

METHODE ELECTRONICS INC

Form 10-K

July 01, 2010

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended May 1, 2010

Commission File Number 0-2816

METHODE ELECTRONICS, INC.

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

36-2090085

(IRS Employer
Identification No.)

7401 West Wilson Avenue

Chicago, Illinois

(Address of Principal Executive Offices)

60706-4548

(Zip Code)

Registrant's telephone number (including area code): **(708) 867-6777**

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Securities registered pursuant to Section 12(b) of the Act:

Title of each Class	Name of each exchange on which registered
Common Stock, \$0.50 Par Value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 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.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of common stock, \$0.50 par value, held by non-affiliates of the Registrant on October 31, 2009, based upon the average of the closing bid and asked prices on that date as reported by the New York Stock Exchange was \$240.1 million.

Registrant had 38,146,646 shares of common stock, \$0.50 par value, outstanding as of July 1, 2010.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the proxy statement for the annual shareholders meeting to be held September 16, 2010 are incorporated by reference into Part III.

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May 1, 2010

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PART I

Item 1. Business

Methode Electronics, Inc. was incorporated in 1946 as an Illinois corporation and reincorporated in Delaware in 1966. As used herein, we, us, our, the Company or Methode mean Methode Electronics, Inc. and its subsidiaries.

We are a global designer and manufacturer of electro-mechanical devices. We design, manufacture and market devices employing electrical, radio remote control, electronic, wireless, sensing and optical technologies. Our components are found in the primary end markets of the aerospace, appliance, automotive, construction, consumer and industrial equipment markets, communications (including information processing and storage, networking equipment, wireless and terrestrial voice/data systems), rail and other transportation industries.

Since January 2008, we've undertaken two separate restructuring initiatives to reposition our company to be more competitive in the marketplace. Both restructuring initiatives were completed during fiscal 2010. We have recorded a total of \$25.7 million of costs related to the January 2008 restructuring, of which \$2.5 million was recorded in fiscal 2010. We have also recorded a total of \$12.5 million of costs related to the March 2009 restructuring, of which \$5.3 million was recorded in fiscal 2010.

We maintain our financial records on the basis of a fifty-two or fifty-three week fiscal year ending on the Saturday closest to April 30. Due to the timing of our fiscal calendar, the fiscal years ended May 1, 2010 and May 2, 2009 represent 52 weeks of results and the fiscal year ended May 3, 2008 represents 53 weeks of results.

Segments. Our business is managed and our financial results are reported on a segment basis, with those segments being Automotive, Interconnect, Power Products and Other.

The Automotive segment supplies electronic and electromechanical devices and related products to automobile OEMs, either directly or through their tiered suppliers, including control switches for electrical power and signals, connectors for electrical devices, integrated control components, switches and sensors that monitor the operation or status of a component or system, and packaging of electrical components.

The Interconnect segment provides a variety of copper and fiber-optic interconnect and interface solutions for the aerospace, appliance, commercial, computer, construction, consumer, material handling, medical, military, mining, networking, storage, and telecommunications markets. Solutions include connectors, conductive polymer, thick film inks, custom cable assemblies, industrial safety radio remote controls, solid-state field effect interface panels, optical and copper transceivers, PC and express card packaging and terminators. Services include the design and installation of fiber optic and copper infrastructure systems, and manufacturing active and passive optical components.

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The Power Products segment manufactures braided flexible cables, current-carrying laminated bus devices, custom power-product assemblies, high-current low voltage flexible power cabling systems and powder coated bus bars that are used in various markets and applications, including aerospace, computers, industrial and power conversion, insulated gate bipolar transistor solutions, military, telecommunications, and transportation.

The Other segment includes a designer and manufacturer of magnetic torque sensing products, and independent laboratories that provide services for qualification testing and certification, and analysis of electronic and optical components.

Financial results by segment are summarized in Note 14 to the consolidated financial statements.

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Sales. The following table reflects the percentage of net sales of the segments of the Company for the last three fiscal years.

	Year Ended		
	May 1, 2010	May 2, 2009	May 3, 2008
Automotive	53.4%	57.2%	65.7%
Interconnect	33.3%	30.8%	24.7%
Power Products	10.8%	10.0%	8.3%
Other	2.5%	1.9%	1.3%

Our sales activities are directed by sales managers who are supported by field application engineers and other engineering personnel who work with customers to design our products into their systems. Our field application engineers also help us identify emerging markets and new products. Our products are sold through in-house sales staff and through independent manufacturers' representatives with offices throughout the world. Information about our sales and operations in different geographic regions is summarized in Note 14 to the consolidated financial statements. Sales are made primarily to OEMs, either directly or through their tiered suppliers as well as selling partners and distributors.

Sources and Availability of Materials. Principal materials that we purchase include coil and bar stock, die castings, ferrous and copper alloy sheet, glass, plastic molding materials, precious metals, application-specific integrated circuits, light-emitting diode (LED) displays and silicon. All of these items are available from several suppliers and we generally rely on more than one supplier for each item. We have not experienced any significant shortages of raw materials and normally do not carry inventories of raw materials or finished products in excess of those reasonably required to meet production and shipping schedules. We did not experience significant price increases in fiscal 2010 and 2009 for copper, precious metals and petroleum-based raw materials. We did, however, experience significant price increases in fiscal 2008 related to those items.

Patents; Licensing Agreements. We have numerous United States and foreign patents and license agreements covering certain of our products and manufacturing processes, several of which are considered significant to our business. Our ability to compete effectively with other companies depends, in part, on our ability to maintain the proprietary nature of our technology. Although we have been awarded, have filed applications for, or have been licensed under numerous patents in the United States and other countries, there can be no assurance concerning the degree of protection afforded by these patents or the likelihood that pending patents will be issued.

Seasonality. A significant portion of our business is dependent on automotive sales and the vehicle production schedules of our customers. The automotive market is cyclical and depends on general economic conditions, interest rates, fuel prices and consumer spending patterns. Historically, our business was moderately seasonal as our North American automotive customers halt operations for approximately two weeks in July for model changeovers and for one to two weeks during the December holiday period. During the second half of fiscal 2009 and the first quarter of fiscal 2010, we experienced additional customer plant shutdowns due to lower demand for their products. If we continue to experience shutdowns in addition to July and December, future quarterly results may be affected.

Material Customers. During the fiscal year ended May 1, 2010, shipments to Ford Motor Company (Ford) and General Motors Corporation (GM), or their tiered suppliers, each represented approximately 10% or greater of consolidated net sales and, in the aggregate, amounted to approximately 32.1% of consolidated net sales. Such shipments included a wide variety of our automotive component products.

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Backlog. Our backlog of orders was approximately \$59.3 million at May 1, 2010, and \$66.7 million at May 2, 2009. It is expected that most of the total backlog at May 1, 2010 will be shipped within fiscal 2011.

Competitive Conditions. The markets in which we operate are highly competitive and characterized by rapid changes due to technological improvements and developments. We compete with a large number of other manufacturers in each of our product areas; many of these competitors have greater resources and sales. Price, service and product performance are significant elements of competition in the sale of our products.

Research and Development. We maintain a research and development program involving a number of professional employees who devote a majority of their time to the development of new products and processes and the advancement of existing products. Senior management of our Company participates directly in the program. Expenditures for such activities amounted to \$18.4 million, \$22.0 million and \$25.6 million for fiscal 2010, 2009 and 2008, respectively.

Environmental Matters. Compliance with foreign, federal, state and local provisions regulating the discharge of materials into the environment has not materially affected our capital expenditures, earnings or our competitive position. Currently, we do not have any environmental related lawsuits or material administrative proceedings pending against us. Further information as to environmental matters affecting us is presented in Note 9 to the consolidated financial statements.

Employees. At May 1, 2010 and May 2, 2009, we had 2,315 and 2,876 employees, respectively. We also from time to time employ part-time employees and hire independent contractors. As of May 1, 2010 our employees from our Malta and Mexico facilities, which account for about 50% of the total number of employees, are represented by a collective bargaining agreement. We have never experienced a work stoppage and we believe that our employee relations are good.

Segment Information and Foreign Sales. Information about our operations by segment and in different geographic regions is summarized in Note 14 to the consolidated financial statements.

Available Information. We are subject to the informational requirements of the Securities Exchange Act of 1934 (Exchange Act) and file periodic reports, proxy statements and other information with the Securities and Exchange Commission (SEC). Such reports may be obtained by visiting the Public Reference Room of the SEC at 100 F Street, NE, Washington, D.C. 20549, or by calling the SEC at (800) SEC-0330. In addition, the SEC maintains an internet site (www.sec.gov) that contains reports, proxy and information statements and other information.

Financial and other information can also be accessed on the investor section of our website at www.methode.com. We make available, free of charge, copies of our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after filing such material electronically or otherwise furnishing it to the SEC. Also posted on our website are the Company's Corporate Governance Guidelines, Code of Conduct and the charters of the Audit Committee, Compensation Committee, Nominating and Governance Committee and Technology Committee. Copies of these documents are also available free of charge by sending a request to Methode Electronics, Inc., 7401 West Wilson Avenue, Chicago, Illinois 60706, Attention: Investor Relations Department. Information on our website is not incorporated into this Form 10-K or our other securities filings and is not a part of them.

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Certifications. As required by the rules and regulations of the New York Stock Exchange (NYSE), we delivered to the NYSE a certification signed by our Chief Executive Officer, Donald W. Duda, certifying that Mr. Duda was not aware of any violation by the Company of the NYSE s corporate governance listing standards as of October 20, 2009.

As required by the rules and regulations of the SEC, the Sarbanes-Oxley Act Section 302 certifications regarding the quality of our public disclosures are filed as exhibits to this Annual Report on Form 10-K.

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Item 1A. Risk Factors

Certain statements in this report are forward-looking statements that are subject to certain risks and uncertainties. We undertake no duty to update any such forward-looking statements to conform to actual results or changes in our expectations. Our business is highly dependent upon two large automotive customers and specific makes and models of automobiles. Our results will be subject to many of the same risks that apply to the automotive, appliance, computer and telecommunications industries, such as general economic conditions, interest rates, consumer spending patterns and technological changes. Other factors, which may result in materially different results for future periods, include the following risk factors. These risk factors should be considered in connection with evaluating the forward-looking statements contained in this report because these factors could cause our actual results and condition to differ materially from those projected in forward-looking statements. The forward-looking statements in this report are subject to the safe harbor protection provided under the securities laws and are made as of the date of this report. We undertake no duty to update any such forward-looking statements.

We depend on a small number of large customers, specifically two large automotive customers. If we were to lose any of these customers or any of these customers volume of products purchased, or if any of the customers declare bankruptcy, our future results could be adversely affected.

During the year ended May 1, 2010, shipments to Ford and GM, or their tiered suppliers, each represented 10% or greater of consolidated net sales and, in the aggregate, amounted to approximately 32.1% of consolidated net sales. The contracts we have entered into with many of our customers provide for supplying the customers' requirements for a particular model, rather than for manufacturing a specific quantity of products. Such contracts range from one year to the life of the model, which is generally three to seven years. Therefore, the loss of a contract for a major model or a significant decrease in demand for certain key models or group of related models sold by Ford or GM could have a material adverse impact on our results of operations and financial condition. We also compete to supply products for successor models and are subject to the risk that Ford or GM will not select us to produce products on any such model, which could have a material adverse impact on our results of operations and financial condition.

In addition, we have significant receivable balances related to these customers and other major customers that would be at risk in the event of their bankruptcy. Due to the financial stresses within the worldwide automotive industry, certain automakers and suppliers have already declared bankruptcy or may be susceptible to bankruptcy.

Because we derive a substantial portion of our revenues from customers in the automotive, appliance, computer and communications industries, we are susceptible to trends and factors affecting those industries.

Our components are found in the primary end markets of the automotive, communications (including information processing and storage, networking equipment, wireless and terrestrial voice/data systems), aerospace, rail and other transportation industries, appliances and the consumer and industrial equipment markets. Factors negatively affecting these industries and the demand for products also negatively affect our business, financial condition and operating results. In fiscal 2010 and 2009, we experienced slow-downs in all significant segments due to the recession. Any adverse occurrence, including additional industry slowdown, recession, rising interest rates, political instability, costly or constraining regulations, armed hostilities, terrorism, excessive inflation, prolonged disruptions in one or more of our customers' production schedules or labor disturbances, that results in significant decline in the volume of sales in these industries, or in an overall downturn in the business and operations of our customers in these industries, could materially adversely affect our business, financial condition and operating results.

Our business is cyclical and seasonal in nature and further downturns in the automotive industry could reduce the sales and profitability of our business.

A large portion of our business is dependent on automotive sales and the vehicle production schedules of our customers. The automotive market is cyclical and depends on general economic conditions, interest rates and consumer spending patterns. Any significant reduction in vehicle production by our customers would have a material adverse effect on our business. Traditionally, in prior fiscal years, our business was moderately seasonal as our North American automotive customers historically halt operations for approximately two weeks in July for model changeovers and one to two weeks during the December holiday period. During the second half of fiscal 2009 and the first quarter of fiscal 2010, we experienced additional customer plant shutdowns due to lower demand

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for their products. If we continue to experience shutdowns in addition to July and December, future quarterly results may be affected.

Our technology-based business and the markets in which we operate are highly competitive. If we are unable to compete effectively, our sales will decline.

The markets in which we operate are highly competitive and characterized by rapid changes due to technological improvements and developments. We compete with a large number of other manufacturers in each of our product areas; many of these competitors have greater resources and sales. Price, service and product performance are significant elements of competition in the sale of our products. Competition may intensify further if more companies enter the markets in which we operate. Our failure to compete effectively could materially adversely affect our business, financial condition and operating results.

