FORM 8-K

Current report filing

Filing Date: **1997-10-03** | Period of Report: **1997-09-18**
SEC Accession No. 0000902595-97-000214

FILER

MARSHALL INDUSTRIES

CIK:**62765**| IRS No.: **952048764** | State of Incorp.:**CA** | Fiscal Year End: **0531**
Type: **8-K** | Act: **34** | File No.: **001-05441** | Film No.: **97690201**
SIC: **5065** Electronic parts & equipment, nec

Business Address
9320 TELSTAR AVE
EL MONTE CA 91731
8183076000

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 or 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported):
September 18, 1997

MARSHALL INDUSTRIES
(Exact name of registrant as specified in its charter)

CALIFORNIA	1-5441	95-2048764
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

9320 TELSTAR AVENUE, EL MONTE, CALIFORNIA	91731-2895
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number including area code:
(626) 307-6000

(Former name or former address, if changed since last report.)
Not applicable.

ITEM 5. OTHER EVENTS

Marshall Industries ("Marshall") entered into an Agreement and Plan of Merger dated as of September 18, 1997 among Marshall, MI Holdings Nevada, Inc., a wholly-owned subsidiary of Marshall (the "Marshall Subsidiary"), and Sterling Electronics Corporation ("Sterling") (attached hereto as Exhibit 2.1) (the "Merger Agreement") pursuant to which the Marshall Subsidiary will merge

into Sterling and following the merger, Sterling will be a wholly-owned subsidiary of Marshall. At the effective time of the merger, each outstanding share of common stock of Sterling will become a right to receive $21 per share in cash. With approximately 7.2 million shares of Sterling common stock outstanding and options covering approximately 1.1 million Sterling shares, the expected purchase price will be approximately $162 million. In addition, Sterling has approximately $55 million in debt. Completion of the transaction is subject to obtaining necessary regulatory approvals and Sterling shareholder approval and various other closing conditions. Assuming such approvals are obtained and conditions satisfied, it is anticipated that the transaction will close before December 31, 1997.

Concurrently with the execution of the Merger Agreement, Marshall entered into Employment Agreements with each of Ronald S. Spolane and David A. Spolane, the President and Executive Vice President, respectively, of Sterling (attached hereto as Exhibits 10.1 and 10.2), to act in such capacities for Sterling (as a wholly-owned subsidiary of Marshall) after the merger. Such Employment Agreements are subject to and to become effective upon consummation of the merger.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS

(a) Exhibits

2.1 Agreement and Plan of Merger dated as of September 18, 1997, by and among Marshall Industries, MI Holdings Nevada, Inc. and Sterling Electronics Corporation.<1>

10.1 Employment Agreement dated as of September 18, 1997 by and between Marshall Industries and Ronald S. Spolane.<2>

10.2 Employment Agreement dated as of September 18, 1997 by and between Marshall Industries and David A. Spolane.<2>

<1> The Schedules to the Agreement and Plan of Merger are not

filed herewith. The registrant will furnish supplementally a copy of any such omitted Schedule to the Commission upon request.

<2> Portions of this Exhibit have been omitted pursuant to a request for confidential treatment and filed separately with the Commission.

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

MARSHALL INDUSTRIES

/S/ HENRY W. CHIN
By: Henry W. Chin
Vice President, Chief Financial Officer and Secretary

DATED: October 2, 1997

AGREEMENT

AND

PLAN OF MERGER

dated as of

September 18, 1997

by and among

MARSHALL INDUSTRIES,

MI HOLDINGS NEVADA, INC.

and

STERLING ELECTRONICS CORPORATION

TABLE OF CONTENTS

SCHEDULES

Schedule 2.9	Material Contracts
Schedule 2.11(a)	Employee Benefit Plans
Schedule 2.11(b)	Certain Benefit Plan Reports
Schedule 2.11(c)	Certain Benefit Plan Contributions
Schedule 2.11(d)	Certain Benefit Plan Matters
Schedule 2.11(g)	Certain Retirement Benefits
Schedule 2.11(h)	Certain Benefit Plan Liabilities
Schedule 2.12	Employment Agreements
Schedule 2.14	Compliance with Law
Schedule 2.20	Certain Environmental Matters
Schedule 2.21	Bank Accounts
Schedule 2.22	Intangible Property
Schedule 3.4	Buyer Required Consents
Schedule 5.2(f)	Required Material Contracts Consents

AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT (this "Agreement") is entered into as of September 18, 1997 by and among Marshall Industries, a California corporation having its principal place of business at 9320 Telstar Avenue, El Monte, California 91731 ("Buyer"), MI Holdings Nevada, Inc., a Nevada corporation and a wholly owned subsidiary of Buyer having its principal place of business at 9320 Telstar Avenue, El Monte, California 91731 ("Subsidiary"), and Sterling Electronics Corporation, a Nevada corporation having its principal place of business at 4201 Southwest Freeway, Houston, Texas 77027 ("Company"; for purposes of this Agreement, and unless the context otherwise requires, the term "Company" shall include Company and all of its subsidiaries).

RECITALS

WHEREAS, the Board of Directors of Buyer and the Board of Directors of Company have each determined that it is in the respective best interests of Buyer and Company for Buyer to acquire Company through the merger of Subsidiary with and into Company upon the terms and subject to the conditions set forth herein; and

WHEREAS, Buyer, Company and Subsidiary desire to make certain representations, warranties, covenants and agreements in connection with this Agreement and prescribe various conditions to the Merger (as such term is defined below).

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing premises and of the representations, warranties, covenants and agreements contained herein, the parties hereto agree as follows:

ARTICLE I
THE MERGER

1.1 The Merger. Subject to the terms and conditions of this Agreement, at the Effective Time (as defined below) Subsidiary shall be merged with and into Company and the separate corporate existence of Subsidiary shall thereupon cease (the "Merger"). Company shall be the surviving corporation in the Merger (sometimes hereinafter referred to as the "Surviving Corporation") and shall continue to be governed by the Laws of the State of Nevada. The separate corporate existence of Company with all its rights, privileges, immunities, powers and franchises shall continue unaffected by the Merger and Company shall succeed, without other transfer, to all of the rights and properties of Subsidiary and shall be subject to all of the debts and liabilities of Subsidiary. The Merger shall have the effects specified in the NRS.

1.2 Closing. The closing of the transactions contemplated hereby (the "Closing") shall take place (i) at the offices of O'Melveny & Myers LLP, 400 South Hope Street, Los Angeles, California at 10:00 A.M., Los Angeles time on the second business day after the day on which the last of the conditions set forth in Article V hereof shall be fulfilled or waived in accordance with this Agreement or (ii) at such other place and time or on such other date as Buyer and Company may agree.

1.3 Effective Time. As soon as practicable following the Closing, and provided that this Agreement has not been terminated or abandoned pursuant to Article VI hereof, the Surviving Corporation shall file Articles of Merger which contain all information required by Section 92A.200 of the NRS and are executed in accordance with Section 92A.230 of the NRS with the Secretary of State of the State of Nevada. The Merger shall thereupon become effective in accordance with the NRS; the time of such effectiveness is hereinafter referred to as the "Effective Time;" and the date of such effectiveness is hereinafter referred to as the "Effective Date."

1.4 Articles of Incorporation. The Articles of Incorporation of Subsidiary in effect at the Effective Time shall be the Articles of Incorporation of the Surviving Corporation until duly amended in accordance with the terms thereof and the applicable provisions of the NRS, except that the name of the Surviving Corporation shall be Sterling Electronics Corporation.

1.5 By-Laws. The By-Laws of Subsidiary in effect at the

Effective Time shall be the By-Laws of the Surviving Corporation until duly amended in accordance with the terms thereof and the applicable provisions of the NRS.

1.6 Officers and Directors. The officers and directors of the Surviving Corporation shall be as set forth on Schedule 1.6. The directors and officers so determined shall remain as such until their successors have been duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the Surviving Corporation's Articles of Incorporation and By-Laws.

1.7 Conversion of Shares. At the Effective Time, each outstanding share of common stock, par value $0.50 per share, of Company (the "Company Common Stock") will be converted into the right to receive $21.00 in cash (the "Merger Consideration"), except that any shares of Company Common Stock held by Company or Buyer or their wholly-owned subsidiaries (other than shares held in trust) will be cancelled (the "Cancelled Shares"). After the Effective Time and until surrendered for payment, each certificate representing Company Common Stock (each a "Certificate") will represent only the right to receive the Merger Consideration (without interest). Buyer and Subsidiary will be entitled to rely on Company's stock records at the Effective Time. At the Effective Time, each issued and outstanding share of common stock, no par value, of Subsidiary shall be converted into and become one fully paid and non-assessable share of common stock, par value $0.50 per share, of the Surviving Corporation.

1.8 Delivery of Merger Consideration.

(a) Buyer shall select a bank or trust company reasonably acceptable to Company to act as the paying agent for the Merger (the "Paying Agent"). At or prior to the Effective Time, Buyer shall deposit or cause to be deposited in trust (the "Payment Fund") with the Paying Agent an amount equal to the product of (i) the number of shares of Company Common Stock issued and outstanding immediately prior to the Effective Time (excluding the Cancelled Shares) multiplied by (ii) the Merger Consideration. Out of the Payment Fund, the Paying Agent shall, pursuant to irrevocable instructions, make the payments referred to in Section 1.8(c) below. The Payment Fund shall not be used for any other purpose. The Payment Fund may be invested by the Paying Agent, as directed by the Surviving Corporation, in (i) obligations of or guaranteed by the United States, (ii) commercial paper rated A-1, P-1 or A-2, P-2, and (iii) certificates of deposit, bank repurchase agreements and bankers acceptances of any bank or trust company organized under federal law or under the law of any state of the United States or of the District of Columbia that has capital, surplus and undivided profits of at least $1 billion or in money market funds which are invested substantially in such investments. Any net

earnings with respect thereto shall be paid to the Surviving Corporation as and when requested by the Surviving Corporation.

(b) As soon as reasonably practicable after the Effective Time, Paying Agent shall mail to each holder of record as of the Effective Time of a Certificate a transmittal letter for return to the Paying Agent (the "Paying Agent Letter"): (i) notifying of the effectiveness of the Merger, (ii) providing instructions for effecting the surrender and exchange of the Certificates for the Merger Consideration, (iii) specifying that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to Paying Agent, and (iv) including such other provisions as Buyer and Company may mutually agree.

(c) Buyer and the Surviving Corporation shall cause the Paying Agent to pay to the holders of a Certificate, as soon as practicable after receipt of any Certificate (or in lieu of such Certificate an affidavit of lost share certificates (including a customary indemnity against loss) in form and substance reasonably satisfactory to Buyer) together with the Paying Agent Letter, duly executed, and any other items specified by the Paying Agent Letter, an amount equal to the product of (i) the number of shares of Company Common Stock represented by the Certificate so surrendered multiplied by (ii) the Merger Consideration, less any applicable withholding Taxes. No interest shall be paid or accrued on any cash payable upon the surrender of any Certificate. Each Certificate surrendered in accordance with the provisions of this Section 1.8(c) shall be cancelled forthwith.

(d) In the event of a transfer of ownership of shares of Company Common Stock which is not registered in the transfer records of Company, the Merger Consideration may be paid to the transferee only if (i) the Certificate representing such shares of Company Common Stock surrendered to the Paying Agent in accordance with Section 1.8(c) hereof is properly endorsed for transfer or is accompanied by appropriate and properly endorsed stock powers and is otherwise in proper form to effect such transfer, (ii) the Person requesting such transfer pays to the Paying Agent any transfer or other taxes payable by reason of such transfer or establishes to the satisfaction of the Paying Agent that such taxes have been paid or are not required to be paid, and (iii) such Person establishes to the satisfaction of Buyer that such transfer would not violate any applicable federal or state securities laws.

(e) At and after the Effective Time, each holder of a Certificate that represented issued and outstanding shares of Company Common Stock immediately prior to the Effective Time shall cease to have any rights as a stockholder of Company, except for the right to surrender his or her Certificate in exchange for the

Merger Consideration and except as otherwise provided by applicable law, and no transfer of shares of Company Common Stock shall be made on the stock transfer books of the Surviving Corporation.

(f) Any portion of the Payment Fund (including any interest received with respect thereto) which remains unclaimed for one year after the Effective Time shall be paid to the Surviving Corporation upon demand. Any holders of Certificates who have not theretofore complied with this Section 1.8 shall thereafter look only to the Surviving Corporation and Buyer for payment (subject to applicable abandoned property, escheat and similar laws) of their claim for the Merger Consideration, without interest thereon. Notwithstanding the foregoing, neither Buyer, the Surviving Corporation nor the Paying Agent shall be liable to a holder of a Certificate for the Merger Consideration properly delivered to a public official pursuant to any applicable abandoned property, escheat or similar law.

1.9 Company Options. At the Effective Time, all outstanding Company Options shall terminate, and the holders thereof shall be entitled to receive from Buyer or the Surviving Corporation an amount equal to the product of (i) the Merger Consideration minus the exercise price of the Company Options held by him/her multiplied by (ii) the number of shares of Company Common Stock covered by such Company Options, less any applicable withholding taxes, and without interest paid thereon.

ARTICLE II
REPRESENTATIONS AND WARRANTIES OF COMPANY

Company hereby represents and warrants to Buyer and Subsidiary that:

2.1 Organization; Subsidiaries.

(a) Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada and each of its subsidiaries is either a corporation duly organized, validly existing and in good standing under the laws of its respective jurisdiction of incorporation or a limited partnership duly formed and validly existing under the laws of the State of Texas, and each of the foregoing is in good standing as a foreign corporation or limited partnership, as the case may be, qualified to business in each jurisdiction where the properties owned, leased or operated, or the business conducted, by it require such qualification, except for such failure to so qualify or be in such good standing, which, when taken together with all other such failures, is not reasonably likely to have a material adverse effect on the business, financial condition, results of operations, prospects, properties or capitalization of Company and its

subsidiaries, taken as a whole ("Company's Business"). Each of Company and each of its subsidiaries has the requisite corporate or partnership power and authority to carry on its respective businesses as they are now being conducted and as described in Company's Annual Report on Form 10-K for the fiscal year ended March 29, 1997.

(b) Schedule 2.1(b) lists all subsidiaries of Company and correctly sets forth the capitalization of each such subsidiary, the jurisdiction in which Company and each such subsidiary is organized or formed and each jurisdiction in which Company and each such subsidiary is qualified or licensed to do business as a foreign corporation or limited partnership. Schedule 2.1(b) correctly lists the current directors and executive officers of Company and of each of its subsidiaries. True, correct and complete copies of the respective charter documents of Company and each of its subsidiaries as in effect on the date hereof have been delivered to Buyer.

(c) All outstanding securities or other ownership interests in each of Company's subsidiaries listed on Schedule 2.1(b): (i) are owned of record and beneficially by Company or another of Company's wholly-owned subsidiaries, subject to no lien, claim, charge or encumbrance, and Company has full power to transfer such shares without obtaining the consent or approval of any Governmental Entity or any other Person; and (ii) have been duly authorized, are validly issued, fully paid and nonassessable. Company does not directly or indirectly own or hold any interest in any corporation, association or business entity other than those listed on Schedule 2.1(b).

(d) The minute books of Company and each of its corporate subsidiaries have been made available to Buyer and its Representatives and contain true and complete records of all meetings and consents in lieu of meetings of the Board of Directors (and committees thereof) of each of Company and its corporate subsidiaries and of their respective stockholders.

2.2 Capitalization.

(a) The authorized capital stock of Company consists of (i) 2,000,000 shares of Cumulative Convertible Preferred Stock and 2,000,000 shares of Preferred Stock, none of which are issued and outstanding; and (ii) 20,000,000 shares of Common Stock, 7,187,704 shares of which are issued and outstanding as of August 31, 1997. All of such outstanding shares and any shares outstanding at the Effective Time have or will have been duly authorized, are validly issued, fully paid and nonassessable, free of pre-emptive rights, and were issued in compliance with all applicable Laws. Schedule 2.2(a) lists all outstanding Company Options, warrants and other rights to purchase shares of Company

Common Stock as of August 31, 1997.

(b) As of August 31, 1997, Company has reserved for issuance shares of its Common Stock as follows: (i) 1,902,685 shares upon exercise of Company Options granted or reserved for future grant; (ii) 145,078 shares for stock grants under incentive bonus plans; (iii) 266,979 shares for sales to employees under Company's employee stock purchase plan; and (iv) 44,164 shares for Company's 401(k) matching contributions. Since August 31, 1997: (A) no Company Options, warrants, or other rights to purchase shares of Company Common Stock have been granted; and (B) no shares of Company Common Stock have been issued except for those issued pursuant to the exercise of outstanding Company Options and grants under Company's 401(k) matching contributions and incentive bonus plans, in each case in the ordinary course of business.

(c) Except as set forth in paragraphs (a) and (b) above and on Schedule 2.2(a), Company does not have any shares of its capital stock issued or outstanding and does not have any outstanding subscriptions, options, warrants, convertible securities, rights or other agreements or commitments obligating Company to issue shares of its capital stock or other securities of Company or any of its subsidiaries. Any equity securities which were issued and reacquired by Company were so reacquired in compliance with all applicable Laws, and Company does not have any obligation or liability with respect thereto.

2.3 Authority; Validity. Company has the corporate power and authority to execute and deliver this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by Company's Board of Directors. Company's Board of Directors has directed that this Agreement and the transactions contemplated hereby be submitted to Company's stockholders for consideration at a meeting of such stockholders and, except for the approval of its stockholders, no other corporate proceedings on the part of Company are necessary to authorize the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby. Upon execution and delivery hereof (assuming that this Agreement is the legal, valid and binding obligation of Buyer and Subsidiary), this Agreement will be the valid and binding obligation of Company enforceable against Company in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws and equitable principles relating to or limiting creditors rights generally.

2.4 No Conflict. Except as set forth on Schedule 2.4, neither Company nor any of its subsidiaries nor any of its or their assets is subject to or obligated under any charter, bylaw, Contract, lease or other instrument or any license, franchise or

permit, or subject to any law, statute, rule, regulation, judgment, order, decree or award, which would be defaulted, breached, terminated, forfeited or violated by or in conflict with (or upon the failure to give notice or the lapse of time, or both, would result in a default, breach, termination, forfeiture or conflict) Company's execution, delivery and performance under this Agreement and the transactions contemplated hereby. Except as set forth on Schedule 2.4 and except for compliance with the HSR Act, Company's execution, delivery and performance under this Agreement and the transactions contemplated hereby will not result in the creation of a lien, pledge, security interest or any other encumbrance on the assets of Company or any of its subsidiaries or result in any change in the rights or obligations of any party under or the acceleration of (with or without the giving of notice or the lapse of time), any provision of any Material Contract of Company or any of its subsidiaries or any change in the rights or obligations of Company or any of its subsidiaries under any law, statute, rule, regulation, judgment, order, decree or award or permit or license to which the Company or any of its subsidiaries is subject.

2.5 Consents. Except as set forth on Schedule 2.4, no consent of any Person not a party to this Agreement, nor consent of or filing with (including any waiting period) any Governmental Entity is required to be obtained or performed on the part of Company to permit the Merger and the other transactions contemplated hereby or to permit the continuation by Company of the business activities of Company as conducted prior to the date hereof without material adverse change.

2.6 Financial Statements; SEC Filings.

(a) Company has delivered copies of the following financial statements to Buyer: (i) the consolidated balance sheet of Company at March 29, 1997 and the consolidated statements of income, stockholders' equity and changes in financial position for the two years ended March 29, 1997, in each case including the notes thereto and the related report of Ernst & Young LLP, independent certified public accountants, and (ii) the unaudited consolidated statements of financial position of Company and its subsidiaries at June 28, 1997 and the unaudited consolidated statements of stockholders' equity and changes in financial position for the thirteen-week period ended June 28, 1997, and the unaudited consolidated statements of income for the thirteen-week period ended June 28, 1997, in each case including any notes thereto.

