SYNNEX CORP
Form S-3/A
November 17, 2005
Table of Contents

As filed with the Securities and Exchange Commission on November 17, 2005

Registration No. 333-128947

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 2

To

Form S-3

REGISTRATION STATEMENT

Under

THE SECURITIES ACT OF 1933

SYNNEX CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**94-2703333**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

44201 Nobel Drive

Fremont, California 94538

(510) 656-3333

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Robert Huang

Chief Executive Officer

SYNNEX Corporation

44201 Nobel Drive

Fremont, California 94538

(510) 656-3333

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. ¨

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨ ___________

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨ ___________

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. ¨

Calculation of Registration Fee

Title of each class of securities to be registered	Amount to be registered(1)	Proposed maximum offering price per share(2)	Proposed maximum aggregate offering price(1)	Amount of registration fee(3)
Common Stock, $.001 par value	2,875,000 Shares	$15.37	$44,188,750	$5,201

(1) Includes 375,000 shares that the underwriters have the option to purchase to cover over-allotments, if any.
(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) based upon the average of the high and low prices of the Company s Common Stock on the New York Stock Exchange on November 16, 2005.
(3) Registration fee of $13,604 previously paid.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED NOVEMBER 17, 2005

Preliminary Prospectus

2,500,000 shares

SYNNEX Corporation

Common Stock

Certain of our stockholders, referred to in this prospectus as selling stockholders, are offering 2,500,000 shares of our common stock. We will not receive any of the proceeds from the sale of the shares.

Our common stock is traded on the New York Stock Exchange under the symbol SNX. The last reported sale price of our common stock on the New York Stock Exchange on November 16, 2005, was $15.32 per share.

See Risk Factors beginning on page 5 to read about certain risks that you should consider before buying shares of our common stock.

	Per Share	Total
Public Offering Price	$	$
Underwriting Discount	$	$
Proceeds to the Selling Stockholders	$	$

Certain of the selling stockholders identified in this prospectus have granted the underwriters a 30-day option to purchase up to 375,000 additional shares to cover any over-allotments.

Delivery of shares will be made on or about , 2005.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

Bear, Stearns & Co. Inc.
Sole Bookrunning Manager

Citigroup

Raymond James

Banc of America Securities LLC

The date of this prospectus is , 2005.

Table of Contents

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary does not contain all of the information that you should consider before investing in our common stock. You should read the entire prospectus carefully, including the section entitled Risk Factors and our consolidated financial statements and related notes before making an investment decision.

SYNNEX Corporation

Our Business

We are a global information technology, or IT, supply chain services company. We offer a comprehensive range of services to IT original equipment manufacturers and software publishers, collectively OEMs, and reseller customers worldwide. The supply chain services that we offer include product distribution, related logistics, contract assembly and demand generation marketing.

We have been in the IT distribution business since 1980 and are one of the largest IT product distributors based on 2004 reported revenue. We focus our core wholesale distribution business on a limited number of leading IT OEMs, which allows us to enhance and increase the value we provide to our OEM suppliers and reseller customers.

In our distribution operations, we purchase IT systems, peripherals, system components, packaged software and networking equipment from OEM suppliers such as HP, IBM, Intel, Lenovo, Microsoft and Seagate and sell them to our reseller customers. We perform the same function for our purchases of licensed software products. Our reseller customers include value added resellers, or VARs, corporate resellers, government resellers, system integrators, direct marketers and retailers. We currently distribute and market approximately 15,000 products (as measured by active SKUs) from over 100 OEM suppliers to more than 15,000 resellers.

Our contract assembly operations are generally related to building IT systems such as network security appliances, workstations and servers. By leveraging the inventory management capabilities and system component supplier relationships of our distribution business, we provide cost-effective IT system contract assembly.

Because we offer distribution, contract assembly, demand generation marketing, IT solutions and complementary logistics services, OEM suppliers and resellers can outsource to us multiple areas of their business outside of their core competencies. This model allows us to provide services at several points along the IT product supply chain. We believe that the combination of our broad range of supply chain capabilities, our focus on serving the leading IT OEMs and our efficient operations enables us to realize strong and expanding relationships with these OEMs and our reseller customers.

Our Strategy

We intend to continue to expand our business by pursuing the following strategies:

- Deepen relationships with our existing OEM suppliers and reseller customers by expanding the supply chain services we offer to them.

- Establish new strategic relationships with leading OEMs to increase the breadth of product lines that we distribute.

- Increase our reseller customer base by offering competitive pricing for a comprehensive selection of IT products and in-depth product expertise.

Table of Contents

Expand our contract assembly operations to benefit from the continuing trend of OEMs outsourcing their production activities.

Control costs by maintaining our low cost operations and seeking ways to further reduce costs in all areas of our business.

Pursue strategic acquisitions and investments to increase our OEM and reseller relationships, enhance our supply chain capabilities and expand our geographic reach.

Our Relationship with MiTAC International

In 1992, MiTAC International Corporation, or MiTAC International, acquired a controlling interest in us and, prior to the completion of our initial public offering, had increased its beneficial ownership interest in us to approximately 98%. MiTAC International and its affiliates currently beneficially own approximately 67% of our outstanding common stock and after completion of this offering will beneficially own approximately 58% of our common stock, assuming the underwriters do not exercise their over-allotment option, and approximately 57% if the underwriters exercise their over-allotment option in full. As a result of this ownership interest, MiTAC International and its affiliates control us and they will continue to control us upon completion of the offering. MiTAC International and its affiliates comprise all of the selling stockholders in this offering.

MiTAC International, established in 1982, is a publicly held, original design manufacturing company based in Taiwan. MiTAC International specializes in the development and manufacture of motherboards, servers, personal computers and mobile wireless handheld devices, such as wireless PDAs and smart phones. In the last 24 years, MiTAC International has expanded its presence in more than 20 countries around the world. In 1994, we began offering contract assembly services that we jointly market with MiTAC International s manufacturing and design capabilities.

There are potential conflicts of interest between us and MiTAC International and its affiliates. These conflicts are more fully discussed elsewhere in this prospectus.

We were incorporated in the State of California as COMPAC Microelectronics, Inc. on November 18, 1980, and we changed our name to SYNNEX Information Technologies, Inc. on February 4, 1994. We reincorporated in the State of Delaware under the name SYNNEX Corporation in October 2003. Our principal offices are located at 44201 Nobel Drive, Fremont, California 94538, and our telephone number is (510) 656-3333. We have distribution, sales and assembly facilities located in Asia, Europe and North America. Our website is located at www.synnex.com. The information contained on our website is not a part of this prospectus.

The SYNNEX name and logo are trademarks, registered trademarks, service marks or registered service marks of SYNNEX in the United States. All other trademarks, service marks and trade names referred to in this prospectus are the property of their respective owners.

Table of Contents

THE OFFERING

Shares of common stock being offered by the selling stockholders	2,500,000 shares
Shares of common stock to be outstanding after this offering	28,874,435 shares
Use of proceeds	We will not receive any of the proceeds from the sale of shares offered by the selling stockholders. See Use of Proceeds.
Dividend policy	We have not declared or paid any cash dividends since our inception. We currently intend to retain future earnings, if any, for use in our operations and the expansion of our business.
New York Stock Exchange symbol	SNX

The number of shares of common stock to be outstanding after this offering is based on our outstanding shares as of September 30, 2005. These shares exclude:

- 7,034,661 shares issuable upon the exercise of options outstanding at August 31, 2005 under our stock option plans with a weighted average exercise price of $9.57 per share;
- 4,416,713 shares reserved for future grant under our stock option plans at August 31, 2005; and
- 162,155 shares reserved for issuance under our employee stock purchase plan.

Except when otherwise indicated, all information in this prospectus assumes no exercise by the underwriters of their option to purchase additional shares of common stock from some of the selling stockholders to cover over-allotments, if any.

Table of Contents

SUMMARY HISTORICAL FINANCIAL AND OPERATING DATA

The tables below summarize our consolidated statement of operations and balance sheet data as of and for the periods indicated. The summary consolidated financial data are derived from and are qualified by reference to our consolidated financial statements and related notes included elsewhere in this prospectus and are adjusted to give effect to the discontinued operations resulting from the sale of our Japan subsidiary during the second quarter of fiscal 2005. The data in the following tables should be read together with Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes included in this prospectus.

	Fiscal Years Ended November 30,			Nine Months Ended August 31,	
	2002	2003	2004	2004	2005
	(in thousands, except per share data)				
Statements of Operations Data:					
Revenue	$ 3,596,265	$ 3,944,886	$ 5,150,447	$ 3,709,632	$ 4,047,681
Cost of revenue	(3,432,089)	(3,766,518)	(4,935,075)	(3,555,520)	(3,876,013)
Gross profit	164,176	178,368	215,372	154,112	171,668
Selling, general and administrative expenses	(114,657)	(121,352)	(137,712)	(99,562)	(117,120)
Income from continuing operations before non-operating items, income taxes and minority interest	49,519	57,016	77,660	54,550	54,548
Income from continuing operations	$ 27,875	$ 29,708	$ 46,086	$ 31,039	$ 27,192
Income from continuing operations per common share diluted	$ 1.15	$ 1.21	$ 1.53	$ 1.04	$ 0.87
Weighted average common share outstanding diluted	24,251	24,555	30,111	29,899	31,177

	August 31, 2005
	(in thousands)
Balance Sheet Data:	
Cash and cash equivalents	$ 9,870
Working capital	342,200
Total assets	998,645
Current borrowings under term loans and lines of credit	60,491
Long-term borrowings	1,224
Total stockholders equity	419,291

Table of Contents

RISK FACTORS

You should consider carefully the risks described below, together with all of the other information in this prospectus, before making a decision to invest in our common stock. If any of the following risks actually occurs, our business, financial condition or results of operations could suffer. In this case, the trading price of our common stock could decline and you may lose all or part of your investment.

Risks Related to Our Business

We anticipate that our revenue and operating results will fluctuate, which could adversely affect the price of our common stock.

Our operating results have fluctuated and will fluctuate in the future as a result of many factors, including:

- general economic conditions and level of IT spending;
- the loss or consolidation of one or more of our significant OEM suppliers or customers;
- market acceptance and product life of the products we assemble and distribute;
- competitive conditions in our industry that impact our margins;
- pricing, margin and other terms with our OEM suppliers; and
- variations in our levels of excess inventory and doubtful accounts, and changes in the terms of OEM supplier-sponsored programs, such as price protection and return rights.

Although we attempt to control our expense levels, these levels are based, in part, on anticipated revenue. Therefore, we may not be able to control spending in a timely manner to compensate for any unexpected revenue shortfall.

Our operating results also are affected by the seasonality of the IT products industry. We have historically experienced higher sales in our fourth fiscal quarter due to patterns in the capital budgeting, federal government spending and purchasing cycles of end-users. These patterns may not be repeated in subsequent periods.

You should not rely on period-to-period comparisons of our operating results as an indication of future performance. The results of any quarterly period are not indicative of results to be expected for a full fiscal year. In future quarters, our operating results may be below our expectations or those of our public market analysts or investors, which would likely cause our share price to decline. For example, in March 2005, we announced that our revenue and net income for the three months ended February 28, 2005 would be lower than our previously released guidance and, as a result, our share price subsequently declined substantially.

We depend on a small number of OEMs to supply the IT products that we sell and the loss of, or a material change in, our business relationship with a major OEM supplier could adversely affect our business, financial position and operating results.

Our future success is highly dependent on our relationships with a small number of OEM suppliers. Sales of HP and IBM products represented approximately 28% and 12%, respectively, of our total revenue in the nine months ended August 31, 2004 and approximately 28% and 5%, respectively, of our total revenue for the nine months ended August 31, 2005. The decline in sales of IBM products was a result of IBM selling its PC division to Lenovo, with whom we have an ongoing business relationship. Our OEM supplier agreements typically are short-term and may be terminated without cause upon short notice. For example, our agreement with HP will expire on May 31, 2006. The loss or deterioration of our relationships with a major OEM supplier, the authorization by OEM suppliers of additional distributors, the sale of products by OEM suppliers directly to our reseller customers and end-users, or our failure to establish relationships with new OEM suppliers or to expand the distribution and supply chain services that we provide OEM suppliers could adversely affect our business,

Table of Contents

financial position and operating results. In addition, OEM suppliers may face liquidity or solvency issues that in turn could negatively affect our business and operating results.

Our business is also highly dependent on the terms provided by our OEM suppliers. Generally, each OEM supplier has the ability to change the terms and conditions of its sales agreements, such as reducing the amount of price protection and return rights or reducing the level of purchase discounts, rebates and marketing programs available to us. From time to time we may conduct business with a supplier without a formal agreement because the agreement has expired or otherwise. In such case, we are subject to additional risk with respect to products, warranties and returns, and other terms and conditions. If we are unable to pass the impact of these changes through to our reseller customers, our business, financial position and operating results could be adversely affected.

Our gross margins are low, which magnifies the impact of variations in revenue, operating costs and bad debt on our operating results.

As a result of significant price competition in the IT products industry, our gross margins are low, and we expect them to continue to be low in the future. Increased competition arising from industry consolidation and low demand for certain IT products may hinder our ability to maintain or improve our gross margins. These low gross margins magnify the impact of variations in revenue, operating costs and bad debt on our operating results. A portion of our operating expenses is relatively fixed, and planned expenditures are based in part on anticipated orders that are forecasted with limited visibility of future demand. As a result, we may not be able to reduce our operating expenses as a percentage of revenue to mitigate any further reductions in gross margins in the future. If we cannot proportionately decrease our cost structure in response to competitive price pressures, our business and operating results could suffer.

We also receive purchase discounts and rebates from OEM suppliers based on various factors, including sales or purchase volume and breadth of customers. A decrease in net sales could negatively affect the level of volume rebates received from our OEM suppliers and thus, our gross margins. Because some rebates from OEM suppliers are based on percentage increases in sales of products, it may become more difficult for us to achieve the percentage growth in sales required for larger discounts due to the current size of our revenue base. A decrease or elimination of purchase discounts and rebates from our OEM suppliers would adversely affect our business and operating results.

Because we sell on a purchase order basis, we are subject to uncertainties and variability in demand by our reseller and contract assembly customers, which could decrease revenue and adversely affect our operating results.

We sell to our reseller and contract assembly customers on a purchase order basis rather than pursuant to long-term contracts or contracts with minimum purchase requirements. Consequently, our sales are subject to demand variability by our reseller and contract assembly customers. The level and timing of orders placed by our reseller and contract assembly customers vary for a variety of reasons, including seasonal buying by end-users, the introduction of new hardware and software technologies and general economic conditions. Customers submitting a purchase order may cancel, reduce or delay their orders. If we are unable to anticipate and respond to the demands of our reseller and contract assembly customers, we may lose customers because we have an inadequate supply of products, or we may have excess inventory, either of which may harm our business, financial position and operating results.

We are subject to the risk that our inventory value may decline, and protective terms under our OEM supplier agreements may not adequately cover the decline in value, which in turn may harm our business, financial position and operating results.

The IT products industry is subject to rapid technological change, new and enhanced product specification requirements, and evolving industry standards. These changes may cause inventory on hand to decline substantially in value or to rapidly become obsolete. Most of our OEM suppliers offer limited protection from the

Table of Contents

loss in value of inventory. For example, we can receive a credit from many OEM suppliers for products held in inventory in the event of a supplier price reduction. In addition, we have a limited right to return a certain percentage of purchases to most OEM suppliers. These policies are subject to time restrictions and do not protect us in all cases from declines in inventory value. In addition, our OEM suppliers may become unable or unwilling to fulfill their protection obligations to us. The decrease or elimination of price protection or the inability of our OEM suppliers to fulfill their protection obligations could lower our gross margins and cause us to record inventory write-downs. If we are unable to manage our inventory with our OEM suppliers with a high degree of precision, we may have insufficient product supplies or we may have excess inventory, resulting in inventory write downs, either of which may harm our business, financial position and operating results.

We depend on OEM suppliers to maintain an adequate supply of products to fulfill customer orders on a timely basis, and any supply shortages or delays could cause us to be unable to timely fulfill orders, which in turn could harm our business, financial position and operating results.

Our ability to obtain particular products in the required quantities and to fulfill reseller customer orders on a timely basis is critical to our success. In most cases, we have no guaranteed price or delivery agreements with our OEM suppliers. We occasionally experience a supply shortage of certain products as a result of strong demand or problems experienced by our OEM suppliers. If shortages or delays persist, the price of those products may increase, or the products may not be available at all. In addition, our OEM suppliers may decide to distribute, or to substantially increase their existing distribution business, through other distributors, their own dealer networks, or directly to resellers. Accordingly, if we are not able to secure and maintain an adequate supply of products to fulfill our reseller customer orders on a timely basis, our business, financial position and operating results may be adversely affected.

We may suffer adverse consequences from changing interest rates.

Our short-term borrowings and off-balance sheet arrangements are variable rate obligations that could expose us to interest rate risks. At August 31, 2005, we had approximately $229.9 million in such variable rate obligations. If interest rates increase, our interest expense would increase, which would negatively affect our net income. Additionally, increasing interest rates may increase our future borrowing costs and restrict our access to capital.

A portion of our revenue is financed by floor plan financing companies and any termination or reduction in these financing arrangements could increase our financing costs and harm our business and operating results.

A portion of our distribution revenue is financed by floor plan financing companies. Floor plan financing companies are engaged by our customers to finance, or floor, the purchase of products from us. In exchange for a fee, we transfer the risk of loss on the sale of our products to the floor plan companies. We currently receive payment from these financing companies within approximately 15 business days from the date of the sale, which allows our business to operate at much lower relative working capital levels than if such programs were not available. If these floor plan arrangements are terminated or substantially reduced, the need for more working capital and the increased financing cost could harm our business and operating results. We have not experienced any termination or significant reduction in floor plan arrangements in the past.

