

METHODE ELECTRONICS INC

Form 11-K

June 29, 2007

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 11-K**

þ **ANNUAL REPORT PURSUANT TO SECTION 15 (d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**For the year ended December 31, 2006**

o **TRANSITION REPORT PURSUANT TO 15 (d) OF THE SECURITIES EXCHANGE ACT OF  
1934**

**For the transition period from \_\_\_ to \_\_\_**

**Commission File Number: 0-2816**

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

**Methode Electronics, Inc. 401(k) Savings Plan**

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

**Methode Electronics, Inc.**

**7401 West Wilson Avenue**

**Chicago, IL 60706-4548**

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supplemental schedule  
Methode Electronics, Inc. 401(k) Savings Plan  
Years Ended December 31, 2006 and 2005

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Methode Electronics, Inc.  
401(k) Savings Plan  
Financial Statements and  
Supplemental Schedule  
Years Ended December 31, 2006 and 2005

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Report of Independent Registered Public Accounting Firm

The Administration Committee

Methode Electronics, Inc.

401(k) Savings Plan

We have audited the accompanying statements of net assets available for benefits of Methode Electronics, Inc. 401(k) Savings Plan as of December 31, 2006, and 2005, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2006 and 2005, and the changes in net assets available for benefits for the years then ended, in conformity with accounting principles generally accepted in the United States.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2006, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedure applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ Frank L. Sassetti & Co.

June 27, 2007

Oak Park, Illinois

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Methode Electronics, Inc.  
401(k) Savings Plan  
Statements of Net Assets Available for Benefits

	<b>December 31,</b>	
	<b>2006</b>	<b>2005</b>
<b>Assets</b>		
Cash	\$ 99,429	\$ 8,791
Investments, at fair value:		
Group annuity contract	3,010,143	3,834,000
Mutual funds	34,800,774	29,548,106
Common stock	3,088,764	3,008,886
Participant loans	1,573,766	1,367,493
<b>Total investments</b>	<b>42,473,447</b>	<b>37,758,485</b>
Receivables:		
Unsettled investment sales	20,189	10,617
Accrued interest / dividends	32,093	22,183
<b>Total receivables</b>	<b>52,282</b>	<b>32,800</b>
<b>Total assets</b>	<b>42,625,158</b>	<b>37,800,076</b>
<b>Liabilities</b>		
Unsettled investment purchases	98,048	14,414
<b>Total liabilities</b>	<b>98,048</b>	<b>14,414</b>
<b>Net assets available for benefits, at fair value</b>	<b>42,527,110</b>	<b>37,785,662</b>
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	209,365	196,007
<b>Net assets available for benefits</b>	<b>\$42,736,475</b>	<b>\$37,981,669</b>

*See accompanying notes.*

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Methode Electronics, Inc.  
401(k) Savings Plan  
Statements of Changes in Net Assets Available for Benefits

	<b>Years Ended December 31,</b>	
	<b>2006</b>	<b>2005</b>
<b>Additions</b>		
Participant contributions	\$ 2,533,716	\$ 2,518,327
Company contributions	1,797,390	1,870,426
Rollovers	134,146	563,547
Interest and dividends	2,336,283	1,663,560
 Total additions	 <b>6,801,535</b>	 6,615,860
<b>Deductions</b>		
Benefits paid to participants	4,093,228	3,571,239
 Total deductions	 4,093,228	 3,571,239
Net realized and unrealized appreciation (depreciation) in fair value of investments	2,046,499	(363,245)
 Net increase	 4,754,806	 2,681,376
Net assets available for benefits:		
Beginning of year	37,981,669	35,300,293
 End of year	 <b>\$42,736,475</b>	 \$37,981,669

*See accompanying notes.*

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Methode Electronics, Inc.  
401(k) Savings Plan  
Notes to Financial Statements  
Years Ended December 31, 2006 and 2005

**1. Description of the Plan**

The following description of the Methode Electronics, Inc. 401(k) Savings Plan (Plan) provides only general information. Participants should refer to the Summary Plan Description (SPD) for a more complete description of the Plan's provisions. Copies of the SPD are available from Methode Electronics, Inc.

**General**

The Plan is a defined-contribution plan established to provide additional retirement and other benefits for eligible employees, to enable eligible employees, through systematic savings, to accumulate funds on a tax-advantageous basis, and to provide a vehicle through which the plan sponsor, Methode Electronics, Inc. and its subsidiaries (the Company), can attract and retain qualified employees.