(b) All such financial statements delivered pursuant to Section 2.6(a) hereof are in accordance with the books and records of Company and have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods indicated. Such consolidated balance sheets

present fairly in all material respects the financial position of Company as of the dates thereof. Except as and to the extent reflected or reserved against in such consolidated balance sheets (including the notes thereto), Company does not have any liabilities or obligations (absolute or contingent) of a nature required to be or customarily reflected in a consolidated balance sheet (or the notes thereto) prepared in accordance with generally accepted accounting principles consistently applied. The consolidated statements of income present fairly in all material respects the results of operations of Company for the periods indicated.

(c) Since April 2, 1994, Company has filed with the SEC all material forms, statements, reports and documents (including all exhibits, amendments and supplements thereto) required to be filed by it under the Securities Act, the Exchange Act and the respective rules and regulations thereunder, all of which complied in all material respects with all applicable requirements of the appropriate act and the rules and regulations thereunder (such forms, statements, reports and documents are collectively referred to as the "SEC Filings"). Company has delivered or made available to Buyer accurate and complete copies of all of its SEC Filings since March 29, 1997. Company will promptly deliver any future SEC Filings to Buyer.

(d) As of their respective dates, (i) each of Company's past SEC Filings was, and each of its future SEC Filings will be, prepared in compliance in all material respects with the laws, regulations and forms governing such SEC Filing; and (ii) none of its past SEC Filings did, and none of its future SEC Filings will, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

2.7 Tax Matters.

(a) Company has timely filed all Tax Returns required of it and, except for Taxes which in the aggregate do not exceed $100,000 or which are being contested in good faith, has paid all Taxes due for all periods or portions of periods ending on or before March 29, 1997. Adequate provision has been made in the books and records of Company and, in the financial statements referred to in Section 2.6 above, for all Taxes whether or not due and payable and whether or not disputed to the extent not paid.

(b) Neither Company nor any of its subsidiaries has elected to be treated as a consenting corporation under Section 341(f) of the IRC.

(c) Schedule 2.7 lists the date or dates through

which the IRS and any other Governmental Entity have examined the United States federal income tax returns and any other Tax Returns of Company and its subsidiaries. Except as set forth on Schedule 2.7: (i) no Governmental Entity has examined or is in the process of examining any Tax Returns of Company or any of its subsidiaries; (ii) no Governmental Entity has proposed in writing any deficiency, assessment or claim for Taxes and there is no basis for any such deficiency, assessment or claim; and (iii) no waiver of the statute of limitations with respect to Tax Returns of Company has been given by or requested from Company.

As a result of the transactions contemplated hereby, Company will not be obligated to make a payment to an individual that would be a "parachute payment" to a "disqualified individual" as such terms are defined in IRC Section 280G.

2.8 Absence of Certain Changes or Events. Except as set forth on Schedule 2.8, since March 29, 1997, there has not been (a) any event which has or is likely to have a material adverse effect on Company's Business; (b) any damage, destruction or loss, whether covered by insurance or not, materially and adversely affecting Company's Business; (c) any declaration, setting aside or payment of any dividend (whether in cash, stock or property) in respect of the capital stock of Company, or any redemption or other acquisition of such stock by Company; (d) any increase in the compensation payable or to become payable by Company to its officers or key employees, except those occurring in the ordinary course of business, or any material increase in any bonus, insurance, pension or other employee benefit plan, payment or arrangement made to, for or with any such officers or key employees; (e) any labor dispute, other than routine matters, none of which is material to Company's Business; (f) any borrowing or lending of money or guarantee of any obligation by Company; (g) any amendment to or termination of any Material Contract (as such term is defined below); (h) any adoption or amendment of any employee benefit plan or arrangement of Company; (i) any disposition of any material properties or assets used in Company's Business; (j) any engagement by Company in activities outside the ordinary course of Company's Business as conducted on the date hereof; or (k) the incurring of any liability (absolute or contingent) except liabilities incurred in the ordinary course of business.

2.9 Material Contracts. Schedule 2.9 lists each of the following Contracts to which Company or any of its subsidiaries is a party or to which Company, any of its subsidiaries or any of their respective properties is subject or by which any thereof is bound (each of which shall be deemed to be Material Contracts): any Contract that (a) relates to indebtedness for money borrowed (other than trade payables in the ordinary and usual course of business), including, but not limited to, letters of credit, guaranties and swap and similar agreements in excess of $100,000,

(b) would be required by Rule 601(b)(10) of SEC Regulation S-K to be filed as an exhibit to an Annual Report on Form 10-K (other than any Benefit Plan), (c) Company's Business is substantially dependent upon or which is otherwise material to Company's Business including, without limitation, any agreement with a supplier whose products accounted for more than three percent of Company's revenues in fiscal 1997, (d) provides for an extension of credit by Company or any of its subsidiaries (other than standard payment terms for customers), (e) limits or restricts the ability of Company or any of its subsidiaries to compete or otherwise to conduct its business in any manner or place (other than confidentiality provisions entered into in the ordinary course of business) (f) grants to a third party a right of first refusal or (g) provides for the purchase of products from a supplier (which products account for more than $500,000 of Company's inventory at June 28, 1997) and does not obligate such supplier to repurchase the Company's inventory of such products upon termination of the Contract by the supplier. Each Material Contract is valid, binding and in full force and effect in all material respects, and, to the best of Company's knowledge, is valid, binding and enforceable by Company in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws and equitable principles relating to or limiting creditors rights generally. Company or the applicable subsidiary has duly performed all its obligations under each Material Contract to the extent that such obligations to perform have accrued; and, except as set forth on Schedule 2.9, no material breach or default, alleged material breach or default, or event which would (with the passage of time, notice or both) constitute a material breach or default thereunder by Company or any of its subsidiaries, as the case may be, or, to Company's knowledge, any other party or obligor with respect thereto, has occurred or as a result of this Agreement or performance of any transactions contemplated hereby will occur. To Company's knowledge, no party to any Material Contract intends to cancel, withdraw, modify or amend such Material Contract.

2.10 Title and Related Matters. Company has good and indefeasible title to all of its properties, interests in properties and assets, real and personal, reflected in Company's March 29, 1997 consolidated balance sheet or acquired after March 29, 1997 or necessary to conduct its business as now conducted (except properties, interests on properties and assets sold or otherwise disposed of since March 29, 1997 in the ordinary course of business), free and clear of all mortgages, liens, pledges, charges or encumbrances of any kind or character, except (a) the lien of current taxes not yet due and payable, (b) liens for mechanics', carriers', workmens', repairmens', landlord, statutory or common law liens either not delinquent or being contested in good faith, (c) such imperfections of title, liens, restrictions, variances and easements as do not materially detract

from the value of or interfere with the value or the present or presently contemplated future use of the properties subject thereto or affected thereby, or otherwise materially impair the present or presently contemplated future business operations at such properties and (d) liens securing debt which is reflected on Company's March 29, 1997 consolidated balance sheet. The plants and equipment of Company that are necessary to the operation of Company's Business are in good operating condition and repair. Other than Company's distribution facility in Grapevine, Texas, all properties material to the operations of Company are reflected in Company's March 29, 1997 consolidated balance sheet to the extent generally accepted accounting principles require the same to be reflected.

2.11 Employee Benefit Plans.

(a) Schedule 2.11(a) lists all employee benefit plans, programs, agreements and commitments covering any employee or former employee, or the beneficiary of either, of Company or any entity which would be aggregated at any relevant time with Company pursuant to Section 414(b), (c), (m), or (o) of the IRC (referred to herein as an "ERISA Affiliate"), providing benefits in the nature of pension, profit sharing, deferred compensation, retirement, severance, bonus, incentive compensation, stock option, stock bonus, stock purchase, health, medical, life, disability, sick leave, vacation, or other welfare or fringe benefits, including, without limitation, all employee benefit plans (as defined in Section 3(3) of ERISA (referred to herein as the "ERISA Plans"), and fringe benefit plans (as defined in IRC Section 6039D) (collectively referred to herein as the "Benefit Plans"). Except as set forth on Schedule 2.11(a), neither Company nor any ERISA Affiliate has ever contributed to, or been obligated to contribute to, (i) a multiemployer plan (as defined in Section 3(37) of ERISA) or (ii) a Benefit Plan subject to Title IV of ERISA.

(b) Each Benefit Plan is currently, and has been in the past, operated and administered in compliance in all material respects with its terms and with the requirements of all applicable Laws, including, without limitation, ERISA, the IRC and the Family and Medical Leave Act of 1993. Each Benefit Plan which is, or was, intended to qualify under IRC Section 401(a) (referred to herein as a "Qualified Plan") is, or was, so qualified and either (i) has been determined by the IRS to be so qualified by the issuance of a favorable determination letter a copy of which has been furnished to Buyer, which remains in effect as of the date hereof and, to Company's knowledge, nothing has occurred since the date of such letter to cause such letter to be no longer valid, or (ii) is within the "remedial amendment period" as defined in IRC Section 401(b) and the regulations thereunder. Except as set forth on Schedule 2.11(b), all reports, notices and other documents required to be filed with any Governmental Entity or furnished to employees

or participants with respect to the Benefit Plans have (to the best knowledge of Company with respect to items other than Form 5500) been timely filed or furnished. With respect to the most recent Form 5500 regarding each funded Benefit Plan, such liabilities do not exceed assets, and no material adverse change has occurred with respect to the financial materials covered thereby since the last Form 5500.

(c) Except as set forth on Schedule 2.11(c), all contributions required to be paid on or prior to the date hereof to or with respect to any Benefit Plan by its terms or applicable law have been timely paid in full and proper form.

(d) Except as set forth on Schedule 2.11(d), the transactions contemplated by this Agreement (i) do not constitute or result in a severance or termination of employment under any Benefit Plan for which severance or termination benefits may be payable with respect to any employee covered thereby, (ii) accelerate the time of payment or vesting or increase the amount of benefits due under any Benefit Plan or compensation to any employee of Company, or (iii) result in any payments (including parachute payments) under any Benefit Plan or Law becoming due to any such employee or result in any obligation or liability of Buyer to any employee of Company or any ERISA Affiliate.

(e) Neither Company nor any ERISA Affiliate, nor to Company's knowledge any other "disqualified person" or "party in interest" (as defined in IRC Section 4975 and Section 3(14) of ERISA, respectively) with respect to any ERISA Plan has engaged in any transaction in violation of Section 406 of ERISA for which no class, individual or statutory exemption exists or any "prohibited transaction" (as defined in IRC Section 4975(c)(1)) for which no class, individual or statutory exemption exists under IRC Section 4975(c)(2) or (d), nor has any "fiduciary" (as defined in Section 3(21) of ERISA) of any ERISA Plan breached or participated in the breach of any fiduciary obligation imposed pursuant to Part 4 of Title I of ERISA.

(f) There are no actions, suits, disputes or claims pending or, to Company's knowledge, threatened (other than routine claims for benefits) or legal, administrative or other proceedings or governmental investigations pending or, to Company's knowledge, threatened, against or with respect to any Benefit Plan or the assets of any Benefit Plan.

(g) Except as set forth on Schedule 2.11(g), no Benefit Plan provides or provided health or medical benefits (whether or not insured) with respect to current or former employees of Company or its subsidiaries beyond their retirement or other termination of service (other than coverage mandated by statutory law).

(h) Each ERISA Plan that is an "employee welfare benefit plan" as that term is defined in Section 3(1) of ERISA is either (as identified on Schedule 2.11(a)): (i) funded through an insurance company contract, (ii) funded throughout a tax-exempt "VEBA" trust or (iii) unfunded. Except as set forth on Schedule 2.11(h), there is no liability in the nature of a retroactive rate adjustment or loss-sharing or similar arrangement, with respect to any ERISA Plan which is an employee welfare benefit plan.

(i) Company has provided to Buyer true and complete copies of the following with respect to each of the Benefit Plans: (i) each plan document and summary plan description if any; (ii) each trust agreement, insurance policy or other instrument relating to the funding thereof; (iii) the most recent Annual Report (Form 5500 series) and associated schedules filed with the IRS or the United States Department of Labor; (iv) the most recent audited financial statement report; (v) the most recent actuarial report if any; and (vi) a description of each unwritten Benefit Plan and the individuals covered thereby.

2.12 Employment Agreements. Except as set forth on Schedule 2.12, none of Company or any of its subsidiaries is a party to any employment, consulting, non-competition, severance, or indemnification agreement with any current or former executive officer or director of Company or any of its subsidiaries. True and complete copies of the agreements set forth on Schedule 2.12 have been furnished to Buyer prior to the date hereof. Neither Company nor any of its subsidiaries is a party to any collective bargaining agreement.

2.13 Legal Proceedings. (a) There is no pending or threatened judicial or administrative proceeding or investigation affecting Company or any of its subsidiaries that (i) if resolved adversely to it would: (A) have a material adverse effect on Company's Business or (b) require Company or any of its subsidiaries to pay damages in excess of $50,000, or (ii) could reasonably be expected to impair its ability to consummate the Merger; and (b) Company is not aware of any judicial or administrative decision affecting it or any of its subsidiaries that could reasonably be expected to impair its ability to consummate the Merger.

2.14 Compliance with Law. Except as set forth on Schedule 2.14, all licenses, franchises, permits and other governmental authorizations held by Company that are material in connection with Company's Business are valid and sufficient for all business presently carried on by Company. No suspension, cancellation or termination of any such licenses, franchises, permits and other governmental authorizations is threatened or imminent. Except as set forth on Schedule 2.14, Company's Business

is not being conducted in violation of any Law, except for violations which either individually or in the aggregate do not and will not have a material adverse effect on Company's Business.

2.15 Accuracy of Proxy Statement and Other Information. On the date on which Company mails to its stockholders its proxy materials relating to the Merger (the "Proxy Statement"), on the date its stockholder meeting is held, and on the Effective Date, the Proxy Statement will contain all material statements concerning Company which are required to be set forth therein in accordance with the Exchange Act; and at such respective times, the Proxy Statement will not include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading. The information concerning Company set forth in the Schedules hereto and the copies of the documents furnished by Company to Buyer in accordance herewith, are complete and accurate.

2.16 Related Party Transactions. No director or officer of Company or any subsidiary of Company and no Person related to any of them has any interest in (i) any equipment or other property, real or personal, tangible or intangible, including, but without limitation, any item of intellectual property, used in connection with or pertaining to Company's Business, or (ii) any creditor, supplier, customer, manufacturer, agent, representative, or distributor of products of Company; provided, however, that (A) no such director or officer or other Person shall be deemed to have such an interest solely by virtue of the ownership of less than 5% of the outstanding voting stock or debt securities of any publicly-held company, the stock or debt securities of which are traded on a recognized stock exchange or quoted on the National Association of Securities Dealers Automated Quotation System, and (B) no such director or officer or other Person shall be deemed to have such an interest solely by virtue of the ownership by a partnership in which he is a partner of less than 10% of the outstanding voting stock or debt securities of any privately held company.

2.17 Insurance. All material properties of Company and its subsidiaries are insured for their respective benefits, in amounts customary and reasonable for the line of business of Company and against all risks usually insured against by Persons operating similar properties in the localities where such properties are located under valid and enforceable policies issued by insurers of recognized responsibility. Neither Company nor any of its subsidiaries is in default under any such policy or bond, and all such policies are in full force and effect, with all premiums due thereon paid. Company and its subsidiaries have timely filed claims with their respective insurers with respect to all matters and occurrences for which they believe they have coverage except for such failures as will not have a material

adverse effect on Company's Business.

2.18 No Brokers or Finders. All negotiations relative to this Agreement and the transactions contemplated hereby have been carried on by Company directly with Buyer and without the intervention of any Person, either as a result of the act of Company, or, to the knowledge of Company, otherwise, in such a manner as to give rise to any valid claim against any of the parties for a finder's fee, broker's commission or other similar payment, other than that of Goldman Sachs & Co.

2.19 Dissenters' Rights. The effectiveness of the Merger will not give rise to any holder of the Company Common Stock having dissenters' rights pursuant to the NRS.

2.20 Environmental Matters. Except as set forth on Schedule 2.20, to Company's knowledge, neither Company nor any of its subsidiaries has disposed of any Hazardous Substances on or about any properties at any time owned, leased or occupied by Company or any of its present or former subsidiaries. To Company's knowledge, neither Company nor any of its present or former subsidiaries has disposed of any materials at any site being investigated or remediated for contamination or possible contamination of the environment. Except as set forth on Schedule 2.20, to Company's knowledge, Company and each of its present and former subsidiaries have conducted their respective businesses in accordance with all applicable Environmental Regulation. Except as set forth on Schedule 2.20, to Company's knowledge, Company has not received any notice of any investigation, claim or proceeding against Company or any of its present or former subsidiaries relating to Hazardous Substances and Company is not aware of any fact or circumstance which could involve Company or any of its present or former subsidiaries in any environmental litigation, proceeding, investigation or claim or impose any environmental liability upon Company or any of its present or former subsidiaries.

2.21 Bank Accounts, Powers, etc. Schedule 2.21 lists each bank, trust company, savings institution, brokerage firm, mutual fund or other financial institution with which Company or any of its subsidiaries has an account or safe deposit box and the names and identification of all Persons authorized to draw thereon or to have access thereto.

2.22 Intangible Property. Schedule 2.22 lists all Marks used by Company or any of its subsidiaries in connection with the Company's Business and denotes whether such Marks are owned or licensed by Company or any of its subsidiaries, and, if licensed, the payments required to be made to others with respect thereto. Company and its subsidiaries own or have valid, binding, enforceable and adequate rights to use all Intangible Property used

or held for use in connection with Company's Business, without any conflict with the rights of others. Neither Company nor any of its subsidiaries has received any notice from any other Person pertaining to or challenging the right of Company or any such subsidiary to use any Intangible Property owned or used by or licensed to Company or such Subsidiary.

2.23 Fairness Opinion. Company has received from Goldman, Sachs & Co. an opinion, dated the date hereof, to the effect that the Merger Consideration is fair, from a financial point of view, to the stockholders of Company.

2.24 Full Disclosure. No statements by Company contained in this Agreement and the Schedules attached hereto and any written statement or certificate furnished or to be furnished to Buyer pursuant hereto or in connection with the transactions contemplated hereby (when read together) contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained herein or therein not misleading in light of the circumstances under which they were made.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF BUYER AND SUBSIDIARY

Each of Buyer and Subsidiary hereby represents and warrants to Company as follows:

3.1 Organization. Each of Buyer and Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of the State of California and Nevada, respectively, and has corporate power to carry on its business as it is now being conducted.

3.2 Authority; Validity. Each of Buyer and Subsidiary has all corporate power and authority to execute and deliver this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by Buyer's and Subsidiary's Boards of Directors, respectively, and by Buyer as the sole stockholder of Subsidiary, and no other corporate proceedings on the part of Buyer or Subsidiary are necessary to authorize this Agreement and the transactions contemplated hereby. Upon execution and delivery hereof (assuming that this Agreement is the legal, valid and binding obligation of Company), this Agreement will be the valid and binding obligation of Buyer and Subsidiary enforceable against each in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws and equitable principles relating to or limiting creditors rights generally.

