating in certain transactions may, under varying circumstances, receive cash in the amount of the fair value of his shares (as determined by a court), in lieu of the consideration he would otherwise receive in any such transaction.

Delaware law does not require such dissenters' rights of appraisal, unless a corporation's certificate of incorporation provides otherwise (the Delaware Certificate does not), with respect to (i) a sale of assets; (ii) shares of a corporation party to a merger or consolidation which are either listed on a national securities exchange, are designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc. (a "National Market Issue"), or are widely held (by more than 2,000 shareholders), if such shareholders receive only shares of the surviving corporation or shares of any other corporation which are listed on a national securities exchange, are a National Market Issue or are held of record by more than 2,000 holders; or (iii) shares of the surviving corporation in a merger, if the number of

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shares to be issued in the merger does not exceed 20% of the shares of the surviving corporation outstanding immediately prior to the merger and certain other conditions are met.

California law generally provides for dissenters' rights in a share-for-share exchange, a sale-of-assets reorganization or a merger. However, under California law, dissenter's rights are not available for shares of any "listed company" unless holders of 5% or more of the class of securities claim dissenters' rights or unless the shares have certain restrictions on transfer. Also, under California law, shareholders of a corporation involved in a reorganization are not entitled to dissenters' rights if the corporation, or its shareholders immediately before the reorganization, or both, will own immediately after the reorganization more than five-sixths of the voting power of the surviving or acquiring corporation or its parent entity.

INSPECTION OF SHAREHOLDER LISTS

California law provides for an absolute right of inspection of the shareholder list for any shareholder holding 5% or more of a corporation's shares or any shareholder holding 1% or more of a corporation's shares who has filed a Schedule 14B with the Securities and Exchange Commission relating to the election of directors. In addition, California law provides a right of inspection of shareholder lists for a purpose reasonably related to such shareholder's interest as a shareholder.

Delaware law does not provide any similar absolute right of inspection, but does permit any shareholder list for any purpose reasonably related to such person's interest as a shareholder and, for a ten-day period preceding a shareholder's meeting, for any purpose germane to the meeting. The increased difficulty that shareholders of a Delaware corporation might experience in obtaining a shareholder list could make it more difficult to attempt a non-negotiated takeover of a Delaware corporation or make it less likely that such a takeover would be attempted.

LOANS TO OFFICERS AND EMPLOYEES

Under Delaware law, a corporation may make loans to, or guarantee the obligations of, or otherwise assist, its officers or other employees and those of its subsidiaries when such action, in the judgment of the directors, may reasonably be expected to benefit the corporation. Under California law, however, a corporation may not make any such loan or guarantee for the benefit of any officer or director of a corporation or its parent unless approved by a majority vote of shareholders or by the disinterested directors pursuant to a bylaw provision adopted by the shareholders. However, California also permits such a loan or guarantee to be approved by the board alone by a vote sufficient without counting the vote of any interested director, if the corporation has at least 100 shareholders, has a bylaw approved by the shareholders authorizing the board alone to approve such a loan or guaranty (which the California Bylaws shall have), and the board determines that such a loan or guarantee may reasonably be expected to benefit the corporation. Approval of the Reincorporation by the shareholders shall also be deemed to be approval of such Bylaw.

DIVIDENDS

California law provides that a corporation may not make any distribution (including dividends, whether cash or other property, and repurchases of its shares) unless (i) the corporation's retained earnings immediately prior to the proposed distribution equal or exceed the amount of the proposed distribution, or (ii) immediately after giving effect to such distribution, the corporation's assets (exclusive of goodwill, capitalized research and development expenses and deferred charges) would be at least equal to 1 1/4 times its liabilities (not including deferred taxes, deferred income and other deferred credits) and the corporation's current assets would be at least equal to its current liabilities (or 1 1/4 times its current liabilities if the average pre-tax and pre-interest expense earnings for the preceding two fiscal years were less than the average interest

expense for such years). Under California law assets are valued at book value. In addition, California law provides that a corporation may not make any such distribution if as a result the excess of the corporation's assets over its

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liabilities would be less than the liquidation preference of all shares having a preference on liquidation over the class or series to which the distribution is to be made.

Delaware law provides that a corporation may, unless otherwise restricted by its certificate of incorporation, declare and pay dividends out of surplus (generally, the shareholders' equity of the corporation less the par value of the capital stock outstanding), or if no surplus exists, out of net profits for the current or preceding fiscal year (provided that the amount of capital of the corporation following the declaration and payment of the dividend is not less than the aggregate amount of the capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets). Additionally, Delaware law provides that a corporation may redeem or repurchase its shares only out of surplus. To determine the surplus, assets and liabilities are valued at their current fair market value, rather than book value.