We have significant credit exposure to our reseller customers, and negative trends in their businesses could cause us significant credit loss and negatively impact our cash flow and liquidity position.

We extend credit to our reseller customers for a significant portion of our sales to them. Resellers have a period of time, generally 30 days after the date of invoice, to make payment. As a result, we are subject to the risk that our reseller customers will not pay for the products they purchase. In addition, our Mexico subsidiary is currently negotiating with a Mexico reseller customer a transaction which involves extended payment terms. Our credit exposure risk may increase due to liquidity or solvency issues experienced by our resellers as a result of an economic downturn or a decrease in IT spending by end-users. If we are unable to collect payment for products

Table of Contents

we ship to our reseller customers or if our reseller customers are unable to timely pay for the products we ship to them, it will be more difficult or costly to utilize receivable-based financing, which could negatively impact our cash flow and liquidity position.

We experienced theft of product from our warehouses and future thefts could harm our operating results.

From time to time we have experienced incidents of theft at various facilities. In fiscal 2003 and fiscal 2005 we experienced theft as a result of break-ins at four of our warehouses in which approximately $13.4 million of inventory was stolen. Based on our investigation, discussions with local law enforcement and meetings with federal authorities, we believe the thefts at our warehouses were part of an organized crime effort that targeted a number of technology equipment warehouses throughout the United States.

As a result of the losses in 2003, we reduced our inventory value by $9.4 million, and recorded estimated proceeds, net of deductibles as a receivable from our insurance company, included within other current assets on our balance sheet as of November 30, 2003. In January 2004 we received a final settlement from our insurance company that amounted to substantially all of the receivables recorded as of November 30, 2003.

In March 2005 approximately $4.0 million of inventory was stolen from our facility in the City of Industry, California. We have filed a claim with our insurance provider for the amount of the loss, less a small deductible. To date, we have received $1.8 million of the claimed amount. Based on the information we have received to date from our insurance provider, we expect the remaining claim to be collected.

These types of incidents may make it more difficult or expensive for us to obtain theft coverage in the future. In the future, incidents of theft may re-occur for which we may not be fully insured.

A significant portion of our contract assembly revenue comes from a single customer, and any decrease in sales from this customer could adversely affect our revenue.

As a result of product transitions, product life cycle, product acceptance and pricing pressure, our business with Sun Microsystems, our primary contract assembly customer, has decreased. Sun Microsystems accounted for approximately $400.7 million or 97% of our contract assembly revenue in the nine months ended August 31, 2004 and approximately $366.4 million or 93% in the nine months ended August 31, 2005. Our contract assembly business will remain dependent on our relationship with Sun Microsystems in the foreseeable future, subjecting us to risks with respect to the success and life cycle of Sun Microsystems products we assemble and the pricing terms we negotiate with Sun Microsystems and our suppliers. Accordingly, if we are unable to assemble new and successful products for Sun Microsystems on appropriate pricing terms, our business and operating results would be adversely affected.

The future success of our relationship with Sun Microsystems also depends on MiTAC International continuing to work with us to service Sun Microsystems requirements at an appropriate cost. We rely on MiTAC International to manufacture and supply subassemblies and components for the computer systems we assemble for Sun Microsystems. As MiTAC International s ownership interest in us decreases as a result of this offering and subsequent sales, MiTAC International s interest in the success of our business and operations may decrease as well. If we are unable to maintain our relationship and appropriate pricing terms with MiTAC International, our relationship with Sun Microsystems could suffer, which in turn could harm our business, financial position and operating results. In addition, if we were unable to obtain assembly contracts for new and successful products our business and operating results would suffer.

Table of Contents

We have pursued and intend to continue to pursue strategic acquisitions or investments in new markets and may encounter risks associated with these activities, which could harm our business and operating results.

We have in the past pursued and in the future expect to pursue acquisitions of, or investments in, businesses and assets in new markets, either within or outside the IT products industry, that complement or expand our existing business. Our acquisition strategy involves a number of risks, including:

- difficulty in successfully integrating acquired operations, IT systems, customers, OEM supplier and partner relationships, products and businesses with our operations;
- loss of key employees of acquired operations or inability to hire key employees necessary for our expansion;
- diversion of our capital and management attention away from other business issues;
- an increase in our expenses and working capital requirements;
- in the case of acquisitions that we may make outside of the United States, difficulty in operating in foreign countries and over significant geographical distances; and
- other financial risks, such as potential liabilities of the businesses we acquire.

Our growth may be limited and our competitive position may be harmed if we are unable to identify, finance and complete future acquisitions. We believe that further expansion may be a prerequisite to our long-term success as some of our competitors in the IT product distribution industry have larger international operations, higher revenues and greater financial resources than us. We have incurred costs and encountered difficulties in the past in connection with our acquisitions and investments. For example, our operating margins were initially adversely affected as a result of our acquisition of Merisel Canada Inc. and we have written off substantial investments in the past, one of which was eManage.com, Inc. Also, our recent acquisition of EMJ Data Systems, Ltd., or EMJ, caused an initial negative effect on our operating margins as we integrated EMJ s systems, operations and personnel. Future acquisitions may result in dilutive issuances of equity securities, the incurrence of additional debt, large write-offs, a decrease in future profitability, or future losses. The incurrence of debt in connection with any future acquisitions could restrict our ability to obtain working capital or other financing necessary to operate our business. Our recent and future acquisitions or investments may not be successful, and if we fail to realize the anticipated benefits of these acquisitions or investments, our business and operating results could be harmed.

We are dependent on a variety of IT and telecommunications systems, and any failure of these systems could adversely impact our business and operating results.

We depend on IT and telecommunications systems for our operations. These systems support a variety of functions, including inventory management, order processing, shipping, shipment tracking and billing.

Failures or significant downtime of our IT or telecommunications systems could prevent us from taking customer orders, printing product pick-lists, shipping products or billing customers. Sales also may be affected if our reseller customers are unable to access our price and product availability information. We also rely on the Internet, and in particular electronic data interchange, or EDI, for a large portion of our orders and information exchanges with our OEM suppliers and reseller customers. The Internet and individual web sites have experienced a number of disruptions and slowdowns, some of which were caused by organized attacks. In addition, some web sites have experienced security breakdowns. If we were to experience a security breakdown, disruption or breach that compromised sensitive information, it could harm our relationship with our OEM suppliers or reseller customers. Disruption of our web site or the Internet in general could impair our order processing or more generally prevent our OEM suppliers or reseller customers from accessing information. The occurrence of any of these events could have an adverse effect on our business and operating results.

Table of Contents

We rely on independent shipping companies for delivery of products, and price increases or service interruptions from these carriers could adversely affect our business and operating results.

We rely almost entirely on arrangements with independent shipping companies, such as FedEx and UPS, for the delivery of our products from OEM suppliers and delivery of products to reseller customers. Freight and shipping charges can have a significant impact on our gross margin. As a result, an increase in freight surcharges due to rising fuel cost or general price increases will have an immediate adverse effect on our margins, unless we are able to pass the increased charges to our reseller customers or renegotiate terms with our OEM suppliers. In addition, in the past, UPS has experienced work stoppages due to labor negotiations with management. The termination of our arrangements with one or more of these independent shipping companies, the failure or inability of one or more of these independent shipping companies to deliver products, or the unavailability of their shipping services, even temporarily, could have an adverse effect on our business and operating results.

Because we conduct substantial operations in China, risks associated with economic, political and social events in China could negatively affect our business and operating results.

A substantial portion of our IT systems operations, including our IT systems support and software development operations, is located in China. In addition, we also conduct general and administrative activities from our facility in China. As of August 31, 2005, we had 379 personnel located in China. We expect to increase our operations in China in the future. Our operations in China are subject to a number of risks relating to China s economic and political systems, including:

- a government controlled foreign exchange rate and limitations on the convertibility of the Chinese renminbi;
- extensive government regulation;
- changing governmental policies relating to tax benefits available to foreign-owned businesses;
- the telecommunications infrastructure;
- a relatively uncertain legal system; and
- uncertainties related to continued economic and social reform.

In addition, external events in Asia, such as the 2003 outbreak of severe acute respiratory syndrome, or SARS, and heightened political tensions in this region may adversely affect our business by disrupting the IT supply chain, restricting travel or interfering with the electronic and communications infrastructure.

Our IT systems are an important part of our global operations. Any significant interruption in service, whether resulting from any of the above uncertainties, natural disasters or otherwise, could result in delays in our inventory purchasing, errors in order fulfillment, reduced levels of customer service and other disruptions in operations, any of which could cause our business and operating results to suffer.

Changes in foreign exchange rates and limitations on the convertibility of foreign currencies could adversely affect our business and operating results.

In the nine months ended August 31, 2004 and 2005, approximately 17% and 20%, respectively, of our total revenue was generated outside the United States. Most of our international revenue, cost of revenue and operating expenses are denominated in foreign currencies. We presently have currency exposure arising from both sales and purchases denominated in foreign currencies. Changes in exchange rates between foreign currencies and the U.S. dollar may adversely affect our operating margins. For example, if these foreign currencies appreciate against the U.S. dollar, it will make it more expensive in terms of U.S. dollars to purchase inventory or pay expenses with foreign currencies. This could have a negative impact to us if revenues related to these purchases are transacted in U.S. dollars. In addition, currency devaluation can result in a loss to us if we hold deposits of that currency as well as make our products, which are usually purchased by us with U.S. dollars, relatively more expensive than products manufactured locally. We currently conduct only limited hedging

Table of Contents

activities, which involve the use of currency forward contracts. Hedging foreign currencies can be risky. For example, in fiscal 2003 we incurred $3.7 million of foreign currency transaction losses as a result of purchases of forward contracts not conducted within our normal hedging practices and procedures, combined with a weakening U.S. dollar. There is also additional risk if the currency is not freely or actively traded. Some currencies, such as the Chinese renminbi, are subject to limitations on conversion into other currencies, which can limit our ability to hedge or to otherwise react to rapid foreign currency devaluations. We cannot predict the impact of future exchange rate fluctuations on our business and operating results.

Because of the experience of our key personnel in the IT products industry and their technological expertise, if we were to lose any of our key personnel, it could inhibit our ability to operate and grow our business successfully.

We operate in the highly competitive IT products industry. We are dependent in large part on our ability to retain the services of our key senior executives and other technical experts and personnel. Our employees and executives do not have employment agreements. Furthermore, we do not carry key person insurance coverage for any of our key executives. We compete for qualified senior management and technical personnel. The loss of, or inability to hire, key executives or qualified employees could inhibit our ability to operate and grow our business successfully.

We may become involved in intellectual property or other disputes that could cause us to incur substantial costs, divert the efforts of our management, and require us to pay substantial damages or require us to obtain a license, which may not be available on commercially reasonable terms, if at all.

We may from time to time receive notifications alleging infringements of intellectual property rights allegedly held by others relating to our business or the products we sell or assemble for our OEM suppliers and others. Litigation with respect to patents or other intellectual property matters could result in substantial costs and diversion of management and other resources and could have an adverse effect on our business. Although we generally have various levels of indemnification protection from our OEM suppliers and contract assembly customers, in many cases any indemnification to which we may be entitled is subject to maximum limits or other restrictions. In addition, we have developed proprietary IT systems that play an important role in our business. If any infringement claim is successful against us and if indemnification is not available or sufficient, we may be required to pay substantial damages or we may need to seek and obtain a license of the other party s intellectual property rights. We may be unable to obtain such a license on commercially reasonable terms, if at all.

We are from time to time involved in other litigation in the ordinary course of business. For example, we are currently defending a trademark infringement action and a civil matter involving third party investors in eManage.com, Inc. and are appealing the $4.2 million judgment entered against Daisytek (Canada), Inc., a former wholly owned subsidiary of EMJ, by the U.S. District Court for the Northern District of Texas. We may not be successful in defending these or other claims. Regardless of the outcome, litigation could result in substantial expense and could divert the efforts of our management.

Because of the capital-intensive nature of our business, we need continued access to capital, which, if not available to us or if not available on favorable terms, could harm our ability to operate or expand our business.

Our business requires significant levels of capital to finance accounts receivable and product inventory that is not financed by trade creditors. If cash from available sources is insufficient, proceeds from our accounts receivable securitization program are limited or cash is used for unanticipated needs, we may require additional capital sooner than anticipated. In the event we are required, or elect, to raise additional funds, we may be unable to do so on favorable terms, or at all. Our current and future indebtedness could adversely affect our operating results and severely limit our ability to plan for, or react to, changes in our business or industry. We could also be limited by financial and other restrictive covenants in any credit arrangements, including limitations on our borrowing of additional funds and issuing dividends. Furthermore, the cost of debt financing has increased

Table of Contents

recently and could significantly increase in the future, making it cost prohibitive to borrow, which could force us to issue new equity securities.

If we issue new equity securities, existing stockholders may experience additional dilution, or the new equity securities may have rights, preferences or privileges senior to those of existing holders of common stock. If we cannot raise funds on acceptable terms, we may not be able to take advantage of future opportunities or respond to competitive pressures or unanticipated requirements. Any inability to raise additional capital when required could have an adverse effect on our business and operating results.

The terms of our indebtedness agreements impose significant restrictions on our ability to operate which in turn may negatively affect our ability to respond to business and market conditions and therefore have an adverse effect on our business and operating results.

As of August 31, 2005, we had approximately $61.7 million in outstanding short and long-term borrowings under term loans and lines of credit, excluding trade payables. As of August 31, 2005, approximately $170.9 million of our accounts receivable were sold to and held by two financial institutions under our accounts receivable securitization program. The terms of our current indebtedness agreements restrict, among other things, our ability to:

- incur additional indebtedness;
- pay dividends or make certain other restricted payments;
- consummate certain asset sales or acquisitions;
- enter into certain transactions with affiliates; and
- merge, consolidate or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of our assets.

We are also required to maintain specified financial ratios and satisfy certain financial condition tests, including minimum net worth and fixed charge coverage ratio as outlined in our senior secured revolving line of credit arrangement. We may be unable to meet these ratios and tests, which could result in the acceleration of the repayment of the related debt, the termination of the facility or the increase in our effective cost of funds. As a result, our ability to operate may be restricted and our ability to respond to business and market conditions limited, which could have an adverse effect on our business and operating results.

We have significant operations concentrated in Northern California, South Carolina, Toronto and Beijing and any disruption in the operations of our facilities could harm our business and operating results.

Our worldwide operations could be subject to natural disasters and other business disruptions, which could seriously harm our revenue and financial condition and increase our costs and expenses. We have significant operations in our facilities located in Fremont, California, Greenville, South Carolina, Toronto and Beijing. As a result, any prolonged disruption in the operations of our facilities, whether due to technical difficulties, power failures, break-ins, destruction or damage to the facilities as a result of a natural disaster, fire or any other reason, could harm our operating results. We currently do not have a formal disaster recovery plan and may not have sufficient business interruption insurance to compensate for losses that could occur.

Global health, economic, political and social conditions may harm our ability to do business, increase our costs and negatively affect our stock price.

External factors such as potential terrorist attacks, acts of war, geopolitical and social turmoil or epidemics such as SARS and other similar outbreaks in many parts of the world could prevent or hinder our ability to do business, increase our costs and negatively affect our stock price. For example, increased instability may adversely impact the desire of employees and customers to travel, the reliability and cost of transportation, our ability to obtain adequate insurance at reasonable rates or require us to incur increased costs for security

Table of Contents

measures for our domestic and international operations. These uncertainties make it difficult for us and our customers to accurately plan future business activities. More generally, these geopolitical social and economic conditions could result in increased volatility in the United States and worldwide financial markets and economy. We are predominantly uninsured for losses and interruptions caused by terrorist acts and acts of war.

Part of our business is conducted outside of the United States, exposing us to additional risks that may not exist in the United States, which in turn could cause our business and operating results to suffer.

We have international operations in Canada, China, Mexico and the United Kingdom. In the nine months ended August 31, 2004 and 2005, approximately 17% and 20%, respectively, of our total revenue was generated outside the United States. In the nine months ended August 31, 2004 and 2005, approximately 11% and 15%, respectively, of our total revenue was generated in Canada. No other country or region accounted for more than 10% of our total revenue. Our international operations are subject to risks, including:

- political or economic instability;
- changes in governmental regulation;
- changes in import/export duties;
- trade restrictions;
- difficulties and costs of staffing and managing operations in certain foreign countries;
- work stoppages or other changes in labor conditions;
- difficulties in collecting of accounts receivables on a timely basis or at all;
- taxes; and
- seasonal reductions in business activity in some parts of the world.

We may continue to expand internationally to respond to competitive pressure and customer and market requirements. Establishing operations in any other foreign country or region presents risks such as those described above as well as risks specific to the particular country or region. In addition, until a payment history is established over time with customers in a new geography or region, the likelihood of collecting receivables generated by such operations could be less than our expectations. As a result, there is a greater risk that reserves set with respect to the collection of such receivables may be inadequate. In addition, our Mexico subsidiary is currently negotiating with a Mexico reseller customer a transaction which involves extended payment terms, which could expose us to additional collection risks. Further, if our international expansion efforts in any foreign country are unsuccessful, we may decide to cease operations, which would likely cause us to incur similar additional expenses and loss.

In addition, changes in policies or laws of the United States or foreign governments resulting in, among other things, higher taxation, currency conversion limitations, restrictions on fund transfers or the expropriation of private enterprises, could reduce the anticipated benefits of our international expansion. Furthermore, any actions by countries in which we conduct business to reverse policies that encourage foreign trade or investment could adversely affect our business. If we fail to realize the anticipated revenue growth of our future international operations, our business and operating results could suffer.

