BENCHMARK ELECTRONICS INC
Form DEF 14A
March 28, 2014

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

SCHEDULE 14A INFORMATION

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

Filed by the Registrant x	Filed by a Party other than the Registrant o	

Check the appropriate box:

o	Preliminary Proxy Statement	
o	Confidential, For Use of the Commission Only (as Permitted by Rule 14a-6(e)(2))	
x	Definitive Proxy Statement	
o	Definitive Additional Materials	
o	Soliciting Material Pursuant to §240.14a-12	

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):

x	No fee required.	
o	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:
	(2)	Aggregate number of securities to which transaction applies:
	(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):
	(4)	Proposed maximum aggregate value of transaction:
	(5)	Total fee paid:
o	Fee paid previously with preliminary materials.	
o	Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.	
	(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 2014 ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON WEDNESDAY, MAY 7, 2014

Shareholders of Benchmark Electronics, Inc.:

The 2014 Annual Meeting of Shareholders of Benchmark Electronics, Inc. (the Company) will be held at the Four Seasons Hotel Houston, 1300 Lamar Street, Houston, Texas, on Wednesday, May 7, 2014, beginning at 9:00 a.m. (local time), for the following purposes:

1. to elect eight directors to serve on the Board of Directors until the 2015 annual meeting of shareholders and until their successors are duly elected and qualified;

2. to approve the First Amendment to the Benchmark Electronics, Inc. 2010 Omnibus Incentive Compensation Plan;

3. to provide an advisory vote on the compensation of the Company’s Named Executive Officers;

4. to ratify the appointment of KPMG LLP as the independent registered public accounting firm of the Company for the year ending December 31, 2014; and

5. 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 13, 2014 are entitled to notice of and to vote at the meeting and any adjournment thereof. You are cordially invited to attend the meeting.

	By order of the Board of Directors,
	/s/ Kenneth S. Barrow
	Kenneth S. Barrow
	General Counsel and Secretary

Angleton, Texas

March 28, 2014

YOUR VOTE IS IMPORTANT.

Regardless of whether you plan to attend the meeting, you are urged to act promptly to vote your shares. You may vote in person or by using a proxy as follows:

- **By internet: Go to www.proxyvote.com. Please have the notice we sent to you in hand because it has your personal 12 digit control number(s) needed for your vote.**

- **By telephone: Call 1-800-690-6903 on a touch tone phone. Please have the notice we sent to you in hand because it has your personal 12 digit control number(s) needed for your vote.**

- **By mail: Please request written materials as provided in the Notice of Availability of Proxy Materials. Complete, sign, and date the proxy card and return it to the address indicated on the proxy card.**

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, 2014

PROXY STATEMENT

FOR

2014 ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON WEDNESDAY, MAY 7, 2014

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 2014 Annual Meeting of Shareholders of the Company to be held on Wednesday, May 7, 2014 beginning at 9:00 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 March 28, 2014.

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 2015 annual meeting of shareholders and until their successors are duly elected and qualified, *FOR* the approval of the First Amendment to the Benchmark Electronics, Inc. 2010 Omnibus Incentive Compensation Plan*, FOR* the resolution approving the named executive officer compensation for 2013 as disclosed in this proxy statement, 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, 2014. 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 January 28, 2014. 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 13, 2014 are entitled to notice of and to vote at the Meeting. As of March 13, 2014, there were 53,995,091 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.

All 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
Peter G. Dorflinger	62	Chairman of the Board of the Company, General Partner of	1990
		MAD Capital Partners	
Michael R. Dawson	60	Retired Senior Vice President and Chief Financial Officer of	2006
		GlobalSantaFe Corporation	
Gayla J. Delly	54	President and Chief Executive Officer of the Company	2011
Douglas G. Duncan	63	Retired President and Chief Executive Officer of FedEx	2006
		Freight Corporation	
Kenneth T. Lamneck	59	President and Chief Executive Officer of Insight Enterprises, Inc.	2013
David W. Scheible	57	President and Chief Executive Officer of Graphic	2011
		Packaging Holding Company	
Bernee D.L. Strom	66	Chairman and Chief Executive Officer of WebTuner Corp.	2004
Clay C. Williams	51	President and Chief Executive Officer of National Oilwell	2008
		Varco, Inc.	

Mr. Dorflinger has been a director of the Company since 1990 and Chairman of the Board since January 1, 2013. He is a member of the Audit and Nominating/Governance Committees. Mr. Dorflinger served as chair of the Nominating/Governance Committee from May 2006 to May 2010 and 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 brings the experience of many years of service as a director of the Company and his intimate understanding of the Company and its business. Mr. Dorflinger qualifies as an “independent director” under the rules of the New York Stock Exchange (the NYSE) and Item 407(a) of Regulation S-K promulgated under the Securities Exchange Act of 1934 (the Exchange Act).

Mr. Dawson has been a director of the Company since 2006 and has served as chair of the Audit Committee since May 2007 and is a member of the Compensation Committee. Mr. Dawson was Senior Vice President, Chief Financial Officer and director of Northern Offshore, Ltd., an offshore oil and gas drilling contractor from January 2008 to April 2010. 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 former 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. In recommending Mr. Dawson as a nominee for election as a director of the Company, the Nominating/Governance Committee considered Mr. Dawson’s experience as a Chief Financial Officer and related positions with various companies, all of which will add to his service on the Company’s Audit Committee. Mr. Dawson qualifies as an “independent director” under the rules of the NYSE and as defined in Item 407(a) of Regulation S-K promulgated under the Exchange Act and as an “audit committee financial expert” under the rules of the Securities and Exchange Commission (the SEC).