VOTING BY BALLOT

California law grants to each shareholder the right to require a vote by written ballot for the election of directors at a shareholders' meeting. Under Delaware law, all elections of directors must be by written ballot, unless the certificate of incorporation provides otherwise (the Delaware Certificate does not).

DISSOLUTION

Under California law, shareholders holding 50% or more of the total voting power may authorize a corporation's dissolution. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions (the Delaware Certificate does not). Without such a provision, Delaware law requires approval by a majority of the total voting power and approval by a majority of the board of directors, or approval of all of the shareholders to authorize dissolution.

FEDERAL INCOME TAX CONSEQUENCES OF THE REINCORPORATION

The Reincorporation will be a "tax free" reorganization under the Internal Revenue Code of 1986, as amended. Accordingly, no gain or loss will be recognized by the Company or by shareholders of the Company as a result of the Reincorporation. Each shareholder of the Company will have the same basis in the shares of California common stock received by him or her pursuant to the Reincorporation as he or she has in the shares of the Delaware common stock held by him or her at the time of consummation of the Reincorporation, and his or her holding period with respect to such shares of California common stock will include the period during which he or she held the corresponding shares of Delaware common stock, provided the latter were held by him or her as capital assets at the time of the Reincorporation.

VOTE REQUIRED AND BOARD RECOMMENDATION

Delaware law requires the favorable vote of at least a majority of all the outstanding stock of the Company to approve the Reincorporation. Accordingly, abstentions and broker non-votes will effectively count as votes against the Reincorporation.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE REINCORPORATION.

COMMITTEES AND MEETINGS OF THE BOARD OF DIRECTORS

The Company's Board of Directors held six meetings during fiscal 1994. Each director attended at least 80% of the meetings of the Board of Directors and the committees on which he served except for Mr. Craig who attended four of the six Board of Directors' meetings and one of the two meetings of the Compensation Committee. During the six month period ended December 31, 1994, the Board of Directors held four meetings. Each director attended all of the Board and committee meetings on which he served during the six month period.

The Board of Directors also has standing committees: an Executive Committee, an Audit Committee, a Compensation Committee, and a Nominating Committee. The Executive Committee is composed of Messrs. Williams and Jaffe and held twelve meetings during fiscal 1994. The Executive Committee exercises to a

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limited extent the authority of the Board of Directors between meetings of the Board. The Audit Committee consists of Messrs. Cost, Troy and Rosenberg and held two meetings during fiscal 1994 and one meeting during the six month period ended December 31, 1994. The Audit Committee reviews periodic financial statements of the Company, reviews the independent accountants' scope of engagement, performance and fees, and reviews the adequacy of the Company's financial control procedures. The Compensation Committee is composed of Messrs. Cost, Craig, Troy and Rosenberg and during fiscal 1994 and the December six month period held two meetings and three meetings, respectively. Its function is to review and recommend remuneration arrangements for various key executives and various benefit plans, including the stock option plans, in which officers and employees may participate. Messrs. Cost and Rosenberg are members of the Nominating Committee which was established in March 1993. The Nominating Committee held no meetings during fiscal 1994 or during the six month period ended December 31, 1994. Its function is to recommend individuals to be members of the Board of Directors.

TRANSITION REPORT ON FORM 10-K

The Company will provide, without charge, a copy of the Company's Transition Report on Form 10-K filed with the Securities and Exchange Commission for the six month period ended December 31, 1994 upon the written request of any shareholder. This request should be directed to Mr. Tracy A. Edwards, Vice President and Chief Financial Officer, Bell Industries, Inc., 11812 San Vicente Boulevard, Los Angeles, California 90049-5069.

SHAREHOLDER PROPOSALS

If a shareholder wishes to have a proposal printed in the Proxy Statement to be used in connection with the Company's next Annual Meeting of Shareholders, tentatively scheduled for May 2, 1996, such a proposal must be received by the Company at its corporate office prior to December 22, 1995.

MISCELLANEOUS

Price Waterhouse has been the Company's independent accountants for a number of years and has been selected to continue in such capacity for the current fiscal year. It is anticipated that a representative from Price Waterhouse will attend the Annual Meeting of Shareholders, will be available to answer questions, and will be afforded the opportunity to make any statements the representative desires to make.

The Board of Directors knows of no other matters that are likely to come before the meeting. If any such matters should properly come before the meeting, however, it is intended that the persons named in the accompanying form of proxy will vote such proxy in accordance with their best judgment on such matters. The Company's Bylaws require that, for other business to be properly brought before an annual meeting by a shareholder, the Company must have received written notice thereof not less than 60 nor more than 90 days prior to the annual meeting (or, if less than 70 days notice or other public disclosure of the date of the annual meeting is given, not later than 10 days after the earlier of the date notice was mailed or public disclosure of the date was made). The notice must set forth (a) a brief description of the business proposed to be brought before the annual meeting, (b) the shareholder's name and address, (c) the number of shares beneficially owned by such shareholder as of the date of the shareholder's Notice, and (d) any financial interest of such shareholder in the proposal. Similar information is required with respect to any other shareholder, known by the shareholder giving notice, supporting the proposal. Further, if the proposal includes the nomination of a person to become a director which person was not set forth in a proxy statement submitted to all shareholders pursuant to the federal proxy rules, such proposal shall contain all the information specified by such rules.

