

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q/A

Quarterly report pursuant to sections 13 or 15(d) [amend]

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FILER

INTELLIGENT ELECTRONICS INC

CIK: **814430** | IRS No.: **232208404** | State of Incorpor.: **PA** | Fiscal Year End: **0131**
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SIC: **5045** Computers & peripheral equipment & software

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EXTON PA 19341

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SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q/A

AMENDMENT NO. 1

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

FOR THE QUARTERLY PERIOD ENDED May 3, 1997 .

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

FOR THE TRANSITION PERIOD FROM TO .

Commission file number 0-15991

Intelligent Electronics, Inc.

(Exact name of registrant as specified in its charter)

Pennsylvania

23-2208404

(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification No.)

411 Eagleview Boulevard, Exton, PA

19341

(Address of principal executive offices) (Zip Code)

(610) 458-5500

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X

No _____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 39,166,814 shares of Common Stock, par value \$0.01 per share were outstanding at June 9, 1997.

Item 6. Exhibits

(a) Exhibits

10. Volume Purchase Agreement dated April 29, 1997 between XLSOURCE, Inc. (a wholly-owned subsidiary) and Ingram Micro Inc. *

* Portions of this Agreement have been omitted pursuant to a request for confidential treatment.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Intelligent Electronics, Inc.

/s/ Eugene E. Marinelli, Jr.

Eugene E. Marinelli, Jr.
Vice President, Chief Financial
Officer and Chief Accounting Officer

Date: September 15, 1997

VOLUME PURCHASE AGREEMENT

This Agreement ("Agreement") dated as of April 29, 1997, is by and between XLSOURCE, Inc. ("XLS"), with its principal place of business at 411 Eagleview Boulevard, Exton, PA 19341 and Ingram Micro Inc. ("Ingram"), including its Ingram Alliance division ("Alliance"), with its principal place of business at 1600 East St. Andrew Place, Santa Ana, California 92705.

RECITALS

- A. Ingram is a wholesale distributor of microcomputer and technology products and services.
- B. XLS is a reseller of microcomputer and technology products and is a wholly owned subsidiary of Intelligent Electronics, Inc. ("IE").
- C. Ingram, XLS and IE have entered into a Stock Purchase Agreement (the "Stock Purchase Agreement") dated as of April 29, 1997 pursuant to which Ingram will purchase from IE all of the capital stock of certain subsidiaries of IE.
- D. Ingram's willingness to enter into the Stock Purchase Agreement is conditioned on XLS's agreeing to guarantee the obligations of IE under the Stock Purchase Agreement on the terms and conditions set forth therein.
- E. XLS is willing to guarantee IE's obligations as described above in exchange for the ability to purchase substantially all of its product requirements from Ingram on the terms and conditions set forth herein.
- F. Ingram agrees to sell to XLS all of the product requirements of XLS on the terms and conditions set forth herein.

Now therefore, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Definitions.

The following terms used in this Agreement shall be defined as follows:

- 1.1. "Alliance Products" shall, initially, be those products offered by Apple, IBM, Compaq, Hewlett-Packard, Toshiba, NEC, Acer, AST, Digital, Epson, and Lexmark for distribution through Alliance; the "Alliance Products" may be updated or modified from time to time by Ingram on thirty (30) days prior notice to XLS.
- 1.2. "Non-Alliance Products" shall mean all other products in Ingram's product inventory and available for distribution on the date an order is placed for such product.
- 1.3. "Configured Products" shall mean those products which have been configured with or installed on other Products by Ingram's Configuration Services group pursuant to this Agreement.
- 1.4. "Product" or "Products" shall mean Alliance Products, Non-Alliance Products, Configured Products and/or Excluded Products, all of which are subject to product availability from the Product Vendors.
- 1.5. "Excluded Products" shall mean those Products which Ingram is not authorized to distribute or those Products for which Ingram has restrictive distribution rights.
- 1.6. "Vendors" shall mean the vendors or publishers of the Products offered by Ingram hereunder.

1.7. "Cost" shall mean the applicable Vendor's invoiced replacement cost to Ingram.

1.8. "Net Purchases" shall mean total invoice amounts, net of all rebates, of all Products purchased under this Agreement, net of returns.

2. Term of the Agreement

The term of the Agreement shall commence on the date hereof and shall continue for a period of three (3) years following the Closing Date, as defined below, unless terminated sooner pursuant to the terms hereof.

3. Products

3.1. Commencing on the Closing Date and thereafter during the term of this Agreement, XLS shall order 100% of its requirements from time to time for Products which are listed on Ingram's on-line ordering system on the date the Products are ordered. In the event Ingram cannot fulfill the order in the required time frame designated by XLS, it shall order the product in XLS's behalf from other sources in order to meet its service level requirements.

3.2. It is acknowledged by Ingram that in the event this Agreement is assigned with Ingram's consent in accordance with Paragraph 28, the assignee may have a different ordering process than described herein and may not order 100% of its requirements from Ingram.