3.3 No Conflict. Neither Buyer nor Subsidiary is subject to or obligated under any charter, bylaw, Contract, lease or other instrument or any license, franchise or permit, or subject to any statute, rule, order or decree, which would be materially defaulted, materially breached, terminated, forfeited or materially violated by or in material conflict (or upon the failure to give notice or the lapse of time, or both, would result in a material default, material breach, termination, forfeiture or material conflict) with its executing and carrying out this Agreement and the transactions contemplated hereunder.

3.4 Consents. Except as contemplated by this Agreement or set forth on Schedule 3.4, no consent of any Person not a party to this Agreement, nor consent of or filing with (including any waiting period) any Governmental Entity, is required to be obtained on the part of Buyer or Subsidiary to permit the Merger.

3.5 No Brokers or Finders. All negotiations relative to this Agreement and the transactions contemplated hereby have been carried on by Buyer directly with Company and without the intervention of any Person, either as a result of the act of Buyer or, to the knowledge of Buyer, otherwise, in such a manner as to give rise to any valid claim against any of the parties for a finder's fee, broker's commission or other similar payment, other than DLJ.

3.6 Legal Proceedings. There is no pending or threatened judicial or administrative proceeding or investigation affecting Buyer or Subsidiary that if resolved adversely to either or them could reasonably be expected to impair their ability to consummate the Merger. Buyer is not aware of any judicial or administrative decision affecting it or Subsidiary that could reasonably be expected to impair the ability of Buyer or Subsidiary to consummate the Merger.

3.7 Financial Statements. The financial statements contained in Buyer's Annual Report on Form 10-K for the fiscal year ended May 31, 1997 are in accordance with the books and records of Buyer, have been prepared in accordance with generally accepted accounting principles consistently applied and present fairly in all material respects the financial position of Buyer as of such date and the results of operations of Buyer for the periods indicated therein.

3.8 Buyer's Financing. Buyer has received separate signed commitment letters from two of the ten largest banks in the United States to provide financing in amounts sufficient to pay the Aggregate Merger Consideration pursuant to this Agreement.

ARTICLE IV

COVENANTS

4.1 Access and Information.

(a) Subject to applicable laws and regulations, upon reasonable notice during the period from the date hereof through the Effective Time, Company will give to Buyer and Buyer's Representatives full access during normal business hours to all of its and its subsidiaries' properties, books, records, documents (including, without limitation, tax returns for all periods open under the applicable statute of limitations), personnel, auditors and counsel, and Company shall (and shall cause its subsidiaries to) furnish promptly to Buyer all information concerning Company's Business as Buyer or Buyer's Representatives may reasonably request, including, without limitation true and complete copies of all Material Contracts, including all amendments and supplements thereto.

(b) In addition to Buyer's obligations under the Letter Agreement, all non-public information disclosed by any party (or its Representatives) whether before or after the date hereof, in connection with the transactions contemplated by, or the discussions and negotiations preceding, this Agreement to any other party (or its Representatives) shall be kept confidential by such other party and its Representatives and shall not be used by any such Persons other than as contemplated by this Agreement. Subject to the requirements of applicable Law, Buyer and Company will keep confidential, and each will cause their respective Representatives to keep confidential, all such non-public information and documents unless such information (i) was already known to Buyer or Company, as the case may be, (ii) becomes available to Buyer or Company, as the case may be, from other sources not known by Buyer or Company, respectively, to be bound by a confidentiality obligation, (iii) is independently acquired by Buyer or Company, as the case may be, as a result of work carried out by any Representative of Buyer or Company, respectively, to whom no disclosure of such information has been made, (iv) is disclosed with the prior written approval of Company or Buyer, as the case may be, or (v) is or becomes readily ascertainable from publicly available information. Upon any termination of this Agreement, each party hereto will collect and deliver to the other, or certify as to the destruction of, all documents obtained by it or any of its Representatives then in their possession and any copies thereof.

(c) Subject to applicable Law, if between the date hereof and the Effective Date any Governmental Entity shall commence any examination, review, investigation, action, suit or proceeding against Company with respect to the Merger, Company shall (i) give Buyer prompt notice thereof, (ii) keep Buyer informed as to the status thereof and (iii) permit Buyer to observe and be present at each meeting, conference or other proceeding and

have access to and be consulted in connection with any document filed or provided to such Governmental Entity in connection with such examination, review, investigation, action, suit or proceeding.

(d) Upon Buyer's request, officers of Company shall meet with Buyer's potential sources of financing for the Merger and shall otherwise cooperate as reasonably requested by Buyer in connection with Buyer's efforts to secure financing.

(e) Prior to October 6, 1997, Company shall make available to Buyer data confirming the tax basis of Company's assets, and the amount of consolidated net operating losses, net capital losses, foreign Tax credits and investment and other Tax credits of the Company allocable to Company and its subsidiaries under Treasury Regulation 1.1502-79.

4.2 Governmental Filings. Subject to the terms and conditions herein provided, Company and Buyer shall: (a) promptly make their respective filings and thereafter make any other required submissions under the HSR Act with respect to the Merger; (b) use all reasonable efforts to cooperate with one another in (i) determining which filings are required to be made prior to the Effective Time with, and which consents, approvals, permits or authorizations are required to be obtained prior to the Effective Time from, any Governmental Entity in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby and (ii) timely making all such filings and timely seeking all such consents, approvals, permits or authorizations; and (c) use all reasonable efforts to take, or cause to be taken, all other action and do, or cause to be done, all other things necessary, proper or appropriate to consummate and make effective the transactions contemplated by this Agreement.

4.3 Consents and Approvals.

(a) Company shall use its commercially reasonable efforts to obtain any and all consents from other parties to all Material Contracts, if necessary or appropriate to allow the consummation of the Merger and the continuation of Company's Business in the ordinary course after consummation of the Merger. Each party hereto shall use its commercially reasonable efforts to obtain any and all permits or approvals of any Governmental Entity required by such party for the lawful consummation of the Merger.

(b) Buyer and Company shall, upon request, furnish each other with all information concerning themselves, their respective subsidiaries, directors, officers and stockholders and such other matters as may be reasonably necessary or advisable in connection with the Proxy Statement or any other statement, filing, notice or application made by or on behalf of Buyer or Company to

any Governmental Entity in connection with the Merger and the other transactions contemplated hereby.

(c) Buyer and Company shall promptly furnish each other with copies of all written communications received by Buyer or Company, as the case may be, or any of their respective subsidiaries from, or delivered by any of the foregoing to, any Governmental Entity in respect of the transactions contemplated hereby.

4.4 Stockholders' Meeting. Company shall take all steps necessary to duly call, give notice of, convene and hold a meeting of its stockholders to be held as soon as is reasonably practicable after the date on which the Proxy Statement has been cleared by the SEC for the purpose of voting on the approval of this Agreement and the transactions contemplated hereby, including the Merger. Company will, through its Board of Directors, recommend to its stockholders approval of this Agreement and the transactions contemplated hereby, including the Merger, and such other matters as may be submitted to its stockholders in connection with this Agreement; provided, however, that nothing contained in this Section 4.4 shall prohibit Company's Board of Directors from failing to make such recommendation or modifying or withdrawing its recommendation, if it shall have concluded in good faith based upon the written advice of independent legal counsel which may be Company's regular counsel (i.e. Schlanger, Mills, Mayer & Grossberg LLP) that such action is required to prevent it from breaching its fiduciary duties to the stockholders of Company under applicable Law.

4.5 Conduct of Business. Company covenants and agrees that after the date hereof and prior to the Effective Time (unless Buyer shall have agreed in writing):

(a) Ordinary Course. Company will, and will cause its subsidiaries to, operate Company's Business only in the ordinary course of business consistent with past practices and use its commercially reasonable efforts to (i) preserve its existing business organization, insurance coverage, material rights, material licenses or permits, advantageous business relationships, material agreements and credit facilities; and (ii) retain its key officers and employees. Company and its subsidiaries will not: (A) enter into any material transaction or commitment, or dispose of or acquire any material properties or assets, except purchases and sales of inventory in the ordinary course of business consistent with past practices; (B) implement any new employee benefit plan, or employment, compensatory or severance agreement; (C) amend any existing employee benefit plan or employment agreement except as required by Law or by this Agreement; (D) enter into, amend or terminate any Material Contract, other than the consulting agreement with Jacob Weber (but only upon substantially

the same terms as are contained in the draft revised agreement provided to Buyer prior to the date hereof); (E) take any action that would jeopardize the continuance of its material supplier or customer relationships; (F) make any material change in the nature of their businesses and operations; (G) enter into any transaction or agreement with any officer, director or affiliate of Company or any of its subsidiaries; (H) incur or agree to incur any obligation or liability (absolute or contingent) that individually calls for payment by Company or any of its subsidiaries of more than $100,000 in any specific case or $500,000 in the aggregate, excluding purchases of inventory in the ordinary course of business; or (I) make any Tax election or make any change in any method or period of accounting or in any accounting policy, practice or procedure.

(b) Charter Documents. Company will not amend its Articles of Incorporation or By-Laws.

(c) Dividends. Company will not declare or pay any dividend or make any other distribution in respect of its capital stock.

(d) Stock. Company will not split, combine or reclassify any shares of its capital stock, or issue, redeem or acquire (or agree to do so) any of its equity securities, options, warrants, or convertible instruments, except (i) pursuant to existing obligations under Benefit Plans; or (ii) pursuant to the existing commitments or conversion rights listed on Schedule 2.2(a). Company will not grant any Company Options.

4.6 Publicity. The initial press release with respect to the Merger shall be a joint press release. Thereafter, Company and Buyer shall coordinate all publicity relating to the transactions contemplated by this Agreement and no party shall issue any press release, publicity statement or other public notice relating to this Agreement, or the transactions contemplated by this Agreement, without obtaining the prior consent of both Company and Buyer, except to the extent that the disclosing party is advised by its counsel that such action is required by applicable Law, and then, if practicable, only after consultation with the other party. Company shall obtain the prior consent of Buyer to the form and content of any application or report made to any Governmental Entity which relates to this Agreement.

4.7 Financial Statements. Company will deliver to Buyer, as soon as reasonably practicable after the end of each fiscal month and each fiscal quarter prior to the Effective Date, beginning with the periods included in the second fiscal quarter of 1998, an unaudited balance sheet as of such date and related unaudited statements of income and changes in stockholders' equity for the period then ended. Such financial statements will be prepared in accordance with generally accepted accounting princi-

ples consistently applied and will fairly reflect Company's consolidated financial condition and the consolidated results of its operations for the periods then ended, subject, in the case of unaudited interim statements, to the absence of notes and to normal year-end adjustments. Company will also deliver to Buyer the related consolidating statements for each such period.

4.8 Notification of Defaults and Adverse Events. Company will promptly notify Buyer if, subsequent to the date of this Agreement and prior to the Effective Date: (i) an event occurs that may materially and adversely affect Company's Business, (ii) it receives any notice of default under any Material Contract, which default would, if not remedied, result in any material adverse change in Company's Business or which would render incorrect any representation made herein, or (iii) any suit, action or proceeding is instituted or, to the knowledge of Company, threatened against or affecting Company or any of its subsidiaries which, if adversely determined, would result in any material adverse change in Company's Business or which would render incorrect any representation made herein. Each of Company and Buyer will promptly notify the other if it determines it is or will be unable to comply with any of its obligations under this Agreement or fulfill any conditions under its control.

4.9 Indemnification by Company. Company agrees to indemnify and hold harmless Buyer, each Person who controls Buyer within the meaning of the Securities Act, and each director and officer of the Buyer against any losses, claims, damages, liabilities or expenses (including reasonable counsel fees and costs of investigation and defense) that are based on the ground or alleged ground that the Proxy Statement contains any material misstatement or omission. This indemnification obligation does not, however, extend to information provided in writing by Buyer expressly for inclusion in the Proxy Statement.

4.10 Commercially Reasonable Efforts. Buyer and Company shall each use its commercially reasonable efforts to cause all conditions to Closing to be satisfied.

4.11 Buyer's Undertaking Regarding Subsidiary. Buyer covenants and agrees with Company that, subject to the terms and conditions of this Agreement, Buyer shall take all actions as may be necessary to cause Subsidiary to consummate the Merger.

4.12 Employee Matters.

(a) Company shall amend, terminate or suspend its 1996 Employee Stock Purchase Plan such that no options will be granted pursuant thereto after September 30, 1997.

(b) Company's Board of Directors shall take all

actions necessary or appropriate such that the Merger, the transactions contemplated by this Agreement and any steps taken in connection therewith are not deemed to be either (i) a "Change in Control" as such term is defined in the Company Broad Base Severance Plan or (ii) a "Hostile Change of Control" as such term is defined in the Company Upper Management Severance Plan.

4.13 No Solicitation. Company will, and will cause its subsidiaries and their respective Representatives to, immediately cease any discussions or negotiations with any Persons that may be ongoing with respect to any Acquisition Proposal. The Company will not, nor will it permit any of its subsidiaries to, nor will it authorize or permit any of its Representatives to, directly, or indirectly, (a) solicit or initiate, or knowingly encourage the submission of, any Acquisition Proposal or (b) participate in any discussions or negotiations regarding, or furnish to any Person any information with respect to any proposal that constitutes, or may reasonably be expected to lead to, an Acquisition Proposal; provided, however, that, notwithstanding the foregoing, if, prior to the Closing, Company's Board of Directors determines in good faith, based upon written advice of independent counsel, which may be the Company's regularly engaged outside counsel, that not to do so would be inconsistent with the Board of Directors' fiduciary duties to the Company's stockholders under applicable Law, the Company may, in response to an unsolicited Acquisition Proposal and so long as it provides notice to Buyer of its receipt of such unsolicited Acquisition Proposal, (i) furnish information with respect to the Company pursuant to a customary confidentiality and standstill agreement (which is substantially similar to the agreement with Buyer) and (ii) participate in discussions or negotiations regarding such Acquisition Proposal. Without limiting the foregoing, it is understood that any violation of the restrictions set forth in the previous sentence by any subsidiary of Company or any of Company's Representatives, whether or not such Person is purporting to act on behalf of Company or any of its subsidiaries or otherwise, shall be deemed to be a breach of this Section 4.13 by Company.

4.14 Termination Fee. If this Agreement is terminated (a) by Subsidiary and/or Buyer pursuant to Section 6.1(d) or Section 6.1(h) hereof, or (b) by Company pursuant to Section 6.1(d) or Section 6.1(g), then Company shall pay to Buyer, upon demand, a fee, to be paid in cash, of $5,000,000 (the "Termination Fee"). The Termination Fee will be Buyer's sole and exclusive remedy against Company for a termination pursuant to such Sections and Buyer shall not pursue in any manner, directly or indirectly, any claim or cause of action based upon tortious or other interference with rights under this Agreement against any Person submitting an Acquisition Proposal.

4.15 Anti-takeover Statutes. If any anti-takeover

or similar statute is applicable to the transactions contemplated hereby, Company represents that it has and will grant such approvals and take such actions as are necessary so that the transactions contemplated hereby may be consummated as promptly as practicable on the terms contemplated hereby and otherwise act to eliminate the effects of such takeover statute on the transactions contemplated hereby.

4.16 Indemnification; Insurance.

(a) Buyer and Subsidiary agree that all rights to indemnification by Company existing in favor of each present and former director of Company (the "Company Indemnified Parties") as provided in Company's Articles of Incorporation and By-Laws on the date hereof shall survive the Merger and shall continue in full force and effect for a period of four years from the Effective Date. Without limiting the foregoing, in the event that any claim, action, suit, proceeding or investigation is brought against any Company Indemnified Party, the Surviving Corporation shall have the right to assume the defense of any such action or proceeding (using counsel reasonably satisfactory to the Company Indemnified Party) and to settle, in its sole discretion, any such action or proceeding. Neither Buyer nor the Surviving Corporation shall be liable for any settlement of any claim effected without its written consent. Subject to the foregoing, upon assumption by the Surviving Corporation of the defense of any such action or proceeding, the Company Indemnified Party may participate in such defense, but neither the Surviving Corporation nor Buyer shall have any liability to the Company Indemnified Party for any legal fees or expenses subsequently incurred by the Company Indemnified Party in connection with such defense. Any Company Indemnified Party wishing to claim indemnification under this Section 4.16(a), upon learning of any such claim, action, suit, proceeding or investigation, shall promptly notify the Surviving Corporation of the same (but the failure to so notify the Surviving Corporation shall not relieve it or Buyer from any liability which it may have under this Section 4.16(a) except to the extent that such failure prejudices the Surviving Corporation or Buyer).

(b) For a period of three years after the Effective Date, Buyer shall cause to be maintained officers' and directors' liability insurance covering the Company's existing officers and directors who are currently covered in such capacities by Company's existing officers' and directors' liability insurance policies on terms substantially no less advantageous to such officers and directors than such existing insurance; provided, however, that Buyer shall not be required in order to maintain or procure such coverage to pay an annual premium in excess of two times the current annual premium paid by Company for its existing coverage (the "D&O Cap") and provided further that if equivalent coverage cannot be obtained, or can be obtained only by paying an annual

premium in excess of such amount, Buyer shall only be required to obtain as much coverage as can be obtained by paying an annual premium equal to the D&O Cap.

ARTICLE V
CONDITIONS

5.1 Conditions to Obligations of Company and Buyer. The respective obligations of the parties to effect the Merger are subject to the fulfillment at or prior to the Effective Date of the following conditions unless waived in writing by all parties:

(a) Corporate Approval. All corporate actions necessary to authorize the execution, delivery and performance of this Agreement and the Merger shall have been duly and validly taken by the other parties. The stockholders of Company shall have approved the Merger in accordance with applicable Law.

(b) Approval from Government Entities. All approvals required by any Governmental Entity and all other actions required to effect the Merger and related transactions shall have been obtained. The waiting period under the HSR Act shall have expired, or early termination of the waiting period under the HSR Act shall have been granted.

(c) Absence of Governmental Litigation. No Governmental Entity shall have instituted a proceeding seeking injunctive or other relief in connection with the Merger and related transactions. There shall not be any judgment, decree, injunction, ruling or order of any Governmental Entity that prohibits, restricts, or delays consummation of the Merger.

5.2 Conditions to Obligations of Buyer. The obligations of Buyer and Subsidiary to effect the Merger are subject to the fulfillment at or prior to the Effective Date of the following conditions except to the extent waived in writing by Buyer:

(a) Representations and Compliance. The representations and warranties of Company in this Agreement shall be true and correct in all material respects as of the date of this Agreement and on the Effective Date with the same effect as though made on and as of such date, except for any changes contemplated by this Agreement; Company shall have complied in all material respects with all covenants requiring compliance by it prior to the Effective Date; and Buyer shall have received an officer's certificate signed by the Chief Executive Officer of Company certifying as to each of the foregoing.

(b) Comfort Letter. Buyer shall have received from Ernst & Young LLP, the independent auditors of Company, a comfort

letter dated the date of the mailing of the Proxy Statement and a second comfort letter dated the Effective Date, each in form and substance reasonably satisfactory to Buyer.

(c) Opinion of Counsel. Buyer shall have received from Schlanger, Mills, Mayer & Grossberg LLP, counsel to Company, an opinion in form and substance reasonably satisfactory to Buyer.

(d) Governmental Approvals. All statutory requirements for the valid consummation by Buyer and Subsidiary of the transactions contemplated by this Agreement shall have been fulfilled; all authorizations, consents and approvals of all Governmental Entities required to be obtained in order to permit consummation by Buyer and Subsidiary of the transactions contemplated by this Agreement shall have been obtained.

(e) No Material Adverse Change. From the date hereof, there shall not have occurred any event which has or is likely to have a material adverse effect on Company's Business (it being understood that events or changes affecting the entire electronics components distribution industry generally will not be considered in making such determination). Without limiting the foregoing, a material adverse effect on Company's Business shall include the termination (or notice of termination) of franchise agreements with suppliers which in the aggregate accounted for at least seven percent of Company's revenues in fiscal 1997.