Risks Related to Our Relationship with MiTAC International

We rely on MiTAC International for certain manufacturing and assembly services and the loss of these services would require us to seek alternate providers that may charge us more for their services.

We rely on MiTAC International to manufacture and supply subassemblies and components for some of our contract assembly customers, including Sun Microsystems, our primary contract assembly customer, and our reliance on MiTAC International may increase in the future. Our relationship with MiTAC International has been

Table of Contents

informal and is not governed by long-term commitments or arrangements with respect to pricing terms, revenue or capacity commitments. Accordingly, we negotiate manufacturing and pricing terms on a project-by-project basis, based on manufacturing services rendered by MiTAC International or us. As MiTAC s ownership interest in us decreases as a result of this offering and subsequent sales, MiTAC s interest in the success of our business and operations may decrease as well. In the event MiTAC International no longer provides such services and components to us, we would need to find an alternative source for these services and components. We may be unable to obtain alternative services and components on similar terms, which may in turn increase our manufacturing costs. In addition, we may not find manufacturers with sufficient capacity, which may in turn lead to shortages in our product supplies. Increased costs and products shortages could harm our business and operating results.

Our business relationship with MiTAC International has been and will continue to be negotiated as related parties and therefore may not be the result of arms -length negotiations between independent parties. Our relationship, including pricing and other material terms with our shared customers or with MiTAC International, may or may not be as advantageous to us as the terms we could have negotiated with unaffiliated third parties. We have a joint sales and marketing agreement with MiTAC International, pursuant to which both parties agree to use their commercially reasonable efforts to promote the other party s service offerings to their respective customers who are interested in such product offerings. To date, there has not been a significant amount of sales attributable to the joint marketing agreement. This agreement does not provide for the terms upon which we negotiate manufacturing and pricing terms. These negotiations have been on a case-by-case basis. The agreement had an initial term of one year and will automatically renew for subsequent one-year terms unless either party provides written notice of non-renewal within 90 days of the end of any renewal term. The agreement may also be terminated without cause either by the mutual written agreement of both parties or by either party without cause upon 90 days prior written notice of termination to the other party. Either party may immediately terminate the agreement by providing written notice (a) of the other party s material breach of any provision of the agreement and failure to cure within 30 days, or (b) if the other party becomes bankrupt or insolvent. In addition, we are party to a general agreement with MiTAC International and Sun Microsystems under which we work with MiTAC International to provide contract assembly services to Sun Microsystems.

Some of our customer relationships evolved from relationships between such customers and MiTAC International and the loss of such relationships could harm our business and operating results.

Our relationship with Sun Microsystems and some of our other customers evolved from customer relationships that were initiated by MiTAC International. Our relationship with Sun Microsystems is a joint relationship with MiTAC International and us, and the future success of our relationship with Sun Microsystems depends on MiTAC International continuing to work with us to service Sun Microsystems requirements. The original agreement between Sun Microsystems and MiTAC International was signed on August 28, 1999 and we became a party to the agreement on February 12, 2002. Substantially all of our contract assembly services to Sun Microsystems are covered by the general agreement. The agreement continues indefinitely until terminated in accordance with its terms. Sun Microsystems may terminate this agreement for any reason on 60 days written notice. Any party may terminate the agreement with written notice if one of the other parties materially breaches any provision of the agreement and the breach is incapable of being cured or is not cured within 30 days. The agreement may also be terminated on written notice if one of the other parties becomes bankrupt or insolvent. If we are unable to maintain our relationship with MiTAC International, our relationship with Sun Microsystems could suffer and we could lose other customer relationships or referrals, which in turn could harm our business, financial position and operating results.

There could be potential conflicts of interest between us and affiliates of MiTAC International, which could impact our business and operating results.

MiTAC International s and its affiliates continuing beneficial ownership of our common stock could create conflicts of interest with respect to a variety of matters, such as potential acquisitions, competition, issuance or disposition of securities, election of directors, payment of dividends and other business matters. Similar risks

Table of Contents

could exist as a result of Matthew Miau s positions as our Chairman, the Chairman of MiTAC International and as a director or officer of MiTAC International s affiliated companies. For fiscal year 2005, Mr. Miau will receive a retainer of $225,000 from us. Compensation payable to Mr. Miau is based upon the recommendation of the Compensation Committee and subject to the approval of the Board of Directors. We also have adopted a policy requiring material transactions in which any of our directors has a potential conflict of interest to be approved by our Audit Committee, which is composed of disinterested members of the Board.

Synnex Technology International Corp., or Synnex Technology International, a publicly traded company based in Taiwan and affiliated with MiTAC International, currently provides distribution and fulfillment services to various markets in Asia and Australia, and is also a potential competitor of ours. Mitac Incorporated, a privately held company based in Taiwan and a separate entity from MiTAC International, directly and indirectly owns approximately 15.6% of Synnex Technology International and approximately 9.0% of MiTAC International. MiTAC International directly and indirectly owns 0.3% of Synnex Technology International and Synnex Technology International directly and indirectly owns approximately 0.6% of MiTAC International. In addition, MiTAC International directly and indirectly owns approximately 8.9% of Mitac Incorporated and Synnex Technology International directly and indirectly owns approximately 14.4% of Mitac Incorporated. Synnex Technology International indirectly through its ownership of Peer Developments Limited owns approximately 18.4% of our outstanding common stock. Neither MiTAC International nor Synnex Technology International is restricted from competing with us. In the future, we may increasingly compete with Synnex Technology International, particularly if our business in Asia expands or Synnex Technology International expands its business into geographies or customers we serve. Although Synnex Technology International is a separate entity from us, it is possible that there will be confusion as a result of the similarity of our names. Moreover, we cannot limit or control the use of the Synnex name by Synnex Technology International or MiTAC International, and our use of the Synnex name may be restricted as a result of registration of the name by Synnex Technology International or the prior use in jurisdictions where they currently operate.

As of September 30, 2005, our executive officers, directors and principal stockholders beneficially owned approximately 80% of our common stock and this concentration of ownership allows them to control all matters requiring stockholder approval and could delay or prevent a change in control of SYNNEX.

As of September 30, 2005, our executive officers, directors and principal stockholders beneficially owned approximately 80% of our outstanding common stock. In particular, MiTAC International and its affiliates, beneficially owned approximately 67% of our common stock. After giving effect to this offering, MiTAC International will beneficially own approximately 58% of our common stock and if the underwriters exercise the over-allotment in full, it will beneficially own approximately 57% of our common stock.

MiTAC International and its affiliates own a controlling interest in us as of September 30, 2005. As a result, MiTAC International will be able to control the outcome of matters submitted to the stockholders including any acquisition or sale of us. In addition, MiTAC International s interests and ours may increasingly conflict. For example, we rely on MiTAC International for certain manufacturing and supply services and for relationships with certain key customers. As a result of a decrease in their ownership in us, we may lose these services and relationships, which may lead to increased costs to replace the lost services and the loss of certain key customers. We cannot predict the likelihood that we may incur increased costs or lose customers if MiTAC International s ownership percentage of us decreases in the future.

Risks Related to Our Industry

Volatility in the IT industry could have a material adverse effect on our business and operating results.

The IT industry in which we operate has experienced decreases in demand. Softening demand for our products and services caused by an ongoing economic downturn and over-capacity were responsible, in part, for a decline in our revenue in fiscal 2001, as well as problems with the saleability of inventory and collection of reseller customer receivables.

Table of Contents

The North American economy and market conditions continue to be challenging in the IT industry. As a result, individuals and companies may delay or reduce expenditures, including those for IT products. While in the past we may have benefited from the consolidation in our industry resulting from the slowdown, further delays or reductions in IT spending in particular, and economic weakness generally, could have an adverse effect on our business and operating results.

Our distribution business may be adversely affected by some OEM suppliers strategies to increase their direct sales, which in turn could cause our business and operating results to suffer.

Consolidation of OEM suppliers has resulted in fewer sources for some of the products that we distribute. This consolidation has also resulted in larger OEM suppliers that have significant operating and financial resources. Some OEM suppliers, including some of the leading OEM suppliers that we service, have been selling a greater volume of products directly to end-users, thereby limiting our business opportunities. If large OEM suppliers continue the trend to sell directly to our resellers, rather than use us as the distributor of their products, our business and operating results will suffer.

OEMs are limiting the number of supply chain service providers with which they do business, which in turn could negatively impact our business and operating results.

Currently, there is a trend towards reducing the number of authorized distributors used by OEM suppliers. As a smaller market participant in the IT product distribution and contract assembly industries, than some of our competitors, we may be more susceptible to loss of business from further reductions of authorized distributors or contract assemblers by IT product OEMs. For example, the termination of Sun Microsystems contract assembly business with us would have a significant negative effect on our revenue and operating results. A determination by any of our primary OEMs to consolidate their business with other distributors or contract assemblers would negatively affect our business and operating results.

The IT industry is subject to rapidly changing technologies and process developments, and we may not be able to adequately adjust our business to these changes, which in turn would harm our business and operating results.

(I.R.S. Employer

Identification No.)

44201 Nobel Drive

Fremont, California 94538

(510) 656-3333

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Robert Huang

Chief Executive Officer

SYNNEX Corporation

44201 Nobel Drive

Fremont, California 94538

(510) 656-3333

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

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(650) 233-4500	**(650) 470-4500**
	Fax (650) 470-4570

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. ¨

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨ ___________

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨ ___________

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. ¨

Calculation of Registration Fee

Amount to be

pon our management, operating and financial systems and other resources. We may be unable to successfully respond to and manage our business in light of industry

intense competition in the IT industry, both in the United States and internationally, and if we fail to compete successfully, we will be unable to gain or retai

r specific solutions to customer needs, quality and depth of product lines, pre-sale and post-sale technical support, flexibility and timely response to design changes, t

ating, manufacturing and marketing resources than us. Some of our competitors may have broader geographic breadth and range of services than us and may have mo

16

ates or in international markets, or may be forced in the future to reduce our prices in response to the actions of our competitors and thereby experience a reduction in

of business, we may also encounter increased competition from current competitors or from new competitors, including some who may once have been our OEM sup

Compliance with changing regulation of corporate governance and public disclosure may result in additional expenses.

lving laws, regulations and standards have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of manage

that we currently have adequate internal control over financial reporting, we are exposed to risks from legislation requiring companies to evaluate those in

n the system and process evaluation and testing necessary to continue to comply with these requirements. We expect to continue to incur increased expense and to dev

Changes to financial accounting standards may affect our results of operations and cause us to change our business practices.

erpret and create appropriate accounting policies. A change in those policies can have a significant effect on our reported results and may affect our reporting of trans

17

'e may have significant and ongoing accounting charges resulting from option grant and other equity incentive expensing that we expect will reduce our overall net in

Risks Related to this Offering and Our Common Stock

Our common stock has been subject to substantial price and volume fluctuations due to a number of factors, some of which are beyond our control.

is market volatility, as well as general domestic or international economic, market and political conditions, could materially adversely affect the price of our common

nt fluctuations in the market price of our common stock could result in securities class action claims against us, which could seriously harm our operating r

s securities has taken place. This kind of litigation could be very costly and divert our management s attention and resources, and any adverse determination in this

Anti-takeover provisions in our certificate of incorporation may make it more difficult for someone to acquire us in a hostile takeover.

e rights of the holders of our common stock will be subject to, and may be adversely affected by, the rights of the holders of any preferred stock that we may issue in t

he ownership position of our officers, directors and their affiliates, could discourage potential takeover attempts and make attempts by stockholders to change manage

If securities or industry analysts do not publish research or reports about our business, our stock price and trading volume could decline.

er these analysts. If one or more of the analysts who cover us downgrade our stock, our stock price would likely decline. If one or more of these analysts cease covera

re subject to additional rules and regulations as a public company, which will increase our administration costs which in turn could harm our operating resu

ed. These rules and regulations have increased our legal and financial compliance costs, and made some activities more time consuming or costly. We also expect thes

19

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

ed Prospectus Summary, Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations and Business, and elsev

not historical facts and generally can be identified by the use of terminology such as the words may, will, should, potential, continue, expects, ant

luding those appearing elsewhere in this prospectus under the caption Risk Factors as well as those discussed in our Annual Report on Form 10-K incorporated by

ications generally indicate that they have obtained their information from sources believed to be reliable, but do not guarantee the accuracy and completeness of their

USE OF PROCEEDS

million if the underwriters over-allotment option is exercised in full), after deducting estimated underwriting discount payable by the selling stockholders. We will r

PRICE RANGE OF COMMON STOCK

rk Stock Exchange under the symbol SNX since November 25, 2003. The following table sets forth, for our common stock for the periods indicated, the high and

	High

mber 16, 2005, the last day prior to the date of this prospectus for which information was practicably available, the closing price for our common stock was $15.32 pe

DIVIDEND POLICY

e expansion of our business. If we elect to pay cash dividends in the future, payment will depend on our financial condition, results of operations and capital requirem

CAPITALIZATION

The following table sets forth our capitalization as of August 31, 2005.

The above table excludes as of August 31, 2005:

y shares of our common stock are issued upon exercise of currently outstanding options or warrants, or other rights are granted in the future or are reserved for future

is prospectus entitled Selected Consolidated Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and our

SELECTED CONSOLIDATED FINANCIAL DATA

ectus. The selected consolidated financial data is adjusted to give effect to the discontinued operations resulting from the sale of our Japan subsidiary during the secon

		2004
ta)		
	3,944,886	$
	(3,766,518)	
	178,368	
	(121,352)	
	57,016	
	(7,007)	
	(3,478)	
	46,531	
	(17,090)	
	267	
	29,708	
	288	
	29,996	$
	1.34	$
	0.02	$
	1.36	$
	1.21	$
	0.01	$
	1.22	$
	22,091	
	24,555	

		2004
22,079	$	
217,397		3
789,928		9
69,464		
8,134		
252,814		3

MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

ical information, forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from the results discussed in the forward-

Overview

ge of services to IT original equipment manufacturers and software publishers, collectively OEMs, and reseller customers worldwide. The supply chain services that

oduct distributors based on 2004 reported revenue. We focus our core wholesale distribution business on a limited number of leading IT OEMs, which allows us to en

provide services at several points along the IT product supply chain. We believe that the combination of our broad range of supply chain capabilities, our focus on serv

Revenue and Cost of Revenue

erred and product returns are reasonably estimable. Shipping terms are typically F.O.B. our warehouse. Provisions for sales returns are estimated based on historical d

unted for more than 10% of our total revenue in fiscal 2002, 2003, 2004 or the nine months ended August 31, 2005. Approximately 37%, 32%, 28% and 28% of our t

26

de contract assembly services primarily to IT product OEMs. Our contract assembly revenue is dependent on a small number of customers. Revenue from contract ass

also participate in the incentive and rebate programs of our OEM suppliers. These programs are important determinants of the final sales price we charge to our reselle

e discounts received from our OEM suppliers. Cost of distribution revenue also consists of provisions for inventory losses and write-downs, and freight expenses asso

Margins

rom industry consolidation and low demand for IT products may hinder our ability to maintain or improve our gross margin. Generally, when our revenue becomes m

Acquisitions, Divestments and Restructuring Charges

customers and OEM suppliers, extended the geographic reach of our operations, particularly in international markets, and expanded the services we provide to our O

During the 12 months ended August 31, 2005, we acquired one company, EMJ, and divested two of our subsidiaries, SYNNEX K.K. and EMJ America.

we have included the results of operations from EMJ in our reported results since the acquisition date. We acquired EMJ to expand our presence in the Canadian distri

mately 93% of the equity in our Japan subsidiary to MCJ Company Limited, or MCJ, a Japan based public company. We sold our Japan distribution business, as it wa r losses in our investment each period based on the closing price of MCJ stock. These non-operating gains or losses are reported in other income (expense), net. In

e 2005, we sold our EMJ America subsidiary to the management team of EMJ America. EMJ America was a subsidiary of EMJ and was not in the same business as E

existing Canadian business at the time of the acquisition, we commenced a restructuring program in the first quarter of fiscal 2005. The restructuring program was co

Economic and Industry Trends

cluding the introduction of new IT products and software by OEMs, replacement cycles for existing IT products and overall economic growth and general business ac

Deferred Compensation Plan

estment of deferred amounts in equity securities. These equity investments are classified as trading securities. GAAP requires that gains (losses) on the deferred comp

Unearned Stock-Based Compensation

urposes on the date of grant and the exercise price of these options. Unearned stock-based compensation is included as a reduction of stockholders equity and is amo

Seasonality

ve historically experienced higher sales in our fourth fiscal quarter due to patterns in the capital budgeting, federal government spending and purchasing cycles of our

Insurance Coverage

houses in which approximately $13.4 million of inventory was stolen. Based on our investigation, discussions with local law enforcement and meetings with federal a

es as a receivable from our insurance company, included within other current assets on our balance sheet as of November 30, 2003. In January 2004 we received a

have filed a claim with our insurance provider for the amount of the loss, less a small deductible. To date, we have received $1.8 million of the claimed amount. Base

ypes of incidents may make it more difficult or expensive for us to obtain theft coverage in the future. There is no assurance that future incidents of theft will not re-o

Equity Price Risk

lable-for-sale securities. Securities classified as trading are recorded at fair market value, based on quoted market prices and unrealized gains and losses are included

Critical Accounting Policies and Estimates

ses during the reporting period. On an ongoing basis, we review and evaluate our estimates and assumptions, including those that relate to accounts receivable, vendo

believe the following critical accounting policies are affected by our judgment, estimates or assumptions used in the preparation of our consolidated financial statemen

ur accounts receivable for estimated losses resulting from the inability of our customers to make required payments. If the financial condition of our customers were t

29

deration the overall quality and aging of our receivable portfolio, the existence of a limited amount of credit insurance, our continuing credit evaluation of our custom

d over one or more quarterly reporting periods. Amounts received or receivable from OEM suppliers that are not yet earned are deferred on our balance sheet. Actual

ased upon our forecasts of future demand and market conditions. These write downs are reflected in our cost of revenue. If actual market conditions are less favorable

were present in intangible assets used in operations and future cash flows were not expected to be sufficient to recover the assets carrying amount, an impairment los

sheet. We are required to assess the likelihood that our deferred tax assets, which include net operating loss carry forwards and temporary differences that are expect

30

o point is more probable than another. Based on current available information, we believe that the ultimate resolution of these actions will not have a material adverse

Results of Operations

nt of operations data for the periods indicated as a percentage of net sales and is adjusted to give effect to the discontinued operations resulting from the sale of our Ja

	Nine Months Ended
August 31, 2004	
100.00%	
(95.85)	
4.15	
(2.68)	
1.47	
(0.14)	
(0.02)	
1.34	
(0.45)	

dment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 193

he registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these secur

SUBJECT TO COMPLETION, DATED NOVEMBER 17, 2005

Preliminary Prospectus

2,500,000 shares

SYNNEX Corporation

Common Stock

kholders, referred to in this prospectus as selling stockholders, are offering 2,500,000 shares of our common stock. We will not receive any of the proceeds from the s

d on the New York Stock Exchange under the symbol SNX. The last reported sale price of our common stock on the New York Stock Exchange on November 16,

See Risk Factors beginning on page 5 to read about certain risks that you should consider before buying shares of our common stock.