Ms. Delly has been a director of the Company since 2011 and has served as President and Chief Executive Officer since January 1, 2012. She has been with the Company since 1996 and served as President from December 2006 to December 2011 and Chief Financial Officer from May 2001 to December 2006. She has also served as Executive Vice President of the Company from September 2004 to December 2006, as Vice President Finance of the Company from November 2000 to September 2004, as Treasurer from January 1996 to December 2006 and as Controller of the Company from January 1996 to January 2002. Ms. Delly holds a B.S. degree in accounting from Samford University and is a Certified Public Accountant. Ms. Delly also serves as a director of Flowserve Corporation. Ms. Delly brings to the Board her long-term experience with the Company’s business and industry.

Mr. Duncan has been a director of the Company since 2006 and is a member of the Audit and Nominating/Governance Committees. He served as chair of the Nominating/Governance Committee from May 2010 to May 2013. Mr. Duncan is the retired 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 served in that capacity from 2001 until 2010. Mr. Duncan graduated from Christopher Newport University. In recommending Mr. Duncan as a nominee for election as a director of the Company, the Nominating/Governance Committee considered not only Mr. Duncan’s experience as a Chief Executive Officer, but also his skills and leadership with logistics. Mr. Duncan qualifies as an “independent director” under the rules of the NYSE and Item 407(a) of Regulation S-K promulgated under the Exchange Act. Mr. Duncan also serves on the board of directors of J.B. Hunt Transport Services, Inc. and Brambles LTD.

Mr. Lamneck has been a director of the Company since June 2013 and is a member of the Audit Committee. He serves as President and Chief Executive Officer of Insight Enterprises, Inc., a global provider of information technology hardware, software and service solutions to businesses and public sector clients in over 190 countries. He also serves as a director of Insight. Prior to joining Insight, from 2004 through 2009, Mr. Lamneck served as President, the Americas, at Tech Data Corporation, a wholesale distributor of technology products, where he led operations in the United States, Canada and Latin America. From 1996 to 2003, he held various executive management positions at Arrow Electronics, including President of Arrow/Richey Electronics and President of Arrow’s Industrial Computer Products business. Mr. Lamneck received a Masters of Business Administration from the University of Texas at El Paso and a Bachelors of Science from the United States Military Academy at West Point. Mr. Lamneck brings his experience as a Chief Executive Officer of a global technology provider to the Board. Mr. Lamneck qualifies as an “independent director” under the rules of the NYSE and Item 407(a) of Regulation S-K promulgated under the Exchange Act.

Mr. Scheible has been a director of the Company since 2011 and has served as chair of the Compensation Committee since May 2013 and is a member of the Audit Committee. He serves as Chief Executive Officer, President and Director of Graphic Packaging Holding Company, a global manufacturer of custom packaging, paperboard, laminations and coatings, systems and machinery and contract packaging services to multinational companies. He also served as the Chief Operating Officer of Graphic Packaging from 1999 to 2006 after joining Graphic Packaging in 1998 as President of the Flexible Packaging Division. Prior to joining Graphic Packaging, Mr. Scheible had been an executive with Avery Dennison Corporation (1986 to 1998) a global manufacturer of self-adhesive products, office products and specialized label systems. Mr. Scheible began his career at B.F. Goodrich Corporation in 1980, and has held various positions in the manufacturing industry for more than 30 years. Mr. Scheible received a Masters of Business Administration in Finance and a Bachelor of Science in Biochemistry from Purdue University. Mr. Scheible brings his experience as a Chief Executive Officer of a global manufacturing entity to the Board. Mr. Scheible qualifies as an "independent director" under the rules of the NYSE and Item 407(a) of Regulation S-K promulgated under the Exchange Act.

Ms. Strom has been a director of the Company since 2004 and is a member of the Compensation and Nominating/Governance Committees. Ms. Strom served as Presiding Director from May 2010 until December 2012. 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 Chairman and CEO of WebTuner Corp., a developer of software infrastructure for next generation television systems. She remains a Founding 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 a director of Ensequence, Inc., a software company that has developed a cross platform technology for interactive video across cable, satellite, broadband and mobile devices. She also 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 1997 to 1998, she was CEO of Walker Digital and its first spin-out, priceline.com. 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. She was recently named one of Anderson's '100 Most Impactful' alumni. Ms. Strom brings the experience gained through her service on boards or as an officer of several companies and qualifies as an "independent director" under the rules of the NYSE and Item 407(a) of Regulation S-K promulgated under the Exchange Act.

Mr. Williams has been a director of the Company since 2008 and is a member of the Compensation and Nominating/Governance Committees. He served as chair of the Compensation Committee from May 2010 to May 2013. Mr. Williams has served as Director, President and Chief Executive Officer of National Oilwell Varco, Inc., a global service provider and manufacturer of equipment for oil and gas producers, since February 2014. From December 2012 until February 2014, he served as President and Chief Operating Officer of National Oilwell Varco. Prior to December 2012, he served as Executive Vice President and Chief Financial Officer for National Oilwell Varco, Inc., and also served as the Chief Financial Officer of Varco International, Inc. prior to Varco's merger with National-Oilwell. Mr. Williams began his career at Shell Oil Company in 1985, and has held various positions in the energy industry for more than 20 years. Mr. Williams received a B.S. degree in Civil/Geological Engineering from Princeton University and an M.B.A. from the University of Texas at Austin. In recommending Mr. Williams as a nominee for election as a director of the Company, the Nominating/Governance Committee considered Mr. Williams' current and past experience as a Chief Financial Officer. Mr. Williams qualifies as an "independent director" under the rules of the NYSE and as defined in Item 407(a) of Regulation S-K promulgated under the Exchange Act and as an "audit committee financial expert" under the rules of the SEC.

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 2015 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.

