

BENCHMARK ELECTRONICS INC  
Form 10-K405  
March 19, 2002

-----  
-----

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549  
-----

FORM 10-K

(MARK ONE)

/X/ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001  
OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

COMMISSION FILE NUMBER 1-10560

BENCHMARK ELECTRONICS, INC.

(Exact Name of Registrant as Specified in its Charter)  
-----

TEXAS  
(State or other Jurisdiction of  
Incorporation or Organization)  
3000 TECHNOLOGY DRIVE  
ANGLETON, TEXAS  
(Address of Principal Executive  
Offices)

74-2211011  
(I.R.S. Employer  
Identification Number)  
77515  
(Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE:  
(979) 849-6550  
-----

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

TITLE OF EACH CLASS

NAME OF EACH EXCHANGE  
ON WHICH REGISTERED

Edgar Filing: BENCHMARK ELECTRONICS INC - Form 10-K405

-----  
Common Stock, par value \$0.10 per share  
Preferred Stock Purchase Rights

-----  
New York Stock Exchange, Inc.  
New York Stock Exchange, Inc.

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT: NONE  
-----

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes /X/ No / /

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. /X/

As of March 15, 2002, the number of outstanding shares of Common Stock was 19,783,012. As of such date, the aggregate market value of the shares of Common Stock held by non-affiliates, based on the closing price of the Common Stock on the New York Stock Exchange on such date, was approximately \$565.1 million.

DOCUMENTS INCORPORATED BY REFERENCE:

- (1) Portions of the Company's Annual Report to Shareholders for the fiscal year ended December 31, 2001 (Part II Items 5-8 and Part IV Item 14(a)(1)).
- (2) Portions of the Company's Proxy Statement for the 2002 Annual Meeting of Shareholders (Part III, Items 10-13).

-----  
-----  
TABLE OF CONTENTS

	PAGE
	-----
PART I	
ITEM 1. Business.....	1
ITEM 2. Properties.....	8
ITEM 3. Legal Proceedings.....	9
ITEM 4. Submission of Matters to a Vote of Security Holders.....	9
PART II	
ITEM 5. Market for Registrant's Common Equity and Related Shareholder Matters.....	9
ITEM 6. Selected Financial Data.....	10
ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	10
ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk.....	10
ITEM 8. Financial Statements and Supplementary Data.....	10
ITEM 9. Changes in and Disagreements with Accountants on Accounting	

# Edgar Filing: BENCHMARK ELECTRONICS INC - Form 10-K405

and Financial Disclosure.....	10
-------------------------------	----

## PART III

ITEM 10. Directors and Executive Officers of the Registrant.....	10
ITEM 11. Executive Compensation.....	10
ITEM 12. Security Ownership of Certain Beneficial Owners and Management.....	10
ITEM 13. Certain Relationships and Related Transactions.....	10

## PART IV

ITEM 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.....	11
--	----

i

## PART I

### ITEM 1. BUSINESS

#### BACKGROUND

Benchmark Electronics, Inc., formerly named Electronics, Inc., began operations in 1979 and was incorporated under Texas law in 1981 as a wholly owned subsidiary of Intermedics, Inc., a medical implant manufacturer based in Angleton, Texas. In 1986, Intermedics sold 90% of the outstanding shares of common stock of the Company to Electronic Investors Corp., a corporation formed by Donald E. Nigbor, Steven A. Barton and Cary T. Fu, three of our executive officers. In 1988, Electronic Investors Corp. was merged into Benchmark, and in 1990 we completed the initial public offering of our common stock.

#### GENERAL

We are in the business of manufacturing electronics and provide our services to original equipment manufacturers of telecommunication equipment, computers and related products for business enterprises, video/audio/entertainment products, industrial control equipment, testing and instrumentation products and medical devices. The services that we provide are commonly referred to as electronics manufacturing services. We offer our customers comprehensive and integrated design and manufacturing services, from initial product design to volume production and direct order fulfillment. We provide specialized engineering services, including product design, printed circuit board layout, prototyping and test development. We believe that we have developed strengths in the manufacturing process for large, complex, high-density printed circuit boards as well as the ability to manufacture high and low volume products in lower cost regions such as Latin America and Southeast Asia. As our customers expand internationally, they increasingly require their electronics manufacturing services partners to have strategic regional locations and global procurement capabilities. We believe that our global manufacturing presence of 14 facilities in six countries increases our ability to be responsive to our customers' needs by providing accelerated time-to-market and time-to-volume production of high quality products. These capabilities should enable us to build stronger strategic relationships with our customers and to become a more integral part of their operations.

Substantially all of our manufacturing services are provided on a turnkey basis, whereby we purchase customer-specified components from our suppliers,

## Edgar Filing: BENCHMARK ELECTRONICS INC - Form 10-K405

assemble the components on finished printed circuit boards, perform post-production testing and provide our customers with production process and testing documentation. We offer our customers flexible, "just-in-time" delivery programs allowing product shipments to be closely coordinated with our customers' inventory requirements. Additionally, we complete the assembly of our customers' products at our facilities by integrating printed circuit board assemblies into other elements of our customers' products. We also provide manufacturing services on a consignment basis, whereby we utilize components supplied by the customer to provide assembly and post-production testing services. We currently operate, on approximately 1.6 million square feet, a total of 44 surface mount production lines at our domestic facilities in Alabama, Minnesota, New Hampshire, Oregon, Texas and Virginia; and 27 surface mount production lines at our international facilities in Brazil, Ireland, Mexico, Scotland, and Singapore. Surface mount production lines are assembly lines where electrical components are soldered directly onto printed circuit boards.