**Participation**

Employees who are employed by the Company for three full calendar months are eligible to participate in the Plan on the first day of the following calendar month.

**Contributions**

Participants may elect to contribute a minimum of 2% of their pretax annual compensation (as defined in the Plan), up to the maximum annual dollar limit allowable by the Internal Revenue Service (IRS).

The Company contributes to the Plan, on behalf of each participant, 3% of each participant's eligible compensation (as defined by the Plan), subject to the IRS maximum amount, for the portion of the Plan year in which the employee was a participant in the Plan.

Participants may direct contributions into various investment options offered by the Plan.

**Participant Withdrawals**

Withdrawals are permitted in the event of termination of employment, disability, death, retirement, attainment of age 59 1/2, or financial hardship. A financial hardship withdrawal is currently permitted by the IRS for certain authorized purposes. Such withdrawals must be approved by the 401(k) Hardship Committee. Withdrawals prior to the attainment of age 59 1/2 may be subject to an additional 10% tax penalty.

**Vesting**

Participants are immediately vested in Company contributions, their contributions, and actual earnings (losses) thereon.



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Methode Electronics, Inc.  
401(k) Savings Plan  
Notes to Financial Statements (continued)

**Loans**

Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% of their account balance. Loan terms range from 1 to 5 years or up to 15 years for the purchase of a primary residence. The loans are secured by the balance in the participant's account and bear interest at the prime rate plus 1%. Principal and interest are paid ratably through payroll deductions.

**Participant Accounts**

Each participant's account is credited with the participant's contributions and allocations of Company contributions and Plan earnings (losses). Allocations are based on participant earnings or account balances as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

**Plan Termination**

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of the Employee Retirement Income Security Act of 1974.

**2. Significant Accounting Policies**

**Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting.

**Valuation of Investments**

The group annuity contract fair value and contract value are estimated by Hartford Life Insurance Company. Contract value represents contributions made, plus interest at the contract rate, less funds used to pay participants' benefits. The Plan does not allow for new investment in this contract. There are significant penalties if the entire contract were prematurely terminated.

The group annuity contract had an average yield of 3.36% and 3.37% (annualized) for the years ended December 31, 2006 and 2005, respectively. The crediting interest rate was 3.14% and 3.0% at December 31, 2006 and 2005, respectively. The crediting interest rate is set at the beginning of the calendar year and is periodically reviewed for adjustment.

The shares of mutual funds are valued at quoted market prices, which represent the net asset values of shares on the last business day of the Plan year. The fair value of common stock is determined by quoted market prices. Participant loans are valued at their outstanding balances, which approximate fair value

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Methode Electronics, Inc.  
401(k) Savings Plan  
Notes to Financial Statements (continued)

Purchases and sales are recorded on a trade-date basis. Interest is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

**Change in accounting principle**

In December, 2005, the Financial Accounting Standards Board ( FASB ) issued a Staff Position ( FSP ), *Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined Contribution Health and Welfare and Pension Plans*. This FSP amends the guidance in AICPA Statement of Position 94-4, *Reporting of Investment Contracts Held by Health and Welfare Benefit Plans and Defined-Contribution Pension Plans*, with respect to the definition of fully benefit-responsive investment contracts and the presentation and disclosure of fully benefit-responsive investment contracts in plan financial statements. The FSP requires that investments in common/collective trusts that include benefit-responsive investment contracts be presented at fair value in the statement of net assets available for benefits and that the amount representing the difference between fair value and contract value of these investments also be presented on the face of the statement of net assets available for benefits. The FSP is effective for financial statements for annual periods ending after December 15, 2006 and must be applied retroactively to all prior periods presented. Accordingly, the Plan has adopted the financial statement presentation and disclosure requirements effective December 31, 2006, and has restated the 2005 Statement of Net Assets Available for Benefits to present all investments at fair value, with the adjustment to contract value separately disclosed. The effect of adopting the FSP had no impact on the Plan's net assets available for benefits or changes in net assets available for benefits, as such investments have historically been presented at contract value.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Risks and Uncertainties**

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

**Administrative Expenses**

Generally, expenses of the Plan are paid by the Company.