(f) Material Contracts. All consents from other parties to the Material Contracts listed on Schedule 5.2(f), if necessary or appropriate to allow the consummation of the Merger and the continuation of Company's Business in the ordinary course after consummation of the Merger, shall have been received.

(g) Market Conditions. There shall have not occurred (i) any general suspension of, trading in or limitation on prices for securities on the New York Stock Exchange Inc., the American Stock Exchange, Inc., or the National Association of Securities Dealers Automated Quotation System, (ii) a declaration of a banking moratorium or any suspension of payments in respect of banks in the United States (whether or not mandatory), (iii) the commencement of a war, armed hostilities or other international or national calamity directly or indirectly involving the United States, (iv) any limitation by any Governmental Entity on, or any other event that, in the reasonable judgment of Buyer is substantially likely to materially adversely affect the extension of credit by banks or other lending institutions, or (v) from the date of this Agreement through the date immediately prior to the Effective Time, a decline of at least 25% in the Standard & Poor's 500 Index.

5.3 Conditions to Obligations of Company. The

obligations of Company to effect the Merger are subject to the fulfillment at or prior to the Effective Date of the following conditions unless waived in writing by Company:

(a) Representations and Compliance. The representations and warranties of Buyer in this Agreement shall be true and correct in all material respects as of the date of this Agreement and on the Effective Date with the same effect as though made on and as of such date, except for any changes contemplated by this Agreement; Buyer shall have complied in all material respects with all covenants requiring compliance by it prior to the Effective Date; and Company shall have received an officer's certificate signed by the Chief Executive Officer of Buyer certifying as to each of the foregoing.

(b) Opinion of Counsel. Company shall have received from O'Melveny & Myers LLP, counsel for Buyer, an opinion in form and substance reasonably satisfactory to Company.

ARTICLE VI
TERMINATION, AMENDMENT AND WAIVER

6.1 Termination and Abandonment. This Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Time, whether before or after approval by the stockholders of Company:

(a) by mutual consent of Subsidiary, Buyer and Company in a written instrument, if the Board of Directors of each so determines by a vote of a majority of the members of its entire Board of Directors;

(b) by any of Subsidiary, Buyer or Company upon written notice to the other parties if any Governmental Entity of competent jurisdiction shall have issued a final nonappealable order denying, enjoining or otherwise prohibiting the consummation of any of the transactions contemplated by this Agreement;

(c) by any of Subsidiary, Buyer or Company if the Merger shall not have been consummated on or before January 31, 1998, unless the failure of the Merger to occur by such date shall be due to the failure of the party seeking to terminate this Agreement to perform or observe in any material respect the covenants and agreements of such party set forth herein;

(d) by Company or Buyer if any approval of the stockholders of Company required for the consummation of the Merger shall not have been obtained by reason of the failure to obtain the required vote at a duly held meeting of stockholders or at any adjournment or postponement thereof;

(e) by any of Subsidiary, Buyer or Company (so long as the terminating party is not then in material breach of any representation, warranty, covenant or other agreement contained herein) if there shall have been a breach of any of the representations or warranties set forth in this Agreement on the part of the other party;

(f) by any of Subsidiary, Buyer or Company (so long as the terminating party is not then in material breach of any representation, warranty, covenant or other agreement contained herein) if there shall have been a breach of any of the covenants or agreements or conditions or obligations set forth in this Agreement on the part of the other party, which breach shall not have been cured within ten days following receipt by the breaching party of written notice of such breach from the other party hereto or which breach, by its nature, cannot be cured prior to the Effective Time;

(g) by Company if, prior to the consummation of the transactions contemplated hereby, a Person shall have made a bona fide Acquisition Proposal that the Board of Directors of Company determines in its good faith judgment and in the exercise of its fiduciary duties, based as to legal matters on the written opinion of legal counsel and as to financial matters on the written opinion of an investment banking firm of national reputation, is more favorable to Company's stockholders than the Merger and that the failure to terminate this Agreement and accept such alternative Acquisition Proposal would be inconsistent with the proper exercise of such fiduciary duties under applicable Law; and

(h) by Subsidiary and Buyer prior to the consummation of the transactions contemplated hereby if the Board of Directors of Company shall have withdrawn its approval or modified its approval or recommendation of this Agreement or shall have recommended another offer for the purchase of Company Common Stock.

6.2 Effect of Termination. Except as provided in Section 4.14 and Section 7.2 hereof with respect to expenses and fees (including the Termination Fee), and except as provided in Section 4.1(b) hereof with respect to information obtained in connection with the transactions contemplated hereby, in the event of the termination of this Agreement and the abandonment of the Merger, this Agreement shall thereafter become null and void and have no effect, and no party hereto shall have any liability to any other party hereto or its stockholders or directors or officers in respect thereof, and each party shall be responsible for its own expenses, except that nothing herein shall relieve any party for liability for any willful breach hereof.

6.3 Amendment. This Agreement may be amended by the parties hereto at any time before or after approval hereof by the stockholders of Company, but, after any such approval, no amendment shall be made which would have a material adverse effect on the stockholders of Company without the further approval of such stockholders. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.

6.4 Extension; Waiver. At any time prior to the Effective Date, the parties hereto may (a) extend the time for the performance of any of the obligations or other acts of the other parties hereto, (b) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto and (c) waive compliance with any of the agreements or conditions contained herein. Any agreement on the part of a party hereto to any such extension or waiver shall be valid if set forth in an instrument in writing signed on behalf of such party.

ARTICLE VII
MISCELLANEOUS

7.1 Termination of Representations and Warranties. The representations and warranties of each party will terminate on the Effective Date.

7.2 Expenses. Subject to Section 4.14, each party will pay its own expenses relating to this Agreement and the transactions contemplated hereby; provided, however that following any termination of this Agreement by Buyer pursuant to Section 6.1(e) or 6.1(f), Company shall reimburse Buyer and its affiliates (not later than five business days after submission of statements therefor) for all out-of-pocket fees and expenses actually and reasonably incurred by any of them or on their behalf in connection with this Agreement and the transactions contemplated hereby (including, without limitation, fees payable to investment bankers, commercial bankers, counsel, consultants and accountants) in an amount not to exceed $2,000,000.

7.3 Remedies. If, in accordance with the terms of the proviso contained in Section 4.4, Company's Board of Directors fails to recommend this Agreement (and the transactions contemplated hereby, including the Merger) to Company's stockholders, or modifies or withdraws its recommendation thereof to Company's stockholders, Buyer's sole remedy in connection therewith shall be Company's payment of the Termination Fee to Buyer pursuant to Section 4.14. This Section 7.3 shall not be deemed to preclude or otherwise limit in any way Buyer's exercise of any rights or pursuit of any remedies, including, without limitation, any legal or equitable remedies, with respect to any

breach by Company of any of its obligations under this Agreement, including, without limitation, those contained in Section 4.13 hereof.

7.4 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given if delivered in person, sent by registered or certified mail (return receipt requested), or telexed or telecopied to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

if to Buyer or Subsidiary:

Marshall Industries
9320 Telstar Avenue
El Monte, California 91731
Attention: Henry W. Chin
Telecopy: (626) 307-6348

with a copy to:

O'Melveny & Myers LLP
400 S. Hope St.
Los Angeles, California 90071-2899
Telecopy: (213) 669-6407
Attention: D. Stephen Antion, Esq.

if to Company:

Sterling Electronics Corporation
4201 Southwest Freeway
Houston, Texas 77027
Attention: Ronald Spolane
Telecopy: (713) 629-3949

with a copy to:

Schlanger, Mills, Mayer & Grossberg LLP
5847 San Felipe, Suite 1700
Houston, Texas 77057
Telecopy: (713) 785-2091
Attention: Steven Lerner, Esq.

7.5 Further Assurances. Buyer, Subsidiary and Company each agree to execute and deliver such other documents, certificates, agreements and other writings and to take such other actions as may be reasonably necessary or desirable in order to expeditiously consummate or implement the transactions contemplated by this Agreement.

7.6 Assignability. Neither this Agreement nor any

rights or obligations under it are assignable.

7.7 Governing Law. This Agreement will be governed by the laws of the State of California except to extent that the certain matters are governed as a matter of controlling law by the law of the jurisdiction of incorporation of Company.

7.8 Interpretation. Headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

7.9 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

7.10 Integration. This Agreement and the Letter Agreement constitute the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof.

ARTICLE VIII
DEFINITIONS

8.1 Definitions. For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires: (a) the terms defined in this Article VIII have the meaning assigned to them in this Article VIII and include the plural as well as the singular; (b) all accounting terms not otherwise defined herein have the meanings assigned under generally accepted accounting principles; (c) all references in this Agreement to designated "Articles," "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of the body of this Agreement; (d) pronouns of either gender or neuter shall include, as appropriate, the other pronoun forms; and (e) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as whole and not to any particular Article, Section nor other subdivision.

As used in this Agreement and the Schedules delivered pursuant to this Agreement, the following definitions shall apply.

"Acquisition Proposal" means any proposal or offer from any Person relating to any direct or indirect acquisition or purchase of all or a substantial part of the assets of the Company or any of its subsidiaries or of over 15% of any class of equity securities of the Company or any of its subsidiaries, any tender offer or exchange offer that if consummated would result in any Person beneficially owning 15% or more of any class of equity securities of the Company or any of its subsidiaries, any merger,

consolidation, business combination, sale of all or substantially all of the assets, recapitalization, liquidation, dissolution or similar transaction involving the Company or any of its subsidiaries, other than the transactions contemplated by this Agreement.

"Aggregate Merger Consideration" means an amount equal to the sum of (i) the amount required to be deposited with the Paying Agent pursuant to Section 1.8(a) plus (ii) the aggregate amount to be paid to holders of Company Options pursuant to Section 1.9.

"Benefit Plans" has the meaning set forth in Section 2.11(a).

"Buyer" has the meaning set forth in the first paragraph hereof.

"Cancelled Shares" has the meaning set forth in Section 1.7.

"Certificates" has the meaning set forth in Section 1.7.

"Closing" has the meaning set forth in Section 1.2.

"Company" has the meaning set forth in the first paragraph hereof.

"Company Common Stock" has the meaning set forth in Section 1.7.

"Company Indemnified Parties" has the meaning set forth in Section 4.16(a).

"Company Options" means any option granted by Company to purchase shares of Company Common Stock pursuant to the Company's 1967 Stock Option Plan, 1968 Stock Option Plan, 1992 Incentive Stock Option Plan, 1993 Directors' Non-Qualified Stock Option Plan, 1994 Stock Option Plan and 1997 Stock Option Plan, and any individual option grant made prior to the date hereof.

"Company's Business" has the meaning set forth in Section 2.1(a).

"Contract" means any agreement, arrangement, bond, commitment, franchise, indemnity, indenture, instrument, lease, license or understanding, whether or not in writing.

"DLJ" means Donaldson, Lufkin & Jenrette Securities Corporation.

"D&O Cap" has the meaning set forth in Section 4.16(b).

"Effective Date" has the meaning set forth in Section 1.3.

"Effective Time" has the meaning set forth in Section 1.3.

"Environmental Regulation" means, collectively, all Laws, regulations, orders and other requirements of any Governmental Entity relating to Hazardous Substances and the use, storage, treatment, disposal, transport, generation, release of, and exposure of others to, Hazardous Substances.

"ERISA" means the Employee Retirement Income Security Act of 1974.

"ERISA Affiliate" has the meaning set forth in Section 2.11(a).

"ERISA Plans" has the meaning set forth in Section 2.11(a).

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Governmental Entity" means any governmental agency, district, bureau, board, commission, court, department, official political subdivision, tribunal or other instrumentality of any government, whether federal, state or local, domestic or foreign.

"Hazardous Substances" means (but shall not be limited to) substances that are defined or listed in, or otherwise classified pursuant to, any applicable Laws as "hazardous substances," "hazardous materials," "hazardous wastes" or "toxic substances," or any other formulation intended to define, list or classify substances by reason of deleterious properties such as ignitibility, corrosivity, reactivity, radioactivity, carcinogenicity, reproductive toxicity or "EP toxicity," and petroleum and drilling fluids, produced waters and other wastes associated with the exploration, development, or production of crude oil, natural gas or geothermal energy.

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"Intangible Property" means any trade secret, secret process or other confidential information or know-how and any and all Marks.

"IRC" means the Internal Revenue Code of 1986, as

amended.

"IRS" means the Internal Revenue Service.

"Laws" means any constitutional provision, statute, ordinance, or other law, code, rule, regulation or interpretation of any Governmental Entity and any decree, injunction, judgment, award, order, ruling, assessment or writ.

"Letter Agreement" means that certain letter agreement between Buyer and Company dated June 3, 1997.

"Marks" means any brand name, copyright, patent, service mark, trademark, trade name, and all registrations or applications for registration of any of the foregoing.

"Merger" has the meaning set forth in Section 1.1.

"Merger Consideration" has the meaning set forth in Section 1.7.

"NRS" means the Nevada Revised Statutes.

"Paying Agent" has the meaning set forth in Section 1.8(a).

"Paying Agent Letter" has the meaning set forth in Section 1.8(b).

"Payment Fund" has the meaning set forth in Section 1.8(a).

"Person" means any individual, partnership, joint venture, corporation, bank, trust, unincorporated organization or other entity.

"Proxy Statement" has the meaning set forth in Section 2.15.

"Qualified Plans" has the meaning set forth in Section 2.11(b).

"Representatives" means a Person's officers, directors, employees, consultants, investment bankers, accountants, attorneys and other advisors, representatives and agents.

"Securities Act" means the Securities Act of 1933, as amended.

"SEC" means the Securities and Exchange Commission.

"SEC Filings" has the meaning set forth in Section 2.6(c).

"Subsidiary" has the meaning set forth in the first paragraph hereof.

"Surviving Corporation has the meaning set forth in Section 1.1.

"Tax" means any foreign, federal, state, county or local income, sales, use, excise, franchise, ad valorem, real and personal property, transfer, gross receipt, stamp, premium, profits, customs, duties, windfall profits, capital stock, production, business and occupation, disability, employment, payroll, severance or withholding taxes, fees, assessments or charges of any kind whatever imposed by any Governmental Entity, and interest and penalties (civil or criminal), additions to tax, payments in lieu of taxes or additional amounts related thereto or to the nonpayment thereof, and any loss in connection with the determination, settlement or litigation of any Tax liability.

"Tax Return" means a declaration, statement report, return or other document or information required to be filed or supplied with respect to Taxes, including, where permitted or required, combined or consolidated returns for any group of entities that includes the Company or any of its subsidiaries.

"Termination Fee" has the meaning set forth in Section 4.14.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first written above.

MARSHALL INDUSTRIES

/s/ Robert Rodin
Robert Rodin
President
and Chief Executive Officer

MI HOLDINGS NEVADA, INC.

/s/ Robert Rodin
Robert Rodin
President

STERLING ELECTRONICS CORPORATION

/s/ Ronald Spolane
By: Ronald Spolane
Its: Chairman & CEO

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is entered into as of September 18, 1997 by and between Marshall Industries, a California corporation ("Employer") and Ronald S. Spolane ("Employee").

WITNESSETH:

WHEREAS, Sterling Electronics Corporation, a Nevada corporation ("Company"), Employer and MI Holdings Nevada, Inc., a Nevada corporation and a wholly-owned subsidiary of Employer ("Subsidiary"), are parties to an Agreement and Plan of Merger dated as of September 18, 1997 (the "Merger Agreement") that provides for the merger (the "Merger") of Subsidiary into Company;

WHEREAS, Employee has served Company in various capacities, most recently as Chairman of the Board, Chief Executive Officer and President, and Employer desires to obtain the benefit of continued service by Employee to Company after the Merger, and Employee desires to render such services to Employer;

WHEREAS, the Board of Directors of Employer (the "Board") has determined that because of Employee's substantial experience and business relationships in connection with the business of Company, it is in Employer's best interest and its stockholders to secure the services of Employee and to provide Employee certain additional benefits; and

WHEREAS, Employer and Employee desire to set forth in this Agreement the terms and conditions of Employee's employment with Employer.

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained, the parties agree as follows:

1. Term. Employer agrees to employ Employee and Employee agrees to serve Employer, in accordance with the terms of this Agreement, subject to and commencing at the Effective Time (as defined in the Merger Agreement) and ending May 31, 2001, unless this Agreement is earlier terminated in accordance with the provisions which follow. Concurrently with this Agreement becoming effective, Employee shall: (a) terminate the Employment Agreement between Company and Employee dated September

18, 1995 (the "Prior Employment Agreement") and any rights of Employee upon a change in control of Company; and (b) terminate all participation by or rights of Employee to participate in any incentive bonus plan or severance plan of Company, including but not limited to, Company's Upper Management Severance Plan and Company's Broad Based Severance Plan. Employee hereby agrees to waive any rights he might otherwise have pursuant to the Prior Employment Agreement upon a change in control of Company.

2. Services and Exclusivity of Services. So long as this Agreement shall continue in effect, Employee shall devote his full business time, energy and ability exclusively to the business, affairs and interests of Employer and its subsidiaries and matters related thereto, shall use Employee's best efforts and abilities to promote Employer's interests, and shall perform the services contemplated by this Agreement in accordance with policies established by and under the direction of the Board and the Chief Executive Officer of Employer (the "CEO").

Employee agrees to serve without additional remuneration in such senior capacities for one or more direct or indirect subsidiaries of Company as the CEO may from time to time request, subject to appropriate authorization by the subsidiary or subsidiaries involved and any limitations under applicable law. Employee agrees to faithfully and diligently promote the business, affairs and interests of Employer and its subsidiaries. Employee agrees to use Employee's best efforts to successfully effectuate the purposes of the Merger Agreement, including, but not limited to, the integration of the operations of Company with those of Employer and the implementation of Company's policies under its new ownership; provided, however, that best efforts shall not require Employee to expend his own funds.

Without the prior express written authorization of the Board, Employee shall not, directly or indirectly, during the term of this Agreement: (a) render services to any other person or firm for compensation; or (b) engage in any activity competitive with or adverse to Employer's business, whether alone, as a partner, or as an officer, director, employee or significant investor of or in any other entity; provided, however, that Employee may manage family investments or other similar matters so long as such activities do not interfere with his duties. (An investment of greater than 5% of the outstanding capital or equity securities of an entity shall be deemed significant for these purposes.)

Employee represents to Employer that Employee has no other outstanding commitments inconsistent with any of the terms of this Agreement or the services to be rendered hereunder.

3. Specific Position; Duties and Responsibilities.

Employer and Employee agree that, subject to the provisions of this Agreement, Employer will employ Employee and Employee will serve Employer for the duration of this Agreement as the President of Company. Employee agrees to observe and comply with the rules and regulations of Employer as adopted by the Board respecting the performance of Employee's duties and agrees to carry out and perform orders, directions and policies of Employer as they may be, from time to time, stated either orally or in writing. For the term of this Agreement, Employee shall report to the CEO, or to such other person(s) as the CEO may designate consistent with his position as President of a significant subsidiary.

4. Compensation.

(a) Base Compensation. During the term of this Agreement, Employer agrees to pay Employee a base salary for the following periods and at the following rates:

<TABLE>

<S> Period	<C> Amount	<C> Payable
Date of this Agreement through May 31, 1998 ("Year 1")	$31,250 per month	monthly
June 1, 1998 - May 31, 1999 ("Year 2")	$375,000 for the year	in equal monthly installments
June 1, 1999 - May 31, 2000 ("Year 3")	$400,000 for the year	in equal monthly installments
June 1, 2000 - May 31, 2001 ("Year 4")	$425,000 for the year	in equal monthly installments

</TABLE>

(b) Profit Sharing Plan. Subject to Section 6 of this Agreement, during the term of this Agreement, Employee shall be entitled to a bonus based on the earnings and profits of Company and/or Employer for the periods, at the rates and payable in the manner described below:

(i) At the end of Year 1, Employee shall be entitled to receive a bonus in the fixed amount of $100,000. Such amount shall be paid within 30 days of the end of Year

1.