Since July 1996, we have completed five acquisitions that have broadened our service offerings, diversified our customer base with leading original equipment manufacturers and expanded our geographic presence. Our October 2000 acquisition of the assets of the MSI Division of Outreach Technologies, Inc. provided us with additional manufacturing capacity in the northeastern United States. Our August 1999 acquisition of AVEX Electronics, Inc. and Kilbride Holdings B.V. provided us with a global presence and enabled us to increase our scale of operations and expand our customer

1

base significantly. We have also acquired EMD Technologies, Inc., Lockheed Commercial Electronics Company, and certain assets from Stratus Computer Ireland, which improved our engineering capabilities, increased our manufacturing capacity and expanded our international presence. In addition to these acquisitions, the opening of new systems integration facilities in Huntsville, Alabama in 2000 and Singapore in 2001 expanded our systems integration capabilities.

We believe our primary competitive advantages are our design, manufacturing, testing and supply chain management capabilities. We offer our customers complete and flexible manufacturing solutions that provide accelerated time-to-market, time-to-volume production, and reduced production costs. As a result of working closely with our customers and responding promptly to their needs, we have become an integral part of their operations. In addition, our workforce is led by a management team that founded the Company and has an average of 20 years of industry experience.

### BUSINESS STRATEGY

Our goal is to be the electronics manufacturing services outsourcing provider of choice to leading original equipment manufacturers in the high growth segments of the electronics industry. To meet this goal, we have implemented the following strategies:

- MAINTAIN AND DEVELOP CLOSE, LONG-TERM RELATIONSHIPS WITH CUSTOMERS. Our core strategy is to maintain and establish long-term relationships with leading original equipment manufacturers in expanding industries by becoming an integral part of our customers' manufacturing operations. To this end, we work closely with our customers throughout the design, manufacturing and distribution process, and we offer flexible and responsive services. We believe we develop stronger customer relationships by relying on our local management teams that respond to frequently changing customer design specifications and production requirements.

## Edgar Filing: BENCHMARK ELECTRONICS INC - Form 10-K405

- FOCUS ON HIGH-END PRODUCTS IN HIGH GROWTH SECTORS. Electronics manufacturing services providers produce products for a wide range of original equipment manufacturers in different high growth industries, such as consumer electronics, Internet-focused businesses and telecommunications equipment. The product scope ranges from easy to assemble, low-cost high-volume products targeted for the consumer market to complicated state-of-the-art, mission critical electronic hardware. Similarly, original equipment manufacturers' customers range from consumer-oriented companies that compete primarily on price and redesign their products every year to manufacturers of high-end telecommunications equipment and computer and related products for business enterprises that compete on technology and quality. We currently offer state-of-the-art products for industry leaders who require specialized engineering design and production services as well as offering high volume manufacturing capabilities to our customer base. Our ability to offer both of these services enables us to expand our business relationships.
- DELIVER COMPLETE HIGH AND LOW VOLUME MANUFACTURING SOLUTIONS GLOBALLY. We believe original equipment manufacturers are increasingly requiring from electronics manufacturing services providers a wide range of specialized engineering and manufacturing services in order to reduce their costs and accelerate their time-to-market and time-to-volume production. Building on our integrated engineering and manufacturing capabilities, we offer services from initial product design and test to final product assembly and distribution to the original equipment manufacturers' customers. With the AVEX acquisition, we also offer our customers high volume production in low cost regions of the world, such as Brazil and Mexico. These full service capabilities allow us to offer customers the flexibility to move quickly from design and initial introduction to production and distribution.
- LEVERAGE ADVANCED TECHNOLOGICAL CAPABILITIES. Our traditional strengths in the manufacturing processes for assembling large, complex high-density printed circuit boards enable us to offer customers advanced design, technology and manufacturing solutions for their primary products.

2

We provide this engineering expertise through our design capabilities in each of our facilities, and in our design centers located in Winona, Minnesota, Huntsville, Alabama and Cork, Ireland. We believe our capabilities help our customers improve product performance and reduce costs.

- CONTINUE OUR GLOBAL EXPANSION. A strategically positioned facilities network can simplify and shorten an original equipment manufacturer's supply chain and reduce the time it takes to bring product to market. We are committed to pursuing geographic expansion in order to support our global customers with cost-effective and timely delivery of quality products and services worldwide. Our AVEX acquisition significantly expanded our service scope to provide a global manufacturing solution to our customers at 14 facilities located in Brazil, Ireland, Mexico, Scotland, Singapore and the United States.
- SELECTIVELY PURSUE STRATEGIC ACQUISITIONS. We have completed five acquisitions since July 1996 and will continue to selectively seek acquisition opportunities. Our acquisitions have enhanced our business in the following ways:
  - expanded geographic presence;
  - enhanced customer growth opportunities;

## Edgar Filing: BENCHMARK ELECTRONICS INC - Form 10-K405

- developed strategic relationships;
- broadened service offerings;
- diversified into new market sectors; and
- added experienced management teams.

We believe that growth by selective acquisitions is critical for achieving the scale, flexibility and breadth of customer services required to remain competitive in the electronics manufacturing services industry.