Total
$
$
$

the selling stockholders identified in this prospectus have granted the underwriters a 30-day option to purchase up to 375,000 additional shares to cover any over-allo

Delivery of shares will be made on or about , 2005.

n nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any repr

The date of this prospectus is , 2005.

PROSPECTUS SUMMARY

ll of the information that you should consider before investing in our common stock. You should read the entire prospectus carefully, including the section entitled F

SYNNEX Corporation

Our Business

ge of services to IT original equipment manufacturers and software publishers, collectively OEMs, and reseller customers worldwide. The supply chain services that

oduct distributors based on 2004 reported revenue. We focus our core wholesale distribution business on a limited number of leading IT OEMs, which allows us to en

customers. We perform the same function for our purchases of licensed software products. Our reseller customers include value added resellers, or VARs, corporate r

ch as network security appliances, workstations and servers. By leveraging the inventory management capabilities and system component supplier relationships of ou

tside of their core competencies. This model allows us to provide services at several points along the IT product supply chain. We believe that the combination of our

Our Strategy

We intend to continue to expand our business by pursuing the following strategies:

Nine Months Ended August 31, 2004 and 2005

Revenue:

	Nine Months Ended August 31, 2005
	(in thousands)

nand for products through the IT distribution channel, primarily in the United States, and the acquisition of EMJ in September 2004. Our revenue increase was also a

31

venue was somewhat mitigated by continued significant competition in the IT distribution marketplace, our desire to focus on operating income growth before revenu

rily due to product life cycles transitions currently ongoing for the products we assemble for Sun Microsystems. This decrease was partially offset by an increase in sa

Gross Profit:

	Nine Months Ended August 31, 2005
	(in thousands)
	$

rs, including competition, the mix and average selling prices of products we sell and the mix of customers to whom we sell, rebate and discount programs from our su

The increase in gross margin percentage was a result of higher margins in our distribution segment, mainly due to improvements in our North AIGN="top">

Increase our reseller customer base by offering competitive pricing for a comprehensive selection of IT products and in-depth product expertise.

1

Table of Contents

Expand our contract assembly operations to benefit from the continuing trend of OEMs outsourcing their production activities.

Control costs by maintaining our low cost operations and seeking ways to further reduce costs in all areas of our business.

Pursue strategic acquisitions and investments to increase our OEM and reseller relationships, enhance our supply chain capabilities and expand our geographic reach.

Our Relationship with MiTAC International

In 1992, MiTAC International Corporation, or MiTAC International, acquired a controlling interest in us and, prior to the completion of our initial public offering, had increased its beneficial ownership interest in us to approximately 98%. MiTAC International and its affiliates currently beneficially own approximately 67% of our outstanding common stock and after completion of this offering will beneficially own approximately 58% of our common stock, assuming the underwriters do not exercise their over-allotment option, and approximately 57% if the underwriters exercise their over-allotment option in full. As a result of this ownership interest, MiTAC International and its affiliates control us and they will continue to control us upon completion of the offering. MiTAC International and its affiliates comprise all of the selling stockholders in this offering.

MiTAC International, established in 1982, is a publicly held, original design manufacturing company based in Taiwan. MiTAC International specializes in the development and manufacture of motherboards, servers, personal computers and mobile wireless handheld devices, such as wireless PDAs and smart phones. In the last 24 years, MiTAC International has expanded its presence in more than 20 countries around the world. In 1994, we began offering contract assembly services that we jointly market with MiTAC International s manufacturing and design capabilities.

There are potential conflicts of interest between us and MiTAC International and its affiliates. These conflicts are more fully discussed elsewhere in this prospectus.

We were incorporated in the State of California as COMPAC Microelectronics, Inc. on November 18, 1980, and we changed our name to SYNNEX Information Technologies, Inc. on February 4, 1994. We reincorporated in the State of Delaware under the name SYNNEX Corporation in October 2003. Our principal offices are located at 44201 Nobel Drive, Fremont, California 94538, and our telephone number is (510) 656-3333. We have distribution, sales and assembly facilities located in Asia, Europe and North America. Our website is located at www.synnex.com. The information contained on our website is not a part of this prospectus.

The SYNNEX name and logo are trademarks, registered trademarks, service marks or registered service marks of SYNNEX in the United States. All other trademarks, service marks and trade names referred to in this prospectus are the property of their respective owners.

Table of Contents

THE OFFERING

Shares of common stock being offered by the selling stockholders	2,500,000 shares
Shares of common stock to be outstanding after this offering	28,874,435 shares
Use of proceeds	We will not receive any of the proceeds from the sale of shares offered by the selling stockholders. See Use of Proceeds.
Dividend policy	We have not declared or paid any cash dividends since our inception. We currently intend to retain future earnings, if any, for use in our operations and the expansion of our business.
New York Stock Exchange symbol	SNX

The number of shares of common stock to be outstanding after this offering is based on our outstanding shares as of September 30, 2005. These shares exclude:

7,034,661 shares issuable upon the exercise of options outstanding at August 31, 2005 under our stock option plans with a weighted average exercise price of $9.57 per share;

4,416,713 shares reserved for future grant under our stock option plans at August 31, 2005; and

162,155 shares reserved for issuance under our employee stock purchase plan.

Except when otherwise indicated, all information in this prospectus assumes no exercise by the underwriters of their option to purchase additional shares of common stock from some of the selling stockholders to cover over-allotments, if any.

Table of Contents

SUMMARY HISTORICAL FINANCIAL AND OPERATING DATA

The tables below summarize our consolidated statement of operations and balance sheet data as of and for the periods indicated. The summary consolidated financial data are derived from and are qualified by reference to our consolidated financial statements and related notes included elsewhere in this prospectus and are adjusted to give effect to the discontinued operations resulting from the sale of our Japan subsidiary during the second quarter of fiscal 2005. The data in the following tables should be read together with Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes included in this prospectus.

	Fiscal Years Ended November 30,

	Nine Months Ended August 31, 2005
	(in thousands)
	$

months ended August 31, 2005 from the prior year, and, as a percentage of revenue, selling, general and administrative expenses increased in the nine months ended

32

Nine Months Ended August 31, 2005	
(in thousands)	
$	
$	
	44,491
	10,057

	August 31, 2005		
	(in thousands)		
Balance Sheet Data:			
Cash and cash equivalents	$ 9,870		
Working capital	342,200		
Total assets	998,645		
Current borrowings under term loans and lines of credit	60,491		
Long-term borrowings		$ 5,150,447	30.6%

Distribution revenue	$	3,714,385	$	4,573,438	23.1%
Contract assembly revenue	$	230,501	$	577,009	150.3%

34

The increase in our distribution revenue was primarily attributable to market share increases, increased demand for products through the IT distribution channel, primarily in North America, and the acquisition of EMJ Data Systems Limited in September 2004, which contributed approximately $48.0 million in revenue in fiscal 2004. Our market share increases were a result of our increased selling efforts, including a 19% increase in sales staff in the United States, and overall improved service offerings, including inventory availability, financing and marketing. The increase in our distribution revenue was somewhat mitigated by continued significant competition in the IT distribution marketplace and gradual declines in the average selling price of products we sell.

The increase in contract assembly revenue was the result of an increase in products we assemble for our primary OEM customer, Sun Microsystems, as well as sales to new customers.

Gross Profit:

	Year Ended November 30, 2003	Year Ended November 30, 2004	% Change
	(in thousands)	(in thousands)	
Gross profit	$ 178,368	$ 215,372	20.7%
Percentage of revenue	4.52%	4.18%	(7.5)%

The decrease in gross margin percentage was primarily a result of lower margins in our distribution segment. Distribution gross margin percentage decreased primarily due to changes in customer mix, as sales volumes to larger customers, which generally carry lower margins due to competitive and volume reasons, increased. Our contract assembly gross margin percentage also decreased due to our overall increased business over the prior year and the associated changes in product and customer mix.

Selling, General and Administrative Expenses:

	Year Ended November 30, 2003	Year Ended November 30, 2004	% Change
	(in thousands)	(in thousands)	
Selling, general and administrative expenses	$ 121,352	$ 137,712	13.5%
Percentage of revenue	3.08%	2.67%	(13.3)%

While selling, general and administrative expenses increased in fiscal 2004 from the prior year, as a percentage of E="2">1,224

Total stockholders equity

419,291

Table of Contents

RISK FACTORS

You should consider carefully the risks described below, together with all of the other information in this prospectus, before making a decision to invest in our common stock. If any of the following risks actually occurs, our business, financial condition or results of operations could suffer. In this case, the trading price of our common stock could decline and you may lose all or part of your investment.

Risks Related to Our Business

We anticipate that our revenue and operating results will fluctuate, which could adversely affect the price of our common stock.

Our operating results have fluctuated and will fluctuate in the future as a result of many factors, including:

- general economic conditions and level of IT spending;
- the loss or consolidation of one or more of our significant OEM suppliers or customers;
- market acceptance and product life of the products we assemble and distribute;
- competitive conditions in our industry that impact our margins;
- pricing, margin and other terms with our OEM suppliers; and
- variations in our levels of excess inventory and doubtful accounts, and changes in the terms of OEM supplier-sponsored programs, such as price protection and return rights.

Although we attempt to control our expense levels, these levels are based, in part, on anticipated revenue. Therefore, we may not be able to control spending in a timely manner to compensate for any unexpected revenue shortfall.

Table of Contents

Income from Continuing Operations before Non-operating Items, Income Taxes and Minority Interest:

	Year Ended November 30, 2003	Year Ended November 30, 2004	% Change
	(in thousands)	(in thousands)	
Income from continuing operations before non-operating items, income taxes and minority interest	$ 57,016	$ 77,660	36.2%
Distribution income from continuing operations before non-operating items, income taxes and minority interest	$ 51,885	$ 63,255	21.9%

Our operating results also are affected by the seasonality of the IT products industry. We have historically experienced higher sales in our fourth fiscal quarter due to patterns in the capital budgeting, federal government spending and purchasing cycles of end-users. These patterns may not be repeated in subsequent periods.

You should not rely on period-to-period comparisons of our operating results as an indication of future performance. The results of any quarterly period are not indicative of results to be expected for a full fiscal year. In future quarters, our operating results may be below our expectations or those of our public market analysts or investors, which would likely cause our share price to decline. For example, in March 2005, we announced that our revenue and net income for the three months ended February 28, 2005 would be lower than our previously released guidance and, as a result, our share price subsequently declined substantially.

We depend on a small number of OEMs to supply the IT products that we sell and the loss of, or a material change in, our business relationship with a major OEM supplier could adversely affect our business, financial position and operating results.

Our future success is highly dependent on our relationships with a small number of OEM suppliers. Sales of HP and IBM products represented approximately 28% and 12%, respectively, of our total revenue in the nine months ended August 31, 2004 and approximately 28% and 5%, respectively, of our total revenue for the nine months ended August 31, 2005. The decline in sales of IBM products was a result of IBM selling its PC division to Lenovo, with whom we have an ongoing business relationship. Our OEM supplier agreements typically are short-term and may be terminated without cause upon short notice. For example, our agreement with HP will expire on May 31, 2006. The loss or deterioration of our relationships with a major OEM supplier, the authorization by OEM suppliers of additional distributors,>

Contract assembly income from continuing operations before non-operating items, income taxes and minority interest	$ 5,131	$ 14,405	180.7%

Income from continuing operations before non-operating items, income taxes and minority interest as a percentage of revenue of 1.5% for fiscal 2004 improved slightly from 1.4% in fiscal 2003 due to the decline in selling, general and administrative expense as a percentage of sales, partially offset by the decline in gross margin percentage. Despite the increase in our sales, our distribution operating income percentage was essentially unchanged primarily due to additional costs associated with being a public company and an increase in the operating loss from our operations in Mexico to a loss of $1.4 million in fiscal 2004 from a loss of $0.1 million in fiscal 2003. The increase in the operating loss in Mexico was primarily a result of a weak local economy and an increase in bad debt expense. The increase in contract assembly operating margin was primarily due to a significant increase in production volumes in fiscal 2004, which allowed for the absorption of fixed overhead and other administrative expenses.

Interest Expense and Finance Charges, net:

	Year Ended November 30, 2003	Year Ended November 30, 2004	
			5

Table of Contents

financial position and operating results. In addition, OEM suppliers may face liquidity or solvency issues that in turn could negatively affect our business and operating results.

Our business is also highly dependent on the terms provided by our OEM suppliers. Generally, each OEM supplier has the ability to change the terms and conditions of its sales agreements, such as reducing the amount of price protection and return rights or reducing the level of purchase discounts, rebates and marketing programs available to us. From time to time we may conduct business with a supplier without a formal agreement because the agreement has expired or otherwise. In such case, we are subject to additional risk with respect to products, warranties and returns, and other terms and conditions. If we are unable to pass the impact of these changes through to our reseller customers, our business, financial position and operating results could be adversely affected.

Our gross margins are low, which magnifies the impact of variations in revenue, operating

costs and bad debt on our operating results.

As a result of significant price competition in the IT products industry, our gross margins are low, and we expect them to continue to be low in the future. Increased competition arising from industry consolidation and low demand for certain IT products may hinder our ability to maintain or improve our gross margins. These low gross margins magnify the impact of variations in revenue, operating costs and bad debt on our operating results. A portion of our operating expenses is relatively fixed, and planned expenditures are based in part on anticipated orders that are forecasted with limited visibility of future demand. As a result, we may not be able to reduce our operating expenses as a percentage of revenue to mitigate any further reductions in gross margins in the future. If we cannot proportionately decrease our cost structure in response to competitive price pressures, our business and operating results could suffer.

We also receive purchase discounts and rebates from OEM suppliers based on various factors, including sales or purchase volume and breadth of customers.

A decrease in net sales could negatively affect the level of volume rebates received from our OEM suppliers and thus, our gross margins. Because some rebates from OEM suppliers are based on percentage increases in sales of products, it may become more difficult for us to achieve the percentage growth in sales required for larger discounts due to the current size of our revenue base. A decrease or elimination of purchase discounts and rebates from our OEM suppl Roman" SIZE="1">**% Change**

	(in thousands)	**(in thousands)**	
Interest expense and finance charges, net	$ 7,007	$ 7,959	13.6%

The increase in interest expense and finance charges, net, was primarily a result of a $1.2 million increase in finance charges as a result of having to finance increased working capital requirements in fiscal 2004 due to higher sales volume in fiscal 2004 compared to fiscal 2003, offset by higher interest income earned in fiscal 2004.

Other Income (Expense), net:

	Year Ended November 30, 2003	Year Ended November 30, 2004	% Change
	(in thousands)	**(in thousands)**	
Other income (expense), net	$ (3,478)	$ (900)	74.1%

Other income (expense), net decreased in fiscal 2004 from fiscal 2003 primarily due to a $3.0 million decrease in foreign currency transaction losses. The foreign currency transaction losses in fiscal 2003 were incurred primarily as a result of purchases of forward contracts not conducted within normal Company hedging practices and procedures, combined with a weakening U.S. dollar.

Provision for Income Taxes. Income taxes consist of our current and deferred tax expense resulting from our income earned in domestic and foreign jurisdictions. Our effective tax rate was 33.6% in fiscal 2004 as compared with an effective tax rate of 36.7% in fiscal 2003. The decrease in our income tax provision and effective tax rate was primarily a result of tax benefits from stock option exercises and a $2.0 million income tax benefit related to the release of a valuation allowance resulting from the final tax accounting of our acquisition of Merisel Canada, Inc.

Table of Contents

Minority Interest. Minority interest is the portion of earnings from operations from our subsidiaries attributable to other owners of the subsidiaries. Our subsidiary in Mexico has minority stockholders. Minority interest benefit increased to $376,000 in fiscal 2004 from a benefit of $267,000 in fiscal 2003 due to increased losses at our Mexico subsidiary.

