MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to the SYNNEX 2007 Second Quarter Earnings Results Conference Call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session and instructions will follow at that time. [Operator Instructions]. As a reminder, this conference is being recorded.

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

Laura Crowley, Director of Investor Relations and Public Relations

Great. Thank you, James. Good afternoon and welcome to the SYNNEX Corporation fiscal 2007 second quarter earnings conference call. Joining us on today's call are Bob Huang, President and Chief Executive Officer; Dennis Polk, Chief Operating Officer and our former CFO; and Thomas Alsborg, Chief Financial Officer, who joined SYNNEX on March 26, 2007.

Before we begin, I would like to note that the statements on today's call, which are not historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. These forward-looking statements include, but are not limited to, our goal to reach a double-digit return on invested capital, expectations of our revenues, net income, and earnings per share for the third quarter of fiscal 2007, changes in our segment reporting, the consolidation of our Canadian facilities, and the related expenses and impact on earnings per share, the impact of integrating RGC, and the related expenses and the timing of these expenses, the expectation of our business going forward, including our recent acquisitions and expected results of our business process outsourcing services, and statements regarding our expected tax rate for 2007, which are subject to 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. 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 Thomas Alsborg for an update on our financial performance. Thomas?

Thomas Alsborg, Chief Financial Officer

Thank you, Laura. Good afternoon and thank you for joining our call today. Before I begin, I would like to point out that we have adjusted our segment reporting beginning this quarter as we indicated we would likely do during our first quarter conference call. Given the ongoing changes in the mix of our business, recent investments in transforming our business and the fact that our assembly business is truly more of a combined service with the distribution business, we have concluded our prior reporting needed to change, so I report our earnings results today. Please keep in mind these numbers are on a consolidated basis as one segment, which we believe is most representative of the business at this point in time.

Total revenues for the second quarter of 2007 were $168 billion (sic) [$1.68 billion], an increase of 11% over the second quarter of 2006 and a 6% increase sequentially, and surpassing the top end of the range of our guidance for the quarter. The higher than forecast revenue is primarily attributable to greater than expected strength in our core distribution services, particularly in

Canada. A contribution of approximately $16 million from our current quarter acquisitions of HiChina and RGC is also reflected in our reported revenue. We acquired HiChina on April 5th and the acquisition of RGC closed on May 1, 2007.

Second quarter net income was $14.7 million or $0.45 per diluted share, a 30% increase over the prior year of $11.3 million, or $0.36 per diluted share. Again, we produced results at a higher end of our expectations for EPS as a result of our strong core business growth. The impact to EPS resulting from HiChina and RGC was diminutive.

Moving on to our gross profit; the gross margin expanded sequentially for the second quarter of fiscal 2007 to 5.0%, an increase of nearly one-half percentage of total revenue over the prior-year quarter and 31 basis point sequentially. Our improvement in gross margin is due to our continued focus on improving all aspects of gross profit within our existing business. It is further enhanced by the higher gross margin profile of our recent acquisitions over the past year.

Second quarter 2007 selling, general and administrative expense was $58.4 million or 3.47% of revenues, compared to $46 million in the second quarter of 2006 and $49.5 million, or 3.12%, of revenue sequentially. The increase in SG&A expense is attributable to the additional expense incurred from our recent acquisitions and the temporary cost to integrate these acquisitions into our business, and the continued investment in our existing business. Also, as we stated in our first quarter 2007 earnings conference call, we are incurring temporary redundant costs of approximately $0.01 per share as a result of the consolidation of our two Ontario, Canada facilities into one new Guelph facility. An increase in our current quarter deferred compensation expense, though neutral to our net income, also contributed to the higher SG&A for the period.

Our income from operations for the second quarter was $25.8 million, or 1.53% of revenues, compared to 22.4 million, or 1.48% of revenues in the prior year and 24.9 million, or 1.57% of revenues in the first quarter of 2007. The slight sequential decline in operating income was due to the aforementioned acquisition integration costs and lower yield from our assembly services.