### ACQUISITIONS

Since July 1996, we have completed five acquisitions. These acquisitions were:

- MSI DIVISION. On October 2, 2000, we acquired substantially all of the assets and properties, net of assumed liabilities, of the MSI Division of Outreach Technologies, Inc. Now operated as our Manassas, Virginia division, this facility provided additional manufacturing capacity in the northeastern United States.
- AVEX ELECTRONICS, INC. AND RELATED COMPANIES. On August 24, 1999, we completed the acquisition of AVEX, one of the largest privately-held contract manufacturers. This acquisition provided us a global presence and expanded our customer base to approximately 90 original equipment manufacturers in a broader range of end user markets.
- STRATUS COMPUTER IRELAND. On March 1, 1999, we acquired various assets from Stratus Computer Ireland, and in connection with the transaction entered into a three-year supply agreement to provide system integration services to Ascend and Stratus Holdings Limited. The acquired assets increased our ability to provide a broad range of services to the European market and enhanced our systems integration capabilities and our box build engineering capabilities, which is the process of building the finished product from subassemblies. The process may also involve loading software and optional configuration.
- LOCKHEED COMMERCIAL ELECTRONICS COMPANY. In February 1998, we acquired Lockheed Commercial Electronics Company. This acquisition provided us with manufacturing capacity in

3

the northeastern United States and 19 additional customers. Now operated as our Hudson, New Hampshire division, the facility provides a broad range of services including:

- assembly and testing of printed circuit boards;
- systems assembly and testing;
- prototyping, which is building initial quantities of a new product to test and refine the design;
- depot repair, which is the method of repairing equipment in which the customer ships a damaged product to a central location for repair, as opposed to field repair;
- materials procurement; and

## Edgar Filing: BENCHMARK ELECTRONICS INC - Form 10-K405

- engineering and design support services.
- EMD TECHNOLOGIES, INC. In July 1996, we acquired EMD Technologies, Inc., an independent provider of electronics manufacturing and product design services. Now operated as our Winona, Minnesota division, this facility provides a complete range of enhanced product design and configurations for subsystems and enclosures. In addition to design services, this acquisition provided us with manufacturing capabilities in the midwestern United States and 19 additional customers.

### ELECTRONICS MANUFACTURING SERVICES INDUSTRY

Many original equipment manufacturers in the electronics industry are increasingly using electronics manufacturing service providers in their business and manufacturing strategies and are seeking to outsource a broad range of manufacturing and related engineering services. Outsourcing allows original equipment manufacturers to take advantage of the manufacturing expertise of, and capital investments by, electronics manufacturing service providers. This enables original equipment manufacturers to concentrate on what they believe to be their core strengths, such as product development, marketing and sales. Original equipment manufacturers utilize electronics manufacturing service providers to enhance their competitive position by:

- reducing capital investment requirements and fixed overhead costs;
- accessing advanced manufacturing and design capabilities;
- reducing production costs;
- accelerating time-to-market and time-to-volume production;
- improving inventory management and purchasing power; and
- accessing worldwide manufacturing capabilities.

### SERVICES WE PROVIDE

**ENGINEERING.** Our approach is to coordinate and integrate our design, prototype and other engineering capabilities. Through this approach, we provide a broad range of engineering services and, in some cases, dedicated production lines for prototypes. These services strengthen our relationships with manufacturing customers and attract new customers requiring specialized engineering services.

To assist customers with initial design, we offer computer assisted engineering, computer assisted design, engineering for manufacturability, circuit board layout and test development. We also coordinate industrial design and tooling for product manufacturing. After product design, we offer quickturn prototyping, which means a rapid process of prototyping. During this process, we assist with the transition to volume production. By participating in product design and prototype development, we

4

can reduce manufacturing costs and accelerate the cycle from product introduction to large-scale production.

**MATERIALS PROCUREMENT AND MANAGEMENT.** Materials procurement and management consists of the planning, purchasing, expediting and warehousing of components and materials. Our inventory management and volume procurement capabilities contribute to cost reductions and reduce total cycle time. Our materials

## Edgar Filing: BENCHMARK ELECTRONICS INC - Form 10-K405

strategy is focused on leveraging our procurement volume corporate wide while providing local execution for maximum flexibility at the division level. In addition, our Dublin, Ireland facility has developed material processes required to support high-end computer system integration operations.

**ASSEMBLY AND MANUFACTURING.** Our manufacturing and assembly operations include printed circuit boards and subsystem assembly, box build and systems integration, the process of integrating sub-systems and downloading software before producing a fully configured product. We purchase the printed circuit boards used in our assembly operations from third parties. A substantial portion of our sales is derived from the manufacture and assembly of complete products. We employ various inventory management techniques, such as just-in-time, ship-to-stock and autoreplenish, which are programs designed to ensure timely, convenient and efficient delivery of assembled products to our customers. As original equipment manufacturers seek to provide greater functionality in smaller products, they increasingly require more sophisticated manufacturing technologies and processes. Our investment in advanced manufacturing equipment and our experience in innovative packaging and interconnect technologies enable us to offer a variety of advanced manufacturing solutions. These packaging and interconnect technologies include:

- chip scale packaging, the part of semiconductor manufacturing in which the semiconductor die is bonded and sealed into a ceramic or plastic package which physically protects the semiconductor device; and
- ball grid array, a method of attaching components to a printed circuit board through balls of solder that are arranged in a grid pattern.

**TESTING.** We offer computer-aided testing of assembled printed circuit boards, subsystems and systems, which contributes significantly to our ability to deliver high-quality products on a consistent basis. We work with our customers to develop product-specific test strategies. Our test capabilities include manufacturing defect analysis, in-circuit tests to test the circuitry of the board and functional tests. We either custom design test equipment and software ourselves or use test equipment and software provided by our customers. In addition, we provide environmental stress tests of assemblies of boards or systems.

**DISTRIBUTION.** We offer our customers flexible, just-in-time delivery programs allowing product shipments to be closely coordinated with customers' inventory requirements. Increasingly, we ship products directly into customers' distribution channels or directly to the end-user. We believe that this service can provide our customers with a more comprehensive solution and enable them to be more responsive to market demands.