We face risks relating to our international operations.

Because we have significant international operations, our operating results and financial condition could be adversely affected by economic, political, health, regulatory and other factors existing in foreign countries in which we operate. Our international operations are subject to inherent risks, which may adversely affect us, including: fluctuations in exchange rates; political and economic instability; expropriation, or the imposition of government controls; changes in government regulations; export license requirements; trade restrictions; earnings expatriation restrictions; exposure to different legal standards; less favorable intellectual property laws; health conditions and standards; currency controls; increases in duties and taxes; high levels of inflation or deflation; greater difficulty in collecting our accounts receivable and longer payment cycles; changes in labor conditions and difficulties in staffing and managing our international operations; limitations on insurance coverage against geopolitical risks, natural disasters and business operations; and communication among and management of international operations. In addition, these same factors may also place us at a competitive disadvantage to some of our foreign competitors.

We may be unable to keep pace with rapid technological changes, which would adversely affect our business.

The technologies relating to some of our products have undergone, and are continuing to undergo, rapid and significant changes. Specifically, end markets for electronic components and assemblies are characterized by technological change, frequent new product introductions and enhancements, changes in customer requirements and emerging industry standards. These changes could render our existing products unmarketable before we can recover any or all of our research, development and other expenses. Furthermore, the life cycles of our products vary, may change and are difficult to estimate. If we are unable, for technological or other reasons, to develop and market new products or product enhancements in a timely and cost-effective manner, our business, financial condition and operating results could be materially adversely affected.

Products we manufacture may contain design or manufacturing defects that could result in reduced demand for our products or services and liability claims against us.

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Despite our quality control and quality assurance efforts, defects may occur in the products we manufacture due to design or manufacturing errors or component failure. Product defects may result in delayed shipments and reduced demand for our products. We may be subject to increased costs due to warranty claims on defective products. Product defects may result in product liability claims against us where defects cause, or are alleged to cause, property damage, bodily injury or death. We may be required to participate in a recall involving products that are, or are alleged to be, defective. We carry insurance for certain legal matters involving product liability, however, we do not have coverage for all costs related to product defects and the costs of such claims, including costs of defense and settlement, may exceed our available coverage.

If we are unable to protect our intellectual property or we infringe, or are alleged to infringe, on another person's intellectual property, our business, financial condition and operating results could be materially adversely affected.

We have numerous United States and foreign patents and license agreements covering certain of our products and manufacturing processes, several of which are considered material to our business. Our ability to

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compete effectively with other companies depends, in part, on our ability to maintain the proprietary nature of our technology. Although we have been awarded, have filed applications for, or have been licensed under numerous patents in the United States and other countries, there can be no assurance concerning the degree of protection afforded by these patents or the likelihood that pending patents will be issued. The loss of any significant patents and trade secrets could adversely affect our sales, margins, profitability and, as a result, share price.

We may become involved in litigation in the future to protect our intellectual property or because others may allege that we infringe on their intellectual property. These claims and any resulting lawsuit could subject us to liability for damages and invalidate our intellectual property rights. If an infringement claim is successfully asserted by a holder of intellectual property rights, we may be required to cease marketing or selling certain products, pay a penalty for past infringement and spend significant time and money to develop a non-infringing product or process or to obtain licenses for the technology, process or information from the holder. We may not be successful in the development of a non-infringing alternative, or licenses may not be available on commercially acceptable terms, if at all, in which case we may lose sales and profits. In addition, any litigation could be lengthy and costly and could materially adversely affect us even if we are successful in the litigation.

We are dependent on the availability and price of materials.

We require substantial amounts of materials, including petroleum-based products, glass, copper and precious metals, application-specific integrated circuits, light-emitting diode (LED) displays, and all materials we require are purchased from outside sources. The availability and prices of materials may be subject to curtailment or change due to, among other things, new laws or regulations, suppliers' allocations to other purchasers, interruptions in production by suppliers, changes in exchange rates and worldwide price levels. Any change in the supply of, or price for, these materials could materially affect our results of operations and financial condition. We did not experience significant price increases in fiscal 2010 and 2009 for copper, precious metals and petroleum-based materials. We did, however, experience significant price increases in fiscal 2008 related to those items.

We may acquire businesses or divest business operations. These transactions may pose significant risks and may materially adversely affect our business, financial condition and operating results.

We intend to explore opportunities to acquire other businesses or technologies that could complement, enhance or expand our current business or product lines or that might otherwise offer growth opportunities. Any transactions that we are able to identify and complete may involve a number of risks, including: the diversion of our management's attention from our existing business to integrate the operations and personnel of the acquired or combined business or joint venture; possible adverse effects on our operating results during the integration process; and our possible inability to achieve the intended objectives of the transaction. In addition, we may not be able to successfully or profitably integrate, operate, maintain and manage our newly acquired operations or employees. We may not be able to maintain uniform standards, controls, procedures and policies, and this may lead to operational inefficiencies. In addition, future acquisitions may result in dilutive issuances of equity securities, a reduction of cash or the incurrence of debt.

We have in the past, and may in the future, consider divesting certain business operations. Divestitures may involve a number of risks, including the diversion of management's attention, significant costs and expenses, the loss of customer relationships and cash flow, and the disruption of operations in the affected business. Failure to timely complete a divestiture or to consummate a divestiture may negatively affect valuation of the affected business or result in restructuring charges.

A significant fluctuation between the U.S. dollar and other currencies could adversely impact our operating results.

Although our financial results are reported in U.S. dollars, a significant portion of our sales and operating costs are realized in other currencies, mainly in Europe and China. Our profitability is affected by movements of the U.S. dollar against the euro and Chinese yuan in which we generate revenue and incur expenses. Significant long-term fluctuations in relative currency values, in particular an increase in the value of the U.S. dollar against foreign currencies, could have an adverse effect on our profitability and financial condition.

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Unfavorable tax law changes may adversely affect results.

We are subject to income taxes in the U.S. and in various foreign jurisdictions. Domestic and international tax liabilities are subject to the allocation of income among various tax jurisdictions. Our effective tax rate could be adversely affected by changes in the mix of earnings among countries with differing statutory tax rates or changes in the tax laws.

The future trading price of our common stock could be subject to wide fluctuations in response to a variety of factors.

The market price of our common stock has fluctuated significantly in the past and is likely to fluctuate in the future. The future trading price of our common stock could be subject to wide fluctuations in response to a variety of factors, many of which are beyond our control, including, but not limited to:

- quarterly variations in our operating results and the operating results of other technology companies;
- actual or anticipated announcements of technical innovations or new products by us or our competitors;
- changes in analysts' estimates of our financial performance or buy/sell recommendations;
- any acquisitions we pursue or complete;
- general conditions in the aerospace, appliance, automotive, consumer and industrial equipment markets, communications, rail and other transportation industries; and
- global economic and financial conditions.

In addition, the stock market has from time to time experienced significant price and volume fluctuations that have affected the market prices for many companies and that often have been unrelated to the operating performance of such companies. These broad market fluctuations and other factors have harmed and may harm the market price of our common stock.

We are subject to the risks of owning real property.

A majority of our real properties in the U.S. are owned by us. Ownership of property is subject to the risks of owning real property, which may include:

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- the possibility of environmental contamination and the costs associated with correcting any environmental problems;
- adverse changes in the value of these properties, due to interest rate changes, changes in the neighborhood in which the property is located, or other factors;
- increased cash commitments for improving the current buildings;
- the risk of financial loss in excess of amounts covered by insurance, or uninsured risks, such as the loss caused by damage to the buildings as a result of fire, floods, or other natural disasters;
- rising real estate taxes; and
- the potential difficulty of selling the real property, if we chose to do so, due to the stagnant real estate market.

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We operate the following manufacturing and other facilities, all of which we believe to be in good condition and adequate to meet our current and reasonably anticipated needs:

Location	Use	Owned/ Leased	Approximate Square Footage
Chicago, Illinois	Corporate Headquarters	Owned	15,000
Automotive Segment:			
Carthage, Illinois	Manufacturing	Owned	261,000
Mriehel, Malta	Manufacturing	Leased	209,000
Shanghai, China	Manufacturing	Leased	75,500
McAllen, Texas	Warehousing	Leased	38,000
Monterrey, Mexico	Manufacturing	Leased	36,000
Southfield, Michigan	Sales and Engineering Design Center	Owned	17,000
Gau-Algesheim, Germany	Sales and Engineering Design Center	Leased	6,800
Burnley, England	Engineering Design Center	Leased	5,900
Bangalore, India	Engineering Design Center	Leased	4,000
Sin El Fil, Lebanon	Engineering Design Center	Leased	2,300
Interconnect Segment:			
Shanghai, China	Manufacturing	Leased	49,000
Richardson, Texas	Manufacturing	Leased	45,000
Chicago, Illinois	Manufacturing	Owned	38,400
Jihlava, Czech Republic	Manufacturing	Owned	36,000
Mosta, Malta	Manufacturing	Leased	32,500
Laguna, Philippines	Manufacturing	Leased	22,800
Wheaton, Illinois	Manufacturing	Leased	22,500
Oklahoma City, Oklahoma	Manufacturing/Design Center	Leased	19,800
San Jose, California	Sales and Design	Leased	7,250
Warsaw, Poland	Sales and Distribution	Leased	5,700
Limerick, Ireland	Sales and Distribution	Leased	4,700
Singapore	Sales and Administrative	Leased	3,000
Kiev, Ukraine	Sales and Distribution	Leased	900
Ljubljana, Slovenia	Sales and Distribution	Leased	400
Power Products Segment:			
Shanghai, China	Manufacturing	Leased	60,000
Rolling Meadows, Illinois	Manufacturing	Owned	52,000
San Jose, California	Prototype and Design Center	Leased	7,250
Other Segment:			
Palatine, Illinois	Test Laboratory	Owned	27,000
Hunt Valley, Maryland	Test Laboratory	Owned	16,000
Chicago, Illinois	Manufacturing	Owned	10,000

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As of July 1, 2010, we were not involved in any material legal proceedings or any legal proceedings or material administrative proceedings with governmental authorities pertaining to the discharge of materials into the environment or otherwise.

In March 2010, DPH Holdings Corp. and certain of its affiliated debtors, as successors to Delphi Corporation and certain of its affiliates (Delphi), served the Company with a complaint seeking to avoid and recover approximately \$19.7 million in alleged preference payments that Delphi made to the Company within the 90-day period preceding Delphi s bankruptcy filing in October 2005 (the Complaint). Delphi is pursuing similar preference complaints against approximately 175 other, unrelated third-parties. The Complaint, dated September 28, 2007, was originally filed under seal with the United States Bankruptcy Court for the Southern District of New York (titled as Delphi Corporation, et al. v. Methode Electronics, Inc, Adversary Proceeding No. 07-2432) and pursuant to certain court orders, the Complaint was not unsealed and served upon the Company until March 2010. The Company has filed a joinder to third-parties motions to dismiss the Delphi preference complaints based on violations of due process and other defenses connected to the unusual manner that Delphi filed and served the preference complaints. Additionally, the Company possesses several other substantive defenses to the Complaint including, but not limited to, the affirmative defenses available under the Bankruptcy Code, statute of limitations, setoff, waiver and estoppel. Although the ultimate liabilities resulting from this proceeding could be significant to the Company s results of operations in the period recognized, management does not anticipate that they will have a material adverse effect on the Company s consolidated financial position.

Executive Officers of the Registrant

Name	Age	Offices and Positions Held and Length of Service as Officer
Donald W. Duda	54	Chief Executive Officer of the Company since 2004. President and Director of the Company since 2001. Prior thereto Mr. Duda was Vice President-Interconnect Group since March 2000. Prior thereto Mr. Duda was with Amphenol Corporation through November 1998 as General Manager of its Fiber Optic Products Division since 1988.
Douglas A. Koman	60	Chief Financial Officer of the Company since 2004. Vice President, Corporate Finance, of the Company since 2001. Prior thereto Mr. Koman was Assistant Vice President-Financial Analysis since December 2000. Prior thereto Mr. Koman was with Illinois Central Corporation through March 2000 as Controller since November 1997 and Treasurer since July 1991.
Thomas D. Reynolds	47	Chief Operating Officer, of the Company since June 24, 2010. Senior Vice President, Worldwide Automotive Operations, of the Company since 2006. Vice President and General Manager, North American Automotive Operations, of the Company since October 2001. Prior thereto Mr. Reynolds was with Donnelly Corporation through October 2001 as Senior Manager of Operations since 1999, and as Director of Transnational Business Unit from 1995 to 1999.
Timothy R. Glandon	46	Vice President and General Manager, North American Automotive, of the Company since 2006. Prior thereto Mr. Glandon was General Manager of Automotive Safety Technologies since 2001. Prior thereto Mr. Glandon was Vice President and General Manager with American Components, Inc. from 1996 to 2001.

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Joseph. E. Khoury	46	Vice President and General Manager, European Automotive, of the Company since 2004. Prior thereto Mr. Khoury was General Manager of Methode Electronics International, GMBH since 2000.
Theodore D. Kill	59	Vice President, Worldwide Automotive Sales, of the Company since August 2006. Prior thereto Mr. Kill was a principal with Kill and Associates from 2003 to 2006. Prior thereto Mr. Kill was a principal with Kill and Bolton Associates from 1995 to 2003.
Ronald L.G. Tsoumas	49	Controller and Treasurer of the Company since 2007. Prior thereto Mr. Tsoumas was Assistant Controller of the Company since July 1998.

All executive officers are elected by the Board of Directors and serve a term of one year or until their successors are duly elected and qualified.