Executive Officers

The executive officers of the Company are Gayla J. Delly, Donald F. Adam and Kenneth S. Barrow. See “Election of Directors — Nominees for Election” for certain information with respect to the age, positions and length of service with the Company, and business experience of Ms. Delly.

Mr. Adam, 50, has been Chief Financial Officer of the Company since December 2006. He has served as Vice President and Corporate Controller from July 2005 to December 2006 and as Corporate Controller from January 2002 to July 2005. From February 1998 to January 2002, Mr. Adam served as Chief Financial Officer of Specialty Piping Components, Inc. Mr. Adam holds a B.B.A. degree in accounting from The University of Texas and is a Certified Public Accountant.

Mr. Barrow, 54, is General Counsel & Secretary of the Company, a position he has held since March 2006. He joined the Company from Tympany, Inc., a medical equipment and diagnostics start-up company, where he had served as Chief Legal Officer & Corporate Secretary since 2003. From 1996 to 2003, he was employed in positions of increasing responsibility at Centerpulse USA, Inc. (formerly Sulzer Medica), at the time a diverse global medical device company, where he eventually served as Vice President Intellectual Property. Prior to Centerpulse, he spent 4 years as an attorney with Fish & Richardson where he focused on intellectual property litigation and strategy. Mr. Barrow also served as a judicial clerk at the U.S. Court of Appeals for the Federal Circuit from 1990 to 1992. He holds a J.D. degree and a B.S. degree in Chemical Engineering from Brigham Young University.

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 and the SEC;
- 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 Relations—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, 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 duly 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. If all of the nominees for election as director are elected at the Meeting, there will be eight directors.

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, Kenneth T. Lamneck, David W. Scheible, Bernee D.L. Strom and Clay C. Williams. 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.

Our Board oversees an enterprise-wide approach to risk management. The Board not only aims to understand the risks facing the Company and the steps management is taking to address them, but also actively decides on the levels of risks appropriate for the Company when designing and implementing its business strategy. In achieving this objective, the full Board participates in an annual enterprise risk management assessment. In this process, risk is assessed throughout the business, focusing on six primary areas of risk: financial risk, legal/compliance risk, operational/transaction risk, customer services/reputation risk, information technology risk and inherent (other) risks. In addition to discussion of risk with the full Board at least once a year, the independent directors discuss risk management during non-management executive sessions led by the Presiding Director or the independent Chairman of the Board.

While the Board has the ultimate oversight responsibility for the risk management process, various committees of the Board have also been entrusted with responsibility for risk management. In particular, the Audit Committee focuses on assessing and mitigating financial reporting risk, including internal controls, and receives an annual risk assessment report from the Company’s internal auditor, and quarterly reports on identified risk areas. In setting compensation, the Compensation Committee also strives to create incentives that encourage a level of risk-taking behavior consistent with the Company’s business strategy.

The Board held five meetings during 2013. Each of the directors attended at least 75% of such meetings during the period in which he or she was director. In 2013, Ms. Delly was also an employee of the Company. She does not participate in any meeting at which her compensation is evaluated. All members of all committees are independent directors. In addition to committee meetings, the non-employee directors regularly meet outside the presence of Ms. Delly. 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 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.

The Audit Committee, consisting of Messrs. Dawson, Dorflinger, Duncan, Lamneck and Scheible, met twelve times during 2013 and each member attended at least 75% of the meetings during the period in which he was a member of such committee. Mr. Dawson qualifies as an "audit committee financial expert" under the rules of the SEC. For a description of Mr. Dawson'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 Exchange Act. 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, Scheible and Williams and Ms. Strom, met four times during 2013 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 Messrs. Dorflinger, Duncan, Williams and Ms. Strom, met four times during 2013 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 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. In addition, although there is no specific policy on considering diversity, the Board and the Nominating/ Governance Committee, believe that the Board membership should reflect diversity in its broadest sense, including persons diverse in geography, gender, ethnicity, viewpoint, education, skills and professional experience. 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 2014 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.

Compensation Committee Interlocks and Insider Participation

The members of the Company’s Compensation Committee are independent directors and no member of the Committee has ever served as an employee of the Company. None of our directors has interlocking or other relationships with other boards, compensation committees or our executive officers that require disclosure under Item 407(e)(4) of Regulation S-K.

COMPENSATION DISCUSSION AND ANALYSIS

Philosophy and Objectives

Our executive compensation program is designed to:

- Attract, retain and reward high-caliber management talent;
- Incentivize the achievement of both the Company's short-term and long-term operating objectives and performance;
- Be transparent, fair, objective and, to the extent practical, formulaic;
- Encourage the taking of prudent business risks for appropriate potential long-term benefits, while avoiding excessive, unnecessary or unwise risk; and;
- Encourage smart investment and prudent deployment of capital.

At-risk, incentive compensation commits our senior executives to delivering challenging results over both the short- and long-term by rewarding the achievement of those results and aligning their interests with the financial interests of our shareholders.

In order to more closely align the financial interests of our executive officers with that of our shareholders, we have (i) a share ownership guideline requiring our executive officers to acquire a long-term ownership stake in the Company (See "Share Ownership Guidelines"), (ii) a practice of making on a single day all board-level compensation decisions (including adjustments to base salaries, annual incentive compensation opportunities, and long-term equity-based incentive compensation) to reinforce performance feedback to the executive (See "Timing of Compensation Decisions") and (iii) a performance-based restricted stock units (PSUs) compensation component in our compensation program, to more closely tie pay to performance. The vesting of PSUs depends upon the Company's achievement of absolute financial goals as set by the Board as derived from the Company's overall financial objectives, which goals include annual revenue growth rate, operating income margin, and return on invested capital, over a four year period (See "Long-Term Equity-Based Incentive Compensation").

