

BENCHMARK ELECTRONICS INC
Form DEF 14A
March 28, 2008

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
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Benchmark Electronics, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
(1) Title of each class of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

BENCHMARK ELECTRONICS, INC.

**3000 Technology Drive
Angleton, Texas 77515**

**NOTICE OF 2008 ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON WEDNESDAY, MAY 7, 2008**

Shareholders of Benchmark Electronics, Inc.:

The 2008 Annual Meeting of Shareholders of Benchmark Electronics, Inc. (the Company) will be held at the Hyatt Regency Houston, 1200 Louisiana Street, Houston, Texas, on Wednesday, May 7, 2008, beginning at 10:00 a.m. (local time), for the following purposes:

1. to elect eight directors to serve on the Board of Directors until the 2009 annual meeting of shareholders and until their successors are duly elected and qualified;
2. to ratify the appointment of KPMG LLP as the independent registered public accounting firm of the Company for the year ending December 31, 2008; and
3. to transact such other business as may properly come before the meeting or any adjournment thereof.

Shareholders of record at the close of business on March 24, 2008 are entitled to notice of and to vote at the meeting and any adjournment thereof.

You are cordially invited to attend the meeting. Regardless of whether you plan to attend the meeting, you are urged to complete, date, sign and return the enclosed proxy in the accompanying envelope or to vote by telephone or via the Internet pursuant to the instructions on the proxy card at your earliest convenience.

By order of the Board of Directors,

Kenneth S. Barrow
Secretary

Angleton, Texas
March 28, 2008

YOUR VOTE IS IMPORTANT.

To ensure your shares are represented at the meeting, please complete, date, sign and return the enclosed proxy in the accompanying envelope or vote by telephone or via the Internet pursuant to the instructions on the proxy card at your earliest convenience, whether or not you plan to attend the meeting. No additional postage is necessary if the proxy is mailed in the United States. The proxy is revocable at any time before it is voted at the meeting.

BENCHMARK ELECTRONICS, INC.

**3000 Technology Drive
Angleton, Texas 77515
(979) 849-6550**

March 28, 2008

**PROXY STATEMENT
FOR
2008 ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON WEDNESDAY, MAY 7, 2008**

INTRODUCTION

This Proxy Statement is being furnished in connection with the solicitation of proxies by the Board of Directors (the Board) of Benchmark Electronics, Inc. (the Company) for use at the 2008 Annual Meeting of Shareholders of the Company to be held on Wednesday, May 7, 2008, beginning at 10:00 a.m. (local time), and any adjournment thereof (the Meeting) for the purposes set forth in this Proxy Statement and the accompanying Notice. It is anticipated that this Proxy Statement, the Notice and the enclosed form of proxy will be sent to shareholders on or about April 7, 2008.

Proxies

Proxies in the enclosed form that are properly executed and received by the Company before or at the Meeting and which are not revoked will be voted in accordance with the directions set forth therein. If no direction is made, a proxy that is properly signed and received by the Company and which is not revoked will be voted *FOR* the election of all nominees for director named herein to serve on the Board until the 2009 annual meeting of shareholders and until their successors are duly elected and qualified, and *FOR* the ratification of the appointment of KPMG LLP as the independent registered public accounting firm of the Company for the year ending December 31, 2008. If any other matter, not known or determined at the time of the solicitation of proxies, properly comes before the Meeting, the proxies will be voted in accordance with the discretion of the person or persons voting the proxies. The proxy also confers on the persons named therein discretionary authority to vote with respect to any matters presented at the Meeting for which advance notice was not received by the Company prior to February 4, 2008. Proxies may be revoked by written notice received by the Secretary of the Company at any time before they are voted by delivering to the Secretary of the Company a signed notice of revocation, or a later dated signed proxy, or by attending the Meeting and voting in person by ballot.

Voting Securities

Shareholders of record at the close of business on March 24, 2008 are entitled to notice of and to vote at the Meeting. As of March 24, 2008, there were 68,544,820 common shares, \$0.10 par value per share ("Common Shares"), issued, outstanding and entitled to vote at the Meeting. Each Common Share is entitled to one vote on all matters that may properly come before the Meeting.

Quorum and Other Matters

The presence at the Meeting, in person or by proxy, of the holders of a majority of the outstanding Common Shares is necessary to constitute a quorum. Common Shares represented by a properly completed, signed and returned proxy will be counted as present at the Meeting for purposes of determining a quorum, without regard to whether the proxy is marked as casting a vote or

abstaining. Common Shares held by nominees which are voted on at least one matter coming before the Meeting will also be counted as present for purposes of determining a quorum, even if the beneficial owner's discretion has been withheld (a "non-vote") for voting on some or all other matters.

The affirmative vote of a majority of the outstanding Common Shares is required to authorize the proposed amendment to the Company's Amended and Restated Articles of Incorporation to increase the number of authorized Common Shares. All other matters specified in the notice of the Meeting require the approval of the affirmative vote of a majority of the outstanding Common Shares entitled to vote and present, in person or represented by proxy, at the Meeting. An abstention, a broker non-vote or a withholding of authority to vote with respect to the election of directors or the ratification of the appointment of the Company's independent registered public accountants will have the effect of a vote against the proposal.

An Inspector of Election appointed by the Company will tabulate votes at the Meeting.

The Board is not aware of any matters that are expected to come before the Meeting other than those referred to in this Proxy Statement. If any other matter properly comes before the Meeting, the proxies will be voted in accordance with the discretion of the person or persons voting the proxies.

PROPOSAL 1**ELECTION OF DIRECTORS****Nominees for Election**

The following table sets forth certain information with respect to each nominee for election as a director of the Company. Each nominee was proposed for reelection by the Nominating/Governance Committee for consideration by the Board and proposal to the Shareholders. The information as to age, principal occupation, and directorships has been furnished by each such nominee.