3.3. During the term of this Agreement, Ingram shall use best efforts to provide and deliver the Products in a timely and efficient manner in accordance with the performance metrics described in Exhibit A attached to this Agreement.

3.4. All Products purchased pursuant to this Agreement shall be for resale only within the United States.

3.5. If authorization for resale is required by the Vendor of a Product, Ingram shall not be obligated to sell such Product to XLS unless Ingram has received notice that XLS has been authorized by the Vendor.

4. Purchase Commitment

4.1. XLS hereby agrees that its Net Purchases will equal a minimum of \$1.8 billion of Products ("Guaranteed Minimum Revenue") under this Agreement during the term of this Agreement. The intention of both parties is that the Net Purchases will be at a rate of \$600 million annually ("Annual Minimum Revenue"). For purposes of determining XLS's performance under this Section 4, a "year" shall mean a period of 365 or 366 days commencing on the day following the date that the transaction contemplated by the Stock Purchase Agreement have been consummated (the "Closing Date") and the first and second anniversaries of the Closing Date and ending on the first, second and third anniversaries of the Closing Date, respectively.

4.2. Promptly following the end of each year under this Agreement, Ingram will determine if XLS has Net Purchases equal to the Annual Minimum Revenue. In the event it has not, Ingram will deliver an invoice to XLS setting forth an amount established as follows: Annual Minimum Revenue minus actual Net Purchases under this Agreement ("Deficiency Amount") multiplied by one and one-half percent (1 1/2%). In determining Net Purchases in this calculation, product ordered from other sources pursuant to Paragraph 3.1 will be included. XLS may either pay the invoice within ten days following receipt by XLS or, at its option, extend the contract beyond the scheduled end of the term of this Agreement. In the event XLS elects to extend the term of this Agreement, the Deficiency Amount will be multiplied by ** if the deficiency occurs during the first year of this Agreement, ** if the deficiency occurs during the second year of this Agreement and ** thereafter and that amount will become the "Remaining Guaranteed Minimum Revenue" for the period beyond the term of this Agreement. The amount of time the term is extended

will be calculated by dividing the Remaining Guaranteed Minimum Revenue by \$50 million, rounding up, and adding that number of months to the term of the Agreement. In no event will XLS have the option of extending this Agreement more than an additional 24 months.

** Confidential treatment has been requested for the deleted text, which has been filed separately with the Securities and Exchange Commission.

4.3. In the event XLS exceeds the Annual Minimum Revenue in any year of this Agreement, then the Remaining Guaranteed Minimum Revenue, if any, will be reduced by an amount equal to ** of any excess and, if applicable, the extended term reduced accordingly or, if there is no Remaining Guaranteed Minimum Revenue, the Annual Minimum Revenue for the subsequent year of this Agreement shall be reduced by an amount equal to such excess.

4.4. This Agreement will terminate when Net Purchases by XLS exceeds the sum of \$1.8 billion plus the Remaining Guaranteed Minimum Revenue, if any, less the aggregate Deficiency Amounts, if any, deferred to the extended term of this Agreement at XLS's election.

4.5. If in any one year, XLS's Net Purchases are less than ** of Products under this Agreement (unless the Agreement shall have terminated in said year pursuant to Section 4.4), then in addition to the remedies under Paragraph 4.2 above, XLS agrees it will pay an additional amount equal to ** of the difference between ** million and the Net Purchases under this Agreements in that year.

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5. Pricing

5.1. All Product prices will be as shown in Ingram's on-line ordering system as of the date of order, except as otherwise provided below.

5.2. Prices for the following Alliance Products will be calculated at Ingram's Cost on the date of purchase plus the percentage listed below:

(a) **

(b) **

** Confidential treatment has been requested for the deleted text, which has been filed separately with the Securities and Exchange Commission.

5.3. Prices for all Alliance Products other than those described in Section 5.2 above will be established by Ingram, through the assignment to Alliance's standard pricing matrix, and will be substantially consistent with that to other customers with similar volumes.

5.4. Prices for Non-Alliance Products (except for those Products noted in Sections 5.5 and 5.6 below) will be calculated at Cost divided by the factor applicable to the Product type. The Product types and factors will be as follows:

Product Type	Factor
-----	-----
Software	**
Hardware	**
Accessory Product	**
Technical Product	**

5.5. Prices for Products from those Vendors and/or product groups listed on ** shall be calculated at Cost divided by the factor listed beside it on **. In the event of a conflict between ** and Paragraph 5.4 above, ** will prevail.

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has been filed separately with the Securities and Exchange Commission.

5.6. Specialized Products, including memory and licenses, shall be priced consistent with prices charged to other customers with similar volumes.

5.7. As Cost changes, Ingram may adjust the pricing shown on its on-line ordering system to reflect such changes without notice to XLS.

