MAJESCO ENTERTAINMENT CO
Form 8-K
April 09, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 9, 2015

MAJESCO ENTERTAINMENT COMPANY
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation)	000-51128 (Commission File Number)	06-1529524 (IRS Employer Identification No.)

404I-T Hadley Road
S. Plainfield, New Jersey 07080
(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: (732) 225-8910

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01 Other Events.

On April 3, 2015, the parties, by stipulation, agreed to entry of an order for summary judgement in favor of defendants, dismissing all claims in the pending patent lawsuit Intelligent Verification Systems, LLC v. Microsoft Corporation and Majesco Entertainment Co., Case No. 12-cv-00525, in the United Stated District Court for the Eastern District of Virginia following a Court ruling that recommended excluding plaintiff's damages expert.

The Court is expected to enter an order for summary judgment in favor of the defendants. Defendants also dismissed, without prejudice, their counterclaim that plaintiff's patent is invalid. The Company has been informed that plaintiff intends to appeal the decision of the Court to exclude its damages expert.

SIGNATURES

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

MAJESCO ENTERTAINMENT COMPANY

Dated: April 9, 2015

/s/ Trent Davis
Trent Davis
Chairman

iv style="text-align:right;font-size:10pt;">22,717

$
22,665

Equipment and computers
149,028

107,528

Furniture and fixtures
39,907

21,480

Buildings, building improvements and leasehold improvements
133,711

113,777

Construction in progress
10,064

1,621

Total property and equipment, gross
355,427

267,071

Less: Accumulated depreciation
(158,223
)

(133,822
)

$
197,204

$
133,249

Goodwill:

	Technology Solutions	Concentrix	Total
Balance as of November 30, 2013	$108,218	$80,317	$188,535
Additions from acquisitions, net of adjustments	—	183,635	183,635
Foreign exchange translation	(1,432)	3,176	1,744
Balance as of August 31, 2014	$106,786	$267,128	$373,914

As discussed in Note 13—Segment Information, in the first quarter of fiscal year 2014, the Company completed a realignment of its business segments. The change has been reflected in the goodwill balances by business segment above for all periods presented.
The additions to "Goodwill" recorded during the nine months ended August 31, 2014 relate to the acquisition of the IBM customer care business in the Concentrix segment.

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Intangible assets, net	As of As of August 31, 2014			As of November 30, 2013		
	Gross Amounts	Accumulated Amortization	Net Amounts	Gross Amounts	Accumulated Amortization	Net Amounts
Vendor lists	$36,815	$(31,333)	$5,482	$36,815	$(30,180)	$6,635
Customer relationships	306,435	(70,444)	235,991	52,179	(35,379)	16,800
Technology	4,826	(1,182)	3,644	—	—	—
Other intangible assets	11,887	(4,914)	6,973	4,857	(4,520)	337
	$359,963	$(107,873)	$252,090	$93,851	$(70,079)	$23,772

Amortization expenses were $17,564 and $38,427 for the three and nine months ended August 31, 2014, respectively, and $1,998 and $5,922 for the three and nine months ended August 31, 2013, respectively. The increase in intangible assets, net from November 30, 2013 to August 31, 2014 is due to the acquisition of the IBM customer care business in the Concentrix segment. See Note 3 -- Acquisitions.
Amortization is based on the pattern in which the economic benefits of the intangible assets will be consumed or on a straight line basis when the consumption pattern is not apparent. Estimated future amortization expense of the Company's intangible assets, which includes the preliminary estimates of amortization for the assets acquired through the initial and second closing of the IBM customer care acquisition, is as follows:

Fiscal Years Ending November 30,	
2014 (remaining three months)	$17,307
2015	53,998
2016	51,159
2017	39,234
2018	29,951
thereafter	60,441
Total	$252,090

Accumulated other comprehensive income
The components of accumulated other comprehensive income, net of taxes, excluding noncontrolling interests were as follows:

	Unrealized gains on available-for-sale securities, net of taxes	Unrecognized pension and post-retirement benefit costs, net of taxes	Foreign currency translation adjustment, net of taxes	Total
Beginning as of November 30, 2013	$543	$(365)	$18,990	$19,168
Other comprehensive income	507	209	1,581	2,297
Ending as of August 31, 2014	$1,050	$(156)	$20,571	$21,465

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NOTE 6—INVESTMENTS:

The carrying amount of the Company’s investments is shown in the table below:

	As of					
	August 31, 2014			November 30, 2013		
	Cost Basis	Unrealized Gains	Carrying Value	Cost Basis	Unrealized Gains	Carrying Value
Short-term investments:						
Trading securities	$1,582	$363	$1,945	$3,857	$871	$4,728
Held-to-maturity investments	9,485	—	9,485	8,753	—	8,753
Cost method securities	—	—	—	1,653	—	1,653
	$11,067	$363	$11,430	$14,263	$871	$15,134
Long-term investments in other assets:						
Available-for-sale securities	$955	$863	$1,818	$909	$366	$1,275
Cost-method investments	4,951	—	4,951	4,981	—	4,981

Short-term trading securities generally consist of equity securities relating to the Company’s deferred compensation plan. Long-term available-for-sale securities primarily consist of investments in other companies’ equity securities. Held-to-maturity investments primarily consist of term deposits with maturities from the date of purchase greater than three months and less than one year. These term deposits are held until the maturity date and are not traded.
Short-term cost-method securities primarily consist of investments in a hedge fund under the Company’s deferred compensation plan. Long-term cost-method investments consist of investments in equity securities of private entities.
Trading securities and available-for-sale securities are recorded at fair value in each reporting period and therefore the carrying value of these securities equals their fair value. For cost-method securities, the Company records an impairment charge when the decline in fair value is determined to be other-than-temporary. The fair value of the cost-method investments is based on the published fund values or an internal valuation of the investee.
The following table summarizes the total gains recorded in “Other income (expense), net” in the Consolidated Statements of Operations for changes in the fair value of the Company's trading investments:

	Three Months Ended		Nine Months Ended	
	August 31, 2014	August 31, 2013	August 31, 2014	August 31, 2013
Gains on trading investments	$69	$142	$383	$1,382

NOTE 7—DERIVATIVE INSTRUMENTS:

In the ordinary course of business, the Company is exposed to foreign currency risk, interest risk, equity risk and credit risk. The Company’s transactions in most of its foreign operations are primarily denominated in local currency. The Company enters into transactions, and owns monetary assets and liabilities, that are denominated in currencies other than the legal entity's functional currency.
As part of its risk management strategy, the Company uses short-term forward contracts to minimize its balance sheet exposure to foreign currency risk. These forward-exchange contracts are not designated as hedging instruments. The forward exchange contracts are recorded at fair value in each reporting period and any gains or losses, resulting from the changes in fair value, are recorded in earnings in the period of change.
Generally, the Company does not use derivative instruments to cover equity risk and credit risk. The Company’s policy is not to allow the use of derivatives for trading or speculative purposes. The fair value of the Company’s forward exchange contracts are also disclosed in Note 8.

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The following table summarizes the fair value of the Company’s foreign exchange forward contracts as of August 31, 2014 and November 30, 2013:

Balance Sheet Line Item	Fair Value as of August 31, 2014	November 30, 2013
Other current assets	$2,079	$2,386
Other current liabilities	854	80

The notional amounts of the foreign exchange forward contracts that were outstanding as of August 31, 2014 and November 30, 2013 were $320,165 and $158,950, respectively. The notional amounts represent the gross amounts of foreign currency, including Euro, British Pound, Japanese Yen, Canadian Dollar and India Rupee, that will be bought or sold at maturity. The contracts mature in six months or less. In relation to its forward contracts not designated as hedging instruments, the Company recorded gains of $2,315 and $3,477 in “Other income (expense), net” during the three and nine months ended August 31, 2014, respectively, and $1,254 and $7,734 during the three and nine months ended August 31, 2013, respectively.

NOTE 8—FAIR VALUE MEASUREMENTS:

The Company’s fair value measurements are classified and disclosed in one of the following three categories:
Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
Level 2: Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability;
Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).
The following table summarizes the valuation of the Company’s investments and financial instruments that are measured at fair value on a recurring basis:

	As of August 31, 2014				As of November 30, 2013			
	Total	Fair value measurement category			Total	Fair value measurement category		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Assets:								
Cash equivalents	$25,910	$25,910	$—	$—	$28,779	$28,779	$—	$—
Trading securities	1,945	1,945	—	—	4,728	4,728	—	—
Available-for-sale securities in other assets	1,818	1,818	—	—	1,275	1,275	—	—
Forward foreign currency exchange contracts	2,079	—	2,079	—	2,386	—	2,386	—
Liabilities:								
Forward foreign currency exchange contracts	$854	$—	$854	$—	$80	$—	$80	$—
Acquisition-related contingent consideration	867	—	—	867	6,077	—	—	6,077

The Company's cash equivalents consist primarily of highly liquid investments in money market funds and term deposits with maturity periods of three months or less. The carrying value of the cash equivalents approximates the fair value since they are near their maturity. Investments in trading and available-for-sale securities consist of equity securities and are recorded at fair value based on quoted market prices. The fair values of forward exchange contracts are measured based on the foreign currency spot and forward rates quoted by the banks or foreign currency dealers.

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The acquisition-related contingent consideration liability represents the future potential earn-out payments relating to acquisitions. The fair values of the contingent consideration liabilities are based on the Company’s probability assessment of the established profitability measures during the periods ranging from one year to three years from the date of the acquisitions. The change in the carrying value of the liability is primarily due to $5,136 paid to the sellers, during the nine months ended August 31, 2014, for the achievement of earn-out targets.
The carrying value of held-to-maturity securities, accounts receivable, accounts payable and short-term debt, approximate fair value due to their short maturities and the interest rates which are variable in nature. The carrying value of the Company's term loans approximate their fair value since they bear interest rates that are similar to existing market rates.
During the three and nine months ended August 31, 2014, there were no transfers between the fair value measurement category levels.

NOTE 9—ACCOUNTS RECEIVABLE ARRANGEMENTS:
The Company primarily finances its United States operations with an accounts receivable securitization program (the “U.S. Arrangement”). Until September 2013, the Company’s subsidiary, which is the borrower under the U.S. Arrangement, could borrow up to a maximum of $400,000 in U.S. trade accounts receivable (“U.S. Receivables”). In September 2013, the Company amended the U.S Arrangement to increase the commitment of the lenders to $500,000. In addition, the amendment also included an accordion feature to allow requests for an increase in the lenders' commitment by an additional $100,000 to a maximum commitment of $600,000. The maturity date of the U.S. Arrangement is October 18, 2015. The effective borrowing cost under the U.S. Arrangement is a blended rate that includes prevailing dealer commercial paper rates and the daily London Interbank Offered Rate (“LIBOR”), plus a program fee of 0.425% per annum based on the used portion of the commitment, and a facility fee of 0.425% per annum payable on the aggregate commitment of the lenders. As of August 31, 2014 and November 30, 2013, there were $466,300 and $144,000, respectively, of borrowings outstanding under the U.S. Arrangement.
Under the terms of the U.S. Arrangement, the Company sells, on a revolving basis, its U.S. Receivables to a wholly-owned, bankruptcy-remote subsidiary. The borrowings are funded by pledging all of the rights, title and interest in and to the U.S. Receivables acquired by the Company's subsidiary as security. Any borrowings under the U.S. Arrangement are recorded as debt on the Company's Consolidated Balance Sheets. 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 increase in the Company's cost of borrowing or loss of the Company's financing capacity under these programs if the commercial paper issuer or liquidity back-up provider is not replaced, or if the lender whose commercial paper issuer or liquidity back-up provider is not replaced does not elect to offer the Company an alternative rate. Loss of such financing capacity could have a material adverse effect on the Company's financial condition and results of operations.
The Company also has other financing agreements in North America with various financial institutions (“Flooring Companies”) to allow certain customers of the Company to finance their purchases directly with the Flooring Companies. Under these agreements, the Flooring Companies pay to the Company the selling price of products sold to various customers, less a discount, within approximately 15 to 30 days from the date of sale. The Company is contingently liable to repurchase inventory sold under flooring agreements in the event of any default by its customers under the agreement and such inventory being repossessed by the Flooring Companies. Please see Note 17—Commitments and Contingencies for further information.
The following table summarizes the net sales financed through the flooring agreements and the flooring fees incurred:

	Three Months Ended	Nine Months Ended

	August 31, 2014	August 31, 2013	August 31, 2014	August 31, 2013
Net sales financed	$380,687	$275,021	$1,014,116	$681,047
Flooring fees(1)	2,344	1,420	5,836	3,864

(1) Flooring fees are included within "Interest expense and finance charges, net."

As of August 31, 2014 and November 30, 2013, accounts receivable subject to flooring agreements were $94,268 and $89,589, respectively.

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SYNNEX Infotec, the Company's Japan technology solutions subsidiary, has arrangements with various banks and financial institutions for the sale and financing of approved accounts receivable and notes receivable. The amounts outstanding under these arrangements that were sold, but not collected as of August 31, 2014 and November 30, 2013 were $5,363 and $13,862, respectively.