The primary components of our executive compensation program, described in more detail within the report, are:

- ***Base Salary***, which pays a set level of monthly cash income to the executive, generally within the median range of the Peer Group (identified below).

- ***Annual Incentive Award***, which pays a variable cash award to reward good near-term operational performance in sales, earnings and cash flow and which is based solely upon financial performance by the Company measured against revenue, earnings, and inventory turn targets set by the Board at the beginning of each year.

- ***Restricted Shares or Restricted Stock Units (RSUs)***, which are awarded to retain management and permit each executive to steadily build an ownership stake in the Company to encourage long-term shareholder value creation.

- ***Performance-Based Restricted Stock Units (PSUs)***, which reward performance and accelerate the executive's ownership stake, subject to the achievement of specific long-term financial objectives over a four year period.

- ***Stock Options***, which directly align the interests of executives with the financial interest of our shareholders by increasing in value to the executive with the increase in value of shares of the Company, generally over a four year vesting period and as long as the executive holds the options.

Three of the components—Annual Incentive Awards, Performance-Based Restricted Stock Units, and Stock Options—are "at-risk" in that they are of value only when either the Company's financial objectives are achieved or the value of the Company's shares rise. The Company believes that the design of these "at risk" components closely aligns the executive's pay with performance beneficial to the Company and its shareholders.

Role of Compensation Committee

Our Compensation Committee, which is comprised solely of independent directors, is responsible for reviewing and approving all salary and annual incentive compensation paid to officers of the Company, including our Chief Executive Officer and other Named Executive Officers. With respect to long-term equity-based incentive compensation paid to our Named Executive Officers (including our Chief Executive Officer), as well as to all other employees, the Compensation Committee makes a recommendation to the Board, which then approves the compensation.

Our Compensation Committee directly engaged Pearl Meyer & Partners to serve as the Compensation Committee's independent compensation consultant (the consultant) and perform an executive compensation review. 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.

Role of Management

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 for the executive officers. The Chief Executive Officer annually reviews the performance of the other executive officers, and conclusions reached and recommendations based on these reviews, including with respect to salary adjustments and annual equity awards, are presented to the Compensation Committee. Our Compensation Committee can exercise its discretion in modifying any recommended adjustments or awards to the officers of the Company (which includes the executive officers). The Compensation Committee does not take into account any recommendations from the Chief Executive Officer with respect to her own compensation.

Evaluation of "Say on Pay" Advisory Vote

At the 2013 Annual Meeting of Shareholders, our shareholders voted 91% in favor of the compensation of our Named Executive Officers as described in our 2013 proxy statement. With the goal of continuing to meet the approval of shareholders and remaining responsive to their concerns, we engaged our institutional investors prior to and following the 2013 Annual Meeting of Shareholders. No significant issues with our executive compensation program were raised during discussions with our shareholders. The Compensation Committee reviewed the foregoing and determined that it indicated confirmation and overwhelming support by our shareholders of the Company's existing executive compensation policies and decisions. Accordingly, we did not significantly change our compensation principles and objectives in 2013.

Competitive Market Review

In setting executive officer compensation, our Compensation Committee considers all factors it deems relevant. The Compensation Committee also considers data and recommendations presented by the consultant and management based on market pay survey data that provides information on the level of the total target compensation (which is comprised of salary, annual incentive compensation and long-term incentive awards) paid to similarly positioned executives at companies in the Peer Group, identified below. The Company's target compensation opportunity is generally set with the median range of the Peer Group and market pay survey data. Our compensation program is designed to deliver above median compensation for above median performance and below median compensation for below median performance. To determine the amount of compensation to be paid to each of these executives, the Compensation Committee performed a subjective evaluation of each executive's performance and responsibilities; market pay survey data; relativity in pay among the Company's executive officers; comparability of each executive's role to other named executive officers cited within proxies from the Peer Group; general compensation trends; the Company's financial position; specific challenges faced by the executive; and, for each executive other than the Chief Executive Officer, the recommendation of the Chief Executive Officer (without assigning specific weight to each factor). In setting executive compensation, our Compensation Committee has not established a set formula or other quantitative policy for allocating between long-term and immediately payable compensation, cash and non-cash compensation, establishing the amount of equity awards or allocating equity awards between stock options, restricted shares and performance based restricted share units, but rather considers compensation in totality for each individual.

The Peer Group was selected in November 2012 by the Compensation Committee based on a recommendation by the consultant from publicly traded companies that are major competitors in the marketplace for talent for the applicable positions. The companies in the Peer Group include entities with revenues of between $0.8 billion and $6.8 billion, manufacturers and companies in the electrical components, systems software, semiconductor components and electronics manufacturing services industries. The Peer Group consists of the following companies:

	•		Amphenol Corporation		•		Multi-Fineline Electronix, Inc.	
	•		AVX Corporation		•		Plexus Corp	
	•		BMC Software, Inc.		•		Sanmina Corporation	
	•		Celestica Inc.		•		Teradyne, Inc.	
	•		KLA-Tencor Corporation		•		TTM Technologies, Inc.	
	•		Lam Research Corporation		•		Vishay Intertechnology, Inc.	
	•		Molex Incorporated					

Timing of Compensation Decisions

In order to reinforce performance feedback through compensation, our Compensation Committee makes executive compensation decisions in the first quarter of each year. The Compensation Committee reviews and approves stock-based awards to all eligible employees, including executive officers, once a year, on the date of the Compensation Committee’s regularly scheduled first quarter meeting and, in the case of stock options, to grant such stock options at an exercise price equal to the closing price of the Company’s Common Shares as reported by the NYSE on that date. The Company believes that the practice of granting stock-based awards in the first quarter of each year is reasonable when followed on a consistent basis each year and reduces the risk of inadvertently timing the grant of such awards with the release of material nonpublic information.