PART II**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

The following is a tabulation of high and low sales prices for the periods indicated as reported by the New York Stock Exchange.

	Sales Price Per Share		Dividends Paid Per Share
	High	Low	
Fiscal Year ended May 1, 2010			
First Quarter	\$ 8.18	\$ 5.28	\$ 0.07
Second Quarter	9.75	6.92	0.07
Third Quarter	12.75	6.99	0.07
Fourth Quarter	14.32	9.70	0.07
Fiscal Year ended May 2, 2009			
First Quarter	\$ 12.51	\$ 9.50	\$ 0.05
Second Quarter	13.65	6.11	0.07
Third Quarter	9.66	4.45	0.07
Fourth Quarter	6.43	2.59	0.07

On June 24, 2010, the Board declared a dividend of \$0.07 per share of common stock, payable on July 30, 2010, to holders of record on July 16, 2010.

As of June 30, 2010, the number of record holders of our common stock was 636.

Table of Contents**Equity Compensation Plan Information**

The following table provides information about shares of our common stock that may be issued upon exercise of stock options or granting of stock awards under all of the existing equity compensation plans as of May 1, 2010.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans approved by security holders	1,125,276	\$ 7.28	473,181
Equity compensation plans not approved by security holders			
Total	1,125,276	\$ 7.28	473,181

Recent Sales of Unregistered Securities

In March 2010, we sold 30,000 shares of our common stock (the *Methode shares*) in exchange for the shares of Hetronic Asia Manufacturing & Trading Corporation (the *Hetronic shares*) held by each investor. Methode also paid certain cash consideration for the Hetronic shares. The Methode shares vest for each investor one-third per year over a period of three years ending on April 28, 2012, subject to certain events of forfeiture.

Table of Contents**Purchase of Equity Securities by the Company and Affiliated Purchasers**

Period	Total		Total Number of Shares Purchased as	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (2)
	Number of Shares Purchased (1)	Average Price Paid Per Share	Part of Publicly Announced Plans or Programs (2)	
January 31, 2010 through February 27, 2010	218	\$ 10.99		
February 28, 2010 through April 3, 2010				
April 4, 2010 through May 1, 2010	10,487	\$ 11.10		
	10,705	\$ 11.10		

(1) The amount includes the repurchase and cancellation of shares of common stock redeemed by the Company for the payment of minimum withholding taxes on the value of restricted stock awards vesting during the period.

(2) On September 18, 2008, the Board of Directors adopted a plan to repurchase up to 3 million shares of its common stock. There were 669,480 shares purchased under the plan, however, no shares were purchased in fiscal 2010. The plan expired on May 1, 2010.

Table of Contents**Item 6. Selected Financial Data**

The following selected financial data should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the Company's Consolidated Financial Statements and related notes included elsewhere in this report. The consolidated statement of operations data for fiscal 2010, 2009 and 2008, and the consolidated balance sheet data as of May 1, 2010 and May 2, 2009, are derived from, and are qualified by reference to, the Company's audited consolidated financial statements included elsewhere in this report. The consolidated statement of operations data for fiscal 2007 and 2006, and the consolidated balance sheet data as of May 3, 2008, April 28, 2007 and April 29, 2006, are derived from audited consolidated financial statements not included in this report. Due to the timing of our fiscal calendar, fiscal 2008 represents 53 weeks of results. Fiscal 2010, 2009, 2007 and 2006 represent 52 weeks of results.

	May 1, 2010	May 2, 2009	Fiscal Year Ended May 3, 2008 (53 wks)	April 28, 2007	April 29, 2006
	(In Millions, Except Percentages and Per Share Amounts)				
Income Statement Data:					
Net sales	\$ 373.1	\$ 425.6	\$ 551.1	\$ 448.4	\$ 421.6
Income/(loss) before income taxes and cumulative affect of accounting change	7.8(1)	(110.5)(2)	49.8(3)	35.5(4)	32.2(5)
Income tax expense/(benefit)	(6.0)(1)	1.7(2)	9.7(3)	9.8(4)	15.3(5)
Cumulative effect of accounting change				0.1	
Net income/(loss) applicable to Methode Electronics, Inc.	13.7(1)	(112.5)(2)	39.8(3)	26.1(4)	17.0(5)
Per Common Share:					
Basic net income/(loss)	0.37(1)	(3.05)(2)	1.07(3)	0.72(4)	0.47(5)
Diluted net income/(loss)	0.37(1)	(3.05)(2)	1.06(3)	0.71(4)	0.47(5)
Dividends	0.28	0.26	0.20	0.20	0.20
Book Value	6.43	6.28	9.93	8.69	7.82
Long-term Debt					
Retained Earnings	146.8	143.6	265.8	233.7	215.1
Fixed Assets (net)	61.9	69.9	90.3	86.9	90.5
Total Assets	310.8	305.3	470.2	411.7	374.6
Return on Average Equity	6.0%(1)	-37.2%(2)	11.4%(3)	8.5%(4)	5.9%(5)
Pre-tax Income/(loss) as a Percentage of Sales	2.1%(1)	-26.0%(2)	9.0%(3)	8.0%(4)	7.7%(5)
Net Income/(loss) as a Percentage of Sales	3.8%(1)	-26.4%(2)	7.2%(3)	5.8%(4)	4.0%(5)

(1) Fiscal 2010 results include a pre-tax charge of \$7.8 million relating to restructuring activities. In addition, fiscal 2010 includes \$5.8 million of pre-tax legal expense relating to the Delphi supply agreement and patent lawsuit. Income tax includes a \$8.4 million loss carry-back benefit related to losses in our U.S.-based businesses.

(2) Fiscal 2009 results include a pre-tax charge of \$94.4 million relating to goodwill and other asset impairments. In addition, fiscal 2009 results include a pre-tax charge of \$25.3 million relating to restructuring activities. The income tax expense includes a \$28.0 million valuation charge related to the uncertainty of the future realization of our deferred tax assets.

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(3) Fiscal 2008 results include a pre-tax charge of \$5.2 million relating to a restructuring of our U.S.-based automotive operations and the decision to discontinue producing certain legacy products in the Interconnect segment.

(4) Fiscal 2007 results include a pre-tax and an after-tax restructuring charge of \$2.0 million related to the closing of our Scotland automotive parts manufacturing plant and transfer of production lines from that facility to our automotive parts manufacturing facility in Malta.

(5) Fiscal 2006 results include \$4.5 million of income tax expense related to the repatriation of \$38.1 million

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of foreign earnings for which income taxes were not previously provided, and an after-tax charge of \$1.5 million (\$2.3 million pre-tax) related to receivables deemed to be impaired due to the Chapter 11 bankruptcy filing by Delphi.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

We are a global manufacturer of component and subsystem devices with manufacturing, design and testing facilities in China, Czech Republic, Germany, Lebanon, Malta, Mexico, the Philippines, Singapore, the United Kingdom and the United States. We are a global designer and manufacturer of electro-mechanical devices. We design, manufacture and market devices employing electrical, radio remote control, electronic, wireless, sensing and optical technologies. Our business is managed on a segment basis, with those segments being Automotive, Interconnect, Power Products and Other. For more information regarding the business and products of these segments, see Item 1. Business.

Our components are found in the primary end markets of the aerospace, appliance, automotive, construction, consumer and industrial equipment markets, communications (including information processing and storage, networking equipment, wireless and terrestrial voice/data systems), rail and other transportation industries

Since January 2008, we've undertaken two separate restructuring initiatives to reposition our company to be more competitive in the marketplace. Both restructuring actions were completed during fiscal 2010. We have recorded a total of \$25.7 million related to the January 2008 restructuring, of which \$2.5 million was recorded in fiscal 2010. We have also recorded a total of \$12.5 million related to the March 2009 restructuring, of which \$5.3 million was recorded in fiscal 2010.

On September 4, 2008, Methode and Delphi Automotive Systems LLC (Delphi) entered into a supply agreement pursuant to which Methode was to supply all of Delphi's requirements for the seat bladders used in Delphi's occupant restraint system from October 1, 2008 through September 30, 2011. On August 26, 2009, Delphi notified us that effective September 10, 2009, our supply arrangement was terminated. We are contesting Delphi's right to terminate this long-term supply arrangement and the parties are engaged in litigation regarding this supply arrangement and our related intellectual property.

As described in more detail in Part I, Item 3 Legal Proceedings of this Annual Report on Form 10-K, in March 2010, DPH Holdings Corp., as successor to Delphi Corporation, served the Company with a complaint seeking to recover approximately \$19.7 million in alleged preference payments that Delphi made to the Company within the 90-day preference period preceding Delphi's bankruptcy filing. The Company is seeking to dismiss the Delphi preference complaint based on violations of due process and the Company possesses several other substantive defenses.

Business Outlook

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Due to the loss of the Delphi business and the exit of legacy Ford products in fiscal 2010, we expect a decline in our Automotive segment sales in fiscal 2011. In addition, it is unclear in Europe what the impact will be with regard to the phase out of the scrappage incentives, which governments paid owners to trade in old cars to purchase new models. It is also unclear what the current European debt crisis will have on our European businesses. For our other businesses, if the economic conditions continue to stabilize, with no significant further deterioration, we expect modest sales growth during fiscal 2011 as compared to fiscal 2010. The restructuring actions undertaken by us over the past three fiscal years, targeted at reducing our cost structure are expected to positively impact our future earnings and cash flows. The additional operating cash flow generated by these cost savings will continue to be strategically deployed to strengthen our competitive position.

Results may differ materially from what is expressed or forecasted. See Item 1A Risk Factors herein.

Table of Contents**Results of Operations****Results of Operations for the Fiscal Year Ended May 1, 2010 as Compared to the Fiscal Year Ended May 2, 2009****Consolidated Results**

Below is a table summarizing results for the years ended:

(in millions)

(Not meaningful equals N/M)

	May 1, 2010	May 2, 2009	Net Change	Net Change
Net sales	\$ 373.1	\$ 425.6	\$ (52.5)	-12.3%
Other income	4.5	3.2	1.3	40.6%
	377.6	428.8	(51.2)	-11.9%
Cost of products sold	297.7	356.4	(58.7)	-16.5%
Gross margins (including other income)	79.9	72.4	7.5	10.4%
Restructuring	7.8	25.3	(17.5)	-69.2%
Impairment of goodwill and other assets		94.4	(94.4)	N/M
Selling and administrative expenses	62.4	57.2	5.2	9.1%
Amortization of intangibles	2.3	6.9	(4.6)	-66.7%
Interest income/(expense), net	(0.1)	1.4	(1.5)	N/M
Other, net - income/(expense)	0.5	(0.5)	1.0	N/M
Income taxes - expense/(benefit)	(6.0)	1.7	(7.7)	N/M
Net income attributable to noncontrolling interest	0.1	0.3	(0.2)	-66.7%
Net income/(loss) attributable to Methode Electronics, Inc.	\$ 13.7	\$ (112.5)	\$ 126.2	N/M

Percent of sales:	May 1, 2010	May 2, 2009
Net sales	100.0%	100.0%
Other income	1.2%	0.8%
Cost of products sold	79.8%	83.7%
Gross margins (including other income)	21.4%	17.0%
Restructuring	2.1%	5.9%
Impairment of goodwill and other assets	0.0%	22.2%
Selling and administrative expenses	16.7%	13.4%
Amortization of intangibles	0.6%	1.6%
Interest income/(expense), net	0.0%	0.3%

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Other, net - income/(expense)	0.1%	-0.1%
Income taxes - expense/(benefit)	-1.6%	0.4%
Net income attributable to noncontrolling interest	0.0%	0.1%
Net income/(loss) attributable to Methode Electronics, Inc.	3.7%	-26.4%

Net Sales. Consolidated net sales decreased \$52.5 million, or 12.3%, to \$373.1 million for fiscal 2010 from \$425.6 million for fiscal 2009. The Automotive segment net sales declined \$44.3 million or 18.2% to \$199.3 million for fiscal 2010 from \$243.6 million for fiscal 2009. The decline is primarily attributable to lower sales to Delphi, Ford and Chrysler and the weak economic environment. The Interconnect segment net sales decreased \$6.9 million, or 5.3% to \$124.1 million for fiscal 2010 as compared to \$131.0 million for fiscal 2009. The Power Products segment net sales decreased \$2.3 million, or 5.4% to \$40.4 million for 2010 as compared to \$42.7 million for fiscal 2009. The Other segment net sales increased \$1.1 million, or 13.4%, to \$9.3 million for fiscal 2010, as

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compared to \$8.2 million for fiscal 2009. Translation of foreign operations net sales for fiscal 2010 increased reported net sales by \$1.0 million or 0.3% due to currency rate fluctuations.

Other Income. Other income increased \$1.3 million, or 40.6%, to \$4.5 million for fiscal 2010 from \$3.2 million for fiscal 2009. Other income consisted primarily of earnings from engineering design fees and royalties. The increase relates to engineering design fees in our European automotive business.

Cost of Products Sold. Consolidated cost of products sold decreased \$58.7 million, or 16.5%, to \$297.7 million for fiscal 2010 compared to \$356.4 million for fiscal 2009. The decrease is due to the lower sales volumes. Consolidated cost of products sold as a percentage of sales were 79.8% for fiscal 2010, compared to 83.7% for fiscal 2009. The decrease relates to restructuring and consolidation efforts that were undertaken in prior periods to improve inefficiencies in the business.

Gross Margins (including other income). Consolidated gross margins (including other income) increased \$7.5 million, or 10.4%, to \$79.9 million for fiscal 2010 compared to \$72.4 million for fiscal 2009. Gross margins (including other income) as a percentage of net sales were 21.4% for fiscal 2010 compared to 17.0% for fiscal 2009. The increase relates to higher other income in fiscal 2010 as well as restructuring and consolidation efforts that were undertaken in prior periods.