NOTE 10—BORROWINGS:
Borrowings consist of the following:

	As of	
	August 31, 2014	November 30, 2013
SYNNEX U.S. securitization	$466,300	$144,000
SYNNEX U.S. credit agreement	362,188	—
SYNNEX Canada term loan and revolver	59,576	7,419
SYNNEX Infotec credit facility	77,832	136,679
Other borrowings and capital leases	34,906	29,830
Total borrowings	1,000,802	317,928
Less: Current portion	(726,201)	(252,523)
Non-current portion	$274,601	$65,405

SYNNEX U.S. securitization
The Company's subsidiary, which is the borrower under the U.S Arrangement, can borrow up to a maximum of $500,000 under its U.S. Arrangement, secured by U.S. Receivables. See Note 9—Accounts Receivable Arrangements. The effective borrowing cost under the U.S. Arrangement is a blended rate that includes the prevailing dealer commercial paper rates and LIBOR, plus a program fee on the used portion of the commitment and a facility fee payable on the aggregate commitment. As of August 31, 2014 and November 30, 2013, the outstanding balances under the U.S. arrangement were $466,300 and $144,000, respectively.
SYNNEX U.S. credit agreement
In November 2013, the Company entered into a senior secured credit agreement (the "U.S. Credit Agreement") which is comprised of $275,000 in a revolving credit facility and a term loan in an aggregate principal amount not to exceed $225,000 The Company may request incremental commitments to increase the principal amount of revolving loans or term loans available under the U.S. Credit Agreement up to $125,000. The U.S. Credit Agreement matures in November 2018.
Interest on borrowings under the Credit Agreement can be based on LIBOR or a base rate at the Company's option. Loans borrowed under the U.S. Credit Agreement bear interest, in the case of LIBOR loans, at a per annum rate equal to the applicable LIBOR, plus a margin which may range from 1.75% to 2.25%, based on the Company's consolidated leverage ratios, as determined in accordance with the U.S. Credit Agreement. Loans borrowed under the Credit Agreement that are not LIBOR loans, and are instead base rate loans, bear interest at a per annum rate equal to (i) the greatest of (A) the Federal Funds Rate plus a margin of 1/2 of 1.0%, (B) LIBOR plus 1.0% per annum, and (C) the rate of interest announced, from time to time, by the agent, Bank of America, N.A, as its "prime rate," plus (ii) a margin which may range from 0.75% to 1.25%, based on the Company's consolidated leverage ratios as determined in accordance with the U.S. Credit Agreement.
When drawn, the outstanding principal amount of the long-term loan will be repayable in quarterly installments, in an amount equal to (a) for each of the first eight calendar quarters ending after the term loan is made, 1.25% of the initial principal amount of the term loan, (b) for each calendar quarter ending thereafter, 2.50% of the initial principal amount of the term loan and (c) on the November 2018 maturity date of the term loan, the outstanding principal

amount of the term loan. The Company’s obligations under the U.S. Credit Agreement are secured by substantially all of the parent company’s and its United States domestic subsidiaries’ assets and are guaranteed by certain of its United States domestic subsidiaries.

There were $222,188 borrowings outstanding under the term loan component of the U.S. Credit Agreement and $140,000 borrowings outstanding under the secured revolver as of August 31, 2014. In addition, there was $1,500 outstanding as of

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August 31, 2014 in standby letters of credit under the U.S. Credit Agreement. There were no borrowings outstanding under the U.S. Credit Agreement as of November 30, 2013.

SYNNEX Canada revolving line of credit

SYNNEX Canada Limited ("SYNNEX Canada") has a revolving line of credit arrangement with a financial institution (the “Canadian Revolving Arrangement”) which has a maximum commitment of CAD100,000 and includes an accordion feature to increase the maximum commitment by an additional CAD25,000 to CAD125,000, at SYNNEX Canada's request. The Canadian Revolving Arrangement also provides a sublimit of US$5,000 for the issuance of standby letters of credit. As of both August 31, 2014 and November 30, 2013, there were no of letters of credit outstanding.

SYNNEX Canada has granted a security interest in substantially all of its assets in favor of the lender under the Canadian Revolving Arrangement. In addition, the Company pledged its stock in SYNNEX Canada as collateral for the Canadian Revolving Arrangement. The interest rate applicable under the Canadian Revolving Arrangement is equal to (i) the Canadian base rate plus a margin of 0.75% for a Base Rate Loan in Canadian Dollars, (ii) the US base rate plus a margin of 0.75% for a Base Rate Loan in U.S. Dollars, and (iii) the Bankers' Acceptance rate ("BA") plus a margin of 2.00% for a BA Rate Loan. The Canadian base rate means the greater of (a) the prime rate determined by a major Canadian financial institution and (b) the one month Canadian Dealer Offered Rate ("CDOR") (the average rate applicable to Canadian Dollar bankers' acceptances for the applicable period) plus 1.50%. The US base rate means the greater of (a) a reference rate determined by a major Canadian financial institution for US dollar loans made to Canadian borrowers and (b) the US federal funds rate plus 0.50%. A fee of 0.25% per annum is payable with respect to the unused portion of the commitment. The credit arrangement expires in May 2017. As of August 31, 2014, CAD57,500 or $52,859 was outstanding under the Canadian Revolving Arrangement and there were no borrowings outstanding as of November 30, 2013.

SYNNEX Canada term loan

SYNNEX Canada has a term loan associated with the purchase of its logistics facility in Guelph, Canada. The interest rate for the unpaid principal amount is a fixed rate of 5.374% per annum. The final maturity date for repayment of the unpaid principal is April 1, 2017. The balances outstanding on the term loan as of August 31, 2014 and November 30, 2013 were $6,717 and $7,419, respectively.

SYNNEX Infotec credit facility

SYNNEX Infotec has a credit agreement with a group of financial institutions for a maximum commitment of JPY14,000,000. The credit agreement is comprised of a JPY6,000,000 long-term loan and a JPY8,000,000 short-term revolving credit facility. SYNNEX Infotec’s obligations under this credit facility are secured by liens on certain of its assets. The interest rate for the long-term and short-term loans is based on the Tokyo Interbank Offered Rate ("TIBOR") plus a margin that was 1.90% per annum. In December 2013, the Company amended the credit agreement to lower this margin to 1.40% per annum. The unused line fee on the revolving credit facility was 0.50% per annum. In December 2013, the Company amended this credit agreement to lower this fee to 0.10% per annum. This credit facility expires in December 2016. As of August 31, 2014 and November 30, 2013, the balances outstanding under the credit facility were $77,832 and $136,679, respectively. The long-term loan can be repaid at any time prior to expiration date without penalty. The Company has issued a guarantee to cover up to 110% of the outstanding principal amount obligations of SYNNEX Infotec to the lenders.

Other borrowings and capital leases

In September 2013, SYNNEX Infotec established a short-term revolving credit facility of JPY2,000,000 with a financial institution. The interest rate for the credit facility is based on TIBOR plus a margin of 0.50% per annum. In addition, there is a facility fee of 0.425% per annum. The credit facility can be renewed annually. As of August 31, 2014 and November 30, 2013, the balances outstanding under this credit facility were $19,216 and $19,526, respectively.

SYNNEX Infotec has a short-term revolving credit facility of JPY1,000,000 with a financial institution. The credit facility can be renewed annually and bears an interest rate that is based on TIBOR plus a margin of 1.20% per annum. As of August 31, 2014 and November 30, 2013, the balances outstanding under this credit facility were $9,608 and $9,763, respectively.

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As of August 31, 2014 and November 30, 2013, the Company also had $6,082 and $541, respectively, in outstanding capital lease obligations and obligations for the sale and financing of approved accounts receivable and notes receivable with recourse provisions to SYNNEX Infotec.

Future principal payments

Future principal payments under the above loans and capital leases as of August 31, 2014 are as follows:

Fiscal Years Ending November 30,	
2014	$717,114
2015	12,098
2016	17,670
2017	80,975
2018	169,616
Thereafter	3,329
	$1,000,802

Interest expense and finance charges

The total interest expense and finance charges for the Company's borrowings were $8,252 and $20,553 for the three and nine months ended August 31, 2014, respectively, and $3,623 and $15,936 for the three and nine months ended August 31, 2013, respectively. Interest expense for the nine months ended August 31, 2013 includes non-cash interest expense of $2,314 for the 4.0% Convertible Senior Notes (the "Convertible Senior Notes"). The variable interest rates ranged between 0.55% and 4.25% during both the three and nine months ended August 31, 2014, respectively, and between 0.64% and 4.08% during both the three and nine months ended August 31, 2013, respectively.

Covenants compliance

In relation to the U.S. Arrangement, the U.S. Credit Agreement, the Revolver, the Canadian Revolving Arrangement and the SYNNEX Infotec credit facility, the Company has a number of covenants and restrictions that, among other things, require the Company to comply with certain financial and other covenants. These covenants require the Company to maintain specified financial ratios and satisfy certain financial condition tests, including minimum net worth and fixed charge coverage ratios. The covenants also limit the Company's ability to incur additional debt, make or forgive intercompany loans, pay dividends and make other types of distributions, make certain acquisitions, repurchase the Company's stock, create liens, cancel debt owed to the Company, enter into agreements with affiliates, modify the nature of the Company's business, enter into sale-leaseback transactions, make certain investments, enter into new real estate leases, transfer and sell assets, cancel or terminate any material contracts and merge or consolidate.

Guarantees

The Company has issued guarantees to certain vendors, customers and lenders of its subsidiaries for trade credit lines and loans, and to a customer's lessor. In addition, the Company, as the ultimate parent, guaranteed the obligations of SYNNEX Investment Holdings Corporation up to $35,035 in connection with the sale of China Civilink (Cayman), which operated in China as HiChina Web Solutions, to Alibaba.com Limited. The total guarantees issued by the Company as of August 31, 2014 and November 30, 2013 were $361,811 and $364,744, respectively. The Company is obligated under these guarantees to pay amounts due should its subsidiaries or customer not pay valid amounts owed to their vendors or lenders or not comply with subsidiary sales agreements.

NOTE 11—CONVERTIBLE DEBT:

In August 2013, the Company settled its Convertible Senior Notes with an aggregate principal amount of $143,750 which were issued in May 2008 in a private placement. The Convertible Senior Notes bore a cash coupon interest rate of 4.0% per annum and the initial conversion rate was 33.9945 shares of common stock per $1 principal amount, equivalent to an initial conversion price of $29.42 per share of common stock. The Convertible Senior Notes were called in the second quarter of fiscal year 2013. No interest was accrued subsequent to May 2013 in accordance with the Indenture. The final settlement amount of

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$218,870 was paid in cash in August 2013 and was comprised of $143,750 in principal payments and $75,120 in payment of the conversion premium. The conversion premium, which represents the total settlement amount less the principal, was recorded as a reduction of "Additional paid-in capital." The final settlement amount was calculated in accordance with the Indenture based on the volume weighted-average trading price of the Company's common stock over the 60 consecutive trading-day period beginning on and including the third trading day after the related conversion.
Based on a cash coupon interest rate of 4.0%, the Company recorded contractual interest expense of $3,010 during the nine months ended August 31, 2013. Based on an effective rate of 8.0%, the Company recorded non-cash interest expenses of $2,314 for the nine months ended August 31, 2013.

NOTE 12—EARNINGS PER COMMON SHARE:
The following table sets forth the computation of basic and diluted earnings per common share for the periods indicated:

	Three Months Ended		Nine Months Ended	
	August 31, 2014	August 31, 2013	August 31, 2014	August 31, 2013
Numerator:				
Net income attributable to SYNNEX Corporation	$44,986	$46,611	$122,954	$110,749
Less: impact of conversion premium of convertible debt	—	(39,474)	—	(36,409)
Net income for diluted earnings per share calculation	44,986	7,137	122,954	74,340
Denominator:				
Weighted-average common shares - basic	38,749	36,965	38,363	36,805
Effect of dilutive securities:				
Stock options, restricted stock awards and restricted stock units	521	594	544	547
Conversion premium of convertible debt	—	—	—	468
Weighted-average common shares - diluted	39,270	37,559	38,907	37,820
Earnings per share attributable to SYNNEX Corporation:				
Basic	$1.16	$1.26	$3.21	$3.01
Diluted	$1.15	$0.19	$3.16	$1.97

It was the Company’s intent to settle the principal amount of the Convertible Senior Notes in cash; accordingly, the principal amount was excluded from the determination of diluted earnings per share. In April 2013, the Company decided to settle the payment of the conversion premium in cash as discussed in Note 11 — Convertible Debt. Through April 2013, the Company accounted for the conversion premium using the treasury stock method by adjusting the diluted weighted-average common shares if the effect was dilutive. For the three months ended August 31, 2013, the numerator for the computation of earnings per common share-diluted was adjusted for any dilutive changes in the estimated value of the conversion premium from May 31, 2013 through the final settlement date. For the nine months ended August 31, 2013, the numerator for the computation of diluted earnings per common share was adjusted for any dilutive changes in the estimated value of the conversion premium from April 2013 through the final settlement date. For the three and nine months ended August 31, 2013, the adjustment to the numerator had the effect of reducing the diluted earnings per share by $1.05 and $0.96, respectively.

Options to purchase 16 and 12 shares during the three and nine months ended August 31, 2014, respectively, and options to purchase 10 shares during the nine months ended August 31, 2013, have not been included in the computation of diluted earnings per share as their effect would have been anti-dilutive. No options were anti-dilutive for the three months ended August 31, 2013.

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NOTE 13—SEGMENT INFORMATION:
Operating segments
Operating segments are based on components of the Company that engage in business activity that earn revenue and incur expenses and (a) whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resource allocation and performance and (b) for which discrete financial information is available.
The Company operates in two segments: Technology Solutions and Concentrix. The Technology Solutions segment distributes peripherals, IT systems including data center server and storage solutions, system components, software, networking equipment, CE, and complementary products. The Technology Solutions segment also provides systems design and integration services.
The Concentrix segment offers a range of global business services focused on process optimization, customer engagement strategy and back-office automation to clients in various industry verticals. The portfolio of services offered are comprised of end-to-end process outsourcing services that are delivered through omni-channels including both voice and non-voice. Clients include corporations in various industry verticals.
Effective in the first quarter of 2014, the Company realigned its business segments. Certain operations of the Company that were previously reported under the Concentrix segment and that provided inter-segment support and IT services to the Technology Solutions segment have now been aligned with and report into the Technology Solutions segment. The Concentrix segment includes the legacy Concentrix business and the newly acquired customer care business. The financial information presented herein reflects the impact of the segment structure change for all periods presented.
Summarized financial information related to the Company’s reportable business segments for the three and nine months ended August 31, 2014 and 2013 is shown below:

	Technology Solutions	Concentrix	Inter-Segment Elimination	Consolidated
Three months ended August 31, 2014				
Revenue	$3,204,534	$333,796	$ (3,128)	$3,535,202
Income from operations before non-operating items, income taxes and noncontrolling interest	76,937	1,746	119	78,802
Three months ended August 31, 2013				
Revenue	2,690,265	46,288	(2,640)	2,733,913
Income from operations before non-operating items, income taxes and noncontrolling interest	62,496	826	177	63,499
Nine months ended August 31, 2014				
Revenue	$9,270,439	$754,243	$ (8,961)	$10,015,721
Income (loss) from operations before non-operating items, income taxes and noncontrolling interest	210,602	(2,202)	435	208,835
Nine months ended August 31, 2013				
Revenue	7,656,397	137,386	(7,670)	7,786,113
Income from operations before non-operating items, income taxes and noncontrolling interest	164,718	6,516	169	171,403
Total assets as of August 31, 2014	$4,178,173	$1,018,384	$ (719,488)	$4,477,069
Total assets as of November 30, 2013	3,271,804	273,135	(219,050)	3,325,889

Inter-segment elimination represents services and transactions generated between the Company's reportable segments that are eliminated on consolidation.