5.8. Ingram agrees that all programmatic promotional pricing programs will be offered to XLS.

5.9. Ingram and XLS agree that in the event of a substantial change in the competitive market environment for the products offered by Ingram, they will make a good faith effort to agree on amended prices for this Agreement, which will be substantially consistent with prices for customers with substantially equivalent volumes.

5.10. Ingram will pass through price protection for Products purchased or in transit to XLS or its customers at the time the Product's Vendor reduces its price to Ingram. Such price protection shall be in the form of a credit equal to the amount of the price decrease per unit of Product multiplied by the number of units in XLS's inventory or in transit from Ingram to XLS or its customers on the date the price decrease became effective. In order to obtain such price protection, XLS must provide Ingram with a completed Ingram Price Protection form and a computer-generated inventory report listing the Product qualified for the price protection. Once the price protection credit has been approved by and received from the Vendor, a credit memo will be issued and appear on XLS's account within forty-eight (48) hours. XLS agrees not to deduct any anticipated price protection credits from amounts owed to Ingram without Ingram's express prior written consent. Ingram will not be responsible for passing through price protection relating to any price protection requests which are rejected by the Product's Vendor for reasons other than Ingram's performance.

6. Rebate

6.1. XLS shall be entitled to receive a performance-based rebate equal to the percentage of Net Purchases from Ingram during each fiscal quarter as determined by the following schedule:

	For the period from	Each quarter	
	May 1 - September 30, 1997	thereafter	
Rebate			
Percentage			
Quarterly Net Purchases	**	**	**
Quarterly Net Purchases	**	**	**
Quarterly Net Purchases	**	**	**

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6.2. Products ordered from Ingram that it must buy from other sources in accordance with Paragraph 3.1 above will count towards rebate goals but rebates will not be earned on those purchases.

6.3. Within thirty days following the end of any quarter in which XLS achieves a rebate, Ingram will issue XLS a credit in the amount of the rebate.

7. Ordering

7.1. There shall be no minimum order size restriction on XLS orders.

7.2. The pricing offered to XLS under this Agreement is contingent upon XLS placing a majority of its Product orders via electronic ordering

methods offered by Ingram, including its CAPS and EDI services, beginning after the first six months of the term of this Agreement. Ingram and XLS will mutually cooperate and commit the necessary resources to ensure that electronic ordering and order management systems are put in place within the first six months of the term of this Agreement in order to permit achievement of the electronic ordering goal set forth in this Section.

8. Payment Terms

8.1. Ingram will invoice XLS upon Product shipment and/or shipment of the Configured Products to the location specified on the XLS purchase order, with all invoices due and payable net thirty (30) days from date of invoice.

8.2. Alliance Product pricing applies only to those Products purchased on approved flooring accounts. XLS agrees to utilize Alliance approved flooring companies as listed in Exhibit C, as it may be modified and amended from time to time, in order to assure that the associated flooring fees are subsidized by the Vendor. If XLS uses a flooring company not listed on Exhibit C, XLS agrees to pay all flooring fees and related costs charged by such flooring company.

8.3. In the event XLS elects to place an order for Alliance Products on a net terms account, Ingram will invoice XLS upon Product shipment, and all such invoices will be due and payable net thirty (30) days from invoice date. A net terms fee of ** of the total invoice amount will be added to Alliance Product orders placed on XLS's net terms account.

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8.4. If XLS has a reasonable dispute with any invoice received from Ingram, it agrees that it will pay the undisputed portion of the invoice and will immediately notify Ingram of the amount remaining in dispute. The parties will then have thirty (30) days in which to resolve the dispute before such unpaid amounts will be considered overdue or delinquent under this Agreement.

8.5. A service charge of the lesser of one and one-half percent (1.5%) per month or the maximum amount allowed by law may be charged on all balances past due except disputed amounts ultimately resolved in XLS's favor.

8.6. XLS shall pay and be responsible for applicable federal, state, municipal, and other government taxes (such as sales, use, etc.) for each Product purchased except any applicable income taxes on such sale. Unless otherwise specified, list prices do not include such taxes, and they will appear, if applicable, as separate, additional items on the invoice. Exemption certificates, valid in the place of delivery, must be presented to Ingram prior to shipment if they are to be honored.

9. Credit

9.1. XLS shall furnish to Ingram all financial information reasonably requested by Ingram from time to time for the purpose of establishing or continuing XLS's credit limit, it being understood that Ingram shall have the right from time to time, without notice, to change or revoke XLS's credit limit on the basis of changes in Ingram's credit policies or XLS's financial conditions and/or payment record. In such event, the applicable purchase price shall be paid prior to shipment.

9.2. In the event XLS fails to make timely payment of any undisputed amount invoiced hereunder, Ingram shall have the right, in addition to any and all other rights and remedies available to Ingram, at law or in equity, to immediately revoke any or all credit extended, to delay or cancel future deliveries and/or to reduce or cancel any or

all quantity discounts extended to XLS. All costs of collection, including reasonable attorneys' fees, shall be paid by XLS.