Restructuring. In March 2009, we announced additional restructuring actions to consolidate manufacturing facilities to reduce costs. During fiscal 2010, we recorded a restructuring charge of \$5.3 million related to this restructuring initiative, which consisted of \$3.6 million for employee severance and \$1.7 million relating to other costs. During fiscal 2009, we recorded a restructuring charge of \$7.3 million related to this restructuring initiative, which consisted of \$0.1 for employee severance, \$1.4 million for the impairment of fixed assets, \$5.4 million for the impairment of customer funded tooling and \$0.4 million for other costs. All of the restructuring actions related to the March 2009 restructuring initiative are now complete.

In January 2008, we announced a restructuring of our U.S.-based automotive operations and the decision to discontinue producing certain legacy products in the Interconnect segment. During fiscal 2010, we recorded a restructuring charge of \$2.5 million related to this restructuring initiative, which consisted of \$0.7 million for employee severance, \$1.5 million for the impairment and accelerated depreciation and \$0.3 million relating to other costs. During fiscal 2009, we recorded a restructuring charge of \$18.0 million related to this restructuring initiative, which consisted of \$6.1 million for employee severance, \$10.8 million for impairment and accelerated depreciation, \$0.2 million for inventory write-downs and \$0.9 million relating to other costs. All of the restructuring actions related to the January 2008 restructuring initiative are now complete.

Impairment of Goodwill and Other Assets. During fiscal 2009, in accordance with Accounting Standards Codification, (ASC) No. 350, Intangibles-Goodwill and Other, we performed goodwill impairment testing and concluded that goodwill was impaired. Therefore, during fiscal 2009, we recorded a goodwill impairment charge of \$25.8 million in our Automotive segment, \$30.8 million in our Interconnect segment, \$5.4 million in our Power Products segment and \$1.2 million in our Other segment for a total of \$63.2 million related to these assets.

Also during the third quarter of fiscal 2009, in accordance with ASC No. 360, Property, Plant and Equipment, it was determined that certain identifiable assets of our businesses were impaired. Therefore, during fiscal 2009, we recorded an impairment charge of \$4.6 million in our

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Automotive segment, \$26.2 million in our Interconnect segment and \$0.4 million in our Other segment for a total of \$31.2 million related to these assets.

Selling and Administrative Expenses. Selling and administrative expenses increased \$5.2 million, or 9.1%, to \$62.4 million for fiscal 2010 compared to \$57.2 million for fiscal 2009. The increase is due to \$5.8 million in legal fees relating to the Delphi supply agreement and patent dispute. In addition, selling and administrative expenses were negatively impacted by \$1.4 million due to \$0.8 million of stock-based compensation in fiscal 2010, compared to a net reversal of expense of \$0.6 million in fiscal 2009. The net reversal in fiscal 2009 was due to performance-based shares not meeting certain financial targets. Selling and administrative expenses were lower by \$2.0 million due to restructuring and consolidation efforts from previous periods. Selling and administrative expenses as a percentage of net sales increased to 16.7% for fiscal 2010 from 13.4% for fiscal 2009.

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Amortization of Intangibles. Amortization of intangibles decreased \$4.6 million, or 66.7%, to \$2.3 million for fiscal 2010, compared to \$6.9 million for fiscal 2009. The decrease is due to the impairment of certain intangible assets in fiscal 2009.

Interest Income/(Expense), Net. Net interest income/(expense) decreased \$1.5 million for fiscal 2010 to an expense of \$0.1 million as compared to income of \$1.4 million for fiscal 2009. The average cash balance in fiscal 2010 was \$62.5 million compared to an average cash balance of \$81.4 million for fiscal 2009. The decrease in the average cash balance relates primarily to the Hetronic acquisition during the second quarter of fiscal 2009. The average interest rate earned for fiscal 2010 was 0.59% compared to 2.22% for fiscal 2009. Interest expense was \$0.5 million and \$0.4 million for fiscal 2010 and fiscal 2009, respectively. The interest expense in fiscal 2010 includes \$0.1 million of fees related to the amendment of our bank agreement.

Other Income/(Expense), Net. Other income/(expense), net increased \$1.0 million to income of \$0.5 million for fiscal 2010 compared to an expense of \$0.5 million for fiscal 2009. Fiscal 2010 included a \$1.1 million gain recorded from life insurance policies owned by the Company in connection with an employee deferred compensation plan. During fiscal 2010, our net currency exchange losses increased due to the strengthening of the U.S. dollar versus the Euro and Czech koruna, resulting in exchange losses. During fiscal 2009, we recorded \$2.5 million of unrealized currency exchange losses arising from an intercompany loan between our corporate headquarters and one of our foreign subsidiaries in conjunction with the acquisition of Hetronic, partially offset by currency exchange gains recorded in the same period. The functional currencies of these operations are the British pound, Chinese yuan, Czech koruna, euro, Indian rupee, Mexican peso and Singapore dollar. Some foreign operations have transactions denominated in currencies other than their functional currencies, primarily sales in U.S. dollars and Euros, creating exchange rate sensitivities.

During fiscal 2009 and the first half of fiscal 2010, we were invested in an enhanced cash fund sold as an alternative to traditional money-market funds. At May 1, 2010 there was zero invested in the fund. For fiscal 2010 we recorded a gain of \$0.6 million, and for fiscal 2009 we recorded a loss of \$1.2 million.

Income Taxes Expense/(Benefit). Income taxes expense/(benefit) decreased by \$7.7 million to a benefit of \$6.0 million for fiscal 2010, compared to an expense of \$1.7 million for fiscal 2009. The \$6.0 million for fiscal 2010, includes taxes on foreign profits of \$0.5 million, book to income tax return expense adjustments of \$2.9 million and other expense of \$1.7 million. In addition, a benefit of \$3.2 million was recorded due to the settlement of uncertain tax positions and related interest from prior periods. For the fiscal 2010, we have a loss before income taxes in our U.S.-based businesses. Therefore, we recorded a tax carry-back benefit of \$7.9 million in fiscal 2010. The effective tax rates for both the fiscal 2010 and 2009 periods reflect utilization of foreign investment tax credits and the effect of lower tax rates on income of the Company's foreign operations and a higher percentage of earnings at those foreign operations.

Net Income/(Loss) Attributable to Methode Electronics, Inc. Net income/(loss) attributable to Methode Electronics, Inc. increased \$126.2 million to net income of \$13.7 million for fiscal 2010, compared to a net loss of \$112.5 million for fiscal 2009, primarily due to zero goodwill and other asset write-offs for fiscal 2010 versus \$94.4 million in write-offs for fiscal 2009. Income taxes were favorable by \$7.7 million in fiscal 2010 compared to fiscal 2009, related to a tax loss carry-back for our U.S.-based businesses. In addition, restructuring charges, amortization expense and other expense were lower as well as lower overall manufacturing costs due to restructuring efforts. In addition, fiscal 2010 selling and administrative expenses were higher due to the Delphi supply agreement and patent litigation.

Table of Contents**Operating Segments****Automotive Segment Results**

Below is a table summarizing results for the years ended:

(in millions)

(Not meaningful equals N/M)

	May 1, 2010	May 2, 2009	Net Change	Net Change
Net sales	\$ 199.3	\$ 243.6	\$ (44.3)	-18.2%
Other income	3.9	2.5	1.4	56.0%
	203.2	246.1	(42.9)	-17.4%
Cost of products sold	166.7	206.0	(39.3)	-19.1%
Gross margins (including other income)	36.5	40.1	(3.6)	-9.0%
Restructuring	5.6	19.3	(13.7)	-71.0%
Impairment of goodwill and other assets		30.5	(30.5)	N/M
Selling and administrative expenses	19.6	14.6	5.0	34.2%
Interest, net - income	0.1		0.1	N/M
Other, net - income/(expense)	(0.2)	0.3	(0.5)	N/M
Income/(loss) before income taxes	\$ 11.2	\$ (24.0)	\$ 35.2	N/M

Percent of sales:	May 1, 2010	May 2, 2009
Net sales	100.0%	100.0%
Other income	2.0%	1.0%
Cost of products sold	83.6%	84.6%
Gross margins (including other income)	18.3%	16.5%
Restructuring	2.8%	7.9%
Impairment of goodwill and other assets	0.0%	12.5%
Selling and administrative expenses	9.8%	6.0%
Interest income, net	0.1%	0.0%
Other, net - income/(expense)	-0.1%	0.1%
Income/(loss) before income taxes	5.6%	-9.9%

Net Sales. Automotive segment net sales decreased \$44.3 million, or 18.2%, to \$199.3 million for fiscal 2010 from \$243.6 million for fiscal 2009. Net sales to Delphi Corporation decreased \$27.1 million, or 65.8%, to \$14.1 million for fiscal 2010 compared to \$41.2 million for fiscal 2009 due to the cancellation of the supply agreement on September 10, 2009. The Automotive segment net sales were also negatively impacted by planned lower Chrysler sales volumes of \$1.0 million for fiscal 2010, compared to \$14.8 million for fiscal 2009. In addition, the decline is attributable to the softness of the U.S. economic environment. Net sales declined by 60.2% in North America and increased by 19.8% and 154.2% in Europe and Asia, respectively for fiscal 2010 compared to fiscal 2009. Translation of foreign operations net sales for fiscal 2010

increased reported net sales by \$1.0 million, or 0.5%, due to currency rate fluctuations.

Other Income. Other income increased \$1.4 million, or 56.0%, to \$3.9 million for fiscal 2010 from \$2.5 million for fiscal 2009. Other income consisted primarily of earnings from engineering design fees and royalties. The increase relates to engineering design fees in our European automotive business.

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Cost of Products Sold. Automotive segment cost of products sold decreased \$39.3 million, or 19.1%, to \$166.7 million for fiscal 2010 from \$206.0 million for fiscal 2009. The decrease primarily relates to lower sales volumes. Included in the cost of products sold for fiscal 2010 is \$0.7 million of asset write-downs relating to the termination of the Delphi supply agreement. The Automotive segment cost of products sold as a percentage of sales were 83.6% for fiscal 2010, compared to 84.6% for fiscal 2009. The decrease relates to restructuring and consolidation efforts in previous periods, partially offset by inefficiencies caused by automotive manufacturers extending plant shut-downs during the first quarter of fiscal 2010.

Gross Margins (including other income). Automotive segment gross margins (including other income) decreased \$3.6 million, or 9.0%, to \$36.5 million for fiscal 2010, compared to \$40.1 million for fiscal 2009. Gross margins (including other income) as a percentage of net sales increased to 18.3% for fiscal 2010 from 16.5% for fiscal 2009. The increase relates to higher other income for fiscal 2010 as well as restructuring and consolidation efforts that occurred in prior periods, partially offset by inefficiencies caused by automotive manufacturers extending plant shut-downs during the first quarter of fiscal 2010.

Restructuring. During fiscal 2010, we recorded a restructuring charge of \$3.3 million related to our March 2009 restructuring initiative, which consisted of \$2.7 million for employee severance and \$0.6 million relating to other costs. During fiscal 2009, we recorded a restructuring charge of \$6.5 million, which consisted of \$1.0 million for impairment and accelerated depreciation for buildings and improvements and machinery and equipment and \$5.4 million for customer funded tooling and \$0.1 million in forfeited security deposits related to the cancellation of the new GM business. All of the restructuring actions related to the March 2009 restructuring initiatives are now complete.

During fiscal 2010, the Automotive segment recorded a restructuring charge of \$2.3 million for our January 2008 restructuring initiative, which consisted of \$0.7 million for employee severance, \$1.4 million for the impairment and accelerated depreciation for machinery and equipment and \$0.2 in other costs. During fiscal 2009, we recorded a restructuring charge of \$12.8 million, which consisted of \$4.7 million for employee severance, \$7.4 million for impairment and accelerated depreciation for buildings, building improvements and machinery and equipment and \$0.7 million for other costs. All of the restructuring actions related to the January 2008 restructuring initiatives are now complete.

Impairment of Goodwill and Other Assets. During the third quarter of fiscal 2009, in accordance with ASC No. 350, Intangibles - Goodwill and Other, we performed goodwill impairment testing and concluded that goodwill was impaired. Therefore, during fiscal 2009, we recorded a goodwill impairment charge of \$30.5 million in our Automotive segment related to these assets.

Selling and Administrative Expenses. Selling and administrative expenses increased \$5.0 million, or 34.2%, to \$19.6 million for fiscal 2010 compared to \$14.6 million for fiscal 2009. Selling and administrative expenses increased in fiscal 2010 is due to \$5.8 million of legal fees associated with the Delphi supply agreement termination and patent litigation, partially offset by restructuring and consolidation efforts. Selling and administrative expenses as a percentage of net sales were 9.8% for the fiscal 2010 and 6.0% for fiscal 2009.

Interest Income, Net. Net interest income was \$0.1 million for fiscal 2010 compared to zero in fiscal 2009.

Other Income/(Expense), Net. Other income/(expense), net decreased \$0.5 million to an expense of \$0.2 million for fiscal 2010 compared to income of \$0.3 million for fiscal 2009. The decrease is primarily due to the strengthening of the U.S. dollar versus the Euro during fiscal 2010 compared to fiscal 2009. The functional currencies of these operations are the British pound, Chinese yuan, Euro and the Mexican peso. Some

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foreign operations have transactions denominated in currencies other than their functional currencies, primarily sales in U.S. dollars and Euros, creating exchange rate sensitivities.