By Order of the Board of Directors

JOHN J. COST
Secretary

March 17, 1995

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EXHIBIT A

AGREEMENT OF MERGER

THIS AGREEMENT OF MERGER (this "Agreement") is made as of , 1995 by and between BELL INDUSTRIES, INC., a Delaware corporation ("Bell Delaware"), and CALIFORNIA BELL INDUSTRIES, INC., a California corporation and a wholly-owned subsidiary of Bell Delaware ("Bell California").

RECITALS:

The Board of Directors of Bell Delaware and the Board of Directors of Bell California deem it advisable that Bell Delaware merge into Bell California pursuant to the Laws of the states of California and Delaware, and the Board of Directors of each such corporation has approved this Agreement.

The Board of Directors of Bell Delaware has directed that this Agreement be submitted to a vote of Bell Delaware shareholders at the 1995 Annual Meeting of Shareholders to be held on May 9, 1995, or any adjournment thereof.

The Board of Directors of Bell California has directed that this Agreement be submitted to its sole shareholder, Bell Delaware, and said sole shareholder has adopted and approved this Agreement by written consent dated as of , 1995.

NOW, THEREFORE, the parties do hereby adopt the plan of reorganization and merger encompassed by this Agreement and do hereby agree as follows:

Merger. Subject to the terms and conditions hereinafter set forth, Bell Delaware shall be merged with and into Bell California, and Bell California shall be the surviving corporation (the "Merger"). The Merger shall become effective if and when appropriate documents necessary to effectuate the Merger shall be filed with the Secretary of State of the State of California and the Secretary of State of the State of Delaware (the "Effective Date").

Effect of Merger. At the Effective Date, the following shall be deemed simultaneously to have occurred, by reason of the Merger and without any action required on the part of any person:

The separate corporate existence of Bell Delaware shall cease, and the corporate existence of Bell California as governed by the California Corporations Code, shall continue unimpaired and unaffected by the Merger.

The shares of Bell California common stock, $0.25 par value per share (the "California Common Stock"), theretofore issued and outstanding shall be retired and cancelled.

Each share of Bell Delaware common stock, $0.25 par value (the "Delaware Common Stock"), issued and outstanding shall be converted by reason of the Merger and without any action on the part of the holders thereof into and become one share of California Common Stock. The shares of Delaware Common Stock so converted shall cease to exist as such and shall exist only as shares of California Common Stock.

Stock Certificates. On and after the Effective Date, all of the outstanding certificates which prior to that time represented shares of the Delaware Common Stock shall be deemed for all purposes to evidence ownership of and to represent the shares of Bell California into which the shares of Bell Delaware represented by such certificates have been converted as herein provided. The registered owner on the books and records of Bell Delaware or its transfer agent of any such outstanding stock certificate shall,

until such certificate shall have been surrendered for transfer or conversion or otherwise accounted for to Bell California or its transfer agent, have and be entitled to exercise any voting and other rights with respect to and to receive any dividend and other distributions upon the shares of Bell California evidenced by such outstanding certificate as above provided.

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Employee Option and Benefit Plans and Other Stock Rights. Each option or other right to purchase or otherwise acquire shares of Delaware Common Stock granted under (i) any employee option or benefit plan of Bell Delaware (collectively, the "Plans"), or (ii) any other option or stock right exercisable or convertible into shares of Delaware Common Stock, which is outstanding immediately prior to the Effective Date, shall, by virtue of the Merger and without any action on the part of the holder thereof, be converted into and become an option or right to acquire (and Bell California hereby assumes the obligation to deliver) the same number of shares of California Common Stock at the same price per share, and upon the same terms and subject to the same conditions, as set forth in each of such Plans and/or rights as in effect at the Effective Date. The same number of shares of California Common Stock shall be reserved for purposes of such Plans and/or rights as is equal to the number of shares of Delaware Common Stock so reserved as of the Effective Date. Bell California hereby assumes, as of the Effective Date, (x) the Plans and all obligations of Bell Delaware under the Plans, including the outstanding options or awards or portions thereof granted pursuant to the Plans, and (y) all obligations of Bell Delaware under all other benefit plans and outstanding stock rights in effect as of the Effective Date with respect to which employee rights or accrued benefits or other rights are outstanding as of the Effective Date.