Name	Age	Principal Occupation	Director Since
Donald E. Nigbor	60	Chairman of the Board	1986
Cary T. Fu	59	Chief Executive Officer of the Company	1990 ⁽¹⁾
Steven A. Barton	59	Executive Vice President of the Company	1990 ⁽¹⁾
Michael R. Dawson	54	Senior Vice President and Chief Financial Officer of Northern Offshore Ltd.	2006
Peter G. Dorflinger	56	General Partner of MAD Capital Partners	1990
Douglas G. Duncan	57	President and Chief Executive Officer of FedEx Freight Corporation	2006
Laura W. Lang	52	Chief Executive Officer of Digitas USA	2005
Berne D.L. Strom	60	Managing Partner of Revitalization Partners, LLC	2004

⁽¹⁾ Also served as a director of the Company from 1986 to 1988.

Mr. Nigbor has been a director of the Company since 1986, Chairman of the Board since May 2001, Chief Executive Officer from May 2001 to September 2004, President from 1986 to May 2001 and General Manager from 1984 to 1990. Before joining the Company, he was employed by Intermedics, Inc. ("Intermedics"), a medical implant manufacturer, serving as a Manufacturing Analyst for its Pacemaker Division from 1980 to 1984. Mr. Nigbor holds B.S. and M.S. degrees in engineering from Rensselaer Polytechnic Institute and received an M.B.A. from the Amos Tuck School of Business at Dartmouth College.

Mr. Fu has been a director of the Company since 1990 and Chief Executive Officer since September 2004. He served as President and Chief Executive Officer of the Company from September 2004 to December 2006, President and Chief Operating Officer of the Company from May 2001 to September 2004, Executive Vice President from 1990 to May 2001 and Executive Vice President Financial Administration from 1990 to April 1992. He also has served the Company as Treasurer from 1986 to January 1996, Secretary from 1990 to January 1996 and from 1986 to 1988 and Assistant Secretary from 1988 to 1990. In addition, Mr. Fu also served as a director of the Company from 1986 to 1988. From 1983 to 1986, Mr. Fu was employed by Intermedics as Controller of the Company and another subsidiary of Intermedics. Mr. Fu holds an M.S. degree in accounting from the University of Houston and is a Certified Public Accountant.

Mr. Barton has been a director and Executive Vice President of the Company since 1990 and a member of the Nominating/Governance Committee from 2000 to February 2003. He served as Executive Vice President Marketing and Sales of the Company from 1990 to April 1992. Since June 1993 he has worked part-time for the Company. He also has served the Company as Executive Vice President from 1988 to 1990, Vice President from 1986 to 1988, and President from 1979 to 1983. In addition, Mr. Barton also served as a director of the Company from 1986 to 1988. From 1977 to 1986, Mr. Barton was employed by Intermedics in various management positions. Mr. Barton holds B.S. and M.S. degrees in electrical engineering from the University of South Florida and received an M.B.A. from the Harvard Business School.

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Mr. Dawson has been a director of the Company since 2006 and is a member of the Audit and Compensation Committees. Mr. Dawson has served as chair of the Audit Committee since May 2007. Mr. Dawson is Senior Vice President and Chief Financial Officer of Northern Offshore Ltd., an offshore oil and gas drilling contractor. Mr. Dawson served as Senior Vice President and Chief Financial Officer of GlobalSantaFe Corporation from June 2005 to November 2007. Previously, he served GlobalSantaFe as Vice President and Controller from 2003 to 2005 and as Vice President and Treasurer from 2001 to 2003. Prior to November 2001, Mr. Dawson served as Vice President, Investor Relations and Corporate Communications for Global Marine Inc. A Certified Public Accountant, Mr. Dawson joined Global Marine in 1999 after 16 years with Union Texas Petroleum Holdings, where he served as Director of Acquisitions and Portfolio Management, Director of Investor Relations and in numerous financial management positions in the Controller's organization. Mr. Dawson began his career at Shell Oil Company in 1975. Mr. Dawson holds a B.B.A. degree from the University of Iowa. Mr. Dawson qualifies as an "independent director" under the rules of the NYSE and as defined in Schedule 14A promulgated under Securities Exchange Act of 1934 and as an "audit committee financial expert" under the rules of the Securities and Exchange Commission.

Mr. Dorflinger has been a director of the Company since 1990 and is a member of the Nominating/Governance Committees. Mr. Dorflinger has served as chair of the Nominating/Governance Committee since May 2006. He served as chair of the Compensation Committee from December 2003 to May 2006. Mr. Dorflinger is a general partner of MAD Capital Partners focusing on private investments in oil and gas exploration, commercial property development, and early stage medical product companies. Mr. Dorflinger is the former President of GlasTech, Inc., a dental products manufacturer, a position he held from November 1998 through May 2002. From January 1998 through October 1998, he served as President and Chief Operating Officer of Physicians Resource Group, Inc., a physicians' practice management company. From January 1997 through January 1998, he served as Vice President and General Counsel of Advanced Medical Instruments, Inc., a manufacturer of medical monitoring equipment. From March 1987 through October 1996, he served as Vice President, General Counsel and Secretary of Intermedics. From June 1990 through October 1996, he also served as Group Vice President and General Counsel of SULZERmedica, a division of Sulzer Limited of Switzerland, composed of eight operating medical companies, including Intermedics. Mr. Dorflinger received a J.D. degree from the University of Houston and is also a director of several privately held companies. Mr. Dorflinger qualifies as an "independent director" under the rules of the NYSE.

Mr. Duncan has been a director of the Company since 2006 and is a member of the Audit and Compensation Committees. Mr. Duncan is President and Chief Executive Officer of FedEx Freight Corporation, a provider of regional and interregional less-than-truckload freight services. He was founding CEO of this stand-alone corporation for FedEx and has served in that capacity since 2001. Mr. Duncan serves on the executive committee of the American Trucking Associations and is chairman of the American Transportation Research Institute. Mr. Duncan graduated from Christopher Newport University. Mr. Duncan qualifies as an "independent director" under the rules of the NYSE.