With respect to net interest expense and finance charges, the total for the second quarter of 2007 was $3.7 million, a 6 – that is 0.6 million increase from the prior-year quarter of $4.3 million. Within this figure, gross interest expense increased as a result of borrowings to fund recent acquisitions. However, this was offset by a larger increase in our year-over-year interest income related to our long-term project business in Mexico, which started in the third quarter of 2006. The long-term Mexico project return is related to financing by SYNNEX of a computer hardware sold to a customer in Mexico and is reflected as a reduction to our interest expense for the quarter.

The tax rate for the second quarter of fiscal 2007 was 36%, in line with our expectations. Given our current geographic makeup relative to income, our current expectation for our tax rate for the full year of 2007 is approximately 36%. However, as always, this is dependent upon several factors, including actual profit contribution from the various geographies in which we operate.

Turning to our balance sheet. Information and metrics; account receivable totaled $552 million at May 31, 2007 on a pro forma basis, including 84 million associated with our off-balance sheet accounts receivable securitization program in Canada. Total accounts receivable would be $636 million.

Let me remind you that last quarter we amended the terms of our United States accounts receivable securitization. The amended U.S. arrangement requires the company to account for this transaction as an on-balance sheet borrowing, leaving only the SYNNEX Canada accounts receivable securitization as off-balance sheet borrowing.

DSO, including the off-balance sheet program was 40 days. Inventory totaled $570 million at the end of our quarter translates to 32 days of supply. Netting out our days payable outstanding of 32 days, our second quarter cash conversion cycle was 40 days.

Our second quarter data and metrics of note are as follows. Depreciation expense was $2.4 million. Amortization expense was $1.7 million. Capital expenditures were $15.5 million, which include 12.5 million for the purchase of our logistics facility in Guelph, Canada.

From a distribution product line standpoint, peripherals accounted for 32 to 36 days of sales. System components accounted for 17 to 21%. IT systems accounted for 28 to 32%. Software accounted for 10 to 14%, and networking accounted for 3 to 7% of total distribution revenues. Earlier, I referred to peripherals as accounting to 32 to 36% – that number should have been 32 to 36% of sales, excuse me. Hewlett-Packard at approximately 30% was the only vendor accounting from more than 10% of sales during the quarter – second quarter of 2007. Total company associates are 6,465 of May 31, 2007. This consists of 5,836 permanent employees and 629 temporary personnel.

As formerly defined in our prior segment reporting, our assembly service revenue was essentially flat with our first quarter, including the concentration of our main customer. I would like to note however, that we have additional assembly-related business associated with cross selling our business in the distribution space and services. This combined business provides healthy returns and represents solid business from dozens of customers, which resulted from our multi-service business processes servicing strategy.

Before I cover our third quarter guidance, I would like to provide you with additional financial information on our recently completed acquisitions, as well as an update on our recent purchase of a logistics facility in Canada.

During the second quarter of 2007, we completed the acquisition of substantially all the assets of the Redmond Group of Companies for approximately $40 million, including 9 million in debt assumptions.

Prior to the acquisitions, RGC was not a profitable entity. We are confident that through the integration process, consolidation of redundant expenses and through leveraging our synergies throughout SYNNEX, this entity will be accretive to our business.

RGC is an independent distributor of consumer electronics in Canada, as we disclosed in our March 27, 2007 press release announcing the acquisition of RGC. Their 2006 revenues were approximately 300 million Canadian dollars. Due to a natural overlap in our customer base and duplications in credit concentrations, our review process of RGC customer P&Ls to eliminate unprofitable business. We do not expect to retain the entire revenue run rate. We also announced that we acquired a controlling interest in China Civilink, which operates under the name of HiChina Web Solutions, for approximately $30 million during the quarter.

HiChina is an Internet service provider that offers domain name registration and web hosting for small-to-medium business. The ongoing revenue contribution is not expected to be material in the near term or to our total revenue. However, HiChina supports our strategy to enhance our growing business process, outsourcing business with access to qualified and established customer base in China.