(ii) During Year 2, Employee shall be eligible for and shall participate in a profit sharing plan of Company that shall include the same terms and conditions of the profit sharing plan of Employer as in existence on the date hereof (and as subsequently modified by Employer; provided, however, that any such modification shall apply to all senior or executive employees of Employer equally) (the "Profit Plan") except that the payment, if any, to be paid to Employee under the terms of such plan shall be calculated based on the earnings and profits of Company alone.

(iii) During each of Year 3 and Year 4, Employee shall be eligible for and shall participate in the Profit Plan with the payment, if any, to be calculated based on the consolidated earnings and profits for such period of Employer and its subsidiaries, including Company.

(c) One-Time Special Bonus. Subject to Section 6 of this Agreement, Employee shall be entitled to receive a special one-time bonus on the terms and conditions and in the amount set forth in Exhibit 1 hereto.

(d) Additional Benefits. Except for benefits expressly identified in Sections 4(b), 4(c) and 5 of this Agreement, Employee shall not participate in or be eligible to participate in any bonus, profit, or incentive compensation plan of Employer or any of its affiliates. However, to the extent Employee meets eligibility requirements applicable to employees generally, Employee shall also be entitled to participate in any pension plan and/or health and welfare benefit plan of Employer or its affiliates available to employees of Employer generally.

Notwithstanding the foregoing, this Agreement shall not be deemed to amend or otherwise affect the provisions of any compensation, retirement or other benefit program or plan of Employer or its subsidiaries or affiliates, but in no event shall Employee be entitled to benefits under both an Employer (or affiliate) plan or this Agreement and a comparable plan of any other entity and in no event shall Employee be entitled to duplicative benefits under any plans of Employer and/or its affiliates or such other entities.

(e) Vacation. Employee shall be entitled to paid vacation in an amount consistent with that provided to the other senior or executive employees of Employer.

(f) Perquisites. Employer shall provide Employee with a company car of Employer or a car allowance (at Employer's option), in either case with such perquisite being in an amount

consistent with that provided to the other senior executives of Employer; provided, however, that in no event shall such amount exceed $12,000 per year.

(g) Overall Qualification. Other than the benefits to be provided to Employee pursuant to Sections 4(a), 4(b), 4(c) and 4(f), Employer reserves the right to modify, suspend or discontinue any and all of the above referenced benefit plans, practices, policies and programs at any time (whether before or after termination of employment) without notice to or recourse by Employee so long as such action is taken generally with respect to other similarly situated persons (i.e. senior or executive employees of Employer) and does not single out Employee.

5. Stock Option Grant. Upon the effectiveness of this Agreement, Employee shall receive a nonqualified stock option grant to purchase 50,000 shares of Employer's common stock in the form attached hereto as Exhibit 2. The exercise price of such options shall be the fair market value of Employer's common stock on the date of the closing of the transactions pursuant to the Merger Agreement.

6. Termination. The compensation and other benefits provided to Employee pursuant to this Agreement, and the employment of Employee by Employer, shall be terminated prior to expiration of the term of this Agreement only as provided in this Section 6.

(a) Death or Disability. If Employee's employment is terminated by reason of Employee's death or Disability (defined as the failure, because of illness, incapacity or injury which is determined to be total and permanent by a physician selected by Employer or its insurers and acceptable to Employee or Employee's legal representative (such agreement as to acceptability not to be withheld unreasonably) to render for six consecutive months or for shorter periods aggregating 120 or more business days in any twelve (12)-month period, the services contemplated by this Agreement after Employer has provided written notice of termination for such Disability to Employee), this Agreement shall terminate without further obligations to Employee (or Employee's heirs or legal representatives) under this Agreement, other than for:

(i) payment of the sum of (A) Employee's then base salary as set forth in Section 4(a) through the date of termination, (B) if the termination occurs during Year 1, a pro rata portion of the $100,000 bonus to be paid pursuant to Section 4(b)(i) of this Agreement (based on the number of whole months worked by Employee up to the time of termination) or, if the termination occurs in Years 2, 3 or 4, the amount of any profit sharing payment earned for the

period up to and including the termination as determined under the applicable profit sharing plan referred to in Sections 4(b)(ii) and 4(b)(iii) of this Agreement, (C) the pro rata portion of the Guaranteed Minimum Special Bonus, as set forth in Exhibit 1 hereto, (D) any compensation previously deferred by Employee (together with any accrued interest or earnings thereon), and (E) any accrued vacation pay, in each case to the extent not theretofore paid (the sum of the amounts described in clauses (A), (B), (C), (D) and (E) shall be paid to Employee or Employee's estate or beneficiary, as applicable, in a lump sum in cash within 30 days after the date of termination or any earlier time required by applicable law); and

(ii) payment to Employee or Employee's estate or beneficiary, as applicable, any amount due pursuant to the terms of any applicable welfare benefit plan.

(b) For Cause; Employee Resignation. If either: (x) Employee's employment is terminated upon a determination by Employer, acting in good faith based upon actual knowledge at such time that Employee is or has been personally dishonest or grossly negligent in any dealings with or transactions with Employer, is engaging or has engaged in willful or grossly negligent misconduct in connection with his employment, or a breach of fiduciary duty to Employer, has intentionally failed to perform stated or assigned duties, or has willfully or negligently violated any law, rule or regulation (other than minor traffic violations or similar offenses) that has caused any damage to Employer or any of its subsidiaries or has been convicted of a misdemeanor (other than minor traffic violations or similar offenses) which affects the performance of his duties or of a felony or materially breached any of the provisions of this Agreement (termination "For Cause"); or (y) Employee resigns prior to the term of this Agreement, this Agreement shall terminate without further obligations to Employee (or Employee's heirs or legal representatives) under this Agreement, other than for:

(i) payment of the sum of (A) Employee's then base salary as set forth in Section 4(a) through the date of termination, (B) if the termination occurs during Year 1, a pro rata portion of the $100,000 bonus to be paid pursuant to Section 4(b)(i) of this Agreement (based on the number of whole months worked by Employee up to the time of termination) or, if the termination occurs in Years 2, 3 or 4, the amount of any profit sharing payment earned for the period up to and including the termination as determined under the applicable profit sharing plan referred to in Sections 4(b)(ii) and 4(b)(iii) of this Agreement, (C) any compensation previously deferred by Employee (together with

any accrued interest or earnings thereon), and (D) any accrued vacation pay, in each case to the extent not theretofore paid (the sum of the amounts described in clauses (A), (B), (C) and (D) shall be paid to Employee in a lump sum in cash within 30 days after the date of termination or any earlier time required by applicable law); and

(ii) payment to Employee of any amount due pursuant to the terms of any applicable welfare benefit plan.

Notwithstanding the foregoing, Employee shall not be terminated For Cause pursuant to this clause (b) unless and until Employee has received notice of a proposed termination For Cause and Employee has had an opportunity to be heard before at least a majority of the members of the Board and, in the case of a proposed termination For Cause involving Employee's failure to perform stated or assigned duties, Employee shall have been given a reasonable opportunity to cure or remedy the violations.

(c) Without Cause. Notwithstanding any other provision of this Section 6, the Board shall have the right to terminate Employee's employment with Employer at any time. In the event of termination of Employee by Employer other than as expressly provided in Section 6(a) (death or Disability) or 6(b) (For Cause) (such termination referred to herein as termination "Without Cause"), this Agreement shall terminate without further obligations to Employee (or Employee's heirs or legal representatives) under this Agreement, other than for:

(i) payment of the sum of (A) Employee's base salary as set forth in Section 4(a) for the full term of this Agreement, (B) the product of the average monthly profit sharing payment paid to Employee pursuant to Section 4(b) for the period up to the date of termination and the number of months remaining in the term of this Agreement, (C) the Guaranteed Minimum Special Bonus amount as set forth in Exhibit 1 hereto, (D) any compensation previously deferred by Employee (together with any accrued interest or earnings thereon) and (E) any accrued vacation pay, in each case to the extent not theretofore paid, (the sum of the amounts described in clauses (A), (B), (C), (D) and (E) shall be paid to Employee in a lump sum in cash within 30 days after the date of termination or any earlier time required by applicable law);

(ii) payment to Employee of any amount due pursuant to the terms of any applicable welfare benefit plan;

(iii) the continued coverage by Employer at Employer's expense of Employee under, or the provision to Employee of insurance coverage no less favorable than, Employer's existing life, disability, health, dental or any other welfare benefit plans or programs (as in effect on the date of termination) for a period equal to the lesser of: (A) the remaining term of this Agreement; or (B) until Employee is provided by another employer with benefits substantially comparable to the benefits provided by such plans or programs; and

(iv) the acceleration of the vesting of the options granted to Employee pursuant to Section 5 of this Agreement to the date of termination.

(d) Constructive Termination. If Employer takes any of the actions described in the second paragraph of this subsection (d), Employee may provide written notice to the CEO of Employee's intention to terminate employment because of a Constructive Termination (as defined below). Employer shall have twenty (20) days after receiving such notice of termination to cure such condition (the "Notice Period"). If such condition is not cured by the end of the Notice Period, Employee may terminate employment because of the Constructive Termination at any time within the two (2) week period following the Notice Period. Upon such termination, Employee shall be treated as though his employment was terminated "Without Cause" for all purposes of this Agreement.

"Constructive Termination" means the occurrence of any of the following events without the written consent of Employee: (i) the forced relocation of the principal place of business of Employee's employment to a place that is more than 50 miles from Houston, Texas, or (ii) any removal of Employee from his position as President of Company, or a material and adverse change in Employee's work environment, or (iii) the assignment to Employee of any duties or responsibilities inconsistent with Employee's duties and responsibilities as President of Company, in any such case other than as a result of grounds for termination of employment for death or Disability under Section 6(a) or For Cause under Section 6(b).

(e) No Limitation. Employer's exercise of its right to terminate shall be without prejudice to any other right or remedy to which it or any of its affiliates may be entitled at law, in equity or under this Agreement.

(f) Exclusive Remedy. Employee agrees that the payments expressly provided and contemplated by this Agreement shall constitute the sole and exclusive remedy of Employee for any claimed breach of this Agreement. Employee covenants not to

assert or pursue any other contractual remedies, at law or in equity, with respect to any termination of employment.

7. Business Expenses. During the term of this Agreement Employer shall reimburse Employee promptly for reasonable, ordinary and customary business expenditures made and substantiated in accordance with the policies, practice and procedures established from time to time by Employer and incurred in pursuit and furtherance of Employer's business and good will.

8. Miscellaneous.

(a) Succession; Survival. This Agreement shall inure to the benefit of and shall be binding upon Employer, its successors and assigns, but without the prior written consent of Employee this Agreement may not be assigned other than in connection with a merger or sale of substantially all the assets of Employer or a similar transaction in which the successor or assignee assumes (whether by operation of law or express assumption) all obligations of Employer hereunder. The obligations and duties of Employee hereunder are personal and otherwise not assignable. Employee's obligations and representations under this Agreement will survive the termination of Employee's employment, regardless of the manner of such termination.

(b) Notices. Any notice or other communication provided for in this Agreement shall be in writing and sent if to Employer to its principal office at:

9320 Telstar Avenue
El Monte, California 91731
Attention: Chief Executive Officer

or at such other address as Employer may from time to time in writing designate, and if to Employee at such address as Employee may from time to time in writing designate (or Employee's business address of record in the absence of such designation). Each such notice or other communication shall be effective (i) if given by telecommunication, when transmitted to the applicable number so specified in (or pursuant to) this Section 8(b) and an appropriate answerback is received, (ii) if given by mail, three days after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid or (iii) if given by any other means, when actually delivered at such address.

(c) Entire Agreement; Amendments. This Agreement contains the entire agreement of the parties relating to the subject matter hereof and it replaces and supersedes any prior agreements, undertakings, commitments and practices relating to

Employee's employment by Employer or its affiliates, including but not limited to, the Prior Employment Agreement. No amendment or modification of the terms of this Agreement shall be valid unless made in writing and signed by Employee and, on behalf of Employer, by an officer expressly so authorized by the Board.

(d) Waiver. No failure on the part of any party to exercise or delay in exercising any right hereunder shall be deemed a waiver thereof or of any other right, nor shall any single or partial exercise preclude any further or other exercise of such right or any other right.

(e) Choice of Law. This Agreement, the legal relations between the parties and any action, whether contractual or non-contractual, instituted by any party with respect to matters arising under or growing out of or in connection with or in respect of this Agreement, the relationship of the parties or the subject matter hereof shall be governed by and construed in accordance with the laws of the State of Texas.

(f) Arbitration. Any dispute, controversy or claim arising out of or in respect of this Agreement (or its validity, interpretation or enforcement), the employment relationship or the subject matter hereof, including but not limited to, any claims arising under any state or federal law arising out of or relating to Employee's termination, shall be submitted to and settled by arbitration conducted before a single arbitrator in Los Angeles, California in accordance with the then in effect Labor Arbitration Rules of the American Arbitration Association. The arbitration shall be governed by the Federal Arbitration Act (9 U.S.C. Sections 1-16). The arbitration of such issues, including the determination of any amount of damages suffered, shall be final and binding upon the parties to the maximum extent permitted by law. The arbitrator in such action shall not be authorized to change or modify any provision of this Agreement. Judgement upon the award rendered by the arbitrator may be entered by any court having jurisdiction thereof. The arbitrator shall award reasonable expenses (including reimbursement of the assigned arbitration costs) to the prevailing party upon application therefor.

(g) Confidential Information. Employee recognizes and acknowledges that Employer's trade secrets and proprietary information and processes, as they may exist from time to time, are confidential information and are valuable, special and unique assets of Employer's business, access to and knowledge of which are essential to the performance of Employee's duties hereunder. Except as required by law, Employee will not, during or after the termination of this Agreement, disclose any such confidential information to any person, firm, corporation, association or other entity for any reason or purpose whatsoever (except as his

duties may require while employed by Employer), nor shall Employee make use of any such confidential information for his own purposes or for the benefit of any person, firm, corporation or other entity (except Employer) under any circumstances during the term, or after the termination, of this Agreement. If Employee proposes to make disclosure of any confidential information in reliance on the foregoing exception, Employee shall (i) immediately notify Employer in writing concerning the proposed disclosure, (ii) provide Employer with copies of any information Employee proposes to disclose as well as the facts and circumstances requiring such disclosure and (iii) use his best efforts (at Employer's sole cost and expense) to assist Employer in obtaining a protective order or other protection if requested by Employer. Employee agrees that such confidential information shall include (but not be limited to) all information contained in any memoranda, books, papers, client lists, files, letters, formulas and other printed or written material, and all copies thereof and therefrom, in any way relating to Employer's business and affairs, whether made by Employee or otherwise coming into Employee's possession, and Employee agrees that, upon termination of this Agreement or on demand of Employer, at any time, he shall immediately deliver all such printed or written material and copies thereof to Employer. Notwithstanding the above, confidential information shall not include any information in the public domain that was not disclosed by Employee in breach of this Section 8(g).

(h) Severability. If this Agreement shall for any reason be or become unenforceable in any material respect by any party, this Agreement shall thereupon terminate and become unenforceable by the other party as well. In all other respects, if any provision of this Agreement is held invalid or unenforce-able, the remainder of this Agreement shall nevertheless remain in full force and effect, and if any provision is held invalid or unenforceable with respect to particular circumstances, it shall nevertheless remain in full force and effect in all other circumstances, to the fullest extent permitted by law.

(i) Withholding; Deductions. All compensation payable hereunder, including salary and other benefits, shall be subject to applicable taxes, withholding and other required, normal or elected employee deductions.

(j) Section Headings. Section and other headings contained in this Agreement are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

(k) Unique Services; Specific Performance. The parties hereto agree that the services to be rendered by Employee pursuant to this Agreement, and the rights and privileges granted

to Employer pursuant to this Agreement, and the rights and privileges granted to Employee by virtue of his position, are of a special, unique, extraordinary and intellectual character, which gives them a peculiar value, the loss of which cannot be reasonably or adequately compensated in damages in any action at law, and that a breach by Employee of any of the terms of this Agreement will cause Employer great and irreparable injury and damage. Employee hereby expressly agrees that, notwithstanding paragraph (f) of this Section 8, Employer shall be entitled to the remedies of injunction, specific performance and other equitable relief to prevent a breach of this Agreement by Employee. Without limiting the generality thereof, the parties expressly agree that Employer shall be entitled to the equitable remedies set forth in this Section 8(k) for any violation of Section 8. This subsection (k) shall not be construed as a waiver of any other rights or remedies which Employer may have for damages or otherwise.

(l) Non-Competition. Employee agrees that for the periods set forth below, Employee will not, directly or indirectly, either as an employee, employer, consultant, agent, lender, principal, partner, stockholder, corporate officer or director or in any other individual or representative capacity, compete against, or in any manner be connected with or employed by any individual, association or other entity that is engaged in the electronic component distribution business or that is in competition with the business of Company in the United States:

(i) in the case where this Agreement expires by its terms on May 31, 2001 without termination by either party for any other reason, for a period of one year after the expiration of the Agreement; and

(ii) in the case where Employee's employment is terminated by Employer Without Cause, for the period which is the later of: (A) one year after the date of termination Without Cause; and (B) May 31, 2001; and

(iii) in all other cases, including but not limited to, resignation by Employee or termination by Employer For Cause, for a period of two years after the date of such resignation or termination.

(m) Non-Solicitation. Employee agrees that for a period of two years after the termination of Employee's employment for any reason, Employee will not, directly or indirectly, (i) call on or solicit, with respect to the activities prohibited by Section 8(l) of this Agreement, any person, firm, corporation or other entity who or which at the time of such termination, or within two years prior thereto, was or had been a customer, referral source or distributor of

Employer or any of its affiliates or (ii) solicit the employment of any person who was employed by Employer or any of its affiliates on a full or part-time basis at the time of Employee's termination of employment.

(n) Counterparts. This Agreement and any amendment hereto may be executed in one or more counterparts. All of such counterparts shall constitute one and the same agreement and shall become effective when a copy signed by each party has been delivered to the other party.

(o) Representation By Counsel; Interpretation. Employee by his execution and delivery of this Agreement represents to Employer as follows:

(i) That Employee has been advised by Employer to have this Agreement reviewed by an attorney representing Employee, and Employee has either had this Agreement reviewed by such attorney or has chosen not to have this Agreement reviewed because Employee, after reading the entire Agreement, fully and completely understands each provision and has determined not to obtain the services of an attorney.

(ii) Employee, either on his own or with the assistance and advice of his attorney, has in particular reviewed Section 8 and understands and accepts: (A) the restrictions imposed by Section 8 and in particular paragraphs (g), (l) and (m) of Section 8; and (B) the restrictions imposed upon Employee pursuant to these sections are reasonable and necessary for the protection of the property rights of Employer and its affiliates.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

"EMPLOYER"

MARSHALL INDUSTRIES

By: /s/ Robert Rodin
Name: Robert Rodin
Title: President and Chief Executive Officer

"EMPLOYEE"

/s/ Ronald S. Spolane
Ronald S. Spolane

4201 Southwest Freeway
Houston, Texas 77027

Exhibit 1
Special Bonus

Employee shall be entitled to receive a special one-time bonus (the "Special Bonus") based on Employee's performance with respect to maintaining the business of Company and integrating the operations of Company with those of Employer under Company's new ownership. The performance of Employee shall be determined based on certain operating results of Company during the twenty-four month period ending on November 30, 1999 (the "Measurement Period"). The Special Bonus shall be calculated in the following manner:

(a) Subject to the terms of this Exhibit 1, the Special Bonus shall be determined by adding each of the three individual bonus components set forth in paragraphs (i), (ii) and (iii) below.

