MANAGEMENT DISCUSSION SECTION

Operator: Good day ladies and gentlemen, and welcome to the SYNNEX Corporation third quarter 2006 earnings results teleconference. At this time, all participants are in a listen-only mode. [Operator Instructions]

I would now like to introduce your host for today's conference, Ms. Laura Crowley. Ms. Crowley, you may begin the conference.

Laura Crowley, Director of Investor Relations and Public Relations

Thank you James. Good afternoon and welcome to the SYNNEX Corporation's fiscal 2006 third quarter earnings conference call. Joining us on today's call are Bob Huang, President and Chief Executive Officer; Dennis Polk, Chief Operating Officer; and John Paget, our President of our Technology Solutions Division.

Before we begin, the statements on today's call which are not historical facts, are forward-looking statements within the meaning of the Securities and Exchange Reform Act. These forward-looking statements include, but are not limited to, statements on our current expectations of our revenues, net income and earnings per share for the fourth quarter of fiscal 2006, our tax rate, our growth rate, our profitability, our assembly business revenue, our ability to meet our 2006 goals, growth of our Canadian distribution business, the effects and anticipated benefits of our Concentrix acquisition, continued focus on our Technology Solutions Division, investments in new lines of business, our growth and business strategy and anticipated benefits of our non-GAAP measures.

These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results to differ materially from those discussed in these forward-looking statements. Please refer to today's press release and documents filed with the Securities and Exchange Commission, specifically our most recent Form 10-Q, for information on risk factors that could cause actual results to differ materially from those discussed in these forward-looking statements.

To supplement our financial results presented in accordance with GAAP, we use non-GAAP financial measures. We present such non-GAAP financial measures in reporting our financial results to provide investors with an additional tool to evaluate our operating results. Because these non-GAAP measures are not calculated in accordance with GAAP, they may not necessarily be comparable to like-titled measures employed by other companies.

These non-GAAP financial measures should not be considered in isolation or as a substitution for comparable GAAP measures, and should only be read in conjunction with our consolidated financial statements, prepared in accordance with GAAP.

Our management uses each of these non-GAAP financial measures internally to understand, manage and evaluate our business. Our management believes it is useful for itself and our investors to review, as applicable, both GAAP information and the non-GAAP measures in order to assess the performance of our core continuing businesses and for planning and forecasting in future periods.

A detailed discussion of reconciliation of the adjustments between results calculated using GAAP and non-GAAP are included in our earnings release which can be viewed in the Investor Relations section of our website. Additionally, this conference call is the property of SYNNEX Corporation, and may not be recorded or rebroadcast without specific written permission from the company.

Now I would like to turn the call over to Dennis Polk to begin. Dennis?

Dennis Polk, Chief Operating Officer and Chief Financial Officer

Thank you, Laura. Good afternoon and thanks for joining our call today. For today's call, I will review the financial highlights of our third quarter performance, and then I will turn the call over to Bob to share his comments on the quarter, and our expectations for the fourth quarter of 2006.

Total revenues for the third quarter of 2006, which exceeded the high end of our guidance, were 1.59 billion, an increase of 14.4% over the third quarter of 2005, and up 5.3% sequentially. By segment, distribution revenues were 1.46 billion, an increase of 15.4% over the third quarter of 2005, and up 7.3% sequentially. The year-over-year increase was due to continued growth in our US and Canadian distribution businesses, and aided slightly by approximately 13 million in revenue from our acquisition of Azerty's Canadian distribution business in mid-June of Q3. Note, that this is an approximate number as we integrated Azerty into our existing business on the day the deal closed, thus we cannot determine an exact revenue figure generated from this acquisition.

Contract assembly revenues were 134 million, an increase of 4.9% over the third quarter of 2005. Third quarter GAAP net income was 13.8 million, or $0.43 per share, compared to 9 million, or $0.29 per share, in the third quarter of 2005. Third quarter non-GAAP net income was 14.4 million, or $0.45 per share, compared to 10.5 million, or $0.34 per share in Q3 2005. Third quarter 2006 non-GAAP net income excludes share-based compensation expense of approximately 610,000, net of tax, or $0.02 per share, due to the adoption of FAS 123(R) in fiscal 2006. Third quarter 2005 non-GAAP net income excludes, net of tax, 500,000 in restructuring charges related to our Canadian operations and a 1 million non-operating loss on our equity investment in MCJ Company. As a reminder, we have provided a reconciliation of GAAP to non-GAAP numbers at the end of our press release issued today and on our website.