### MARKETING AND CUSTOMERS

We market our services through a direct sales force and independent marketing representatives. In addition, our divisional and executive management teams are an integral part of our sales and marketing teams. During 2001, our two largest customers, Sun Microsystems and EMC, each represented in excess of 10% of total sales and, in the aggregate, represented 37.3% of total sales.

5

The following table sets forth the percentages of the Company's sales by industry for 2001, 2000 and 1999.

2001	2000	1999
-----	-----	-----



## Edgar Filing: BENCHMARK ELECTRONICS INC - Form 10-K405

Computers & related products for business enterprises.....	44%	36%	30%
Telecommunication equipment.....	31	34	39
Video/Audio/Entertainment products.....	4	10	6
Industrial control equipment.....	9	8	9
Testing & instrumentation products.....	5	7	4
Medical devices.....	7	5	6
Personal computers.....	--	--	6

### SUPPLIERS

We maintain a network of suppliers of components and other materials used in assembling printed circuit boards. We procure components only when a purchase order or forecast is received from a customer and occasionally utilize components or other materials for which a supplier is the single source of supply. Although we experience component shortages and longer lead times of various components from time to time, we have generally been able to reduce the impact of the component shortages by working with customers to reschedule deliveries, by working with suppliers to provide the needed components using just-in-time inventory programs, or by purchasing components at somewhat higher prices from distributors, rather than directly from manufacturers. These procedures reduce, but do not eliminate, our inventory risk. In 2001 and 2000, customer modifications to orders for inventory previously procured by us resulted in excess and obsolete inventory for the related customers that could not be recovered through put backs to vendors or the specific customer concerned. In addition, by developing long-term relationships with suppliers, we have been better able to minimize the effects of component shortages than manufacturers without such relationships.

### BACKLOG

We had a year-end backlog of approximately \$855.1 million at December 31, 2001, as compared to the 2000 year-end backlog of \$1,600.4 million. Although we expect to fill substantially all of our backlog during 2002, at December 31, 2001 we did not have long-term agreements with all of our customers and customer orders can be canceled, changed or delayed by customers. The timely replacement of canceled, changed or delayed orders with orders from new customers cannot be assured, nor can there be any assurance that any of our current customers will continue to utilize our services. Because of these factors, backlog is not a meaningful indicator of future financial results.

### COMPETITION

The electronics manufacturing services we provide are available from many independent sources as well as in-house manufacturing capabilities of current and potential customers. Our competitors include Celestica, Inc., Flextronics International Ltd., Jabil Circuit, Inc., Sanmina-SCI Corporation and Solectron Corporation, who may be more established in the industry and have substantially greater financial, manufacturing or marketing resources than we do. We believe that the principal competitive factors in our targeted markets are product quality, flexibility and timeliness in responding to design and schedule changes, reliability in meeting product delivery schedules, pricing, technological sophistication and geographic location.

### GOVERNMENTAL REGULATION

Our operations, and the operations of businesses that we acquire, are subject to certain foreign, federal, state and local regulatory requirements relating to environmental, waste management, and

Edgar Filing: BENCHMARK ELECTRONICS INC - Form 10-K405

health and safety matters. We believe we operate in substantial compliance with all applicable requirements. However, material costs and liabilities may arise from these requirements or from new, modified or more stringent requirements. In addition, our past, current and future operations, and those of businesses we acquire, may give rise to claims of exposure by employees or the public or to other claims or liabilities relating to environmental, waste management or health and safety concerns.

We periodically generate and temporarily handle limited amounts of materials that are considered hazardous waste under applicable law. We contract for the off-site disposal of these materials and have implemented a waste management program to address related regulatory issues.

EMPLOYEES

As of December 31, 2001, we employed 4,233 people, of whom 3,157 were engaged in manufacturing and operations, 590 in materials control and procurement, 90 in design and development, 98 in marketing and sales, and 298 in administration. Although a majority of our workforce is non-union, employees in our facilities in Brazil and Mexico are unionized, and work councils have been established at our facilities in Cork, Ireland, and Scotland. The Company has not experienced a strike or similar work stoppage and its relations with its employees are satisfactory.

SEGMENTS AND INTERNATIONAL OPERATIONS

Benchmark has 14 manufacturing facilities in the Americas, Europe, and Asia regions to serve its customers. Benchmark is operated and managed geographically and management evaluates performance and allocates Benchmark's resources on a geographic basis. See Note 11 of Notes to Consolidated Financial Statements for segment and geographical information. Prior to the acquisitions in 1999, all of our operations were in the Americas region. We currently operate outside the United States in Brazil, Ireland, Mexico, Scotland, and Singapore. In 2001, approximately 23.3% of our sales were from operations outside of the United States. As a result of continuous customer demand overseas, we expect foreign sales to increase. Our foreign sales and operations are subject to risk of doing business abroad, including fluctuations in the value of currency, export duties, import controls and trade barriers, including stoppages, longer payment cycles, greater difficulty in accounts receivable collection, burdens of complying with wide variety of foreign laws and, in certain parts of the world, political instability. While, to date, these factors have not adversely materially affected Benchmark's results of operations, we cannot assure that there will not be an adverse impact in the future.

7

ITEM 2. PROPERTIES

Benchmark currently has 14 facilities worldwide.