California Articles of Incorporation and Bylaws. The Articles of Incorporation of Bell California, as in effect at the Effective Date, shall continue to be the Articles of Incorporation of Bell California until further amended in accordance with the provisions thereof and applicable law. The Bylaws of Bell California, as in effect on the Effective Date, shall continue to be the Bylaws of Bell California without change or amendment until further amended in accordance with the provisions thereof and applicable law. Immediately after the Merger becomes effective, Bell California shall file an amendment to its Articles of Incorporation with the Secretary of State of the State of California changing its name to Bell Industries, Inc.

Officers and Directors. The officers and directors of Bell Delaware immediately prior to the Effective Date shall become the officers and directors of Bell California on the Effective Date.

Conditions to Merger. The consummation of the Merger and the other transactions contemplated by this Agreement is subject to the condition that the Merger and the principal terms of this Agreement shall have been approved by the shareholders of Bell Delaware, and that the California Common Stock to be issued or reserved for issuance shall, upon official notice of issuance, be listed on the New York Stock Exchange.

Further Assurances. From time to time, as and when required by Bell California, or by its successors or assigns, there shall be executed and delivered such deeds and other instruments, and there shall be taken or caused to be taken all such further and other action as shall be appropriate or necessary to vest, perfect, or confirm, of record or otherwise, in Bell California the title to and possession of all property, interests, assets, rights, privileges, immunities, powers, franchises and authority of Bell Delaware, and otherwise to carry out the purposes of this Agreement; and the officers and directors of Bell California are fully authorized in the name and on behalf of Bell Delaware or otherwise, to take any and all such action to execute and deliver any and all such deeds and instruments.

Amendment. The parties hereto, by mutual consent of their respective Boards of Directors, may amend, modify or supplement this Agreement at any time prior to the Effective Date; provided, however,

that no amendment shall be made subsequent to the adoption of this Agreement by the stockholders of Bell Delaware which changes this Agreement in a way which, in the judgment of the Board of Directors of Bell Delaware, would have a material adverse effect on the stockholders of Bell Delaware, unless such amendment is approved by such stockholders.

Deferral. Consummation of the transactions herein provided for may be deferred by the Board of Directors of Bell Delaware for a reasonable period of time if such Board of Directors determines that such deferral would be in the best interests of Bell Delaware and its stockholders.

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Termination. This Agreement may be terminated and the Merger and other transactions herein provided for abandoned at any time prior to the Effective Date, whether before or after approval of this Agreement by the stockholders of Bell Delaware, by action of the Board of Directors of Bell Delaware, if such Board of Directors determines that the consummation of the transactions provided for herein would not, for any reason, be in the best interests of Bell Delaware and its stockholders,

Counterparts. This Agreement may be executed in one or more counterparts, and each such counterpart hereof shall be deemed to be an original instrument, but all such counterparts together shall constitute but one agreement.

Descriptive Headings. The descriptive headings herein are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

Governing Law. This agreement shall be governed by, and construed in accordance with the laws of the State of Delaware.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed on behalf of each of said parties by their respective duly authorized officers as of the date first above written.

BELL INDUSTRIES, INC.,
a Delaware corporation

By: _____

Name: _____

Its: _____

CALIFORNIA BELL INDUSTRIES, INC.,
a California corporation

By: _____

Name: _____

Its: _____

PROXY

BELL INDUSTRIES, INC.
11812 San Vicente Boulevard
Los Angeles, California 90049

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS.

The undersigned hereby appoints Theodore Williams and Bruce M. Jaffe, and each of them, as Proxies, each with the power to appoint his substitute, and hereby authorizes each of them to represent and to vote as designated below, all the shares of common stock of Bell Industries, Inc. held of record by the undersigned on March 17, 1995, at the Annual Meeting of Shareholders to be held on May 9, 1995 or any adjournment thereof.

1. ELECTION OF DIRECTORS:
FOR all nominees listed below / / WITHHOLD AUTHORITY / /
(except as marked to the contrary below) to vote for all nominees
Nominees: J. Cost, A. Craig, G. Graham, B. Jaffe, C. Troy, M. Rosenberg, T. Williams

(INSTRUCTION: To withhold authority to vote for an individual nominee write that nominee's name on the space provided below.)

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2. FOR / / AGAINST / / Changing the state of incorporation from Delaware to California.

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3. In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting.

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ACCOUNT NUMBER SHARES PROXY NUMBER

This proxy when properly executed will be voted in the manner directed herein by the undersigned shareholder. If no direction is made, the proxy will be voted for the election of all nominees as directors and for changing the state of incorporation.

Please sign exactly as name appears below.

DATED:_____ , 1995

When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by President or other authorized officer. If a partnership, please sign in partnership name by authorized person.

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Signature

- ---

Signature if held jointly

PLEASE MARK, SIGN, DATE AND RETURN THE PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.

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