(i) Employee shall receive up to $500,000 based on the gross profits of Company during the Measurement Period. Employee shall receive the full $500,000 if the Gross Profits of Company (being the product of gross sales of products sold by Company during the Measurement Period and the gross margin percentage applicable to such sales) during the Measurement Period equal or exceed $186,935,240. If Company's Gross Profits (as calculated above) for the Measurement Period are less than $186,935,240, Employee shall be entitled to receive a pro rata portion of the $500,000. By way of example, if the Gross Profits of Company during the Measurement Period are $160,000,000, Employee shall be entitled to receive $427,955.69 pursuant to this paragraph (i) ($160,000,000/$186,935,240 x $500,000).

(ii) Employee shall receive up to $500,000 based on the continuation by *, *, * and * (the "Target Manufacturers") of their franchise agreements (as in existence on the date hereof) (each a "Franchise Agreement") with Company during the Measurement Period. The amount to be paid to Employee shall be determined by multiplying, for each of the Target Manufacturers that continues its Franchise Agreement with Company for the entire Measurement Period, the percentage listed opposite such Target Manufacturer's name below by $500,000, and adding each of such products; provided, however, that no bonus will be paid pursuant to this

paragraph unless, during the Measurement Period the total amount of gross sales of products of the Target Manufacturers that continue their Franchise Agreements for the entire Measurement Period equal or exceed 80% of (2 (two) x the 1998 forecasted gross sales of such Target Manufacturers, as such 1998 forecasted gross sales have been represented by Company to Buyer prior to the Effective Date):

Target Manufacturer	Percentage
*	27%
*	30%
*	28%
*	15%
Total	100%

By way of example, if * and * terminate their Franchise Agreements with Company prior to the end of the Measurement Period but * and * maintain their Franchise Agreements with Company for the entire Measurement Period, and the gross sales for * and * for the Measurement Period equal or exceed 80% of (2 (two) x the forecasted 1998 gross sales of * and *), Employee shall be entitled to receive $290,000 pursuant to this paragraph (ii) ($150,000 for maintaining * ($500,000 X 30%); plus $140,000 for maintaining * ($500,000 X 28%)).

(iii) Employee shall receive up to $500,000 based on the difference (the "Cost Savings") between: (A) $65,535,904 (being 4 (four) x $16,383,976 (the actual selling and administrative costs of Company for the quarter ending June 28, 1997)), as adjusted by the consumer price index for the period from June 28, 1997 to November 30, 1998; and (B) the amount of selling, general and administrative costs of Company for the period from December 1, 1998 to November 30, 1999 (the "SG&A Costs"). If the Cost Savings are equal to or greater than $ * , Employee shall receive the entire $500,000. If the Cost Savings are less than $ * , Employee shall receive a pro rata portion of the $500,000 based on the actual amount of Cost Savings. By way of example, if the SG&A costs for December 1, 1998 to November 30, 1999 are $59,535,904 and there is an increase of 3.0% in the consumer price index for the period from June 28, 1997 to November 30, 1998, Employee shall be entitled to receive $ * pursuant to this paragraph (iii) (($65,535,904 x 1.03) - $59,535,904)/$ * x $500,000). The amount of SG&A Costs for the Measurement Period shall be calculated in the same manner as the "selling, administrative and other operating expenses" of Company have been calculated by Company in preparing its audited financial statements for the fiscal years ending March 30, 1996 and March 29, 1997 and the

"selling and administrative costs" of Company have been calculated by Company in preparing its unaudited financial statements for the quarter ending June 28, 1997.

---

* Pursuant to 17 CFR 240.24b-2, confidential portions have been omitted and filed separately with the Securities and Exchange Commission.

(b) Assuming Employee is employed by Employer for the full Measurement Period, the total aggregate amount of the Special Bonus shall not be less than $1.0 million (the "Guaranteed Minimum Special Bonus") nor more than $1.5 million, notwithstanding the fact that the actual amount calculated pursuant to paragraph (a) above may be different. The Special Bonus shall be paid to Employee on or before January 15, 2000 (the "Payment Date"). In addition, on or before the Payment Date, Employer shall deliver to Employee a copy of its calculation of the Special Bonus and appropriate supporting documentation for such calculation.

(c) In the event Employee's employment is terminated prior to the end of the Measurement Period due to Employee's death or Disability (pursuant to Section 6(a) of this Agreement), Employee shall receive the amount of the Guaranteed Minimum Special Bonus that would have otherwise been payable to Employee but for such termination; provided, however that such amount shall be prorated over the number of months Employee was employed by Employer during the Measurement Period. By way of example, if Employee is terminated as a result of death or Disability after 15 months of employment with Employer and, had Employee not been so terminated, the entire Measurement Period would have been 24 months, Employee shall receive as the Special Bonus the following amount:

15/24 X $1,000,000 = $625,000.00

(d) In the event Employee's employment is terminated prior to the end of the Measurement Period Without Cause (pursuant to Section 6(c) of this Agreement) or as a result of Constructive Termination (pursuant to Section 6(d) of this Agreement), Employee shall receive the Guaranteed Minimum Special Bonus.

(e) In the event Employee's employment is terminated prior to the end of the Measurement Period other than as a result of death or Disability (pursuant to Section 6(a) of this Agreement),

Without Cause (pursuant to Section 6(c) of this Agreement) or as a result of Constructive Termination (pursuant to Section 6(d) of this Agreement), Employee shall not be entitled to receive any Special Bonus.

(f) The provisions of this Exhibit 1 shall not be deemed to restrict in any way any rights of Employer, as stockholder of Company, the Board, or the Board of Directors of Company, acting in good faith, during the term of this Agreement to dissolve, reorganize or take any other action or make any other change (fundamental or otherwise) affecting the structure, existence, organization, operations or business of Company or Employer or any of their subsidiaries. If at any time during the Measurement Period, Company shall be dissolved or Company or Employer shall be reorganized, or shall be a party to a merger or sale of all or substantially all of its assets to another entity, Employer shall (or shall cause a successor to) provide for adjustment as nearly equivalent as practicable to preserve for Employee the benefits of this Agreement with respect to payment of the Special Bonus in respect of the business of Company or such successor as provided herein. Such adjustments by the Board made in good faith shall be conclusive.

Exhibit 2
Stock Option Grant

Employee:
Grant Date:
No. Shares:
FMV Per Share on Date of Grant:
Exercise Price Per Share:

MARSHALL INDUSTRIES
1997 STOCK OPTION PLAN<1>
EMPLOYEE NONQUALIFIED STOCK OPTION AGREEMENT

1. Identification. This Employee Nonqualified Stock Option Agreement (this "Agreement") is made by and between

Marshall Industries, a California corporation (the "Company"), and Ronald S. Spolane (the "Employee") as of , 199__.

2. Recitals.

2.1 The Company maintains the Marshall Industries 1997 Stock Option Plan (the "Plan") providing for the grant of incentive stock options and nonqualified stock options to directors and key employees of the Company.

2.2 Employee is a key employee of the Company to whom options may be granted under the Plan.

2.3 The Stock Option and Compensation Committee (the "Committee") of the Company has authorized the grant to Employee of an option to purchase the Company's Common Stock upon the terms and conditions hereinafter set forth.

2.4 In consideration of the mutual promises and covenants made herein and the mutual benefits to be derived herefrom, the parties agree as set forth below.

_____

<1> Option grant to be made under the Company's 1997 Stock Option Plan if such plan is approved by shareholders of Company. If shareholders of Company do not approve the 1997 Stock Option Plan, the option grant shall be made under the Company's 1992 Stock Option Plan, with conforming changes made to this form of grant.

3. Grant of Option. Pursuant to the action of the Committee, and subject to the terms and conditions of this Agreement and the terms and conditions of the Plan, the Company grants to Employee an option to purchase all or any part of fifty thousand (50,000) shares of the Company's authorized and unissued Common Stock from the Company at the price of Dollars ($_____) per share (the "Option").<2> The Option is intended to be a nonqualified stock option and shall not be deemed to be an incentive stock option within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended.

4. Term of Option. The Option was granted on , 199__ (the "Grant Date"). Unless previously exercised pursuant

to Article 5 hereof and subject to earlier termination under Section 6.6 or Article 7 of the Plan, the Option shall terminate on, and shall not be exercisable after, the day before the tenth (10th) anniversary of the Grant Date.

5. Exercise.

5.1 Exercisability. Subject to the terms and conditions of this Agreement, the Option shall become exercisable in four equal cumulative installments of 12,500 shares of the Company's common stock (individually an "Installment" and collectively the "Installments"). Employee may exercise the first Installment on or after the first anniversary of the Grant Date, the second Installment on or after the second anniversary of the Grant Date, the third Installment on or after the third anniversary of the Grant Date and the fourth Installment on or after May 31, 2001. In the event Employee's employment is terminated by Company Without Cause (as such term is defined in that certain Employment Agreement between Company and Employee dated September 18, 1997), the Option shall accelerate and become immediately exercisable on the date of termination.

To the extent Employee does not in any year purchase all or any part of the shares to which Employee is entitled, Employee has the right cumulatively thereafter to purchase any shares not so purchased and such right shall continue until the Option terminates or expires. Fractional share interests shall be disregarded.

5.2 Notice of Exercise. Employee shall exercise the option by (i) notifying the Company of Employee's election to exercise the Option, (ii) paying in full the purchase price as provided in Section 5.3 hereof, and (iii) satisfying the tax withholding requirements of Section 8.8 of the Plan.

_____

<2> Exercise price to be fair market value of Company's common stock on the date of the closing of the transactions pursuant to the Merger Agreement.

5.3 Payment of Purchase Price. The purchase price for any shares of Common Stock with respect to which Employee exercises the Option shall be paid in full promptly after Employee gives notice of exercise as provided in Section 5.2 hereof. The purchase price shall be paid: (a) in cash or by

check in United States dollars, or (b) if, and only if, the Committee so authorizes in its sole discretion, at the time Employee gives notice of exercise, by transferring to the Company for redemption, Common Stock of the Company at its "Fair Market Value" (as defined in the Plan), with share certificates duly endorsed and accompanied by instruments of transfer with signatures guaranteed. If Employee desires to pay the purchase price for the shares by transferring to the Company Common Stock for redemption, Employee shall so notify the Secretary of the Company with the notice of Employee's election to exercise the Option in accordance with Section 5.2 hereof. Promptly after receipt of Employee's notice of exercise and request for payment by redemption, the Company shall notify Employee of its decision as to whether it will permit Employee to pay the purchase price by transferring the Company's Common Stock to it for redemption. If the Committee does not authorize the proposed payment by redemption, Employee shall pay the purchase price in cash or by check in United States dollars as provided above.

6. Issuance of Shares. Subject to Section 8.3 of the Plan, promptly after the Company's receipt of notification of exercise provided for in Section 5.2 hereof and Employee's payment in full of the purchase price, the Company shall deliver, or cause to be delivered, to Employee a certificate for the whole number of shares with respect to which the Option is being exercised by Employee. Shares shall be registered in the name of Employee. If any law or regulation of the Securities and Exchange Commission or of any other federal or state governmental body having jurisdiction shall require the Company or Employee to take any action prior to the issuance to Employee of the shares of Common Stock of the Company specified in the written notice of election to exercise, the date for the delivery of such shares shall be adjourned until the completion of such action.

7. Termination Of Employment. If Employee's employment with the Company is terminated for any reason the Option shall terminate in accordance with and at the time set forth in Section 6.6 of the Plan.

8. Assignment or Transfer. The Option is not assignable or transferable except by will or by the laws of descent and distribution and during Employee's lifetime the Option may be exercised only by Employee. No transfer of the Option by will or by the laws of descent and distribution shall be effective, nor shall any designation of a person who may exercise the Option after Employee's death be effective to bind the Company unless the Company is furnished with a written notice thereof and a copy of the will or such other evidence as the Company deems necessary to establish the validity of the transfer and the acceptance of the terms and conditions of the Option by the transferee or designee.

9. No Rights as Shareholder. Employee shall have no rights as a shareholder with respect to shares of the Common Stock covered by the Option until the date of the issuance of a stock certificate or stock certificates evidencing issuance of such shares pursuant to Employee's exercise of the Option. No adjustment shall be made for dividends (ordinary or extraordinary, whether in cash, securities or other property) or distributions or other rights for which the record date is prior to the date such stock certificate is issued, except as provided in Article 10 hereof and in Article 7 of the Plan.

10. Modification and Termination.

10.1 The rights of Employee under this Agreement are subject to modification and termination as provided in the Plan.

10.2 The number of shares of Common Stock set forth in Article 3 hereof and the Option are subject to adjustment, acceleration, and possible early termination under Article 7 of the Plan.

11. No Right to Employment. Nothing in this Agreement, the Plan, or any instrument executed pursuant to the Plan shall confer upon Employee the right to continue in the employ or service of the Company, affect the right of the Company to terminate the employment or services of Employee with or without cause, or be evidence of any agreement or understanding, express or implied, that the Company will employ or continue to employ Employee in a particular position or at a particular rate of remuneration.

12. Compliance with Securities Laws. At the time the Option is exercised, the Company may require Employee to execute any documents or take any action which may be then necessary to comply with the Securities Act of 1933, as amended, and the rules and regulations adopted thereunder, or any other applicable federal or state laws for the purpose of regulating the sale and issuance of securities. The Company reserves the right to change its requirements with respect to enforcing compliance with federal and state securities laws, including the request for, and enforcement of, letters of investment intent, such requirements to be determined by the Company in its judgment as necessary to assure compliance with such laws. Such changes may be made, with respect to the Option, upon exercise hereof, or prior to or after the exercise of the Option. The Company shall not be obligated to issue any shares upon the exercise of the Option unless the issuance, in the judgment of the Board of Directors of the Company, is in full compliance with all applicable laws, governmental rules and regulations, undertakings of the Company made under the Securities Act of 1933, as amended, any state

securities laws, and stock exchange agreements of the Company.

13. General Provisions.

13.1 Subject to Plan. The Option and all rights of Employee thereunder are subject to, and Employee agrees to be bound by all of the terms and conditions of the Plan, incorporated herein by this reference. Employee acknowledges receipt of a copy of the Plan, attached hereto as Exhibit A, which is made a part hereof by this reference, and agrees to be bound by the terms thereof. Unless otherwise expressly provided in other sections of this Agreement, provisions of the Plan that confer discretionary authority on the Committee do not (and shall not be deemed to) create any rights in Employee unless such rights are expressly set forth herein or are otherwise in the sole discretion of the Committee so conferred by appropriate action of the Committee under the Plan after the date hereof.

13.2 Further Acts. Employee agrees to perform all further acts and to execute and deliver any other and additional documents as may be reasonably necessary to carry out the provisions of this Agreement.

13.3 Notices. Any notice to be given under the terms of this Agreement to the Company shall be in writing and addressed to Marshall Industries 9320 Telstar Avenue, El Monte, CA 91731 to the attention of the Secretary and to Employee at the address given beneath Employee's signature hereto, or at such other address as either party may hereafter designate in writing to the other.

IN WITNESS WHEREOF, this Agreement is executed by the parties on the date and at the place indicated below.

"COMPANY"

MARSHALL INDUSTRIES,
a California corporation

Executed on , 199_
at _____, _____.

By:
Its:

"EMPLOYEE"

Ronald S. Spolane

Executed on , 199_
at _____, _____.

Signature

Print Name

Address

City, State, Zip Code

CONSENT OF SPOUSE

In consideration of the execution of the foregoing Employee Nonqualified Stock Option Agreement by Marshall Industries, I, _____, the spouse of the Employee therein named, do hereby join with my spouse in executing the foregoing Employee Nonqualified Stock Option Agreement and do hereby agree to be bound by all of the terms and provisions thereof and of the Plan.

DATED: _____, 199__.

Signature of Spouse

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is entered into as of September 18, 1997 by and between Marshall Industries, a California corporation ("Employer") and David A. Spolane ("Employee").

WITNESSETH:

WHEREAS, Sterling Electronics Corporation, a Nevada corporation ("Company"), Employer and MI Holdings Nevada, Inc., a Nevada corporation and a wholly-owned subsidiary of Employer ("Subsidiary"), are parties to an Agreement and Plan of Merger dated as of September 18, 1997 (the "Merger Agreement") that provides for the merger (the "Merger") of Subsidiary into Company;

WHEREAS, Employee has served Company in various capacities, most recently as Executive Vice President, and Employer desires to obtain the benefit of continued service by Employee to Company after the Merger, and Employee desires to render such services to Employer;

WHEREAS, the Board of Directors of Employer (the "Board") has determined that because of Employee's substantial experience and business relationships in connection with the business of Company, it is in Employer's best interest and its stockholders to secure the services of Employee and to provide Employee certain additional benefits; and

WHEREAS, Employer and Employee desire to set forth in this Agreement the terms and conditions of Employee's employment with Employer.

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained, the parties agree as follows:

1. Term. Employer agrees to employ Employee and Employee agrees to serve Employer, in accordance with the terms of this Agreement, subject to and commencing at the Effective Time (as defined in the Merger Agreement) and ending May 31, 2001, unless this Agreement is earlier terminated in accordance with the provisions which follow. Concurrently with this Agreement becoming effective, Employee shall: (a) terminate the

Employment Agreement between Company and Employee dated September 18, 1995 (the "Prior Employment Agreement") and any rights of Employee upon a change in control of Company; and (b) terminate all participation by or rights of Employee to participate in any incentive bonus plan or severance plan of Company, including but not limited to, Company's Upper Management Severance Plan and Company's Broad Based Severance Plan. Employee hereby agrees to waive any rights he might otherwise have pursuant to the Prior Employment Agreement upon a change in control of Company.

2. Services and Exclusivity of Services. So long as this Agreement shall continue in effect, Employee shall devote his full business time, energy and ability exclusively to the business, affairs and interests of Employer and its subsidiaries and matters related thereto, shall use Employee's best efforts and abilities to promote Employer's interests, and shall perform the services contemplated by this Agreement in accordance with policies established by and under the direction of the Board, the Chief Executive Officer of Employer (the "CEO") and the President of Company (the "President").

Employee agrees to serve without additional remuneration in such senior capacities for one or more direct or indirect subsidiaries of Company as the CEO or the President may from time to time request, subject to appropriate authorization by the subsidiary or subsidiaries involved and any limitations under applicable law. Employee agrees to faithfully and diligently promote the business, affairs and interests of Employer and its subsidiaries. Employee agrees to use Employee's best efforts to successfully effectuate the purposes of the Merger Agreement, including, but not limited to, the integration of the operations of Company with those of Employer and the implementation of Company's policies under its new ownership; provided, however, that best efforts shall not require Employee to expend his own funds.

Without the prior express written authorization of the Board, Employee shall not, directly or indirectly, during the term of this Agreement: (a) render services to any other person or firm for compensation; or (b) engage in any activity competitive with or adverse to Employer's business, whether alone, as a partner, or as an officer, director, employee or significant investor of or in any other entity; provided, however, that Employee may manage family investments or other similar matters so long as such activities do not interfere with his duties. (An investment of greater than 5% of the outstanding capital or equity securities of an entity shall be deemed significant for these purposes.)

Employee represents to Employer that Employee has no other outstanding commitments inconsistent with any of the terms

of this Agreement or the services to be rendered hereunder.

