

SYNNEX CORP  
Form DEF 14A  
March 01, 2004  
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**SCHEDULE 14A**

**(Rule 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

**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
- Soliciting Material Under Rule 14a-12

**SYNNEX CORPORATION**

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(Name of Registrant as Specified in Its Charter)

N/A

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(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.

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(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number 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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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

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Fee paid previously with preliminary materials.

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:

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

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(3) Filing Party:

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(4) Date Filed:

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**SYNEX Corporation**  
**3797 Spinnaker Court**  
**Fremont, California 94538**  
**(510) 656-3333**

March 1, 2004

Dear Stockholder:

You are cordially invited to attend our 2004 Annual Meeting of Stockholders. The Annual Meeting will be held at 9:30 a.m., Pacific Time, on Thursday, March 25, 2004, at our offices at 3797 Spinnaker Court, Fremont, California.

The formal notice of the Annual Meeting and the Proxy Statement have been made a part of this invitation.

Whether or not you attend the Annual Meeting, it is important that your shares be represented and voted at the Annual Meeting. After reading the Proxy Statement, please promptly vote and submit your proxy by dating, signing and returning the enclosed proxy card in the enclosed postage-prepaid envelope. **Your shares cannot be voted unless you submit your proxy or attend the Annual Meeting in person.**

The Board of Directors and management look forward to seeing you at the Annual Meeting.

Sincerely,

Simon Leung

General Counsel and Corporate Secretary

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**SYNEX Corporation**

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held March 25, 2004**

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To our Stockholders:

SYNEX Corporation will hold its Annual Meeting of Stockholders at 9:30 a.m., Pacific Time, on Thursday, March 25, 2004, at our offices at 3797 Spinnaker Court, Fremont, California.

We are holding this Annual Meeting:

to elect six directors to serve until the 2005 Annual Meeting or until their successors are duly elected and qualified;

to ratify the appointment of PricewaterhouseCoopers LLP as our independent auditors; and

to transact such other business as may properly come before the Annual Meeting and any adjournments or postponements of the Annual Meeting.

Only stockholders of record at the close of business on February 13, 2004 are entitled to notice of, and to vote at this Annual Meeting and any adjournments or postponements of the Annual Meeting. For ten days prior to the Annual Meeting, a complete list of stockholders entitled to vote at the Annual Meeting will be available at the Corporate Secretary's office, 3797 Spinnaker Court, Fremont, California.

**It is important that your shares are represented at this Annual Meeting. Even if you plan to attend the Annual Meeting, we hope that you will promptly vote and submit your proxy by dating, signing and returning the enclosed proxy card. This will not limit your rights to attend or vote at the Annual Meeting.**

By Order of the Board of Directors,

Simon Leung

General Counsel and Corporate Secretary

Fremont, California

March 1, 2004

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**SYNEX Corporation**

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**PROXY STATEMENT**

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**INFORMATION CONCERNING VOTING AND SOLICITATION**

This Proxy Statement is being furnished to you in connection with the solicitation by the Board of Directors of SYNEX Corporation, a Delaware corporation, or SYNEX, of proxies to be used at the 2004 Annual Meeting of Stockholders to be held at our offices at 3797 Spinnaker Court, Fremont, California, at 9:30 a.m., Pacific Time, on Thursday, March 25, 2004 and any adjournments or postponements thereof. This Proxy Statement and the accompanying form of proxy card are being mailed to stockholders on or about March 1, 2004.

**Appointment of Proxy Holders**

Your Board of Directors asks you to appoint Robert Huang, Dennis Polk and Simon Leung as your proxy holders to vote your shares at the 2004 Annual Meeting of Stockholders. You make this appointment by voting the enclosed proxy card using one of the voting methods described below.

If appointed by you, the proxy holders will vote your shares as you direct on the matters described in this Proxy Statement. In the absence of your direction, they will vote your shares as recommended by your Board.

Unless you otherwise indicate on the proxy card, you also authorize your proxy holders to vote your shares on any matters not known by your Board at the time this Proxy Statement was printed and which, under our Bylaws, may be properly presented for action at the Annual Meeting.

**Who Can Vote**

Only stockholders who owned shares of our common stock at the close of business on February 13, 2004, the record date for the Annual Meeting, can vote at the Annual Meeting. As of the close of business on February 13, 2004, we had 26,207,900 shares of common stock outstanding and entitled to vote. Each holder of common stock is entitled to one vote for each share held as of February 13, 2004. There is no cumulative voting in the election of directors.

**How You Can Vote**



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You may vote your shares at the Annual Meeting either in person or by mail as described below. Stockholders holding shares through a bank or broker should follow the voting instructions on the form of proxy card received.

*Voting by Mail.* You may vote by proxy by dating, signing and returning your proxy card in the enclosed postage-paid envelope. Giving a proxy will not affect your right to vote your shares if you attend the Annual Meeting and want to vote in person.

*Voting at the Annual Meeting.* Voting by mail will not limit your right to vote at the Annual Meeting, if you decide to attend in person. Your Board recommends that you vote by mail, as it is not practical for most stockholders to attend the Annual Meeting. If you hold shares through a bank or broker, you must obtain a proxy, executed in your favor, from the bank or broker to be able to vote at the Annual Meeting.

If you submit your proxy, but do not mark your voting preference, the proxy holders will vote your shares **FOR** the election of the nominees for director and **FOR** the ratification of the appointment of independent auditors.

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### **Revocation of Proxies**

Stockholders can revoke their proxies at any time before they are exercised in any of three ways:

by voting in person at the Annual Meeting;

by submitting written notice of revocation to the Corporate Secretary prior to the Annual Meeting; or

by submitting another proxy of a later date prior to the Annual Meeting that is properly executed.

### **Required Vote**

Directors are elected by a plurality vote, which means that the six nominees receiving the most affirmative votes will be elected. All other matters submitted for stockholder approval require the affirmative vote of the majority of shares present in person or represented by proxy and entitled to vote.

A quorum, which is a majority of the outstanding shares as of February 13, 2004, must be present to hold the Annual Meeting. A quorum is calculated based on the number of shares represented by the stockholders attending in person and by their proxy holders. If you indicate an abstention as your voting preference, your shares will be counted toward a quorum but they will not be voted on the matter.

Abstentions on any matters are treated as shares present or represented and entitled to vote on that matter and have the same effect as a vote against such matter.

If a broker indicates on the enclosed proxy card or its substitute that such broker does not have discretionary authority to vote on a particular matter (broker non-votes), those shares will be considered as present for purposes of determining the presence of a quorum but will not be treated as shares entitled to vote on that matter.

### **Solicitation of Proxies**

SYNEX will pay the cost of printing and mailing proxy materials. In addition to the solicitation of proxies by mail, solicitation may be made by our directors, officers and other employees by personal interview, telephone or facsimile. No additional compensation will be paid to these persons for solicitation. We will reimburse brokerage firms and others for their reasonable expenses in forwarding solicitation materials to beneficial owners of our common stock.

**Important**

**Please promptly vote and submit your proxy by signing, dating and returning the enclosed proxy card in the postage-prepaid return envelope so that your shares can be voted. This will not limit your rights to attend or vote at the Annual Meeting.**

**Table of Contents****PROPOSAL 1****ELECTION OF DIRECTORS****Directors and Nominees**

At the Annual Meeting, six persons will be elected as members of your Board of Directors, each for a one-year term or until their successors are elected and qualified. The Nominating and Corporate Governance Committee of the Board of Directors has nominated the six persons listed below for election at the Annual Meeting. All of the nominees were elected at SYNEX's Annual Meeting of Stockholders held on June 3, 2003, except for Mr. Rynne, who was appointed a director effective October 11, 2003. The proxies given to the proxyholders will be voted or not voted as directed and, if no direction is given, will be voted FOR these six nominees. Your Board of Directors knows of no reason why any of these nominees should be unable or unwilling to serve. However, if for any reason any nominee should be unable or unwilling to serve, the proxies will be voted for any nominee designated by your Board of Directors to fill the vacancy.