2013 Compensation

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 executive officers), salary norms for persons in comparable positions in the 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 (without assigning a specific weight to each factor). During its review of base salaries for executives, the Compensation Committee primarily considers market data provided by the consultant, the results of a review of the executive’s compensation relative to the Company’s other executive officers, the executive’s individual performance and the committee members’ own business experience and views on appropriate compensation levels.

12

Annual Cash-Based 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 2013 incentive compensation plan for our Named Executive Officers was adopted by the Compensation Committee in the first quarter of 2013. Our practice is to award cash incentive bonuses based upon the attainment of corporate performance goals. The following table sets forth the 2013 threshold, target, incremental and maximum performance goals with respect to fiscal year financial results of the Company for each of the executive officers:

	Corporate Performance Goals		
Objective Level	**Earnings Per Share Before Special Items[1]**	**Inventory Turns[2]**	**Revenue**
Threshold	$ 1.20	6.00	$ 2.400 billion
Target	$ 1.30	6.25	$ 2.462 billion
Incremental	$ 1.40	6.50	$ 2.537 billion
Maximum	$ 1.50	7.00	$ 2.612 billion
Actual	$ 1.26	6.85	$ 2.506 billion

(1) Earnings per share before special items excludes restructuring charges and integration and acquisition-related costs, Thailand flood related items, asset impairment charge and other, and a discrete US tax benefit.

(2) Inventory turns is calculated as sales divided by average inventory for each of the four quarters ended December 31, 2013.

The following table sets forth the potential 2013 threshold, target, incremental and maximum cash incentive payment levels, as a percentage of salary, for each of the executives based on the Company's achievement of each of the three performance goals above:

	Potential 2013 Incentive Payments as a Percentage of Salary Related to Achievement of Each of Three Corporate Performance Goals			
Named Executive	**Threshold**	**Target**	**Incremental**	**Maximum**
Gayla J. Delly	16.70%	33.30%	50.00%	66.70%
Donald F. Adam	8.30%	25.00%	33.30%	41.70%
Kenneth S. Barrow	8.30%	25.00%	33.30%	41.70%

The total incentive bonus award is determined according to the level of achievement of the corporate performance goals. The maximum incentive bonus for these executive officers was 200.1% for Ms. Delly and 125% for Messrs. Adam and Barrow.

At its first quarter 2014 meeting, our Compensation Committee determined the extent to which the 2013 performance goals were achieved, and approved the amount of the award to be paid to each executive officer. The Compensation Committee determined that the executives had achieved threshold performance in earnings per share before special items, target performance in revenue and incremental performance in inventory turns. For each of the executives, we have set forth in the table below the amount of annual cash-based incentive compensation earned and the corresponding percentage of their 2013 salary that the amount represented.

Named Executive		Amount of Cash Incentive Earned	% of Salary
Gayla J. Delly	$	773,654	100.00%(1)
Donald F. Adam	$	254,297	66.60%(2)
Kenneth S. Barrow	$	231,691	66.60%(2)

(1) Ms. Delly's total cash incentive compensation of 100.00% consisted of the following percentages for each performance goal: 16.7% for earnings per share before special items, 50.0% for inventory turns and 33.3% for revenue.

(2) Mr. Adam's and Mr. Barrow's total cash incentive compensation of 66.6% consisted of the following percentages for each performance goal: 8.3% for earnings per share before special items, 33.3% for inventory turns and 25.0% for revenue.

Long-Term Equity-Based Incentive Compensation

Our Compensation Committee believes that equity-based incentive compensation is critical in motivating the long-term creation of shareholder value because it focuses executive attention on share price as the primary measure of the Company's overall performance. In 2010, the Board adopted and our shareholders approved, the 2010 Plan, which superseded the Benchmark Electronics, Inc. 2000 Stock Awards Plan (the 2000 Plan). In 2013, our Compensation Committee awarded executive officers a combination of stock options, restricted shares and PSUs (in each case, as further described below). To determine the awards for each executive, the Compensation Committee performed a subjective evaluation of each executive's performance and responsibilities, and also considered market pay survey data, relative pay among the Company's executive officers and other factors (without assigning a specific weight to each factor). The evaluation of each executive's performance and responsibilities was made with significant input from the Company's Chief Executive Officer, and also factored in the future potential contribution from each executive according to the Company's long term and emergency succession plan. In assessing the fiscal 2013 individual performances of Ms. Delly, Mr. Adam, and Mr. Barrow, the Compensation Committee noted that each gave exceptional focus on improving the Company's net sales, net income, operating margin, and earnings per share, all in the face of difficult market conditions. In addition, under Ms. Delly's leadership, the Company completed the strategic acquisitions of Suntron Corporation (two manufacturing facilities and approximately 500 employees) and the EMS segment of CTS Corporation (which included 5 manufacturing facilities and approximately 1,000 employees). Also under Ms. Delly's leadership, the Company continued to improve the Company's Quality Management System (QMS), which includes continuous improvement activities, such as lean manufacturing initiatives. Under Mr. Adam's leadership as CFO, the Company managed its capital structure by repurchasing 2,092,650 shares at a cost of $41.2 million, and continued its expense reduction efforts, and maintained strong income from operations performance and proper internal controls and financial compliance. Mr. Adam also helped managed the recovery of insurance proceeds in connection with the Company's losses related to the flooding of the Company's facilities in Ayutthaya, Thailand. Under Mr. Barrow's leadership, the Company successfully closed on the acquisitions of Suntron Corporation and the EMS segment of CTS Corporation, managed the recovery of insurance proceeds related to the Thailand flood, and managed the closure of the Company's Brazil and Singapore operations. Mr. Barrow also successfully supervised the Company's compliance programs, and effectively managed its risks related to several legal matters. Although our management recommended the number of shares to be covered by equity awards granted to employees, the Compensation Committee approved the grant of all equity awards and did not delegate the timing of such grants. Equity award grants to our Chief Executive Officer and other executive officers are not made automatically each year. The amount and terms of equity awards already held by an executive officer generally are not significant factors in the Compensation Committee's determination of whether and how many equity awards should be granted to the executive officer.