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Segment by geography

Shown below is summarized financial information related to the geographic areas in which the Company operated during the three and nine months ended August 31, 2014 and 2013:

	Three Months Ended		Nine Months Ended	
	August 31, 2014	August 31, 2013	August 31, 2014	August 31, 2013
Revenue:				
North America	$2,926,967	$2,441,447	$8,345,273	$6,840,300
Asia-Pacific	398,147	270,455	1,262,453	883,127
Other	210,088	22,011	407,995	62,686
	$3,535,202	$2,733,913	$10,015,721	$7,786,113

	As of	
	August 31, 2014	November 30, 2013
Property and equipment, net:		
North America	$111,533	$95,344
Asia-Pacific	58,612	19,853
Other	27,059	18,052
	$197,204	$133,249

The revenues attributable to countries are based on geography of entities from where the products are distributed and from where customer service contracts are managed. Revenue in the United States was approximately 72% and 71% of total Company revenue for the three and nine months ended August 31, 2014, respectively, and approximately 75% and 74% of the total revenue for the three and nine months ended August 31, 2013. Revenue in Canada was approximately 11% and 12% of total revenue for the three and nine months ended August 31, 2014, respectively, and 15% and 14% of total revenue for the three and nine months ended August 31, 2013, respectively. Revenue in Japan was approximately 9% and 10% of the total revenue for the three and nine months ended August 31, 2014, respectively, and approximately 9% and 11% of the total revenue for the three and nine months ended August 31, 2013, respectively.

Net property and equipment in the United States was approximately 47% and 59% of the Company's total as of August 31, 2014 and November 30, 2013, respectively. Net property and equipment in the Philippines represented 14% and 6% of the total as of August 31, 2014 and November 30, 2013, respectively. Net property and equipment in Canada was approximately 9% and 13% of the total as of August 31, 2014 and November 30, 2013, respectively. As of both August 31, 2014 and November 30, 2013, no other country represented more than 10% of the total net property and equipment.

NOTE 14—RELATED PARTY TRANSACTIONS:

The Company had a business relationship with MiTAC International Corporation (“MiTAC International”), a publicly-traded company in Taiwan, which began in 1992 when MiTAC International became the Company's primary investor through its affiliates. In September 2013, MiTAC Holdings Corporation ("MiTAC Holdings") was established through a stock swap from MiTAC International and became a publicly traded company on the Taiwan Stock Exchange. MiTAC International is now a wholly-owned subsidiary of MiTAC Holdings. As of August 31, 2014 and November 30, 2013, MiTAC Holdings and its affiliates beneficially owned approximately 25% and 26% of the Company’s common stock. Matthew Miau, the Company’s Chairman Emeritus of the Board of Directors and a director, is the Chairman of MiTAC Holdings and a director or officer of MiTAC Holdings’ affiliates.

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Beneficial ownership of the Company's common stock by MiTAC Holdings
As noted above, MiTAC Holdings and its affiliates in the aggregate beneficially owned approximately 25% of the Company's common stock as of August 31, 2014. These shares are owned by the following entities:

	As of August 31, 2014
MiTAC Holdings (1)	5,552
Synnex Technology International Corp.(2)	4,283
Total	9,835

(1) Shares are held via Silver Star Developments Ltd., a wholly-owned subsidiary of MiTAC Holdings. Excludes 372 shares directly held by Matthew Miau and 224 shares indirectly held by Mathew Miau through a charitable remainder trust.
(2) Synnex Technology International Corp. ("Synnex Technology International") is a separate entity from the Company and is a publicly-traded corporation in Taiwan. Shares are held via Peer Development Ltd., a wholly-owned subsidiary of Synnex Technology International. MiTAC Holdings owns a noncontrolling interest of 8.7% in MiTAC Incorporated, a privately-held Taiwanese company, which in turn holds a noncontrolling interest of 13.6% in Synnex Technology International.

MiTAC Holdings generally has significant influence over the Company and over the outcome of all matters submitted to stockholders for consideration, including any merger or acquisition of the Company. Among other things, this could have the effect of delaying, deterring or preventing a change of control over the Company.
The Company purchased inventories from MiTAC Holdings and its affiliates totaling $31,117 and $82,617 during the three and nine months ended August 31, 2014, respectively, and totaling $10,149 and $21,921 during the three and nine months ended August 31, 2013, respectively. The Company's sales to MiTAC Holdings and its affiliates during the three and nine months ended August 31, 2014 totaled $1,331 and $3,251, respectively, and totaled $879 and $3,512 during the three and nine months ended August 31, 2013, respectively. In addition, the Company received reimbursements of rent and overhead costs for facilities used by MiTAC Holdings amounting to $32 and $91 during the three and nine months ended August 31, 2014, respectively, and $857 and $2,580 during the three and nine months ended August 31, 2013, respectively.
The Company's business relationship with MiTAC Holdings has been informal and is not governed by long-term commitments or arrangements with respect to pricing terms, revenue or capacity commitments. The Company negotiates pricing and other material terms on a case-by-case basis with MiTAC Holdings. While MiTAC Holdings is a related party and a controlling stockholder, the Company believes that the significant terms under its arrangements with MiTAC Holdings, including pricing, do not materially differ from the terms it could have negotiated with unaffiliated third parties, and it has adopted a policy requiring that material transactions with MiTAC Holdings or its related parties be approved by its Audit Committee, which is composed solely of independent directors. In addition, Matthew Miau's compensation is approved by the Nominating and Corporate Governance Committee, which is also composed solely of independent directors.
Synnex Technology International is a publicly-traded corporation in Taiwan that currently provides distribution and fulfillment services to various markets in Asia and Australia, and is also a potential competitor of the Company. Neither MiTAC Holdings, nor Synnex Technology International is restricted from competing with the Company.

NOTE 15—PENSION AND EMPLOYEE BENEFITS PLANS:
The employees of SYNNEX Infotec are covered by certain defined benefit pension plans, including a multi-employer pension plan. Full-time employees are eligible to participate in the plans on the first day of February following their date of hire and are not required to contribute to the plans.

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Following the Company's acquisition of the IBM customer care business, certain employees of the acquired business are covered by defined benefit pension plans.
The components of net periodic pension costs pertaining to the Company's single employer benefit plans during the three and nine months ended August 31, 2014 and 2013 were as follows:

	Three Months Ended		Nine Months Ended	
	August 31, 2014	August 31, 2013	August 31, 2014	August 31, 2013
Service cost	$590	$145	$1,207	$453
Interest cost	172	37	412	114
Expected return on plan assets	(17)	(15)	(51)	(46)
Amortization of net gain	(141)	—	(317)	—
Net periodic pension costs	$604	$167	$1,251	$521

During the three and nine months ended August 31, 2014, the Company contributed $863 and $1,324, respectively, to the single-employer benefit plans. During the three and nine months ended August 31, 2013, the Company contributed $161 and $498, respectively, to the single-employer benefit plans.

NOTE 16—EQUITY:

Share repurchase program

In June 2011, the Board of Directors authorized a three-year $65,000 share repurchase program. As of August 31, 2014 the Company had purchased 361 shares for a total cost of $11,340. The share purchases were made on the open market and the shares repurchased by the Company are held in treasury for general corporate purposes. No purchases were made during the three and nine months ended August 31, 2014. This program expired in June 2014.
In June 2014, the Board of Directors authorized a three-year $100,000 share repurchase program pursuant to which the Company may repurchase its outstanding common stock from time to time in the open market or through privately negotiated transactions.

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Changes in equity
A reconciliation of the changes in equity for the nine months ended August 31, 2014 and August 31, 2013 is presented below:

	Nine Months Ended August 31, 2014			Nine Months Ended August 31, 2013		
	Attributable to SYNNEX Corporation	Attributable to Noncontrolling interest	Total Equity	Attributable to SYNNEX Corporation	Attributable to Noncontrolling interest	Total Equity
Beginning balance:	$ 1,411,222	$ 419	$ 1,411,641	$ 1,319,023	$ 332	$ 1,319,355
Issuance of common stock on exercise of options	4,888	—	4,888	6,056	—	6,056
Issuance of common stock for employee stock purchase plan	1,275	—	1,275	1,074	—	1,074
Tax benefit from employee stock plans	3,747	—	3,747	2,063	—	2,063
Taxes paid for the settlement of equity awards	(2,022)	—	(2,022)	(210)	—	(210)
Shares issued for the acquisition of the IBM customer care business	71,106	—	71,106	—	—	—
Share-based compensation	9,224	—	9,224	6,790	—	6,790
Changes in ownership of noncontrolling interest	—	(88)	(88)	7	16	23
Repurchase of treasury stock	—	—	—	(1,882)	—	(1,882)
Conversion premium of convertible debt, net of tax	—	—	—	(75,120)	—	(75,120)
Deferred tax adjustment for settlement of convertible debt	—	—	—	14,034	—	14,034
Comprehensive income:						
Net income	122,954	88	123,042	110,749	67	110,816
Other comprehensive income:						
Change in unrealized gains on available-for-sale securities	507	2	509	193	—	193
Change in unrealized gains in defined benefit	209	—	209	—	—	—

plans, net of tax						
Foreign currency translation adjustments	1,581	(3)	1,578	(16,539)	(10)	(16,549)
Total other comprehensive income (loss)	2,297	(1)	2,296	(16,346)	(10)	(16,356)
Total comprehensive income	125,251	87	125,338	94,403	57	94,460
Ending balance:	$ 1,624,691	$ 418	$ 1,625,109	$ 1,366,238	$ 405	$ 1,366,643

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NOTE 17—COMMITMENTS AND CONTINGENCIES:

The Company was contingently liable as of August 31, 2014 under agreements to repurchase repossessed inventory acquired by flooring companies as a result of default on floor plan financing arrangements by the Company's customers. These arrangements are described in Note 9—Accounts Receivable Arrangements. Losses, if any, would be the difference between the repossession cost and the resale value of the inventory. There have been no repurchases through August 31, 2014 under these agreements and the Company is not aware of any pending customer defaults or repossession obligations.

From time to time, the Company receives notices from third parties, including customers and suppliers, seeking indemnification, payment of money or other actions in connection with claims made against them. Also, the Company is involved in various bankruptcy preference actions where the Company was a supplier to the companies now in bankruptcy. In addition, the Company is subject to various other claims, both asserted and unasserted, that arise in the ordinary course of business. The Company is currently not involved in any material proceedings.

In January 2014, the Company received a Civil Investigative Demand in connection with a Federal Trade Commission investigation concerning the use of a database program (the "database program") that has operated for several years under the auspices of the Global Technology Distribution Council ("GTDC"), a trade group of which the Company is a member. Certain GTDC members who participate in the program provide sales data to a third party independent contractor chosen by the GTDC. The contractor aggregates the data and makes it available to program participants. The Company understands that other GTDC members participating in the program have received similar Civil Investigative Demands.

In July 2014, the Company completed its response to the Civil Investigative Demand. The Civil Investigative Demand merely sought information, and no proceedings have been instituted against any person. The Company does not have any reason to believe that there has been any conduct by the Company or its employees that would be actionable under the antitrust laws in connection with its participation in the database program. As this matter is at a preliminary stage, it is not possible to predict the potential impact, if any, of the Civil Investigative Demand or whether any actions may be instituted by the FTC against any person.

In December 2009, the Company sold China Civilink (Cayman), which operated in China as HiChina Web Solutions, to Alibaba.com Limited. In conjunction with this sale, the Company has recorded a contingent indemnification liability of $4,122.

The Company does not believe that the above commitments and contingencies will have a material adverse effect on the Company's results of operations, financial position or cash flows.

NOTE 18—SUBSEQUENT EVENT:

On September 29, 2014, the Company announced the initiation of a quarterly cash dividend to shareholders of its common stock. An initial quarterly cash dividend of $0.125 per common share will be payable on October 31, 2014 to the shareholders of record as of the close of business on October 17, 2014.

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ITEM 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the Consolidated Financial Statements and related Notes included elsewhere in this Report.

When used in this Quarterly Report on Form 10-Q or the Report, the words “believes,” “plans,” “estimates,” “anticipates,” “expects,” “intends,” “allows,” “can,” “may,” “designed,” “will,” and similar expressions are intended to identify forward-look statements. These are statements that relate to future periods and include statements about market trends, our business model and our services, our market strategy, including expansion of our product lines, our infrastructure, anticipated benefits, costs, and timing of our acquisitions, including our acquisition of the customer care business of International Business Machines Corporation, or IBM, information technology demand, our employee hiring, impact of MiTAC Holdings Corporation, or MiTAC Holdings, ownership interest in us, our revenue and operating results, our gross margins, competition with Synnex Technology International Corp., our future needs for additional financing, concentration of customers, our international operations, including our operations in Japan and Canada, expansion of our operations, including our Concentrix business, our strategic acquisitions of businesses and assets, effects of future expansion of our operations, adequacy of our cash resources to meet our capital needs, cash held by our foreign subsidiaries, adequacy of our disclosure controls and procedures, pricing pressures, competition, impact of our accounting policies, our tax rates, our anti-dilution share repurchase program, and statements regarding our securitization programs and revolving credit lines. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected. These risks and uncertainties include, but are not limited to, those risks discussed herein, as well as the seasonality of the buying patterns of our customers, concentration of sales to large customers, dependence upon and trends in capital spending budgets in the information technology, or IT, and consumer electronics, or CE, industries, fluctuations in general economic conditions, our ability to successfully integrate the acquired IBM customer care business and risks set forth under Part II, Item 1A, “Risk Factors.” These forward-looking statements speak only as of the date hereof. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Overview

We are a Fortune 500 corporation and a leading business process services company, offering a comprehensive range of services to resellers, retailers, original equipment manufacturers, or OEMs, financial and insurance institutions and several other industry verticals worldwide. Our primary business process services are wholesale IT distribution and business process outsourcing, or BPO, customer care service. We operate in two segments: distribution services, hereinafter referred to as Technology Solutions, and global business services, hereinafter referred to as Concentrix. Our Technology Solutions segment distributes peripherals, IT systems including data center server and storage solutions, system components, software, networking equipment, CE, and complementary products. Within our Technology Solutions services segment, we also provide systems design and integration services. Our Concentrix segment offers a portfolio of end-to-end outsourced services around process optimization, customer engagement strategy and back-office automation to clients in ten identified industry verticals.