Income/(Loss) Before Income Taxes. Automotive segment income/(loss) before income taxes increased \$35.2 million to income of \$11.2 million for fiscal 2010 compared to a loss of \$24.0 million for fiscal 2009 due to zero goodwill and intangible asset write-off for fiscal 2010 versus \$30.5 million in write-offs for fiscal 2009, lower restructuring expenses, lower costs relating to prior restructuring and consolidation efforts, offset by lower sales and gross margins (including other income) and legal fees relating to the termination of

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the Delphi supply agreement.

Interconnect Segment Results

Below is a table summarizing results for the years ended:

(in millions)

(Not meaningful equals N/M)

	May 1, 2010	May 2, 2009	Net Change	Net Change
Net sales	\$ 124.1	\$ 131.0	\$ (6.9)	-5.3%
Other income	0.1	0.2	(0.1)	-50.0%
	124.2	131.2	(7.0)	-5.3%
Cost of products sold	88.6	99.7	(11.1)	-11.1%
Gross margins (including other income)	35.6	31.5	4.1	13.0%
Restructuring	1.6	5.5	(3.9)	-70.9%
Impairment of goodwill and other assets		56.9	(56.9)	N/M
Selling and administrative expenses	23.0	31.0	(8.0)	-25.8%
Interest income	0.2	0.5	(0.3)	-60.0%
Other, net - income/(expense)	(0.9)	0.7	(1.6)	N/M
Income/(loss) before income taxes	\$ 10.3	\$ (60.7)	\$ 71.0	N/M

Percent of sales:	May 1, 2010	May 2, 2009
Net sales	100.0%	100.0%
Other income	0.1%	0.2%
Cost of products sold	71.4%	76.1%
Gross margins (including other income)	28.7%	24.0%
Restructuring	1.3%	4.2%
Impairment of goodwill and other assets	0.0%	43.4%
Selling and administrative expenses	18.5%	23.7%
Interest income	0.2%	0.4%
Other, net - income/(expense)	-0.7%	0.5%
Income/(loss) before income taxes	8.3%	-46.3%

Net Sales. Interconnect segment net sales decreased \$6.9 million, or 5.3%, to \$124.1 million for fiscal 2010 from \$131.0 million for fiscal 2009. Net sales were favorably impacted by the Hetronic acquisition on September 30, 2008. European net sales increased 21.7% and North American and Asia declined 5.1% and 28.2%, respectively for fiscal 2010 as compared to fiscal 2009. The net sales decline in North America and Asia was primarily due to the restructuring of our legacy Interconnect segment businesses, which included exiting certain businesses during the fourth quarter of fiscal 2008 and the first quarter of fiscal 2009. There was no impact to net sales for fiscal 2010 compared to fiscal 2009 due

to currency rate fluctuations.

Other Income. Other income was \$0.1 million for fiscal 2010, compared to \$0.2 million for fiscal 2009. Other income consisted primarily of earnings from engineering design fees and royalties.

Cost of Products Sold. Interconnect segment cost of products sold decreased \$11.1 million, or 11.1%, to \$88.6 million for fiscal 2010 compared to \$99.7 million for fiscal 2009. Interconnect segment cost of products sold as a percentage of net sales decreased to 71.4% for fiscal 2010 compared to 76.1% for fiscal 2009. The decrease in cost of products sold as a percentage of net sales primarily relates to restructuring efforts undertaken in previous

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periods, partially offset by lower sales volumes in fiscal 2010 as compared to fiscal 2009.

Gross Margins (including other income). Interconnect segment gross margins (including other income) increased \$4.1 million, or 13.0%, to \$35.6 million for fiscal 2010 as compared to \$31.5 million for fiscal 2009. Gross margins (including other income) as a percentage of net sales increased to 28.7% for fiscal 2010 from 24.0% for fiscal 2009. The increase in gross margins (including other income) as a percentage of net sales primarily relates to restructuring efforts undertaken in previous periods, partially offset by lower sales volumes for fiscal 2010 compared to fiscal 2009.

Restructuring. During fiscal 2010, the Interconnect segment recorded a restructuring charge of \$1.4 million related to our March 2009 restructuring initiative, which consisted of \$0.7 million for employee severance and \$0.7 million for other costs. During fiscal 2009, we recorded a restructuring charge of \$0.3 million, which consisted of \$0.1 million for employee severance and \$0.2 million relating to professional fees. All of the restructuring actions related to the March 2009 restructuring initiatives are now complete.

During fiscal 2010, the Interconnect segment recorded a restructuring charge of \$0.2 million related to our January 2008 restructuring initiative, which consisted of \$0.2 million in accelerated depreciation. During fiscal 2009, we recorded a restructuring charge of \$5.2 million, which consisted of \$1.4 million for employee severance, \$3.4 million for impairment and accelerated depreciation for buildings, building improvements and machinery and equipment, \$0.2 million for inventory write-downs and \$0.2 million relating to other costs.

Impairment of Goodwill and Other Assets. During the third quarter of fiscal 2009, in accordance with ASC No. 350, Intangibles - Goodwill and Other, we performed goodwill impairment testing and concluded that goodwill was impaired. Therefore, during fiscal 2009, we recorded a goodwill impairment charge of \$30.8 million in our Interconnect segment related to these assets.

Also during fiscal 2009, in accordance with ASC No. 360, Property, Plant and Equipment, it was determined that certain identifiable assets of our Interconnect businesses were impaired. Therefore, during fiscal 2009, we recorded an impairment charge of \$26.1 million for these assets.

Selling and Administrative Expenses. Selling and administrative expenses decreased \$8.0 million, or 25.8%, to \$23.0 million for fiscal 2010 compared to \$31.0 million for fiscal 2009. Selling and administrative expenses are lower due to reduced intangible asset amortization expenses, partially offset by higher selling and administrative expenses due to the Hetronic acquisition. In addition, selling and administrative expenses (not including Hetronic) were lower due to the restructuring efforts undertaken in the first and second quarters of fiscal 2009. Selling and administrative expenses as a percentage of net sales decreased to 18.5% for fiscal 2010 from 23.7% for fiscal 2009.

Interest Income, Net. Interest income, net decreased \$0.3 million, or 60.0%, to \$0.2 million for fiscal 2010, compared to \$0.5 million for fiscal 2009.

Other Income/(Expense), Net. Other income/(expense), net decreased \$1.6 million, to an expense of \$0.9 million for fiscal 2010, compared to income of \$0.7 million for fiscal 2009. The functional currencies of these operations are the British pound, Czech koruna, Euro and Singapore dollar. Some foreign operations have transactions denominated in currencies other than their functional currencies, primarily sales in U.S.

dollars and Euros, creating exchange rate sensitivities.

Income/(Loss) Before Income Taxes. Interconnect segment income/(loss) before income taxes increased \$71.0 million to income of \$10.3 million for fiscal 2010 compared to a loss of \$60.7 million for fiscal 2009 due to zero goodwill and intangible asset write-off for fiscal 2010 versus \$56.9 million in write-offs for fiscal 2009. In addition, income/(loss) before income taxes increased due to lower intangible asset amortization expenses, lower selling and administrative expenses due to prior restructuring efforts, lower restructuring expenses, partially offset by lower sales and gross margins (including other income).

Table of Contents**Power Products Segment Results**

Below is a table summarizing results for the years ended:

(in millions)

(Not meaningful equals N/M)

	May 1, 2010	May 2, 2009	Net Change	Net Change
Net sales	\$ 40.4	\$ 42.7	\$ (2.3)	-5.4%
Other income	0.1		0.1	N/M
	40.5	42.7	(2.2)	-5.2%
Cost of products sold	30.0	37.2	(7.2)	-19.4%
Gross margins (including other income)	10.5	5.5	5.0	90.9%
Restructuring	0.6	0.5	0.1	20.0%
Impairment of goodwill and other assets		5.4	(5.4)	N/M
Selling and administrative expenses	6.5	5.1	1.4	27.5%
Other - expense		(0.2)	0.2	N/M
Income/(loss) before income taxes	\$ 3.4	\$ (5.7)	\$ 9.1	N/M

Percent of sales:	May 1, 2010	May 2, 2009
Net sales	100.0%	100.0%
Cost of products sold	74.3%	87.1%
Gross margins (including other income)	26.0%	12.9%
Restructuring	1.5%	1.2%
Impairment of goodwill and other assets	0.0%	12.6%
Selling and administrative expenses	16.1%	11.9%
Other - expense	0.0%	-0.5%
Income/(loss) before income taxes	8.4%	-13.3%

Net Sales. Power Products segment net sales decreased \$2.3 million, or 5.4% to \$40.4 million for fiscal 2010 compared to \$42.7 million for fiscal 2009. Net sales have declined in fiscal 2010 as compared to fiscal 2009 by 9.8% in North America and increased by 14.1% in Asia. The overall decline was driven by lower demand for our flexible cabling and heat sink products in the U.S.

Other Income. Other income was \$0.1 million for fiscal 2010, compared to zero for fiscal 2009. Other income consisted primarily of earnings from engineering design fees and royalties.

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Cost of Products Sold. Power Products segment cost of products sold decreased \$7.2 million, or 19.4%, to \$30.0 million for fiscal 2010 compared to \$37.2 million for fiscal 2009. The Power Products segment cost of products sold as a percentage of sales decreased to 74.3% for fiscal 2010 from 87.1% for fiscal 2009. The decrease is due to restructuring and consolidation efforts for our Power Products businesses in the U.S. during the fourth quarter of fiscal 2009 and the first quarter of fiscal 2010.

Gross Margins (including other income). Power Products segment gross margins (including other income) increased \$5.0 million, or 90.9%, to \$10.5 million for fiscal 2010, compared to \$5.5 million for fiscal 2009. Gross margins as a percentage of net sales increased to 26.0% for fiscal 2010 from 12.9% for fiscal 2009. The increase is due to restructuring and consolidation efforts for our Power Products businesses in the U.S. during the fourth quarter of fiscal 2009 and the first quarter of fiscal 2010.

Restructuring. During fiscal 2010, the Power Products segment recorded a restructuring charge of \$0.6 million related to our March 2009 restructuring initiative, which consisted of \$0.1 million for employee severance

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and \$0.5 million relating to real estate taxes and other facility related costs. During fiscal 2009, we recorded a restructuring charge of \$0.5 million, which consisted of \$0.4 million for impairment and accelerated depreciation for buildings and improvements and machinery and equipment and \$0.1 million relating to other costs. All of the restructuring actions related to the March 2009 restructuring initiative are now complete.

Impairment of Goodwill and Other Assets. During fiscal 2009, in accordance with ASC No. 350, Intangibles - Goodwill and Other, we performed goodwill impairment testing and concluded that goodwill was impaired. Therefore, during fiscal 2009, we recorded a goodwill impairment charge of \$5.4 million in our Power Products segment related to these assets.

Selling and Administrative Expenses. Selling and administrative expenses increased \$1.4 million, or 27.5%, to \$6.5 million for fiscal 2010 compared to \$5.1 million for fiscal 2009. Selling and administrative expenses increased due to higher professional services fees and allocated management resources during fiscal 2010 as compared to fiscal 2009. Selling and administrative expenses as a percentage of net sales increased to 16.1% for fiscal 2010 from 11.9% for fiscal 2009.

Other Expense. Other expense was zero for fiscal 2010, compared to \$0.2 million for fiscal 2009.

Income/(Loss) Before Income Taxes. Power Products income/(loss) before income taxes increased \$9.1 million to income of \$3.4 million for fiscal 2010, compared to a loss of \$5.7 million for fiscal 2009 due to zero goodwill and intangible asset write-off for fiscal 2010 versus \$5.4 million in write-offs for fiscal 2009. In addition, income/(loss) before income taxes increased due to lower sales volumes, higher restructuring expenses, and higher professional fees, more than offset by lower cost of products sold due to prior restructuring and consolidation efforts.

Other Segment Results

Below is a table summarizing results for the years ended:

(in millions)

(Not meaningful equals N/M)

	May 1, 2010		May 2, 2009		Net Change		
Net sales	\$	9.3	\$	8.2	\$	1.1	13.4%
Cost of products sold		9.5		8.9		0.6	6.7%
Gross margins		(0.2)		(0.7)		0.5	N/M
Impairment of goodwill and intangible assets				1.6		(1.6)	N/M

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Selling and administrative expenses		2.1		2.8	(0.7)	-25.0%	
Loss before income taxes	\$	(2.3)	\$	(5.1)	\$	2.8	N/M

	May 1, 2010	May 2, 2009
Percent of sales:		
Net sales	100.0%	100.0%
Cost of products sold	102.2%	108.5%
Gross margins	-2.2%	-8.5%
Impairment of goodwill and intangible assets	0.0%	19.5%
Selling and administrative expenses	22.6%	34.1%
Loss before income taxes	-24.7%	-62.2%

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Net Sales. The Other segment net sales increased \$1.1 million, or 13.4%, to \$9.3 million for fiscal 2010, compared to \$8.2 million for fiscal 2009. Net sales from our torque-sensing business increased 38.0% in fiscal 2010 compared to fiscal 2009. Net sales from our testing facilities increased 5.1% for fiscal 2010 compared to fiscal 2009.

Cost of Products Sold. Other segment cost of products sold increased \$0.6 million, or 6.7%, to \$9.5 million for fiscal 2010 compared to \$8.9 million for fiscal 2009. The increase is due to an increase in prototypes in our torque-sensing business in fiscal 2010 compared to fiscal 2009. Cost of products sold as a percentage of sales decreased to 102.2% in fiscal 2010 compared to 108.5% in fiscal 2009.