Moving to our third quarter 2007 expectations; for Q3 2007, we expect revenues will be in a range of 1.70 billion to $1.75 billion. Net income will be in the range of 14.5 million to $15.2 million, and earnings per share will be in a range of 44 to $0.46 per share. These forecasted earnings per share figures are based on estimated weighted average diluted share count of 33 million shares.

As we announced in our first quarter conference call, we completed the purchase of a new logistics facility and warehouse in Guelph, Canada for approximately $12.5 million. As I noted earlier, we are consolidating our current Toronto area facilities into this new facility.

Within the reporting results of our second quarter, we incurred approximately $0.01 in earnings per share basis and additional cost to operate the new and existing facilities. Over the next quarter, the company expects to incur a similar amount of expense until the integration is complete. This amount is factored into the proceeding third quarter outlook.

Also the company anticipates incurring a restructuring and other non-recurring cost of approximately 1 to $1.5 million to complete the integration of the RGC acquisition and facilities consolidation at our Canadian operations. This amount is expected to be incurred in the third quarter of fiscal 2007 and is not included in the company's third quarter outlook, I just provided. As a reminder, all of these statements are forward-looking statements and the actual results may differ materially.

I will now turn the call over to Bob Huang for his perspective on the business and our quarterly results. Bob?

Robert Huang, President and Co-Chief Executive Officer

Thank you, Thomas. I would like to welcome Thomas Alsborg, our new Chief Financial Officer to the SYNNEX team, and then also to thank Dennis Polk, who served as the CFO of the SYNNEX since 2002 for his excellent work and his continued contribution as our Chief Operating Officer.

I would also like to thank Duane Zitzner for joining the SYNNEX Board of Directors. Duane is a seasoned industry veteran with over 30 years of direct industry experience including a long tenure at HP where he was responsible for running the 25 billion Personal Systems Group. He will provide valuable insight and I am very delighted that Duane is now on our Board.

Now, I would like to comment on our quarter. We made great progress with our result for the second quarter of 2007. Our strategies of providing business process services is moving forward and we are pleased with our progress to date. The SYNNEX team delivered another well-executed quarter and once again, even before factoring in business from our new acquisitions, we exceeded expectations on both our revenue and earnings per share.

I would like to thank our employees for their hard work and dedication and our customers and suppliers for their continued loyalty in business. With the completion of our second quarter of 2007, SYNNEX achieved our 80th consecutive profitable quarter. That is a 20 consecutive years of continuous GAAP profitabilities, a leading metrics that we are very proud of.

The strong performance of our core distribution service continued to be a key factor contributing to our increased revenues and profits. As Thomas noted earlier, our relentless efforts on improving efficiencies and recent synergistic acquisitions, which enhance our service offerings enabled us to deliver strong operating and bottom-line results this quarter. As for the distribution marketplace, it remained competitive during the quarter, but overall demand was as expected and pricing remained rational.

In terms of the customer segment or product categories, we did not see any significant differences from historical patterns or from what has been reported in the marketplace.

Regarding our TSD business, I am pleased with the progress on growing this business and executing on our stated goals for this division. We will continue to invest where necessary to further the prospects and momentum of this business.

On previous calls, we have commented on the synergies between our assembly services and our system integration services. These synergies enables us to capitalize on the business opportunities that yields stronger profit potential with more attractive margins in our assembly business.

In our fourth quarter 2006 earnings conference call, I mentioned our internal goal to achieve 100 million in net income and double-digit ROIC by 2010. The company's strategies of being a leading provider of business process services to our vendors and customers is the business model that is going to enable SYNNEX to achieve this goal. Our recent acquisitions are creating the framework for providing numerous complementary services to our vendors and customers.

With these goals in mind, I would also like to challenge our team to record 10 billion in sales by 2010 year-end as well. Our gross profit to expense ratio, the GPE was 1.44 in second quarter, down 6 basis points from our first quarter.

As Thomas noted, the increase in our operating expenses resulting from our recent acquisitions is the main reason for the challenge. We expect this ratio to improve when the integration is completed.