Ms. Lang has been a director of the Company since 2005 and is a member of the Compensation and Nominating/Governance Committees. Ms. Lang was appointed chair of the Compensation Committee in May 2006. She shared chairperson responsibilities with Mr. Dorflinger for a period of time and assumed sole chairperson responsibilities at the end of 2006. Ms. Lang is Chief Executive Officer of Digitas USA, a leading integrated strategy, technology and marketing consulting firm. She previously served as President of Digitas LLC from 2004 through 2007. Prior to joining Digitas as Executive Vice President in 1999, Ms. Lang was President of Marketing Corporation of America which provided strategic consulting services to Fortune 100 clients in the telecommunications, technology and information, entertainment, travel, and gaming industries. She joined the firm in 1995 as a Partner and developed a practice around technology and utilization of information with a significant amount of B2B consulting to include repositioning of corporate markets. She was promoted to President in 1996. From

1989 to 1995, Ms. Lang was Senior Vice President at Yankelovich Clancy Shulman and ran their consulting group. From 1986 to 1989, Ms. Lang was a Product Director with Bristol Myers. She was Director of Internal Consulting for Pfizer Pharmaceuticals from 1983 to 1985. She began her career with Quaker Oats in brand management in 1980. Ms. Lang graduated from Tufts University with a Bachelor's degree (summa cum laude) in 1977. She earned an M.B.A. in Finance and Marketing from the University of Pennsylvania Wharton School of Business in 1980. Ms. Lang qualifies as an "independent director" under the rules of the NYSE.

Ms. Strom has been a director of the Company since 2004 and is a member of the Audit and Nominating/Governance Committees. She served as chair of the Audit Committee from May 2006 to May 2007 and served as chair of the Nominating/Governance Committee from May 2004 to May 2006. Ms. Strom is the Managing Partner of Revitalization Partners LLC, an international specialty management services firm that provides hands-on interim executive management and advisory services to client companies. Ms. Strom also serves as Chairman of Ensequence, Inc., a software company that has developed a cross-platform technology for interactive video across cable, satellite, broadband and mobile devices. She has served as President and Chief Executive Officer of The Strom Group, an investment and business advisory firm, since 1990. From July 2000 to February 2001 she was Chairman and Chief Executive Officer of iCopyright.com, a provider of Internet content services. From January to June 2000 she was President of InfoSpace.com Ventures, LLC, the venture capital arm of InfoSpace.com, Inc., a global provider of information and commerce infrastructure services for wireless devices and web sites. From 1998 to 1999 she was President and Chief Operating Officer of InfoSpace.com, Inc. From 1995 to 1997 she was President and Chief Executive Officer of USA Digital Radio Partners, LP, a communication and technology company. Ms. Strom received her B.S. in mathematics and history, her M.A. and her Ph.D. (ABD) in mathematics and mathematics education from New York University and her M.B.A. from the Anderson School at the University of California, Los Angeles. Ms. Strom qualifies as an "independent director" under the rules of the NYSE.

The officers of the Company are elected by, and serve at the discretion of, the Board.

Election Procedures; Term

The directors will be elected by the affirmative vote of the holders of a majority of the outstanding Common Shares present in person or represented by proxy at the Meeting. Unless the authority to vote for the election of directors is withheld as to any or all of the nominees, all Common Shares represented by proxy will be voted for the election of the nominees. If the authority to vote for the election of directors is withheld as to any but not all of the nominees, all Common Shares represented by any such proxy will be voted for the election of the nominees as to whom such authority is not withheld. If a nominee becomes unavailable to serve as a director for any reason before the election, the shares represented by proxy will be voted for such other person, if any, as may be designated by the Board. The Board, however, has no reason to believe that any nominee will be unavailable to serve as a director.

Any vacancy on the Board occurring after the election may be filled (1) by election at any annual or special meeting of the shareholders called for that purpose, or (2) by a majority of the remaining directors though less than a quorum of the Board, provided that the remaining directors may not fill more than two such director vacancies during the period between any two successive annual meetings of shareholders. A director elected to fill a vacancy will be elected for the unexpired portion of the term of his or her predecessor in office.

All directors will be elected to serve until the 2009 annual meeting of shareholders and until their successors are duly elected and qualified.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE *FOR* THE ELECTION OF EACH OF THE NOMINEES TO THE BOARD OF DIRECTORS.

Corporate Governance

The Company has been built on a culture where integrity is the first and most important value, and this value has long been a part of the Company's corporate identity. The Company's practices reflect corporate governance initiatives that are compliant with existing standards of the NYSE and the corporate governance requirements of the Sarbanes-Oxley Act of 2002, including:

A majority of our Board members are independent of the Company and its management as defined by the NYSE;

The independent members of the Board meet regularly without the presence of management;

The Audit Committee, the Compensation Committee and the Nominating/Governance Committee each operate under charters that clearly establish their respective roles and responsibilities;

All members of the Audit Committee, the Compensation Committee and the Nominating/Governance Committee meet the tests for independence established by the NYSE;

The Chairman of the Audit Committee is an "audit committee financial expert", as defined by the SEC;

The Audit Committee meets with management and the auditors to receive information concerning the design and operation of internal controls;

KPMG LLP, our independent registered public accounting firm, reports directly to the Audit Committee;

The Company's internal audit group reports periodically throughout the year directly to the Audit Committee;

The Company has, consistent with the requirements of the Sarbanes-Oxley Act of 2002, adopted a policy prohibiting personal loans or extensions of credit to any executive officer or director;

The Company has a code of conduct that applies to all employees, officers and directors and a reporting policy to allow for confidential and anonymous reporting to the Audit Committee; and

The Board operates under a set of corporate governance guidelines.

The Board will continue to enhance the Company's governance practices as new ideas and best practices emerge. You can access our current committee charters for our Audit Committee, Compensation Committee and Nominating/Governance Committee, as well as our Code of Conduct applicable to all of the Company's employees, officers and directors, and our Corporate Governance Guidelines, on our website at www.bench.com under "Investor Corporate Governance," or you may obtain print copies of these materials by writing to the Corporate Secretary at Benchmark Electronics, Inc., 3000 Technology Drive, Angleton, Texas 77515, phone 979-849-6550.