9.3. Any obligation of Ingram under this Agreement to deliver Products on credit terms shall terminate without notice if XLS files a voluntary petition under a bankruptcy statute, or makes an assignment for the benefit of creditors, or if an involuntary petition under a bankruptcy statute is filed against XLS, or if a receiver or trustee is appointed to take possession of the assets of XLS.

10. Freight, Shipping, Delivery

10.1. Delivery will be made F.O.B origin, ground service, paid by Ingram, on Ingram's carrier of choice. Ingram will comply with all reasonable shipping and handling instructions received prior to shipment. In the event XLS requires shipment on an expedited basis via XLS's carrier of choice, delivery will be made F.O.B origin at XLS's expense. When Ingram's "Base Rate" system is operational, XLS will receive credit on each expedited shipment for the amount of ground service freight Ingram would have paid on that shipment.

10.2. Ingram will ship Products directly to XLS customers in the United States at no additional charge.

10.3. XLS shall examine all Products promptly upon receipt thereof. No later than ten days after delivery, XLS shall notify Ingram of all claimed shortages or damaged Products, or if rejection is intended, shall specify all grounds therefor. Failure to give such notice within ten days after delivery shall be deemed an acceptance of the Products as of the date of shipment. This paragraph does not cover defective returns which are addressed in Paragraph 13.

11. Configuration

11.1. Provided XLS has furnished Ingram properly approved forecasts five (5) business days in advance of receipt of order from XLS, Ingram will use all reasonable efforts to ship Configured Products within two (2) business days. Such shipping will occur only if the orders do not contain product incompatibility issues. In that event, Ingram must notify XLS within two (2) hours. In addition, for each unique configuration, all necessary building instructions and other pertinent work instructions must be on hand and understood by Ingram Configuration Services Personnel. Product expedited between Ingram locations to meet service level requirements will be at Ingram's expense.

11.2. Orders in excess of 100 units will require review and scheduling based on Ingram's capacity and the complexity of the Configured Product.

11.3. Ingram will not be responsible for schedule slippage or related expenses, including but not limited to overtime labor and freight associated with expediting the production or delivery of Configured Product containing product supplied by XLS or supplied by a third party arranged by XLS, if scheduled delivery of Configured Product is delayed due to unavailability, late delivery or inoperative product provided by XLS or a third party arranged by XLS. However, if the delay is due to Ingram's performance, Ingram will pay expedited freight.

11.4. All fees for configuration services shall be as set forth in Exhibit D. During the first six months of the term, Ingram will (a) charge a flat fee of ** per configured unit and (b) provide XLS with a per unit rebate amount based on the following schedule:

Number of units configured during month	Rebate per unit
-----	-----
**	**
**	**
**	**

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After the end of the first six months, Ingram agrees to provide XLS with a discount off normal published rates that are substantially comparable to those given to other customers with substantially equivalent volume.

12. Stock Balancing

12.1. XLS may return Products which are not defective within one hundred fifty (150) days after invoice date. All returns will be subject to the returns fees listed in the table below which is based on the percentage of returns as compared with the gross sales during the fiscal quarter in which the return is made, determined by reference to invoiced prices. Returns will be processed at the lower of either the invoice unit price paid by XLS or the current price as shown in Ingram's on-line ordering system as of the date of return request and will be credited as soon as possible but no later than the end of the fiscal quarter in which returned. All Products returned must be undamaged, in the Vendor's original packaging, unused and in resalable condition.

Returns Percent	Fee (as a % of gross sales)
-----	-----
**	**
**	**
**	**

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12.2. Ingram reserves the right to not accept the return of Products if the Vendor of such Products has placed restrictions upon the return of such Products provided Ingram has communicated those restrictions to XLS prior to shipment. Ingram also reserves the right to not accept Products which are discontinued or which are being produced or published by a Vendor which is insolvent or which has declared bankruptcy. XLS shall pay all costs and bear all risks of loss when returning Products to Ingram.

12.3. Products purchased under special orders are not eligible to be returned pursuant to this Section 12 unless Ingram has return rights with those Vendors. Special orders include Products which the Vendor has not authorized Ingram to distribute.

12.4. Products purchased as part of Configured Products are not eligible to be returned unless such returns are due to errors made by Ingram. The errors will be corrected and the Products reshipped to XLS with no charge to XLS.

12.5. XLS may return Open Box product without charge in an amount equal to ** of net purchases during the fiscal quarter in which the return is made. Open Box returns exceeding the allowable percentage will be charged a fee equal to ** of the invoice price, net of rebates.

12.6. A rebox fee of ** per item will be charged on all Products returned in a damaged box.

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13. Defective Returns

Within ninety (90) days after the date of purchase by XLS, XLS may return to Ingram for replacement or credit any Product found to be defective; provided that, XLS shall obtain Ingram's approval prior to returning any such Product. Ingram reserves the right to require XLS to return defective Products directly to the Products' Vendor for replacement according to the Vendor's defective Products return policy. Defective Returns are not included in the Returns

Percentages in Paragraph 12.