Turning to our gross margins, the gross margin percentage for the third quarter was 4.57%, an increase of 33 basis points from the prior year quarter and up 5 basis points sequentially. The increase in gross margin percentage was from our distribution segment and is representative of our focused efforts to improve our gross margin over the past year.

Third quarter 2006 GAAP selling, general and administrative expense was 49.2 million, or 3.09% of revenues. On a non-GAAP basis, excluding 925,000 in share-based compensation expense, our SG&A expense was 48.3 million, or 3.03% of revenues in the third quarter of 2006, compared to non-GAAP SG&A of 38.4 million, or 2.76%, for the prior year quarter and 45 million, or 2.98%, for the second quarter of 2006. The raw dollar increase in SG&A is a result of variable costs associated with our higher revenue and profit payment during the quarter, additional expenses associated with the acquisitions of Azerty and Telpar and continued investments in all aspects of our business.

GAAP operating income for the third quarter was 23.5 million, or 1.48% of revenues. On a non-GAAP basis excluding share-based compensation expense, operating income was 24.4 million, or 1.53% of revenue, compared to non-GAAP operating income of 20.6 million, or 1.48% of revenue in the prior year, and 23.3 million, or 1.54% of revenue, in the second quarter of 2006. On a segment basis, GAAP distribution operating income was 22 million, or 1.51% of revenues, compared to 17 million, or 1.35% of revenues in the prior year. On a non-GAAP basis, distribution operating income was 22.9 million, or 1.57% of revenues. Non-GAAP amounts for Q3 2005 were 17.9 million, or 1.42% of revenues.

Assembly operating income was 1.5 million, or 1.1% of revenues, compared to 2.7 million, or 2.09% of revenue in the prior year quarter. On a non-GAAP basis, assembly amounts were essentially the same for both periods. The year-over-year decrease in operating income percentage was primarily due to pricing pressure on the products we assemble for our main assembly customer, lightly offset by improved margins in our non-Sun assembly business.

With respect to interest expenses and finance charges, the total for the third quarter was 2.7 million, a decrease of 1 million over the prior year. The main reason for this improvement was due to the long-term project business we engaged in with one of our customers in Mexico. The primary return from this business are related to long-term financing of computer hardware sold to our customer in Mexico and are reflected as a reduction to our net financing costs for the quarter.

From a continuing operations standpoint, our tax rate for the third quarter was 33.4%. Our tax rate for the third quarter is lower than forecasted due to profitability in our Mexico operations and the resultant tax accounting, which is primarily driven by the fact that we have historically not been profitable in Mexico.

Our current expectation for our tax rate for the full year 2006 is approximately 35%. We expect that our tax rate will return to a more normalized at 36 to 38% range in fiscal 2007. However, as always, this is dependent upon many factors, including which geographies we are profitable in.

Regarding our balance sheet metrics, accounts receivable totaled 627 million at August 31, 2006, which includes approximately 244 million associated with our off-balance sheet accounts receivable securitization program. DSO, including the off-balance sheet programs, was approximately 41 days. Inventory totaled 549 million at the end of the quarter. Inventory days were approximately 33. Including a days payable outstanding metric of approximately 34 days, our third quarter cash conversion cycle was 40 days.

As noted in our last few earnings call, we have added new line-item classifications to our balance sheet to reflect the long-term project business conducted by our Mexico operations. As evident by my earlier comments concerning the reduction on our net interest cost, this project business is beginning to mature, and starting to contribute to sustained profitability for our Mexico subsidiary. Including the reduction in our tax rate, the project business in Mexico contributes approximately $0.04 to our per share profit in Q3. While this project business did contribute very favorably to us in Q3, due to nature of this program, the associated accounting and the overall risks associated with long-term projects, we do not expect that the profit contribution will be this significant each quarter. However, we do expect that the project should contribute approximately $0.08 to $0.10 a share each year over the life of the five-year program.