Shareholders and other interested parties may send communications to the Board of Directors, the non-employee directors as a group or individual directors, in each case in care of Benchmark Electronics, Inc., 3000 Technology Drive, Angleton, Texas 77515.

Operation of Board of Directors and Its Committees

The Board has responsibility for establishing broad corporate policies and reviewing our overall performance rather than day-to-day operations. The Board's primary responsibility is to oversee the management of the Company and, in so doing, serve the best interests of the Company and its shareholders. The Board selects, evaluates and provides for the succession of executive officers and, subject to shareholder election, directors. It reviews and approves corporate objectives and strategies,

and evaluates significant policies and proposed major commitments of corporate resources. It participates in decisions that have a potential major economic impact on the Company. Management keeps the directors informed of Company activity through regular written reports and presentations at Board and committee meetings.

The directors are elected annually by the shareholders and hold office until their successors are elected and qualified. The Amended and Restated Bylaws of the Company provide for a Board of Directors consisting of not less than five, nor more than nine, members, as set from time to time by resolution of the Board of Directors. The Board presently consists of eight members.

The NYSE rules require that the Company have a majority of independent directors. The rules provide that no director will qualify as "independent" unless the Board affirmatively determines that the director has no material relationship with the Company and its subsidiaries, either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company. In evaluating each director's independence, the Board considers the NYSE Rules as well as all facts and circumstances deemed relevant. Accordingly, as of the date of this Proxy Statement, the Board has determined that the following nominees are "independent": Michael R. Dawson, Peter G. Dorflinger, Douglas G. Duncan, Laura W. Lang and Bernee D.L. Strom. The Board has determined that each independent director or nominee had no material relationship with the Company other than as a director, shareholder or management, and that none of the express disqualifications contained in the NYSE rules apply to any of them.

In making this determination, the Board considered any transactions, relationships and arrangements as required by the NYSE listing requirements. In particular, the Board noted that in the ordinary course of business, transactions may occur between the Company and companies or other entities at which some of our directors are executive officers.

Mr. Duncan is employed by FedEx Freight Corporation with which the Company engages in ordinary course of business transactions purchasing of freight services. Under the NYSE rules, business transactions meeting the following criteria are not considered to be material transactions that would impair a director's independence:

The director is an employee or executive officer of another company that does business with the Company and our annual payments to or from that company in each of the last three fiscal years are in an amount less than the greater of \$1,000,000 or 2% of the annual consolidated gross revenues of the company by which the director is employed.

The Company's transactions with FedEx Freight Corporation and its parent, FedEx Corporation, were below the threshold set forth in the NYSE rules.

The Board held six meetings during 2007. Each of the directors attended at least 75% of such meetings during the period in which he or she was director. Messrs. Nigbor, Fu and Barton are also employees of the Company. They do not participate in any meeting at which their compensation is evaluated. All members of all committees are non-employee directors. In addition to committee meetings, the non-employee directors regularly meet outside the presence of the employee-directors. These executive sessions are currently held either before, after or otherwise in conjunction with the Board's regularly scheduled meetings. Additional executive sessions can be scheduled at the request of the non-employee directors. The director who presides over the executive sessions is chosen by independent directors at the executive session.

The Board has an Audit Committee, a Compensation Committee and a Nominating/Governance Committee. Each committee has a charter that has been approved by the Board. Each committee must review the appropriateness of its charter at least annually. Each member of each committee meets the independence requirements of the NYSE.

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The Audit Committee, consisting of Messrs. Dawson, Duncan and Ms. Strom, met ten times during 2007 and each member attended at least 75% of the meetings during the period in which he or she was a member of such committee. Mr. Dawson and Ms. Strom qualify as "audit committee financial experts" under the rules of the SEC. For a description of Mr. Dawson and Ms. Strom's qualifications see "Election of Directors Nominees for Election". An "audit committee financial expert" is defined as a person who has the following attributes: (i) an understanding of generally accepted accounting principles and financial statements; (ii) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves; (iii) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the registrant's financial statements, or experience actively supervising one or more persons engaged in such activities; (iv) an understanding of internal controls and procedures for financial reporting; and (v) an understanding of audit committee functions. The Board, in its business judgment, has determined that Audit Committee members are "independent," as required by applicable listing standards of the NYSE governing the qualifications of the members of audit committees, including the requirements of the Securities Exchange Act of 1934. The function of the Audit Committee is to assist the Board in fulfilling its responsibility to oversee (i) management's conduct of the Company's financial reporting process (including management's development and maintenance of systems of internal accounting and financial controls), (ii) the integrity of the Company's financial statements, (iii) the Company's compliance with legal and regulatory requirements and ethical standards, (iv) the qualifications and independence of the Company's outside auditors and (v) the performance of the Company's internal audit function and the outside auditors; and to prepare the audit committee report required by the rules of the SEC to be included in the Company's annual proxy statement. Additional information regarding the functions performed by the committee is set forth below in the "Report of the Audit Committee."

The Compensation Committee, consisting of Messrs. Dawson, Duncan and Ms. Lang, met five times during 2007 and each member attended at least 75% of the meetings during the period in which he or she was a member of such committee. The functions of the Compensation Committee are to (i) oversee the administration of the compensation plans, in particular the incentive compensation and equity-based plans, of the Company (and, to the extent appropriate, the subsidiaries of the Company), (ii) discharge the Board's responsibilities relating to the compensation of the Company's executives, (iii) review and make recommendations on director compensation and (iv) prepare the annual report on executive compensation required by the rules and regulations of the SEC to be included in the Company's annual proxy statement. Additional information regarding the functions performed by the committee is set forth below in the "Report of the Compensation Committee."