Gross Margins. The Other segment gross margins increased \$0.5 million to a loss of \$0.2 million compared to a loss of \$0.7 million for fiscal 2009. The increase in net sales was more than offset by an increase in prototypes in our torque-sensing business in fiscal 2010.

Impairment of Goodwill and Other Assets. During fiscal 2009, in accordance with ASC No. 350, Intangible - Goodwill and Other, we performed goodwill impairment testing and concluded that goodwill was impaired. Therefore, during fiscal 2009, we recorded a goodwill impairment charge of \$1.6 million in our Other segment related to these assets.

Selling and Administrative Expenses. Selling and administrative expenses decreased \$0.7 million, or 25.0%, to \$2.1 million for fiscal 2010, compared to \$2.8 million for fiscal 2009. Selling and administrative expenses as a percentage of net sales decreased to 22.6% for fiscal 2010 from 34.1% for fiscal 2009.

Loss Before Income Taxes. The Other segment loss before income taxes decreased \$2.8 million to \$2.3 million for fiscal 2010, compared to \$5.1 million for fiscal 2009 due to zero goodwill and intangible asset write-off for fiscal 2010 versus \$1.6 million in write-offs for fiscal 2009. In addition, the loss before income taxes decreased due to higher net sales and gross margins, as well as lower selling and administrative expenses.

Table of Contents**Results of Operations for the Fiscal Year Ended May 2, 2009 (52 weeks) as Compared to the Fiscal Year Ended May 3, 2008 (53 weeks)****Consolidated Results**

Below is a table summarizing results for the years ended:

(in millions)

(Not meaningful equals N/M)

	May 2, 2009	May 3, 2008	Net Change	Net Change
Net sales	\$ 425.6	\$ 551.1	\$ (125.5)	-22.8%
Other income	3.2	1.9	1.3	68.5%
	428.8	553.0	(124.2)	-22.5%
Cost of products sold	356.4	428.4	(72.0)	-16.8%
Gross margins (including other income)	72.4	124.6	(52.2)	-41.9%
Restructuring	25.3	5.2	20.1	N/M
Impairment of goodwill and other assets	94.4	1.5	92.9	N/M
Selling and administrative expenses	57.5	61.5	(4.0)	-6.5%
Amortization of intangibles	6.9	6.0	0.9	15.0%
Interest income, net	1.4	2.3	(0.9)	-39.9%
Other, net - expense	(0.5)	(3.2)	2.7	N/M
Income taxes - expense	1.7	9.7	(8.0)	-82.7%
Net income/(loss)	\$ (112.5)	\$ 39.8	\$ (152.3)	N/M

Percent of sales:	May 2, 2009	May 3, 2008
Net sales	100.0%	100.0%
Other income	0.8%	0.3%
Cost of products sold	83.7%	77.7%
Gross margins (including other income)	17.0%	22.6%
Restructuring	5.9%	0.9%
Impairment of goodwill and other assets	22.2%	0.3%
Selling and administrative expenses	13.5%	11.2%
Amortization of intangibles	1.6%	1.1%
Interest income, net	0.3%	0.4%
Other, net - expense	-0.1%	-0.6%
Income taxes - expense	0.4%	1.8%
Net income/(loss)	-26.4%	7.2%

Net Sales. Consolidated net sales decreased \$125.5 million, or 22.8%, to \$425.6 million for the fiscal year ended May 2, 2009 from \$551.1 million for the fiscal year ended May 3, 2008. The Automotive segment net sales declined \$118.5 million or 32.7% to \$243.6 million for fiscal

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2009 from \$362.1 million for fiscal 2008. The decline is attributable to the softening of the global economic environment, especially the effect on the automotive industry. The Automotive segment net sales were also negatively impacted by planned lower Chrysler sales volumes of \$14.8 million in fiscal 2009, compared to \$59.2 million in fiscal 2008. In July 2007, we decided to exit production for certain Chrysler products at the expiration of our manufacturing commitment. The transfer of the Chrysler product was completed during the second quarter of fiscal 2009. Excluding Chrysler, the North American Automotive segment net sales declined 18.5% in fiscal 2009, as compared to fiscal 2008. The Interconnect segment net sales

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decreased \$5.3 million, or 3.9% to \$131.0 million in fiscal 2009 as compared to \$136.3 million in fiscal 2008. The Interconnect segment net sales were favorably impacted by the Hetric acquisition, which was purchased on September 30, 2008, offset by lower sales in the other Interconnect businesses. The Power Products segment net sales decreased \$3.1 million to \$42.7 million in fiscal 2009, compared to \$45.8 million in fiscal 2008. Translation of net sales from our foreign operations increased reported net sales by \$1.6 million or 0.4% due to currency rate fluctuations.

Other Income. Other income increased \$1.3 million to \$3.2 million for the fiscal year ended May 2, 2009 from \$1.9 million for the fiscal year ended May 3, 2008. Other income consisted primarily of earnings from engineering design fees and royalties.

Cost of Products Sold. Consolidated cost of products sold decreased \$72.0 million, or 16.8%, to \$356.4 million for the fiscal year ended May 2, 2009 from \$428.4 million for the fiscal year ended May 3, 2008. The decrease is due to the lower sales volumes. Consolidated cost of products sold as a percentage of sales was 83.7% for fiscal 2009 and 77.7% for fiscal 2008. This increase relates to manufacturing inefficiencies experienced in the third and fourth quarters of fiscal 2009 due to a significant, unexpected drop in sales, in addition to the drop in the planned sales to Chrysler. A large portion of the drop in sales is due to the North American automotive manufacturers extending plant shutdowns that occurred during the second half of fiscal 2009.

Gross Margins (including other income). Consolidated gross margins (including other income) decreased \$52.2 million, or 41.9%, to \$72.4 million for the fiscal year ended May 2, 2009 as compared to \$124.6 million for the fiscal year ended May 3, 2008. Gross margins as a percentage of net sales were 17.0% for fiscal 2009 and 22.6% for fiscal 2008. Gross margins were impacted negatively due to manufacturing inefficiencies during the third and fourth quarters of fiscal 2009 related to significantly lower sales volumes. In addition, gross margins were impacted due to unfavorable product mix and production costs for the Power Products segment.

Restructuring. On January 24, 2008, we announced a restructuring of our U.S.-based automotive operations and the decision to discontinue producing certain legacy products in the Interconnect segment. During the fiscal year ended May 2, 2009, we recorded a restructuring charge of \$18.0 million, which consisted of \$6.1 million for employee severance, \$10.8 million for impairment and accelerated depreciation for buildings and improvements and machinery and equipment, \$0.2 million for inventory write-downs and \$0.9 million relating to professional fees. During fiscal 2008, we recorded restructuring charges of \$5.2 million, which consisted of \$3.4 million for employee severance, \$1.3 million for asset write-downs and \$0.5 million for professional fees.

On March 12, 2009, we announced several additional restructuring actions to further reduce our exposure to the North American automotive industry and to consolidate manufacturing facilities in lower cost regions to reduce costs. During the fiscal year ended May 2, 2009, we recorded a restructuring charge of \$7.3 million, which consisted of \$0.1 million for employee severance, \$1.4 million for impairment and accelerated depreciation for buildings and improvements and machinery and equipment, \$5.4 million for impairment of customer funded tooling and \$0.1 million in forfeited security deposits related to the cancellation of the new GM business and \$0.3 million relating to professional fees.

Impairment of Goodwill and Other Assets. We review our goodwill and other intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable, and we also review our goodwill annually in accordance with ASC No. 350, *Intangibles - Goodwill and Other*. The values assigned to goodwill and intangible assets are normally based on estimates and judgments regarding expectations for the success and life cycle of products and technologies acquired. A severe decline in expectations, future cash flows, a change in strategic direction or our market capitalization remaining below our net book value for a significant period of time could result in significant impairment charges, which could have a material adverse effect on our financial condition and results of operations. Based on events and general business declines, we performed step one of the goodwill impairment test in accordance with ASC No. 350, on the

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reporting units that had goodwill during fiscal 2009. Based on this test, we determined that the fair value was less than the carrying value of the net assets for certain reporting units. We completed step two of the goodwill test and concluded that goodwill was impaired. During fiscal 2009, we recorded a goodwill impairment charge of \$25.8 million in our Automotive segment, \$30.8 million in our Interconnect segment, \$5.4 million in our Power Products segment and \$1.2 million in our Other segment for a total of \$63.2 million related to these assets.

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Also, in accordance with ASC No. 360, *Property, Plant and Equipment*, we record impairment losses on long-lived assets used in operations when events and circumstances indicate that long-lived assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. During fiscal 2009, based on our future estimates of the undiscounted cash flows, it was determined that certain identifiable assets of our TouchSensor and Hetronic businesses in the Interconnect segment, the Automotive Safety Technologies business from our Automotive segment and Magna-Lastic Devices, Inc. from our Other segment were impaired. Therefore, we recorded an impairment charge of \$26.2 million in the Interconnect segment, \$4.6 million in the Automotive segment and \$0.4 million in the Other segment for a total of \$31.2 million for these assets.

In fiscal 2008, we recorded a \$1.5 million impairment of assets relating to a \$0.7 million write-down of machinery and equipment as a result of lower anticipated revenues over the life of the related project and \$0.8 million for the impairment of a particular patent (classified as an intangible asset) where the underlying technology was deemed to be commercially impractical.

Selling and Administrative Expenses. Selling and administrative expenses decreased \$4.0 million, or 6.5%, to \$57.5 million for the fiscal year ended May 2, 2009 compared to \$61.5 million for the fiscal year ended May 3, 2008. Selling and administrative expenses were favorably impacted by an adjustment of pre-tax compensation expense associated with the performance-based restricted stock awards granted in fiscal 2007, 2008 and 2009. The adjustment was made because we determined that these awards were unlikely to vest based on the Company's performance under the revenue growth and return on invested capital targets. The pre-tax compensation expense for fiscal 2009 was a reversal of expense of \$0.6 million, which relates to compensation expense reversed from previous years. The pre-tax compensation expense for fiscal 2008 was \$3.3 million. Partially offsetting the reversal of pre-tax compensation expense, selling and administrative expenses were impacted by higher amortization expense relating to the Hetronic, Value Engineered Products, Inc. and TouchSensor acquisitions. In addition, management positions were filled for our testing facilities in fiscal 2009, which were vacant in fiscal 2008. Selling and administrative expenses as a percentage of net sales increased to 13.5% in fiscal 2009 from 11.2% in fiscal 2008.

Amortization of Intangibles. Amortization of intangibles increased \$0.9 million, or 15.0%, to \$6.9 million for the fiscal year ended May 2, 2009 compared to \$6.0 million for the fiscal year ended May 3, 2008. The increase is due to the amortization expenses for the Hetronic acquisition.

Interest Income, Net. Net interest income was \$1.4 million for the fiscal year ended May 2, 2009 and \$2.3 million for the fiscal year ended May 3, 2008. The average cash balance was \$81.4 million during fiscal 2009 as compared to \$83.0 million during fiscal 2008. The average interest rate earned in fiscal 2009 was 2.22% compared to 3.07% in fiscal 2008. The average interest rate earned includes both taxable interest and tax-exempt municipal interest. Interest expense was \$0.4 million for fiscal 2009 compared to \$0.2 million for fiscal 2008.

Other, Net. Other, net was an expense of \$0.5 million for the fiscal year ended May 2, 2009, compared to an expense of \$3.2 million for the fiscal year ended May 3, 2008. The decrease is primarily due to the strengthening of the U.S. dollar versus the Euro and Czech koruna during fiscal 2009 as compared to fiscal 2008. The functional currencies of our international operations are the British pound, Chinese yuan, Czech koruna, Euro, Mexican peso and Singapore dollar. Some foreign operations have transactions denominated in currencies other than their functional currencies, primarily sales in U.S. dollars and Euros, creating exchange rate sensitivities.

At May 2, 2009, approximately \$3.5 million was invested in an enhanced cash fund sold as an alternative to traditional money-market funds. We have historically invested a portion of our on hand cash balances in this fund. These investments are subject to credit, liquidity, market and interest rate risk. Based on the information available to us, we have estimated the fair value of this fund at \$0.72 per unit as of May 2, 2009. For fiscal 2009, we recorded a loss of \$1.2 million, of which \$0.6 million was realized on partial redemptions of \$8.8 million, and \$0.6 million was unrealized. See the Financial Condition, Liquidity and Capital Resources section for more information.

Income Taxes. The effective income tax rate was a net provision of 1.5% in fiscal 2009 compared with a provision of 19.7% in fiscal 2008. The income tax rate in fiscal 2009 was a benefit due to the impairment of goodwill and intangible assets, restructuring charges and slowing of business in our U.S.-based businesses, causing a loss before income taxes. Offsetting the benefit recorded in fiscal 2009, a valuation allowance against our deferred

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tax assets of \$28.0 was recorded in accordance ASC No. 740 Income Taxes . This was recorded due to the uncertainty of the future utilization of our deferred tax assets. See Note 7 for additional information. The effective tax rates for both fiscal 2009 and 2008 reflect utilization of foreign investment tax credits and the effect of lower tax rates on income of the Company's foreign earnings and a higher percentage of earnings at those foreign operations.

Net Income/(Loss). Net income decreased \$152.3 million to a loss of \$112.5 million for the fiscal year ended May 2, 2009 as compared to net income of \$39.8 million for the fiscal year ended May 3, 2008 due to the impairment of goodwill and intangible assets, lower sales volumes, the income tax valuation allowance recorded against our deferred tax assets, increased restructuring expenses, offset by favorable other income and lower selling and administrative expenses.