14. On Site Personnel

14.1. **

14.2. **

** Confidential treatment has been requested for the deleted text, which has been filed separately with the Securities and Exchange Commission.

14.3. XLS may, at its option, assign an appropriate number of its full-time employees to be officed in Ingram's Configuration Center(s). All such employees will be employees of XLS for all purposes under this Agreement and will be subject to the workplace rules applicable to Ingram's own employees while they are employed on Ingram's premises. Ingram will provide each XLS employee work spaces similar in size to the work space Ingram provides its employees of similar job grades. Ingram will provide each XLS employee with a telephone and will cover the costs of all telephone services used by the XLS employee in the conduct of business under this Agreement.

15. Large Account Inventory Program

For up to fifteen days, Ingram will hold for XLS's account at ** those Products which have been designated by a Vendor for sale to a specific customer of XLS ("LAIP Products"). After the fifteenth day, XLS agrees that it will pay Ingram an amount equal to ** of the LAIP Product's total invoice value ** that it holds the LAIP Products in its inventory.

** Confidential treatment has been requested for the deleted text, which has been filed separately with the Securities and Exchange Commission.

16. Marketing Funds

Ingram will pass through to XLS on a dollar-for-dollar basis any co-op, rebate or marketing funds which it receives from Vendors which have been designated for XLS's use.

17. Limitation of Warranty

XLS acknowledges and agrees that the Products are provided to XLS without any warranty other than the warranty which a Vendor may provide with its Product. INGRAM EXPRESSLY DISCLAIMS ALL EXPRESS AND/OR IMPLIED WARRANTIES, INCLUDING BUT NOT LIMITED TO IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

18. Patent, Copyright and Trademark Indemnity

Ingram shall have no duty to defend, indemnify, or hold harmless XLS from and against any damages or costs incurred by XLS arising from the infringement of patents or trademarks or the violation of copyrights by Products which were not manufactured by Ingram or were not manufactured specifically for resale by Ingram alone.

Ingram shall have the option at any time to replace or modify any Products sold to XLS to avoid patent or trademark infringement or copyright violations; provided such replacement or modification does not materially affect performance hereunder.

Notwithstanding any other terms or conditions to the contrary, Ingram's liability under this Section shall not exceed (i) the purchase price of the infringing Product, less (ii) reasonable depreciation computed on a five-year straight line basis.

19. Limitation of Liability

Ingram shall not be liable to XLS, any affiliate of XLS, any customer of XLS or any other party for any loss, damage, or injury which results from the use or application by XLS, any affiliate of XLS, any customer of XLS or any other party of Products and/or

services delivered to XLS or any person or entity designated by XLS, unless the loss or damage results directly from the intentionally tortuous or fraudulent acts or omissions of Ingram. In no event shall Ingram be liable to XLS, any affiliate of XLS, any customer of XLS or any other party for loss, damage or injury of XLS or any person or entity designated by XLS, of any kind or nature arising out of or in connection with this Agreement, or any performance or non-performance under this Agreement by Ingram, in excess of the net purchase price of Products and/or services actually delivered to and paid for by XLS or any other person or entity designated by XLS hereunder. In no event (including events of loss, damage, or injury provided for in this Section) shall Ingram be liable to XLS, any affiliate of XLS, any customer of XLS or any other party for indirect, special or consequential damages, even if notification has been given as to the possibility of such damages. XLS hereby expressly waives any and all claims for such damages.

20. Default

Each of the following events shall be an event of default under this Agreement:

- (a) In the case of either party, if such party has failed to perform a material obligation under this Agreement and such failure has continued for a period of thirty days from the date such party was notified by the other party of such failure.
- (b) In the case of either party, if such party (i) makes a general assignment for the benefit of creditors; (ii) commences any case, proceeding or other action seeking to have an order for relief entered on its behalf as a debtor or to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts or seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or of any substantial part of its property (collectively a "proceeding for relief"); or (iii) becomes the subject of any proceeding for relief which is not dismissed within sixty days of its filing or entry.

21. Termination

21.1. Upon the occurrence of an event of default referred to in clauses (a) or (b) of Section 20 above, the party not in default may terminate this Agreement upon thirty (30) days' written notice to the other party.

21.2. This Agreement will terminate automatically concurrently with termination of the Stock Purchase Agreement.

22. Confidentiality

This Agreement is confidential and contains confidential information, and as such will not be disclosed to any third party without the express written consent of both parties. This Section shall not restrict the rights of either party to disclose confidential information if required to do so by law or by lawful order of any governmental entity; provided that in the event any such disclosure is required, the party making the disclosure shall advise the other prior to the disclosure and limit the disclosure to only that confidential information which must be disclosed in order to comply with the law or order. The parties agree to disclose the terms and conditions of this Agreement only to their respective personnel on a need to know basis. The parties agree to develop jointly a synopsis of this Agreement which will not be subject to the provisions of this Paragraph.