**General**

Certain information with respect to each nominee appears on the following pages, including age, position (if any) with SYNEX, business experience during at least the past five years and directorships of other publicly-owned corporations. Ages are as of February 13, 2004.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Matthew Miao	57	Chairman of the Board
Robert Huang	58	President, Chief Executive Officer and Director
Fred Breidenbach	57	Director
David Rynne	63	Director
Young Sohn	47	Director
Dwight Steffensen	60	Director

**Business Experience of Nominees**

*Matthew Miao* has served as a member of our Board of Directors since 1992 and as a non-executive employee since 2001. Mr. Miao is the Chairman of the Board of MiTAC International Corporation, MiTAC Incorporated, Synnex Technology International and us. Mr. Miao is also the Vice Chairman of UPC Technology Corp. and the Chairman of Lien Hwa Industrial Corp. He is also a member of the Board of Directors of the Institute for Information Industry in Taiwan. Mr. Miao received a Bachelor of Science degree in Electrical Engineering/Computer Science from the University of California, Berkeley and a Master of Business degree from Santa Clara University.

*Robert Huang* founded SYNEX in 1980 and serves as President, Chief Executive Officer and Director. Prior to founding SYNEX, Mr. Huang served as the Headquarters Sales Manager of Advanced Micro Devices, a semiconductor company. Mr. Huang received a Bachelor of

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Science degree in Electrical Engineering from Kyushu University, Japan, Master of Science degrees in Electrical Engineering and Statistics from the University of Rochester and a Master of Science degree in Management Science from the Sloan School of Management at the Massachusetts Institute of Technology.

*Fred Breidenbach* has served as a member of our Board of Directors since February 2003. Mr. Breidenbach has had his own consulting firm of FA Breidenbach & Associates, LLC since November 1997. Prior to that, he served as the President and Chief Operating Officer of Gulfstream Aerospace Corporation, an aviation company, from 1993 to 1997. Prior to joining Gulfstream, Mr. Breidenbach spent 25 years in various positions at General Electric Company, including five years as an officer of the General Electric Company and two years as President, GE Aerospace Asia Pacific, responsible for business development and Asian operations. Mr. Breidenbach

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currently serves on the Board of Directors of Suntron. Mr. Breidenbach received a Bachelor of Science degree in Industrial Engineering from Pennsylvania State University and a Master of Business Administration from Xavier University.

*David Rynne* has served as a member of our Board of Directors since October 2003. Mr. Rynne served as the Chief Executive Officer of Receipt.com, a secure data transfer company, from July 1999 until its acquisition by Vali-Cert in December 1999. From August 1998 to June 1999, he served as Vice President at Nortel Networks, a networking solutions company. Mr. Rynne served as the Executive Vice President and Chief Financial Officer at Bay Networks from January 1997 until its merger into Nortel Networks in August 1998. From July 1982 until December 1996, Mr. Rynne was Senior Vice President and Chief Financial Officer of Tandem Computers, a computer manufacturer. Prior to Tandem, Mr. Rynne spent 18 years in various financial positions including Corporate Controller at Burroughs Corporation. Mr. Rynne is on the Board of Directors of Zoran Corporation and two private companies. Mr. Rynne received a Bachelor of Science degree in Finance and a Master of Business Administration from the University of Buffalo.

*Young Sohn* has served as a member of our Board of Directors since February 2001. Mr. Sohn joined Agilent Technologies, Inc., a global diversified technology company, in August 2003 as Senior Vice President and General Manager of the Semiconductor Products Group. From February 1999 to August 2003, Mr. Sohn was the Chairman and Chief Executive Officer of Oak Technology, Inc. Before joining Oak Technology, Inc., Mr. Sohn served as President of the Hard Disk Drive Group of Quantum Corporation from February 1996 to February 1999. Prior to Quantum Corporation, Mr. Sohn spent ten years in various management positions at Intel Corporation, including Marketing Director of Worldwide Channel Marketing, and PC Chipset Business Unit Manager. Mr. Sohn is a member of the Board of Directors of Cymer, Inc. and PLX Technology, Inc. Mr. Sohn received a Bachelor of Science degree in Electrical Engineering from the University of Pennsylvania and a Master of Business Administration from the Sloan School of Management at the Massachusetts Institute of Technology.

*Dwight Steffensen* has served as a member of our Board of Directors since February 2002. Mr. Steffensen served as the Chairman and Chief Executive Officer of Merisel, Inc. from February 1996 until August 2000. Prior to joining Merisel, Mr. Steffensen served as President and Chief Operating Officer at Bergen Brunswig Corporation, a healthcare company. Prior to the merger of Bergen Brunswig Corporation and Synergex Corporation, he served as President and Chief Executive Officer of Synergex. Mr. Steffensen received a Bachelor of Science degree in Economics from Stanford University and is a certified public accountant.

## **Vote Required**

The six nominees for directors receiving the highest number of affirmative votes will be elected as directors. Unless marked to the contrary, proxies received will be voted FOR the nominees.

**Your Board of Directors recommends a vote FOR the election of the nominees set forth above as directors of SYNEX.**

## **Organization of the Board of Directors**

The Board of Directors held six meetings during the fiscal year ended November 30, 2003 and each director attended at least 75% of the total regularly scheduled and special meetings of the Board of Directors and the committees on which they served. The Board of Directors has established four standing committees: the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee and the Executive Committee. We believe that all members of the Audit, Compensation, and Nominating and Corporate Governance

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Committees meet the independence standards of the Sarbanes-Oxley Act of 2002, the rules of the New York Stock Exchange and SEC rules and regulations.

**Table of Contents*****Audit Committee***

<i>Number of Members:</i>	3
<i>Members:</i>	Fred Breidenbach  David Rynne  Dwight Steffensen, Chairman and Financial Expert
<i>Number of Meetings in 2003:</i>	5
<i>Functions:</i>	The Audit Committee provides assistance to the Board of Directors in fulfilling its legal and fiduciary obligations in matters involving our accounting, auditing, financial reporting, internal control and legal compliance functions by approving the services performed by our independent accountants and reviewing their reports regarding our accounting practices and systems of internal accounting controls. The Audit Committee also oversees the audit efforts of our independent accountants and takes those actions as it deems necessary to satisfy itself that the accountants are independent of management.

***Compensation Committee***

<i>Number of Members:</i>	3
<i>Members:</i>	David Rynne  Young Sohn, Chairman  Dwight Steffensen
<i>Number of Meetings in 2003:</i>	8
<i>Functions:</i>	The Compensation Committee determines our general compensation policies and the compensation provided to our directors and officers. The Compensation Committee also reviews and determines bonuses for our officers and other employees. In addition, the Compensation Committee reviews and determines equity-based compensation for our directors, officers, and employees and administers our stock option plans and employee stock purchase plan.

***Nominating and Corporate Governance Committee***

<i>Number of Members:</i>	3
<i>Members:</i>	Fred Breidenbach, Chairman  David Rynne  Young Sohn
<i>Number of Meetings in 2003:</i>	



The Nominating and Corporate Governance Committee was formed in October 2003 and held no meetings during fiscal year 2003.

*Functions:*

The Nominating and Corporate Governance Committee is responsible for making recommendations to the Board of Directors regarding candidates for directorships and the size and composition of the Board and for overseeing our corporate governance guidelines and reporting and making recommendations to the Board concerning corporate governance matters. In addition, the Nominating and Corporate Governance Committee is responsible for considering shareholder nominees.

**Table of Contents****Executive Committee**

<i>Number of Members:</i>	3
<i>Members:</i>	Robert Huang  Matthew Miao, Chairman  David Rynne
<i>Number of Meetings in 2003:</i>	The Executive Committee was formed in October 2003 and held no meetings during fiscal year 2003.
<i>Functions:</i>	The Executive Committee is responsible for identifying strategic opportunities, including but not limited to acquisitions or investments and assessing these opportunities. The Executive Committee is also responsible for making recommendations to our Board of Directors regarding these opportunities.

**Directors Compensation**

Each non-employee member of your Board of Directors receives a cash bonus of \$25,000 upon joining the Board (prorated if he or she joins mid-year) and then receives an annual cash retainer fee of \$25,000. For fiscal year 2003, each non-employee director also received an additional \$1,000 for each meeting of the Board of Directors attended and \$2,000 for each committee meeting attended. For fiscal year 2004, each non-employee director receives an additional \$2,000 for each meeting of the Board of Directors attended, \$2,000 for each committee meeting attended in-person, and \$500 for each committee meeting attended by telephone, video or other non-in-person attendance. In addition, each committee chair receives an annual retainer fee of \$5,000. All directors are reimbursed for their reasonable out-of-pocket expenses in serving on the Board of Directors or any committee of the Board of Directors. Directors had previously been eligible to receive stock options under our 1997 Stock Option/Stock Issuance Plan and our Special Executive Stock Option/Stock Issuance Plan. Currently, directors are eligible to receive equity incentives, in the form of stock options and/or direct stock issuances, under our 2003 Stock Incentive Plan.

