MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to the SYNNEX Corporation Fiscal 2005 Third Quarter Earnings Conference Call. [Operator Instructions]. As a reminder, this conference is being recorded. I would now like to introduce your host for today's conference, Ms. Laura Kelley, Director of Investor Relations and Public Relations for SYNNEX. Ms. Kelley, you may begin your conference.

Laura Kelley, Director of Investor Relations and Public Relations

Thank you, Adrian. Good afternoon, and welcome to the SYNNEX Corporation's Fiscal 2005 Third Quarter Earnings Conference Call. Joining us on today's call are Bob Huang, President and Chief Executive Officer; Dennis Polk, Chief Financial Officer; and John Paget, President of North America and Chief Operating Officer.

Before we begin, 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, statements relating to our current expectations of our revenue, net income and earnings per share for the fourth quarter of fiscal 2005; our business focus and investments; our capital expenditures; Canadian restructuring charges, competitive pricing; our growth and business strategy and our overall assembly business and our operating margins in this business.

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 our risk factors that could cause actual results to differ materially from those discussed in these forward-looking statements.

The non-GAAP supplemental data included in our press release today and discussed on this call are included with the intention of providing investors a more complete understanding of our operational results and trends, but should only be used in conjunction with results reported in accordance with the Generally Accepted Accounting Principles.

The non-GAAP financial measures should enable investors to analyze the base financial and operating performance of SYNNEX and to facilitate period-to-period comparison and analysis of operating trends. Non-GAAP measures presented and discussed today or in other releases, presentations and similar documents issued by the company exclude restructuring charges non-operating settlement gains or losses, results associated with the companies discontinued Japan operations, gains or losses including foreign exchange in the Company's equity investment in MCJ and other infrequent or unusual items. A detailed reconciliation of the adjustments between results calculated using GAAP and non-GAAP can be viewed in the investor relation section of our website.

Additionally, this conference call is the property of SYNNEX and may not be recorded or re-broadcasted without specific written permission from the Company.

I will now turn the call over to Dennis Polk. Dennis?

Dennis Polk, Senior Vice President of Corporate Finance and Chief Financial Officer

Thank you, Laura and good afternoon to everyone. Before I begin reviewing the numbers for the third quarter of 2005, I would like to remind you that our current and prior period results from operations exclude our former Japan subsidiary as this business was sold in Q2 2005 and is accounted for as discontinued operations.

Total revenue for the third quarter of 2005 was 1.39 billion, an increase of 7% over the third quarter of 2004 and a 3% sequential increase from the second quarter of 2005. By segment, distribution revenues were 1.26 billion, an increase of 9% over the third quarter of 2004 and a 4% increase sequentially. Contract assembly revenues were 128 million, a decrease of 13% over the third quarter of 2004, and a 5% sequential decrease. The decrease was in line with our expectations as we are currently going through a product transition with our main customer.

Third quarter GAAP net income was 9 million or 29 cents per share. Third quarter non-GAAP net income was 10.5 million or 34 cents per share, which is at the high end of our Q3 2005 guidance. Comparable non-GAAP Q3 2004 net income was 10.7 million or 36 cents per share. Q3 2005 non-GAAP net income excludes an after-tax restructuring charge of 513,000 at our Canadian operation and a $1 million loss related to our equity holdings in MCJ Company. Our stock ownership in MCJ is a result of a sale of our former Japan operation. As a result of an increase in the MCJ stock price subsequent to our quarter end and our hedging actions, we remain confident that we will ultimately realize a majority of the $20 million pre-tax gain originally recorded from this transaction.

As Laura indicated, we have provided a reconciliation of GAAP to non-GAAP amounts at the end of our press release issued today as well as on our website. In addition, all prior amounts related to our discontinued Japan operation can be found in our most recently filed 10-Q.

Regarding our gross margin, the gross margin percentage for the third quarter was 4.24%, up 20 basis points from the prior year quarter and up 4 basis points sequentially. As mentioned in our second quarter call, we continue to balance revenue growth against profitable business, which is the main factor in the improvement in our gross margin.

Third quarter 2005 GAAP selling, general and administrative expense was 39.2 million or 2.82% of revenues compared to 2.59% of revenues or 33.8 million in the prior year quarter. On a non-GAAP basis, excluding an $840,000 restructuring charge at our Canadian operation, our SG&A expense was 38.4 million or 2.76% of revenues in the third quarter of 2005. The year-over-year increase in SG&A expense in both dollar and percentage terms is primarily due to the acquisition of EMJ in Q4 2004 and continued investments in new selling initiatives.