3. Specific Position; Duties and Responsibilities. Employer and Employee agree that, subject to the provisions of this Agreement, Employer will employ Employee and Employee will serve Employer for the duration of this Agreement as an Executive Vice President of Company. Employee agrees to observe and comply with the rules and regulations of Employer as adopted by the Board respecting the performance of Employee's duties and agrees to carry out and perform orders, directions and policies of Employer as they may be, from time to time, stated either orally or in writing. For the term of this Agreement, Employee shall report to the President, or to such other person(s) as the CEO may designate, consistent with his position as Executive Vice President of a significant subsidiary.

4. Compensation.

(a) Base Compensation. During the term of this Agreement, Employer agrees to pay Employee a base salary for the following periods and at the following rates:

<TABLE>

<S> Period	<C> Amount	<C> Payable
Date of this Agreement through May 31, 1998 ("Year 1")	$20,833 per month	monthly
June 1, 1998 - May 31, 1999 ("Year 2")	$250,000 for the year	in equal monthly installments
June 1, 1999 - May 31, 2000 ("Year 3")	$275,000 for the year	in equal monthly installments
June 1, 2000 - May 31, 2001 ("Year 4")	$300,000 for the year	in equal monthly installments

</TABLE>

(b) Profit Sharing Plan. Subject to Section 6 of this Agreement, during the term of this Agreement, Employee shall be entitled to a bonus based on the earnings and profits of Company and/or Employer for the periods, at the rates and payable in the

manner described below:

(i) At the end of Year 1, Employee shall be entitled to receive a bonus in the fixed amount of $100,000. Such amount shall be paid within 30 days of the end of Year 1.

(ii) During Year 2, Employee shall be eligible for and shall participate in a profit sharing plan of Company that shall include the same terms and conditions of the profit sharing plan of Employer as in existence on the date hereof (and as subsequently modified by Employer; provided, however, that any such modification shall apply to all senior or executive employees of Employer equally) (the "Profit Plan") except that the payment, if any, to be paid to Employee under the terms of such plan shall be calculated based on the earnings and profits of Company alone; provided, however, that to the extent the payments to be made to Employee for Year 2 under such Profit Plan would be less than $150,000 in the aggregate, Employer shall make an additional payment to Employee with the final profit sharing payment for Year 2 such that the aggregate amount payable to Employee pursuant to this subparagraph (ii) for Year 2 equals $150,000.

(iii) During each of Year 3 and Year 4, Employee shall be eligible for and shall participate in the Profit Plan with the payment, if any, to be calculated based on the consolidated earnings and profits for such period of Employer and its subsidiaries, including Company; provided, however, that to the extent that: (A) the payments to be made to Employee for Year 3 under such Profit Plan would be less than $225,000 in the aggregate, Employer shall make an additional payment to Employee with the final profit sharing payment for Year 3 such that the aggregate amount payable to Employee pursuant to this subparagraph (iii) for Year 3 equals $225,000; and (B) the payments to be made to Employee for Year 4 under such Profit Plan would be less than $300,000 in the aggregate, Employer shall make an additional payment to Employee with the final profit sharing payment for Year 4 such that the aggregate amount payable to Employee pursuant to this subparagraph (iii) for Year 4 equals $300,000.

(c) One-Time Special Bonus. Subject to Section 6 of this Agreement, Employee shall be entitled to receive a special one-time bonus on the terms and conditions and in the amount set forth in Exhibit 1 hereto.

(d) Additional Benefits. Except for benefits expressly identified in Sections 4(b), 4(c) and 5 of this

Agreement, Employee shall not participate in or be eligible to participate in any bonus, profit, or incentive compensation plan of Employer or any of its affiliates. However, to the extent Employee meets eligibility requirements applicable to employees generally, Employee shall also be entitled to participate in any pension plan and/or health and welfare benefit plan of Employer or its affiliates available to employees of Employer generally.

Notwithstanding the foregoing, this Agreement shall not be deemed to amend or otherwise affect the provisions of any compensation, retirement or other benefit program or plan of Employer or its subsidiaries or affiliates, but in no event shall Employee be entitled to benefits under both an Employer (or affiliate) plan or this Agreement and a comparable plan of any other entity and in no event shall Employee be entitled to duplicative benefits under any plans of Employer and/or its affiliates or such other entities.

(e) Vacation. Employee shall be entitled to paid vacation in an amount consistent with that provided to the other senior or executive employees of Employer.

(f) Perquisites. Employer shall provide Employee with a company car of Employer or a car allowance (at Employer's option), in either case with such perquisite being in an amount consistent with that provided to the other senior executives of Employer; provided, however, that in no event shall such amount exceed $12,000 per year.

(g) Overall Qualification. Other than the benefits to be provided to Employee pursuant to Sections 4(a), 4(b), 4(c) and 4(f), Employer reserves the right to modify, suspend or discontinue any and all of the above referenced benefit plans, practices, policies and programs at any time (whether before or after termination of employment) without notice to or recourse by Employee so long as such action is taken generally with respect to other similarly situated persons (i.e. senior or executive employees of Employer) and does not single out Employee.

5. Stock Option Grant. Upon the effectiveness of this Agreement, Employee shall receive a nonqualified stock option grant to purchase 50,000 shares of Employer's common stock in the form attached hereto as Exhibit 2. The exercise price of such options shall be the fair market value of Employer's common stock on the date of the closing of the transactions pursuant to the Merger Agreement.

6. Termination. The compensation and other benefits provided to Employee pursuant to this Agreement, and the employment of Employee by Employer, shall be terminated prior to expiration of the term of this Agreement only as provided in this

Section 6.

(a) Death or Disability. If Employee's employment is terminated by reason of Employee's death or Disability (defined as the failure, because of illness, incapacity or injury which is determined to be total and permanent by a physician selected by Employer or its insurers and acceptable to Employee or Employee's legal representative (such agreement as to acceptability not to be withheld unreasonably) to render for six consecutive months or for shorter periods aggregating 120 or more business days in any twelve (12)-month period, the services contemplated by this Agreement after Employer has provided written notice of termination for such Disability to Employee), this Agreement shall terminate without further obligations to Employee (or Employee's heirs or legal representatives) under this Agreement, other than for:

(i) payment of the sum of (A) Employee's then base salary as set forth in Section 4(a) through the date of termination, (B) if the termination occurs during Year 1, a pro rata portion of the $100,000 bonus to be paid pursuant to Section 4(b)(i) of this Agreement (based on the number of whole months worked by Employee up to the time of termination) or, if the termination occurs in Year 2, 3 or 4: (x) the amount of any profit sharing payment earned for the period up to and including the termination as determined under the applicable profit sharing plan that has not yet been paid to Employee; plus (y) to the extent the number is positive, the result obtained by subtracting: (1) the amount of profit sharing payments paid to Employee and to be paid to Employee for the period up to and including the termination as determined under the applicable profit sharing plan referred to in Section 4(b)(ii) or 4(b)(iii) of this Agreement; from (2) a pro rata portion of the guaranteed profit sharing amount to be paid to Employee for such year pursuant to Section 4(b)(ii) or 4(b)(iii) of this Agreement ($150,000, $225,000 and $300,000 in each of Years 2, 3 and 4, respectively) based on the number of whole months worked by Employee in such year up to the time of termination, (C) the pro rata portion of the Guaranteed Minimum Special Bonus, as set forth in Exhibit 1 hereto, (D) any compensation previously deferred by Employee (together with any accrued interest or earnings thereon), and (E) any accrued vacation pay, in each case to the extent not theretofore paid (the sum of the amounts described in clauses (A), (B), (C), (D) and (E) shall be paid to Employee or Employee's estate or beneficiary, as applicable, in a lump sum in cash within 30 days after the date of termination or any earlier time required by applicable law); and

(ii) payment to Employee or Employee's estate or beneficiary, as applicable, any amount due pursuant to the terms of any applicable welfare benefit plan.

(b) For Cause; Employee Resignation. If either: (x) Employee's employment is terminated upon a determination by Employer, acting in good faith based upon actual knowledge at such time that Employee is or has been personally dishonest or grossly negligent in any dealings with or transactions with Employer, is engaging or has engaged in willful or grossly negligent misconduct in connection with his employment, or a breach of fiduciary duty to Employer, has intentionally failed to perform stated or assigned duties, or has willfully or negligently violated any law, rule or regulation (other than minor traffic violations or similar offenses) that has caused any damage to Employer or any of its subsidiaries or has been convicted of a misdemeanor (other than minor traffic violations or similar offenses) which affects the performance of his duties or of a felony or materially breached any of the provisions of this Agreement (termination "For Cause"); or (y) Employee resigns prior to the term of this Agreement, this Agreement shall terminate without further obligations to Employee (or Employee's heirs or legal representatives) under this Agreement, other than for:

(i) payment of the sum of (A) Employee's then base salary as set forth in Section 4(a) through the date of termination, (B) if the termination occurs during Year 1, a pro rata portion of the $100,000 bonus to be paid pursuant to Section 4(b)(i) of this Agreement (based on the number of whole months worked by Employee up to the time of termination) or, if the termination occurs in Year 2, 3 or 4: (x) the amount of any profit sharing payment earned for the period up to and including the termination as determined under the applicable profit sharing plan that has not yet been paid to Employee; plus (y) to the extent the number is positive, the result obtained by subtracting: (1) the amount of profit sharing payments paid to Employee and to be paid to Employee for the period up to and including the termination as determined under the applicable profit sharing plan referred to in Section 4(b)(ii) or 4(b)(iii) of this Agreement; from (2) a pro rata portion of the guaranteed profit sharing amount to be paid to Employee for such year pursuant to Section 4(b)(ii) or 4(b)(iii) of this Agreement ($150,000, $225,000 and $300,000 in each of Years 2, 3 and 4, respectively) based on the number of whole months worked by Employee in such year up to the time of termination, (C) any compensation previously deferred by Employee (together with any accrued interest or earnings thereon), and (D) any accrued vacation pay, in each case to the extent not theretofore paid (the sum of the amounts

described in clauses (A), (B), (C) and (D) shall be paid to Employee in a lump sum in cash within 30 days after the date of termination or any earlier time required by applicable law); and

(ii) payment to Employee of any amount due pursuant to the terms of any applicable welfare benefit plan.

Notwithstanding the foregoing, Employee shall not be terminated For Cause pursuant to this clause (b) unless and until Employee has received notice of a proposed termination For Cause and Employee has had an opportunity to be heard before at least a majority of the members of the Board and, in the case of a proposed termination For Cause involving Employee's failure to perform stated or assigned duties, Employee shall have been given a reasonable opportunity to cure or remedy the violations.

(c) Without Cause. Notwithstanding any other provision of this Section 6, the Board shall have the right to terminate Employee's employment with Employer at any time. In the event of termination of Employee by Employer other than as expressly provided in Section 6(a) (death or Disability) or 6(b) (For Cause) (such termination referred to herein as termination "Without Cause"), this Agreement shall terminate without further obligations to Employee (or Employee's heirs or legal representatives) under this Agreement, other than for:

(i) payment of the sum of (A) Employee's base salary as set forth in Section 4(a) for the full term of this Agreement, (B) the greater of: (x) the product of the average monthly profit sharing payment paid to Employee pursuant to Section 4(b) for the period up to the date of termination and the number of months remaining in the term of this Agreement; and (y) the unpaid portion of the guaranteed profit sharing amounts to be paid to Employee pursuant to Section 4(b) of this Agreement ($100,000, $150,000, $225,000 and $300,000 in each of Years 1, 2, 3 and 4, respectively), (C) the Guaranteed Minimum Special Bonus amount as set forth in Exhibit 1 hereto, (D) any compensation previously deferred by Employee (together with any accrued interest or earnings thereon) and (E) any accrued vacation pay, in each case to the extent not theretofore paid, (the sum of the amounts described in clauses (A), (B), (C), (D) and (E) shall be paid to Employee in a lump sum in cash within 30 days after the date of termination or any earlier time required by applicable law);

(ii) payment to Employee of any amount due pursuant to the terms of any applicable welfare benefit plan;

(iii) the continued coverage by Employer at Employer's expense of Employee under, or the provision to Employee of insurance coverage no less favorable than, Employer's existing life, disability, health, dental or any other welfare benefit plans or programs (as in effect on the date of termination) for a period equal to the lesser of: (A) the remaining term of this Agreement; or (B) until Employee is provided by another employer with benefits substantially comparable to the benefits provided by such plans or programs; and

(iv) the acceleration of the vesting of the options granted to Employee pursuant to Section 5 of this Agreement to the date of termination.

(d) Constructive Termination. If Employer takes any of the actions described in the second paragraph of this subsection (d), Employee may provide written notice to the CEO of Employee's intention to terminate employment because of a Constructive Termination (as defined below). Employer shall have twenty (20) days after receiving such notice of termination to cure such condition (the "Notice Period"). If such condition is not cured by the end of the Notice Period, Employee may terminate employment because of the Constructive Termination at any time within the two (2) week period following the Notice Period. Upon such termination, Employee shall be treated as though his employment was terminated "Without Cause" for all purposes of this Agreement.

"Constructive Termination" means the occurrence of any of the following events without the written consent of Employee: (i) the forced relocation of the principal place of business of Employee's employment to a place that is more than 50 miles from Houston, Texas, or (ii) any removal of Employee from his position as Executive Vice President of Company, or a material and adverse change in Employee's work environment, or (iii) the assignment to Employee of any duties or responsibilities inconsistent with Employee's duties and responsibilities as Executive Vice President of Company, in any such case other than as a result of grounds for termination of employment for death or Disability under Section 6(a) or For Cause under Section 6(b).

(e) No Limitation. Employer's exercise of its right to terminate shall be without prejudice to any other right or remedy to which it or any of its affiliates may be entitled at law, in equity or under this Agreement.

(f) Exclusive Remedy. Employee agrees that the payments expressly provided and contemplated by this Agreement shall constitute the sole and exclusive remedy of Employee for

any claimed breach of this Agreement. Employee covenants not to assert or pursue any other contractual remedies, at law or in equity, with respect to any termination of employment.

7. Business Expenses. During the term of this Agreement Employer shall reimburse Employee promptly for reasonable, ordinary and customary business expenditures made and substantiated in accordance with the policies, practice and procedures established from time to time by Employer and incurred in pursuit and furtherance of Employer's business and good will.

8. Miscellaneous.

(a) Succession; Survival. This Agreement shall inure to the benefit of and shall be binding upon Employer, its successors and assigns, but without the prior written consent of Employee this Agreement may not be assigned other than in connection with a merger or sale of substantially all the assets of Employer or a similar transaction in which the successor or assignee assumes (whether by operation of law or express assumption) all obligations of Employer hereunder. The obligations and duties of Employee hereunder are personal and otherwise not assignable. Employee's obligations and representations under this Agreement will survive the termination of Employee's employment, regardless of the manner of such termination.

(b) Notices. Any notice or other communication provided for in this Agreement shall be in writing and sent if to Employer to its principal office at:

9320 Telstar Avenue
El Monte, California 91731
Attention: Chief Executive Officer

or at such other address as Employer may from time to time in writing designate, and if to Employee at such address as Employee may from time to time in writing designate (or Employee's business address of record in the absence of such designation). Each such notice or other communication shall be effective (i) if given by telecommunication, when transmitted to the applicable number so specified in (or pursuant to) this Section 8(b) and an appropriate answerback is received, (ii) if given by mail, three days after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid or (iii) if given by any other means, when actually delivered at such address.

(c) Entire Agreement; Amendments. This Agreement contains the entire agreement of the parties relating to the subject matter hereof and it replaces and supersedes any prior

agreements, undertakings, commitments and practices relating to Employee's employment by Employer or its affiliates, including but not limited to, the Prior Employment Agreement. No amendment or modification of the terms of this Agreement shall be valid unless made in writing and signed by Employee and, on behalf of Employer, by an officer expressly so authorized by the Board.

(d) Waiver. No failure on the part of any party to exercise or delay in exercising any right hereunder shall be deemed a waiver thereof or of any other right, nor shall any single or partial exercise preclude any further or other exercise of such right or any other right.

(e) Choice of Law. This Agreement, the legal relations between the parties and any action, whether contractual or non-contractual, instituted by any party with respect to matters arising under or growing out of or in connection with or in respect of this Agreement, the relationship of the parties or the subject matter hereof shall be governed by and construed in accordance with the laws of the State of Texas.

(f) Arbitration. Any dispute, controversy or claim arising out of or in respect of this Agreement (or its validity, interpretation or enforcement), the employment relationship or the subject matter hereof, including but not limited to, any claims arising under any state or federal law arising out of or relating to Employee's termination, shall be submitted to and settled by arbitration conducted before a single arbitrator in Los Angeles, California in accordance with the then in effect Labor Arbitration Rules of the American Arbitration Association. The arbitration shall be governed by the Federal Arbitration Act (9 U.S.C. Sections 1-16). The arbitration of such issues, including the determination of any amount of damages suffered, shall be final and binding upon the parties to the maximum extent permitted by law. The arbitrator in such action shall not be authorized to change or modify any provision of this Agreement. Judgement upon the award rendered by the arbitrator may be entered by any court having jurisdiction thereof. The arbitrator shall award reasonable expenses (including reimbursement of the assigned arbitration costs) to the prevailing party upon application therefor.

(g) Confidential Information. Employee recognizes and acknowledges that Employer's trade secrets and proprietary information and processes, as they may exist from time to time, are confidential information and are valuable, special and unique assets of Employer's business, access to and knowledge of which are essential to the performance of Employee's duties hereunder. Except as required by law, Employee will not, during or after the termination of this Agreement, disclose any such confidential information to any person, firm, corporation, association or

other entity for any reason or purpose whatsoever (except as his duties may require while employed by Employer), nor shall Employee make use of any such confidential information for his own purposes or for the benefit of any person, firm, corporation or other entity (except Employer) under any circumstances during the term, or after the termination, of this Agreement. If Employee proposes to make disclosure of any confidential information in reliance on the foregoing exception, Employee shall (i) immediately notify Employer in writing concerning the proposed disclosure, (ii) provide Employer with copies of any information Employee proposes to disclose as well as the facts and circumstances requiring such disclosure and (iii) use his best efforts (at Employer's sole cost and expense) to assist Employer in obtaining a protective order or other protection if requested by Employer. Employee agrees that such confidential information shall include (but not be limited to) all information contained in any memoranda, books, papers, client lists, files, letters, formulas and other printed or written material, and all copies thereof and therefrom, in any way relating to Employer's business and affairs, whether made by Employee or otherwise coming into Employee's possession, and Employee agrees that, upon termination of this Agreement or on demand of Employer, at any time, he shall immediately deliver all such printed or written material and copies thereof to Employer. Notwithstanding the above, confidential information shall not include any information in the public domain that was not disclosed by Employee in breach of this Section 8(g).

(h) Severability. If this Agreement shall for any reason be or become unenforceable in any material respect by any party, this Agreement shall thereupon terminate and become unenforceable by the other party as well. In all other respects, if any provision of this Agreement is held invalid or unenforce-able, the remainder of this Agreement shall nevertheless remain in full force and effect, and if any provision is held invalid or unenforceable with respect to particular circumstances, it shall nevertheless remain in full force and effect in all other circumstances, to the fullest extent permitted by law.

(i) Withholding; Deductions. All compensation payable hereunder, including salary and other benefits, shall be subject to applicable taxes, withholding and other required, normal or elected employee deductions.