On the date of each annual stockholders meeting, each of our continuing non-employee Board members will receive an option to purchase 5,000 shares of our common stock pursuant to the automatic option grant program under our 2003 Stock Incentive Plan, provided such individual has served on the Board for at least six months. Each non-employee director who is first elected as a non-employee Board member and who has not been in our prior employ will receive an option to purchase 25,000 shares of our common stock on the date he or she joins the Board. The options will have an exercise price equal to the fair market value of the common stock on the grant date, and will have a term of 10 years, subject to earlier termination following the director's cessation of Board service. The shares subject to each annual 5,000 share automatic option grant and the shares subject to each initial 25,000 share automatic option grant will vest over five years at a rate of 20% upon the first anniversary of their vesting start dates and then at a rate of 1/60th per month thereafter. Before adoption of our 2003 Stock Incentive Plan, options were generally granted to non-employee directors for the same number of shares and subject to the same basic terms as described above.

In fiscal year 2003, Matthew Miao received a \$4,000 retainer, \$3,000 for Board meeting fees and a 150,000 share option grant. Mr. Miao also received \$550,000 for extraordinary services as our Chairman and for services as a non-officer employee. The services performed by Mr. Miao were beyond those typically provided by a non-executive chairman. For example, in 2002 and 2003, Mr. Miao was actively involved in marketing and new business development activities for us. During this period, he participated in meetings with certain existing and potential customers. Mr. Miao also participated in meetings assisting our management in the oversight of business and financial strategies. In addition, Mr. Miao has played an integral role in the collaborative effort of MiTAC International Corporation and SYNEX in the contract assembly business. For fiscal year 2004, the Compensation Committee has recommended and the Board of Directors has approved a \$225,000 retainer and



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50,000 share option grant for Mr. Miao. Mr. Miao's fiscal year 2004 compensation is based primarily upon his non-executive back-up role to Mr. Huang in the event Mr. Huang were unable to serve as President and Chief Executive Officer and certain time commitments devoted to SYNEX as Chairman of SYNEX. Any future compensation payable to Mr. Miao will be based upon the recommendation of the Compensation Committee and subject to the approval of the Board of Directors. In fiscal year 2003, Mr. Breidenbach received a \$25,000 retainer, \$14,000 for Board and committee meeting fees and a 25,000 share option grant. In fiscal year 2003, Mr. Rynne received a \$4,167 retainer, \$6,000 for Board and committee meeting fees and a 25,000 share option grant. In fiscal year 2003, Mr. Sohn received a \$30,000 retainer, \$24,000 for Board and committee meeting fees and a 5,000 share option grant. In fiscal year 2003, Mr. Steffensen received a \$30,000 retainer, \$34,000 for Board and committee meeting fees and a 5,000 share option grant.

**Compensation Committee Interlocks and Insider Participation**

None of our executive officers serves on the Board of Directors or Compensation Committee of any entity that has one or more executive officers serving as a member of our Board of Directors or Compensation Committee.

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information as of February 13, 2004, as to shares of our common stock beneficially owned by: (i) each person who is known by us to own beneficially more than 5% of our common stock, (ii) each of our executive officers listed in the Summary Compensation Table on page 9, (iii) each of our directors and (iv) all our directors and executive officers as a group. Unless otherwise stated below, the address of each beneficial owner listed on the table is c/o SYNEX Corporation, 3797 Spinnaker Court, Fremont, California 94538. The percentage of common stock beneficially owned is based on 26,207,900 shares outstanding as of February 13, 2004.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership			Percentage Beneficially Owned(1)(2)
	Shares Beneficially Owned(1)	Right To Acquire Beneficial Ownership within 60 days of February 13, 2004	Total	
<b>5% Stockholders:</b>				
MiTAC International Corporation and related parties(3)	19,743,735		19,743,735	75.3%
<b>Directors and Named Executive Officers:</b>				
Matthew Miao(4)	11,368	1,343,333	1,354,701	5.2%
Robert Huang	150,000	1,556,249	1,706,249	6.5%
Peter Larocque		281,049	281,049	1.1%
Dennis Polk		32,500	32,500	*
Simon Leung		21,666	21,666	*
Fred Breidenbach				*
David Rynne				*
Young Sohn		18,999	18,999	*
Dwight Steffensen		11,500	11,500	*
<b>All current directors and executive officers as a group (9 persons)</b>	<b>161,368</b>	<b>3,265,296</b>	<b>3,426,664</b>	<b>13.1%</b>

\* Amount represents less than 1% of our common stock.

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- (1) To our knowledge, the persons named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them, subject to community property laws, where applicable, and the information contained in the footnotes to this table.

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- (2) For purposes of computing the percentage of outstanding shares held by each person or group of persons named above, shares which such person or group has the right to acquire within 60 days of February 13, 2004 are deemed to be outstanding, but are not deemed to be outstanding for the purposes of computing the percentage ownership of any other person.
- (3) Represents 11,697,024 shares held by Silver Star Developments Ltd., 5,294,444 shares held by Peer Developments Ltd., 2,452,267 shares held by Constant Holdings Ltd., 200,000 shares held by Harbinger (BVI) Venture Capital Corporation and 100,000 shares held by Budworth Investments Ltd. Matthew Miao, Feng-Tzu Tsai, Jhi-Wu Ho and Chi-Ying Yuan, the directors of Silver Star Developments Ltd., hold shared voting and dispositive power over the shares held by Silver Star Developments Ltd. Matthew Miao and Evans S.W. Tu, the directors of Peer Developments Ltd., hold shared voting and dispositive power over the shares held by of Peer Developments Ltd. Matthew Miao and Hermie Hoi-Ming Miu, the directors of Constant Holdings Ltd., hold shared voting and dispositive power over the shares held by Constant Holdings Ltd. C.K. Cheng and T.C. Chou, the directors of Harbinger (BVI) Venture Capital Corporation, hold shared voting and dispositive power over the shares held by Harbinger (BVI) Venture Capital Corporation and C.K. Cheng and T.C. Chou, the directors of Budworth Investments Ltd., hold shared voting and dispositive power over the shares held by Budworth Investments Ltd.
- (4) Excludes all securities held by Silver Star Developments Ltd., Peer Developments Ltd., Constant Holdings Ltd., Harbinger (BVI) Venture Capital Corporation and Budworth Investments Ltd. Mr. Miao disclaims beneficial ownership of the shares held by the above-listed entities, except to the extent of his pecuniary interest therein.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934, requires our executive officers and directors, and persons who own more than 10% of a registered class of our equity securities, to file reports of ownership on Forms 3, 4 and 5 with the SEC. Officers, directors and greater than 10% stockholders are required to furnish us with copies of all Forms 3, 4 and 5 they file.

Based solely on our review of the copies of such forms we have received and written representations from certain reporting persons that they filed all required reports, we believe that all of our officers, directors and greater than 10% stockholders complied with all Section 16(a) filing requirements applicable to them with respect to transactions during fiscal year 2003.

**REPORT OF THE AUDIT COMMITTEE**

The Audit Committee provides assistance to the Board of Directors in fulfilling its legal and fiduciary obligations in matters involving SYNEX's accounting, auditing, financial reporting, internal control and legal compliance functions by approving the services performed by SYNEX's independent accountants and reviewing their reports regarding SYNEX's accounting practices and systems of internal accounting controls as set forth in a written charter adopted by your Board of Directors. The Audit Committee Charter is attached to this Proxy Statement as Appendix A. SYNEX's management is responsible for preparing SYNEX's financial statements and the independent auditors are responsible for auditing those financial statements. The Audit Committee is responsible for overseeing the conduct of these activities by SYNEX's management and the independent auditors.

In this context, the Audit Committee has met and held discussions with management and the independent auditors. Management represented to the Audit Committee that SYNEX's consolidated financial statements were prepared in accordance with generally accepted accounting principles, and the Audit Committee has reviewed and discussed the consolidated financial statements with management and the independent auditors.