Stock Options - The Compensation Committee grants stock options at not less than 100% of the fair market value of the Common Shares on the date of grant. Because stock options provide value only in the event of share price appreciation, our Compensation Committee believes these awards are, by their nature, performance-based and are an important component of our executive compensation program.

Restricted Shares or Restricted Stock Units (RSUs) - Long-term equity-based incentive compensation awards also include time-based awards which vest over four years, to improve retention of executives and to enable a steadily-growing ownership stake in the Company that encourages long-term strategic performance.

Performance-Based Restricted Stock Units (PSUs) - Our Compensation Committee believes the PSUs, which vest over four years subject to the achievement of measurable, absolute financial goals, enable management to build a meaningful ownership stake in the Company to encourage long-term strategic thinking and the avoidance of unnecessary or excessive risk taking. The financial goals were set by our Board, and in order to receive any payment, the Company is required to exceed the following fiscal 2013 thresholds: an annual revenue growth rate of 8%; operating income margins of 4.5%; and return on invested capital of 8.3%.

The long-term equity-based incentive compensation awards made in the first quarter of 2013 were evenly balanced, with approximately one-third of the total value awarded in stock options, restricted shares and PSUs, respectively.

Deferred Compensation Benefits

In order to attract and retain key employees the Company established the Benchmark Electronics, Inc. Deferred Compensation Plan (the Deferred Compensation Plan) which allows certain designated employees, including our Named Executive Officers, the opportunity to defer, on a pre-tax basis, their salary, bonus awards, and other specified compensation and to receive the deferred amounts, together with an investment return (positive or negative), either at a pre-determined time in the future or upon termination of employment with the Company. The Company intends that the Deferred Compensation Plan will at all times be maintained on an unfunded basis for federal income tax purposes under the Internal Revenue Code and be administered as a nonqualified ‘‘top-hat’’ plan exempt from the substantive requirements of the Employee Retirement Income Security Act.

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 (the 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 Company provides only minimal perquisites or other personal benefits to executive officers, consisting primarily of a portion of the cost of financial planning services, health club memberships and annual physical exams.

Other Matters

Share Ownership Guidelines

Our executive officers are subject to a share ownership requirement. During the term of his or her employment with the Company, our executive officers are expected to directly own Common Shares of the Company having a market value of at least (a) three times their annual base salary if he or she is President or Chief Executive Officer and (b) two times his or her annual base salary for all other executive officers. Our executive officers have not yet achieved this ownership requirement and are expected to retain 20% of the underlying shares of (a) each exercise of stock option grants and (b) each vesting of restricted share grants until such executive officer has achieved his or her respective ownership requirement.

Analysis of Compensation Risk

During 2013 our Compensation Committee conducted an analysis of potential risks posed by the Company's compensation program, asking, in essence, whether the program might encourage the executive officers to take unnecessary or excessive risks, or whether the program might encourage the manipulation of reported earnings. As part of its analysis the Compensation Committee also considered mitigating factors and controls:

Component	Potential Risk	Mitigating Factors
Base Salary	Unsustainable fixed expense	Management of expenses and increases
	Retention challenges if too low	Periodic market surveys
Annual Incentive	Imprudent risk taking to	Internal financial controls
Plan	maximize short-term reported	Award limits
	financial results	Long-term incentive awards at risk
	Earnings manipulation	Share ownership guidelines
		Tied to independently audited results
Long-Term	Imprudent risk taking to	Award limits
Equity-Based	maximize short-term stock price	Share ownership guidelines
Incentive Plans	Earnings manipulation	Long vesting periods
		Internal financial controls
		Independent audit
Health &	Unsustainable fixed expense	Management of expenses
Insurance Benefits	Retention challenges if too low	Periodic market surveys

	Retirement Benefits		Unsustainable fixed expense		Management of expenses
	(401k and Deferred		Retention challenges if too low		Limited non-qualified retirement benefits
	Compensation Plans)		Legal compliance risks		Third party professional advisors
					Periodic market surveys
	Severance Plans		Unsustainable fixed expense		Limitations within employment,
					severance and change of control
					agreements
					Award limits
	Perquisites &		Unsustainable fixed expense		Management of expenses
	Expatriate Benefits		Retention challenges if too low		Periodic market surveys

Based on its analysis the Compensation Committee determined that our compensation program is unlikely to motivate inappropriate risk-taking.

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 certain executive officers only if that compensation is ‘‘performance-based’’ and complies with certain other tax law requirements. Although our 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 our shareholders to do so.

REPORT OF COMPENSATION COMMITTEE

Our executive compensation program is administered by the Compensation Committee, a committee of the Board composed of independent directors listed below this report. The Compensation Committee is responsible for recommending to the full Board the compensation of our Chief Executive Officer, determining the compensation of our other executive officers and administering our 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. Our 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, 2013 with management. Based on such reviews and discussions, the Compensation Committee recommended to the Board, and the Board has approved, that the CD&A be included in the proxy statement under Schedule 14A for the year ended December 31, 2013 for filing with the SEC and incorporation by reference into the Company’s annual report on Form 10-K for the fiscal year ended December 31, 2013.