GAAP operating income for the third quarter was 19.7 million or 1.42% of revenues, compared to 18.9 million or 1.45% of revenues in the prior year. On a non-GAAP basis, excluding the Canadian restructuring charge, operating income was 20.6 million or 1.48% of revenues. On a segment basis perspective, GAAP distribution operating income was 17 million or 1.35% of revenues, compared to 15.7 million or 1.36% of revenues in the prior year. On a non-GAAP basis, excluding the Canadian restructuring charge, distribution operating income was 17.9 million or 1.42% of revenues.

Assembly operating income was 2.7 million or 2.09% of revenues, compared to 3.2 million or 2.16% of revenues in the prior year quarter. Pricing, product mix, and slightly lower volumes were the causes for the decline in our assembly operating income amounts and percentages.

With respect to interest expenses and finance charges, the total for the third quarter was 3.8 million, an increase of 2.4 million over the prior year. An overall higher interest rate environment, increased business, and higher debt levels at our Canadian subsidiary due to the EMJ acquisition were the primary causes of the increased expense over the prior year. From a continuing operations standpoint, our tax rate was 38.9% for the third quarter, which is in our expected range of 37 to 39%.

Regarding our balance sheet metrics, accounts receivable totaled 534 million at August 31st, 2005, which includes approximately 171 million associated with our off-balance sheet accounts receivable securitization program. DSO, including the off-balance sheet program, was approximately 40 days. Inventory totaled 405 million at August 31st, 2005. Inventory days were approximately 28. Including a DPO metric of approximately 30 days, our third quarter cash conversion cycle was 38 days. Our cash conversion cycle is slightly higher than prior periods, but inline with expectations and within acceptable ranges.

Other third quarter metrics of note, depreciation expense was approximately 1.2 million and amortization expense was approximately 1 million. Capital expenditures were approximately 1 million; capital expenditures are expected to be a similar amount to slightly higher in Q4. Also in our prior quarter call, we indicated our plans to acquire our corporate headquarter building. Contractual issues with the current landlord have delayed this purchase, thus we will not have a capital outlay relating to this transaction in the foreseeable future.

From a distribution product line standpoint, peripherals account for 30 to 34% of our sales, system components accounted for 17 to 21%, IT systems accounted for 29 to 33%, software accounted for 10 to 14% and networking accounted for 4 to 8% of total distribution revenues.

In our contract assembly business, from a customer mix standpoint, approximately 94% of our business was from our primary customer, Sun Micro, and approximately 6% was from all other customers. HP, at approximately 27%, was the only vendor accounting for than 10% of sales during the third quarter of 2005. Total headcount was 2,350 at August 31st, 2005. This consists of 1,918 permanent employees and 432 temporary personnel.

Moving to our fourth quarter of 2005 expectations, for Q4, 2005, we expect revenues will be in the range of 1.475 billion to 1.525 billion. Net earnings will be in the range of 11.45 million to 12.15 million and earnings per share will be in the range of 37 to 39 cents per share. These forecasted earnings per share figures are based on an approximate weighted average diluted share count of 31.3 million and do not include any impact of stock option expensing, special charges or restructuring amounts that could be incurred, including any gains or losses on our investment in MCJ.

Regarding our continued Canada integration activities, as discussed on our last conference call, we expect that the charge incurred in Q3 will be the last one related to this acquisition and the integration of the operation of EMJ.

This being said, we may incur a small charge likely less than $350,000 after tax in Q4 related to the replacement of our current credit facility in Canada. All these statements are forward-looking and actual results may differ materially.

I will now turn over the call to Bob for his comments. Bob?

Robert Huang, President and Chief Executive Officer

Thanks, Dennis and good afternoon to everyone. Overall, I am pleased with our performance in the third quarter of 2005, improving operating income margins and delivering EPS result at the higher end of our guidance range is the evidence that we executed well in the quarter.

Regarding our Q3 results, I would like to highlight the following areas. Our US distribution business continues to produce strong results and our overall momentum in the North American marketplace continues to get better from earlier this year. While the top-line growth is not at the desirable levels, we did execute well in increasing our distribution operating income percentage year-over-year and sequentially in Q3. Our decision last year to start to separate ourselves from a few high volume, low profit customers appears to now be a good choice, given our overall improved margins.