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The Audit Committee has discussed with the independent auditors matters required to be discussed by Statement on Auditing Standards No. 61 and No. 90 (Communication With Audit Committees), as amended. In addition, the independent auditors provided to the Audit Committee the written disclosures required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and the Audit Committee and the independent auditors have discussed the auditors' independence from SYNEX and its management, including the matters in those written disclosures. Additionally, the Audit Committee considered whether the provision of non-audit services was compatible with maintaining the auditor's independence. The Audit Committee has discussed with management the procedures for selection of consultants and the related competitive bidding practices and fully considered whether those services provided by the independent auditors are compatible with maintaining auditor independence.

The Audit Committee has discussed with SYNEX's internal and independent auditors, with and without management present, their evaluations of SYNEX's internal accounting controls and the overall quality of SYNEX's financial reporting.

In reliance on the reviews and discussions with management and the independent auditors referred to above, the Audit Committee recommended to the Board of Directors, and the Board has approved, the inclusion of the audited financial statements in SYNEX's Annual Report on Form 10-K for the fiscal year ended November 30, 2003, for filing with the SEC. The Audit Committee also recommended to the Board of Directors, and the Board has approved, subject to stockholder ratification, the selection of SYNEX's independent auditors.

*Respectfully submitted on February 17, 2004, by the members of the Audit Committee of your Board:*

Mr. Dwight Steffensen, Chairman

Mr. Fred Breidenbach

Mr. David Rynne



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The following table sets forth compensation for services rendered in all capacities to us for the three fiscal years ended November 30, 2003 for our President and Chief Executive Officer and the three other most highly compensated executive officers as of November 30, 2003 whose total annual salary and bonus for fiscal year 2003 exceeded \$100,000, whom we refer to as the named executive officers.

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation
		Salary(\$)	Bonus(\$)	Other Compensation	Awards
					Securities Underlying Options
Robert Huang					
President, Chief Executive Officer,	2003	\$ 427,517	\$ 1,100,000		150,000
and Director	2002	\$ 350,000	\$ 1,100,000		375,000
	2001	\$ 352,722	\$ 1,000,000	\$ 1,155,000(1)	
Peter Larocque	2003	\$ 255,462	\$ 350,000	\$ 4,100(2)	75,000
Executive Vice President, Distribution	2002	\$ 277,645	\$ 300,000	\$ 4,100(2)	75,000
	2001	\$ 200,086	\$ 225,000	\$ 317,500(3)	
Dennis Polk(4)					
Chief Financial Officer and Senior Vice President, Corporate Finance	2003	\$ 184,418	\$ 150,000	\$ 500(5)	50,000
	2002	\$ 138,836	\$ 50,000	\$ 500(5)	75,000
	2001				
Simon Leung	2003	\$ 155,555	\$ 75,000	\$ 500(5)	17,500
General Counsel and Corporate Secretary	2002	\$ 148,967	\$ 60,000	\$ 500(5)	20,000
	2001	\$ 137,315	\$ 50,000	\$ 500(5)	20,000

(1) Represents \$1,155,000 for surrendering unexercised options pursuant to a stock option repurchase program.

(2) Represents \$3,600 in automobile allowance and \$500 in 401(k) plan contributions.

(3) Represents \$3,600 in automobile allowance, \$500 in 401(k) plan contributions, and \$313,400 for surrendering unexercised options pursuant to a stock option repurchase program.

(4) Mr. Polk joined us as our Chief Financial Officer and Senior Vice President of Corporate Finance in February 2002.

(5) Represents \$500 in 401(k) plan contributions.

### Grant of Stock Options

The following table sets forth information on grants of options to purchase shares of our common stock in fiscal year 2003 to the named executive officers.

#### OPTION GRANTS IN LAST FISCAL YEAR

Name	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(2)	
	Number of Securities Underlying Options Granted	% of Total Options Granted to Employees in Fiscal Year	Exercise Price (\$/Sh)(1)	Expiration Date	5%(\$)	10%(\$)
Robert Huang	150,000	12.6%	\$ 12	8/19/13	\$ 1,681,762	\$ 3,744,125
Peter Larocque	75,000	6.3%	\$ 12	8/19/13	\$ 840,881	\$ 1,872,062
Dennis Polk	50,000	4.2%	\$ 12	8/19/13	\$ 560,576	\$ 1,248,017
Simon Leung	17,500	1.5%	\$ 12	8/19/13	\$ 196,194	\$ 436,790

(1) The exercise price was equal to 100% of the fair market value on the date of grant.

(2) The 5% and 10% assumed rates of appreciation are mandated by the SEC rules and do not represent our estimate or projection of the future common stock price.

**Table of Contents****Exercise of Stock Options**

The following table sets forth information on option exercises in fiscal year 2003 and the exercisable and unexercisable options held by the named executive officers.

**AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR  
AND FISCAL YEAR-END OPTION VALUES**

Name	Shares Acquired On Exercise(#)	Value Realized(\$)	Securities Underlying Unexercised Options at November 30, 2003		Value of Unexercised In-the- Money Options at November 30, 2003 (\$)(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Robert Huang			1,440,000	559,999	\$ 11,040,000	\$ 2,234,990
Peter Larocque			258,466	156,331	\$ 2,144,739	\$ 541,736
Dennis Polk			26,251	98,748	\$ 111,567	\$ 319,681
Simon Leung			18,667	38,832	\$ 56,001	\$ 113,372

(1) Calculated on the basis of the fair market value of the underlying securities at November 30, 2003 (\$14.25 per share) minus the exercise price.

**Employment, Severance and Change of Control Arrangements**

If any of the following officers is terminated without cause within two months before or 12 months after a change in control of us (including a voluntary termination because of a reduction in salary or position or a relocation), the officer would be entitled to the following post-termination salary and benefits arrangements:

Executive Vice Presidents would be entitled to receive salary continuation at the rate equal to the average of such officer's total salary and bonus over the prior three years for a minimum of 18 months plus one month per year of employment with us after the eighteenth year of such employment, up to a maximum of 24 months, and paid COBRA for two years; and

Senior Vice Presidents and the Chief Information Officer would be entitled to receive salary continuation at the rate equal to the average of such officer's total salary and bonus over the prior three years for a minimum of 12 months plus one month per year of employment with us after the thirteenth year of such employment, up to a maximum of 18 months, and paid COBRA for one year.

**Indebtedness of Management**

## Edgar Filing: SYNEX CORP - Form DEF 14A

In December 2001, Mr. Huang, our President and Chief Executive Officer, borrowed \$1.1 million from us pursuant to a secured full recourse promissory note with interest at the rate of 7% per annum. The note was secured by a deed of trust on real property owned by Mr. Huang. In fiscal year 2003, the largest principal amount outstanding under this note was \$1,100,000. On December 31, 2002, Mr. Huang repaid the remaining balance of both notes.

In January 2002, Mr. Larocque, our Executive Vice President, Distribution, borrowed \$200,000 from us pursuant to a secured full recourse promissory note. The note beared interest at the rate of 7% per annum. The note was due on or before January 25, 2017. The note was secured by a deed of trust on real property owned by Mr. Larocque. In fiscal year 2003, the largest principal amount outstanding under this note was \$200,000. On August 29, 2003, Mr. Larocque repaid the note.

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**CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

*Business Relationships and Agreements with MiTAC International Corporation.* We have a business relationship with MiTAC International Corporation that began in 1992 when it, through its affiliates, became our primary investor.

We work closely with MiTAC International to collaborate on OEM outsourcing opportunities and jointly market MiTAC International's design and electronic manufacturing services and our contract assembly capabilities. This relationship has enabled us to build relationships with MiTAC International's customers and we continue to work with and depend on MiTAC International to jointly serve our shared customers.

In fiscal years 2001, 2002 and 2003, we purchased inventories, including notebook computers, motherboard and other peripherals, from MiTAC International and its affiliates totaling approximately \$236.0 million, \$142.4 million and \$214.2 million, respectively. Our sales to MiTAC International and its affiliates during fiscal years 2001, 2002 and 2003, totaled approximately \$4.7 million, \$2.4 million and \$1.0 million, respectively.