(j) Section Headings. Section and other headings contained in this Agreement are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

(k) Unique Services; Specific Performance. The parties hereto agree that the services to be rendered by Employee

pursuant to this Agreement, and the rights and privileges granted to Employer pursuant to this Agreement, and the rights and privileges granted to Employee by virtue of his position, are of a special, unique, extraordinary and intellectual character, which gives them a peculiar value, the loss of which cannot be reasonably or adequately compensated in damages in any action at law, and that a breach by Employee of any of the terms of this Agreement will cause Employer great and irreparable injury and damage. Employee hereby expressly agrees that, notwithstanding paragraph (f) of this Section 8, Employer shall be entitled to the remedies of injunction, specific performance and other equitable relief to prevent a breach of this Agreement by Employee. Without limiting the generality thereof, the parties expressly agree that Employer shall be entitled to the equitable remedies set forth in this Section 8(k) for any violation of Section 8. This subsection (k) shall not be construed as a waiver of any other rights or remedies which Employer may have for damages or otherwise.

(l) Non-Competition. Employee agrees that for the periods set forth below, Employee will not, directly or indirectly, either as an employee, employer, consultant, agent, lender, principal, partner, stockholder, corporate officer or director or in any other individual or representative capacity, compete against, or in any manner be connected with or employed by any individual, association or other entity that is engaged in the electronic component distribution business or that is in competition with the business of Company in the United States:

(i) in the case where this Agreement expires by its terms on May 31, 2001 without termination by either party for any other reason, for a period of one year after the expiration of the Agreement; and

(ii) in the case where Employee's employment is terminated by Employer Without Cause, for the period which is the later of: (A) one year after the date of termination Without Cause; and (B) May 31, 2001; and

(iii) in all other cases, including but not limited to, resignation by Employee or termination by Employer For Cause, for a period of two years after the date of such resignation or termination.

(m) Non-Solicitation. Employee agrees that for a period of two years after the termination of Employee's employment for any reason, Employee will not, directly or indirectly, (i) call on or solicit, with respect to the activities prohibited by Section 8(l) of this Agreement, any person, firm, corporation or other entity who or which at the time of such termination, or within two years prior thereto, was

or had been a customer, referral source or distributor of Employer or any of its affiliates or (ii) solicit the employment of any person who was employed by Employer or any of its affiliates on a full or part-time basis at the time of Employee's termination of employment.

(n) Counterparts. This Agreement and any amendment hereto may be executed in one or more counterparts. All of such counterparts shall constitute one and the same agreement and shall become effective when a copy signed by each party has been delivered to the other party.

(o) Representation By Counsel; Interpretation. Employee by his execution and delivery of this Agreement represents to Employer as follows:

(i) That Employee has been advised by Employer to have this Agreement reviewed by an attorney representing Employee, and Employee has either had this Agreement reviewed by such attorney or has chosen not to have this Agreement reviewed because Employee, after reading the entire Agreement, fully and completely understands each provision and has determined not to obtain the services of an attorney.

(ii) Employee, either on his own or with the assistance and advice of his attorney, has in particular reviewed Section 8 and understands and accepts: (A) the restrictions imposed by Section 8 and in particular paragraphs (g), (l) and (m) of Section 8; and (B) the restrictions imposed upon Employee pursuant to these sections are reasonable and necessary for the protection of the property rights of Employer and its affiliates.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

"EMPLOYER"

MARSHALL INDUSTRIES

By: /s/ Robert Rodin
Name: Robert Rodin
Title: President and Chief Executive Officer

"EMPLOYEE"

/s/ David A. Spolane
David A. Spolane

4201 Southwest Freeway
Houston, Texas 77027

EXHIBIT 1
SPECIAL BONUS

Employee shall be entitled to receive a special one-time bonus (the "Special Bonus") based on Employee's performance with respect to maintaining the business of Company and integrating the operations of Company with those of Employer under Company's new ownership. The performance of Employee shall be determined based on certain operating results of Company during the twenty-four month period ending on November 30, 1999 (the "Measurement Period"). The Special Bonus shall be calculated in the following manner:

(a) Subject to the terms of this Exhibit 1, the Special Bonus shall be determined by adding each of the three individual bonus components set forth in paragraphs (i), (ii) and (iii) below.

(i) Employee shall receive up to $400,000 based on the gross profits of Company during the Measurement Period. Employee shall receive the full $400,000 if the Gross Profits of Company (being the product of gross sales of products sold by Company during the Measurement Period and the gross margin percentage applicable to such sales) during the Measurement Period equal or exceed $186,935,240. If Company's Gross Profits (as calculated above) for the Measurement Period are less than $186,935,240, Employee shall be entitled to receive a pro rata portion of the $400,000. By way of example, if the Gross Profits of Company during the Measurement Period are $160,000,000, Employee shall be entitled to receive $342,364.55 pursuant to this paragraph (i) ($160,000,000/$186,935,240 x $400,000).

(ii) Employee shall receive up to $400,000 based on the continuation by * , * , * and * (the "Target Manufacturers") of their franchise agreements (as in

existence on the date hereof) (each a "Franchise Agreement") with Company during the Measurement Period. The amount to be paid to Employee shall be determined by multiplying, for each of the Target Manufacturers that continues its Franchise Agreement with Company for the entire Measurement Period, the percentage listed opposite such Target Manufacturer's name below by $400,000, and adding each of such products; provided, however, that no bonus will be paid pursuant to this paragraph unless, during the Measurement Period the total amount of gross sales of products of the Target Manufacturers that continue their Franchise Agreements for the entire Measurement Period equal or exceed 80% of (2 (two) x the 1998 forecasted gross sales of such Target Manufacturers, as such 1998 forecasted gross sales have been represented by Company to Buyer prior to the Effective Date):

Target Manufacturer	Percentage
*	27%
*	30%
*	28%
*	15%
Total	100%

By way of example, if * and * terminate their Franchise Agreements with Company prior to the end of the Measurement Period but * and * maintain their Franchise Agreements with Company for the entire Measurement Period, and the gross sales for * and * for the Measurement Period equal or exceed 80% of (2 (two) x the forecasted 1998 gross sales of * and *), Employee shall be entitled to receive $232,000 pursuant to this paragraph (ii) ($120,000 for maintaining * ($400,000 X 30%); plus $112,000 for maintaining * ($400,000 X 28%)).

(iii) Employee shall receive up to $400,000 based on the difference (the "Cost Savings") between: (A) $65,535,904 (being 4 (four) x $16,383,976 (the actual selling and administrative costs of Company for the quarter ending June 28, 1997)), as adjusted by the consumer price index for the period from June 28, 1997 to November 30, 1998; and (B) the amount of selling, general and administrative costs of Company for the period from December 1, 1998 to November 30, 1999 (the "SG&A Costs"). If the Cost Savings are equal to or greater than $ * , Employee shall receive the entire $400,000. If the Cost Savings are less than $ * , Employee shall receive a pro rata portion of the $400,000 based on the actual amount of Cost Savings. By way of example, if the SG&A costs for December 1, 1998 to November 30, 1999 are $59,535,904 and there is an increase of 3.0% in the consumer

price index for the period from June 28, 1997 to November 30, 1998, Employee shall be entitled to receive $ * pursuant to this paragraph (iii) (($65,535,904 x 1.03) - $59,535,904)/$ * x $400,000). The amount of SG&A Costs for the Measurement Period shall be calculated in the same manner as the "selling, administrative and other operating expenses" of Company have been calculated by Company in preparing its audited financial statements for the fiscal years ending March 30, 1996 and March 29, 1997 and the "selling and administrative costs" of Company have been calculated by Company in preparing its unaudited financial statements for the quarter ending June 28, 1997.

---

* Pursuant to 17 CFR 240.24b-2, confidential portions have been omitted and filed separately with the Securities and Exchange Commission.

(b) Assuming Employee is employed by Employer for the full Measurement Period, the total aggregate amount of the Special Bonus shall not be less than $900,000 (the "Guaranteed Minimum Special Bonus") nor more than $1.2 million, notwithstanding the fact that the actual amount calculated pursuant to paragraph (a) above may be different. The Special Bonus shall be paid to Employee on or before January 15, 2000 (the "Payment Date"). In addition, on or before the Payment Date, Employer shall deliver to Employee a copy of its calculation of the Special Bonus and appropriate supporting documentation for such calculation.

(c) In the event Employee's employment is terminated prior to the end of the Measurement Period due to Employee's death or Disability (pursuant to Section 6(a) of this Agreement), Employee shall receive the amount of the Guaranteed Minimum Special Bonus that would have otherwise been payable to Employee but for such termination; provided, however that such amount shall be prorated over the number of months Employee was employed by Employer during the Measurement Period. By way of example, if Employee is terminated as a result of death or Disability after 15 months of employment with Employer and, had Employee not been so terminated, the entire Measurement Period would have been 24 months, Employee shall receive as the Special Bonus the following amount:

15/24 X $900,000 = $562,500.00

(d) In the event Employee's employment is terminated prior to the end of the Measurement Period Without Cause (pursuant to Section 6(c) of this Agreement) or as a result of Constructive Termination (pursuant to Section 6(d) of this Agreement), Employee shall receive the Guaranteed Minimum Special Bonus.

(e) In the event Employee's employment is terminated prior to the end of the Measurement Period other than as a result of death or Disability (pursuant to Section 6(a) of this Agreement), Without Cause (pursuant to Section 6(c) of this Agreement) or as a result of Constructive Termination (pursuant to Section 6(d) of this Agreement), Employee shall not be entitled to receive any Special Bonus.

(f) The provisions of this Exhibit 1 shall not be deemed to restrict in any way any rights of Employer, as stockholder of Company, the Board, or the Board of Directors of Company, acting in good faith, during the term of this Agreement to dissolve, reorganize or take any other action or make any other change (fundamental or otherwise) affecting the structure, existence, organization, operations or business of Company or Employer or any of their subsidiaries. If at any time during the Measurement Period, Company shall be dissolved or Company or Employer shall be reorganized, or shall be a party to a merger or sale of all or substantially all of its assets to another entity, Employer shall (or shall cause a successor to) provide for adjustment as nearly equivalent as practicable to preserve for Employee the benefits of this Agreement with respect to payment of the Special Bonus in respect of the business of Company or such successor as provided herein. Such adjustments by the Board made in good faith shall be conclusive.

EXHIBIT 2
STOCK OPTION GRANT

Employee:
Grant Date:
No. Shares:
FMV Per Share on Date of Grant:
Exercise Price Per Share:

MARSHALL INDUSTRIES
1997 STOCK OPTION PLAN<1>
EMPLOYEE NONQUALIFIED STOCK OPTION AGREEMENT

1. Identification. This Employee Nonqualified Stock Option Agreement (this "Agreement") is made by and between Marshall Industries, a California corporation (the "Company"), and David A. Spolane (the "Employee") as of , 199__.

Recitals.

2.1 The Company maintains the Marshall Industries 1997 Stock Option Plan (the "Plan") providing for the grant of incentive stock options and nonqualified stock options to directors and key employees of the Company.

2.2 Employee is a key employee of the Company to whom options may be granted under the Plan.

2.3 The Stock Option and Compensation Committee (the "Committee") of the Company has authorized the grant to Employee of an option to purchase the Company's Common Stock upon the terms and conditions hereinafter set forth.

2.4 In consideration of the mutual promises and covenants made herein and the mutual benefits to be derived herefrom, the parties agree as set forth below.

_____

<1> Option grant to be made under the Company's 1997 Stock Option Plan if such plan is approved by shareholders of Company. If shareholders of Company do not approve the 1997 Stock Option Plan, the option grant shall be made under the Company's 1992 Stock Option Plan, with conforming changes made to this form of grant.

3. Grant of Option. Pursuant to the action of the Committee, and subject to the terms and conditions of this Agreement and the terms and conditions of the Plan, the Company grants to Employee an option to purchase all or any part of fifty thousand (50,000) shares of the Company's authorized and unissued Common Stock from the Company at the price of Dollars ($_____) per share (the "Option").<2> The Option is intended to be a nonqualified stock option and shall not be deemed to be an incentive stock option within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended.

4. Term of Option. The Option was granted on ,

199__ (the "Grant Date"). Unless previously exercised pursuant to Article 5 hereof and subject to earlier termination under Section 6.6 or Article 7 of the Plan, the Option shall terminate on, and shall not be exercisable after, the day before the tenth (10th) anniversary of the Grant Date.

5. Exercise.

5.1 Exercisability. Subject to the terms and conditions of this Agreement, the Option shall become exercisable in four equal cumulative installments of 12,500 shares of the Company's common stock (individually an "Installment" and collectively the "Installments"). Employee may exercise the first Installment on or after the first anniversary of the Grant Date, the second Installment on or after the second anniversary of the Grant Date, the third Installment on or after the third anniversary of the Grant Date and the fourth Installment on or after May 31, 2001. In the event Employee's employment is terminated by Company Without Cause (as such term is defined in that certain Employment Agreement between Company and Employee dated September 18, 1997), the Option shall accelerate and become immediately exercisable on the date of termination.

To the extent Employee does not in any year purchase all or any part of the shares to which Employee is entitled, Employee has the right cumulatively thereafter to purchase any shares not so purchased and such right shall continue until the Option terminates or expires. Fractional share interests shall be disregarded.

5.2 Notice of Exercise. Employee shall exercise the option by (i) notifying the Company of Employee's election to exercise the Option, (ii) paying in full the purchase price as provided in Section 5.3 hereof, and (iii) satisfying the tax withholding requirements of Section 8.8 of the Plan.

_____

<2> Exercise price to be fair market value of Company's common stock on the date of the closing of the transactions pursuant to the Merger Agreement.

5.3 Payment of Purchase Price. The purchase price for any shares of Common Stock with respect to which Employee exercises the Option shall be paid in full promptly after Employee gives notice of exercise as provided in Section 5.2

hereof. The purchase price shall be paid: (a) in cash or by check in United States dollars, or (b) if, and only if, the Committee so authorizes in its sole discretion, at the time Employee gives notice of exercise, by transferring to the Company for redemption, Common Stock of the Company at its "Fair Market Value" (as defined in the Plan), with share certificates duly endorsed and accompanied by instruments of transfer with signatures guaranteed. If Employee desires to pay the purchase price for the shares by transferring to the Company Common Stock for redemption, Employee shall so notify the Secretary of the Company with the notice of Employee's election to exercise the Option in accordance with Section 5.2 hereof. Promptly after receipt of Employee's notice of exercise and request for payment by redemption, the Company shall notify Employee of its decision as to whether it will permit Employee to pay the purchase price by transferring the Company's Common Stock to it for redemption. If the Committee does not authorize the proposed payment by redemption, Employee shall pay the purchase price in cash or by check in United States dollars as provided above.

6. Issuance of Shares. Subject to Section 8.3 of the Plan, promptly after the Company's receipt of notification of exercise provided for in Section 5.2 hereof and Employee's payment in full of the purchase price, the Company shall deliver, or cause to be delivered, to Employee a certificate for the whole number of shares with respect to which the Option is being exercised by Employee. Shares shall be registered in the name of Employee. If any law or regulation of the Securities and Exchange Commission or of any other federal or state governmental body having jurisdiction shall require the Company or Employee to take any action prior to the issuance to Employee of the shares of Common Stock of the Company specified in the written notice of election to exercise, the date for the delivery of such shares shall be adjourned until the completion of such action.

7. Termination Of Employment. If Employee's employment with the Company is terminated for any reason the Option shall terminate in accordance with and at the time set forth in Section 6.6 of the Plan.

8. Assignment or Transfer. The Option is not assignable or transferable except by will or by the laws of descent and distribution and during Employee's lifetime the Option may be exercised only by Employee. No transfer of the Option by will or by the laws of descent and distribution shall be effective, nor shall any designation of a person who may exercise the Option after Employee's death be effective to bind the Company unless the Company is furnished with a written notice thereof and a copy of the will or such other evidence as the Company deems necessary to establish the validity of the transfer and the acceptance of the terms and conditions of the Option by the transferee or

designee.

9. No Rights as Shareholder. Employee shall have no rights as a shareholder with respect to shares of the Common Stock covered by the Option until the date of the issuance of a stock certificate or stock certificates evidencing issuance of such shares pursuant to Employee's exercise of the Option. No adjustment shall be made for dividends (ordinary or extraordinary, whether in cash, securities or other property) or distributions or other rights for which the record date is prior to the date such stock certificate is issued, except as provided in Article 10 hereof and in Article 7 of the Plan.

10. Modification and Termination.

10.1 The rights of Employee under this Agreement are subject to modification and termination as provided in the Plan.

10.2 The number of shares of Common Stock set forth in Article 3 hereof and the Option are subject to adjustment, acceleration, and possible early termination under Article 7 of the Plan.

11. No Right to Employment. Nothing in this Agreement, the Plan, or any instrument executed pursuant to the Plan shall confer upon Employee the right to continue in the employ or service of the Company, affect the right of the Company to terminate the employment or services of Employee with or without cause, or be evidence of any agreement or understanding, express or implied, that the Company will employ or continue to employ Employee in a particular position or at a particular rate of remuneration.

12. Compliance with Securities Laws. At the time the Option is exercised, the Company may require Employee to execute any documents or take any action which may be then necessary to comply with the Securities Act of 1933, as amended, and the rules and regulations adopted thereunder, or any other applicable federal or state laws for the purpose of regulating the sale and issuance of securities. The Company reserves the right to change its requirements with respect to enforcing compliance with federal and state securities laws, including the request for, and enforcement of, letters of investment intent, such requirements to be determined by the Company in its judgment as necessary to assure compliance with such laws. Such changes may be made, with respect to the Option, upon exercise hereof, or prior to or after the exercise of the Option. The Company shall not be obligated to issue any shares upon the exercise of the Option unless the issuance, in the judgment of the Board of Directors of the Company, is in full compliance with all applicable laws, governmental rules and regulations, undertakings of the Company

made under the Securities Act of 1933, as amended, any state securities laws, and stock exchange agreements of the Company.

13. General Provisions.

13.1 Subject to Plan. The Option and all rights of Employee thereunder are subject to, and Employee agrees to be bound by all of the terms and conditions of the Plan, incorporated herein by this reference. Employee acknowledges receipt of a copy of the Plan, attached hereto as Exhibit A, which is made a part hereof by this reference, and agrees to be bound by the terms thereof. Unless otherwise expressly provided in other sections of this Agreement, provisions of the Plan that confer discretionary authority on the Committee do not (and shall not be deemed to) create any rights in Employee unless such rights are expressly set forth herein or are otherwise in the sole discretion of the Committee so conferred by appropriate action of the Committee under the Plan after the date hereof.

13.2 Further Acts. Employee agrees to perform all further acts and to execute and deliver any other and additional documents as may be reasonably necessary to carry out the provisions of this Agreement.

13.3 Notices. Any notice to be given under the terms of this Agreement to the Company shall be in writing and addressed to Marshall Industries 9320 Telstar Avenue, El Monte, CA 91731 to the attention of the Secretary and to Employee at the address given beneath Employee's signature hereto, or at such other address as either party may hereafter designate in writing to the other.

IN WITNESS WHEREOF, this Agreement is executed by the parties on the date and at the place indicated below.

"COMPANY"

MARSHALL INDUSTRIES,
a California corporation

Executed on , 199_
at _____, _____.

By:
Its:

"EMPLOYEE"

David A. Spolane

Executed on , 199_
at _____, _____.

Signature

Print Name

Address

City, State, Zip Code

CONSENT OF SPOUSE

In consideration of the execution of the foregoing Employee Nonqualified Stock Option Agreement by Marshall Industries, I, _____, the spouse of the Employee therein named, do hereby join with my spouse in executing the foregoing Employee Nonqualified Stock Option Agreement and do hereby agree to be bound by all of the terms and provisions thereof and of the Plan.

DATED: _____, 199__.

Signature of Spouse