On January 31, 2014, under the terms of a Master Asset Purchase Agreement, we completed the initial closing of our acquisition of the assets of the customer care business of International Business Machines Corporation, or IBM. On April 30, 2014, we completed the second phase of the acquisition of IBM’s customer care business. The preliminary aggregate purchase price of $503.4 million is subject to certain post-closing adjustments. The preliminary purchase price will be adjusted for the difference between $100.0 million and the final amount of net tangible assets acquired excluding certain defined employee liabilities. The countries acquired through August 31, 2014 comprise approximately 99% of the preliminary valuation of the customer care business. The final closing was completed on September 30, 2014. As of August 31, 2014, we were obligated to pay an additional amount of $40.0 million in cash, including amounts towards the subsequently closed countries, upon completion of the final phase closing. The acquisition has been integrated into our Concentrix segment. The acquisition in its entirety, including subsequent closures, adds over 35,000 employees in five continents, providing business process outsourcing delivery capabilities to approximately 170 customers in 25 countries.

We combine our core strengths in distribution with our customer engagement services to help our customers achieve greater efficiencies in time to market, cost minimization, real-time linkages in the supply chain and after-market product support. We distribute more than 30,000 technology products (as measured by active SKUs) from more than 300 IT, CE and OEM suppliers to more than 20,000 resellers, system integrators, and retailers throughout the United States, Canada, Japan and

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Mexico. As of August 31, 2014, we had over 50,000 employees worldwide. From a geographic perspective, approximately 83% of our total revenue was from North America for both the three and nine months ended August 31, 2014, and approximately 89% and 88%, of our total revenue was from North America for the three and nine months ended August 31, 2013, respectively. The revenues attributable to countries are based on geographical locations from which the products are distributed and from where customer service contracts are managed.

In our Technology Solutions segment, we purchase peripherals, IT systems, system components, software, networking equipment, including CE and complementary products from our primary suppliers such as Hewlett-Packard Company, or HP, Lenovo, AsusTek Computer Inc., Beats Electronics LLC and Seagate Technologies LLC and sell them to our reseller and retail customers. We perform a similar function for our distribution of licensed software products. Our reseller customers include value-added resellers, or VARs, corporate resellers, government resellers, system integrators, direct marketers, and national and regional retailers. In Technology Solutions, we also provide comprehensive IT solutions in key vertical markets such as government and healthcare and we provide specialized service offerings that increase efficiencies in the areas of print management, renewals, networking, logistics services and supply chain management. Additionally, within our Technology Solutions segment, we provide our customers with systems design and integration services for data center servers and storage solutions built specific to our customers' datacenter environments.

In our Concentrix segment, our portfolio of services includes end-to-end process outsourcing to customers in various industry vertical markets delivered through omni-channels that include both voice and non-voice mediums.

Critical Accounting Policies and Estimates

There have been no material changes in our critical accounting policies and estimates for the three and nine months ended August 31, 2014 from our disclosure in our Annual Report on Form 10-K for the fiscal year ended November 30, 2013. For more information on all of our critical accounting policies, please see the discussion in our Annual Report on Form 10-K for the fiscal year ended November 30, 2013 and Note 2 of the financial statements.

Recent Acquisitions

We continually seek to augment our product and service offerings through both internal expansion and strategic acquisitions of businesses and assets that complement and expand our global operational capabilities. We also divest businesses that we deem no longer strategic to our ongoing operations. Our historical acquisitions have extended the geographic reach of our operations, particularly in targeted markets, and have diversified and expanded the services we provide to our OEM suppliers and customers. Our prior acquisitions have brought us new reseller and retail customers, OEM suppliers, product lines and service offerings and technological capabilities. We account for acquisitions using the purchase method of accounting and include acquired entities within our Consolidated Financial Statements from the closing date of the acquisition.

Acquisitions during fiscal year 2014

IBM customer care business acquisition

On January 31, 2014, under the terms of a Master Asset Purchase Agreement, we completed the initial closing of our acquisition of the assets of the customer care business of IBM. On April 30, 2014, we completed the second phase of the acquisition of IBM’s customer care business. The preliminary aggregate purchase price of $503.4 million is subject to certain post-closing adjustments. The preliminary purchase price will be adjusted for the difference between $100.0 million and the final amount of net tangible assets acquired excluding certain defined employee liabilities. The countries acquired through August 31, 2014 comprise approximately 99% of the preliminary valuation of the customer care business. The final closing was completed on September 30, 2014. As of August 31, 2014, we were obligated to pay an additional amount of $40.0 million in cash, including amounts towards the subsequently closed countries, upon completion of the final phase closing. A portion of the purchase price was settled through the issuance of 1,266,357 shares of our common stock at a fair value of $71.1 million based on the closing price of our common stock on the date of issuance.

The estimated purchase price allocation consisted of $53.3 million of net tangible assets, $263.5 million of intangible assets and $183.6 million of goodwill. The purchase price allocation is preliminary, subject to finalization of valuation procedures.

The acquisition has been integrated into the Concentrix segment. It expands our service portfolio, delivery capabilities and geographic reach, and brings deep process expertise and managerial talent.

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Acquisitions during fiscal year 2013

In April 2013, we acquired substantially all of the assets of Supercom Canada Limited or Supercom Canada, a distributor of IT and consumer electronics products and services in Canada. The purchase price was approximately CAD37.6 million, or US$36.7 million, in cash, including approximately CAD4.5 million, or US$4.3 million, in deferred payments, subject to certain post-closing conditions, payable within 18 months. We have paid CAD1.8 million, or US$1.6 million, of the deferred amount as of August 31, 2014. Subsequent to the acquisition, we repaid debt and working capital lines in the amount of US$53.7 million. Based on the purchase price allocation, we recorded net tangible assets of US$26.9 million, goodwill of US$5.4 million and intangible assets of US$4.4 million in relation to this acquisition. The acquisition is integrated into the Technology Solutions segment and has expanded our existing product and service offerings in Canada.

Results of Operations

The following table sets forth, for the indicated periods, data as percentages of revenue:

Statements of Operations Data:	Three Months Ended				Nine Months Ended			
	August 31, 2014		August 31, 2013		August 31, 2014		August 31, 2013	
Revenue	100.00	%	100.00	%	100.00	%	100.00	%
Cost of revenue	(91.52	)	(93.99	)	(92.16	)	(93.90	)
Gross profit	8.48		6.01		7.84		6.10	
Selling, general and administrative expenses	(6.25	)	(3.69	)	(5.75	)	(3.90	)
Income from operations before non-operating items, income taxes and noncontrolling interest	2.23		2.32		2.09		2.20	
Interest expense and finance charges, net	(0.22	)	(0.10	)	(0.18	)	(0.17	)
Other income (expense), net	(0.02	)	0.44		0.02		0.18	
Income from operations before income taxes and noncontrolling interest	1.99		2.66		1.93		2.21	
Provision for income taxes	(0.73	)	(0.96	)	(0.70	)	(0.79	)
Net income	1.26		1.70		1.23		1.42	
Net income attributable to noncontrolling interest	(0.00)		(0.00)		(0.00)		(0.00)	
Net income attributable to SYNNEX Corporation	1.26	%	1.70	%	1.23	%	1.42	%

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Segment Information

In the first quarter of fiscal year 2014, we realigned our business segments. Certain operations that were previously reported under the Concentrix segment and that primarily provided inter-segment support and IT services have now been aligned with and report into the Technology Solutions segment. The financial information presented herein reflects the impact of the preceding segment structure change for all periods presented.

Three and Nine Months Ended August 31, 2014 and 2013

Revenue

	Three Months Ended			Nine Months Ended		
	August 31, 2014	August 31, 2013	Percent Change	August 31, 2014	August 31, 2013	Percent Change
	(in thousands)			(in thousands)		
Revenue	$3,535,202	$2,733,913	29.3 %	$10,015,721	$7,786,113	28.6 %
Technology Solutions revenue	3,204,534	2,690,265	19.1 %	9,270,439	7,656,397	21.1 %
Concentrix revenue	333,796	46,288	621.1 %	754,243	137,386	449.0 %
Inter-segment elimination	(3,128)	(2,640)	(18.5)%	(8,961)	(7,670)	(16.8)%

In our Technology Solutions segment, we distribute in excess of 30,000 technology products (as measured by active SKUs) from more than 300 IT, CE and OEM suppliers to more than 20,000 resellers. The prices of our products are highly dependent on the volumes purchased within a product category. The products we sell from one period to the next are often not comparable because of rapid changes in product models and features. The revenue generated in our Concentrix segment relates to global business services process optimization, customer engagement strategy and back office automation. Inter-segment elimination represents services and transactions generated between our reportable segments that are eliminated on consolidation.

Revenue in our Technology Solutions segment during the three months ended August 31, 2014 increased, as compared to the prior year period, due to strong demand for our systems design and integration services, strong consumer and commercial sales growth in the U.S., and strong consumer sales in Japan. In comparison to the prior year period, revenue during the three months ended August 31, 2014 was negatively impacted by 1.1% for the translation impact of foreign exchange rates, primarily from the weakening of the Japanese Yen and the Canadian Dollar. On a constant currency basis, revenue increased by 20.2% during the three months ended August 31, 2014 as compared to the prior year period.

Revenue in our Technology Solutions segment during the nine months ended August 31, 2014 increased, as compared to the prior year period, due to strong consumer and commercial sales growth in the U.S. and Japan, strong demand for our systems design and integration services, and the April 2013 acquisition of Supercom Canada. Japan sales were exceptionally strong in our second quarter of fiscal 2014, in part, due to demand generated prior to a consumption tax increase, which took place in April 2014 and the expiration of Windows XP support. In comparison to the prior year period, revenue during the nine months ended August 31, 2014 was negatively impacted by 2.2%, for the translation impact of foreign exchange rates, primarily from the weakening of the Japanese Yen and the Canadian Dollar. On a constant currency basis, revenue increased by 23.3% during the nine months ended August 31, 2014 as compared to the prior year period.

The increase in revenue in our Concentrix segment during the three and nine months ended August 31, 2014, as compared to the prior year periods is primarily due to the January 31, 2014 and April 30, 2014 phased acquisition of the IBM customer care business. The acquisition added approximately $280.0 million and $600.0 million in revenue to our consolidated results during the three and nine months ended August 31, 2014, respectively.

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Gross Profit

	Three Months Ended			Nine Months Ended		
	August 31, 2014	August 31, 2013	Percent Change	August 31, 2014	August 31, 2013	Percent Change
	(in thousands)			(in thousands)		
Gross profit	$299,722	$164,280	82.4 %	$785,382	$475,157	65.3 %
Percentage of revenue	8.48 %	6.01 %		7.84 %	6.10 %	

Our gross profit is affected by a variety of factors, including our sources of revenue by segments, competition, average selling prices, mix of products and services we sell, our customers, product costs along with rebate and discount programs from our suppliers, reserves or settlement adjustments, freight costs, charges for inventory losses, acquisitions and divestitures of business units and fluctuations in revenues. Concentrix margins can also be impacted by ramp-up costs, additional lead time for programs to be fully scalable and initial set-up costs.

The increase in our gross margins in the three and nine months ended August 31, 2014 as compared to the prior year periods is primarily due to the change in our business mix as a result of our acquisition of the IBM customer care business on January 31, 2014.

Gross profit in our Technology Solutions segment during the three and nine months ended August 31, 2014 increased from the prior year periods due to growth in our systems design and integration services, strong commercial and consumer sales growth in the U.S. and Japan and product and customer mix.

Gross profit in our Concentrix segment during the three and nine months ended August 31, 2014 increased from the prior year period as a result of our acquisition of the IBM customer care business on January 31, 2014.

Selling, General and Administrative Expenses

	Three Months Ended			Nine Months Ended		
	August 31, 2014	August 31, 2013	Percent Change	August 31, 2014	August 31, 2013	Percent Change
	(in thousands)			(in thousands)		
Selling, general and administrative expenses	$220,920	$100,781	119.2 %	$576,547	$303,754	89.8 %
Percentage of revenue	6.25 %	3.69 %		5.75 %	3.90 %	

Our selling, general and administrative expenses primarily consists of personnel costs such as salaries, commissions, bonuses, share-based compensation and temporary personnel costs. Selling, general and administrative expenses also include costs incurred in relation to the acquisition and integration of businesses, cost of facilities, utility expenses, professional fees, depreciation on our capital equipment, bad debt expense, amortization of our intangible assets, and marketing expenses, offset in part by reimbursements from our OEM suppliers.

The increase in our selling, general and administrative expenses in the three and nine months ended August 31, 2014 compared to the prior year periods is primarily the result of our January 31, 2014 acquisition of the IBM customer care business in the Concentrix segment. The acquisition added over 35,000 employees and contractors to our personnel resources. We also incurred approximately $9.9 million and $34.6 million in acquisition-related and integration expenses in our Concentrix segment related to the IBM customer care business acquisition during the three and nine months ended August 31, 2014, respectively, as compared to $2.6 million for both the three and nine months ended August 31, 2013. The amortization of our intangible assets was approximately $15.6 million and $32.5 million higher during the three and nine months ended August 31, 2014, respectively, as compared to the prior year periods, primarily as a result of the acquisition of IBM's customer care business.

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Income from Operations before Non-Operating Items, Income Taxes and Noncontrolling Interest

	Three Months Ended			Nine Months Ended		
	August 31, 2014	August 31, 2013	Percent Change	August 31, 2014	August 31, 2013	Percent Change
	(in thousands)			(in thousands)		
Income from operations before non-operating items, income taxes and noncontrolling interest	$78,802	$63,499	24.1 %	$208,835	$171,403	21.8 %
Percentage of total revenue	2.23 %	2.32 %		2.09 %	2.20 %	
Technology Solutions income from operations before non-operating items, income taxes and noncontrolling interest	76,937	62,496	23.1 %	210,602	164,718	27.9 %
Percentage of Technology Solutions revenue	2.40 %	2.32 %		2.27 %	2.15 %	
Concentrix income (loss) from operations before non-operating items, income taxes and noncontrolling interest	1,746	826	111.4 %	(2,202)	6,516	(133.8)%
Percentage of Concentrix revenue	0.52 %	1.78 %		(0.29)%	4.74 %	
Inter-segment eliminations	119	177	(32.8)%	435	169	157.4 %

The operating margins in our Technology Solutions segment during the three and nine months ended August 31, 2014 increased from the prior year periods primarily due to the growth in our U.S. business and efficient management of our operating expenses. Additionally, for the nine months ended August 31, 2014, operating margins in Japan benefitted from strong demand in advance of the April 2014 consumption tax increase and the expiration of Windows XP support.