SUBMITTED BY THE COMPENSATION COMMITTEE OF

THE COMPANY’S BOARD OF DIRECTORS

David W. Scheible, Chair

Michael R. Dawson

Bernee D. L. Strom

Clay C. Williams

17

COMPENSATION TABLES AND NARRATIVES

The following tables, narratives and footnotes describe the total compensation and benefits of our Chief Executive Officer and our other two executive officers for 2013 (our Named Executive Officers).

Summary Compensation Table

The following table sets forth information concerning the compensation and benefits of our Named Executive Officers during the fiscal years ended December 31, 2013, 2012 and 2011.

Name and Principal Position	Year	Salary ($)	Stock Awards[1] ($)	Option Awards[2] ($)	Non-Equity Incentive Plan Compensation[3] ($)	All Other Compen-sation[4] ($)	Total ($)
Gayla J. Delly	2013	$ 773,654	$ 1,163,234	$ 580,952	$ 773,654	$ 10,450	$ 3,301,944
President and Chief	2012	750,000	1,079,623	282,177	874,500	10,250	2,996,550
Executive Officer (PEO)[5]	2011	526,154	843,059	400,708	—	10,280	1,780,201
Donald F. Adam	2013	381,827	537,914	268,681	254,297	10,450	1,453,169
Chief Financial	2012	370,000	531,362	241,514	308,321	10,250	1,461,447
Officer (PFO)	2011	366,154	583,655	277,412	—	10,280	1,237,501
Kenneth S. Barrow	2013	347,885	252,629	126,197	231,691	10,450	968,852
General Counsel and	2012	337,308	233,942	86,320	281,078	10,250	948,898
Secretary[6]							

(1) The amounts reflect the aggregate grant date fair value of restricted stock and PSU grants pursuant to the Company's equity awards plans during the fiscal years ended December 31, 2013, 2012 and 2011, respectively, computed in accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718. Stock awards were valued using the closing market price of the Company's Common Shares on the grant date. A portion of the awards listed above are subject to performance conditions, with the grant date fair value calculated for purposes of the Stock Awards column assuming a target level of achievement. Assuming the performance conditions will be achieved at a maximum level of 300% for grants in 2013, the grant date fair value of stock awards for each of our Named Executive Officers would be as follows:

	Gayla J. Delly	$	2,326,468	
	Donald F. Adam	$	1,075,828	
	Kenneth S. Barrow	$	505,259	

The amounts do not reflect any of the awards that the Company attempted to grant to Ms. Delly in March 2012, but which were never granted, as described in "Compensation Tables and Narratives – Grants of Plan – Based Awards".

(2) The amounts reflect the aggregate grant date fair value of stock option grants pursuant to the Company's equity awards plans during the fiscal years ended December 31, 2013, 2012 and 2011, respectively, computed in accordance with the provisions of FASB ASC Topic 718. Assumptions used in the calculation of this amount for fiscal years ended December 31, 2013, 2012 and 2011 are included in footnote 1(m) to the Company's audited financial statements for the fiscal year ended December 31, 2013, included in the Company's Annual Report on Form 10–K filed with the Securities and Exchange Commission on February 28, 2014. The amounts do not reflect any of the awards that the Company attempted to grant to Ms. Delly in March 2012, but which were never granted, as described in "Compensation Tables and Narratives – Grants of Plan – Based Awards".

(3) The amounts shown in this column reflect cash incentive bonuses earned by our Named Executive Officers pursuant to the Company's annual incentive compensation plans. The amounts include cash bonuses earned in year of service regardless of when paid.

(4) For fiscal year ended December 31, 2013, the "All Other Compensation" column includes (a) $10,000 paid by the Company pursuant to the Company's Savings Plan to each of our Named Executive Officers (under the Savings Plan, the Company is obligated to make matching contributions to the Savings Plan in an amount equal to 100% of each participant's elective contributions, to the extent that such elective contributions do not exceed 4% of such participant's eligible compensation), and (b) payments by the Company of premiums of $450 for term life insurance on behalf of each of our Named Executive Officers.

(5) Ms. Delly was promoted from President to President and Chief Executive Officer effective as of January 1, 2012.

(6) Mr. Barrow became an executive officer effective as of January 1, 2012.

Employment Agreements

The Company has entered into employment agreements with each of the Named Executive Officers. The agreements provide for annual base salaries, subject to increases from time to time as determined by the Compensation Committee. These agreements are automatically extended by successive one-year terms, unless terminated by the Company or the executive. Effective March 4, 2013, Ms. Delly's annual base salary was $780,000, Mr. Adam's annual base salary was $385,000 and Mr. Barrow's annual base salary was $350,000.

In addition to annual base salaries, each employment agreement provides for payment of bonuses if the Company attains or exceeds its corporate performance goals which are specified each year by the Compensation Committee. A more detailed discussion of the corporate performance goals and these bonuses, including the percentage of base salary and the mechanism by which the bonuses are paid and determined by the Compensation Committee is set forth in "Compensation Discussion and Analysis—2013 Compensation — Annual Cash-Based Incentive Compensation".

Each employment agreement also provides for severance payments if the applicable Named Executive Officer's employment is terminated under certain qualifying circumstances. A more detailed discussion of the severance terms is set forth in "—Potential Payments Upon Termination or Change in Control".

Each employment agreement contains restrictive covenants that prohibit the applicable Named Executive Officer from competing with the Company or soliciting its customers or service providers during the term of the employment agreement and for two years thereafter as well as a confidentiality covenant of indefinite length.

In addition to the restrictive covenants described in the preceding sentence, Ms. Delly may not, during her period of employment and for two years thereafter, make disparaging remarks about the Company, its subsidiaries or products and services or divert customers of the Company to its competitors.