Our business relationship to date with MiTAC International has been informal and is not governed by long-term commitments or arrangements with respect to pricing terms, revenue or capacity commitments. Accordingly, we negotiate manufacturing and pricing terms, including allocating customer revenue, on a case-by-case basis with MiTAC International and our assembly customers for a given project. Our business relationship with MiTAC International has been and will continue to be negotiated as related parties and therefore may not be the result of arms-length negotiations between independent parties. Our relationship, including pricing and other material terms with our shared customers or with MiTAC International, may or may not be as advantageous to us as the terms we could have negotiated with unaffiliated third parties. We believe that the terms of these services in the aggregate are at least as favorable to us as those we could have obtained from unrelated third parties through arms-length negotiations. We have adopted a policy requiring material transactions in which any of our directors has a potential conflict of interest to be approved by our Audit Committee, which is composed of disinterested members of the Board. Notwithstanding this policy, MiTAC International can generally control us and can determine the outcome of all matters submitted for stockholder approval.

*Joint Sales and Marketing Agreement with MiTAC International.* In May 2002, we entered into a joint sales and marketing agreement with MiTAC International. Pursuant to the agreement, both parties agree to use their commercially reasonable efforts to promote the other party's capabilities to their respective customers who are interested in such product offerings. This agreement does not provide for the terms upon which we negotiate manufacturing and pricing terms, including allocating customer revenue. To date, these negotiations have been on a case-by-case basis. There are no sales attributable to the joint marketing agreement. The agreement had an initial term of one year and will automatically renew for subsequent one year terms unless either party provides written notice of non-renewal within 90 days of the end of any renewal term. The agreement may also be terminated without cause either by the mutual written agreement of both parties or by either party without cause upon 90 days prior written notice of termination to the other party. Either party may immediately terminate the agreement by providing written notice of (a) the other party's material breach of any provision of the agreement and failure to cure within 30 days, or (b) if the other party becomes bankrupt or insolvent.

*Agreement with MiTAC International and Sun Microsystems.* In August 1999, MiTAC International entered into a general agreement with Sun Microsystems. This agreement does not constitute a contract or obligation by Sun Microsystems to purchase products or services. In February 2002, the agreement was amended to include us as a supplier under the agreement. Pursuant to the agreement, the terms for the manufacture and purchase of each particular product awarded by Sun Microsystems are individually negotiated and if agreed upon by the parties, such terms are included in a product award letter. There is no minimum level of commitment required by any of the parties under the agreement. We negotiate manufacturing and pricing terms, including allocating customer revenue based on manufacturing services that each party provides, on a project-by-project



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basis with MiTAC International and Sun Microsystems for a given project. In the past, these negotiations with MiTAC International were not conducted on an arms-length basis. In fiscal year 2003, we purchased approximately \$212.7 million of products from MiTAC International under this agreement. All of our contract assembly services to Sun Microsystems are covered by the general agreement. The agreement continues indefinitely until terminated in accordance with its terms. Sun Microsystems may terminate this agreement for any reason on 60 days written notice. Any party may terminate the agreement with written notice if one of the other parties materially breaches any provision of the agreement and the breach is incapable of being cured or is not cured within 30 days. The agreement may also be terminated on written notice if one of the other parties becomes bankrupt or insolvent.

*Registration Rights Agreement.* We have entered into a registration rights agreement with certain holders of our common stock, including the MiTAC International affiliated entities. The holders of an aggregate of 19,743,735 shares of our common stock will be entitled to registration rights with respect to their shares. Any group of holders of at least 30% of the securities with registration rights can require us to register all or part of their shares at any time following six months after our initial public offering, so long as the thresholds in the registration rights agreement are met with respect to the amount of securities to be sold. After we have completed two such registrations subject to certain exceptions, we are no longer subject to these demand rights. In addition, holders of securities with registration rights may also require us to include their shares in future registration statements we file, subject to cutback at the option of the underwriters of any such offering. Subject to our eligibility to do so, holders of registrable securities may also require us to register their shares with the SEC on Form S-3 if total proceeds are at least \$500,000 and if we have not completed two such registrations in any 12-month period. Upon any of these registrations, these shares will be freely tradable in the public market without restriction.

*Sales of Securities.* In November 2003, we, through our wholly owned subsidiary, Sennex Enterprises Limited, acquired all of the outstanding shares of Mitac Computers (ShenZhen) Ltd. from Mitac Pacific (H.K.) Ltd., a company controlled by our largest indirect stockholder, MiTAC International, for \$1. We acquired Mitac Computers (ShenZhen) Ltd. as part of our effort to consolidate international shipments to enable more efficient supply chain management.

*Additional Compensation for Mr. Miao.* In fiscal year 2003, Matthew Miao, our Chairman of the Board, received discretionary bonus payments and salary payments totaling \$550,000 and options to purchase an aggregate of 150,000 shares of our common stock in connection with his performance of duties as Chairman, and his services as a non-executive employee. For fiscal year 2004, the Compensation Committee has recommended and the Board of Directors has approved a \$225,000 retainer and a 50,000 share option grant for Mr. Miao. Mr. Miao's fiscal year 2004 compensation is based primarily upon his non-executive back-up role to Mr. Huang in the event Mr. Huang were unable to serve as President and Chief Executive Officer and certain time commitments devoted to SYNnex as Chairman of SYNnex. Any future compensation payable to Mr. Miao will be based upon the recommendation of the Compensation Committee and subject to the approval of the Board of Directors.

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**LEGAL PROCEEDINGS**

We are not currently a party to any material legal proceedings. We are from time to time involved in legal proceedings in the ordinary course of business, including the following:

On May 1, 2002, Seanix Technology Inc. filed a trademark infringement action in the Federal Court of Canada against us and our wholly-owned Canadian subsidiary, SYNEX Canada Limited. The suit claims that we have infringed on Seanix's exclusive rights to its Canadian Trademark Registration and caused confusion between the two companies resulting from, among other things, our use of marks confusingly similar to the Seanix trademarks. The complaint seeks injunctive relief and monetary damages in an amount to be determined. Limited discovery has taken place and no trial date has been set.

On May 7, 2002, Acropolis Systems, Inc. and Tony Yeh filed a civil suit in Santa Clara County California Superior Court against us, Robert Huang, Kevin Chuang and Stephen R. Bowling. The suit alleges violation of California securities laws, fraud and concealment and breach of contract resulting from, among other things, our alleged failure to disclose the existence of a lien in favor of us on the assets of eManage.com prior to entering into stock purchase agreements for shares of eManage.com stock. At the time of this stock purchase, we were the majority shareholder of eManage.com. The complaint seeks monetary damages in the amount of approximately \$2,000,000. Limited discovery has taken place and no trial date has been set.

In addition, we are involved in various bankruptcy preference actions where we were a supplier to the companies now in bankruptcy. For example, on March 14, 2002, the trustees of the bankruptcy estate of Inacom Corp. filed a bankruptcy preference action in the United States Bankruptcy Court for the District of Delaware against us. On April 10, 2002, the trustees of the bankruptcy estate of MicroAge, Inc. filed a bankruptcy preference action in the United States Bankruptcy Court for the District of Arizona against us. On February 21, 2003, the trustees of the bankruptcy estate of US Office Products Company filed a bankruptcy preference action in the United States Bankruptcy Court for the District of Delaware against us. On March 31, 2003, the trustees of the bankruptcy estate of Infinite Technology Group Ltd. filed a bankruptcy preference action in the United States Bankruptcy Court for the Eastern District of New York against us. On November 2, 2003, the trustees of the bankruptcy estate of Harvard Manufacturing Texas LLC filed a bankruptcy preference action in the United States Bankruptcy Court for the Western District of Texas against us. These preference actions are filed by the trustee of the bankruptcy estate on behalf of the bankrupt entity's debtors and generally seek to have payments made by the bankrupt entity within 90 days prior to the bankruptcy returned to the bankruptcy estate for allocation among all of the bankrupt entity's creditors. The amounts sought to be returned in the various preference actions range from \$7,000 to \$700,000. In the majority of the actions, limited discovery has taken place and some trial dates have been set.

We believe that the outcome of these actions will not have a material adverse effect on us. We may not be successful in defending these or other claims. Regardless of the outcome, litigation can result in substantial expense and could divert the efforts of our management.