The operating margin of our Concentrix segment in the three and nine months ended August 31, 2014 was adversely affected by $9.9 million and $34.6 million, respectively, in acquisition and integration expenses incurred in relation to our acquisition of the IBM customer care business, as compared to $2.6 million for both the three and nine months ended August 31, 2013. In addition, the amortization expense of our intangible assets was approximately $15.6 million and $32.6 million higher than the comparative prior year periods as a result of the acquisition. Operating margins were also negatively impacted by incremental headcount associated with customer ramp-up and duplicative costs associated with the transition from IBM back office support systems.

Interest Expense and Finance Charges, Net

	Three Months Ended			Nine Months Ended		
	August 31, 2014	August 31, 2013	Percent Change	August 31, 2014	August 31, 2013	Percent Change
	(in thousands)			(in thousands)		
Interest expense and finance charges, net	$7,602	$2,983	154.8 %	$18,260	$13,339	36.9 %
Percentage of revenue	0.22 %	0.10 %		0.18 %	0.17 %	

Amounts recorded in interest expense and finance charges, net, consist primarily of interest expense paid on our lines of credit and other debt, fees associated with third party accounts receivable flooring arrangements, and the sale or pledge of accounts receivable through our securitization facilities, offset by income earned on our cash investments and financing income from our multi-year contracts in our Mexico operation. Interest expense recorded in the three and nine months ended August 31, 2013 also includes non-cash interest expense incurred on our convertible debt. The increase in our interest expense during the three months ended August 31, 2014 as compared to the prior year period is primarily the result of the increase in borrowing levels to fund the acquisition of the IBM customer care business on January 31, 2014, to infuse working capital into the newly acquired business and to invest in growing our systems design and

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integration services. Interest expense also included higher flooring fees and finance charges as a result of our higher business volumes and investments in our Technology Solutions business.

The increase in our interest expense during the nine months ended August 31, 2014 as compared to the prior year period is primarily the result of the increase in borrowing levels primarily to fund the acquisition of the IBM customer care business on January 31, 2014, to infuse working capital into the newly acquired business and to invest in growing our Technology Solutions business. This increase was partially offset by the settlement of the convertible debt in August 2013 and the beneficial impact of translation of the Japanese Yen. The prior period interest expense includes approximately $5.3 million in cash and non-cash interest expense components related to the convertible debt.

Other Income, Net

	Three Months Ended			Nine Months Ended		
	August 31, 2014	August 31, 2013	Percent Change	August 31, 2014	August 31, 2013	Percent Change
	(in thousands)			(in thousands)		
Other income (expense), net	$(548)	$12,159	(104.5)%	$2,223	$13,948	(84.1)%
Percentage of revenue	(0.02)%	0.44%		0.02%	0.18%	

Amounts recorded as other income, net include foreign currency transaction gains and losses, investment gains and losses (including those in our deferred compensation plan) and other non-operating gains and losses.

The decrease in other income (expense), net during the three months ended August 31, 2014 was due to $12.3 million received from a class-action legal settlement during the three months ended August 31, 2013.

The decrease in other income (expense), net in the nine months ended August 31, 2014 was due to $9.4 million lower benefit from a class-action legal settlement, higher foreign exchange losses and lower earnings on our deferred compensation investments.

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 for the three and nine months ended August 31, 2014 were 36.3% and 36.2%, respectively, compared to 35.8% and 35.6% for the three and nine months ended August 31, 2013, respectively. The increase in our effective tax rate, compared to the prior year periods, was due to increased profitability of our operations in higher tax jurisdictions and the full utilization of certain net operating loss carry-forwards.

Our future effective tax rates could be adversely affected by earnings being lower than anticipated in countries where we have lower statutory rates and earnings being higher than anticipated in countries where we have higher statutory rates, by changes in the valuations of our deferred tax assets or liabilities, or by changes or interpretations in tax laws, regulations or accounting principles. In addition, we are subject to the continuous examination of our income tax returns by the Internal Revenue Service and other tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes.

Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests represents the share of net income attributable to others, which is recognized for the portion of subsidiaries' equity not owned by us. The change in the net income loss attributable to noncontrolling interests in the three and nine months ended August 31, 2014 as compared to the prior year period was not material to our results of operations.

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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 arrangements, our securitization programs and our revolver programs 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.

To increase our market share and better serve our customers, we may further expand our operations through investments or acquisitions. We expect that such expansion would require an initial investment in personnel, facilities and operations. These investments or acquisitions would likely be funded primarily by additional borrowings or issuing common stock.

Net cash used in operating activities was $246.6 million for the nine months ended August 31, 2014, primarily due to an increase in inventories of $355.8 million and an increase in accounts receivables of $246.1 million. These cash outflows were partially offset by our net income of $123.0 million, adjustments for non-cash items of $77.2 million, an increase in accrued liabilities of $162.2 million, and an increase in accounts payable of $21.8 million. The increase in inventories is primarily due to the growth of our Technology Solutions segment, including our systems design and integration services. The increase in accounts receivables is primarily a result of the receivables from the newly acquired IBM customer care business. The increase in accounts payable and accrued liabilities is primarily due to the newly acquired IBM customer care business. The adjustments for non-cash items consist primarily of amortization, depreciation, stock-based compensation expense and provision for doubtful accounts.

Net cash provided by operating activities was $118.1 million for the nine months ended August 31, 2013, primarily from net income of $110.8 million and a decrease in accounts receivable of $108.6 million decrease in accounts receivable, offset in part by an increase in inventory of $67.0 million and a decrease in accounts payable of $52.2 million. The changes in accounts receivables, inventory and accounts payable are primarily due to our organic and acquisition related growth and due to the seasonal nature of our business.

Net cash used in investing activities for the nine months ended August 31, 2014 was $440.4 million, primarily due to cash payments of $390.0 million for the acquisition of the IBM customer care business and a $16.7 million increase in restricted cash due to the timing of our lockbox collections under our borrowing arrangements. Our capital expenditures during the period were $40.2 million to support our growth as a result of our acquisitions and higher organic business volumes. These cash outflows were offset in part by $2.9 million proceeds from sale of our trading investments, net of purchases.

Net cash used in investing activities for the nine months ended August 31, 2013 was $32.8 million, which included $24.4 million paid for the acquisition of Supercom Canada, net of cash acquired, and $1.0 million paid for our prior acquisitions in our Concentrix segment. Our investment in property and equipment was $15.3 million and our investment in cost-method securities was $1.7 million. These cash outflows were offset in part by $4.2 million proceeds from our fiscal year 2012 sale of equity-method investee SB Pacific Limited and $3.1 million proceeds from sale of our deferred compensation investments, net of purchases.

Net cash provided by financing activities for the nine months ended August 31, 2014 was $665.8 million, consisting primarily of $684.3 million of net receipts from our securitization arrangement, revolving lines of credit and term loans. The increase in borrowings was primarily to fund the acquisition and working capital requirements of the newly acquired customer care business from IBM and our systems design and integration services business. These cash inflows were partially offset by an increase in our book overdraft of $21.0 million and payment of contingent consideration of $5.1 million for prior acquisitions.

Net cash used in financing activities for the nine months ended August 31, 2013 was $114.8 million, consisting primarily of $218.9 million paid for the settlement of the Convertible Senior Notes and $53.7 million payment of debt acquired from Supercom Canada. In addition, we paid $11.4 million for the fiscal year 2012 purchase of shares of our subsidiary Infotec Japan from the noncontrolling interest and $1.9 million for shares purchased through our share repurchase program. These payments were partially offset by $64.6 million net receipts from our revolving lines of credit and term loans, a $43.3 million higher book overdraft and $6.9 million proceeds from the issuance of common stock upon the exercise of employee stock awards.

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Capital Resources

Our cash and cash equivalents totaled $127.7 million and $151.6 million as of August 31, 2014 and November 30, 2013, respectively. Of our total cash and cash equivalents, the cash held by our foreign subsidiaries was $119.9 million and $142.5 million as of August 31, 2014 and November 30, 2013, respectively. Repatriation of the cash held by our foreign subsidiaries would be subject to United States federal income taxes. Also, repatriation of some foreign balances is restricted by local laws. However, we have historically fully utilized and reinvested all foreign cash to fund our foreign operations and expansion. If in the future, our intentions change and we repatriate the cash back to the United States, we will report in our consolidated financial statements the expected impact of the applicable taxes depending upon the planned timing and manner of such repatriation. Presently, we believe we have sufficient resources, cash flow and liquidity within the United States to fund current and expected future working capital requirements.

Based on our financial strength and performance, existing sources of liquidity, available cash resources and funds available under our various borrowing arrangements, we believe we will have sufficient resources to meet our present and future working capital requirements, planned capital expenditures, anticipated stock repurchases and dividend payments for the next twelve months.

Our accounts receivable securitization program and our U.S credit facility agreement are renewable on their expiration dates. We have no reason to believe that these arrangements will not be renewed as we continue to be in good credit standing with the participating financial institutions. We have had similar borrowing arrangements with various financial institutions throughout our years as a public company.

On-Balance Sheet Arrangements

We finance our United States operations primarily with an accounts receivable securitization program, or the U.S. Arrangement. Until September 2013, our subsidiary, which is the borrower under the U.S. Arrangement, could borrow up to a maximum of $400.0 million in U.S. trade accounts receivable, or the U.S. Receivables. In September 2013, we amended the U.S Arrangement to increase the commitment of the lenders to $500.0 million. In addition, the amendment also included an accordion feature to allow requests for an increase in the lenders' commitment by an additional $100.0 million to a maximum commitment of $600.0 million. The maturity date of the U.S. Arrangement is October 2015. The effective borrowing cost under the U.S. Arrangement is a blended rate that includes prevailing dealer commercial paper rates and the daily London Interbank Offered Rate, or LIBOR, rate, plus a program fee of 0.425% per annum based on the used portion of the commitment, and a facility fee of 0.425% per annum payable on the aggregate commitment of the lenders. As of August 31, 2014 and November 30, 2013, the outstanding balances under the U.S. arrangement were $466.3 million and $144.0 million, respectively.

Under the terms of the U.S. Arrangement, we sell, on a revolving basis, U.S. Receivables to a wholly-owned, bankruptcy-remote subsidiary. The borrowings are funded by pledging all of the rights, title and interest in and to the U.S. Receivables acquired by our subsidiary as security. Any borrowings under the U.S. Arrangement are recorded as debt on our Consolidated Balance Sheets. 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 increase in our cost of borrowing or loss of our financing capacity under these programs if the commercial paper issuer or liquidity back-up provider is not replaced, or if the lender whose commercial paper issuer or liquidity back-up provider is not replaced does not elect to offer us an alternate rate. Loss of such financing capacity could have a material adverse effect on our financial condition and results of operations.

In November 2013, we entered into a senior secured credit agreement, or the U.S. Credit Agreement, which comprises of a $275.0 million revolving credit facility and a term loan not to exceed an aggregate principal amount of $225.0 million. We may request incremental commitments to increase the principal amount of revolving loans or term loans available under the U.S. Credit Agreement up to $125.0 million. The U.S. Credit Agreement matures in November 2018. Interest on borrowings under the U.S. Credit Agreement can be based on the LIBOR, or a base rate, at our option. Loans borrowed under the Credit Agreement bear interest, in the case of LIBOR loans, at a per annum rate equal to the applicable LIBOR, plus a margin which may range from 1.75% to 2.25%, based on our consolidated leverage ratio, as determined in accordance with the U.S. Credit Agreement. Loans borrowed under the Credit

Agreement that are not LIBOR loans, and are instead base rate loans, bear interest at a per annum rate equal to (i) the greatest of (A) the Federal Funds Rate plus a margin of 1/2 of 1.0%, (B) LIBOR plus 1.0% per annum, and (C) the rate of interest announced, from time to time, by the agent, Bank of America, N.A., as its “prime rate,” plus (ii) a margin which may range from 0.75% to 1.25%, based on our consolidated leverage ratio, as determined in accordance with the U.S. Credit Agreement. When drawn, the outstanding principal amount of the term loan will be repayable

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in quarterly installments, in an amount equal to (a) for each of the first eight calendar quarters ending after the term loan is made, 1.25% of the initial principal amount of the term loan, (b) for each calendar quarter ending thereafter, 2.50% of the initial principal amount of the term loan and (c) on the November 2018 maturity date of the term loan, the outstanding principal amount of the term loan. Our obligations under the U.S. Credit Agreement are secured by substantially all of the parent company and its United States domestic subsidiaries' assets and are guaranteed by certain of our United States domestic subsidiaries. As of August 31, 2014, $222.2 million was outstanding under the term loan component of the U.S. Credit Agreement and $140.0 million outstanding under the secured revolver. In addition, there was $1.5 million outstanding as of August 31, 2014 in standby letters of credit under the U.S Credit Agreement. There were no borrowings outstanding as of November 30, 2013.

SYNNEX Canada Limited, or SYNNEX Canada, has a revolving line of credit arrangement with a financial institution, or the Canadian Revolving Arrangement, which has a maximum commitment of CAD100.0 million and includes an accordion feature to increase the maximum commitment by an additional CAD25.0 million to CAD125.0 million, at SYNNEX Canada's request. The Canadian Revolving Arrangement also provides a sublimit of $5.0 million for the issuance of standby letters of credit. There were no letters of credit outstanding as of August 31, 2014 and November 30, 2013. SYNNEX Canada has granted a security interest in substantially all of its assets in favor of the lender under the Canadian Revolving Arrangement. In addition, we pledged our stock in SYNNEX Canada as collateral for the Canadian Revolving Arrangement. The interest rate applicable under the Canadian Revolving Arrangement is equal to (i) the Canadian base rate plus a margin of 0.75% for a Base Rate Loan in Canadian Dollars, (ii) the US base rate plus a margin of 0.75% for a Base Rate Loan in U.S. Dollars, and (iii) the Bankers' Acceptance rate, or BA, plus a margin of 2.00% for a BA Rate Loan. The Canadian base rate means the greater of (a) the prime rate determined by a major Canadian financial institution and (b) the one month Canadian Dealer Offered Rate, or CDOR, (the average rate applicable to Canadian Dollar bankers' acceptances for the applicable period) plus 1.50%. The US base rate means the greater of (a) a reference rate determined by a major Canadian financial institution for US dollar loans made to Canadian borrowers and (b) the US federal funds rate plus 0.50%. A fee of 0.25% per annum is payable with respect to the unused portion of the commitment. CAD57.5 million, or $52.9 million, was outstanding under the Canadian Revolving Arrangement as of August 31, 2014, and there were no amounts outstanding as of November 30, 2013.