Regarding our Canadian distribution business, we are very, very pleased with the result posted by SYNNEX Canada in the third quarter. As we discussed on our call last quarter, we started to see the expected synergies from the EMJ acquisition taking hold in May and has continued throughout the third quarter as well. The solid execution from our Canadian team in Q3 is especially satisfying in an otherwise seasonable slow period in Canada

In our assembly business, as Dennis indicated, pricing, product mix and slightly lower sales contributed to our lower operating margin in the third quarter. As we continue to transition to newer platforms from our main customer Sun Micro and as they continue to be a significant percentage of our overall assembly business, we expect that our operating margins in this business will be more inline with current results than in recent five quarters. This being said, we are still focused on this business and are working to diversify our customer reliance. While we did not add any significant new customers in the third quarter, our existing long-term business performed to expectations in the quarter and we are pleased with the execution in this area.

Now looking at the overall IT distribution channel, while still a very competitive marketplace the overall demand environment remains stable and the pricing environment remains improved over the beginning of the year.

In the product categories that we sell, mobile computers and the server products have continued as our highest growing product sets. As well, due to continued focus, our software and networking category performed well again in Q3. On a slower growth front the overall downward pressure on our printer business continues during the quarter as well.

Our component business has had a top line pressure, however components is an area where we have focused on possible reasons for top line growth. In addition, as numbers of the notebook shipments begins to pass desktop sales, we have begun to shift our component sales resources to focus on server and storage systems, an area that we believe will show growth moving forward and it's synergistic with our assembly capabilities.

Now let me comment on the guidance that Dennis provided earlier. At the midpoint of our guidance we are projecting a 4% increase in year-over-year sales. This is not a rate we are accustomed to growing at, nor is it a rate we will accept as part of our long-term growth target. This is reflective, however, of our continued focus on growing profitability through overall maturities of the IT markets and that our assembly business would likely be down approximately 20% in Q4 of this year versus the Q4 of last year due to the aforementioned product transition as well as the assembly business we had last year that we will not repeat this year.

We also expect there will be at least some effect on the overall economy in the IT spending environment due to the higher price of oil. However, hopefully this will be only a short-term issue and potentially offset by economic stimulus provided by hurricane reconstruction efforts. Despite the lower top line growth rate we are guiding to a return on sales figures that continues to be very strong versus our direct competitors, as well our multi-market distribution business continues to grow faster than the overall IT market place.

In addition to the commentary on our Q4 guidance, I also wanted to update you on our progress on investments we have been making in our business over the last to several quarters. As we have discussed, we have made investments recently in new businesses including demand generation marketing services through BSA, the auto-ID/Point of Sales distribution in US, enterprise and solution distributions and remote monitoring through our Microland investment as well as others.

While these investments are at various stages, we are starting to see shipments and revenues and we are encouraged by the early progress. While the overall amounts are still very small compared to our total revenue base, we are committed to bringing this project to fruition and we continue to identify new initiatives in attempts to profitably sort of diversify our main distribution base business as well as adding value to the supply chain.

Along with our new investments, we are still be focusing on our ROI and maintaining our leadership as the lowest cost, most efficient provider in IT supply chain, which is evidenced by our industry's leading GP ratio of 1.54 in Q4. This 1.54 gross profit to expense ratio is up from last quarter and at the same level of last year's Q3. As always, I wanted to thank our loyal customers and vendors for their continued business and support of SYNNEX. I wanted to thank the dedicated employees of SYNNEX for all their efforts in Q3 and allowing us to post our 73rd consecutive profitable quarter.

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

Laura Kelley, Director of Investor Relations and Public Relations

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

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions]. The first question is from Brian Alexander from Raymond James.

<Q – Brian Alexander>: Thanks. I just wanted to revisit the revenue guidance, just to make sure I understood you correctly, based on the comments about the assembly business being down about 20% year-over-year, my math gets me to distribution up about 7 to 10% sequentially, up 5 to 8% year-over-year, is that math correct and is that what you'd consider normal seasonality?

<A – Dennis Polk>: Yeah Brian, this is Dennis. Your math is correct and we agree that that's reflecting a normal seasonality.

<Q – Brian Alexander>: Okay. Great. And then any comments in particular on federal spending, obviously a lot of mixed data points out there. I know it's not a huge part of your business but probably had some impact in the month of September, maybe if you could just kind of walk us through how that's progressed over the last couple of months?

<A – Robert Huang>: Well, overall related to last year it is not as a strong at the last year from the Q3 to Q4, but we certainly see the typical seasonal uptick in the coming months.