Now, I would like to update you on our recent acquisitions and our larger initiatives. On April 5, 2007, we purchased controlling interest of HiChina. HiChina is a leading Internet service company that provides domain name registration, web design, and hosting. HiChina also runs a popular portal site www.com.cn that provides an effective e-commerce vehicle for broad base of customers. As we continue to emerge ourselves in HiChina's business, we increasingly appreciate the talented management team, regional experience, and the strength of the brand they have created throughout China.

As Thomas noted, we acquired substantially all of the assets of RGC during the quarter, including AVS Technologies. This acquisition is very complementary to our existing consumer electronics business in Canada and our overall strategic plan. With addition of RGC, we will significantly increase our consumer electronics breadth and the depth as well as our market share within the region.

We are very excited by the prospects of these two recent acquisitions. I would like to take this opportunity to welcome our new associates from HiChina and RGC to the SYNNEX family. Tradition and integration of each of our recent acquisitions will significantly enhance our business process and supply chain services to our vendors and customers. After concluding our recent acquisitions, our focus is on integrating business, maximizing synergistic capabilities and cross-selling services among our significant customer base. We are already gaining traction in these areas, but there is still much more work to do.

Here is a quick update on where we are integration process for our recent acquisitions. PCW has been fully integrated and we're pleased with the result. Link2Support is in progress and we are comfortable with the status in the integration process. And HiChina requires virtually no integration at this time.

As Thomas noted, RGC was not profitable in recent periods; thus, this acquisition will require the most expensive integration and restructuring. However, we feel that we are really on the right path to gain intended benefits from these transactions. We anticipate that by the end of our fiscal year, all of our recent acquisitions will realize the synergies and expected economic benefits.

Now let me comment on our third quarter guidance. Our estimate for Q3 reflect ongoing integration of our recent acquisitions, including our desire to only take on profitable business, normal seasonality and continued reasonable demand in the IT distribution space.

Before I turn the call over for questions, I would like to emphasize that we are very pleased with our current results and the opportunities we have to further our earning growth potential. Overall, I feel that we are on track and I am thankful for the hard work and dedication of our over 6,000 associates worldwide. Thanks again for your time today and your continued interest in SYNNEX.

Laura, let's now turn the call back to the operator for questions.

Laura Crowley, Director of Investor Relations and Public Relations

Thank you, Bob. This concludes our prepared remark. James, I'd now like to open up the line for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator instructions] Our first question comes from Brian Alexander of Raymond James; your question please.

<Q – Brian Alexander>: Thanks a lot. Good evening. Just wanted to first ask about the SG&A, you mentioned a couple of things in terms of the year-over-year increase, Thomas, you talked about some temporary costs you are incurring to integrate acquisitions as well as some ongoing investments you are making in the business and I think you also alluded to bonus accrual in the quarter, so I am just trying to quantify a little bit better as I am sure others are, how much of the year-over-year increase in OpEx would you consider to be non-recurring either related to the integration of acquisitions or perhaps a bonus accrual that was more than you expected just because I would have expected the operating leverage from some of your growth initiatives to be greater than what we are seeing?

<A – Thomas Alsborg>: Hi, Brian. Thanks for your question. If you look at our increase in SG&A, you can basically break it up into about four different categories. The first would be just additional SG&A associated with the various acquisitions we've had since last year. That is going to be the largest part of the SG&A increase and much, though not all of that, will remain on a go forward basis. The profile of a lot of that SG&A, certainly from a revenue prospective is very similar to the profile of our existing business, but there are some smaller parts, some smaller acquisitions that we have made, which do have indeed a different SG&A profile that is greater than the 3% norm that you have historically seen with our company, so we have to take that into consideration as we go forward. The other factors that affect our SG&A since last year are our continued investment in the business we have shared with that in the past; the TSD is one area that we have continued to invest in. We have mentioned on this call twice, the temporary increase in SG&A associated with the moving cost and the consolidation in Canada, which we have quantified at about $0.01, we saw that in Q2. We will see that again in Q3. And then, one other area of SG&A that I called out was fluctuation in our deferred comp expense, again neutral to the bottom line as it's offset by other income. But it did indeed affect the SG&A line as a standalone. So as we look forward, I would tell you that again a fair amount of the SG&A dollars will remain, of course, associated with the business, but we are going to see reductions in the SG&A associated with the temporary move costs.