23. Force Majeure

Neither party shall be liable for delay or failure to perform this Agreement, in whole or in part, by reason of contingencies beyond the reasonable control of the party affected, whether herein

specifically enumerated or not, including among others, acts of God, war, acts of war, revolution, civil commotion, riots, acts of public enemies, blockage or embargo, delays of carriers, car shortage, fire, explosion, breakdown of equipment or facilities, strike, lockout, labor dispute, casualty or accident, earthquake, epidemic, flood, cyclone, tornado, hurricane or other windstorm, delays of vendors or other contingencies interfering with production or with customary or usual means of transportation of products, or by reason of any law, order, proclamation, regulation, ordinance, demand, requisition or requirement or any other act of any governmental authority, local, state or federal, including court orders, judgments or decrees, or actions of any governmental authority respecting the registration, re-registration, cancellation, suspension, labeling and/or ability to transport or sell products, or any other cause whatsoever, whether similar or dissimilar to those enumerated above; provided, that the party so affected shall give prompt written notice to the other party of the event causing the delay or impediment and shall use all due diligence to overcome the effects of the event as promptly as possible. Neither party shall be required to resolve a strike, lockout or other labor problem in a manner which it alone does not deem proper and advisable. The party other than the party affected by an event of the sort enumerated in or contemplated by this Section may, by written notice to the other party, elect to extend the term of this Agreement for a period of time equal to the duration of the event excusing such performance.

24. Notices

All notices and other communications relating to this Agreement or its terms will be in writing and mailed via first class United States Postal Service, certified or registered with return receipt requested or via facsimile. All notices so mailed will be deemed received four (4) days after postmark date and facsimiles will be deemed received upon notification of successful transmission.

25. Entire Agreement

This Agreement (including any Exhibits and Addenda) constitutes the entire Agreement between the parties regarding the purchase and sale of Products and will cancel, terminate, and supersede any and all previous agreements, proposals, representations, or statements, whether oral or written. The terms of this Agreement will supersede the terms of any invoice or purchase order issued by either party. Any modifications of this Agreement must be in writing and signed by an authorized representative of each party.

26. Governing Law

This Agreement will be deemed made in the State of California and will be governed by and construed in accordance with California laws, excluding its conflicts or choice of law rule or principles which might refer to the law of another jurisdiction. The state and federal courts situated in Orange County, California will have non-exclusive jurisdiction and venue over any dispute or controversy which arises out of this Agreement.

27. Counterparts and Headings

This Agreement may be executed in any number of original counterparts, each of which when executed and delivered will be deemed to be an original and all of which taken together will constitute but one and the same instrument. Headings in this Agreement are included for convenience of reference only and will not constitute a part of this Agreement for any other purpose.

28. Assignment

28.1. XLS shall not assign any Product order or any interest therein without the written consent of Ingram. Any such actual or attempted assignment without Ingram's prior written consent shall entitle Ingram to cancel such order upon written notice to XLS.

28.2. Neither party shall assign its rights and interests under this Agreement, either wholly or partially, to any other party without the express written consent of the other party hereto.

28.3. In the event Ingram agrees to a partial assignment of this Agreement, due to the sale of branches representing a portion of the assets of XLS, all revenue requirements, rebate provisions and other economic provisions specified herein will be prorated based upon the end-user revenue for the last four (4) fiscal quarters of all of the XLS branches.

29. Severability

A judicial determination that any provision hereunder is invalid in whole or in part shall not affect the enforceability of those provisions found not to be invalid.

30. Independent Parties

The parties agree that each operates as a business independent of the other. Both parties agree that neither of them will hold itself out to be the agent, partner or related party of the other.

Agreed on the 29th day of April, 1997.

"XLS"	"Ingram"
XLSource, Inc.	Ingram Micro Inc.

By: /s/ Michael Norris	By: /s/ Michael Grainger
-----	-----
(Officer of the Company)	(Officer of the Company)
Its: President	Its: Executive Vice President Worldwide Chief Financial Officer

DISTRIBUTION/CONFIGURATION SERVICE LEVELS
(except as stated)

	**	**	**
<hr/>			
Shipping Accuracy	**	**	**
Configuration Accuracy			
product DOA/defective	**	**	**
configured properly	**	**	**
Fill Rate	**	**	**
<hr/>			
Service Level - Configuration (not subject to technical hold/review)			
within 2 days*	**	**	**
within 3 days	**	**	**
within 4 days	**	**	**

*These numbers are based on receipt of 5 day forecast.