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**REPORT OF THE COMPENSATION COMMITTEE ON EXECUTIVE COMPENSATION**

**Compensation Philosophy and Practice**

The Compensation Committee has overall responsibility for SYNnex's executive compensation policies as provided in a written charter adopted by your Board of Directors. The Compensation Committee has provided the following report on the compensation policies of SYNnex as they apply to the executive officers, including the President and Chief Executive Officer, and the relationship of SYNnex's performance to executive compensation.

**Overview of Compensation Policies**

SYNnex's compensation policies are designed to address a number of objectives, including attracting and retaining high quality executive officers, rewarding individual contribution, loyalty, teamwork and integrity, and motivating executive officers to achieve significant returns for our stockholders. To promote these policies, the Compensation Committee historically has employed a compensation program that consists of the following principal elements:

base salary;

profit sharing program;

stock options;

deferred compensation plan; and

benefits.

The first three elements, base salary, profit sharing program, and stock options, are administered primarily in three cycles to provide year-long incentives. Merit raises for base salaries are generally performed in the April-May period. Stock option grants are generally awarded in the August-September period. Profit sharing program bonuses are generally paid in the December-January period.

When establishing salaries, profit sharing program bonuses and stock option grants for each of the executive officers, the Compensation Committee considers the recommendations of the President and Chief Executive Officer, the officer's role, responsibilities and performance during the past year, and the amount of compensation paid to executive officers in similar positions at comparable companies. While base salaries may be low in relation to comparable companies, there is a high variable with respect to the compensation pursuant to the profit sharing program and stock options. To assist in this process, the Compensation Committee reviews data from independent compensation consultants concerning the compensation paid to officers at comparable companies. The Compensation Committee generally sets the compensation of the executive officers at levels that are competitive with SYNnex's competitors. When setting the compensation of each of the executive officers, the Compensation Committee considers all of the factors set forth above, but does not assign any specific weighting or apply any formula to

these factors. The Compensation Committee does, however, give significant consideration to the recommendations of the President and Chief Executive Officer.

SYNEX generally applies its compensation philosophy worldwide, in accordance with local law.

**Fiscal Year 2003 Executive Officer Compensation**

The components of executive officer compensation are described below.

*Base Salary.* Base salaries for SYNEX's executive officers are reviewed and adjusted on an annual basis. In determining compensation for SYNEX's executive officers for fiscal year 2003, the Compensation Committee considered a number of factors. In the case of all executive officers of SYNEX, determination of

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base salary was based on a number of criteria, including the individual officer's performance level during the prior year, the officer's base compensation level during the prior year, individual achievements of that officer and base salary paid to officers in comparable positions at companies in SYNEX's industry and of comparable size. Determination of base salary is not made in accordance with a strict formula which measures weighted qualitative and quantitative factors, but rather is based on objective data synthesized to competitive ranges following statistical analysis and subjective policies and practices, including an overall review of the foregoing factors, all of which are considered when making the determination of base salary.

*Profit Sharing Program.* SYNEX has a profit sharing program under which we have historically accrued 15% of SYNEX pre-tax, before profit sharing accrual, profits for bonus allocation purposes. Under this profit sharing program, bonuses granted to officers at the Senior Vice President level and above are determined by our Compensation Committee. For fiscal year 2004, the Compensation Committee has recommended and the Board of Directors has approved an accrual of 13.75% of the same profit sharing program formula. Bonus allocations to all other employees are granted at our discretion. Bonus amounts paid to employees through the profit sharing program are not based on quantitative goals. Payments are based primarily on rewarding employees for individual contribution. There are no goal amounts within the profit sharing program as payments are based on the recommendations of managers, and of the Compensation Committee for senior executives, as a result of their assessment of these factors for the year.

*Stock Options.* The Compensation Committee's determination with respect to stock option grants to executive officers for fiscal year 2003 was based on the principal following elements:

job responsibilities and past performance;

future anticipated contributions;

potential reward to the executive officer if the stock price appreciates in the public market;

management tier classification;

stock option grants made by competitors;

corporate performance; and

existing stock and unvested option holdings.

Determination of stock option grant amounts is not made in accordance with a strict formula which measures weighted qualitative and quantitative factors, but rather is based on objective data synthesized to competitive ranges following statistical analysis and subjective policies and practices, including an overall review of both individual and corporate performance and the value of stock option grants of comparable officers at comparable companies.

Option grants may also be made to new executive officers upon commencement of employment and, on occasion, to executive officers in connection with a significant change in job responsibility. The Compensation Committee believes these stock option grants will more closely

align the long-term interests of senior management with those of stockholders and assist in the retention of key executives.

*Deferred Compensation Plan.* Our deferred compensation plan became effective on January 1, 1994. The deferred compensation plan is designed to permit designated employees to accumulate additional income for retirement and other personal financial goals through a nonqualified deferred compensation plan that enables the officer or director to make elective deferrals of compensation to which he or she will become entitled in the future.

*Benefits.* SYNEX provides various employee benefit programs to its executive officers, including medical, dental and life insurance benefits and 401(k) Profit Sharing Plan. Except for an allowance for personal use of SYNEX transportation and some non-material perquisites provided to executive officers, these benefit

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programs are generally available to all employees of SYNEX. SYNEX also provides U.S. employees with the opportunity to purchase our common stock through payroll deductions at a discounted price through SYNEX's 2003 Employee Stock Purchase Plan. However, directors, executive officers and officers at the Senior Vice President level and above are not eligible to participate in SYNEX's 2003 Employee Stock Purchase Plan.

## **Tax Deductibility Considerations**

It is SYNEX's policy generally to qualify compensation paid to executive officers for deductibility under section 162(m) of the Internal Revenue Code. Section 162(m) generally prohibits SYNEX from deducting the compensation of executive officers that exceeds \$1,000,000 unless that compensation is based on the satisfaction of objective performance goals. SYNEX's 2003 Stock Incentive Plan, 2003 Employee Stock Purchase Plan, 1997 Stock Option/Stock Issuance Plan, Special Executive Stock Option/Stock Issuance Plan, and 1993 Stock Option Plan are structured to permit awards under such plans to qualify as performance-based compensation and to maximize the tax deductibility of such awards. However, SYNEX reserves the discretion to pay compensation to its executive officers that may not be deductible.

## **Compensation of President and Chief Executive Officer**

Pursuant to the recommendation of the Compensation Committee, Mr. Huang received an annual base salary in the amount of \$400,000 and a profit sharing program bonus of \$1,100,000 for fiscal year 2003. The Compensation Committee determined Mr. Huang's compensation pursuant to objective data synthesized to competitive ranges following statistical analysis and subjective policies and practices, including assessment of his achievements, and a review of compensation paid to presidents and chief executive officers of comparable companies. On August 19, 2003, Mr. Huang was granted an additional 150,000 options to purchase common stock of SYNEX based on his anticipated contributions to SYNEX. These stock options were granted under SYNEX's Special Executive Stock Option/Stock Issuance Plan, have a 10-year term, vest over five years at a rate of 20% upon the first anniversary of their vesting start dates and then at a rate of 1/60th per month thereafter and have an exercise price equal to market value on the date of grant.

## **Conclusion**

All aspects of SYNEX's executive compensation are subject to change at the discretion of the Compensation Committee. The Compensation Committee will monitor SYNEX's executive compensation on an ongoing basis to ensure that it continues to support a performance-oriented environment and remains properly integrated with SYNEX's annual and long-term strategic objectives.

*Respectfully submitted on February 17, 2004, by the members of the Compensation Committee of your Board:*

Mr. Young Sohn, Chairman

Mr. David Rynne

Mr. Dwight Steffensen



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**SYNEX STOCK PRICE PERFORMANCE**

**Stock Price Performance Graph**

Our common stock was first traded on November 25, 2003 in connection with our initial public offering and our fiscal year ended November 30, 2003. As a result, we have not included a Stock Price Performance Graph.