[LOGO]

The following chart summarizes the facilities owned or leased by Benchmark and its subsidiaries:

LOCATION	SQ. FT.	FUNCTION	OWNERSHIP
Angleton, Texas.....	109,000	Executive, manufacturing, and	

## Edgar Filing: BENCHMARK ELECTRONICS INC - Form 10-K405

		procurement	Owned
Beaverton, Oregon.....	77,000	Manufacturing	Leased
Campinas, Brazil.....	40,000	Manufacturing	Leased
Cork, Ireland.....	24,000	Manufacturing and design	Owned
Dublin, Ireland.....	104,000	Manufacturing and procurement	Leased
East Kilbride, Scotland.....	80,000	Manufacturing and procurement	Owned
Guadalajara, Mexico.....	150,000	Manufacturing	Leased
Hudson, New Hampshire.....	262,000	Manufacturing and procurement	Leased
Huntsville, Alabama.....	276,000	Manufacturing, design and procurement	Owned
Huntsville, Alabama (SI).....	144,000	Manufacturing and design	Leased
Manassas, Virginia.....	44,000	Manufacturing and procurement	Leased
Singapore.....	37,000	Manufacturing and procurement	Leased
Singapore (SI).....	36,000	Manufacturing and procurement	Leased
Winona, Minnesota.....	208,000	Manufacturing, design and procurement	Leased, Owned
	-----		
Total.....	1,591,000		
	=====		

In addition, we own a manufacturing facility in Pulaski, Tennessee with 113,000 sq. ft. that is currently being held for sale. Also, we have a leased facility in Mansfield, Massachusetts with 44,000 sq. ft. that is currently not in operation.

8

### ITEM 3. LEGAL PROCEEDINGS

On October 18, 1999, we announced that our third quarter 1999 earnings announcement would be delayed and subsequently, on October 22, we announced our earnings for the third quarter 1999 were below the level of the same periods during 1998 and were below expectations. Several class action lawsuits were filed in November 1999 in federal district court in Houston, Texas against Benchmark and two of its officers and directors alleging violations of the federal securities laws. These lawsuits were consolidated in February 2000. The lawsuits seek to recover unspecified damages. We deny the allegations in the lawsuits, however, and further deny that such allegations provide a basis for recovery of damages as we believe that we have made all required disclosures on a timely basis. Management is vigorously defending against these actions. No material developments occurred in this proceeding during the period covered by this report.

Benchmark filed suit against J.M. Huber Corporation (Seller) in the United States District Court for the Southern District of Texas for breach of contract, fraud and negligent misrepresentation on December 14, 1999 and is seeking an unspecified amount of damages in connection with the contract between Benchmark and Seller pursuant to which Benchmark acquired all of the stock of AVEX and Kilbride Holdings B.V. On January 5, 2000, Seller filed suit in the United States District Court for the Southern District of New York alleging that Benchmark failed to comply with certain obligations under the contract requiring Benchmark to register shares of its common stock issued to Seller as partial consideration for the acquisition. Seller's suit has been consolidated with Benchmark's suit in the United States District Court for the Southern District of Texas. Benchmark intends to vigorously pursue its claims against Seller and defend against Seller's allegations. No material developments occurred in this proceeding during the period covered by this report.

On April 14, 2000, Benchmark, along with numerous other companies, was named as a defendant in a lawsuit filed in the United States District Court for the District of Arizona by the Lemelson Medical, Education & Research Foundation

## Edgar Filing: BENCHMARK ELECTRONICS INC - Form 10-K405

(the Foundation). The lawsuit alleges that Benchmark has infringed certain of the Foundation's patents relating to machine vision and bar code technology utilized in machines Benchmark has purchased. On November 2, 2000, Benchmark filed an Answer, Affirmative Defenses, and a Motion to Stay based upon Declaratory Judgement Actions filed by Cognex and Symbol, manufacturers of the equipment at issue. On March 29, 2001, the Court granted the defendants' Motion to Stay and ordered that the lawsuit be stayed pending the entry of a final non-appealable judgment in the cases filed by Cognex and Symbol. We continue to explore any indemnity or similar rights Benchmark may have against manufacturers of the machines or other third parties. Management intends to vigorously defend against such claim and pursue all rights it has against third parties. No material developments occurred in this proceeding during the period covered by this report.

Benchmark is also involved in various other legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on Benchmark's consolidated financial position or results of operations.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of 2001.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

The information on page 52 of the Company's Annual Report to Stockholders for the fiscal year ended December 31, 2001 (the "2001 Annual Report") is incorporated herein by reference in response to this item.

## 9

### ITEM 6. SELECTED FINANCIAL DATA

The information on page 53 of the 2001 Annual Report is incorporated herein by reference in response to this item.

### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information on pages 13 through 29 of the 2001 Annual Report is incorporated herein by reference in response to this item.

### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information on pages 23 through 29 of the 2001 Annual Report is incorporated herein by reference in response to this item.

### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information on pages 30 through 51 of the 2001 Annual Report is incorporated herein by reference in response to this item.

### ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

## PART III

## Edgar Filing: BENCHMARK ELECTRONICS INC - Form 10-K405

### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information under the captions "Election of Directors," "Executive Officers" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's Proxy Statement for the 2002 Annual Meeting of Shareholders (the "2002 Proxy Statement"), to be filed not later than 120 days after the close of the Company's fiscal year, is incorporated herein by reference in response to this item.

### ITEM 11. EXECUTIVE COMPENSATION

The information under the caption "Executive Compensation and Other Matters" in the 2002 Proxy Statement, to be filed not later than 120 days after the close of the Company's fiscal year, is incorporated herein by reference in response to this item.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information under the caption "Common Stock Ownership of Certain Beneficial Owners and Management" in the 2002 Proxy Statement, to be filed not later than 120 days after the close of the Company's fiscal year, is incorporated herein by reference in response to this item.

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information under the caption "Certain Transactions" in the 2002 Proxy Statement, to be filed not later than 120 days after the close of the Company's fiscal year, is incorporated herein by reference in response to this item.