Operating Segments**Automotive Segment Results**

Below is a table summarizing results for the years ended:

(in millions)

(Not meaningful equals N/M)

	May 2, 2009	May 3, 2008	Net Change	Net Change
Net sales	\$ 243.6	\$ 362.1	\$ (118.5)	-32.7%
Other income	2.5	0.9	1.6	177.8%
	246.1	363.0	(116.9)	-32.2%
Cost of products sold	206.0	282.1	(76.1)	-27.0%
Gross margins (including other income)	40.1	80.9	(40.8)	-50.4%
Restructuring	19.3	4.4	14.9	N/M
Impairment of goodwill and other assets	30.5	1.5	29.0	N/M
Selling and administrative expenses	14.6	18.0	(3.4)	-18.9%
Other, net - income/(expense)	0.3	(1.7)	2.0	N/M
Income/(loss) before income taxes	\$ (24.0)	\$ 55.3	\$ (79.3)	N/M

Percent of sales:	May 2, 2009	May 3, 2008
Net sales	100.0%	100.0%
Other income	1.0%	0.2%
Cost of products sold	84.6%	77.9%
Gross margins (including other income)	16.5%	22.3%

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Restructuring	7.9%	1.2%
Impairment of goodwill and other assets	12.5%	0.4%
Selling and administrative expenses	6.0%	5.0%
Other, net	0.1%	-0.5%
Income/(loss) before income taxes	-9.9%	15.3%

Net Sales. Automotive segment net sales decreased \$118.5 million, or 32.7%, to \$243.6 million for the fiscal year ended May 2, 2009 from \$362.1 million for the fiscal year ended May 3, 2008. The decline is attributable to the softening of the global economic environment, especially the effect on the North American automotive industry. Net sales have declined in fiscal 2009 as compared to fiscal 2008 by 34.2% in North America, 30.6% in Europe and 30.7% in Asia. A large portion of the drop in sales is due to the North American automotive

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manufacturers extending plant shutdowns that occurred during the third and fourth quarters of fiscal 2009. The Automotive segment net sales were also negatively impacted by anticipated lower Chrysler sales volumes of \$14.8 million in fiscal 2009, compared to \$59.2 million in fiscal 2008. Excluding Chrysler, the North American Automotive segment net sales declined 18.5% in fiscal 2009, as compared to fiscal 2008. Translation of net sales from our foreign operations in the fiscal year ended May 2, 2009 increased reported net sales by \$1.3 million, or 0.5%, due to currency rate fluctuations.

Other Income. Other income increased \$1.6 million, or 177.8%, to \$2.5 million for the fiscal year ended May 2, 2009 from \$0.9 million for the fiscal year ended May 3, 2008. Other income consisted primarily of earnings from engineering design fees and royalties.

Cost of Products Sold. Automotive segment cost of products sold decreased \$76.1 million to \$206.0 million for the fiscal year ended May 2, 2009 from \$282.1 million for the fiscal year ended May 3, 2008. The decrease relates to lower sales volumes. Automotive segment costs of products sold as a percentage of sales increased to 84.6% for fiscal 2009 from 77.9% for fiscal 2008. This increase relates to manufacturing inefficiencies experienced in the third and fourth quarters of fiscal 2009 due to a significant, unexpected drop in sales, in addition to lower planned sales to Chrysler. A large portion of the drop in sales is due to the North American automotive manufacturers extending plant shutdowns that occurred during the second half of fiscal 2009.

Gross Margins (including other income). Automotive segment gross margins (including other income) decreased \$40.8 million, or 50.4%, to \$40.1 million for the fiscal year ended May 2, 2009 as compared to \$80.9 million for the fiscal year ended May 3, 2008. Gross margins as a percentage of net sales decreased to 16.5% for fiscal 2009 from 22.3% for fiscal 2008. Gross margins were impacted negatively due to manufacturing inefficiencies during the second half of fiscal 2009 due to significantly lower sales volumes. In addition, gross margins were impacted by the planned lower Chrysler sales volumes in fiscal 2009.

Restructuring. On January 24, 2008, we announced a restructuring of our U.S.-based automotive operations. During fiscal 2009, we recorded a restructuring charge of \$12.8 million, which consisted of \$4.7 million for employee severance, \$7.4 million for impairment and accelerated depreciation for buildings, building improvements and machinery and equipment and \$0.7 million for professional fees.

In fiscal 2008, we recorded a restructuring charge of \$4.4 million, \$2.7 million relating to employee severance, \$1.3 million relating to impairment and accelerated depreciation for assets and \$0.4 million for professional fees relating to the January 2008 restructuring.

On March 12, 2009, we announced several additional restructuring actions to further reduce our exposure to the North American automotive industry and to consolidate manufacturing facilities in lower cost regions to reduce costs. During the fiscal year ended May 2, 2009, we recorded a restructuring charge of \$6.5 million, which consisted of \$1.0 million for impairment and accelerated depreciation for buildings and improvements and machinery and equipment and \$5.4 million for customer funded tooling and \$0.1 million in forfeited security deposits related to the cancellation of the new GM business.

Impairment of Goodwill and Other Assets. Based on events and general business declines, we performed step one and step two of the goodwill impairment test in accordance with ASC No. 350, on the reporting units that had goodwill during fiscal 2009. Based on these tests, we concluded that goodwill was impaired. We recorded a goodwill impairment charge of \$25.8 million in our Automotive segment related to these assets.

Also, in accordance with ASC No. 360, Property, Plant and Equipment, during the fourth quarter of fiscal 2009, based on our future estimates of the undiscounted cash flows, it was determined that certain identifiable assets were impaired. We recorded an impairment charge of \$4.7 million for these assets.

In fiscal 2008, we recorded a \$1.5 million impairment of assets relating to a \$0.7 million write-down of machinery and equipment as a result of lower anticipated revenues over the life of the related project and \$0.8 million for the impairment of a particular patent (classified as an intangible asset) where the underlying technology was deemed to be commercially impractical.

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Selling and Administrative Expenses. Selling and administrative expenses decreased \$3.4 million, or 18.9%, to \$14.6 million for the fiscal year ended May 2, 2009 compared to \$18.0 million for the fiscal year ended May 3, 2008. The decrease is due to lower commission expense as a result of lower sales during fiscal 2009. Selling and administrative expenses as a percentage of net sales increased to 6.0% in fiscal 2009 from 5.0% in fiscal 2008.

Other, Net. Other, net was income of \$0.3 million for the fiscal year ended May 2, 2009, compared to an expense of \$1.7 million for the fiscal year ended May 3, 2008. The decrease is primarily due to the strengthening of the U.S. dollar versus the Euro during fiscal 2009 as compared to fiscal 2008. The functional currencies of our international operations are the British pound, Chinese yuan, Euro and Mexican peso. Some foreign operations have transactions denominated in currencies other than their functional currencies, primarily sales in U.S. dollars and Euros, creating exchange rate sensitivities.

Income/(Loss) Before Income Taxes. Automotive segment income/(loss) before income taxes decreased \$79.3 million to a loss of \$24.0 million for the fiscal year ended May 2, 2009 compared to income of \$55.3 million for the fiscal year ended May 3, 2008. The decrease occurred due to goodwill and intangible asset write-offs, manufacturing inefficiencies due to significantly lower sales volumes during the third and fourth quarters of fiscal 2009, increased restructuring expenses, partially offset by lower selling and administrative expenses.

Table of Contents**Interconnect Segment Results**

Below is a table summarizing results for the years ended:

(in millions)

(Not meaningful equals N/M)

	May 2, 2009		May 3, 2008		Net Change		Net Change
Net sales	\$ 131.0	\$	136.3	\$	(5.3)		-3.9%
Other income	0.2		0.3		(0.1)		-33.3%
	131.2		136.6		(5.4)		-4.0%
Cost of products sold	99.7		104.7		(5.0)		-4.8%
Gross margins (including other income)	31.5		31.9		(0.4)		-1.3%
Restructuring	5.5		0.6		4.9		N/M
Impairment of goodwill and other assets	56.9				56.9		N/M
Selling and administrative expenses	31.0		25.9		5.1		19.7%
Interest income	0.5		0.4		0.1		25.0%
Other, net - income/(expense)	0.7		(1.2)		1.9		N/M
Income/(loss) before income taxes	\$ (60.7)	\$	4.6	\$	(65.3)		N/M

Percent of sales:	May 2, 2009	May 3, 2008
Net sales	100.0%	100.0%
Other income	0.2%	0.2%
Cost of products sold	76.1%	76.8%
Gross margins (including other income)	24.0%	23.4%
Restructuring	4.2%	0.4%
Impairment of goodwill and other assets	43.4%	0.0%
Selling and administrative expenses	23.7%	19.0%
Interest income	0.4%	0.3%
Other, net	0.5%	-0.9%
Income/(loss) before income taxes	-46.3%	3.4%

Net Sales. Interconnect segment net sales decreased \$5.3 million, or 3.9%, to \$131.0 million for the fiscal year ended May 2, 2009 from \$136.3 million for the fiscal year ended May 3, 2008. Net sales were favorably impacted by the Hetronic acquisition on September 30, 2008. Excluding Hetronic, North American net sales decreased 14.7%, Europe decreased 22.8% and Asia decreased 7.8% in fiscal 2009 as compared to fiscal 2008. The net sales decline was primarily due to the general economic slowdown. Translation of net sales from our foreign operations in the fiscal year ended May 2, 2009 increased reported net sales by \$0.3 million, or 0.2%, due to currency rate fluctuations.

Other Income. Other income was \$0.2 million for the fiscal year ended May 2, 2009 and \$0.3 million for the fiscal year ended May 3, 2008. Other income consisted primarily of earnings from engineering design fees and royalties.

Cost of Products Sold. Interconnect segment cost of products sold decreased \$5.0 million to \$99.7 million for the fiscal year ended May 2, 2009 compared to \$104.7 million for the fiscal year ended May 3, 2008. The majority of the decrease is due to lower net sales. Interconnect segment cost of products sold as a percentage of net sales decreased to 76.1% in fiscal 2009 compared to 76.8% in fiscal 2008. The decrease in cost of products sold as a percentage of net sales relates primarily to product mix related to the Hetric acquisition and the impact of the Interconnect restructuring.

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Gross Margins (including other income) Interconnect segment gross margins (including other income) decreased \$0.4 million, or 1.3%, to \$31.5 million for the fiscal year ended May 2, 2009 as compared to \$31.9 million for the fiscal year ended May 3, 2008. Gross margins as a percentage of net sales increased to 24.0% in fiscal 2009 from 23.4% in fiscal 2008. The increase in gross margins as a percentage of net sales relates primarily to product mix related to the Hetronic acquisition and the impact of the Interconnect restructuring.

Restructuring. On January 24, 2008, we announced our decision to discontinue producing certain legacy products in the Interconnect segment. During fiscal 2009, we recorded a restructuring charge of \$5.2 million, which consisted of \$1.4 million for employee severance, \$3.4 million for impairment and accelerated depreciation for buildings, building improvements and machinery and equipment, \$0.2 million for inventory write-downs and \$0.2 million relating to professional fees. We expect the Interconnect restructuring to be complete in fiscal 2010.

In fiscal 2008, we recorded a restructuring charge of \$0.7 million, \$0.6 million for employee severance and \$0.1 million for professional fees relating to the January 2008 restructuring.

On March 12, 2009, we announced several additional restructuring actions to consolidate manufacturing facilities in lower cost regions to reduce costs. During the fiscal year ended May 2, 2009, we recorded a restructuring charge of \$0.3 million, which consisted of \$0.1 million for employee severance and \$0.2 million relating to professional fees.

Impairment of Goodwill and Other Assets. Based on events and general business declines, we performed step one and step two of the goodwill impairment test in accordance with ASC No. 350, on the reporting units that had goodwill during fiscal 2009. Based on these tests, we concluded that goodwill was impaired. We recorded a goodwill impairment charge of \$30.8 million in our Interconnect segment related to these assets

Also, in accordance with ASC No. 360, during the fourth quarter of fiscal 2009, based on our future estimates of the undiscounted cash flows, it was determined that certain identifiable assets were impaired. We recorded an impairment charge of \$26.1 million for these assets.

Selling and Administrative Expenses. Selling and administrative expenses increased \$5.1 million, or 19.7%, to \$31.0 million for the fiscal year ended May 2, 2009 compared to \$25.9 million for the fiscal year ended May 3, 2008. Selling and administrative expenses are higher due to the Hetronic acquisition, higher amortization expense, slightly offset by lower commission expense due to lower sales in fiscal 2009 as compared to fiscal 2008. Selling and administrative expenses as a percentage of net sales increased to 23.7% in fiscal 2009 from 19.0% in fiscal 2008.

Interest Income, Net. Net interest income was \$0.5 million for the fiscal year ended May 2, 2009, compared to \$0.4 million for the fiscal year ended May 3, 2008.

Other, Net. Other, net was income of \$0.7 million for the fiscal year ended May 2, 2009, compared to an expense of \$1.2 million for the fiscal year ended May 3, 2008. The increase is primarily due to the strengthening of the U.S. dollar versus the Euro and Czech koruna during fiscal 2009 as compared to fiscal 2008. The functional currencies of these operations are the Chinese yuan, Czech koruna, Euro and Singapore dollar. Some foreign operations have transactions denominated in currencies other than their functional currencies, primarily sales in U.S. dollars and

Euros, creating exchange rate sensitivities.

Income/(Loss) Before Income Taxes. Interconnect segment income/(loss) before income taxes decreased \$65.3 million to a loss of \$60.7 million for the fiscal year ended May 2, 2009 compared to income of \$4.6 million for the fiscal year ended May 3, 2008 due to the goodwill and intangible asset write-off, higher selling and administrative expenses, increased amortization expense and increased restructuring expenses.