SYNNEX Canada has a term loan associated with the purchase of its logistics facility in Guelph, Canada. The interest rate for the unpaid principal amount is a fixed rate of 5.374% per annum. The final maturity date for repayment of the unpaid principal is April 1, 2017. The balances outstanding on the term loan as of August 31, 2014 and November 30, 2013 were $6.7 million and $7.4 million, respectively.

SYNNEX Infotec has a credit agreement with a group of financial institutions for a maximum commitment of JPY14.0 billion. The credit agreement is comprised of a JPY6.0 billion long-term loan and a JPY8.0 billion short-term revolving credit facility. The interest rate for the long-term and short-term loans is based on the Tokyo Interbank Offered Rate, or TIBOR, plus a margin that was 1.90% per annum; however, in December 2013, we amended the credit agreement to lower this margin to 1.40% per annum. The unused line fee on the revolving credit facility was 0.50% per annum. In December 2013, we amended this credit agreement to lower this fee to 0.10% per annum. As of August 31, 2014 and November 30, 2013, the balances outstanding under the credit facility were $77.8 million and $136.7 million, respectively. The long-term loan can be repaid at any time prior to expiration date without penalty. We have issued a guarantee to cover up to 110% of the outstanding principal amount obligations of SYNNEX Infotec to the lenders. This credit facility expires in December 2016.

In September 2013, SYNNEX Infotec established a short-term revolving credit facility of JPY2.0 billion with a financial institution. The interest rate for the credit facility is based on TIBOR plus a margin of 0.50% per annum. In addition, there is a facility fee of 0.425% per annum. The credit facility can be renewed annually. As of August 31, 2014 and November 30, 2013, the balances outstanding under this credit facility were $19.2 million and $19.5 million, respectively.

SYNNEX Infotec has a short-term revolving credit facility of JPY1.0 billion with a financial institution. The credit facility can be renewed annually and bears an interest rate that is based on TIBOR plus a margin of 1.20% per annum. As of August 31, 2014 and November 30, 2013, the balances outstanding under these lines were $9.6 million and $9.8

million, respectively.

As of August 31, 2014 and November 30, 2013, we also had $6.1 million and $0.5 million, respectively, outstanding in capital lease obligations primarily pertaining to SYNNEX Infotec and under arrangements with various banks and financial institutions for the sale and financing of approved accounts receivable and notes receivable with recourse provisions to SYNNEX Infotec.

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Covenants Compliance

In relation to the U.S. Arrangement, the U.S. Credit Agreement, the Canadian Revolving Arrangement and the SYNNEX Infotec credit facility, we have a number of covenants and restrictions that, among other things, require us to comply with certain financial and other covenants. These covenants require us to maintain specified financial ratios and satisfy certain financial condition tests, including leverage and fixed charge coverage ratios. They also limit our ability to incur additional debt, make intercompany loans, pay dividends and make other types of distributions, make certain acquisitions, repurchase our stock, create liens, cancel debt owed to us, enter into agreements with affiliates, modify the nature of our business, enter into sale-leaseback transactions, make certain investments, enter into new real estate leases, transfer and sell assets, cancel or terminate any material contracts and merge or consolidate. As of August 31, 2014, we were in compliance with all material covenants for the above arrangements.

Convertible Debt

In August 2013, we settled our Convertible Senior Notes with an aggregate principal amount of $143.8 million which were issued in May 2008 in a private placement. The Convertible Senior Notes bore a cash coupon interest rate of 4.0% per annum and the conversion rate was 33.9945 shares of common stock per $1,000 principal amount, equivalent to an initial conversion price of $29.42 per share of common stock. The Convertible Senior Notes were called in the second quarter of fiscal year 2013. No interest was accrued subsequent to May 2013 in accordance with the Indenture. The final settlement amount of $218.9 million was paid in cash and comprised of $143.8 million in principal payments and $75.1 million in payment of conversion premium. The conversion premium, which represents the difference between the total settlement amount less the principal, was recorded as a reduction of additional paid-in capital. The final settlement amount was calculated in accordance with the Indenture based on the volume weighted-average trading price of our common stock over the 60 consecutive trading-day period beginning on and including the third trading day after the related conversion.

Based on a cash coupon interest rate of 4.0%, we recorded contractual interest expense of $3.0 during the nine months ended August 31, 2013. Based on an effective rate of 8.0%, we recorded non-cash interest expenses of $2.3 for the nine months ended August 31, 2013.

Guarantees

We issued guarantees to certain vendors, customers, lenders of our subsidiaries for trade credit lines and loans, and to a certain customer's lessor. In addition, we, as the ultimate parent, guaranteed the obligations of SYNNEX Investment Holdings Corporation up to $35.0 million in connection with the sale of China Civilink (Cayman), which operated in China as HiChina Web Solutions, to Alibaba.com Limited. The total guarantees issued by us as of August 31, 2014 and November 30, 2013 were $361.8 million and $364.7 million, respectively. We are obligated under these guarantees to pay amounts due should our subsidiaries or customer not pay valid amounts owed to their vendors or lenders or not comply with subsidiary sales agreements.

Related Party Transactions

We had a business relationship with MiTAC International Corporation, or MiTAC International, a publicly-traded company in Taiwan, which began in 1992 when MiTAC International became our primary investor through its affiliates. In September 2013, MiTAC Holdings Corporation, or MiTAC Holdings, was established through a stock swap from MiTAC International and became a publicly traded company on the Taiwan Stock Exchange. MiTAC International is now a wholly-owned subsidiary of MiTAC Holdings. As of August 31, 2014 and November 30, 2013, MiTAC Holdings and its affiliates beneficially owned approximately 25% and 26%, respectively, of our common stock. Matthew Miau, our Chairman Emeritus of the Board of Directors and director, is the Chairman of MiTAC Holdings' and a director or officer of MiTAC Holdings' affiliates.

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The shares owned by MiTAC Holdings are held by the following entities:

	As of August 31, 2014 (in thousands)
MiTAC Holdings[(1)]	5,552
Synnex Technology International Corp.[(2)]	4,283
Total	9,835

(1) Shares are held via Silver Star Developments Ltd., a wholly-owned subsidiary of MiTAC Holdings. Excludes 372 thousand shares directly held by Matthew Miau and 224 thousand shares indirectly held by Matthew Miau through a charitable remainder trust.

(2) Synnex Technology International Corp., or Synnex Technology International, is a separate entity from us and is a publicly-traded corporation in Taiwan. Shares are held via Peer Development Ltd., a wholly-owned subsidiary of Synnex Technology International. MiTAC Holdings owns a noncontrolling interest of 8.7% in MiTAC Incorporated, a privately-held Taiwanese company, which in turn holds a noncontrolling interest of 13.6% in Synnex Technology International.

MiTAC Holdings generally has significant influence over us and over the outcome of all matters submitted to stockholders for consideration, including any merger or acquisition of ours. Among other things, this could have the effect of delaying, deterring or preventing a change of control over us.

We purchased inventories from MiTAC Holdings and their affiliates totaling $31.1 million and $82.6 million during the three and nine months ended August 31, 2014, respectively, and totaling $10.1 million and $21.9 million during the three and nine months ended August 31, 2013, respectively. Our sales to MiTAC Holdings, and its affiliates totaled $1.3 million and $3.3 million during the three and nine months ended August 31, 2014, respectively, and totaled $0.9 million and $3.5 million during the three and nine months ended August 31, 2013, respectively. In addition, we received reimbursements of rent and overhead costs for facilities used by MiTAC Holdings amounting to $0.03 million and $0.09 million during the three and nine months ended August 31, 2014, respectively, and $0.9 million and $2.6 million during the three and nine months ended August 31, 2013, respectively.

Our business relationship with MiTAC Holdings and its affiliates has been informal and is not governed by long-term commitments or arrangements with respect to pricing terms, revenue or capacity commitments. We negotiate pricing and other material terms on a case-by-case basis with MiTAC Holdings. While MiTAC Holdings is a related party and a controlling stockholder, we believe that the significant terms under our arrangements with MiTAC Holdings, including pricing, will not materially differ from the terms we could have negotiated with unaffiliated third parties, and we have adopted a policy requiring that material transactions with MiTAC Holdings or its related parties be approved by its Audit Committee, which is composed solely of independent directors. In addition, Matthew Miau's compensation is approved by the Nominating and Corporate Governance Committee, which is also composed solely of independent directors.

Synnex Technology International is a publicly-traded corporation in Taiwan that currently provides distribution and fulfillment services to various markets in Asia and Australia, and is also our potential competitor. Neither MiTAC Holdings nor Synnex Technology International is restricted from competing with us.

Recent Accounting Pronouncements

For a summary of recent accounting pronouncements and the anticipated effects on our consolidated financial statements see Note 2 to the Consolidated Financial Statements.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes in our quantitative and qualitative disclosures about market risk for the three and nine months ended August 31, 2014 from our Annual Report on Form 10-K for the fiscal year ended November 30, 2013. For further discussion of quantitative and qualitative disclosures about market risk, reference is made to our Annual Report on Form 10-K for the fiscal year then ended.

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ITEM 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures. We maintain “disclosure controls and procedures,” as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”), that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. In designing and evaluating our disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Our disclosure controls and procedures have been designed to meet reasonable assurance standards. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Based on their evaluation as of the end of the period covered by this Quarterly Report on Form 10-Q, our Chief Executive Officer and Chief Financial Officer have concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

(b) Changes in internal control over financial reporting. There was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) identified in connection with management’s evaluation during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II - OTHER INFORMATION

ITEM 1A. Risk Factors

The following are certain risk factors that could affect our business, financial results and results of operations. These risk factors should be considered in connection with evaluating the forward-looking statements contained in this Quarterly Report on Form 10-Q because these factors could cause the actual results and conditions to differ materially from those projected in the forward-looking statements. Before you invest in our Company, you should know that making such an investment involves some risks, including the risks described below. The risks that have been highlighted here are not the only ones that we face. If any of the risks actually occur, our business, financial condition and results of operations could be negatively affected. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment.

Risks Related to the Acquisition of the Customer Care Business from IBM

We may not be able to realize all of the anticipated benefits of the acquisition of the IBM customer care business if we fail to integrate this business successfully, which could reduce our profitability and adversely affect our stock price.

Our ability to realize the anticipated benefits of the transaction will depend, in part, on our ability to integrate this customer care business successfully and efficiently with our business. The integration of this business in several geographic locations is a complex, costly and time-consuming process. The integration process may disrupt our business and, if implemented ineffectively, preclude realization of the full benefits expected by us. If we are not successful in this integration, our financial results could be adversely impacted. Our management will be required to dedicate significant time and effort to this integration process, which could divert their attention from other business concerns. In addition, the overall integration has resulted and may continue to result in competitive responses, loss of customer and other relationships, loss of key employees and other employees, and diversion of management’s attention, and other unanticipated problems, expenses and liabilities, and may cause our stock price to decline. The difficulties of combining the operations of the two businesses include, among others:

- retaining and preserving existing customer relationships and completing the successful novation of customer contracts on favorable and comparable terms;
- possible attrition of customer relationships resulting from the perceived loss of a globally recognized brand name service provider;
- challenges associated with minimizing the diversion of management attention from ongoing business concerns;
- coordinating geographically separate organizations which may be subject to additional complications resulting from being geographically distant from other of our operations;
- coordinating and combining international operations, relationships, and facilities, and eliminating duplicative operations;
- retaining key employees and maintaining employee morale, particularly in areas where we do not currently have personnel;
- unanticipated changes in general business or market conditions that might interfere with our ability to carry out all of our integration plans;
- unanticipated issues in integrating information, communications and other systems, and
- issues not discovered in our due diligence process.

In addition, even if the integration is successful, we may not realize the full potential benefits of the acquisition. The anticipated benefits may not be achieved within the anticipated time frame, or at all. As a result, we cannot provide assurance that this acquisition will result in the realization of the full benefits anticipated from the acquisition.

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We have significantly expanded the geographic reach of our Concentrix business with our acquisition of the IBM customer care business and this expansion exposes us to additional geopolitical risks that could adversely affect our business and results from operations.

With our acquisition of the IBM customer care business, we have significantly expanded the geographic reach of our Concentrix business, adding international operations in 25 countries, spanning 5 continents. This breadth of business conducted outside of the United States exposes us to additional risks, which in turn could cause our business and results from operations to suffer. These additional risks include political and economic instability, extensive government regulation, cybersecurity threats, natural calamities, terrorist activities, worker strikes, civil unrest and military activity. We also face challenges in our management of, and compliance efforts involving, the larger geographic scope of business that is subject to a wider variety of laws, regulations and government policies. Our operations are based on a global delivery model with client services provided from delivery centers located in several countries. With the acquisition, we have significantly increased the percentage of our workforce that is located in India and the Philippines. Socio-economic situations which are specific to these regions can severely disrupt our operations and impact our ability to fulfill our contractual obligations to our clients. If these regions experience severe natural calamities or political unrest, our personnel resources may be affected, our IT and communication infrastructure may be at risk and the client processes that we manage may be adversely affected. Changes in governments, laws, regulations and taxation rules may severely impact our ability to do business in these countries, our business practices, our operating costs and our results of operations.

Risks Related to Our Business

We anticipate that our revenue and operating results will fluctuate, which could adversely affect the enterprise value of our Company and our securities.