The Nominating/Governance Committee, consisting of Mr. Dorflinger, Ms. Lang and Ms. Strom, met four times during 2007 and each member attended all of the meetings during the period in which he or she was a member of such committee. The functions of the Nominating/Governance Committee are to (i) identify individuals qualified to become Board members and recommend such individuals to the Board for nomination for election to the Board, (ii) make recommendations to the Board concerning committee appointments, (iii) develop, recommend and annually review corporate governance guidelines for the Company and (iv) oversee corporate governance matters and coordinate an annual evaluation of the Board.

To be considered by the Nominating/Governance Committee, a director nominee should have experience as a board member or senior executive of a public company or nationally recognized private company. In addition to these minimum requirements, the Nominating/Governance Committee will also evaluate whether the nominee's skills are complementary to the existing Board members' skills, and the Board's needs for operational, management, financial, international, technological or other expertise. The Nominating/Governance Committee typically utilizes a search firm to identify and screen the

candidates, do reference checks, prepare a biography for each candidate for the Nominating/Governance Committee to review and coordinate interviews. The Nominating/Governance Committee, the Chairman of the Board and executive officers interview candidates that meet the criteria, and the Nominating/Governance Committee selects nominees who best suit the Board's needs. The Nominating/Governance Committee will consider for nomination to the Board candidates suggested by the shareholders, provided that such recommendations are submitted and received by us at our principal executive offices at 3000 Technology Drive, Angleton, Texas 77515, with an appropriate biographical summary, in accordance with the requirements described below under "Date of Submission of Shareholder Proposals."

The Board does not have a formal written policy requiring members to attend the Shareholders' Meeting, although all members have traditionally attended. We anticipate that all of our directors will attend our 2008 Annual Meeting of Shareholders.

Certain Transactions

The Board reviews Related Person Transactions (as defined below) in which the Company is or will be a participant to determine if they are in the best interests of our shareholders and the Company. Financial transactions, arrangements, relationships or any series of similar transactions, arrangements or relationships in which a Related Person (as defined below) had or will have a direct or indirect material interest and that exceed \$120,000 ("Related Person Transactions") are subject to the Board's review. "Related Persons" are directors, director nominees, executive officers, holders of 5% or more of our voting stock and their immediate family members. Immediate family members are children, stepchildren, spouses, parents, siblings, stepparents, mothers-in-law, fathers-in-law, brothers-in-law, sisters-in-law, daughters-in-law, sons-in-law and any person, other than a tenant or domestic employee, who shares in the household of a director, director nominee, executive officer or holder of 5% or more of our voting stock.

The Board does not have a written policy regarding Related Person Transactions. The Board does not believe a written policy is necessary because the Board has not, and does not expect to, approve the Company's engagement in any Related Person Transactions other than in rare circumstances. Each Related Person Transaction is considered on a stand-alone basis based on facts and circumstances at the time.

After its review, the Board decides whether to approve or ratify a Related Person Transaction that is in, or is not inconsistent with, the best interests of the Company and its shareholders, as the Board determines in good faith.

The Company had no Related Person Transactions in 2007.

AUDIT COMMITTEE REPORT TO SHAREHOLDERS

The Audit Committee of the Board is responsible for providing independent, objective oversight of management's conduct of the Company's financial reporting process (including management's development and maintenance of systems of internal accounting and financial controls). The Audit Committee currently is composed of three non-employee directors, each of whom is an "independent director" under the rules of the NYSE governing the qualifications of the members of audit committees. Mr. Dawson and Ms. Strom qualify as "audit committee financial experts" under the rules of the SEC. Please see the information under the caption "Nominees for Election" for Mr. Dawson and Ms. Strom's financial experience. The Audit Committee operates under a written charter, previously approved by the Board. The Audit Committee met ten times during 2007 and each member attended at least 75% of the meetings during the period in which he or she was a member of such committee. The meetings were designed to facilitate and encourage communication between members of the Audit Committee and management as well as private communication between the members of

the Audit Committee and our internal auditors, and our independent registered public accounting firm, KPMG LLP.

Management is responsible for the Company's internal controls and financial reporting process. In carrying out its oversight responsibilities, the Audit Committee has sole authority for selection and retention of the Company's independent accountants, subject to annual shareholder ratification. The independent accountants are responsible for performing an independent audit of the Company's consolidated financial statements in accordance with generally accepted auditing standards and issuing a report thereon. The Audit Committee's responsibility is to monitor and oversee these processes.

In connection with these responsibilities, the Audit Committee met with management and KPMG LLP to review and discuss the December 31, 2007 audited financial statements and matters related to Section 404 of the Sarbanes-Oxley Act of 2002. The Audit Committee also discussed with the independent accountants the matters required by Statement on Auditing Standards No. 61, *Communication with Audit Committee*. The Audit Committee also received written disclosures and the letter from the independent accountants required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, and the Audit Committee discussed with the independent accountants that firm's independence.

Based upon the Audit Committee's review of the audited consolidated financial statements, discussions with management and the independent accountants, and the Audit Committee's review of the representations of management and discussions with the independent accountants as set forth above, the Audit Committee recommended that the Board include the audited consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2007, filed with the SEC on February 28, 2008.

The following table presents fees for professional services provided by KPMG LLP for 2007 and 2006, all of which were pre-approved by the Audit Committee.

	2007	2006
Audit Fees ⁽¹⁾	\$ 2,420,295	\$ 1,783,760
Audit-Related Fees ⁽²⁾	12,668	3,462
Tax Fees ⁽³⁾	382,853	286,845
All other fees ⁽⁴⁾		
Total fees	\$ 2,815,816	\$ 2,074,067

- (1) Includes fees billed for professional services rendered by KPMG LLP for the audit of our annual financial statements for the years ended December 31, 2007 and 2006, the reviews of the condensed financial statements included in our quarterly reports on Forms 10-Q for the years ended December 31, 2007 and 2006, the audit of the Company's internal control over financial reporting and the effectiveness of internal control over financial reporting, statutory audits required internationally and services rendered by KPMG LLP related to regulatory filings with the Securities and Exchange Commission.
- (2) Includes fees billed for professional services rendered by KPMG LLP for agreed-upon procedure engagements.
- (3) Includes fees billed for professional services rendered by KPMG LLP for domestic and international income tax planning, compliance, expatriate and executive tax work, and tax work related to foreign entity statutory audits.
- (4) There were no other fees billed by KPMG LLP in 2007 or 2006 for other professional services.