Grants of Plan-Based Awards

The 2000 Plan and the 2010 Plan authorize the Company, upon recommendation of the Compensation Committee, to grant a variety of types of awards, including stock options, restricted shares, RSUs, stock appreciation rights, performance compensation awards, phantom stock awards and deferred share units, or any combination thereof, to any director, officer, employee or consultant (including any prospective director, officer, employee or consultant) of the Company. Stock options are granted to employees with an exercise price equal to the market price of the Company's Common Shares on the date of grant, generally vest over a four-year period from the date of grant, subject to the continued employment of the employee by the Company, and have a term of ten years. Restricted shares, RSUs and phantom stock awards granted to employees generally vest over a four-year period from the date of grant, subject to the continued employment of the employee by the Company. The 2000 Plan expired on February 16, 2010 and no additional grants can be made under that plan. The 2010 Plan was approved by the Company's shareholders on May 18, 2010 and replaced the 2000 Plan. As of December 31, 2013, the Company had equity awards outstanding with respect to 3.5 million Common Shares under the Company's 2000 and 2010 Plans, and 2.2 million additional common shares are available for issuance under the Company's 2010 Plan.

As described in our 2013 proxy statement, on March 6, 2012 the Compensation Committee approved a grant to Ms. Delly of stock options to purchase 49,899 Common Shares at an exercise price of $16.03, 83,202 PSUs (assuming the performance conditions would have been achieved at a maximum level of 300%) and 27,734 RSUs. However, in the second quarter of fiscal year 2013, the Company determined that 45,430 options to purchase Common Shares, 75,750 PSUs (assuming the performance conditions would have been achieved at a maximum level of 300%) and 25,250 RSUs were not validly granted pursuant to the Company's 2010 Incentive Plan because they exceeded the limit on the maximum aggregate number of Common Shares with respect to which awards may be granted to any individual participant in any fiscal year. Accordingly, the attempted grant of such awards was ineffective, and such awards were never granted under the 2010 Incentive Plan. All references in this proxy statement to Ms. Delly's March 6, 2012 grant reflect only the awards that were validly granted under the 2010 Incentive Plan.

The following table sets forth information concerning grants of nonqualified stock option and restricted share awards to the Named Executive Officers during the fiscal year ended December 31, 2013 under the 2010 Plan, as well as estimated possible payouts under cash and equity incentive plans.

2013 Grants of Plan-Based Awards

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (1) Threshold ($)	Target ($)	Maximum ($)	Estimated Possible Payouts Under Equity Incentive Plan Awards (2) Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exe B P Op Aw ($
Gayla J. Delly	2/27/13	$387,601	$773,577	$1,547,385	—	33,484	100,452	—	—	
	2/27/13	—	—	—	—	—	—	33,484	—	
	2/27/13	—	—	—	—	—	—	—	63,492	$1
Donald F. Adam	2/27/13	$95,075	$286,370	$477,666	—	15,484	46,452	—	—	
	2/27/13	—	—	—	—	—	—	15,484	—	
	2/27/13	—	—	—	—	—	—	—	29,364	$1
Kenneth S. Barrow	2/27/13	$86,623	$260,914	$435,204	—	7,272	21,816	—	—	
	2/27/13	—	—	—	—	—	—	7,272	—	
	2/27/13	—	—	—	—	—	—	—	13,792	$1

(1) The information included in the "Threshold", "Target" and "Maximum" columns represent the range of potential payout under the 2013 incentive compensation plan for Ms. Delly, Mr. Adam and Mr. Barrow adopted by the Compensation Committee in February 2013.

(2) The information included in the "Threshold", "Target" and "Maximum" columns represent the range of potential shares that may be earned in respect of PSUs granted under the 2013 incentive compensation plans for Ms. Delly, Mr. Adam and Mr. Barrow adopted by the Compensation Committee in February 2013. The number of PSUs that will ultimately be earned will not be determined until the end of the performance period, which is December 31, 2016. Shares earned will be proportionately increased in the event of attainment of performance goals at levels between

"Threshold" and "Target" or "Target" and "Maximum".

(3) Represents closing market price of a share of the Company's stock on option's grant date.

(4) The amounts shown in this column reflect the grant date fair value of the restricted share, PSU and stock option awards granted in 2013, as computed in accordance with FASB ASC Topic 718. The restricted share and PSU awards were valued using the closing market price of the Company's Common Shares on the restricted share grant date. The stock option awards were valued using the Black-Scholes option-pricing model. Assumptions used in the Black-Scholes model are included in footnote 1(m) to the Company's audited financial statements for the year ended December 31, 2013, included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 28, 2014.

2013 Outstanding Equity Awards at Fiscal Year-End

The following table sets forth information concerning stock options and stock awards held by our Named Executive Officers at December 31, 2013.

	Option Awards				Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Gayla J. Delly	37,500	—	$ 23.37	11/30/14				
	45,000	—	$ 23.22	01/10/16				
	30,000	—	$ 26.84	11/15/16				
	30,000	—	$ 17.22	12/05/17				
	60,000	—	$ 12.64	12/10/18				
	55,000	—	$ 19.11	12/09/19				
	19,191	19,191[1]	$ 18.57	03/02/21				
	9,279	27,840[2]	$ 13.47	01/01/22				
	1,117	3,352[3]	$ 16.03	03/06/22				
	—	63,492[4]	$ 17.37	02/27/23				
	—	—	—	—	74,537[5]	$1,720,314	95,786[6]	$2,210,741
Donald F. Adam	15,000	—	$ 23.37	11/30/14				
	15,000	—	$ 23.22	01/10/16				
	20,000	—	$ 26.84	11/15/16				
	20,000							