**Table of Contents****PROPOSAL 2****RATIFICATION OF THE APPOINTMENT OF INDEPENDENT AUDITORS**

The Audit Committee, which is composed entirely of non-employee independent directors, has selected PricewaterhouseCoopers LLP as independent auditors to audit our books, records and accounts and our subsidiaries for the fiscal year 2004. Your Board has endorsed this appointment. Ratification of the selection of PricewaterhouseCoopers LLP by stockholders is not required by law. However, as a matter of good corporate practice, such selection is being submitted to the stockholders for ratification at the Annual Meeting. If the stockholders do not ratify the selection, the Board of Directors and the Audit Committee will reconsider whether or not to retain PricewaterhouseCoopers LLP, but may retain PricewaterhouseCoopers LLP. Even if the selection is ratified, the Board of Directors and the Audit Committee in their discretion may change the appointment at any time during the year if they determine that such change would be in the best interests of SYNEX and its stockholders. PricewaterhouseCoopers LLP previously audited our consolidated financial statements during the two fiscal years ended November 30, 2003. Representatives of PricewaterhouseCoopers LLP are expected to be present at the Annual Meeting. They will have an opportunity to make a statement, if they desire to do so, and will be available to respond to appropriate questions.

**Audit and Non-Audit Fees**

Aggregate fees for professional services rendered for us by PricewaterhouseCoopers LLP for the years ended November 30, 2003 and 2002, were as follows:

<b>Services Provided</b>	<b>2003</b>	<b>2002</b>
Audit	\$ 1,359,000	\$ 1,282,000

*Audit Fees.* The aggregate fees billed for the years ended November 30, 2003 and 2002 were for professional services rendered for the audits of our consolidated financial statements, statutory audits of our subsidiaries, reviews of our interim consolidated financial statements and services provided in connection with statutory and regulatory filings, including the initial public offering.

*Audit Related Fees.* There were no audit related fees billed for the years ended November 30, 2003 and 2002.

*Tax Fees.* There was less than \$10,000 in tax fees billed in the years ended November 30, 2003 and 2002. These fees were part of subsidiary statutory work performed by PricewaterhouseCoopers LLP and are included within *Audit Fees*.

*All Other Fees.* There were no other fees billed for the years ended November 30, 2003 and 2002.

**Audit Committee Pre-Approval Policies and Procedures**



The Audit Committee has implemented pre-approval policies and procedures related to the provision of audit and non-audit services. Under these procedures, the Audit Committee pre-approves both the type of services to be provided by PricewaterhouseCoopers LLP and the estimated fees related to these services.

During the approval process, the Audit Committee considers the impact of the types of services and the related fees on the independence of the auditor. The services and fees must be deemed compatible with the maintenance of the auditor's independence, including compliance with SEC rules and regulations.

Throughout the year, the Audit Committee will review any revisions to the estimates of audit and non-audit fees initially approved.

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**Required Vote**

Ratification of the appointment of PricewaterhouseCoopers LLP requires the affirmative vote of a majority of the shares present and voting at the Annual Meeting in person or by proxy. Unless marked to the contrary, proxies received will be voted FOR ratification of the appointment. In the event ratification is not obtained, your Board will review its future selection of our independent auditors.

**Your Board of Directors recommends a vote FOR the ratification of PricewaterhouseCoopers LLP as our independent auditors.**

**STOCKHOLDER PROPOSALS FOR THE 2005 ANNUAL MEETING**

If a stockholder wishes to present a proposal to be included in our Proxy Statement for the 2005 Annual Meeting of Stockholders, the proponent and the proposal must comply with the proxy proposal submission rules of the SEC. One of the requirements is that the proposal be received by the Corporate Secretary no later than November 11, 2004. Proposals we receive after that date will not be included in the Proxy Statement. We urge stockholders to submit proposals by Certified Mail Return Receipt Requested.

A stockholder proposal not included in our proxy statement for the 2005 Annual Meeting will be ineligible for presentation at the 2005 Annual Meeting unless the stockholder gives timely notice of the proposal in writing to the Corporate Secretary of SYNEX at the principal executive offices of SYNEX. Under our Bylaws, in order for a matter to be deemed properly presented by a stockholder, timely notice must be delivered to, or mailed and received by, us not less than 50 nor more than 75 days prior to the next annual meeting of stockholders. The stockholder's notice must set forth, as to each proposed matter, the following: (a) a brief description of the business desired to be brought before the meeting and reasons for conducting such business at the meeting; (b) the name and address, as they appear on our books, of the stockholder proposing such business; (c) the class and number of shares of our securities that are beneficially owned by the stockholder; (d) any material interest of the stockholder in such business; and (e) any other information that is required to be provided by such stockholder pursuant to proxy proposal submission rules of the SEC. The presiding officer of the meeting may refuse to acknowledge any matter not made in compliance with the foregoing procedure.

You may obtain a copy of the current rules for submitting stockholder proposals from the SEC at:

U.S. Securities and Exchange Commission

Division of Corporation Finance

450 Fifth Street, N.W.

Washington, DC 20549

or through the Commission's Internet web site: [www.sec.gov](http://www.sec.gov). Request SEC Release No. 34-40018, May 21, 1998.



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**OTHER MATTERS**

Your Board does not know of any other business that will be presented at the Annual Meeting. If any other business is properly brought before the Annual Meeting, your proxy holders will vote on it as they think best unless you direct them otherwise in your proxy instructions.

Whether or not you intend to be present at the Annual Meeting, we urge you to submit your signed proxy promptly.

By Order of the Board of Directors,

Simon Leung

General Counsel and Corporate Secretary

Fremont, California

March 1, 2004

**SYNEX's 2003 Annual Report on Form 10-K has been mailed with this Proxy Statement. We will provide copies of exhibits to the Annual Report on Form 10-K, but will charge a reasonable fee per page to any requesting stockholder. Stockholders may make such request in writing to SYNEX Corporation at 3797 Spinnaker Court, Fremont, California 94538, Attention: Sandra Salah. The request must include a representation by the stockholder that as of February 13, 2004, the stockholder was entitled to vote at the Annual Meeting.**

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**Appendix A**

**SYNEX CORPORATION**  
**AUDIT COMMITTEE CHARTER**

**PURPOSE**

The purpose of the Audit Committee (the "Committee") of the Board of Directors of the Company is to:

1. assist Board oversight of (a) the integrity of the Company's financial statements, (b) the Company's compliance with legal and regulatory requirements, (c) the independent auditor's qualifications and independence, and (d) the performance of the Company's internal audit function and independent auditors;
2. prepare the report that Securities and Exchange Commission (SEC) rules require be included in the Company's annual proxy statement; and
3. perform such other duties and responsibilities enumerated in and consistent with this Charter.

The Committee's function is one of oversight, recognizing that the Company's management is responsible for preparing the Company's financial statements, and the independent auditor is responsible for auditing those statements. In adopting this Charter, the Board of Directors acknowledges that the Committee members are not employees of the Company and are not providing any expert or special assurance as to the Company's financial statements or any professional certification as to the external auditor's work or auditing standards. Each member of the Committee shall be entitled to rely on the integrity of those persons and organizations within and outside the Company that provide information to the Committee and the accuracy and completeness of the financial and other information provided to the Committee by such persons or organizations absent actual knowledge to the contrary.

**MEMBERSHIP AND PROCEDURES**

**Committee Authority**

The Audit Committee shall have the sole authority to appoint or replace the independent auditor. The Audit Committee shall be directly responsible for the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditor shall report directly to the Audit Committee. The Audit Committee shall report regularly to the Board.

### **Membership and Appointment**

The Committee shall comprise not fewer than three members of the Board of Directors, as shall be appointed from time to time by the Board of Directors based on recommendations, if any, from the Nominating and Governance Committee. No Committee member shall simultaneously serve on the audit committees of more than two other public companies.

### **Chairperson**

A chairperson of the Committee (the Chairperson ) may be designated by the Board of Directors. In the absence of such designation, the members of the Committee may designate the Chairperson by majority vote of the full Committee membership. The Chairperson shall determine the agenda, the frequency and the length of meetings.

### **Independence and Qualifications**

Each member shall either meet the categorical standards for independence established by the Board of Directors or the Board of Directors shall affirmatively determine that such Director qualifies as independent

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within the meaning of any applicable law or any listing standard or rule established by the New York Stock Exchange ( NYSE ). Each member of the Committee shall also meet any additional independence or experience requirements as may be established from time to time by the NYSE or SEC. Each member of the Committee shall be or shall become within a reasonable period of time, financially literate. One member of the Committee shall have accounting or financial management expertise. Also, the Board of Directors shall endeavor to appoint at least one member to the Committee who is a financial expert as defined by the SEC.