Audit Committee Pre-Approval Policy

The Audit Committee has adopted a specific policy for pre-approval of services to be provided by the Company's independent registered public accounting firm. Under the policy, in addition to the annual audit engagement terms and fees, the Audit Committee pre-approves specific types of audit, audit-related, tax and non-audit services to be performed by the independent registered public accounting firm throughout the year, as well as fee ranges for each specific service, based on the Audit Committee's determination that the provision of the services would not be likely to impair the accounting firm's independence. Unless a type of service to be provided by the independent registered public accountant has received general pre-approval, it will require specific pre-approval by the Audit Committee. Any proposed services exceeding pre-approved cost levels will require specific pre-approval by the Audit Committee. The pre-approval is effective for 12 months from the date of pre-approval, unless the Audit Committee specifically approves the provision of such services for a different period. The policy permits the Audit Committee to delegate pre-approval authority to one or more of its members to ensure prompt handling of unexpected matters, with such delegated pre-approvals to be reported to the Audit Committee at its next meeting. The policy also contains a list of prohibited non-audit services and requires that the independent registered public accounting firm ensure that all audit and non-audit services provided to the Company have been pre-approved by the Audit Committee or its designee.

The Audit Committee of the Company's Board has considered whether the services provided by KPMG LLP as they related to other non-audit services are compatible with maintaining the accounting firm's independence. The Audit Committee has determined that provision of those services is compatible with maintaining the independence of KPMG LLP as the Company's registered public accounting firm.

SUBMITTED BY THE AUDIT COMMITTEE OF
THE COMPANY'S BOARD OF DIRECTORS

Michael R. Dawson, Chair
Douglas G. Duncan
Bernee D.L. Strom

PROPOSAL 2

**RATIFICATION OF APPOINTMENT OF INDEPENDENT
REGISTERED PUBLIC ACCOUNTING FIRM**

The Board has appointed KPMG LLP as the independent public accounting firm of the Company for the year ending December 31, 2008. The shareholders will be asked to ratify the appointment of KPMG LLP at the Meeting. The ratification of such appointment will require the affirmative vote of the holders of a majority of the outstanding Common Shares entitled to vote and present, in person or represented by proxy, at the Meeting. Representatives of KPMG LLP will be present at the Meeting, will be given an opportunity to make a statement (if they desire to do so) and will be available to respond to appropriate questions.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE *FOR* THE PROPOSAL TO RATIFY THE APPOINTMENT OF THE INDEPENDENT PUBLIC ACCOUNTING FIRM.

COMPENSATION DISCUSSION AND ANALYSIS

The goals of our executive compensation program are to align executive compensation with the Company's long-term business objectives and performance and to enable the Company to attract, retain and reward executive officers who contribute to the long-term success of the Company. We believe that the best way to achieve these goals is by aligning the financial interests of the Company's executive officers closely with the interests of the Company's shareholders through a combination of annual cash incentives and stock-based incentive compensation, while providing the executive officers with base salary compensation at levels that are competitive with prevailing standards.

Regarding most compensation matters, including executive and director compensation, our management provides recommendations to the Compensation Committee; however, the Compensation Committee does not delegate any of its responsibilities to others in setting compensation. The Compensation Committee engaged Mercer Human Resource Consulting, Inc. to serve as the Compensation Committee's independent compensation consultant (the consultant). The consultant attended Compensation Committee meetings and provided general advice regarding compensation issues during the year. The consultant did not provide any services on behalf of management and did not have any potential business conflicts with its role as an independent advisor.

Our executive compensation program is generally based on the three following components, each of which is determined in part by corporate performance:

Base salary compensation;

Annual incentive compensation; and

Long-term incentive compensation.

In setting executive officer compensation, the Compensation Committee considers all factors deemed relevant, including their views of appropriate compensation levels. The Compensation Committee also considers presentations compiled by the Vice President of Human Resources based on market pay survey data that provides information on the level of the total target compensation (salary, annual incentive compensation and long-term incentive awards) paid to similarly positioned executives at companies in a peer group (the Peer Group) at median performance. Our compensation program is designed to deliver above median compensation for above median performance and below median compensation for below median performance. The Compensation Committee has the discretion to approve an above median total target compensation opportunity when individual performance or other circumstances warrant.

The Peer Group is selected from publicly traded companies that are major competitors in the marketplace for talent for those positions. The companies in the Peer Group included entities with revenues of between \$1 billion and \$7.5 billion, manufacturers and companies in the electronics, semiconductor and electronics manufacturing services industries. The 2007 Peer Group consisted of the following 15 companies:

Agilysys, Inc.

Anixter International Inc.

Amphenol Corporation

Bell Microproducts Inc.

Brightpoint, Inc.

CDW Corporation

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Cooper Industries, Ltd.

Insight Enterprises, Inc.

Jabil Circuit, Inc.

Molex Incorporated

PC Connection, Inc.

Plexus Corp

ScanSource, Inc.

Synnex Corporation

Vishay Intertechnology, Inc.

Base Salary Compensation

Our Compensation Committee reviews base salaries for executive officers annually. In making salary determinations, the Compensation Committee considers the terms of any employment contract with the executive, the recommendations of the Chief Executive Officer (as to other executive officers), salary norms for persons in comparable positions in the executive's Peer Group, the executive's experience and scope of responsibility, and the Compensation Committee's assessment of the executive's individual past and potential future contribution to the Company's results. During its review of base salaries for executives, the Compensation Committee primarily considers market data provided by the consultant, the Vice President of Human Resources, internal review of the executive's compensation, both individually and relative to other officers and the individual performance of the executive, as well as its own business experience and views on appropriate compensation levels.