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

- the impact of the business acquisitions and dispositions we make;
- general economic conditions and level of IT and CE spending;
- the loss or consolidation of one or more of our significant OEM suppliers or customers;
- market acceptance, product mix, quality, pricing, availability and useful life of our products;
- competitive conditions in our industry;
- pricing, margin and other terms with our OEM suppliers;
- decline in inventory value as a result of product obsolescence and market acceptance;
- variations in our levels of excess inventory, vendor reserves and doubtful accounts;
- fluctuations in rates in the currencies in which we transact;
- changes in the terms of OEM supplier-inventory protections, such as price protection and return rights; and
- the expansion of our design and integration sales and operations, globally.

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 and CE products and services 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.

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In our Technology Solutions segment, we depend on a small number of OEMs to supply the IT and CE products and services 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. For example, sales of HP products and services represented approximately 25% and 26% of our total revenue for the three and nine months ended August 31, 2014, respectively, and for approximately 30% and 31% of the total revenue for the three and nine months ended August 31, 2013, respectively. Our OEM supplier agreements typically are short-term and may be terminated without cause upon short notice. The loss or deterioration of our relationship with HP or any other major OEM supplier, the authorization by OEM suppliers of additional distributors, the sale of products by OEM suppliers directly to our reseller and retail 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, 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 distribution agreements, such as reducing the amount of price protection and return rights or reducing the level of purchase discounts, incentive 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 terminated. 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 and retail customers, our business, financial position and operating results could be adversely affected.

In our Technology Solutions segment our gross margins are low, which magnifies the impact of variations in gross margin, operating costs and bad debt on our operating results.

As a result of significant price competition in the IT and CE products and services 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 and CE products and services may hinder our ability to maintain or improve our gross margins. These low gross margins magnify the impact of variations in revenue, operating costs, inventory obsolescence and bad debt on our operating results. A portion of our operating expense 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 expense 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, retail and design and integration services customers, which could decrease revenue and adversely affect our operating results.

In our Technology Solutions segment, we sell to our reseller, retail and design and integration services 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, retail and design and integration services customers. The level and timing of orders placed by our 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, retail and design and integration services customers, we may lose customers because we have an inadequate supply of products, or we may have excess inventory, either of which could harm our business, financial position and operating results.

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With regard to our design and integration services business, unique parts are purchased based both on purchase order or forecasted demand. We have limited protection against excess inventory should anticipated demand from our design and integration customers not materialize.

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 and CE 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 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 often 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 could 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 and retail 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. For example, in fiscal years 2011 and 2012, we experienced shortage in hard drives from OEM suppliers in Thailand due to floods. If shortages or delays persist, the price of those products may increase, or the products may not be available at all. Such delays could also impact our ability to procure critical components required to complete customer orders related to our systems design and integration business. 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, retailers or end-users. Accordingly, if we are not able to secure and maintain an adequate supply of products to fulfill our reseller and retail customer orders and orders related to our systems design and integration business on a timely basis, our business, financial position and operating results could be adversely affected.

Our systems design and integration business has customer concentration and intense competition which could adversely impact our revenue.

The system design and integration business of our Technology Solutions has customer concentration, requires investments in working capital and infrastructure, and customer contracts often offer limited or no volume guarantees or protection for end of life investments. The loss of a customer or reduction in order volumes could adversely impact our revenues, provision for inventory losses, the absorption of fixed overhead costs and our future expansion plans. In addition, our ability to deliver customized solutions on a timely basis is critical to our success. Any delay could impact our competitive position and result in loss of customer orders, which could adversely impact our financial position and operating results.

The market for CE products that we distribute is characterized by short product life cycles. Increased competition for limited retailer shelf space, decreased promotional support from resellers or retailers or increased popularity of downloadable or online content and services could adversely impact our revenue.

The market for CE products, such as personal computers and tablets, mobile devices, wearable devices, video game titles and hardware, and audio or visual equipment, is characterized by short product life cycles and frequent introductions of new products. For example, the life cycle of a video game is short and typically provides a relatively high level of sales only for the first few months after introduction of the game. The markets in which we compete frequently introduce new products to meet changing consumer preferences and trends. As a result, competition is intense for resellers' and retailers' limited shelf space and promotions. If our vendors' new products are not introduced in a timely manner or do not achieve significant market acceptance, we may not generate sufficient sales or profitability. Further, if we are unable to successfully compete for resellers'

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or retailers' space and promotional resources, this could negatively impact market acceptance of our products and negatively impact our business and operating results. In addition, increased consumer use of downloadable content and online services and the further integration of technological tasks currently requiring several different CE products may negatively affect our CE product distribution business and operating results, as they may reduce consumer demand for having several different electronics devices and other physical products. For example, the popularity of downloadable and online games has increased and continued increases in downloadable and online gaming may result in a reduced level of over-the-counter retail video games sales.

The success of our Concentrix segment, including the customer care business acquired from IBM, is subject to the terms and conditions of our customer contracts.

We provide global business services, including business process outsourcing services to our customers under contracts with provisions that could impact our profitability. Many of our contracts have short termination provisions that could cause fluctuations in our revenue and operating results from period to period. For example, some contracts have performance-related bonus or penalty provisions, whereby we could receive a bonus if we satisfy certain performance levels or have to pay a penalty for failing to do so. In addition, our customers may not guarantee a minimum volume; however, we hire employees based on anticipated average volumes. The reduction of volume, loss of customers, payment of penalties or inability to terminate any unprofitable contracts could have an adverse impact on our operations and financial results.

Our Concentrix business, including the customer care business acquired from IBM, is subject to dynamic changes in the business model and competition, which in turn could cause our Concentrix operations to suffer.

The customer acquisition, support and renewal services businesses of our Concentrix segment represent emerging markets that are vulnerable to numerous changes that could cause a shift in the business and size of the market. For example, if software and hardware customers move to a utility or fee-for-service based business model, this business model change could significantly impact operations or cause a significant shift in the way we currently conduct our business. If OEMs place more focus in this area and internalize these operations, this could also cause a significant reduction in the size of the available market for third party service providers like us. Similarly, if competitors offer their services at below market margin rates to gain market share, or use other lines of business to subsidize the renewals management business, this could cause a significant decrease in the available market for us. In addition, if a cloud-based solution or some other technology were introduced, this new technology could cause an adverse shift in the way our existing business operations are conducted or decrease the size of the available market.

The success of our Concentrix business is dependent on our ability to hire and retain employees with domain expertise.

The success of our operations and the quality of our services are highly dependent on our ability to attract and retain skilled personnel in all of our international delivery centers. The industry is characterized by high employee attrition rates and we face competition in hiring, retaining and motivating talented and skilled leaders and employees with domain experience.

In addition, our profitability is directly affected by the utilization rate of our personnel resources. If we are unable to achieve an optimum utilization of our personnel resources, we may experience erosions in our profit margins. However, if our utilization is too high, it may result in the deterioration in the quality of services provided to our clients and may also result in higher attrition rates. If we are unable to manage our employee attrition rates, adequately motivate our employees or utilize our personnel resources efficiently, our operations will be disrupted, and such disruption may impact our ability to manage our costs, which in turn could impact our profitability.

The Concentrix business exposes us to certain operational risks that are specific to this industry.

Our customer engagement services business involves us representing our clients in certain critical operations of their business processes such as sales, marketing and customer support. If our clients experience disruptions in these operations or are dissatisfied with the quality of service provided, our client relationships may suffer and we may face possible legal action.

In addition, in our management of our clients operations, we manage large volumes of customer information and confidential data. We may be liable and our operations may be disrupted if there is a breach of confidentiality of client data or if an employee violates policies and regulations governing the management of personal information, if we lose our client's data or if the security of our IT systems is compromised.

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We may also be liable if we do not maintain adequate internal controls over the processes we manage for our clients or if we fail to comply with the laws and regulations applicable to the operations in which we represent our clients. Our clients may request us to obtain audit reports over our internal controls. If we are unable to complete these audit reports or if internal control deficiencies are identified in the audit process, our client relationships may suffer.

Our investments in our Concentrix business could adversely affect our operating results as a result of operation execution risks related to managing and communicating with remote resources, technologies, and customer satisfaction.

Our Concentrix business which has extensive international operations may be adversely impacted if we are unable to manage and communicate with the resources located internationally. Service quality may be placed at risk and our ability to optimize our resources may be more complicated if we are unable to manage our resources remotely. Our Concentrix business uses a wide variety of technologies to allow us to manage a large volume of work. These technologies are designed to keep our employees productive. Any failure in technology may have a negative impact on our operations. The success of our services primarily depends on performance of our employees and resulting customer satisfaction. Any increase in average waiting time or handling time or lack of promptness or technical expertise of our employees will directly impact customer satisfaction. Any adverse customer satisfaction may impact the overall business. If we are unable to successfully manage our service centers, our results of operations could be adversely affected and we may not fully realize the anticipated benefits of our recent acquisitions.

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

In both the three and nine months ended August 31, 2014, approximately 28% and 29% of our total revenue was generated outside the United States, respectively. In both the three and nine months ended August 31, 2013, approximately 25% and 26% 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 be 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 revenue related to these purchases is transacted in U.S. dollars. Our design and integration services business is currently operating out of the United States and United Kingdom and sales contracts are often denominated in foreign currencies. In addition, currency devaluation can result in our products, which are usually purchased by us in U.S. dollars, relatively more expensive to produce than products manufactured locally. We currently conduct hedging activities, which involve the use of currency forward contracts and cash flow hedges to manage our currency risks. Hedging foreign currencies can be risky. Certain of these hedge positions are undesignated hedges of balance sheet exposures, such as intercompany loans, and typically have maturities of less than one year.

In our Concentrix segment, our customer engagement services are delivered from several delivery centers located around the world, with significant operations in India and the Philippines. As a result, our revenue may be earned in currencies that are different from the currencies in which we incur corresponding expenses. Fluctuations in the value of currencies, such as the Indian rupee and the Philippine Peso, against the U.S. dollar, and inflation in the local economies in which these delivery centers are located, could increase the operating and labor costs in these delivery centers which can result in reduced profitability.

There is also additional risk if the currency is not freely or actively traded. Some currencies, such as the Chinese Renminbi, Indian Rupee and Philippines Peso, 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.

We do not use derivative financial instruments for speculative trading purposes, nor do we hedge our foreign currency exposure in a manner that entirely offsets the effects of changes in foreign exchange rates.

As a general rule, we do not use financial instruments to hedge local currency denominated operating expenses in countries where a natural hedge exists. For example, in many countries, revenue from the local currency services substantially offsets the local currency denominated operating expenses.

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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 facilities in China. As of August 31, 2014, we had approximately 3,500 support personnel located in China. 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.

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.

We may have higher than anticipated tax liabilities.

We conduct business globally and file income tax returns in various tax jurisdictions. Our effective tax rate could be adversely affected by several factors, many of which are outside of our control, including:

- changes in income before taxes in various jurisdictions in which we operate that have differing statutory tax rates;
- changing tax laws, regulations, and/or interpretations of such tax laws in multiple jurisdictions;
- effect of tax rate on accounting for acquisitions and dispositions;
- issues arising from tax audit or examinations and any related interest or penalties; and
- uncertainty in obtaining tax holiday extensions or expiration or loss of tax holidays in various jurisdictions.

We report our results of operations based on our determination of the amount of taxes owed in various tax jurisdictions in which we operate. The determination of our worldwide provision for income taxes and other tax liabilities requires estimation, judgment and calculations where the ultimate tax determination may not be certain. Our determination of tax liability is always subject to review or examination by tax authorities in various tax jurisdictions. Any adverse outcome of such review or examination could have a negative impact on our operating results and financial condition. The results from various tax examinations and audit may differ from the liabilities recorded in our financial statements and could adversely affect our financial results and cash flows.

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 and CE products and services 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, and OEM supplier relationships, products and services and businesses with our operations;
- loss of key employees of acquired operations or inability to hire key employees necessary for our expansion;

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- diversion of our capital and management attention away from other business issues;
- 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.

We may incur additional costs and consolidate certain redundant expenses in connection with our acquisitions and investments, which may have an adverse impact on our operating margins. 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.

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 and revolving credit programs 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, and may incur expenses in raising the additional funds. 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 securitization or credit arrangements, including limitations on our borrowing of additional funds and issuing dividends. Furthermore, the cost of securitization or debt financing could significantly increase in the future, making it cost prohibitive to securitize our accounts receivable or borrow, which could force us to issue new equity securities. If we issue new equity securities, existing stockholders may experience 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 debt arrangements impose significant restrictions on our ability to operate which in turn could negatively affect our ability to respond to business and market conditions and therefore could have an adverse effect on our business and operating results.

As of August 31, 2014, we had $1,000.8 million in outstanding short and long-term borrowings under term loans, lines of credit, accounts receivable securitization programs and capital leases, excluding trade payables. The terms of one or more of the agreements under which this indebtedness was incurred may limit or 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 a leverage and a fixed charge coverage ratio as outlined in our senior secured credit arrangement. Our inability to meet these ratios and tests could result in the acceleration of the repayment of the related debt, the termination of the facility, the increase in our effective cost of funds or the cross-default of other credit and securitization arrangements. As a result, our ability to

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operate may be restricted and our ability to respond to business and market conditions may be limited, which could have an adverse effect on our business and operating results.

We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations.

Our ability to make scheduled debt payments or to refinance our debt obligations depends on our financial and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We cannot be certain that we will maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness.

We funded our acquisition of the IBM customer care business through a combination of cash and stock issuance. The cash component of the acquisition was significant and resulted in an increase in borrowing levels.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, sell assets or operations, seek additional capital or restructure or refinance our indebtedness. We cannot be certain that we would be able to take any of these actions, that these actions would be successful and permit us to meet our scheduled debt service obligations or that these actions would be permitted under the terms of our existing or future debt agreements. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. Some of our credit facilities restrict our ability to dispose assets and use the proceeds from the disposition. As such, we may not be able to consummate those dispositions or use any resulting proceeds and, in addition, such proceeds may not be adequate to meet any debt service obligations then due.

If we cannot make scheduled payments on our debt, we will be in default and, as a result:

- our debt holders could declare all outstanding principal and interest to be due and payable;
- the lenders under our credit agreements could terminate their commitments to loan us money and, in the case of our secured credit agreements, foreclose against the assets securing their borrowings;
- we could be forced to raise additional capital through the issuance of additional, potentially dilutive, securities; and
- we could be forced into bankruptcy or liquidation, which is likely to result in delays in the payment of our indebtedness and in the exercise of enforcement remedies related to our indebtedness.

We may suffer adverse consequences from changing interest rates.