Other third quarter metrics of note: Depreciation expense was approximately 1.4 million. Amortization expense was approximately 1.0 million. Capital expenditures were 1.1 million. From a distribution product line standpoint, peripherals accounted for 30 to 34% of our sales. System components accounted for 17 to 21%. IT systems accounted for 30 to 34%. Software accounted for 9 to 13%. And networking accounted for 4 to 8% of total distribution revenue. The changes in the percentages from prior periods are primarily due to seasonality in our business.

In our contract assembly business, from a customer mix standpoint, approximately 94% of our business comes from our primary customer, Sun Micro, and the other approximate 6% was from all other customers. HP, at approximately 25%, was the only vendor accounting for more than 10% of sales during the third quarter of 2006. Total headcount was 2,781 at August 31, 2006. This consists of 2,234 permanent employees and 547 temporary personnel.

Moving to our fourth quarter 2006 expectations. We expect revenues will be in the range of 1.67 billion to 1.72 billion. Net income will be in the range of $14.2 million to $14.9 million, and earnings per share will be in the range of $0.44 to $0.46 per share. The earnings and per share amounts include the effects of share-based compensation and other related non-cash compensation expense, which we expect will total approximately $0.03 in the fourth quarter of 2006.

These revenue, income and expense figures also include our expectations for our recent acquisition of Concentrix. We believe that this acquisition will be dilutive to our earnings by approximately $0.01 in the fourth quarter. These forecasted earnings per share figures are based on an approximate weighted average diluted share count of 32.3 million, and also do not include any impact of any special charges or restructuring amounts that could be incurred. As well, all of these statements are forward-looking, and actual results may differ materially.

I would like to now turn call over to Bob for his comments. Bob?

Robert Huang, President and Chief Executive Officer

Thank you, Dennis, and good afternoon. We are pleased to deliver another solid third quarter revenue growth and record earnings result for our Q3 2006. Our strategies and investments that we have made over the past 12 to 18 months are producing terrific results. The SYNNEX team continues to meet the high expectations set forth for them and I'm pleased by our abilities to navigate a very competitive landscape while producing positive results.

Once again, the Q3 performance was driven primarily by our distribution business, which has grown more than 15%. Our US distribution team not only has it shown very impressive double-digit growth in revenues, most importantly, the operating income, excluding share-based compensation expenses, was up by 15% year-over-year. In Canada, including the Azerty acquisition, our distribution business also achieved a double-digit revenue growth from the previous year and operating income growth was even stronger.

In addition to the strong North American distribution performance, our investment in the project business in Mexico is starting to perform solidly and gives significant contribution in Q3, as Dennis noted earlier. This project is another example of our ability to use all aspects of our supply chain capabilities while leveraging our financial strength. We have to work intelligently on this project for many more years to come to ensure we generate our total expected returns. However, we are very pleased with the results to date.

From our overall distribution perspective, it appears to us that the North American demand remains relatively stable across all customer segments, although the prices are always competitive. From a product perspective, we have not experienced any major product demand situation that are not consistent with our OEM products performance or industry trend. Regarding our assembly business, while the revenue was generally in line with our expectations, the operating income of 1.1% in Q3 was a disappointing. This is due to a combination of profit mix and continuing decline of ASPs. We expect this trend to continue in the foreseeable future, however, we have made great progress on non-Sun system integration business with the highest gross margin contribution it has ever been, in Q3.

Now, let me comment on our fourth quarter guidance. We are projecting 6.4% increase in year-over-year sales for the fourth quarter of 2006, using the midpoint of our guidance. This percentage increase is reflective of a couple factors. We expect that our assembly business will be slightly down, year-over-year, and two, we had very strong revenue growth in our distribution segment last year, aided by government business from a small set of our customers, which are not likely to happen again. However, we still expect our distribution business to perform at the rate of high single-digit growth. On the profits, we expected to grow by approximately 15%, year-over-year, on non-GAAP basis.

Now, I would like to update you on some of our new initiatives, starting with our Technology Solution division. The TSD division has grown in line with our expectations, and we are gaining more traction in this business each quarter. We were on a run rate to produce a fixed goal: 2006 revenue of 225 million as well at the end of Q2, and now we are in on track to produce fiscal year 2006 revenues of more than $250 million.

On September 1st, we officially launched our new customer electronics division called NEXCE. While our current investment is small in this initiative, we do see opportunity for growth and profitability from CE division. We will continue to invest in this newly defined division and we will share our progress in upcoming quarters.