10

## PART IV

### ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) Financial Statements, Financial Statement Schedules, and Exhibits

#### 1. FINANCIAL STATEMENTS OF THE COMPANY

Reference is made to the Financial Statements, the report thereon, the notes thereto and supplementary data commencing at page 30 of the 2001 Annual Report, which financial statements, report, notes and data are incorporated herein by reference in response to this item. Set forth below is a list of such Financial Statements:

- Consolidated Financial Statements of the Company
- Independent Auditors' Report
- Consolidated Balance Sheets as of December 31, 2001 and 2000
- Consolidated Statements of Income (Loss) for the years ended December 31, 2001, 2000 and 1999
- Consolidated Statements of Shareholders' Equity and Comprehensive Income (Loss) for the years ended December 31, 2001, 2000 and 1999
- Consolidated Statements of Cash Flows for the years ended December 31, 2001, 2000 and 1999
- Notes to Consolidated Financial Statements

#### 2. FINANCIAL STATEMENT SCHEDULE

Benchmark Electronics, Inc.  
Schedule II--Valuation Accounts  
(in thousands)

Edgar Filing: BENCHMARK ELECTRONICS INC - Form 10-K405

	BALANCE AT BEGINNING OF PERIOD	ADDITIONS		DEDUCTIONS
		CHARGES TO OPERATIONS	OTHER ADDITIONS	
Year ended December 31, 2001				
Allowance for doubtful accounts(1).....	\$ 4,276	2,616	--	4,681
Inventory obsolescence reserve(3).....	\$ 8,226	7,607	--	6,809
Year ended December 31, 2000				
Allowance for doubtful accounts(1) (2).....	\$ 7,705	921	64	4,414
Inventory obsolescence reserve(2) (3).....	\$20,000	3,748	140	15,662
Year ended December 31, 1999				
Allowance for doubtful accounts(1) (4).....	\$ 100	273	7,332	--
Inventory obsolescence reserve(4).....	\$ 3,510	1,911	14,579	--

(1) Deductions in the allowance for doubtful accounts represent write-offs, net of recoveries, of amounts determined to be uncollectible.

(2) Other addition relates to the acquisition of MSI.

(3) Deductions in the inventory obsolescence reserve represent disposals of inventory determined to be obsolete.

(4) Other addition relates to the acquisition of AVEX.

11

Independent Auditors' Report on Schedule

The Board of Directors and Shareholders

Benchmark Electronics, Inc.:

Under date of February 5, 2002, we reported on the consolidated balance sheets of Benchmark Electronics, Inc. and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income (loss), shareholders' equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2001, as incorporated by reference in this annual report on form 10-K for the year 2001. In connection with the audits of the aforementioned consolidated financial statements, we also have audited the related consolidated financial statement schedule included in Item 14(a)2. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits.

In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

KPMG LLP

Houston, Texas

February 5, 2002

12

## Edgar Filing: BENCHMARK ELECTRONICS INC - Form 10-K405

### 3. EXHIBITS

Each exhibit marked with an asterisk is filed with this Annual Report on Form 10-K.

EXHIBIT NUMBER -----	DESCRIPTION -----
2.1	-- Purchase Agreement dated as of January 22, 1998 by and between the Company and Lockheed Martin Corporation (incorporated herein by reference to Exhibit 2 to the Company's Current Report on Form 8-K dated February 23, 1998).
2.2	-- Agreement and Plan of Merger dated as of March 27, 1996 by and among the Company, Electronics Acquisition, Inc., EMD Technologies, Inc., David H. Arnold and Daniel M. Rukavina (incorporated herein by reference to Appendix A of the Company's Registration Statement on Form S-4 (Registration No. 333-4230)).
2.3	-- Amendment No. 1 to Agreement and Plan of Merger dated as of April 5, 1996 by and among the Company, Electronics Acquisition, Inc., EMD Technologies, Inc., David H. Arnold and Daniel M. Rukavina (incorporated herein by reference to Exhibit 2.2 to the Company's Registration Statement on Form S-4 (Registration No. 333-4230)).
2.4	-- Purchase and Sale Agreement by and among Stratus Computer Ireland, Ascend Communications Inc., BEI Electronics Ireland Limited and the Company dated January 22, 1999 (incorporated by reference herein to Exhibit 2.1 to the Company's Current Report on Form 8-K dated January 22, 1999).
2.5	-- Amended and Restated Stock Purchase Agreement dated as of August 12, 1999 by and between the Company and J. M. Huber Corporation (incorporated by reference herein to Exhibit 2 to the Company's Current Report on Form 8-K dated August 24, 1999 and filed on September 8, 1999).
2.6	-- Asset Purchase Agreement by and between Benchmark Electronics AB and Flextronics International Sweden AB (incorporated by reference herein to Exhibit 2 to the Company's Current Report on Form 8-K/A dated July 31, 2000).
3.1	-- Amended and Restated Articles of Incorporation of the Company (incorporated herein by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1 (Registration No. 33-46316) (the "Registration Statement"))
3.2*	-- Amended and Restated Bylaws of the Company.
3.3	-- Amendment to Amended and Restated Articles of Incorporation of the Company adopted by the shareholders of the Company May 20, 1997 (incorporated herein by reference to Exhibit 3.3 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998).