<Q – Brian Alexander>: Okay. That's helpful. And then

<A – Robert Huang>: Let me, this is Bob Huang, let me just add a few more points here.

<Q – Brian Alexander>: Okay.

<A – Robert Huang>: You know traditionally we have been watching out expenses like a hawk. And we are now – particularly with Dennis, he is a full-time COO, we are certainly going to watching our expenses a lot more closer, so we would not be a waste that areas. Okay.

<Q – Brian Alexander>: Sure.

<A – Thomas Alsborg>: And if I could, I neglected to mention the effect of our restructuring. Of course, we are taking 1 to $1.5 million charge in order to eliminate almost exclusively SG&A out of our operations.

<Q – Brian Alexander>: So you would expect associated with that charge a similar amount of savings on an annual basis?

<A – Thomas Alsborg>: What the charge is going to be used for is taking out costs associated mostly with facilities. Those facilities are – you're going to see leases and rents associated with those, as well as operating costs, so most of this is associated with our Canadian consolidation that we talked about earlier. So, again you will see the – for the Canadian operations, you will see the SG&A, again post RGC comeback, in line with the traditional distribution business.

<Q – Brian Alexander>: All right. Just a couple more, if I can, on the revenue guidance and I realize you are not segmenting out some of the businesses anymore. But I guess it seems to imply either a precipitous year-over-year decline in the assembly business, significant revenue attrition in some of the recent acquisitions, which I know you kind of alluded to and/or less than seasonal growth in distribution, which I am not hearing your saying that that's the case. So could you just kind of walk through those issues and maybe help us understand how you got to the revenue guidance, and how much of it is a decline in the assembly business or maybe give us some semblance for how much of the revenue from these acquisitions do you expect to retain?

<A – Dennis Polk>: Sure, Brian, this is Dennis. I'll take that one. You made three points there. As far as the former assembly business, we do expect a slight amount of decline in that business moving forward. As far as our base business, we do expect to grow that business to our traditional norms, which we talked about being a little bit faster than the overall marketplace. And then lastly from the acquisitions, as we noted, especially to the RGC acquisition, there are overlaps that occur from a credit and other perspective that do cause the revenue that we acquired not to be continued. And on top of that, because RGC was a loss making business, we really analyzed and are analyzing going forward their customer base, their customer P&Ls et cetera, so the revenue acquired from that business will be even a little less than is traditional.

<Q – Brian Alexander>: All right. And the final one just has to do with the decision to no longer provide segmented information and SYNNEX is clearly at a time in its history right now where it's becoming more than a distribution company. As you all know, you are beginning to offer a suite of supply chain services business, process outsourcing services, and it's becoming a different company, so I am a little bit perplexed by your decision to provide less disclosure and not more disclosure. And I just was hoping you could kind of walk us through your thought process again and how you would expect the investors overall to better understand the story and better monitor your progress as a result of the change?

<A – Dennis Polk>: Sure. I will start with that and Thomas and Bob can jump in if they would like. As far as our decision to step back from disclosing the assembly business, really that was becoming a legacy of business primarily because of the one main customer we have in that. We are spending too much time trying to break out the non-main customer business between assembly and distribution, and it really was a combined and is a combined sale. So it is part of our overall supply chain business process services. So as we took a look at that business, it didn't make sense to break it up separately. As far as the ongoing combined suite of services that we have, distribution, business process outsourcing and assembly services, at this point in time, none of them are large enough to break out on an individual basis. We do offer essentially one set of solutions with many type of offerings, and until one of those segments becomes material, we won't break anything out at this point in time.

<Q – Brian Alexander>: Okay. Now, that's fair enough. I will get back in the queue. Thanks Dennis.

<A – Dennis Polk>: Thank you.

Operator: Thank you. Our next question comes from Jason Gursky of JPMorgan, your question please.

<Q – Jason Gursky>: Good afternoon, everyone. Just a quick book-keeping one, do you have cash flow from operations for the quarter?

<A – Thomas Alsborg>: Jason, our estimation right now for cash flow from operations is $74 million.