## **Delegation**

The Committee may, by resolution passed by a majority of the Committee, designate one or more subcommittees, each subcommittee to consist of one or more members of the Committee. Any such subcommittee to the extent provided in the resolutions of the Committee, and to the extent not limited by applicable law or listing standard, shall have the power and authority of the Committee to grant preapprovals of auditing and permitted non-audit services by the independent auditor. Any decision of such a subcommittee shall be presented to the Committee at its next scheduled meeting.

## **Resources and Authority to Retain and Replace Advisers**

The Committee shall have the power and authority, at the Company's expense, to retain, replace and compensate independent counsel, accounting and other advisers, as it determines necessary to carry out its duties. The Committee shall have the sole authority to approve related fees and retention terms. The Committee may request any officer or the Company's outside counsel or independent auditors to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee, and shall have full access to all books, records, facilities and personnel of the Company in connection with the discharge of its responsibilities.

## **Annual Performance Evaluation**

The Committee shall perform an annual performance evaluation of the Committee and, to the extent the Committee so determines, make recommendations to the Board of Directors for changes or modifications to the Audit Committee Charter.

## **DUTIES AND RESPONSIBILITIES**

The following shall be the common recurring duties and responsibilities of the Committee in carrying out its oversight functions. These duties and responsibilities are set forth below as a guide to the Committee with the understanding that the Committee may alter or supplement them as appropriate under the circumstances to the extent permitted by applicable law or listing standard.

### **With respect to the independent auditor:**

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1. The Committee shall be directly responsible for the appointment, retention, compensation and oversight work of the independent auditors.
2. The Committee, or a subcommittee of the Committee, shall review in advance and preapprove the provision of all auditing and all permitted non-audit services by the independent auditor to the Company and its subsidiaries and shall also approve all audit engagement fees and terms and all non-audit engagements with the independent auditor.
3. In connection with the Committee's approval of non-audit services, the Committee shall consider whether the independent auditor's performance of any non-audit services is compatible with the independent auditor's independence.

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4. At least annually, the Committee shall obtain and review a report by the independent auditor describing:
  - (a) the independent auditor's internal quality-control procedures;
  - (b) any material issues raised by the most recent internal quality control review or peer review of the independent auditor's firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the independent auditor's firm, and the steps taken to deal with those issues; and
  - (c) all relationships between the independent auditor and the Company, in order to assess the auditor's independence.
  
5. The Committee shall review the report by the independent auditor, which is required by Section 10A of the Securities Exchange Act of 1934, concerning:
  - (a) all critical accounting policies and practices to be used;
  - (b) alternative treatments of financial information within GAAP that have been discussed with management officials, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor; and
  - (c) any other material written communications between the independent auditor and the Company's management.

**With respect to the Company's financial statements:**

6. The Committee shall discuss the annual audited financial statements and quarterly financial statements with management, the internal auditor and the independent auditor, including the Company's disclosures under the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's reports filed with the SEC.
  
7. The Committee shall review disclosures made to the Committee by the Company's chief executive officer and chief financial officer during their certification process for Forms 10-K and Forms 10-Q about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.
  
8. In connection with its review of the Company's financial statements, the Committee shall review and discuss with management, the internal auditor and the independent auditor the matters relating to the conduct of the audit required to be discussed by Statement on Accounting Standards Nos. 61 and 90 (Communications with Audit Committees), as they may be modified or supplemented, including the auditor's judgment about the quality, not just acceptability, of the Company's accounting principles as applied in its financial reporting.
  
9. The Committee, as a whole or through the Chairperson, shall review the impact on the financial statements of significant events, transactions or changes in accounting principles or estimates that potentially affect the quality of the financial reporting with management, the

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internal auditor and the external auditor prior to filing of the Company's Reports on Forms 10-K or 10-Q, or as soon as practicable if the communications cannot be made prior to its filing.

10. Based on its review and discussions with management, the internal auditors and the independent auditor, the Committee shall recommend to the Board of Directors whether the Company's financial statements should be included in the Company's Annual Report on Form 10-K (or the annual report to stockholders if distributed prior to the filing of the Form 10-K).

11. The Committee shall prepare or cause the preparation of the report required by SEC rules to be included in the Company's annual stockholders' meeting proxy statement.

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12. The Committee shall generally discuss earnings press releases as well as financial information and earnings guidance provided to financial analysts and rating agencies.

**With respect to periodic reviews and reports:**

13. Periodically, the Committee shall meet separately with each of management, internal auditors and the independent auditors.

14. The Committee shall review with the independent auditor any audit problems or difficulties and management's response. The review should also include discussion of the responsibilities, budget and staffing of the internal audit function.

15. The Committee shall review, based on the recommendation of the independent auditors and the Company's internal audit function, the scope and plan of the work to be done by the Company's internal audit function, and the results of such work.

16. The Committee shall discuss the Company's policies with respect to risk assessment and risk management.

17. Periodically, the Committee shall review with management, the internal auditor and the independent auditor the adequacy and effectiveness of the Company's systems and controls for monitoring and managing legal and regulatory compliance. The Committee shall also periodically review the Company's policies and procedures regarding compliance with the Company's Code of Business Conduct and Ethics.

18. The Committee shall communicate to the Board of Directors any issues with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's independent auditors or the performance of the independent audit function.

**With respect to other matters:**

19. The Committee shall establish procedures for:

- (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and
- (b) the confidential, anonymous submission by the Company's employees of concerns regarding accounting or auditing matters.

20. The Committee shall establish the Company's hiring policies for employees or former employees of the Company's independent auditors.

**AMENDMENT**

This Charter and any provision contained herein may be amended or repealed by a majority of the Board of Directors.

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**PROXY**

DETACH HERE

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**PROXY**

**SYNEX CORPORATION**

**Proxy Solicited on Behalf of the Board of Directors of  
the Company for Annual Meeting March 25, 2004**

The undersigned hereby constitutes and appoints Robert T. Huang, Dennis Polk and Simon Y. Leung, and each of them, his true and lawful agents and proxies with full power of substitution in each, to represent the undersigned at the Annual Meeting of Stockholders of SYNEX CORPORATION to be held at the offices of the Company and at any adjournments thereof and to vote with respect to the proposals set forth below and in the discretion of such proxies on all matters that may be properly presented for action all shares of stock of SYNEX CORPORATION the undersigned is entitled to vote at the Annual Meeting.

**You are encouraged to specify your choices by marking the appropriate boxes, SEE REVERSE SIDE. Shares represented by this proxy will be voted as directed by the stockholder. IF NO SUCH DIRECTIONS ARE INDICATED, THE PROXIES WILL HAVE AUTHORITY TO VOTE FOR THE ELECTION OF DIRECTORS AND FOR PROPOSAL 2. The proxies cannot vote your shares unless you sign and return this card.**

**PLEASE VOTE, DATE AND SIGN THIS PROXY ON THE OTHER SIDE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE.**

HAS YOUR ADDRESS CHANGED?

DO YOU HAVE ANY COMMENTS?

\_\_\_\_\_  
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\_\_\_\_\_

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\_\_\_\_\_  
\_\_\_\_\_

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**SYNEX CORPORATION**

**C/O EQUISERVE TRUST COMPANY, N.A.**

**P.O. BOX 8694**

**EDISON, NJ 08818-8694**

DETACH HERE

ZSNX41

**3766**

Please mark

votes as in

this example. x

The Board of Directors recommends a vote **FOR** the election of the nominee(s) in Proposal 1 and **FOR** the proposal listed below.

1. Election of Directors. **Nominees:**

(01) Matthew F.C. Miao

(02) Robert T. Huang

(03) Fred A. Breidenbach

(04) David Rynne

(05) Young Sohn

(06) Dwight A. Steffensen

FOR

ALL

NOMINEES "

WITHHELD

FROM ALL

NOMINEES "

" \_\_\_\_\_

For all nominee(s) except as written above

2. To ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent auditors.

FOR " AGAINST " ABSTAIN "

3. In their discretion, upon such other business as may properly come before the meeting.

Mark box at right if you plan to attend the Annual Meeting. "

Mark box at right if an address change or comment has been noted on the reverse side of this card. "

Please sign this proxy exactly as name appears hereon. When shares are held by joint tenants, both should sign. When signing as attorney, administrator, trustee or guardian, please give full title as such.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

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