## Edgar Filing: BENCHMARK ELECTRONICS INC - Form 10-K405

- 3.4 -- Statement of Resolution Establishing Series A Cumulative Junior Participating Preferred Stock of Benchmark Electronics, Inc. (incorporated by reference to Exhibit B the Rights Agreement dated December 11, 1998 between the Company and Harris Trust Savings Bank, as Rights Agent, included as Exhibit 1 to the Company's Form 8A12B filed December 11, 1998).
- 4.1 -- Restated Articles of Incorporation of the Company (incorporated herein by reference to Exhibit 3.1 to the Registration Statement).
- 13
- 4.2 -- Amended and Restated Bylaws of the Company (incorporated herein by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998).
- 4.3 -- Amendment to the Restated Articles of Incorporation of the Company adopted by the shareholders of the Company on May 20, 1997 (incorporated herein by reference to Exhibit 3.3 the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998).
- 4.4 -- Specimen form of certificate evidencing the Common Stock (incorporated herein by reference to Exhibit 4.3 to the Registration Statement).
- 4.5 -- Rights Agreement dated December 11, 1998 between the Company and Harris Trust Savings Bank, as Rights Agent, together with the following exhibits thereto: Exhibit A--Form of Statement of Resolution Establishing Series A Cumulative Junior Participating Preferred Stock of Benchmark Electronics, Inc.; Exhibit B--Form of Right Certificate; and Exhibit C--Summary of Rights to Purchase Preferred Stock of Benchmark Electronics, Inc. (incorporated by reference to Exhibit 1 to the Company's Form 8A12B filed December 11, 1998).
- 4.6 -- Summary of Rights to Purchase Preferred Stock of the Company (incorporated by reference to Exhibit 3 to the Company's Form 8A12B/A filed December 22, 1998).
- 4.7 -- Indenture dated as of August 13, 1999 by and between the Company and Harris Trust Company of New York, as trustee (incorporated by reference from Exhibit 99.3 to Benchmark's Form 8-K dated August 24, 1999 and filed on September 8, 1999).
- 10.1 -- Form of Indemnity Agreement between the Company and each of its directors and officers (incorporated herein by reference to Exhibit 10.11 to the Registration Statement).
- 10.2 -- Benchmark Electronics, Inc. Stock Option Plan dated May 11, 1990 (incorporated herein by reference to Exhibit 10.12 to the Registration Statement).
- 10.3 -- Form of Benchmark Electronics, Inc. Incentive Stock Option



## Edgar Filing: BENCHMARK ELECTRONICS INC - Form 10-K405

- Agreement used under the 1990 Stock Option Plan between the Company and the optionee (incorporated herein by reference to Exhibit 10.13 to the Registration Statement).
- 10.4 -- Form of Benchmark Electronics, Inc. Nonqualified Stock Option Agreement used under the 1990 Stock Option Plan between the Company and the optionee (incorporated herein by reference to Exhibit 10.14 to the Registration Statement).
- 10.5 -- First Amendment to Lucent Technologies Network Systems do Brasil S.A. dated June 14, 2000 by and between Benchmark Electronics Ltda and Lucent Technologies Network Systems do Brasil S.A. (incorporated herein by reference to Exhibit 10.5 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000.)
- 10.6 -- Benchmark Electronics, Inc. 1994 Stock Option Plan for Non-Employee Directors (incorporated herein by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994).
- 10.7 -- Benchmark Electronics, Inc. 401(k) Employee Savings Plan Adoption Agreement dated January 2, 2001 by and between Benchmark Electronics, Inc. and Boston Safe Deposit and Trust Company (incorporated herein by reference to Exhibit 10.1 to the Company's Form 11-K for the fiscal year ended December 31, 2000).
- 14
- 10.8 -- Dreyfus Prototype Defined Contribution Plan Basic Plan Document No. 01 (incorporated by reference to Exhibit 10.2 to the Company's Form 11-K for the fiscal year ended December 31, 2000).
- 10.9 -- Benchmark Electronics, Inc. Employee Stock Purchase Plan (incorporated by reference to Exhibit 99.1 to the Company's Registration Statement on Form S-8 (Registration Number 333-76207)).
- 10.10 -- Benchmark Electronics, Inc. 2000 Stock Awards Plan (incorporated herein by reference to Exhibit 4.8 to the Company's Registration Statement on Form S-8 (Registration Number 333-54186)).
- 10.11 -- Form of incentive stock option agreement for use under the 2000 Stock Awards Plan (incorporated herein by reference to Exhibit 4.8 to the Company's Registration Statement on Form S-8 (Registration Number 333-54186)).
- 10.12 -- First Amendment to the Benchmark Electronics, Inc. Employee Stock Purchase Plan (incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000).
- 10.13 -- Lease Agreement dated June 1, 2000 between Industrial Properties of the South and the Company (incorporated by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000).

## Edgar Filing: BENCHMARK ELECTRONICS INC - Form 10-K405

- 10.14 -- Lease Agreement dated February 29, 2000 between Millikan Properties, LLC and the Company (incorporated herein by reference to Exhibit 10.12 to the Company's Annual Report Form 10-K for the fiscal year ended December 31, 1999).
- 10.15 -- Lease Agreement dated July 30, 1996 by and among David H. Arnold, Muriel M. Arnold, Daniel M. Rukavina, Patricia A. Rukavina and EMD Associates, Inc., as amended by Amendment to Lease dated July 30, 1996.
- 10.16\* -- Lease Agreement dated December 15, 1992 by and among David H. Arnold, Muriel M. Arnold, Daniel M. Rukavina, Patricia Rukavina and EMD Associates, Inc., as amended by Amendment to Lease dated January 1, 1994, Amendment to Lease dated December 15, 1995, and Amendment to Lease dated July 30, 1996.
- 10.17 -- CE Facility Lease dated February 23, 1998 by and between the Company and Lockheed Martin Corporation Plan (incorporated herein by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999).
- 10.18 -- Sander's Sublease dated February 23, 1998 by and between the Company and Sanders, a Lockheed Martin Company and a division of Lockheed Martin Corporation (incorporated herein by reference to Exhibit 10.16 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999).
- 10.19 -- First Amendment to CE Facility Lease dated February 21, 2000 by and between the Company and Lockheed Martin Corporation (incorporated herein by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999).
- 10.20 -- First Amendment to Sanders Sublease dated February 24, 2000 by and between the Company and Sanders, a Lockheed Martin Company and a division of Lockheed Martin Corporation (incorporated herein by reference to Exhibit 10.18 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999).
- 15
- 10.21 -- Lease Agreement dated February 22, 1999 by and between Serto, S.A. de C.V. and AVEX Electronics de Mexico, S.R.L. de C.V. (incorporated herein by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999).
- 10.22 -- Sublease Agreement dated February 22, 1999 by and between Operadora Farmaceutica, S.A. de C.V. and AVEX Electronics de Mexico, S.R.L. de C.V. (incorporated herein by reference to Exhibit 10.20 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999).
- 10.23 -- Lease Renewal Amendment dated September 29, 2000 by and between the Company and General Electric Capital Corporation