Service Level - Distribution	**	**	**
Price Book Accuracy updated within 24 hours	**	**	**
Hot Orders	**	**	**

(same day shipment as configuration unless stipulated at time of order receipt)

Customer Satisfaction:

Ingram agrees to monitor customer satisfaction by utilizing mutually agreeable surveys to XLSOURCE branches and formulating action plans to address differences.

** Confidential treatment has been requested for the deleted text, which has been filed separately with the Securities and Exchange Commission.

EXHIBIT A

Page 2 of 3

XLS DISTRIBUTOR/CONFIGURATION MEASUREMENT PROGRAM

KEY METRIC DEFINITIONS:

SHIPPING ACCURACY:

% of orders which have zero defects (as measured by all of the following criteria) versus total orders:

- Order without warehouse picking/shipping errors (wrong SKU, wrong count, inventory accuracy, used product shipped in error, etc...)
- Order shipped same day as order entry
- Order shipped to correct place with proper documentation (serial numbers, tracking numbers, packing slips, proper labels, etc...)

CONFIGURATION ACCURACY (numbers based on getting proper instructions from customer)

- Order configured correctly
- Configured product operates (i.e...no DOA's)

FILL RATE (without constrained product):

- % of orders that are filled at time of order versus total orders, plus total legitimate back orders, less constrained, new and/or discontinued product.

SERVICE LEVEL CONFIGURATION:

- % of all orders without back orders (reported by XLS account) that meet or beat the contracted SLA for that account versus total orders for the account.

SLA measure will begin at time of order entry to the date the complete order arrives at the customer.

SERVICE LEVEL - DISTRIBUTION:

- % of orders which from time of shipment to time of arrival at the customer does not exceed 2 days

PRICE BOOK ACCURACY:

- % of days that the price book is not updated to current prices versus total business days.

HOT ORDERS

- % of configuration orders shipped same day or within one day versus total configuration orders.

EXHIBIT A

Page 3 of 3

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EXHIBIT B

Vendor #	Vendor Name	**	**	**
1153	3COM	**	**	**
2794	3COM AUTHORIZED PRODUCTS	**	**	**
3703	3M DATA STORAGE	**	**	**
	ADOBE COMMERCIAL	**	**	**
	ADOBE UNIX	**	**	**
4044	AMERICAN POWER CONVERSION	**	**	**
2722	ATTACHMATE CORPORATION	**	**	**
4815	ATTACHMATE CORPORATION	**	**	**
1567	ATTACHMATE DCA	**	**	**
	BANYAN SYSTEMS	**	**	**
2936	BAY NETWORKS	**	**	**
	BAY NETWORKS WELL FLEET DIVISION	**	**	**
1280	BORLAND INTERNATIONAL	**	**	**
1357	BORLAND INTERNATIONAL ACADEMIC	**	**	**
1335	CAERE CORPORATION	**	**	**
	CANON COMPUTER SYSTEMS	**	**	**
1655	CHEYENNE SOFTWARE	**	**	**
3122	CISCO SYSTEMS	**	**	**
2622	CISCO SYSTEMS	**	**	**
1397	COREL CORPORATION	**	**	**
7474	COREL CORPORATION	**	**	**
7497	COREL CORPORATION	**	**	**
7498	COREL CORPORATION	**	**	**
7499	COREL CORPORATION	**	**	**
7951	COREL WORDPERFECT	**	**	**
1305	CORNERSTONE	**	**	**
	CREATIVE LABS	**	**	**
2063	CTX	**	**	**
	CURTIS MANUFACTURING	**	**	**
	EXTENDED SYSTEMS	**	**	**
1373	GLOBAL VILLAGE CORPORATION	**	**	**
2000	HAYES	**	**	**

2125	INTEL	**	**	**
3714	INTEL NETWORKING	**	**	**
7372	IOMEGA DITTO	**	**	**
7297	IOMEGA JAZZ	**	**	**
7296	IOMEGA ZIP	**	**	**
	KINGSTON TECHNOLOGY	**	**	**
2439	LOTUS (NOTES)	**	**	**
	LOTUS DEVELOPMENT	**	**	**
2400	LOTUS DEVELOPMENT	**	**	**
3249	LOTUS PASSPORT	**	**	**
4872	LOTUS PASSPORT ACADEMICS	**	**	**
1252	MADGE ADAPTERS	**	**	**
	MICROSOFT ACADEMIC	**	**	**
3124	MICROSOFT ACADEMIC	**	**	**
	MICROSOFT CONSUMER PRODUCTS	**	**	**
2500	MICROSOFT CORPORATION	**	**	**
5118	MICROSOFT INPUT	**	**	**
	MICROSOFT	**	**	**
2495	MS BACKOFFICE	**	**	**
	NOKIA	**	**	**
2733	NOVELL	**	**	**
	NOVELL GROUPWARE	**	**	**
	NOVELL GROUPWARE	**	**	**
	NOVELL UPGRADES	**	**	**
9716	NOVELL UPGRADES	**	**	**
3717	PORT DICORPORATE	**	**	**
3335	SEAGATE SOFTWARE NSMG	**	**	**
	SMART MODULAR	**	**	**
3200	SOFTWARE PUBLISH	**	**	**
	SYMANTEC	**	**	**
1639	SYMANTEC ACADEMIC	**	**	**
2176	US ROBOTICS NETWORKING	**	**	**
	US ROBOTICS	**	**	**
2609	US ROBOTICS/MOBIL	**	**	**
3923	XIRCOM, INC.	**	**	**

Note: As Manufacturer costs change, Ingram pricing may be adjusted to reflect such changes.