Fiscal Years Ended November 30, 2002 and 2003

Revenue:

	Year Ended November 30, 2002	Year Ended November 30, 2003	% Change
	(in thousands)	(in thousands)	
Revenue	$ 3,596,265	$ 3,944,886	9.7%
Distribution revenue	$ 3,223,110	$ 3,714,385	15.2%
Contract assembly revenue	$ 373,155	$ 230,501	(38.2)%

The increase in our distribution revenue was mainly attributable to market share increases as a result of increased selling efforts, primarily in the United States, and the acquisition of Gates/Arrow distributing in May 2002. The increase was also attributable to the commencement of our Mexico distribution operations in April 2002. Our Mexico operations accounted for $61.1 million of the distribution revenue increase in fiscal 2003 compared to fiscal 2002. Despite the significant increase in revenue from our Mexico operations, we were not satisfied with the operating margins of this entity, as discussed below. After several years of decline, product demand in the IT distribution channel stabilized in the second half of 2003, especially in the United States. The increase in our distribution revenue was somewhat mitigated by significant competition in the IT distribution marketplace, continued efforts by some OEMs, including HP, our largest OEM, to sell more of their product directly to end-users, bypassing the IT distribution channel, and general declines in average selling prices of the products we sell. The decline in contract assembly revenue was the result of a decline in demand for IT products that we assemble for our primary OEM customer, Sun Microsystems. Despite the overall decline in assembly revenue in fiscal 2003, we did experience an increase in revenues in the second half of fiscal 2003 with revenues totaling $145.4 million in the last six months of fiscal 2003 compared to $85.1 million in the first six months of fiscal 2003 due to an increase in new product sales to Sun Microsystems.

Gross Profit:

	Year Ended November 30, 2002	Year Ended November 30, 2003	% Change
	Because we sell on a purchase order basis, we are subject to uncertainties		

and variability in demand by our reseller and contract assembly customers, which could decrease revenue and adversely affect our operating results.

We sell to our reseller and contract assembly customers on a purchase order basis rather than pursuant to long-term contracts or contracts with minimum purchase requirements. Consequently, our sales are subject to demand variability by our reseller and contract assembly customers. The level and timing of orders placed by our reseller and contract assembly customers vary for a variety of reasons, including seasonal buying by end-users, the introduction of new hardware and software technologies and general economic conditions. Customers submitting a purchase order may cancel, reduce or delay their orders. If we are unable to anticipate and respond to the demands of our reseller and contract assembly customers, we may lose customers because we have an inadequate supply of products, or we may have excess inventory, either of which may harm our business, financial position and operating results.

We are subject to the risk that our inventory value may decline, and protective terms under our OEM supplier agreements may not adequately cover the decline in value, which in turn may harm our business, financial position and operating results.

The IT products industry is

subject to rapid technological change, new and enhanced product specification requirements, and evolving industry standards. These changes may cause inventory on hand to decline substantially in value or to rapidly become obsolete. Most of our OEM suppliers offer limited protection from the

6

Table of Contents

loss in value of inventory. For example, we can receive a credit from many OEM suppliers for products held in inventory in the event of a supplier price reduction. In addition, we have a limited right to return a certain percentage of purchases to most OEM suppliers. These policies are subject to time restrictions and do not protect us in all cases from declines in inventory value. In addition, our OEM suppliers may become unable or unwilling to fulfill their protection obligations to us. The decrease or elimination of price protection or the inability of our OEM suppliers to fulfill their protection obligations could lower our gross margins and cause us to record inventory write-downs. If we are unable to manage our inventory with our OEM suppliers with a high degree of precision, we may have insufficient product supplies or we may have excess inventory, resulting in inventory write downs, either of which may harm our business, financial position and operating results.

We depend on OEM suppliers to maintain an adequate supply of products to fulfill customer orders on a timely basis, and any supply shortages or delays could cause us to be unable to timely fulfill orders, which in turn could harm our business, financial position and operating results.

Our ability to obtain particular products in the required quantities and to fulfill reseller customer orders on a timely basis is critical to our success. In most cases, we have no guaranteed price or delivery agreements with our OEM suppliers. We occasionally experience a supply shortage of certain products as a result of strong demand or problems experienced by our OEM suppliers. If shortages or delays persist, the price of those products may increase, or the products may not be available at all. In addition, our OEM suppliers may decide to distribute, or to substantially increase their existing distribution business, through other distributors, their own dealer networks, or directly to resellers. Accordingly, if we are not able to secure and maintain an adequate supply of products to fulfill our reseller customer orders on a timely basis, our business, financial position and operating results may be adversely affected.

We may suffer adverse consequences from changing interest rates.

Our short-term borrowings and off-balance sheet arrangements are variable rate obligations that could expose us to interest rate risks. At August 31, 2005, we had approximately $229.9 million in such variable rate obligations. If interest rates increase, our interest expense would increase, which would negatively affect our net income. Additionally, increasing interest rates may increase our future borrowing costs and restrict our access to capital.

A portion of our revenue is financed by floor plan financing companies and any termination or reduction in these financing arrangements could increase our financing costs and harm our business and operating results.

A portion of our distribution revenue is financed by floor plan financing companies. Floor plan financing companies are engaged by our customers to finance, or floor, the purchase of products from us. In exchange for a fee, we transfer the risk of loss on the sale of our products to the floor plan companies. We currently receive payment from these financing companies within approximately 15 business days from the date of the sale, which allows our business to operate at much lower relative working capital levels than if such programs were not available. If these floor plan arrangements are terminated or substantially reduced, the need for more working capital and the increased financing cost could harm our business and operating results. We have not experienced any termination or significant reduction in floor plan arrangements in the past.

We have significant credit exposure to our reseller customers, and negative trends in their businesses could cause us significant credit loss and negatively impact our cash flow and liquidity position.

We extend credit to our reseller customers for a significant portion of our sales to them.

Resellers have a period of time, generally 30 days after the date of invoice, to make payment. As a result, we are subject to the risk that our reseller customers will not pay for the products they purchase. In addition, our Mexico subsidiary is currently negotiating with a Mexico reseller customer a transaction which involves extended payment terms. Our credit exposure risk may increase due to liquidity or solvency issues experienced by our resellers as a result of an economic downturn or a decrease in IT spending by end-users. If we are unable to collect payment for products

	ONT>		
	(in thousands)	(in thousands)	
Gross profit	$ 164,176	$ 178,368	8.6%
Percentage of revenue	4.57%	4.52%	(1.1)%

Gross margins of 4.5% of revenue in fiscal 2003 remained virtually flat as compared with fiscal 2002. Overall gross margin was negatively impacted as the result of the change in revenue mix between our lower gross margin distribution business and our higher gross margin contract assembly business, however this was mostly offset by an increase in contract assembly gross margins. Distribution gross margin was essentially unchanged for fiscal 2003 as compared with fiscal 2002 as a result of our efforts to maintain our pricing policies in selling our products. However, we did experience a decline in our distribution gross margins in the third and fourth quarter of fiscal 2003 primarily due to increased sales volumes to larger customers, which generally carry lower margins and competitive pricing pressures. Contract assembly margins increased, primarily in the second half of the year, in fiscal 2003 compared to fiscal 2002 as a result of a favorable mix of products with higher gross margins.

Table of Contents

Selling, General and Administrative Expenses:

	Year Ended November 30, 2002 (in thousands)	Year Ended November 30, 2003 (in thousands)	% Change
Selling, general and administrative expenses	$ 114,657	$ 121,352	5.8%
Percentage of revenue	3.19%	3.08%	(3.4)%

The increase in selling, general and administrative expense was primarily a result of the commencement of our Mexico distribution operations in April 2002, which accounted for $3.4 million of the selling, general and administrative expense increase, a $2.0 million charge relating to the departure of a former executive officer, and a loss on a disposition of property and equipment of $0.9 million. Incremental expenses associated with our increased revenue in North America also contribute to the rise in selling, general and administrative expenses, however these were partially offset by decreases in selling, general and administrative expenses outside of North America and Mexico. Netted against selling, general and administrative expenses are reimbursements from OEM suppliers of $13.7 million for fiscal 2003, compared to $9.5 million fiscal 2002. The reimbursements relate to marketing, infrastructure and promotion programs such as advertisements in trade publications, direct marketing campaigns through mail and e-mail and product demonstrations at trade shows. We make the arrangements and pay for the advertising, facility fees and other costs of the programs, which feature the OEM suppliers products.

Income from Continuing Operations before Non-Operating Items, Income Taxes and Minority Interest:

	Year Ended November 30, 2002 (in thousands)	Year Ended November 30, 2003 (in thousands)	% Change
Income from continuing operations before non-operating items, income taxes and minority interest	$ 49,519	$ 57,016	15.1%
Distribution income from continuing operations before non-operating items, income taxes and minority interest	$ 42,124	$ 51,885	23.2%
Contract assembly income from continuing operations before non-operating items, income taxes and minority interest	$ 7,395	$ 5,131	(30.6)%

Income from continuing operations before non-operating items, income taxes and minority interest as a percentage of revenue improved slightly to 1.4% in fiscal 2003. On a segmented basis, our distribution operating income as a percentage of distribution revenue increased to approximately 1.4% in fiscal 2003 as compared to 1.3% in fiscal 2002, and our contract assembly operating income as a percentage of contract assembly revenue was approximately 2.2% in fiscal 2003 up from 2.0% in fiscal 2002. The increase in distribution operating margin was primarily due to efficiencies realized on higher revenues resulting in lower selling, general and administrative costs as a percentage of revenue, offset somewhat by the charge relating to the departure of our former executive officer and an operating loss in our Mexico operation. The loss in Mexico was primarily related to an increase in bad debt provisions. The increase in contract assembly operating margin was primarily due to the increase in gross margins resulting from a favorable product mix, as discussed above.

Interest Expense and Finance Charges, net:

Year Ended November 30, 2002	Year Ended November 30, 2003	% Change

we ship to our reseller customers or if our reseller customers are unable to timely pay for the products we ship to them, it will be more difficult or costly to utilize receivable-based financing, which could negatively impact our cash flow and liquidity position.

We experienced theft of product from our warehouses and future thefts could harm our operating results.

From time to time we have experienced incidents of theft at various facilities. In fiscal 2003 and fiscal 2005 we experienced theft as a result of break-ins at four of our warehouses in which approximately $13.4 million of inventory was stolen. Based on our investigation, discussions with local law enforcement and meetings with federal authorities, we believe the thefts at our warehouses were part of an organized crime effort that targeted a number of technology equipment warehouses throughout the United States.

As a result of the losses in 2003, we reduced our inventory value by $9.4 million, and recorded estimated proceeds, net of deductibles as a receivable from our insurance company, included within other current assets on our balance sheet as of November 30, 2003. In January 2004 we received a final settlement from our insurance company that amounted to substantially all of the receivables recorded as of November 30, 2003.

In March 2005 approximately $4.0 million of inventory was stolen from our facility in the City of Industry, California. We have filed a claim with our insurance provider for the amount of the loss, less a small deductible. To date, we have received $1.8 million of the claimed amount. Based on the information we have received to date from our insurance provider, we expect the remaining claim to be collected.

These types of incidents may make it more difficult or expensive for us to obtain theft coverage in the future. In the future, incidents of theft may re-occur for which we may not be fully insured.

A significant portion of our contract assembly revenue comes from a single customer, and any decrease in sales from this customer could adversely affect our revenue.

As a result of product transitions, product life cycle, product acceptance and pricing pressure, our business with Sun Microsystems, our primary contract assembly customer, has decreased. Sun Microsystems accounted for approximately $400.7 million or 97% of our contract assembly revenue in the nine months ended August 31, 2004 and approximately $366.4 million or 93% in the nine months ended August 31, 2005. Our contract assembly business will remain dependent on our relationship with Sun Microsystems in the foreseeable future, subjecting us to risks with respect to the success and life cycle of Sun Microsystems products we assemble and the pricing terms we negotiate with Sun Microsystems and our suppliers. Accordingly, if we are unable to assemble new and successful products for Sun Microsystems on appropriate pricing terms, our business and operating results would be adversely affected.

The future success of our relationship with Sun Microsystems also depends on MiTAC International continuing to work with us to service Sun Microsystems requirements at an appropriate cost. We rely on MiTAC International to manufacture and supply subassemblies and components for the computer systems we assemble for Sun Microsystems. As MiTAC International s ownership interest in us decreases as a result of this offering and subsequent sales, MiTAC International s interest in the success of our business and operations may decrease as well. If we are unable to maintain our relationship and appropriate pricing terms with MiTAC International, our relationship with Sun Microsystems could suffer, which in turn could harm our business, financial position and operating results. In addition, if we

were unable to
obtain assembly
contracts for new
and successful
products our
business and
operating results
would suffer.

8

Table of Contents

We have pursued and intend to continue to pursue strategic acquisitions or investments in new markets and may encounter risks associated with these activities, which could harm our business and operating results.

We have in the past pursued and in the future expect to pursue acquisitions of, or investments in, businesses and assets in new markets, either within or outside the IT products industry, that complement or expand our existing business. Our acquisition strategy involves a number of risks, including:

- difficulty in successfully integrating acquired operations, IT systems, customers, OEM supplier and partner relationships, products and businesses with our operations;

- loss of key employees of acquired operations or inability to hire key employees necessary for our expansion;
- diversion of our capital and management attention away from other business issues;
- an increase in our expenses and working capital requirements;
- in the case of acquisitions that we may make outside of the United States, difficulty in operating in foreign countries and over significant geographical distances; and
- other financial risks, such as potential liabilities of the businesses we acquire.

Our growth may be limited and our competitive position may be harmed if we are unable to identify, finance and complete future acquisitions. We believe that further expansion may be a prerequisite to our long-term success as some of our competitors in the IT product distribution industry have larger international operations, higher revenues and greater financial resources than us. We have incurred costs and encountered difficulties in the past in connection with our acquisitions and investments. For example, our operating margins were initially adversely affected as a result of our acquisition of Merisel Canada Inc. and we have written off substantial investments in the past, one of which was eManage.com, Inc. Also, our recent acquisition of EMJ Data Systems, Ltd., or EMJ, caused an initial negative effect on our operating margins as we integrated EMJ s systems, operations and personnel. Future acquisitions may result in dilutive issuances of equity securities, the incurrence of additional debt, large write-offs, a decrease in future profitability, or future losses. The incurrence of debt in connection with any future acquisitions could restrict our ability to obtain working capital or other financing necessary to operate our business. Our recent and future acquisitions or investments may not be successful, and if we fail to realize the anticipated benefits of these acquisitions or investments, our business and operating results could be harmed.

We are dependent on a variety of IT and telecommunications systems, and any failure of these systems could adversely impact our business and operating results.

We depend on IT and telecommunications systems for our operations. These systems support a variety of functions, including inventory management, order processing, shipping, shipment tracking and billing.

Failures or significant downtime of our IT or telecommunications systems could prevent us from taking customer orders, printing product pick-lists, shipping products or billing customers. Sales also may be affected if our reseller customers are unable to access our price and product availability information. We also rely on the Internet, and in particular electronic data interchange, or EDI, for a large portion of our orders and information exchanges with our OEM suppliers and reseller customers. The Internet and individual web sites have experienced a number of disruptions and slowdowns, some of which were caused by organized attacks. In addition, some web sites have experienced security breakdowns. If we were to experience a security breakdown, disruption or breach that compromised sensitive information, it could harm our relationship with our OEM suppliers or reseller customers. Disruption of our web site or the Internet in general could impair our order processing or more generally prevent our OEM suppliers or reseller customers from accessing information. The occurrence of any of these events could have an adverse effect on our business and operating results.

Table of Contents

We rely on independent shipping companies for delivery of products, and price increases or service interruptions from these carriers could adversely affect our business and operating results.

We rely almost entirely on arrangements with independent shipping companies, such as FedEx and UPS, for the delivery of our products from OEM suppliers and delivery of products to reseller customers. Freight and shipping charges can have a significant impact on our gross margin. As a result, an increase in freight surcharges due to rising fuel cost or general price increases will have an immediate adverse effect on our margins, unless we are able to pass the increased charges to our reseller customers or renegotiate terms with our OEM suppliers. In addition, in the past, UPS has experienced work stoppages due to labor negotiations with management. The termination of our arrangements with one or more of these independent shipping companies, the failure or inability of one or more of these independent shipping companies to deliver products, or the unavailability of their shipping servi/P>

	(in thousands)	(in thousands)	
Interest expense and finance charges, net	$ 6,182	$ 7,007	13.3%

The increase in interest expense and finance charges, net, was primarily the result of increased borrowing activity in fiscal 2003 compared to fiscal 2002 in order to support our increase in revenue and operations.

38

Table of Contents

Other Income (Expense), net:

	Year Ended November 30, 2002 (in thousands)	Year Ended November 30, 2003 (in thousands)	% Change

Because we conduct substantial operations in China, risks associated with economic, political and social events in China could negatively affect our business and operating results.

A substantial portion of our IT systems operations, including our IT systems support and software development operations, is located in China. In addition, we also conduct general and administrative activities from our facility in China. As of August 31, 2005, we had 379 personnel located in China. We expect to increase our operations in China in the future. Our operations in China are subject to a number of risks relating to China s economic and political systems, including:

a government controlled foreign exchange rate and limitations on the convertibility of the Chinese renminbi;

extensive government regulation;

Other income (expense), net	$	1,169	$	(3,478)	(397.5)%

Other income (expense), net, increased in fiscal 2003 from fiscal 2002 primarily due to a $4.7 million increase in foreign currency transaction losses. The foreign currency transaction losses were incurred primarily as a result of purchases of forward contracts not conducted within normal Company hedging practices and procedures, combined with a weakening U.S. dollar.

Provision for Income Taxes. Income taxes consist of our current and deferred tax expense resulting from our income earned in domestic and foreign jurisdictions. Our effective tax rate was 36.7% in fiscal 2003 as compared with an effective tax rate of 37.4% in fiscal 2002. The decrease in our income tax provision and effective tax rate was primarily a result of the lower effective tax rate of our subsidiaries in Canada and China.