## Edgar Filing: BENCHMARK ELECTRONICS INC - Form 10-K405

(incorporated by reference to Exhibit 10.22 to the Company Annual Report on Form 10-K for the fiscal year ended December 31, 2000).

- 10.24 -- Guarantee dated September 10, 1998 by the Company in favor of Kilmore Developments Limited (incorporated herein by reference to Exhibit 10.14 to the Company's Annual Report Form 10-K for the fiscal year ended December 31, 1998).
- 10.25 -- Lease Agreement dated March 9, 2001 by and between BEI Electronics Ireland Limited and Canada Life Assurance (Ireland) Limited (incorporated by reference to Exhibit 10.24 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000).
- 10.26 -- Amended and Restated Credit Agreement dated as of June 23, 2000 by and among the Company, the Borrowing Subsidiaries, the lenders party thereto, Fleet National Bank, as documentation agent, Credit Suisse First Boston, as syndication agent, Bank of America, N.A., Bank One NA and Sun Trust Bank as co-agents, and Chase Bank of Texas, National Association, as administrative agent, collateral agent and issuing bank (incorporated by reference to Exhibit 10.25 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000).
- 10.27 -- Registration Rights Agreement dated as of August 24, 1999 and between the Company and J. M. Huber Corporation (incorporated by reference from Exhibit 99.2 to Benchmark Electronics, Inc.'s Form 8-K dated August 24, 1999 and filed on September 8, 1999).
- 10.28 -- Registration Agreement dated as of August 9, 1999 by and among the Company, Salomon Smith Barney Inc. and Chase Securities Inc. (incorporated by reference from Exhibit 99 to Benchmark Electronics, Inc.'s Form 8-K dated August 24, 1999 and filed on September 8, 1999).
- 10.29 -- Lease Agreement dated September 15, 2000 by and between Benchmark Electronics Corp. and Nancy E. Thompson, Trustee of Goat Hollow Realty Trust (incorporated by reference to Exhibit 10.28 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000).
- 10.30 -- Lease Agreement dated June 15, 1998 by and between AVEX Electronics do Brasil Ltda and Lucent Technologies Network Systems do Brasil S.A. (incorporated by reference to Exhibit 10.29 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000).
- 16
- 10.31 -- First Amendment to Lucent Technologies Network Systems do Brasil S.A. dated June 14, 2000 by and between Benchmark Electronics Ltda and Lucent Technologies Network Systems do Brasil S.A. (incorporated by reference to Exhibit 10.30 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999).

Edgar Filing: BENCHMARK ELECTRONICS INC - Form 10-K405

- 10.32 -- Form of Employment Agreements between the Company and its Chief Executive Officer, President and Executive Vice President dated August 1, 2001 (incorporated by reference from Exhibit 10.1 to Benchmark Electronics, Inc.'s Form 10-K dated September 30, 2001 and filed on November 13, 2001).
- 10.33\* -- Severance Agreement between the Company and Gayla J. Delly dated January 24, 2002.
- 12\* -- Statement regarding Computation of Ratios.
- 13\* -- Benchmark Electronics, Inc. Annual Report to Shareholders for the fiscal year ended December 31, 2001.
- 21\* -- Subsidiaries of Benchmark Electronics, Inc.
- 23\* -- Consent of Independent Auditors concerning incorporation by reference in the Company's Registration Statements on Form S-8 (Registration No. 33-61660, No. 333-26805, No. 333-28997, No. 333-54186, No. 333-66889, and No. 333-76207) and on Form S-3 (Registration No. 333-90723 and No. 333-90887).

-----  
 (b) The Company did not file any Current Reports on Form 8-K during the quarter ended December 31, 2001 or during the period from December 31, 2000 to the date of this Form 10-K.

17

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BENCHMARK ELECTRONICS, INC.

By: /s/ DONALD E. NIGBOR

-----  
 Donald E. Nigbor  
 CHIEF EXECUTIVE OFFICER

Date: March 15, 2002

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated and on the dates indicated.

NAME	POSITION	DATE
----	-----	----

Edgar Filing: BENCHMARK ELECTRONICS INC - Form 10-K405

/s/ DONALD E. NIGBOR ----- Donald E. Nigbor	Chairman of the Board and Chief Executive Officer (principal executive officer)	March 15, 200
/s/ STEVEN A. BARTON ----- Steven A. Barton	Director and Executive Vice President	March 15, 200
/s/ CARY T. FU ----- Cary T. Fu	Director and President (principal operating officer)	March 15, 200
/s/ GAYLA J. DELLY ----- Gayla J. Delly	Chief Financial Officer (principal financial and accounting officer)	March 15, 200
----- John C. Custer	Director	
----- Peter G. Dorflinger	Director	
----- David H. Arnold	Director	