In early September, we announced the acquisition of Concentrix Corporation by our wholly-owned subsidiary BSA Sales. Concentrix offers integrated marketing services and on-demand printing. We see the combine of BSA and Concentrix into one company as a great opportunity to provide additional resource to our existing customers, while attracting new customers.

As we have stated consistently throughout this year, our goal is to grow our business faster than the industry, but more importantly, profitably. How do we do this? We have invested more in our employees with better training and focused care, and set higher expectation on their performance. At the same time, we continue to find ways to add value to our suppliers and customers, and deliver the best service at the lowest cost. As we are consistently achieving this goal, our GPE (gross profit to expense ratio), ROE, and ROIC improves result in happy employees, happy customers, and happy shareholders.

In closing, I would like to note that the third quarter of 2006 marks our 77th consecutive profitable quarter. We had a new record on gross margin, generated net income, and earnings per share from continuing operations. This consistent and outstanding performance certainly did not happen by accident. It requires dedicated hard work from our colleagues worldwide. I wanted to recognize the SYNNEX team for another well-executed quarter and thanks to our customers and suppliers for their continued loyalty and support. I also wanted to welcome our new employees to Concentrix to the SYNNEX family.

Thank you again for your time today and your interest in SYNNEX. Laura, let's take some calls.

Laura Crowley, Director of Investor Relations and Public Relations

Thank you, Bob. James, please open up the line for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions.] Our first question comes from Richard Kugele of Needham & Company. Your question please.

<Q – Richard Kugele>: Thank you. I guess first, Bob, in terms of the guidance that you were discussing, the line items. In distribution, I think it's pretty widely known that there's been a pick-up recently, in government. And I just wanted to get a little bit more clarity on why you think that that might not happen in the November quarter. Did you see that happen in August? And then secondly, in terms of the assembly side, if I remember correctly, traditionally you see, in your fourth fiscal quarter, a customer that you go and build for just that one particular quarter on the PC side, for seasonal build. Do you not – is that the delta versus last quarter? Thank you.

<A – Bob Huang>: Okay, Richard. On the government side, maybe. We had last year; we had pretty good numbers from one of our customers who's selling to the federal government. We are not anticipating that particular customer business to repeat. The second reason is that we want to be cautious about that particular segment. We do see some of our vendors take more business directly in the federal business segment. And that's the reason on the public sectors. As far as your question on the assembly, we don't really have the PC assembly anymore like what we did a couple of years ago. And these – you know, the comment I made earlier – these are strictly related to our largest customers in the assembly space. We felt that the combination of the ASPs and the product mix is somewhat we felt – we are not, as I said, optimistic. Of course, we don't have control of the sales in that area and we might see a good surprise coming in the next quarter as well.

<Q – Richard Kugele>: And then just lastly, you have made a number of successful, small tactical acquisitions that you've moved into TSD and other segments; with your overall results, though, clearly improving has your appetite changed at all for larger transactions, more enterprise-related, larger transactions or do you think that you can continue to grow through these smaller bolt-ons and organically?

<A – Bob Huang>: Richard, we're always looking for deals that make sense and we do not exclude large deals or small deals or enterprise space or specific, in a different – even consumer electronics space. Okay?

<Q – Richard Kugele>: Okay. Thank you very much.

Operator: Thank you. Our next question comes from Brian Alexander of Raymond James. Your question, please.

<Q – Brian Alexander>: Thank you. Dennis, you alluded to, in your prepared remarks, that a lot of the earnings upside this quarter was in interest and other, and it relates to the Mexico project. I guess I am not exactly sure I understand the accounting for that business. So could you kind of just walk through the mechanics of that again, and why so much of that flows through the other and interest line items?

<A – Dennis Polk>: Sure. Essentially, Brian, it is a long-term finance deal. So we've shipped a little less than a $100 million to our customer in Mexico, and much of the transaction is the financing of that. So they are paying us over the five-year period. We have to treat that as interest income, rather than margin – gross margin or anything else. So that income we get from that financing is in the interest expense line.

<Q – Brian Alexander>: Okay. So does Mexico flow through other line items in the income statement as well, or is it all captured below the operating line?

<A – Dennis Polk>: No, this transaction does have a small amount of sales in gross margin, but the primary income from this is in the interest expense line, obviously net of interest expense.