Annual Incentive Compensation

The purpose of the annual incentive compensation plan is to align the interests of executive officers with our shareholders by motivating executive officers to achieve superior financial and operational performance that increases shareholder value. Incentive bonuses are generally granted based on a percentage of each executive officer's base salary earned during the fiscal year. The 2007 incentive compensation plan for Messrs. Fu, Adam, Nigbor, Barton and Ms. Delly was adopted by our compensation committee in February 2007. Our practice is to award cash bonuses based upon performance objectives. The following table sets forth the 2007 threshold, target and maximum performance objectives, and the actual fiscal year financial results of the Company, for each of the executive officers:

Objective Level	Corporate Performance Goals		
	Earnings Per Share ⁽¹⁾	Inventory Turns ⁽²⁾	Revenue
Threshold	\$ 1.66	6.5	\$ 3.1 billion
Target	\$ 1.84	7.0	\$ 3.3 billion
Incremental	\$ 2.02	7.5	\$ 3.5 billion
Maximum	\$ 2.23	8.0	\$ 3.7 billion
Actual	\$ 1.35	7.3	\$ 2.9 billion

(1) Earnings per share before special items excludes restructuring charges, integration costs, amortization of intangibles, the impact of stock-based compensation expense and a discrete tax benefit related to a previously closed facility.

(2) Inventory turns is calculated as sales divided by average inventory for each of the four quarters ended December 31, 2007.

The following table sets forth the 2007 threshold, target, incremental and maximum cash incentive amount levels, as a percentage of salary, for each of the executives based on their achievement of each of the performance goals above:

Named Executive	2007 Incentive Amount as a Percentage of Salary Related to Achievement of Each Corporate Performance Goal			
	Threshold	Target	Incremental	Maximum
Cary T. Fu	16.7%	33.33%	50.0%	66.70%
Donald F. Adam	8.3%	16.70%	25.0%	33.33%
Gayla J. Delly	12.5%	25.00%	37.5%	50.00%
Donald E. Nigbor	8.3%	16.70%	25.0%	33.33%
Steven A. Barton	8.3%	16.70%	25.0%	33.33%

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The total bonus award is determined according to the level of achievement of the financial performance goals. The maximum incentive bonus for these executive officers was 200% for Mr. Fu, 150% for Ms. Delly and 100% for Messrs. Adam, Nigbor and Barton.

At its February 2008 meeting, the Compensation Committee determined the extent to which the performance goals were achieved, and approved the amount of the award to be paid to each executive officer. For each of the executives, we have set forth in the table below the amount of annual cash compensation earned and the corresponding percentage of their 2007 base salary that the amount represented.

Named Executive	Amount of Cash Incentive Earned	% of Salary
Cary T. Fu	\$ 207,358	33.33% ⁽¹⁾
Donald F. Adam	\$ 41,429	16.70% ⁽²⁾
Gayla J. Delly	\$ 110,000	25.00% ⁽³⁾
Donald E. Nigbor	\$ 40,947	16.70% ⁽⁴⁾
Steven A. Barton	\$ 40,947	16.70% ⁽⁵⁾

- (1) Mr. Fu's total cash incentive compensation of 33.33% consisted of the following percentages for each performance goal: 0% for earnings per share before special items, 33.33% for inventory turns and 0% for revenue.
- (2) Mr. Adam's total cash incentive compensation of 16.70% consisted of the following percentages for each performance goal: 0% for earnings per share before special items, 16.70% for inventory turns and 0% for revenue.
- (3) Ms. Delly's total cash incentive compensation of 25.00% consisted of the following percentages for each performance goal: 0% for earnings per share before special items, 25.00% for inventory turns and 0% for revenue.
- (4) Mr. Nigbor's total cash incentive compensation of 16.70% consisted of the following percentages for each performance goal: 0% for earnings per share before special items, 16.70% for inventory turns and 0% for revenue.
- (5) Mr. Barton's total cash incentive compensation of 16.70% consisted of the following percentages for each performance goal: 0% for earnings per share before special items, 16.70% for inventory turns and 0% for revenue.

On February 20, 2008, the Compensation Committee established the corporate performance goals for the 2008 executive incentive compensation plan for the executive officers. The targets are based on the Company's achievement of corporate financial objectives with equal weighting of the following criteria: earnings per share, inventory turns and revenue. If the corporate financial objective targets are reached, annual incentive compensation is 100% of the base salary for the chief executive officer, 75% of the base salary for the president and 50% of the base salary for the chairman of the board of directors, the chief financial officer and the executive vice president. If the maximum corporate financial objective targets are reached, annual incentive compensation is 200% of the base salary for the chief executive officer, 150% of the base salary for the president and 100% of the base salary for the chairman of the board of directors, the chief financial officer and the executive vice president.

Long-Term Incentive Compensation

In 2007, long-term incentive compensation of executive officers took the form of stock option awards. The Compensation Committee believes that stock options and other methods of equity-based incentive compensation are critical in motivating the long-term creation of shareholder value because methods of equity-based incentive compensation focus executive attention on share price as the primary

measure of the Company's overall performance. The Compensation Committee grants stock options at not less than 100% of the fair market value of the Common Stock on the date of grant. Because stock options provide value only in the event of share price appreciation, the Compensation Committee believes these awards are, by their nature, performance-based and are an important component of our executive compensation program. Although management may recommend the amount of stock options granted to employees, the Compensation Committee approves the grant of all stock options and does not delegate the timing of stock option grants. The Compensation Committee approves the number of shares to be covered by options granted to its employees and executive officers, including the Chief Executive Officer. Stock option grants to our Chief Executive Officer and other executive officers are not made automatically each year. The amount and terms of options already held by an executive officer generally are not significant factors in the Compensation Committee's determination of whether and how many options should be granted to the executive officer. Approximately 81% of the stock options granted since 2000 have been granted to employees who are not executive officers. We believe that through our broad-based plan, the economic interests of our employees, including our executives, are more closely aligned to those of the shareholders. Stock option grants provide an incentive that focuses the executives' attention on managing the Company from the perspective of an owner with an equity stake in the business. Accordingly, these stock options are tied to the future performance of the Company's Common Shares and provide value to the recipient only when the price of the Company's Common Shares increase above the option grant price.