Minority Interest. Minority interest is the portion of earnings from operations from our subsidiaries attributable to other owners of the subsidiaries. Our subsidiary in Mexico has minority stockholders. Minority interest benefit increased to $267,000 in fiscal 2003 from ONT FACE="WINGDINGS" SIZE="2" COLOR="#000000"> changing governmental policies relating to tax benefits available to foreign-owned businesses;

the telecommunications infrastructure;

a relatively uncertain legal system; and uncertainties related to continued economic and social reform.

In addition, external events in Asia, such as the 2003 outbreak of severe acute respiratory syndrome, or SARS, and heightened political tensions in this region may adversely affect our business by disrupting the IT supply chain, restricting travel or interfering with the electronic and communications infrastructure.

Our IT systems are an important part of our global operations. Any significant interruption in service, whether resulting from any of the above uncertainties, natural disasters or otherwise, could result in delays in our inventory purchasing, errors in order fulfillment, reduced levels of customer service and other disruptions in operations, any of which could cause our business and operating results to suffer.

Changes in foreign exchange rates and limitations on the convertibility of foreign currencies could adversely affect our business and operating results.

Quarterly Financial Data

The following tables set forth certain unaudited statements of operations in thousands, for the seven quarters ended August 31, 2005. This quarterly financial data has been adjusted to give effect to the discontinued operations resulting from the sale of our Japan subsidiary during the second quarter of fiscal 2005. The unaudited statements of operations data contained herein have been prepared on the same basis as the audited consolidated financial statements and, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, that we consider necessary for fair statement of such information when read together with the consolidated financial statements and related notes thereto appearing elsewhere in this prospectus. The operating results for any quarter should not be considered indicative of the results of any future period.

	Fiscal 2004				**Fiscal 2005**		
	Three Months Ended				**Three Months Ended**		
	Feb. 29, 2004	**May 31, 2004**	**Aug. 31, 2004**	**Nov. 30, 2004**	**Feb. 28, 2005**	**May 31, 2005**	**Aug. 31, 2005**
				(in thousands)			
Revenue	$ 1,174,683	$ 1,231,208	$ 1,303,741	$ 1,440,815	$ 1,309,763	$ 1,346,328	$ 1,391,590
Cost of revenue	(1,124,441)	(1,179,999)	(1,251,080)	(1,379,555)	(1,253,629)	(1,289,772)	(1,332,612)
Gross profit	50,242	51,209	52,661	61,260	56,134	56,556	58,978
Selling, general and administrative expenses	(33,126)	(32,664)	(33,772)	(38,150)	(39,712)	(38,159)	(39,249)
Income from continuing operations before non-operating items, income taxes and minority interest	17,116	18,545	18,889	23,110	16,422	18,397	19,729
Interest expense and finance charges, net	(2,083)	(1,705)	(1,378)	(2,793)	(3,812)	(3,521)	(3,777)
Other income (expense), net	(321)	(836)	241	16	709	949	(1,155)
Income from continuing operations before income taxes and minority interest	14,712	16,004	17,752	20,333	13,319	15,825	14,797
Provision for income taxes	(5,346)	(6,021)	(6,382)	(5,342)	(5,042)	(6,006)	(5,759)

Minority interest in subsidiary	150	94	76		26	32

10

Table of Contents

activities, which involve the use of currency forward contracts. Hedging foreign currencies can be risky. For example, in fiscal 2003 we incurred $3.7 million of foreign currency transaction losses as a result of purchases of forward contracts not conducted within our normal hedging practices and procedures, combined with a weakening U.S. dollar. There is also additional risk if the currency is not freely or actively traded. Some currencies, such as the Chinese renminbi, are subject to limitations on conversion into other currencies, which can limit our ability to hedge or to otherwise react to rapid foreign currency devaluations. We cannot predict the impact of future exchange rate fluctuations on our business and operating results.

Because of the experience of our key personnel in the IT products industry and their technological expertise, if we were to lose any of our key personnel, it could inhibit our ability to operate and grow our business successfully.

We operate in the highly competitive IT products industry. We are dependent in large part on our ability to retain the services of our key senior executives and other technical experts and personnel. Our employees and executives do not have employment agreements. Furthermore, we do not carry key person insurance coverage for any of our key executives. We compete for qualified senior management and technical personnel. The loss of, or inability to hire, key executives or qualified employees could inhibit our ability to operate and grow our business successfully.

We may become involved in intellectual property or other disputes that could cause us to incur substantial costs, divert the efforts of our management, and require us to pay substantial damages or require us to obtain a license, which may not be available on commercially reasonable terms, if at all.

We may from time to time receive notifications alleging infringements of intellectual property rights allegedly held by others relating to our business or the products we sell or assemble for our OEM suppliers and others. Litigation with respect to patents or other intellectual property matters could result in substantial costs and diversion of management and other resources and could have an adverse effect on our business. Although we generally have various levels of indemnification protection from our OEM suppliers and contract assembly customers, in many cases any indemnification to which we may be entitled is subject to maximum limits or other restrictions. In addition, we have developed proprietary IT systems that play an important role in our business. If any infringement claim is successful against us and if indemnification is not available or sufficient, we may be required to pay substantial damages or we may need to seek and obtain a license of the other party s intellectual property rights. We may be unable to obtain such a license on commercially reasonable terms, if at all.

We are from time to time involved in other litigation in the ordinary course of business. For example, we are currently defending a trademark infringement action and a civil matter involving third party investors in eManage.com, Inc. and are appeaT FACE="Times New Roman" SIZE="1">56

Because of the capital-intensive nature of our business, we need continued access to capital, which, if not available to us or if not available on favorable terms, could harm our ability to operate or expand our business.

Our business requires significant levels of capital to finance accounts receivable and product inventory that is not financed by trade creditors. If cash from available sources is insufficient, proceeds from our accounts receivable securitization program are limited or cash is used for unanticipated needs, we may require additional capital sooner than anticipated. In the event we are required, or elect, to raise additional funds, we may be unable to do so on favorable terms, or at all. Our current and future indebtedness could adversely affect our operating results and severely limit our ability to plan for, or react to, changes in our business or industry. We could also be limited by financial and other restrictive covenants in any credit arrangements, including limitations on our borrowing of additional funds and issuing dividends. Furthermore, the cost of debt financing has increased

Table of Contents

recently and could significantly increase in the future, making it cost prohibitive to borrow, which could force us to issue new equity securities.

If we issue new equity securities, existing stockholders may experience additional dilution, or the new equity securities may have rights, preferences or privileges senior to those of existing holders of common stock. If we cannot raise funds on acceptable terms, we may not be able to take advantage of future opportunities or respond to competitive pressures or unanticipated requirements. Any inability to raise additional capital when required could have an adverse effect on our business and operating results.

The terms of our indebtedness agreements impose significant restrictions on our ability to operate which in turn may negatively affect our ability to respond to business and market conditions and therefore have an adverse effect on our business and operating results.

As of August 31, 2005, we had approximately $61.7 million in outstanding short and long-term borrowings under term loans and lines of credit, excluding trade payables. As of August 31, 2005, approximately $170.9 million of our accounts receivable were sold to and held by two financial institutions under our accounts receiD VALIGN="bottom">

Income from continuing operations

9,516 10,077 11,446 15,047 8,303 9,851 9,038

incur additional indebtedness;

pay dividends or make certain other restricted payments;

consummate certain asset sales or acquisitions;

enter into certain transactions with affiliates; and

Income from discontinued operations, net of tax

137 134 3 205 304 207

Gain on sale of discontinued operations, net of tax

12,323

Net income

$9,653 $10,211 $11,449 $ merge, consolidate or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of our assets.

We are also required to maintain specified financial ratios and satisfy certain financial condition tests, including minimum net worth and fixed charge coverage ratio as outlined in our senior secured revolving line of credit arrangement. We may be unable to meet these ratios and tests, which could result in the acceleration of the repayment of the related debt, the termination of the facility or the increase in our effective cost of funds. As a result, our ability to operate may be restricted and our ability to respond to business and market conditionRoman" SIZE="1">15,252

$8,607 $22,381 $9,038

39

Table of Contents

Our operating results have fluctuated, and will fluctuate in the future, as a result of many factors, including general economic conditions and level of IT spending, the loss or consolidation of one or more of our significant OEM suppliers or customers, market acceptance and product life of the products we assemble and distribute, competitive conditions in our industry that impact our margins, pricing and other terms with our OEM suppliers, and variations in our levels of excess inventory and doubtful accounts. Although we attempt to control our expense levels, these levels are based, in part, on anticipated revenue. Therefore we may not be able to control spending in a timely manner to compensate for any unexpected revenue shortfall. You should not rely on period-to-period comparisons of our operating results as an indication of future performance. The results of any quarterly period are not indicative of results to be expected for a full fiscal year. In future quarters, our operating results may be below our expectations or those of our public market analysts or investors, which would likely cause our share price to decline.

Liquidity and Capital Resources

Cash Flows

Our business is working capital intensive. Our working capital needs are primarily to finance accounts receivable and inventory. We rely heavily on debt, accounts receivable flooring programs and the sale of our accounts receivable under our securitization program for our working capital needs.

We have financed our growth and cash needs to date primarily through working capital financing facilities, bank credit lines and cash generated from operations. The primary uses of cash have been to fund increases in inventory and accounts receivable resulting from increased sales, and for acquisitions.

We had positive net working capital of $316.9 and $342.2 million at November 30, 2004 and August 31, 2005, respectively. We believe that cash flows from operations, our current cash balance and funds available under our working capital and credit facilities will be sufficient to meet our working capital needs and planned capital expenditures for the next 12 months.

To increase our market share and better serve our customers, we may further expand our operations through investments or acquisitions. We expect that this expansion would require an initial investment in personnel, facilities and operations, which may be more costly than similar investments in current operations. As a result of these investments, we may experience an increase in cost of sales and operating expenses that is disproportionate to revenue from those operations. These investments or acquisitions would likely be funded primarily by incurring additional debt or issuing additional capital stock.

Net cash provided by operating activities was $69.3 million in fiscal 2002. Cash provided by operations in fiscal 2002 was primarily attributable to net income of $28.0 million plus depreciation and amortization of $8.3 million. Also contributing to the cash provided by operations was an increase in cash from net working capital of $32.7 million. The increase in cash from working capital was primarily attributable to a net increase in sales of our accounts receivable under our accounts receivable securitization program of $86.0 million in fiscal 2002. The cash used for working capital in fiscal 2002 was primarily due to increases in accounts receivable, inventory and other assets as well as a decrease in payable to affiliates, partially offset by increases in accounts payable and accrued liabilities. The fluctuations in our accounts receivable, inventory, other assets, accounts payable and accrued liabilities were primarily related to the increase in our distribution revenue in the period. The decrease in payable to affiliates was primarily related to the decline in our contract assembly operations in fiscal 2002.

Net cash used in operating activities was $12.7 million in fiscal 2003. Cash used in operating activities in fiscal 2003 was primarily attributable to cash generated from net income of $30.0 million and depreciation and amortization of $7.4 million offset by the use of cash for working capital of $51.2 million. The cash used for working capital in fiscal 2003 was primarily due to increases in accounts receivable, receivables from vendors and inventory, partially offset by increases in accounts payable and payables to affiliates. The fluctuations in these working capital balances were primarily due to our strategy to increase inventory levels to support market

Table of Contents

share increases and overall higher revenue levels and a net increase in sales of accounts receivable under our securitization program of $52.0 million.

Net cash provided by operating activities was $0.2 million in fiscal 2004. Cash provided by operating activities in fiscal 2004 was primarily attributable to cash generated from net income of $46.6 million and depreciation and amortization of $7.8 million offset by the use of cash for working capital of $58.1 million. The cash used for working capital in fiscal 2004 was primarily due to increases in accounts receivable, receivables from vendors and inventory, partially offset by increases in accounts payable and payables to affiliates. The fluctuations in these working capital balances were primarily due to our over all increase in revenue in fiscal 2004. Also contributing to the cash used for working capital was a net decrease in sales of our accounts receivable under our accounts receivable securitization program of $13.7 million in fiscal 2004.

Net cash used in operating activities was $4.4 million in the nine months ended August 31, 2005. Cash used in operating activities in the nine months ended August 31, 2005 was primarily attributable to a decrease of $20.5 million for stock received from the sale of SYNNEX K.K. and $39.9 million from a decrease in net working capital. These amounts were partially offset by $40.0 million from net income and $6.6 million from depreciation and amortization. The decrease in cash from net working capital in the nine months ended August 31, 2005 was primarily due to increases in inventories and accounts receivable. The fluctuations in these working capital balances were also affected by a net decrease of $25.4 million in sales of accounts receivable to two financial institutions under our securitization program.

Net cash used in investing activities was $63.0 million in fiscal 2002, $2.3 million in fiscal 2003 and $49.6 million in fiscal 2004. The use of cash in fiscal 2004 was primarily the result of the acquisition of EMJ Data Systems Limited for $42.2 million and capital expenditures of $6.4 million, mostly for leasehold improvements and computer equipment upgrades. The use of cash in fiscal 2003 was primarily the result of a final payment of $1.5 million to Arrow Electronics for our Gates/Arrow Distributing acquisition and capital expenditures of $2.9 million. The use of cash in fiscal 2002 was primarily a result of our acquisition of Gates/Arrow Distributing for $42.9 million, net of cash acquired, and capital expenditures of $8.9 million.

Net cash used in investing activities was $6.3 million in the nine months ended August 31, 2005. The use of cash was primarily the result of a $3.0 million investment in Microland, the final payments for the acquisitions of EMJ and BSA Sales, Inc. of $4.8 million and capital expenditures of $4.9 million, partially offset by a decrease in restricted cash of $2.0 million. The capital expenditures were mostly for the purchase of land associated with a building we already owned at our UK subsidiary, and computer equipment upgrades.

Net cash used in financing activities of $7.3 million in fiscal 2002 was primarily due to the net repayment of borrowings under our credit facilities. Net cash provided by financing activities was $19.9 million in fiscal 2003 and was primarily related to our cash overdraft of $9.8 million and net borrowings under our credit facilities. Net cash provided by financing activities was $56.8 million in fiscal 2004 and was primarily related to proceeds from our initial public offering and stock option exercises of $61.0 million and our cash overdraft of $2.9 million, offset by net debt payments of $7.0 million.

We have significant operations concentrated in Northern California, South Carolina, Toronto and Beijing and any disruption in the operations of our facilities could harm our business and operating results.

Our worldwide operations could be subject to natural disasters and other business disruptions, which could seriously harm our revenue and financial condition and increase our costs and expenses. We have significant operations in our facilities located in Fremont, California, Greenville, South Carolina, Toronto and Beijing. As a result, any prolonged disruption in the operations of our facilities, whether due to technical difficulties, power failures, break-ins, destruction or damage to the facilities as a result of a natural disaster, fire or any other reason, could harm our operating results. We currently do not have a formal disaster recovery plan and may not have sufficient business interruption insurance to compensate for losses that could occur.

Global health, economic, political and social conditions may harm our ability to do business, increase our costs and negatively affect our stock price.

External factors such as potential terrorist attacks, acts of war, geopolitical and social turmoil or epidemics such as SARS and other similar outbreaks in many parts of the world could prevent or hinder our ability to do business, increase our costs and negatively affect our stock price. For example, increased instability may adversely impact the desire of employees and customers to travel, the reliability and cost of transportation, our ability to obtain adequate insurance at reasonable rates or require us to incur increased costs for security

Table of Contents

measures for our domestic and international operations. These uncertainties make it difficult for us and our customers to accurately plan future business activities. More generally, these geopolitical social and economic conditions could result in increased volatility in the United States and worldwide financial markets and economy. We are predominantly uninsured for losses and interruptions caused by terrorist acts and acts of war.

Part of our business is conducted outside of the United States, exposing us to additional risks that may not exist in the United States, which in turn could cause our business and operating results to suffer.

We have international operations in Canada, China, Mexico and the United Kingdom. In the nine months ended August 31, 2004 and 2005, approximately 17% and 20%, respectively, of our total revenue was generated outside the United States. In the nine months ended August 31, 2004 and 2005, approximately 11% and 15%, respectively, of our total revenue was generated in Canada. No other country or region accounted for more than 10% of our total revenue. Our international operations are subject to risks, including:

- political or economic instability;
- changes in governmental regulation;
- changes in import/export duties;
- trade restrictions;
- difficulties and costs of staffing and managing operations in certain foreign countries;
- work stoppages or other changes in labor conditions;
- difficulties in collecting of accounts receivables on a timely basis or at all;
- taxes; and
- seasonal reductions in business activity in some parts of the world.

We may continue to expand internationally to respond to competitive pressure and customer and market requirements. Establishing operations in any other foreign country or region presents risks such as those described above as well as risks specific to the particular country or region. In addition, until a payment history is established over time with customers in a new geography or region, the likelihood of collecting receivables generated by such operations could be less than our expectations. As a result, there is a greater risk that reserves set with respect to the collection of such receivables may be inadequate. In addition, our Mexico subsidiary is currently negotiating with a Mexico reseller customer a transaction which involves extended payment terms, which could expose us to additional collection risks. Further, if our international expansion efforts in any foreign country are unsuccessful, we may decide to cease operations, which would likely cause us to incur similar additional expenses and loss.

In addition, changes in policies or laws of the United States or foreign governments resulting in, among other things, higher taxation, currency conversion limitations, restrictions on fund transfers or the expropriation of private enterprises, could reduce the anticipated benefits of our international expansion. Furthermore, any actions by countries in which we conduct business to reverse policies that encourage foreign trade or investment could adversely affect our business. If we fail to realize the anticipated revenue growth of our future international operations, our business and operating results could suffer.

Risks Related to Our Relationship with MiTAC International

We rely on MiTAC International for certain manufacturing and assembly services and the loss of these services would require us to seek alternate providers that may charge us more for their services.