<Q – Brian Alexander>: Okay. Thanks. And then, the 8 to $0.10 that you are expecting annually, can you say what you are expecting in the fourth quarter for that business?

<A – Dennis Polk>: It would be one quarter of that amount.

<Q – Brian Alexander>: Okay, because I think this quarter was a little bit larger than one quarter of that amount.

<A – Dennis Polk>: Right. As I said in the script, we did have a more positive result from that transaction in the third quarter. So based on our expectations as of now, we expect the contribution to be a quarter of the range I gave you, which was 8 to $0.10.

<Q – Brian Alexander>: Great. And then final question on TSD, I don't know how much you're willing to kind of break out, but I want to get a better sense for what are the major kind of sub segments or categories that make up that 225 or $250 million run rate? I am just trying to get a sense for what's really driving TSD at this point, and where do you expect the doubling of growth to come from by the end of next year? And maybe just an update on PrintSolve as well? Thanks.

<A – John Paget>: That's a long question, Brian. This is John Paget. The five segments in TSD are Enterprise, Technology & Converged Solutions, the Auto-ID and Physical Security business, Document Management, and Professional Printing. And across all five of those segments, we have continued to gain traction, we've continued to broaden our relationships with the vendors that we have there. We've actually introduced a couple of new vendors, but primarily we have gained traction across there, and Brian, the growth is coming pretty broadly across all of those segments at this point. We're pleased with where we are in the progress against all of those as we specifically grow those businesses. In terms of PrintSolve, we did introduce PrintSolve in mid-to-late July. We filed our patent early in July for that. We have had a lot of activity in terms of teaching people how to use it. We have a number of contracts that we have on hand now. So, we're real pleased with where we are in PrintSolve right now.

<Q – Brian Alexander>: Okay. Thanks a lot.

Operator: Thank you. Our next question comes from Richard Gardner of Citigroup. Your question, please.

<Q – Richard Gardner>: Thank you. A couple of questions on the assembly business. First of all, Dennis, I didn't catch what percentage Sun was of that business this quarter?

<A – Dennis Polk>: 95%.

<Q – Richard Gardner>: Okay. And secondly, can you specifically address the ASP decline and mix issues that contributed to the margin decline in that business? My impression was that it was a cost-plus business, so I am not sure why ASP declines would contribute to a decline in margin percentage for the business?

<A – Bob Huang>: Richard, this is Bob. No, the business is not purely a cost-plus fee base. It's actually a regular EMS business. So, if ASP comes down, it does impact. And particularly because of the product mix, it puts even more pressure on the gross margin side. But I wanted to earlier – a comment about the assembly business. On the non-Sun area, I just wanted to let you know how significant it is today. If you look at the total gross margin generated from our non-Sun business, today it is more than 25% of our total assembly gross margin. So, that is getting more and more significant. Early part of this year, I started to say that and it's getting there. And we're very, very pleased to leverage our manufacturing capability to improve or grow our system integration business. We get into the servers, the clusters, which as I talked a few times in the past. And that's really become very successful business for us. So, I would not just look at it Sun by itself, I would look at it the whole thing, and where particularly, the assembly side on system integrations, that has a lot of synergies with distribution, and because they are from the common customer set, and we got very, very good support from Intel and from [inaudible] AMD on the components as well.

<Q – Richard Gardner>: Okay. Couple of other questions, Bob, on that point. Do you expect the non-Sun portion of the business to increase materially as a percentage of revenue, say, over the next 12 to 18 months? And then, on the revenue guidance you gave for contract assembly of down year-over-year, that seems to imply that the business will be down pretty nicely sequentially and I'm wondering why that would be the case?

<A – Bob Huang>: Two things. Because we forecasted lower because we don't really have good control in the servers area, particularly in the enterprise area, it's somewhat a concern to us overall. So, we want to be cautious about that. Now, as far as the non-Sun business, because the Sun business is really big, when you look at $0.5 billion of business a year, that's very, very big for non-Sun business to catch up on. And however, it's more importantly, how much gross margin we generate. And I mentioned to you, it's 25%. It has become very, very significant. And we anticipate that business to continue to grow, as I said earlier.

<Q – Richard Gardner>: Okay, great. All right. Thank you.

<A – Bob Huang>: Thank you.