<Q – Jason Gursky>: Okay. Great, and then secondly, more a near-term question, you started to allude to some of the impact from the restructuring efforts, but if you could give us a little bit more specificity on actual numbers that you expect to receive as a result of the restructuring effort, what kind of impact does that actually going to have on the model, and when do you expect the cost savings to happen; it sounds like you're going to have the integration and the restructuring done by the end of the fiscal year, I just was curious if we shouldn't expect the savings to come into the first quarter of next year, or should we get some in the fourth quarter?

<A – Thomas Alsborg>: Jason, this is Thomas. We are taking the charge for the restructuring in Q3. We are still developing the plan, so I would prefer not to go into a lot of detail with regards to the specifics. But I can tell you that post Q3, you will see impact starting even in Q4, particularly with regards to facilities, which once they are charged in a restructuring, then, you will not see them flowing through the SG&A.

<Q – Jason Gursky>: Okay. Would it be fair to assume that the impact will be at least what the charges are on an annual basis?

<A – Thomas Alsborg>: I can't comment on that yet.

<Q – Jason Gursky>: Okay.

<A – Thomas Alsborg>: We can talk about that once we take the charge.

<Q – Jason Gursky>: Okay. And then, lastly, Bob, for you. You talked about the long-term model again, I wanted to get a little bit of clarification on it. First, 10 billion revenues in 2010, is that a run rate in the fourth quarter or is that for the full year? And then, secondly, is everything in place now, in order for you to comfortably achieve those goals or do you think that there are still additional acquisitions or product categories to fill out over time in order to get there?

<A – Robert Huang>: I think based on – if we strictly just base it on our historical growth rate, I think even without doing much at all, we could get there at the $10 billion by 2010. However, at SYNNEX, the core business in reaching certain size, we do not expect organically that would grow at the 10% every year or double-digit every year. So we do feel that there are some opportunities on the product – new product categories or there are some holes we might want to fill through additional acquisition, if the deal is right.

<Q – Jason Gursky>: Okay. And the 10 billion; is that a run rate in the fourth quarter or is that 10 billion for the entire fiscal year?

<A – Robert Huang>: It is a matter of – yes, Dennis.

<A – Dennis Polk>: I will take that one. I think, Jason, it's Dennis here. We will challenge our team to do 10 billion for the entire year, but if we get 10 billion run rate by the fourth quarter, we will take that too.

<Q – Jason Gursky>: Okay. Great. Thank you, guys.

Operator: Thank you. One moment for our next question; our next question comes from Rich Kugele of Needham & Company, your question please.

<Q – Richard Kugele>: Thank you. Just a few questions, I guess first to delve a little bit deeper into some of these acquisitions you have made on the solutions and services side, are there any obvious aspects or offerings that you lack today, or do you think you have been able to and fairly short order cobble together a broad suite that you have been trying to achieve?

<A – Robert Huang>: Rich, this is Bob. In terms of the – let me give you some perspectives how we see these services suite we are offering. We started with the very simple – as a distributor, we start with very simple pick and pack and ship and get into the credit finance area, get into leasing area, and get into manufacturing capabilities we have, we have been very good at doing these system configurations, we get into the remend areas as well. And a few years ago when we get into the BSAs, we were start to offering the main generation. Last year Concentrix gave us a more integrated market service, now we get into tech support, the call centers, and that's the area that I think has huge potentials for our vendors and our customers they could tap on.

<Q – Richard Kugele>: And nervous is what you would kind of clump into the TSD division, correct? And so is that segment of your operation sufficiently funded and staffed to your liking to hit those targets that you have outlined before, or should we read anything into the factor there hasn't been anything directly attributable to that division?

<A – Robert Huang>: Rich, it is Bob again. I think we are doing well on that area. We are pretty much on track to the stated goals that we told you early part of this year. And we have some very interesting things that we are doing particularly in the printing area, the PRINTSolv, we did very well, we are tracking 10 million impressions a month, we had almost doubled every five months, and every six months, that type of run rate. So it could be a very, very interesting business for us. That's a part of the TSD business. So we do have some other solutions offering we are doing as well. So the TSD overall, we are happy with the progress average.