<Q – Brian Alexander>: Okay. Great. And then just on your distribution profitability, obviously an excellent recovery in your margins, just curious how sustainable do you think the operating margins are at these levels above 1.4% and maybe just talk about some of the key factors that drove that strong sequential improvement in profitability, how much of that was gross margin versus OpEx, specifically how much was from savings due to the EMJ integration? Thanks.

<A – Robert Huang>: Well, first of all, on year operating margin, we'll never be happy with anything less than 1.5% - that's always in our internal goals and we are probably putting more emphasis on the GPE versus the operating margin but that's one thing that we always to look at. As far as what percentage come from the OpEx versus the gross margin, Dennis do you have –?

<A – Dennis Polk>: Yeah, I'd say that the lion's share of the improvement came from more the focus on the gross margin than OpEx, but we did have improvements on both sides.

<Q – Brian Alexander>: Okay. Dennis, could you just drill down into that gross margin improvement, how much of that was pricing, you guys mentioned that pricing isn't as intense, I guess as it was early in the year, how much was due to maybe volume incentives or other factors?

<A – Dennis Polk>: For the most part, the increase in gross margin was primarily due to our focus on taking the right business, and taking profitable business. That's the driver of the increase.

<Q – Brian Alexander>: Great. Okay. Thank you very much.

Operator: The next question is from Scott Craig from Banc of America.

<Q – Scott Craig>: Hi. Good afternoon. Just a couple of quick questions here; first, you rattle of a number of business opportunities where you've been making investments, can you maybe outline one or two that you think probably provide the greatest opportunity for you on a near term and longer term basis?

<A – John Paget>: This is John. We've spent considerable time and effort in developing an enterprise and solution distribution business. We've instituted a field sales organization and we have made significant headway in adding some of the more complex product, especially from HP, in their enterprise storage business, and so we see this as a strong step into our future as we continue to be involved in the more complex solutions sets.

<Q – Scott Craig>: Okay. And then around the focus on profitable business versus volumes, how far along in the process are you from weaning off some of those customers that you don't feel quite get up to your profitability level. I guess – you know, another way of asking this is – have you completed most of the margin expansion that you think you can get from that? Thanks.

<A – Robert Huang>: Scott, we talked about this a couple of quarters ago. It's only very, very few customers that we're talking about, and we pretty much are done with that and I think we, moving forward, I think, we'll continue to look at our business on the order base, on the customer base, on the product base. So that's our strategy.

<Q – Scott Craig>: Okay. Thanks.

Operator: Your next question is from John Coyle from JMP Securities.

<Q – John Coyle>: Yes. Thanks very much. Just switching topics a little bit, I was wondering if you might give a little bit more color on the assembly business and specifically on your efforts to diversify the customer base.

<A – Dennis Polk>: John as you well know, we continue to focus on diversifying the customer base. We worked diligently along with our FID organization in reaching into a marketplace to build nodes and to assemble a clustered kind of product and that continues to move along well. Our main customer still continues to be Sun and as they make the transition from one product to another you see the decrease that we experienced in the third quarter and we certainly expect that we will continue to focus on this business, and this business will remain pretty significant to the company going forward.

<Q – John Coyle>: Is it fair to say that – if you are looking at that business in terms of a pipeline that you are more optimistic about, you know, the other opportunities out there right now, or is it basically steady state?

<A – Robert Huang>: John, relative to our main customer business, other ones in the pipeline are still relatively small? However they do present very, very good opportunities in storage area, in the securities appliance area and we feel very good about that.

<Q – John Coyle>: Okay. Then just on the topic of some of the other initiatives such as Microland and I was wondering John if you might give little bit more color on where those stand?

<A – John Paget>: I think there are probably three that we ought to talk about; POS would be one. Okay. And what we are doing with bringing the auto-ID and POS business into US. We've gotten good traction here, we've gotten good customer counts and at this point customer counts are really important to us as we grow the overall business. Our Microland business, from remote monitoring management and tech support is being well accepted, again, still very much in the infancy stage but good prospect base, lot of attention at the web and VAR level, a lot of resellers looking to create stickiness within their customer accounts by providing this level of service. And then in the Voice Over IP product, we continued to raise that customer count as well and we are very pleased with what we are right now with Voice Over IP and CTI.

<Q – John Coyle>: Okay. Have there been any sales of the Microland services to date or is it still more the resellers are still more testing it out and trying to understand it?

<A – John Paget>: No, clearly there have been sales in all of those, all of the products I just spoke about.

<Q – John Coyle>: Great. Okay. I'll leave it at that. Thanks.

Operator: The next question is from Peter Barry from Bear, Stearns.