* Vendor with Revised Pricing

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EXHIBIT C

<TABLE>
<CAPTION>

INGRAM ALLIANCE
VENDOR SUBSIDIZED FLOORING CHART

VENDOR		FINOVA		IBM CO					
AT&T	NATIONS								
<S>		<C>	<S>						
ACER	IA only	N/A	All but Monitors	Yes	Yes	Yes	Yes	Yes	Yes
APPLE	IA only	N/A	All but S/W	No	Yes	No	Yes	Yes	Yes
AST	IM & IA	N/A	All	Yes	Yes	Yes	Yes	Yes	No
COMPAQ	IM & IA	Primary & Secondary	All	No (pilots only)	Yes	Yes	Yes	Yes	Yes
DIGITAL	IA only	N/A	4344 only	Yes	Yes	Yes	Yes	Yes	Yes
EPSON	IM & IA	N/A	All	Yes	Yes	Yes	Yes	Yes	Yes
HEWLETT PACKARD	IA only	Primary and Dual Source	All	No	Yes	Yes	Yes	Yes	Yes
IBM	IM & IA	Primary and Secondary	All but S/W	Yes	No	No	No	No	No
LEXMARK	IM & IA	N/A	All	Yes	Yes	No	Yes	No	No
NEC	IM & IA	N/A	All	Yes	Yes	Yes	Yes	Yes	Yes

Notes: Toshiba, Epson, and DEC flooring billed directly to Ingram (we bill vendor); flooring companies bill all other vendors directly. If the wrong flooring company is used, then the flooring company will bill the customer the 1.35% fees directly.

Special HP Note: Subsidized flooring only relates to HP dealers, not HP VAR's or direct accounts. If a VAR places an order on his Ingram Alliance account on flooring, he will be billed the flooring fees from the flooring company.

</TABLE>

<TABLE>
<CAPTION>

EXHIBIT D

CONFIGURATION SERVICES PRICING

Service	**	Service	**
<S>	<C>	<S>	<C>
Base System Charge (charged to every unit; covers handling through configuration process.)	**	DOS Windows 3.1 Single Software Applications	**
H/W	**	Software suits (MS Office)	**
Memory, NIC, I/O board, Modems,		Windows 95, OS/2	**
Sound Blaster Cards, Video Cards,		Windows NT (wkst)	**
Floppy Drive, CD-ROM, Hand Drive		Windows NT (server)	**
Rack Mount	**	Network OS (Novell, Microsoft, LAN)	**
Attached Devices (Primers, Monitors, etc.)	**	Network Applications (ArcServer, etc.)	**
Burn-In 2 Hours	**	UNIX, SCO	**
Burn-In: 24 Hours	**	Decompress - Win 3.X. Win95,	**
		WinNT (Dual Bootable O/S)	
Burn-In: 48 Hours	**		
"Special" burn in, testing	**		

*Single SKU order quantities in excess of 25 units quoted on request.

Service	**
<S>	<C>
Image Download (Proprietary Software)	**
Asset Tags	**
Special Engineering Services* (Image Development, Prototyping, Compatibility Testing, Future Development)	**
Depopulation	**

* Special Engineering Services required for Image Development (** fee per Image)

Service	**	**	Service	**	**
<S>	<C>	<C>	<S>	<C>	<C>
Base System Charge	**	**	Base System Charge	**	**
4Mb Memory	**	**	2Mb Memory	**	**
NIC	**	**	PCMCIA - Fax/Modem	**	**
Sound Blaster Board	**	**	PCMCIA - Flash Mem	**	**
Modem/Fax Board	**	**	Install Microsoft Office	**	**
Total:	**	**	Total:	**	**

Service	**	**	Service	**	**
<S>	<C>	<C>	<S>	<C>	<C>
Base System Charge	**	**	Base System Charge	**	**
Novell	**	**	8Mb Memory	**	**
32 Mb Memory	**	**	NIC	**	**
CD-ROM Drive	**	**	Install Microsoft Office	**	**
NIC	**	**	Windows NT (wkst)	**	**
Rack Mount	**	**	100 Mb Image download *	**	**
Total:	**	**	Total:	**	**

PRICES ARE SUBJECT TO CHANGE WITHOUT NOTICE
CONTACT YOUR SALES REPRESENTATIVE FOR CURRENT PRICING

FEBRUARY 1997

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