<Q – Richard Kugele>: Okay. And then just lastly, obviously people have been tracking enterprise spending ever since the end of last year, at certain parts of North America, we're seeing some softness, have you seen any signs that that situation on at least the high end has been changing at all or any comments there on the enterprise?

<A – Robert Huang>: The mid-market we're doing today I think we are still seeing pretty good growth on our side, particularly on the industry's standards servers space. There might be some pockets of the enterprise product lines kind of slow, but we don't really see any noticeable difference. Dennis, you have anything to add to it.

<A – Dennis Polk>: No, I would agree with Bob's comments. We are more focused on the SMB space, and we have been seeing good growth there evidenced by our results reported today.

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

Operator: Thank you. Our next question comes from Ben Radinsky of Bear Stearns, your question please.

<Q>: Hi. Good afternoon. I am having a little trouble reconciling some of the numbers. And I was hoping that you could help flush some of them out. If you look at what your growth target was as of last quarter, you were talking about backing away from double industry growth, so we took that to mean somewhere in the mid single-digits, 5 to 7% growth rate is what you were targeting for your core business. And with this new growth rate assumption, it seems based upon my calculations, that would be something like 13 to 15% growth. So just to be specific, does that mean that you think the core business is going to grow at 7% and the remaining 6% of growth per year is going to come from acquisitions?

<A – Dennis Polk>: Yeah, Ben, this is Dennis here. Thanks for the question. Your assumptions are basically in line although we always do challenge our team to do better than our base line goals, something we did do in Q2, and we hope to do in future quarters. But to hit our goals – our stated goals for 2010, there likely will be some M&A assistance to that.

<Q>: Okay. And then on the gross margin line, there was a noted improvement this quarter. And should we be thinking about that that you are building in businesses that are better margined and as you flow them through your distribution pipe, you will get the operating leverage and that's what you hope to see in 2008 and 2009?

<A – Dennis Polk>: That's a good way to summarize it.

<Q>: Okay. Then all future acquisitions would have that similar goal in mind?

<A – Dennis Polk>: To date, all the acquisitions we have done have had that same characteristic.

<Q>: Okay. Can you dig a little deeper into the consumer electronics business that you bought, the Redmond Group; I am a little confused why that doesn't fall under TSD?

<A – Robert Huang>: Rich, I am sorry, this is Ben, right. Ben, this is Bob. No, the TSD is more technology solutions offerings as opposed to this consumer electronics that primarily sell in through the retailers and we have very dominant position in Canada in terms of the customer base in that market. So they are totally different product lines.

<Q>: Okay. And then if you were to – this is the last one from me, if you were to characterize where you have come in terms of transforming yourself from distributor to a business services company, so can you go through the acquisitions, what you have acquired and what you think you still need to offer the complete package that customers are looking for?

<A – Robert Huang>: Ben, that's a 10 million questions to answer. The BPO space is huge. There is ITO, there is the BPO, there is the KPO, you name it, right and there's probably 70, $80 billion in this space. We are – our initial focus is on the tech support. And we have some very good quality labor market in China. We would leverage some BPO business using that labor pool we have and experience we have. But the BPOs area, we are interested in working with some Japanese companies, but at this point in time, it's still very early. So there are many, many pockets we could fill in the BPO space. But we feel that if we could, initial concentration on the tech supports because the synergies we have with the vendors and customer set in the IT space, and if we do have opportunity to get a good acquisition on the BPO or a sizeable customers we could work with in Japan, that would allow us to get into BPO much quicker.

<Q>: And that's it from me. Thanks.

Operator: Thank you. At this time, I show – there are no further questions.

Laura Crowley, Director of Investor Relations and Public Relations

Okay, great. Well, thank you. This concludes our second quarter 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 p.m. Pacific Time through July 9. As always, should you have any follow-up questions, both Thomas and I are available to take your calls. Thank you for your participation today.

Robert Huang, President and Co-Chief Executive Officer

Thank you, Thomas. Very good. Thank you, Jim.

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