The Company's executive officers who are also Directors are subject to a minimum share ownership requirement. Within three years after joining the Board, each Director is required to directly own common shares of the Company with a market value of at least \$100,000. Messrs. Fu, Nigbor and Barton are in compliance with this ownership requirement.

In February 2008, the Compensation Committee approved a new approach to long-term incentive compensation in which the mix of equity-based incentives would include restricted stock awards. Previous long-term incentive compensation consisted of stock options only. Under this approach, the Compensation Committee will issue a portion of the annual long-term incentive compensation in the form of restricted stock awards.

On March 17, 2008, the Company entered into restricted stock agreements pursuant to which Mr. Fu, Mr. Adam and Ms. Delly each received 8,500, 4,000 and 6,000 restricted common shares, respectively, of the Company. The restricted common shares vest as follows (i) 50% on March 17, 2010, (ii) 25% on March 17, 2011 and (iii) 25% on March 17, 2012. The vesting of each tranche of restricted common shares for each executive is subject to the continued employment of such executive by the Company.

Retirement Benefits

All employees in the United States, including the executive officers, are eligible to participate in the Company's 401(k) Employee Savings Plan ("Savings Plan"). The Savings Plan is a defined contribution tax-qualified retirement savings plan pursuant to which employees are able to contribute a portion of their eligible cash compensation to the Savings Plan and the Company provides matching cash contributions up to 4% of the employees' eligible compensation. All contributions to the Savings Plan as well as any matching contributions are fully vested upon contribution.

Perquisites and Personal Benefits

The only perquisites or other personal benefits that the Company offers to the executive officers is the payment of a portion of the cost of financial planning services up to \$5,000. During 2007, none of the executive officers were reimbursed for financial planning services.

Role of Chief Executive Officer in Compensation Decisions

The Compensation Committee makes all compensation decisions for officers of the Company (which includes the executive officers) and approves recommendations regarding equity-based compensation to all employees of the Company. The Chief Executive Officer annually reviews the performance of the other executive officers. The conclusions reached and recommendations based on these reviews, including with respect to salary adjustments and annual stock option awards, are presented to the Compensation Committee. The Compensation Committee can exercise its discretion in modifying any recommended adjustments or awards to the officers of the Company (which includes the executive officers).

Timing of Compensation Decisions

The Compensation Committee generally makes executive base salary compensation decisions in August of each year. The Compensation Committee's practice has been to review and approve stock option grants to all eligible employees, including executive officers, once a year, on the date of the Compensation Committee's regularly scheduled fourth quarter meeting at an exercise price equal to the closing price of the Company's common shares as reported by the New York Stock Exchange for that date. At the same time in 2008, the Compensation Committee expects to review and approve restricted stock awards to all eligible employees. The Company believes this practice is reasonable when followed on a consistent basis each year and does not time the grant of equity awards with the release of material nonpublic information.

IRS Limits on Deductibility of Compensation

An income tax deduction under Section 162(m) of the Internal Revenue Code will generally be available for annual compensation in excess of \$1 million paid to the executive officers only if that compensation is "performance-based" and complies with certain other tax law requirements. Although the Compensation Committee considers deductibility issues when approving executive compensation elements, we believe that the other compensation objectives, such as attracting, retaining and providing incentives to qualified managers, are important and may supersede the goal of maintaining deductibility. Consequently, the Compensation Committee may make compensation decisions without regard to deductibility when it believes it is in the best interests of the Company and its shareholders to do so.

REPORT OF COMPENSATION COMMITTEE

The Company's executive compensation program is administered by the Compensation Committee, a committee of the Board composed of non-employee directors listed below this report. The Compensation Committee is responsible for recommending to the full Board the compensation of the Chief Executive Officer of the Company, determining the compensation of the other executive officers of the Company, and administering the Company's employee benefit plans. None of the members of the Compensation Committee has any interlocking or other relationships with the Company that would call into question their independence as Compensation Committee members. The Compensation Committee operates under a written charter previously approved by the Board.

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis (the CD&A) for the year ended December 31, 2007 with management. In reliance on the reviews and discussions referred to above, the Compensation Committee recommended to the Board, and the Board has approved, that the CD&A be included in the proxy statement for the year ended December 31, 2007 for filing with the SEC.

SUBMITTED BY THE COMPENSATION COMMITTEE OF
THE COMPANY'S BOARD OF DIRECTORS.

Laura W. Lang, Chair
Michael R. Dawson
Douglas G. Duncan

Summary Compensation Table

The following table sets forth information concerning the compensation of our Chief Executive Officer and our other four executive officers who served in such capacities during the fiscal years ended December 31, 2007 and 2006 (the Named Executive Officers). The Company did not grant any stock awards and none of our Named Executive Officers is covered by a pension plan or a nonqualified deferred compensation plan; accordingly these columns have been omitted.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Option Awards⁽¹⁾ (\$)	Non-Equity Incentive Plan Compensation⁽²⁾ (\$)	All Other Compensation⁽³⁾ (\$)	Total (\$)
Cary T. Fu Chief Executive Officer (PEO) ⁽⁴⁾	2007	\$ 622,136		\$ 353,021	\$ 207,358	\$ 9,016	\$ 1,191,531
	2006	603,604		224,417	1,101,577	8,616	1,938,214
Donald F. Adam Chief Financial Officer (PFO) ⁽⁴⁾	2007	248,077		86,638	41,429	9,016	385,160
	2006	179,856		74,039	44,964	8,616	307,475
Gayla J. Delly President ⁽⁴⁾	2007	440,000		251,806	110,000	9,016	810,822
	2006	422,577		239,138	565,197	8,616	1,235,528

Donald E. Nigbor
Chairman