We rely on MiTAC International to manufacture and supply subassemblies and components for some of our contract assembly customers, including Sun Microsystems, our primary contract assembly customer, and our reliance on MiTAC International may increase in the future. Our relationship with MiTAC International has been

Table of Contents

informal and is not governed by long-term commitments or arrangements with respect to pricing terms, revenue or capacity commitments. Accordingly, we negotiate manufacturing and pricing terms on a project-by-project basis, based on manufacturing services rendered by MiTAC International or us. As MiTAC s ownership interest in us decreases as a result of this offering and subsequent sales, MiTAC s interest in the success of our business and operations may decrease as well. In the event MiTAC International no longer provides such services and components to us, we would need to find an alternative source for these services and components. We may be unable to obtain alternative services and components on similar terms, which may in turn increase our manufacturing costs. In addition, we may not find manufacturers with sufficient capacity, which may in turn lead to shortages in our product supplies. Increased costs and products shortages could harm our business and operating results.

Our business relationship with MiTAC International has been and will continue to be negotiated as related parties and therefore may not be the result of arms -length negotiations between independent parties. Our relationship, including pricing and other material terms with our shared customers or with MiTAC International, may or may not be as advantageous to us as the terms we could have negotiated with unaffiliated third parties. We have a joint sales and marketing agreement with MiTAC International, pursuant to which both parties agree to use their commercially reasonable efforts to promote the other party s service offerings to their respective customers who are interested in such product offerings. To date, there has not been a significant amount of sales attributable to the joint marketing agreement. This agreement does not provide for the terms upon which we negotiate manufacturing and pricing terms. These negotiations have been on a case-by-case basis. The agreement had an initial term of one year and will automatically renew for subsequent one-year terms unless either party provides written notice of non-renewal within 90 days of the end of any renewal term. The agreement may also be terminated without cause either by the mutual written agreement of both parties or by either party without cause upon 90 days prior written notice of termination to the other party. Either party may immediately terminate the agreement by providing written notice (a) of the other party s material breach of any provision of the agreement and failure to cure within 30 days, or (b) if the other party becomes bankrupt or insolvent. In addition, we are party to a general agreement with MiTAC International and Sun Microsystems under which we work with MiTAC International to provide contract assembly services to Sun Microsystems.

Some of our customer relationships evolved from relationships between such customers and MiTAC International and the loss of such relationships could harm our business and operating results.

Our relationship with Sun Microsystems and some of our other customers evolved from customer relationships that were initiated by MiTAC International. Our relationship with Sun Microsystems is a joint relationship with MiTAC International and us, and the future success of our relationship with Sun Microsystems depends on MiTAC International continuing to work with us to service Sun Microsystems requirements. The original agreement between Sun Microsystems and MiTAC International was signed on August 28, 1999 and we became a party to the agreement on February 12, 2002. Substantially all of our contract assembly services to Sun Microsystems are covered by the general agreement. The agreement continues indefinitely until terminated in accordance with its terms. Sun Microsystems may terminate this agreement for any reason on 60 days written notice. Any party may terminate the agreement with written notice if one of the other parties materially breaches any provision of the agreement and the breach is incapable of being cured or is not cured within 30 days. The agreement may also be terminated on written notice if one of the other parties becomes bankrupt or insolvent. If we are unable to maintain our relationship with MiTAC International, our relationship with Sun Microsystems could suffer and we could lose other customer relationships or referrals, which in turn could harm our business, financial position and operating results.

There could be potential conflicts of interest between us and affiliates of MiTAC International, which could impact our business and operating results.

MiTAC International s and its affiliates continuing beneficial ownership of our common stock could create conflicts of interest with respect to a variety of matters, such as potential acquisitions, competition, issuance or disposition of securities, election of directors, payment of dividends and other business matters. Similar risks

14

Table of Contents

could exist as a result of Matthew Miau s positions as our Chairman, the Chairman of MiTAC International and as a director or officer of MiTAC International s affiliated companies. For fiscal year 2005, Mr. Miau will receive a retainer of $225,000 from us. Compensation payable to Mr. Miau is based upon the recommendation of the Compensation Committee and subject to the approval of the Board of Directors. We also have adopted a policy requiring material transactions in which any of our directors has a potential conflict of interest to be approved by our Audit Committee, which is composed of disinterested members of the Board.

Synnex Technology International Corp., or Synnex Technology International, a publicly traded company based in Taiwan and affiliated with MiTAC International, currently provides distribution and fulfillment services to various markets in Asia and Australia, and is also a potential competitor of ours. Mitac Incorporated, a privately held company based in Taiwan and a separate entity from MiTAC International, directly and indirectly owns approximately 15.6% of Synnex Technology International and approximately 9.0% of MiTAC International. MiTAC International directly and indirectly owns 0.3% of Synnex Technology International and Synnex Technology International directly and indirectly owns approximately 0.6% of MiTAC International. In addition, MiTAC International directly and indirectly owns approximately 8.9% of Mitac Incorporated and Synnex Technology International directly and indirectly owns approximately 14.4% of Mitac Incorporated. Synnex Technology International indirectly through its ownership of Peer Developments Limited owns approximately 18.4% of our outstanding common stock. Neither MiTAC International nor Synnex Technology International is restricted from competing with us. In the future, we may increasingly compete with Synnex Technology International, particularly if our business in Asia expands or Synnex Technology International expands its business into geographies or customers we serve. Although Synnex Technology International is a separate entity from us, it is possible that there will be confusion as a result of the similarity of our names. Moreover, we cannot limit or control the use of the Synnex name by Synnex Technology International or MiTAC International, and our use of the Synnex name may be restricted as a result of registration of the name by Synnex Technology International or the prior use in jurisdictions where they currently operate.

As of September 30, 2005, our executive officers, directors and principal stockholders beneficially owned approximately 80% of our common stock and this concentration of ownership allows them to control all matters requiring stockholder approval and could delay or prevent a change in control of SYNNEX.

As of September 30, 2005, our executive officers, directors and principal stockholders beneficially owned approximately 80% of our outstanding common stock. In particular, MiTAC International and its affiliates, beneficially owned approximately 67% of our common stock. After giving effect to this offering, MiTAC International will beneficially own approximately 58% of our common stock and if the underwriters exercise the over-allotment in full, it will beneficially own approximately 57% of our common stock.

MiTAC International and its affiliates own a controlling interest in us as of September 30, 2005. As a result, MiTAC International will be able to control the outcome of matters submitted to the stockholders including any acquisition or sale of us. In addition, MiTAC International s interests and ours may increasingly conflict. For example, we rely on MiTAC International for certain manufacturing and supply services and for relationships with certain key customers. As a result of a decrease in their ownership in us, we may lose these services and relationships, which may lead to increased costs to replace the lost services and the loss of certain key customers. We cannot predict the likelihood that we may incur increased costs or lose customers if MiTAC International s ownership percentage of us decreases in the future.

Risks Related to Our Industry

Volatility in the IT industry could have a material adverse effect on our business and operating results.

The IT industry in which we operate has experienced decreases in demand. Softening demand for our products and services caused by an ongoing economic downturn and over-capacity were responsible, in part, for a decline in our revenue in fiscal 2001, as well as problems with the saleability of inventory and collection of reseller customer receivables.

Table of Contents

The North American economy and market conditions continue to be challenging in the IT industry. As a result, individuals and companies may delay or reduce expenditures, including those for IT products. While in the past we may have benefited from the consolidation in our industry resulting from the slowdown, further delays or reductions in IT spending in particular, and economic weakness generally, could have an adverse effect on our business and operating results.

Our distribution business may be adversely affected by some Orgin-top:0px;margin-bottom:0px; text-indent:4%">Net cash used in financing activities was $7.4 million in the nine months ended August 31, 2005 and was primarily related to net debt payments of $12.0 million and cash overdraft of $2.5 million, offset by proceeds from issuances of common stock of $8.2 million.

Capital Resources

Our cash and cash equivalents totaled $28.7 million and $9.9 million at November 30, 2004 and August 31, 2005, respectively.

Table of Contents

Off-Balance Sheet Arrangements

We have a six-year revolving accounts receivable securitization program in the United States, which provides for the sale of up to $275.0 million of U.S. trade accounts receivable to two financial institutions. The program expires in August 2008. In connection with this program substantially all of our U.S. trade accounts receivable are transferred without recourse to our wholly owned subsidiary, which, in turn, sells the accounts receivable to the financial institutions. Sales of the accounts receivables to the financial institutions under this program result in a reduction of total accounts receivable in our consolidated balance sheet. The remaining accounts receivable not sold to the financial institutions are carried at their net realizable value, including an allowance for doubtful accounts. Our effective borrowing cost under the program is the prevailing commercial paper rate of return plus 0.90% per annum. Subsequent to August 31, 2005, the program was amended to reduce this amount to 0.75%. At November 30, 2004 and August 31, 2005, the amount of our accounts receivable sold EM suppliers strategies to increase their direct sales, which in turn could cause our business and operating results to suffer.

Consolidation of OEM suppliers has resulted in fewer sources for some of the products that we distribute. This consolidation has also resulted in larger OEM suppliers that have significant operating and financial resources. Some OEM suppliers, including some of the leading OEM suppliers that we service, have been selling a greater volume of products directly to end-users, thereby limiting our business opportunities. If large OEM suppliers continue the trend to sell directly to our resellers, rather than use us as the distributor of their products, our business and operating results will suffer.

OEMs are limiting the number of supply chain service providers with which they do business, which in turn could negatively impact our business and operating results.

Currently, there is a trend towards reducing the number of authorized distributors used by OEM suppliers. As a smaller market participant in the IT product distribution and contract assembly industries, than some of our competitors, we may be more susceptible to loss of business from further reductions of authorized distributors or contract assemblers by IT product OEMs. For example, the termination of Sun Microsystems contract assembly business with us would have a significant negative effect on our revenue and operating results. A determination by any of our primary OEMs to consolidate their business with other distributors or contract assemblers would negatively affect our business and operating results.

The IT industry is subject to rapidly changing technologies and process developments, and we may not be able to adequately adjust our business to these changes, which in turn would harm our business and operating results.

Dynamic changes in the IT industry, including the consolidation of OEM suppliers and reductions in the number of authorized distributors used by OEM suppliers, have resulted in new and increased responsibilities for management personnel and have placed, and continue to place, a significant strain upon our management, operating and financial systems and other resources. We may be unable to successfully respond to and manage our business in light of industry developments and trends. Also crucial to our success in managing our operations will be our ability to achieve additional economies of scale. Our failure to achieve these additional economies of scale or to respond to changes in the IT industry could adversely affect our business and operating results.

We are subject to intense competition in the IT industry, both in the United States and internationally, and if we fail to compete successfully, we will be unable to gain or retain market share.

We operate in a highly competitive environment, both in the United States and internationally. The IT product distribution and contract assembly industries are characterized by intense competition, based primarily on product availability, credit availability, price, speed of delivery, ability to tailor specific solutions to customer needs, quality and depth of product lines, pre-sale and post-sale technical support, flexibility and timely response to design changes, technological capabilities, service and support. We compete with a variety of regional, national and international IT product distributors and contract manufacturers and assemblers. In some instances, we also compete with our own customers, our own OEM suppliers and MiTAC International.

Our primary competitors are substantially larger and have greater financial, operating, manufacturing and marketing resources than us. Some of our competitors may have broader geographic breadth and range of services than us and may have more developed relationships with their existing customers. We may lose market

a minimum net worth at the end of each fiscal quarter in each fiscal year ending on or after November 30, 2003 of not less than (i) the minimum net worth required under the arrangement for the immediately preceding fiscal year plus (ii) an amount equal to 50% of the positive net income of us and our subsidiaries on a consolidated basis for the immediately preceding fiscal year plus (iii) an amount equal to 100% of the amount of any equity raised by or capital contributed to us during the immediately preceding fiscal year;

a fixed charge ratio for each rolling period from and after the closing of the arrangement of not less than 1.70 to 1.00. The fixed charge ratio is the ratio of EBITDA for the rolling period ending on such date to fixed chom:0px">

Table of Contents

share in the United States or in international markets, or may be forced in the future to reduce our prices in response to the actions of our competitors and thereby experience a reduction in our gross margins.

We may initiate other business activities, including the broadening of our supply chain capabilities, and may face competition from companies with more experience in those new areas. In addition, as we enter new areas of business, we may also encounter increased competition from current competitors or from new competitors, including some who may once have been our OEM suppliers or reseller customers. Increased competition and negative reaction from our OEM suppliers or reseller customers resulting from our expansion into new business areas may harm our business and operating results.

Compliance with changing regulation of corporate governance and public disclosure may result in additional expenses.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, new Securities and Exchange Commission, or SEC, regulations and New York Stock Exchange rules, are creating uncertainty for companies such as ours. These new or changed laws, regulations and standards are subject to varying interpretations in many cases due to their lack of specificity, and as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, which could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. As a result, our efforts to comply with evolving laws, regulations and standards have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. In particular, our ongoing efforts to comply with Section 404 of the Sarbanes-Oxley Act of 2002 and the related regulations regarding our management s required assessment of our internal control over financial reporting and our independent registered public accounting firm s attestation of that assessment has required the commitment of significant financial and managerial resources. We expect these efforts to require the continued commitment of significant resources. If our efforts to comply with new or changed laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, our reputation may be harmed.

While we believe that we currently have adequate internal control over financial reporting, we are exposed to risks from legislation requiring companies to evaluate those internal controls.

with respect to our wholly owned subsidiary, a net worth percentage of not less than 5.0%.

We are also obligated to provide periodic financial statements and investment reports, notices of material litigation and any other information relating to our U.S. trade accounts receivable as requested by the financial institutions.

As is customary in trade accounts receivable securitization arrangements, a credit rating agency s downgrade of the third party issuer of commercial paper or of a back-up liquidity provider (which provides a source of funding if the commercial paper market cannot be accessed) could result in an adverse change or loss of our financing capacity under these programs if the commercial paper issuer or liquidity back-up provider is not replaced. Loss of such financing capacity could have a material adverse effect on our financial condition and results of operations.

We have issued guarantees to certain vendors of our subsidiaries for the total amount of $77.9 million as of November 30, 2004 and $64.3 million as of August 31, 2005.

Table of Contents

We have also issued guarantees of C$25.0 million in relation to a revolving loan agreement between SYNNEX Canada and a financial institution.

We are obligated under these guarantees to pay amounts due should our subsidiaries not pay valid amounts owed to their vendors or lenders. The vendor guarantees are typically less than one-year arrangements, with 30-day cancellation clauses and the lender guarantees are typically for the term of the loan agreement.

On-Balance Sheet Arrangements

We have a senior secured revolving line of credit arrangement, or the Revolver, with a group of financial institutions, which is secured by our inventory and expires in 2008. The Revolver s maximum commitment is 40% of eligible inventory valued at the lower of cost or market, less liquidation reserve (as defined) up to a maximum borrowing of $45.0 million. Interest on borrowings under the Revolver is based on the financial institution s prime rate or LIBOR plus 1.75% at our option. There were no borrowings outstanding under the Revolver at November 30, 2004 or August 31, 2005.

Our subsidiary, SYNNEX Canada, has a revolving loan agreement with a group of financial institutions. At August 31, 2005 the credit limit was C$125.0 million and matures in September 2007. Borrowings under the loan agreement are collateralized by substantially all of SYNNEX Canada s assets, including inventories and accounts receivable. Borrowings bear interest at the prime rate of a Canadian bank designated by the financial institution or at the financial institution s Bankers Acceptance rate plus 1.2% for Canadian dollar denominated loans, at the prime rate of a U.S. bank designated by the financial institution or at LIBOR plus 1.2% for U.S. dollar denominated loans. The balance outstanding at November 30, 2004 and August 31, 2005 was $56.9 and $59.0 million, respectively.

We have other lines of credit and revolving facilities with financial institutions, which provide for borrowing capacity aggregating approximately $60.6 and $5.4 million at November 30, 2004 and August 31, 2005, respectively. At November 30, 2004 and August 31, 2005, we had borrowings of $16.5 and $1.1 million, respectively, outstanding under these facilities. We also have various term loans, bonds and mortgages with financial institutions totaling approximately $14.7 and $1.6 million at November 30, 2004 and August 31, 2005, respectively. Future principal payments due under these term loans, bonds and mortgages and payments due under our operating lease arrangements after August 31, 2005 are as follows (in thousands):

	Payments Due By Period				
	Total	**Less than 1 Year**	**1-3 Years**	**3-5 Years**	**>5 Years**
Contractual obligations					
Principal debt payments	$ 1,583	$ 359	$ 718	$ 506	$ Section 404 of the Sarbanes-Oxley Act of 2004 requires our management to report on, and

our independent registered public accounting firm to attest to, the effectiveness of our internal control structure and procedures for financial reporting. We completed an evaluation of the effectiveness of our internal controls for the fiscal year ended November 30, 2004, and we have an ongoing program to perform the system and process evaluation and testing necessary to continue to comply with these requirements. We expect to continue to incur increased expense and to devote additional management resources to Section 404 compliance. In the event that our chief executive officer, chief financial officer or independent registered public accounting firm determines that our internal control over financial reporting is not effective as defined under Section 404, investor perceptions and our reputation may be adversely affected and the market price of our stock could decline.

Changes to financial accounting standards may affect our results of operations and cause us to change our business practices. ">

Interest on debt	91	21	41	29	
Non-cancelable operating leases	49,062	9,641	18,978	10,674	9,769
Total	$ 50,736	$ 10,021	$ 19,737	$ 11,209	$ 9,769

We are in compliance with all covenants or other requirements set forth in our accounts receivable financing programs and credit agreements discussed above.