<Q – Peter Barry>: Thank you, good afternoon gentlemen and lady. John just to continue on that line of conversation regarding auto-ID and POS could you give us a sense of the space of that market, how it looks to you, is it robust, and if you might what has been the competitive response to your arrival on the scene in the United States?

<A – Robert Huang>: Peter, let me make a couple of comments on this – certainly our competitors have always been seen as strong players in the market place so, they don't take it really lightly at all. And we are making some headway – you know last time we've said we have twenty some new vendors signed up – today we have thirty some vendors signed up with us, I think we are on the right track and we have some momentum generated, you know, last quarter I said probably a year from today, we should see some numbers that would have been more significance to our bottom line to speak of.

<Q – Peter Barry>: Bob, is pricing a part of the competitive dynamic here or not?

<A – Robert Huang>: I think the overall, Peter, the service level is very important to all these resellers who are involved on the vertical solutions, you know either this point of sales or talking about CTI's enterprises, service becomes a huge piece of that, the total solution that we can bring to the table.

<Q – Peter Barry>: To another subject. Would one of you speak to the product transition that Sun is going through? One, how unique is it? How long is it likely to take? And is this essentially a recurring event, every cycle – whatever length of time that might involve?

<A – John Paget>: Certainly Peter, it's an ongoing event as a manufacturer transitions from one product set to another, or adds a family to another, as they end the life of one product to begin another product that there is always that transition time period. Speaking to the breadth of it, you have read as much as everyone else has read about Sun's transition in the marketplace and when they are focused and we're just part of that overall transition as they continue to use us in the assembly business.

<Q – Peter Barry>: John, in your planning process, have you tried to make a reasonably intelligent guess as to how long this may take and, obviously, the negative impact it has on your margins?

<A – Robert Huang>: You know I think we – the transition already began – we are looking at another quarter, no more than two quarters, I think the production should be in full swing. As far as the product life, server type of product tends to have a lot longer lifecycle then the desktop or other notebook devices that we are used to. But we're talking a pretty good, long lifecycle.

<Q – Peter Barry>: One final from me. If I recall correctly, HP was 28% of revenues in the preceding quarter, 27% of this quarter's revenues, would you deem that to be a significant change and/or have things really stabilized as it relates to HP's channel commitment as best you can tell?

<A – Robert Huang>: Yeah, I think the HP channel commitment from – depends on the different product group – but I think overall is on the right direction, and this has been happening for the last couple of years, of this I remember. So I don't see really anything particularly negative in that area. As far as from the 28% to 27%, that's a small decimal point that we probably rounded up somewhat. But the things that may be specifically – the areas that we felt numbers came down somewhat is the printers area. And it's no secret, Dell is making some dent on the low-end side of that. On the other hand, the color printers and MFPs, the multifunctional printers, are doing reasonably well for us.

<Q – Peter Barry>: Thank you very much. That's it from me.

Operator: [Operator Instructions]. The next question is from Jeffrey Matthews from Ram Partners.

<Q – Jeffrey Matthews>: Hi. On that printer issue, I wondered, it's not the first time you've talked about it. I wonder, if there is a secular decline issue here, or if it is a product transition issue, or the vendors that you carry – that is leading this to be such a weak category for some time?

<A – Robert Huang>: Yeah, Jeff, actually we do overall as I mentioned earlier, the whole product printer category as a whole is actually pretty – still pretty good. We don't really see the major huge drop, when we look at printers as a whole. However, when I look at the low-end side of that, yes, there is – it's declined. And as I mentioned it's a daily fact. We are doing well, the Xerox is doing very well, we do very well with other printers, home P's is doing pretty well for us.

<Q – Jeffrey Matthews>: So, are you saying that – when you say, you're doing, it's a low end issue, are you saying it's an ASP issue as opposed to a unit issue?

<A – Robert Huang>: Both. It's probably by far, once the ASPs drop down to some level, yes the Dell is a 99 printer, you know, it's very, very difficult for our resellers to do anything in those areas. So it's both.

<Q – Jeffrey Matthews>: All right. Okay. Thank you.

Operator: Your next question is a follow-up from Brian Alexander.

<Q – Brian Alexander>: Yeah. Just a couple of quick follow-ups; one, just to go back to HP obviously a lot of questions about their channel strategies, maybe a little bit more color on what changes you think they might make, when they might make them and how you think you're positioned with respect to their changes? I know that they just had a partner event so I'm hoping maybe there's a little bit more clarity to their strategy. Thanks.