Operator: Our next question comes from Jason Gursky of JPMorgan. Your question, please.

<Q – Jason Gursky>: Good afternoon, guys. Just a couple of quick questions on acquisition-related revenues and costs during the quarter. Dennis, can you give us a sense of how much revenue on a year-on-year basis was incremental from your acquisitions? And then, during your prepared remarks you also mentioned that the sequential increase, year-over-year increase in SG&A, part of that came from acquisition costs as well as some investments. I'm just trying to get a sense of as we move out into the next 12 months here, how much of this starts to lap and go away? And how much more do you anticipate ratcheting up the investments, particularly in the TSD division?

<A – Dennis Polk>: Sure. To your first question on the acquisition, Azerty contributed approximately 13 million in the quarter and the other acquisition, the smaller one we did, Telpar, which was 1 million. So, in total, approximately $14 million from acquisitions in the third quarter. Again, these are approximate numbers because we integrate the businesses on the day we acquire them.

As far as the SG&A, our expenses are up year-over-year and sequentially. It's reflective of many factors, including Telpar and Azerty acquisitions, stock-based compensation, and also the many investments we've made over the past year – TSD, NEXCE, and other initiatives included. These investments are most evident by looking at our recent headcount growth. First is last year, our headcount was up approximately 18%, and it's up almost 5% sequentially. As evidenced by our recent results, we believe the investments in our SG&A has been worth it obviously. To your question about when these will sunset, we will continue to invest in our business. The rate at which we will invest will depend upon the success in these initiatives, but you will see our SG&A in raw dollars increase as we grow our business. As these initiatives take hold, you should see it come down as a percentage of sales.

<Q – Jason Gursky>: Okay. And then, just on the – going back to the Mexico thing. To fully understand that, the 5 million that you had in interest expense going to 2.7 this quarter, the bulk of that came from the Mexico thing and we ought to be thinking interest expense more at the current levels, is that a fair characterization?

<A – Dennis Polk>: The good portion of the reduction in the net interest expense was due to the Mexico program, although we did run more efficient in our cash conversion cycles. Our interest expense excluding the Mexico transaction was down slightly as well. Moving forward, the effect of the Mexico transaction on the interest expense line will be the $0.02 I noted, obviously grossed up, for tax purposes.

<Q – Jason Gursky>: Okay. And then just lastly on the assembly business, you talked about ASPs and mix being an issue. Are there any real short-term fixes here on efficiency in that operation that you can put in place to kind of keep up with those cost downs that you're faced with?

<A – Bob Huang>: Jason, good point. We certainly look at every penny we spending over there and we look at the efficiencies see how they work and hopefully we would include the operating income somewhat.

<Q – Jason Gursky>: Okay. Thanks guys.

Operator: Our next question comes from Ben Radinsky of Bear Stearns. Your question please.

<Q – Ben Radinsky>: Hi, good afternoon. Can you talk about the inventory build? It seems to me that the turns are the lowest they have been in a couple of years, and I am wondering if that's related to specific investments? If you could put some color on that, that would be great.

<A – Dennis Polk>: Sure, our inventory metric did increase by day sequentially, and is up a bit over our historical trends, but it is really a reflection of timing more than anything else. Inventories has to cut off there, the quarter end is dependent upon shipments from our vendors, primarily. So, again, it did tick up by a day, but if you look at over EPO metric, that increased by four days. That will give you an idea of how the quarter ended from an inventory standpoint and a shipment timing standpoint. Overall, we are very comfortable with our, all aspects of our cash conversion cycle and its current status that, net of 40 days, see cash conversion cycle for the quarter.

<Q – Ben Radinsky>: And then can you talk about Motorola's purchase assembled, does that change how they will go about distribution and maybe you will have a better opportunity growing the IDC POS business?

<A – Bob Huang>: Yes, we hope we have better opportunities on that, Jason [sic].

<Q – Ben Radinsky>: Can you – ?

<A – Bob Huang>: We are [inaudible] to them.

<Q – Ben Radinsky>: So, you would view that as an incremental positive, the change of ownership or, neutral?

<A – Bob Huang>: Jason [sic], it's probably as of today, neutral, but we are always looking for new relationships.

<Q – Ben Radinsky>: Okay. And then lastly, can you just put a little bit more color on some of the programs that have helped gross margin increase to some very, very nice levels?