SYNNEX de Mexico, S.A. de C.V. or SYNNEX Mexico, our Mexico subsidiary, is currently negotiating with a Mexico reseller customer in connection with a Mexico government program to provide products and services to public schools in Mexico. This transaction involves, among other things, extended payment terms. Our Mexico subsidiary will need to finance this transaction with a loan, of up to $40 million, from SYNNEX. There can be no assurance that this transaction will be consummated or that we will realize the anticipated benefits from the transaction.

Table of Contents

Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board, or FASB, issued FASB Statement No. 123R (revised 2004), Share-Based Payment which is a revision of FASB Statement No. 123, Accounting for Stock-Based Compensation. Statement 123R supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees, and amends FASB Statement No. 95, Statement of Cash Flows. Generally, the approach in Statement 123R is similar to the approach described in Statement 123. However, Statement 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative. The new standard will be effective for us in the quarter ending February 28, 2006. We are in the process of assessing the impact of adopting this new standard. The impact will be dependent on the transition method, the option-pricing model used to compute fair values, and the inputs to that model, such as volatility and expected life.

On March 29, 2005, the SEC issued Staff Accounting Bulletin, or SAB, 107 which expresses the view of the SEC regarding the interaction between SFAS No. 123R and certain SEC rules and regulations and provides the SEC s views regarding the valuation of share-based payment arrangements for public companies. In particular, SAB 107 provides guidance related to share-based payment transactions with non-employees, the transition from nonpublic to public entity status, valuation methods (including assumptions such as expected volatility and expected term), the accounting for certain redeemable financial instrument issues under shares-based payment arrangements, the classification of compensation expense, non-GAAP financial measures, first-time adoption of SFAS No. 123R in an interim period, capitalization of compensation costs related to shares-based payment arrangements, the accounting for income tax effects of share-based payment arrangements, the accounting for income tax effects of share-based payment arrangements upon adoption of SFAS No. 123R, the modification of employee share options prior to adoption of SFAS No. 123R, and disclosures in Management s Discussion and Analysis of Financial Condition and Results of Operations subsequent to adoption of SFAS No. 123R.

In May 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections. SFAS No. 154 replaces APB Opinion No. 20. Accounting Changes and SFAS No. 3, Reporting Accounting Changes in Interim Financial Statements. SFAS No. 154 requires retrospective application to prior periods financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. We do not expect the adoption of SFAS No. 154 to have any material impact on our consolidated financial statements.

Table of Contents

BUSINESS

Overview

We are a global information technology, or IT, supply chain services company. We offer a comprehensive range of services to IT original equipment manufacturers and software publishers, collectively OEMs, and reseller customers worldwide. The supply chain services that we offer include product distribution related logistics, contract assembly and demand generation marketing.

We have been in the IT distribution business since 1980 and are one of the largest IT product distributors based on 2004 reported revenue. We focus our core wholesale distribution business on a limited number of leading IT OEMs, which allows us to enhance and increase the value we provide to our OEM suppliers and reseller customers.

In our distribution operations, we purchase IT systems, peripherals, system components, packaged software and networking equipment from OEM suppliers such as HP, IBM, Intel, Lenovo, Microsoft and Seagate and sell them to our reseller customers. We perform the same function for our purchases of licensed software products. Our reseller customers include value added resellers, or VARs, corporate resellers, government resellers, system integrators, direct marketers and retailers. We currently distribute and market approximately 15,000 products (as measured by active SKUs) from over 100 OEM suppliers to more than 15,000 resellers.

Our contract assembly operations are generally related to building IT systems such as network security appliances, servers and workstations. By leveraging the inventory management capabilities and system component supplier relationships of our distribution business, we provide cost-effective IT system assembly.

Because we offer distribution, contract assembly, demand generation marketing, IT solutions and complementary logistics services, OEM suppliers and resellers can outsource to us multiple areas of their business outside of their core competencies. This model allows us to provide services at several points along the IT product supply chain. We believe that the combination of our broad range of supply chain capabilities, our focus on serving the leading IT OEMs and our efficient operations enables us to realize strong and expanding relationships with these OEMs and our reseller customers.

Table of Contents

Our Industry

The information technology, or IT, product supply chain generally consists of original equipment manufacturers, or OEMs, contract manufacturers, distributors, resellers and end-users. The roles of these participants are described in the table below:

IT Product Supply Chain

Participant	Description	Companies
IT OEMs	Design IT systems, system components, peripherals and software. Manufacture IT products, directly or on an outsourced basis. Market and sell IT products directly or through distributors to resellers, retailers and large end-users.	Systems (including PCs, servers, storage systems, workstations): *Apple, Dell, EMC, HP, IBM, Lenovo, Sun Microsystems, Toshiba* Peripherals (including monitors, printers, supplies): *APC, Dell, HP, Lexmark, NEC, ViewSonic, Xerox* System Components (including CPUs, memory, hard disk drives): *Asustek, Intel, Micron, Seagate, Western Digital* Software (including applications, operating systems): *Adobe, Computer Associates, IBM, Intuit, Microsoft, Oracle, Symantec* Networking Equipment (including network interface cards, routers, switches, hubs, wireless products): *Cisco, Intel, Lucent, Nortel, 3COM*
Contract Manufacturers/ Assemblers	Design IT products. Source product materials. Manufacture and assemble printed circuit boards. Assemble and test finished products.	*Benchmark, Celestica, Flextronics, HonHai (Foxconn), MiTAC International, Sanmina-SCI, Solectron, SYNNEX*
Distributors	Purchase IT products from OEMs. Sell IT products to resellers. Provide logistics, marketing, financial, technical support and other supply chain services.	*Agilysys, Arrow, Avnet, Bell Micro, Ingram Micro, ScanSource, SYNNEX, Tech Data, Westcon*
Resellers	Sell IT products directly to end-users.	Value Added Resellers and Solution Providers: small- to medium-sized business focused, local, regional and industry specific resellers

	Provide value added services, including design, installation, integration and training.	
		Corporate Resellers: *ASAP, CompuCom, EnPointe, Pomeroy*
		Government Resellers: *Apptis, Government Micro Resources*, *GTSI, TELOS, Westwood Computer*
		Systems Integrators: *AMAX, Comptech Micro System, Equus Computer Systems, Hatch Associates, Premio Computer*
		Direct Marketers: *CDW, Insight, PC Connection*
		Retailers: *Amazon.com, Best Buy, Circuit City, CompUSA, Fry s Electronics*
End-Users	Use IT products for commercial or personal use.	*Large corporations, governments and educational institutions, small- to medium-sized businesses, personal users*

The IT product supply chain is fluid as participants assume changing roles in the chain based on their various products, customer demands and business objectives. For example, a contract manufacturer may perform design features for some OEM products while solely manufacturing products for the same or other OEMs. Similarly, OEMs may elect to sell products directly to resellers or end-users without the use of a distributor, particularly in the case of larger volume end-user purchasers.

Table of Contents

Distribution

OEMs rely on distributors because of the wide range and high complexity of IT products, the short product life cycle of some products and the desire of end-users to integrate solutions from multiple OEMs. Distributors provide an efficient and cost-effective means for OEMs to reach a broad range of resellers who sell to a large number of end-users. In addition, distributors provide OEMs with demand creation marketing, inventory management, logistics service, pre- and post-sale technical support and IT solutions.

Resellers depend on distributors for product information, real-time price and availability information, system configuration, marketing, credit, logistics, technical support needs and IT solutions. Resellers also rely on distributors for inventory management services. These services allow resellers to reduce their inventory, staffing levels and warehouse requirements, thereby lowering their invested capital requirements and reducing their costs.

In July 2005, a leading industry publication estimated that the total worldwide IT spending on hardware and packaged software was $596.2 billion in 2004 and would grow to $780.2 billion by 2009, representing a compound annual growth rate of 5.5%. The report also estimated that IT spending on hardware and packaged software in the U.S. was $222.6 billion in 2004 and would grow to $279.1 billion by 2009, representing a compound annual growth rate of 4.6%. In doing so, the report makes assumptions about economic conditions that may or may not prove accurate. The distribution business in which we and our competitors operate addresses only a portion of this total market.

The IT product distribution industry has undergone significant consolidation as a result of several factors. These factors include economic conditions, reductions in IT spending, overcapacity, more restrictive terms and conditions from OEMs, reductions in the number of OEM-authorized distributors, a high level of price competition among distributors and evolving OEM business models such as direct sales initiatives.

Contract Manufacturing and Assembly

In addition to using wholesale distributors, OEMs in the IT industry have increasingly outsourced their manufacturing and product assembly. Historically, OEMs were vertically integrated and invested significantly in equipment and facilities to manufacture, service and distribute their products. Contract manufacturers originated to provide additional capacity during periods of high demand by assembling and testing printed circuit boards that typically form the backbone of electronic devices and have evolved to provide full system assembly. Recently, contract manufacturers have also expanded their electronic manufacturing operations to include design, component procurement, inventory management, logistics and after-market services.

OEMs use contract manufacturers and assemblers for many reasons including to reduce their time to market by using a contract manufacturer s established manufacturing expertise, broad capabilities, global presence and infrastructure, reduce the OEMs overall capital equipment requirements, allow OEMs to focus on core technologies and activities such as product development and marketing and to reduce production and inventory costs by using a contract manufacturer s volume procurement capabilities and expertise in inventory management.

Our Solution

We distribute the products of leading IT product OEMs and provide complementary contract assembly and supply chain activities. Our comprehensive offerings are an essential part of our OEM suppliers and reseller customers supply chains that enable them to meet their specific sales, distribution, manufacturing and logistics objectives. The key components of our IT supply chain solution are as follows:

Distribution

Focus on leading OEMs. We primarily serve leading OEMs in selected IT product categories. This OEM focus enables us to dedicate teams that work directly with these OEMs and develop in-depth knowledge of the

Table of Contents

OEMs products. Because of our intimate knowledge of the products we distribute, we are able to provide effective product marketing activities for our OEM suppliers in order to help them meet their sales objectives. In addition, our in-depth product knowledge enables us to deliver solutions to our reseller customers that integrate several products, sometimes from multiple OEMs.

Broad Market Reach. Through our network of more than 15,000 reseller customers, we offer our OEM suppliers access to customers they could not reach cost-effectively otherwise. Our reseller relationships provide an important sales channel for these OEMs to connect with small- to medium-sized businesses, government agencies and educational institutions that generally buy IT products through intermediaries.

Low Cost Solutions. Our ability to effectively market and sell products for leading OEMs can save our OEM suppliers money relative to selling direct. OEMs can streamline their sales organization by using us to expand their reach to additional IT product resellers. OEMs can also reduce their costs associated with warehouse facilities by utilizing our inventory management and logistics support.

Financing Options for Resellers. Many resellers have limited working capital and rely on us to provide them with financing alternatives. By offering these alternatives, we enable our reseller customers to fulfill larger orders than their resources otherwise would allow.

Demand Creation Marketing. We offer our OEM suppliers a full range of demand creation marketing activities targeted to specific resellers and selected market segments. These activities include database marketing, trade publication advertising, direct mail, e-mail marketing, national and regional trade show events and many Web-based marketing offerings. We also offer similar services directly to our reseller customers.

Local Points of Presence. Our sales and distribution centers are geographically dispersed. Our regional locations enable us to work closely with our reseller customers to better serve them and their end-users. Our regional distribution centers also allow us to deliver products quickly. In addition, because shipping companies generally charge based on the distance shipped, our approach allows us to reduce our shipping costs, a significant component of our cost of sales.

Enterprise Solutions. We enable our reseller customers to provide their end users with technology that integrates multiple systems components into solutions to solve specific business issues. These solutions focus on the market segments of storage, security and networking. The complexity and high level of integration of these solutions requires significant pre-sale and post sale engineering support provided through our certified engineering staff.

Electronic Commerce. We maintain EDI, or electronic data interchange, and web-based communication links with many of our reseller customers. These links improve the speed and efficiency of our transactions with our reseller customers by enabling them to:

- search for products;

- check inventory availability;
- configure systems;
- price systems and products;
- place and track orders;
- receive invoices; and
- process returns.

Competitive Pricing. We are able to offer our reseller customers competitive prices due to our high volume purchasing, low cost structure, efficient distribution methods and focus on leading OEM suppliers.

Table of Contents

Remote Management and Monitoring. Through our investment in Microland, we offer our reseller customers and their end users remote system management and monitoring services. These offerings enable our resellers to deliver technical support as well as managed services that further enhance the value our resellers deliver to their customers. Through Microland, we also provide outsourced technical support services to our OEM vendors. Microland s India-based team of approximately 620 engineers is able to support a wide range of reseller and OEM vendor needs.

Other Supply Chain Support Activities. We provide both OEMs and resellers logistics services such as outsourced fulfillment, virtual distribution and direct ship to end-users. We also offer our reseller customers outsourced back-office support services, including management of sales and purchase orders, inventory, invoicing and collections, vendor claims and returns. Furthermore, we provide our reseller customers with pre- and post-sale technical support services.

Contract Assembly

Efficient System Components Sourcing. We distribute many of the system components used in the assembly of our OEM customers products. As a result, our assembly customers are able to minimize their inventory risk because they can take advantage of the terms and conditions of our distribution relationships. A primary benefit of our distribution relationships is vendor provided price protection that allows our OEM customers to benefit from declines in component prices. We also offer increased inventory availability to our OEM customers because we stock items for both distribution and assembly. In addition, we generally can use our distribution operations to provide logistics, drop shipments to end-user customers and to sell excess system components ordered by our OEM assembly customers.

Flexible Product Assembly. We provide our OEM customers with a high degree of flexibility with our build-to-order or configure-to-order capabilities. By focusing only on system-level assembly and outsourcing more capital intensive contract manufacturing activities, such as printed circuit board assembly, we are able to maintain a flexible operating structure that allows us to rapidly increase or decrease production volumes and deliver customized assembly solutions.

Joint Design and Manufacturing Services. We offer contract design and manufacturing services to OEMs through our relationship with our largest indirect stockholder, MiTAC International. These activities complement our system assembly capabilities and allow us to deliver a complete design-to-delivery solution for our OEM customers. MiTAC International is a leading original design manufacturing company based in Taiwan, specializing in product design, printed circuit board assembly, power supply manufacturing, and plastic and sheet metal molding. We work closely with MiTAC International to collaborate on OEM outsourcing opportunities.

Product Return Services. We provide our OEM customers with product return services for the IT systems we build for them in our contract assembly facilities. These services allow for the management of product returns directly from the OEM s customer to us. These services include refurbishment of these systems to a like-new condition as well as the ability to re-sell the refurbished systems through authorized sales channels.

Our Strategy

Our objective is to continue to expand our business by providing IT product OEMs and other suppliers outsourcing solutions including distribution, assembly and supply chain support, and by providing our reseller customers outstanding execution, service and support. In particular, we intend to achieve this objective by pursuing the following strategies:

Deepen Relationships with Our Existing OEM Suppliers and Reseller Customers

We believe our present OEM and reseller relationships represent significant opportunities for growth. We seek to increase business opportunities with our existing OEM suppliers by expanding the distribution, assembly and supply chain support activities that we provide to them. We work closely with these suppliers to ensure that our service offerings meet their evolving needs. We aim to provide a complete supply chain solution to our OEM suppliers to decrease the costs associated with assembling, selling and distributing IT products.

Establish New Strategic Relationships with Leading OEMs

We intend to establish additional relationships with select leading IT product OEMs to increase the breadth of products we distribute. We will offer these OEMs our comprehensive range of global distribution and supply chain support activities, our ability to deliver services anywhere along the IT supply chain, our ability to assist OEMs in reaching a broad range of resellers and their end user customers.

Increase Our Reseller Customer Base

We seek to grow by increasing the number of reseller customers to which we sell IT products. Our depth of product knowledge resulting from our focus on leading OEM vendors enables us to provide a high level of service to resellers. Our efficient operating disciplines have permitted us to profitably sell a comprehensive selection of IT products at competitive prices. We also seek opportunities to increase the number of resellers that buy from us by expanding the breadth of products that we distribute.

Expand Our Contract Assembly Business

We intend to expand our contract assembly business as the continuing trend of OEMs outsourcing of production activities creates a growing market opportunity. Our strategy is to remain focused on system level assembly operations serving IT product OEMs. Within the broad spectrum of IT products, we have targeted the non-branded, or white-box, segment of the IT product market as a focus of our assembly expansion efforts. We believe the white-box market has growth potential. We are also continuing to work with MiTAC International to jointly pursue contract manufacturing opportunities where we can combine MiTAC International s design and printed circuit board assembly operations with our system assembly capabilities to deliver an integrated, cost-effective solution to OEMs.

Control Costs

We intend to maintain our low cost operations and seek ways to further reduce costs in all areas of our operations. Our low cost structure is predicated upon our management of facility costs, capital outlays, and our effective use of IT systems and temporary labor. We also manage our costs by locating some professional and administrative functions, such as IT development, materials management and accounts payable, in low cost geographic regions, like China. Our strategy to operate numerous distribution centers that are geographically dispersed also helps us to control costs by reducing shipping costs.

Pursue Strategic Acquisitions and Investments

Over the last three years, we have completed a number of acquisitions and investments. We intend to continue to grow our business through strategic acquisitions or investments of complementary businesses or assets in order to increase our OEM and reseller relationships, enhance our service offerings and expand our geographic reach. Additionally, we plan to capitalize on the trend toward consolidation in the distribution and contract manufacturing industries. We believe that a critical part of any acquisition is proper management of the post-acquisition process. We intend to continue to devote attention and resources to the integration of management, personnel, culture, IT systems, products, customer relationships and other issues arising from recent and future acquisitions. We also intend to pursue strategic investments to leverage our core competencies in areas such as execution, IT management, logistics and systems assembly.