Our borrowings and securitization arrangements are variable-rate obligations that could expose us to interest rate risks. If interest rates increase, our interest expense would increase, which would negatively affect our net income. An increase in interest rates may increase our future borrowing costs and restrict our access to capital.

Additionally, current market conditions, recovering global economy, and overall credit conditions could limit our availability of capital, which could cause increases in interest margin spreads over underlying indices, effectively increasing the cost of our borrowing. While some of our credit facilities have contractually negotiated spreads, terms such as these are subject to ongoing negotiations.

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 product 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 to 30 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.

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We have significant credit exposure to our 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 customers for a significant portion of our sales to them and they 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 customers will not pay on time or at all. The majority of our customers are small and medium sized businesses. Our credit exposure risk may increase due to financial difficulties or liquidity or solvency issues experienced by our customers, resulting in their inability to repay us. The liquidity or solvency issues may increase as a result of an economic downturn or a decrease in IT or CE spending by end-users. If we are unable to collect payments in a timely manner from our customers due to changes in financial or economic conditions, or for other reasons, and we are unable to collect under our credit insurance policies, we may write-off the amount due from the customers. These write-offs may result in credit insurance being more expensive and on terms that are less favorable to us and may negatively impact our ability to utilize accounts receivable-based financing. These circumstances could negatively impact our cash flow and liquidity position. Further, we are exposed to higher collection risk as we continue to expand internationally, where the payment cycles are generally longer and the credit rating process may not be as robust as in the United States.

In addition, the revenue from our Mexico operations includes various long-term projects funded by government and other local agencies, which often involve extended payment terms and contractual penalties and could expose us to additional collection risks.

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

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

Failures or significant downtime of our IT or telecommunications systems could prevent us from taking customer orders, printing product pick-lists, shipping products, billing customers and handling call volume. Sales also may be affected if our reseller and retail customers are unable to access our pricing and product availability information. We also rely on the Internet, and in particular electronic data interchange, or EDI, and XML, for a large portion of our orders and information exchanges with our OEM suppliers and reseller and retail customers. The Internet and individual websites have experienced a number of disruptions and slowdowns, some of which were caused by organized attacks. In addition, some websites 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 and reseller and retail customers. Disruption of our website or the Internet in general could impair our order processing or more generally prevent our OEM suppliers and reseller and retail customers from accessing information. Our BPO business is dependent upon telephone and data services provided by third party telecommunications service vendors and our IT and telecommunications system. Any significant increase in our IT and telecommunications costs or temporary or permanent loss of our IT or telecommunications systems could harm our relationships with our customers. The occurrence of any of these events could have an adverse effect on our operations and financial results.

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 and retail 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 and retail customers or renegotiate terms with our OEM suppliers. In addition, in the past, carriers have experienced work stoppages due to labor negotiations with management. An increase in freight or shipping charges, 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.

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

We are dependent in large part on our ability to retain the services of our key senior executives and other technological and industry experts and personnel. Except for Kevin Murai, our President and Chief Executive Officer, our employees and executives generally 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 experience theft of product from our warehouses, water damage to our properties and other casualty events which could harm our operating results.

From time to time, we have experienced incidents of theft at various facilities, water damages to our properties and other casualty events. These types of incidents may make it more difficult or expensive for us to obtain insurance coverage in the future. Also, the same or similar incidents may occur in the future for which we may not have sufficient insurance coverage or policy limits to be fully compensated for the loss, which may have an adverse effect on our business and financial results.

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.

From time to time, we 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 design and integration services 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, mobile applications, and cloud-based technology and acquired technologies 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. 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.

We have significant operations concentrated in North America, Asia, Europe and Australia 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, adverse weather conditions 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 North America, Asia, Europe and Australia. 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. If there are related disruptions in local or international supply chains, we may experience supply shortages or delays in receiving products from our OEM suppliers or experience other delays in shipping to our customers. If we are unable to fulfill customer orders in a timely manner, this could harm our operating results. For example, in March 2011, Japan experienced a 9.0 magnitude earthquake followed by tsunami waves and aftershocks. These events affected the infrastructure in the country, caused power outages and temporarily disrupted the local and international, supply chains for some vendors. Our facilities in Japan suffered nominal inventory and facility damages. In addition, our Philippines operation is at greater risk due to adverse weather conditions, such as typhoons, mudslides and floods. 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.

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

Worldwide economic conditions have experienced significant volatility due to the credit conditions impacted by the subprime mortgage crisis and other factors, including slower economic activity which may impact our results of operations. External factors, such as potential terrorist attacks, acts of war, geopolitical and social turmoil or epidemics 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, which in turn, may require us to record an impairment in the carrying value of our goodwill. More generally, these geopolitical social and economic conditions could result in increased volatility in the United States and worldwide financial markets and economy. For example, increased instability may adversely impact the desire of employees and customers to travel, the reliability and cost of transportation and our ability to obtain adequate insurance at reasonable rates and may require us to incur increased costs for security measures for our domestic and international operations. We are predominantly uninsured for losses and interruptions caused by terrorism, acts of war and similar events. These uncertainties make it difficult for us and our customers to accurately plan future business activities. While general economic conditions have recently begun to improve, there is no assurance that this trend will continue or at what rate.

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 expanded our international operations and presence which subjects us to risks, including:

- political or economic instability;
- extensive governmental regulation;
- changes in import/export duties;
- trade restrictions;
- compliance with the Foreign Corrupt Practices Act, U.K. bribery laws and similar laws;
- 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 receivable 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 accounts receivable 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 accounts receivable may be inadequate. In addition, the revenue derived from our Mexico operation includes various long-term projects with government and other public agencies that involve extended payment terms and could expose us to additional collection risks. Furthermore, if our international expansion efforts in any foreign country are unsuccessful, we may decide to cease operations, which would likely cause us to incur additional expense 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. 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 growth of our future international operations, our business and operating results could suffer.

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Risks Related to Our Relationship with MiTAC Holdings Corporation

As of August 31, 2014, our executive officers, directors and principal stockholders owned approximately 27% of our common stock and this concentration of ownership could allow them to influence all matters requiring stockholder approval and could delay or prevent a change in control of SYNNEX.

As of August 31, 2014, our executive officers, directors and principal stockholders owned approximately 27% of our outstanding common stock. In particular, MiTAC International and its affiliates owned approximately 25% of our common stock. Until September 2013, MiTAC International Corporation, or MiTAC International, a publicly-traded company in Taiwan, was our primary investor through its affiliates. In September 2013, MiTAC Holdings Corporation, or MiTAC Holdings, was established through a stock swap from MiTAC International and became a publicly traded company on the Taiwan Stock Exchange. MiTAC International is now a wholly-owned subsidiary of MiTAC Holdings.

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

MiTAC Holdings' 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. For example, we currently purchase inventories from MiTAC Holdings related to our system design and integration services. Similar risks could exist as a result of Matthew Miau’s positions as our Chairman Emeritus, a member of our Board of Directors, the Chairman of MiTAC Holdings and as a director or officer of MiTAC Holdings' affiliates. For fiscal year 2013, Mr. Miau received the same compensation as our independent directors. For fiscal year 2014, Mr. Miau will receive the same compensation as our independent directors. Mr. Miau’s compensation as one of our directors is based upon the approval of the Nominating and Corporate Governance Committee, which is solely composed of independent members of the Board. 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 also composed of independent members of the Board.

Synnex Technology International Corp., or Synnex Technology International, a publicly-traded company based in Taiwan and affiliated with MiTAC Holdings, currently provides distribution and fulfillment services to various markets in Asia and Australia, and is also a potential competitor of ours. As of August 31, 2014, MiTAC Incorporated, a privately-held company based in Taiwan and a separate entity from MiTAC Holdings, directly and indirectly owned approximately 13.6% of Synnex Technology International and approximately 8.0% of MiTAC Holdings. As of August 31, 2014, MiTAC Holdings directly and indirectly owned 0.2% of Synnex Technology International and Synnex Technology International directly and indirectly owned approximately 0.9% of MiTAC Holdings. In addition, MiTAC Holdings directly and indirectly owned approximately 8.7% of MiTAC Incorporated and Synnex Technology International directly and indirectly owned approximately 13.6% of MiTAC Incorporated as of August 31, 2014. Synnex Technology International indirectly through its ownership of Peer Developments Limited owned approximately 11.0% of our outstanding common stock as of August 31, 2014. Neither MiTAC Holdings, 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 in certain geographies 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 it currently operates.

Risks Related to Our Industry

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

We have in the past experienced decreases in demand and we anticipate that the industries we operate in will be subject to a high degree of cyclicality in the future. Softening demand for our products and services caused by an ongoing economic downturn and over-capacity may impact our revenue, as well the salability of inventory and collection of reseller and retail customer accounts receivable.

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While in the past, we may have benefited from consolidation in our industry resulting from delays or reductions in IT or CE spending in particular, and economic weakness in general, any such volatility in the IT and CE industries could have an adverse effect on our business and operating results.

We are subject to intense competition in the Technology Solutions and Concentrix businesses, 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 and CE product and service distribution, the global business services and the design and integration services industries are characterized by intense competition. The competitive factors are based primarily on product and service availability, credit availability, price, speed of delivery, ability to tailor specific solutions to customer needs, quality and depth of product and service lines, pre-sales and post-sales technical support, flexibility and timely response to design changes, and technological capabilities, service and support. We compete with a variety of regional, national and international IT and CE product and service distributors and contract manufacturers and assemblers. In some instances, we also compete with our own customers, our own OEM suppliers and MiTAC International and its affiliates.

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 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.

In addition, in our contact center business, we also face competition from our customers. For example, some of our customers may have internal capabilities and resources to provide their own call centers. Furthermore, pricing pressures and quality of services could impact our business adversely. Our ability to provide a high quality of service is dependent on our ability to retain and properly train our employees and to continue investing in our infrastructure, including IT and telecommunications systems.

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 that may once have been our OEM suppliers or reseller and retail customers. Increased competition and negative reaction from our OEM suppliers or reseller and retail customers resulting from our expansion into new business areas could harm our business and operating results.

Our 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 and services 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 products and services directly to reseller and retail customers and end-users, thereby limiting our business opportunities. If large OEM suppliers increasingly sell directly to end-users or our resellers and retailers, rather than use us as the distributor of their products and services, our business and operating results will suffer.

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

A determination by any of our primary OEMs to consolidate their business with other distributors or integration service providers could negatively affect our business and operating results. In particular, the termination of our contract by HP would have a significant negative effect on our revenue and operating results.

The IT and CE industries are 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 and CE industries, 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

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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 is 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 and CE industries could adversely affect our business and operating results.

Compliance with changing regulation of corporate governance and public disclosure may result in additional expense and affect our operations.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Dodd-Frank Wall Street Reform and Consumer Protection Act, SEC regulations and New York Stock Exchange, or NYSE, 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 corporate 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 expense and a diversion of management time and attention from revenue-generating activities to compliance activities. For example, we are incurring additional expenses related to SEC compliance with XBRL-tagged interactive data-files. 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.

The Dodd-Frank Wall Street Reform and Consumer Protection Act directed the SEC to implement disclosure requirements concerning public companies' use and sourcing of “conflict minerals” mined in the Democratic Republic of Congo and adjoining countries. The SEC rules issued in August 2012 necessitate a complex compliance process and related administrative expense for a company once it determines a conflict mineral is necessary to the functionality or production of a product that the company manufactures or contracts to manufacture. Such companies must then conduct a reasonable country of origin inquiry to determine if the conflict minerals originated in the covered countries and undertake due diligence on the source and chain of custody in order to file a conflict minerals report with the SEC. In addition to the increased administrative expense and management involvement for our company as we navigate the aspects of the new requirements that apply to us, we may face a limited pool of suppliers who can provide us “conflict-free” components, parts and manufactured products, and we may not be able to obtain conflict-free products or supplies in sufficient quantities or at competitive prices for our operations or to the extent requested by any reseller customers and their stakeholders, even if the SEC disclosure requirements do not apply to our non-manufacturing services or to those customers regarding those products. Also, since our supply chain is complex, we may face reputational challenges with our customers, stockholders and other stakeholders if we are unable to sufficiently verify the origins for any conflict minerals used in the products that we sell.

If we are unable to maintain effective internal control over financial reporting, our ability to report our financial results on a timely and accurate basis may be adversely affected, which in turn could cause the market price of our common stock to decline.

Section 404 of the Sarbanes-Oxley Act of 2002 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 control over financial reporting for fiscal year 2013, and we have an ongoing program to perform the system and process evaluation and testing necessary to continue to comply with these requirements. In the past, however, our internal controls have not eliminated all error. We expect to continue to incur increased expense and to devote additional management resources to Section 404 compliance. In the event that one of 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.

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

We prepare our financial statements to conform to generally accepted accounting principles in the United States. These accounting principles are subject to interpretation by the Financial Accounting Standards Board, American Institute of Certified Public Accountants, the SEC and various bodies formed to interpret 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 transactions completed before a change is announced. Changes to those rules or the questioning of current practices may adversely affect our reported financial results or the way we conduct our business.

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ITEM 6. Exhibits

Exhibit Number	Description of Document
10.1	Seventh Amendment to Fourth Amended and Restated Receivables Funding and Administration Agreement, dated as of July 31, 2014, by and among SIT Funding Corporation, the lenders party thereto and the Bank of Nova Scotia.
10.2#	Amendment No. 1 to SYNNEX Corporation 2014 Employee Stock Purchase Plan.
10.3#	Amendment No. 2 to the SYNNEX Corporation 2013 Stock Incentive Plan.
31.1	Rule 13a-14(a) Certification of Chief Executive Officer.
31.2	Rule 13a-14(a) Certification of Chief Financial Officer.
32.1*	Statement of the Chief Executive Officer and Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350).
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

# Indicates management contract or compensatory plan or arrangement.
* In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release Nos. 33-8238 and 34-47986, Final Rule: Management’s Reports on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports, the certifications furnished in Exhibit 32.1 hereto are deemed to accompany this Form 10-Q and will not be deemed “filed” for purpose of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

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SIGNATURES

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

Date: October 7, 2014

SYNNEX CORPORATION

By: /s/ Kevin M. Murai
Kevin M. Murai
President and Chief Executive Officer
(Duly authorized officer and principal executive officer)

By: /s/ Marshall W. Witt
Marshall W. Witt
Chief Financial Officer
(Duly authorized officer and principal financial officer)

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