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Methode Electronics, Inc.  
401(k) Savings Plan  
Notes to Financial Statements (continued)

**3. Investments**

The Plan's investments (including investments purchased, sold, as well as held during the year) appreciated / depreciated in fair value as determined by quoted market prices as follows:

	<b>Years Ended December 31</b>	
	<b>2006</b>	<b>2005</b>
Mutual funds	<b>\$1,683,610</b>	\$ 429,189
Common stock	<b>362,889</b>	(792,434)
	<b>\$2,046,499</b>	\$(363,245)

Investments that represent 5% or more of the Plan's net assets are as follows:

	<b>December 31,</b>	
	<b>2006</b>	<b>2005</b>
Hartford Life Insurance Company Group Annuity Contract	<b>\$3,010,143</b>	<b>\$ 3,834,000</b>
Lincoln Stable Value Fund	<b>2,366,967</b>	
American Funds		
American Balanced Fund	<b>9,479,482</b>	<b>10,184,920</b>
American Mutual Fund	<b>4,841,719</b>	<b>3,771,106</b>
American Growth Fund of America	<b>6,051,266</b>	<b>6,167,503</b>
Euro Pacific Fund	<b>3,100,188</b>	
Davis NY Venture Fund	<b>4,502,554</b>	
Methode Electronics, Inc. Common Stock Fund	<b>2,932,212</b>	<b>2,846,315</b>

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Methode Electronics, Inc.  
401(k) Savings Plan  
Notes to Financial Statements (continued)

**4. Income Tax Status**

The Plan has received a determination letter from the IRS dated September 11, 2002, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the Code) and, therefore, the related trust is exempt from taxation. Subsequent to this determination by the IRS, the Plan was amended. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The plan administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan is qualified and the related trust is tax-exempt.

**5. Subsequent Event**

Effective January 12, 2007, Stratos International, Inc. common stock was no longer a Methode Electronics, Inc. 401(k) Savings Plan Investment Option.

**6. Reconciliation of Financial Statements to Form 5500**

The following is a reconciliation of investments at fair value per the financial statements to the Form 5500 at December 31,

	<b>2006</b>	<b>2005</b>
Investments, at fair value, per the financial statements	\$ 42,473,447	\$ 37,758,485
Adjustment from fair value to contract value for investments in fully benefit-responsive insurance contracts	209,365	196,007
Investments, per Form 5500	\$ 42,682,812	\$ 37,954,492

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**Methode Electronics, Inc.**  
**401(k) Savings Plan**  
**Schedule H, Line 4i Schedule of Assets**  
**(Held at End of Year)**  
**EIN #36-2090085 Plan #002**  
**December 31, 2006**

Identity of Issue	Description of Investment	Shares or Units	Cost	Current Value
<b>Annuity contract</b>				
Hartford Life Insurance Company	Group Annuity Contract	3,219,508	**	\$ 3,010,143
<b>Mutual funds</b>				
Lincoln Financial Group	Lincoln Stable Value Fund	2,366,967	**	2,366,967
The American Funds Group	American Balanced Fund	498,395	**	9,479,482
	American Mutual Fund	165,756	**	4,841,719
	Europacific Growth Fund	66,585	**	3,100,188
	Growth Fund of America	184,097	**	6,051,266
	New Economy Fund	59,855	**	1,598,128
Delaware Investments	Delaware Diversified Income	127,193	**	1,114,207
	Delaware Select Growth	32,571	**	873,889
AIM Investments	Aim Capital Development	47,360	**	872,374
Davis Funds	Davis NY Venture	4,289,915	**	4,502,554
				34,800,774
<b>Common stock</b>				
Stratos Lightwave, Inc.	Stratos Lightwave, Inc. Common Stock	20,599	**	156,552
Methode Electronics, Inc.*	Methode Electronics, Inc. Common Stock	270,749	**	2,932,212
				3,088,764
Total investments at fair value				40,899,681
Adjustment from fair value to contract value for fully responsive investment contracts				209,365
Total investments, as adjusted				41,109,046

<b>Participant loans</b>	Interest rates range from 5.0% to 10.5%	**	1,573,766
			\$ 42,682,812

\* Party in interest.

\*\* Cost information is not required for participant directed investments and participant loans and therefore, is not included

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SIGNATURE

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

Date: June 29, 2007

By: /s/ Douglas A. Koman  
Douglas A. Koman  
Chief Financial Officer  
*(Principal Financial Officer)*