<A – Robert Huang>: Brian, we have a very, very strong relationship with HP, we are one of the best partners that they have and most efficient. And so I – so from that perspective, we don't see moving forward any change in terms of our relationship with HP.

<Q – Brian Alexander>: Okay. And then just back to the question on federal spending, I know you said couple of things, you know one, I think you said that it's not as strong as last year but that you are seeing a typical budget blush. So maybe, I am just trying to sort of reconcile those two comments, does that mean that earlier this year, it was weaker, hence, the difficult comparison but now, as we kind of move in to the end of the federal fiscal year it's behaving like you would normally expect but not enough to kind of snap back where you would have originally hoped? Is that a good way to characterize it?

<A – Robert Huang>: It's probably – that's probably fair. I would not go back to the early part of this year. I am talking about year-over-year. If I look at the Q3 to Q4 in the last fiscal year, as I said last year was a stronger, feels like, because we still have a couple of months to go, it feels like stronger than this year.

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

Operator: The next question is from Richard Kugele from Needham & Company.

<Q – Richard Kugele>: Thank you. Just to follow-up a little bit more on this assembly business. For some time, you guys have been able to go and add customers from time-to-time, not sizeable enough to go and decrease the Sun percentage enough, but is there any color you can provide on the challenges in acquiring new customer or ramping them to a meaningful size. Would that business be able to grow faster as a standalone company and then even, in that vein, what are the working capital requirements on your end to run that business?

<A – John Paget>: Rich, I think there are a couple of questions inside of there. First and foremost, our assembly business is focused on the server, the storage, and the appliance business. So it's not focused on the PC or client business. So consequentially, what we add may not grow exponentially, but it's a highly complex environment which lends itself to the type of skills and talents and engineering skill that we built up over the years, as you well know our Sun business is also server business. So we see a great deal of synergy between our systems integration business, so our white box business, and our assembly manufacturing business. Many of our customers have come directly from those relationships that we've had in the distribution side with them and they tend to lead us to more opportunities as we get into the appliance side and so forth, as they source from our distribution business, so we then can move it into an assembly business.

<Q – Richard Kugele>: So you still think it's core to your operation and it wouldn't make any sense to divest it and focus on the distribution side?

<A – Robert Huang>: We feel there's lot of synergy between our manufacturing assembly business and our distribution business, yes.

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

Operator: The next question is a follow up from John Coyle.

<Q – John Coyle>: Yes. Thanks, I just wanted to see if you might go into a little bit more detail on the pricing environment. From what you said earlier it sounds like the improvements in gross margin were something that you did to price more, I guess strategically. I was wondering if you could just put that more in the context of what you are seeing from the competition. Are they being less aggressive, or has anything changed in that respect?

<A – Robert Huang>: John, it looks like we want to behave pretty rational right now and there is nothing particularly abnormal out there and we just try to be, as you put it, pricing more strategically and that's what we do.

<Q – John Coyle>: Okay. And then just on the demand, you alluded in your comments to potential negative impact from the hurricane, but then at the same time there could be an uptick given the rebuilding. Have you to date seen much of an impact from that or from your reseller community? Have they gotten more cautious or where does that stand?

<A – Robert Huang>: John, we look at our – we talk to our customers particularly those who are trapped in that area. The numbers of resellers in that area are so few, so we didn't really see anything significant to date yet.

<Q – John Coyle>: Sure, I guess I am asking more of the question, just given the impact it's had on the increase in energy prices and so on and so forth has – which impact the entire country. Have you seen any cautious tone or new behavior from the reseller base and hence their customers?

<A – John Paget>: I don't believe we've seen anything as of yet with respect to concern about overall fuel increases and so forth. Certainly we're all experiencing some surcharge increases in freight and that's across the industry. So I think it's fairly well spread across the industry. The macro economic issues will always be a concern to us. We probably have very much an advantage being as cost effective and as efficient as we are in being able to absorb some of those.

<Q – John Coyle>: Okay. Great. Thanks.

Operator: No further questions at this time.

Laura Kelley, Director of Investor Relations and Public Relations

Thank you Adrian. This concludes our call for today. Thank you everyone for joining us. We will have a replay of this call available for two weeks beginning today at approximately 5 PM Pacific Time through October 14th 2005. It will be posted on our website at ir.synnex.com. And the replay number for domestic dial is 866-219-1444, and for international dial that's 703-925-2474. The conference ID for both lines is 777138. Thank you everyone for your participation today.

<Dennis Polk>: Thank you.

<Robert Huang>: Thank you.

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