<A – Bob Huang>: Let me just comment, a few things. First of all, at the macro level, we talked overall the market demand is stable and rational. We have a PSD [Platforms & Services Division] division certainly [inaudible] and we continue to, as we said in the past, we always look at, make sure that the profit, the customers, mix things, some of the profit from the customer make sense and we continue to make sure we deliver the value to that type of the customers and suppliers.

And this Concentrix things, is also potentially – even next quarter, immediately after the acquisitions we think that diluted – with [inaudible] in the longer run, we are pretty sure that we going to find some opportunities and generate more margin profit from that, just like what we did in BSA. So, it's a combination of many things. It is nothing really – there's no silver bullet that we could say, ah this is what we are going to do. It is a very, very complicated environment from the technology systems, the IT systems, and salaries we provide employees, as I mentioned earlier.

<Q – Ben Radinsky>: Okay, and then the last one from a – are you projecting Azerty and Telpar contributing a similar amount to the fourth quarter, is that what is baked into your assumptions?

<A – Bob Huang>: On the Intel part – ?

<A – Dennis Polk>: No, no... Azerty and Telpar -

<A – Bob Huang>: Oh.

<A – Dennis Polk>: Their contribution in Q4 will be similar to slightly higher, in Q4.

<Q – Ben Radinsky>: Thank you. Have a good day.

<A – Laura Crowley>: Thank you.

<A – Bob Huang>: Thank you.

Operator: Thank you. Next we have a follow up question from Richard Kugele of Needham & Company. Your question, please?

<Q – Richard Kugele>: Yes, just quickly. John, I'm interested in how you are able to secure the distribution pack for the SMB market with Nortel. That seems to be a pretty good coup for you guys and certainly indicative of your efforts there in TSD, and just interested in how you are able to secure that deal?

<A – John Paget>: As you well know, we have put a real focused effort in the telephony voice over IP business, with tremendous strength in our technology and our technical staff. We've been – we were awarded the fastest growing Nortel distributor just prior to that. So, we worked together with them, created a plan that made sense to them and brought the full strength of the organization together and move forward basically as a bath, in this particular case. So, we are really pleased with their support.

<Q – Richard Kugele>: Do you see other networking opportunities on the backs of this agreement?

<A – John Paget>: We continue to look at products on an ongoing basis as you all know, we brought Fortinet on, which is the UTM, and other products on this quarter. So, we continue to focus in that area and as we can find the appropriate solution, we will bring it into TSD.

<Q – Richard Kugele>: Okay, thank you very much.

Operator: Next we have a follow up question from Brian Alexander of Raymond James. Your question, please.

<Q – Brian Alexander>: Yes, could you just ballpark how much of that federal deal was in the fourth quarter last year and then aside from this not recurring this year, are you expecting the federal government seasonal period, which peaks in September, to be seasonally normal?

<A – Bob Huang>: Brian, it's hard to really separate that particular deal, the number of the deals in there. So, that's – we would not be able to give you or quantify the number for you.

<Q – Brian Alexander>: You are expecting just the overall federal season which is winding down here, has it behaved seasonally or is it better or worse than seasonal?

<A – Dennis Polk>: The federal end users market, I think is a pretty much similar to last year, as I mentioned to you earlier, other than the deals we had last year. There is also the dynamics from the vendor's side that will change our revenue into the market. So – go ahead.

<Q – Brian Alexander>: Dennis, what was the operating cash flow in the quarter, do you have that handy?

<A – Dennis Polk>: I have not released that number with our press release today; I will bring that out in our 10-Q in a few weeks.

<Q – Brian Alexander>: Can you just say whether it was positive or negative?

<A – Dennis Polk>: That will be slightly negative this quarter, for the nine months ended --

<Q – Brian Alexander>: Okay. Thank you.

Operator: Thank you, at this time I show no further questions.

Laura Crowley, Director of Investor Relations and Public Relations

Okay, well this concludes our third quarter 2006 earnings conference call. Thank you for joining us today. We will have a replay of this call available for two weeks beginning today at approximately 5 PM Pacific Time through October 5th 2006. The link will be posted on our Website at ir.synnex.com. Thank you again for your participation today.

Operator: Ladies and gentlemen, thank you for participating in today's conference. This does conclude the program. You may now disconnect.