Table of Contents**Power Products Segment Results**

Below is a table summarizing results for the years ended:

(in millions)

(Not meaningful equals N/M)

	May 2, 2009	May 3, 2008	Net Change	Net Change
Net sales	\$ 42.7	\$ 45.8	\$ (3.1)	-6.8%
Cost of products sold	37.2	33.2	4.0	12.0%
Gross margins	5.5	12.6	(7.1)	-56.0%
Restructuring	0.5		0.5	N/M
Impairment of goodwill and other assets	5.4		5.4	N/M
Selling and administrative expenses	5.1	4.1	1.0	25.4%
Other - expense	(0.2)		(0.2)	N/M
Income/(loss) before income taxes	\$ (5.7)	\$ 8.5	\$ (14.2)	N/M

Percent of sales:	May 2, 2009	May 3, 2008
Net sales	100.0%	100.0%
Cost of products sold	87.1%	72.5%
Gross margins (including other income)	13.0%	27.5%
Restructuring	1.2%	0.0%
Impairment of goodwill and other assets	12.5%	0.0%
Selling and administrative expenses	12.0%	9.0%
Other - expense	-0.4%	0.0%
Income/(loss) before income taxes	-13.3%	18.6%

Net Sales. Power Products segment net sales decreased \$3.1 million, or 6.8%, to \$42.7 million for the fiscal year ended May 2, 2009 from \$45.8 million for the fiscal year ended May 3, 2008. Net sales were favorably impacted by the Value Engineering Products (VEP) acquisition on August 31, 2007. Excluding VEP, Power Products net sales decreased 10.9% in fiscal 2009 as compared to fiscal 2008.

Cost of Products Sold. Power Products segment cost of products sold increased \$4.0 million, or 12.0%, to \$37.2 million for the fiscal year ended May 2, 2009 compared to \$33.2 million for the fiscal year ended May 3, 2008. The Power Products segment cost of products sold as a percentage of sales increased to 87.1% for fiscal 2009 from 72.5% for fiscal 2008. The increase is partially due to a product that reached end-of-life at the end of fiscal 2008 and had a lower cost as a percentage of sales than the remaining sales during fiscal 2009. In addition, we experienced an unfavorable product mix as well as increased shipping and distribution costs.

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Gross Margins. Power Products segment gross margins decreased \$7.1 million, or 56.0%, to \$5.5 million for the fiscal year ended May 2, 2009 as compared to \$12.6 million for the fiscal year ended May 3, 2008. Gross margins as a percentage of net sales decreased to 13.0% in fiscal 2009 from 27.5% in fiscal 2008. The decrease is due to a product that reached end-of-life at the end of fiscal 2008 and had higher gross margins than the remaining sales and gross margins during fiscal 2009. We also experienced an unfavorable product mix, and increases in labor costs, as well as, shipping and distribution costs.

Restructuring. On March 12, 2009, we announced several additional restructuring actions to consolidate manufacturing facilities in lower cost regions to reduce costs. During the fiscal year ended May 2, 2009, we recorded a restructuring charge of \$0.5 million, which consisted of \$0.4 million for impairment and accelerated depreciation for buildings and improvements and machinery and equipment and \$0.1 million relating to professional

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services.

Impairment of Goodwill and Intangible Assets. Based on events and general business declines, we performed step one and step two of the goodwill impairment test in accordance with ASC No. 350, on the reporting units that had goodwill during fiscal 2009. Based on these tests, we concluded that goodwill was impaired. We recorded a goodwill impairment charge of \$5.4 million in our Power Products segment related to these assets.

Selling and Administrative Expenses. Selling and administrative expenses increased \$1.0 million, or 25.4%, to \$5.1 million for the fiscal year ended May 2, 2009 compared to \$4.1 million for the fiscal year ended May 3, 2008. Selling and administrative expenses increased due to the Tribotek acquisition on March 30, 2008, partially offset by lower commission and bonus expenses in fiscal 2009. Selling and administrative expenses as a percentage of net sales increased to 12.0% in the fiscal 2009 from 9.0% in fiscal 2008.

Other, Net. Other, net was an expense of \$0.2 million for the fiscal year ended May 2, 2009, compared to no other, net for the fiscal year ended May 3, 2008.

Income/(Loss) Before Income Taxes. Power Products segment income/(loss) before income taxes decreased by \$14.2 million to a loss of \$5.7 million for the fiscal year ended May 2, 2009 from a profit of \$8.5 million for the fiscal year ended May 3, 2008 due to impairment of goodwill, decreased sales of products which became end-of-life at the end of fiscal year 2008, restructuring costs, higher material, labor and shipping costs, expenses related to Tribotek, partially offset by lower commission and bonus expenses.

Table of Contents**Other Segment Results**

Below is a table summarizing results for the years ended:

(in millions)

(Not meaningful equals N/M)

	May 2, 2009		May 3, 2008		Net Change		
Net sales	\$	8.2	\$	6.9	\$	1.3	18.8%
Cost of products sold		8.9		6.7		2.2	32.8%
Gross margins		(0.7)		0.2		(0.9)	N/M
Impairment of goodwill and intangible assets		1.6				1.6	N/M
Selling and administrative expenses		2.8		2.0		0.8	40.0%
Loss before income taxes	\$	(5.1)	\$	(1.8)	\$	(3.3)	183.3%

Percent of sales:	May 2, 2009	May 3, 2008
Net sales	100.0%	100.0%
Cost of products sold	108.5%	97.1%
Gross margins	-8.5%	2.9%
Impairment of goodwill and intangible assets	19.5%	0.0%
Selling and administrative expenses	34.1%	29.0%
Loss before income taxes	-62.2%	-26.1%

Net Sales. The Other segment net sales increased \$1.3 million to \$8.2 million for the fiscal year ended May 2, 2009 as compared to \$6.9 million for the fiscal year ended May 3, 2008. Net sales from our torque-sensing business increased 60.6% and net sales from our testing facilities increased 11.2% in fiscal 2009 as compared to fiscal 2008.

Cost of Products Sold. Other segment cost of products sold increased \$2.2 million to \$8.9 million for the fiscal year ended May 2, 2009 compared to \$6.7 million for the fiscal year ended May 3, 2008. The increase is due to additional support staff in our U.S. testing facilities and a new testing facility that was opened in Shanghai, China during the second quarter of fiscal 2009.

Gross Margins. The Other segment gross margins was a loss of \$0.7 million for fiscal 2009, compared to income \$0.2 million for fiscal 2008. Gross margins declined in fiscal 2009 due to the increase in additional support staff in our U.S. testing facilities and the new testing facility in Shanghai, China.

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Impairment of Goodwill and Intangible Assets. Based on events and general business declines, we performed step one and step two of the goodwill impairment test in accordance with ASC No. 350, on the reporting units that had goodwill during fiscal 2009. Based on these tests, we concluded that goodwill was impaired. We recorded a goodwill impairment charge of \$1.2 million in our Other segment related to these assets.

Also, in accordance with ASC No. 360, during the fourth quarter of fiscal 2009, based on our future estimates of the undiscounted cash flows, it was determined that certain identifiable assets were impaired. We recorded an impairment charge of \$0.4 million for these assets.

Selling and Administrative Expenses. Selling and administrative expenses increased \$0.8 million to \$2.8 million for the fiscal year ended May 2, 2009 compared to \$2.0 million for the fiscal year ended May 3, 2008. The increase is primarily due to the new testing facility in Shanghai, China. Selling and administrative expenses as a percentage of net sales increased to 34.1% in fiscal 2009 from 29.0% in fiscal 2008.

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Loss Before Income Taxes. The Other segment loss before income taxes was \$5.1 million for the fiscal year ended May 2, 2009 compared to \$1.8 million for the fiscal year ended May 3, 2008. The increase in the loss before income taxes is due the impairment of goodwill and intangible assets, additional support staff for our North American testing facilities as well as costs associated with the new testing facility in Shanghai, China.

Financial Condition, Liquidity and Capital Resources

We have historically financed our cash requirements through cash flows from operations. Our future cash flow will depend on a number of factors, including our future net sales and the timing and rate of expansion of our business. We believe our current cash balances together with the cash flow expected to be generated from future domestic and foreign operations will be sufficient to support current operations.

We have an agreement with our primary bank for a revolving credit facility to provide up to \$75.0 million ready financing for general corporate purposes, including acquisition opportunities that may become available. The bank credit agreement, which expires on January 31, 2011, requires maintenance of certain financial ratios and a minimum net worth level. At May 1, 2010, we were in compliance with these covenants and had no borrowings against this credit facility.

During fiscal 2009 and the first half of fiscal 2010, we were invested in an enhanced cash fund sold as an alternative to traditional money-market funds. We have historically invested a portion of our on hand cash balances in this fund. These investments are subject to credit, liquidity, market and interest rate risk. In December 2007, the fund was overwhelmed with withdrawal requests from investors and was closed with a restriction placed upon the cash redemption ability of its holders. In September 2009, we received the remaining principal in the fund. The balance in the fund as of May 1, 2010 was zero. For fiscal 2010, we recorded a gain of \$0.6 million and for fiscal 2009, we recorded a loss of \$1.2 million.

Operating cash flow is summarized below (in millions):

	May 1, 2010	Fiscal Year Ended		May 3, 2008
		May 2, 2009		
Net income/(loss)	\$ 13.8	\$ (112.2)	\$	40.1
Depreciation and amortization	19.4	37.0		28.2
Changes in operating assets and liabilities	(11.5)	6.3		6.8
Other non-cash items	5.7	112.1		1.9
Cash flow from operations	\$ 27.4	\$ 43.2	\$	77.0

Operating Activities Fiscal 2010 Compared to Fiscal 2009

Net cash provided by operating activities decreased \$15.8 million to \$27.4 million for fiscal 2010 compared to \$43.2 million for fiscal 2009. While our net income increased \$126.0 million to net income of \$13.8 million for fiscal 2010, compared to a loss of \$112.2 million for fiscal

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2009, \$106.4 million of the change related to non-cash charges (\$5.7 million for fiscal 2010 compared to \$112.1 million for fiscal 2009). The depreciation and amortization add back to cash flow from operations decreased \$17.6 million to \$19.4 million for fiscal 2010, compared to \$37.0 million in fiscal 2009. The decrease for both depreciation and other non-cash items in fiscal 2010 compared to fiscal 2009 is primarily due to goodwill and fixed assets that were written off in fiscal 2009. The changes in operating assets and liabilities decreased by \$17.8 million, to cash used of \$11.5 million in fiscal 2010, compared to \$6.3 million of cash generated in fiscal 2009 primarily driven by higher accounts receivable balances at the end of fiscal 2010 due to higher sales in the fourth quarter of fiscal 2010, compared to the fourth quarter of fiscal 2009.

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Operating Activities Fiscal 2009 Compared to Fiscal 2008

Net cash provided by operating activities decreased \$33.8 million to \$43.2 million for fiscal 2009 compared to \$77.0 million for fiscal 2008. The decrease was due to our net income/(loss) decreasing \$152.3 million to net loss of \$112.2 million for fiscal 2009, compared to net income of \$40.1 million for fiscal 2008, which is partially offset by non-cash charge add-backs difference of \$119.0 million for goodwill and intangible asset write-offs as well as depreciation and amortization expenses in fiscal 2009 compared to fiscal 2008. The changes in operating assets and liabilities decreased by \$0.5 million, to cash generated of \$6.3 million in fiscal 2009, compared to \$6.8 million of cash generated in fiscal 2008.

Investing Activities Fiscal 2010 Compared to Fiscal 2009

Net cash used in investing activities decreased \$68.3 million to \$7.8 million for fiscal 2010, compared to \$76.1 million for fiscal 2009. Purchases of plant and equipment decreased \$7.7 million, to \$9.4 million for fiscal 2010, compared to \$17.1 million for fiscal 2009. In fiscal 2010, we received \$2.4 million from life insurance policies in connection with an employee deferred compensation plan. In September 2008, we acquired certain assets of Hetronic LLC (Hetronic) for \$53.6 million in cash. We also incurred \$2.4 million in transaction costs related to the purchase. Also in fiscal 2009, we made a contingent payment of \$0.8 million related to the VEP acquisition. In addition, we made a contingent payment of \$0.3 million and \$0.6 million in fiscal 2010 and 2009, respectively for the Cableco Technologies acquisition.

Investing Activities Fiscal 2009 Compared to Fiscal 2008

Net cash used in investing activities was \$76.1 million for fiscal 2009 and \$29.0 million for fiscal 2008. Purchases of property, plant and equipment was \$17.1 million and \$20.0 million for fiscal 2009 and 2008, respectively. In fiscal 2009, we purchased Hetronic and made the contingent payments related to the VEP and Cableco acquisitions described above. During fiscal 2008, we also paid a \$1.0 million dividend for our automotive joint venture.

Financing Activities Fiscal 2010 Compared to Fiscal 2009

Net cash used in financing activities was \$10.3 million for fiscal 2010, compared to \$15.1 million for fiscal 2009. We paid cash dividends of \$10.4 million in fiscal 2010, compared to \$9.8 million in fiscal 2009. Our board of directors approved a stock repurchase plan in September 2008 to purchase up to 3,000,000 shares. The plan expired May 1, 2010. In fiscal 2009, we purchased 669,480 shares for \$5.3 million. There were no shares purchased in fiscal 2010.

Financing Activities Fiscal 2009 Compared to Fiscal 2008

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Net cash used in financing activities was \$15.1 million in fiscal 2009 and \$7.1 million in fiscal 2008. We paid cash dividends of \$9.8 million and \$7.6 million in fiscal 2009 and 2008, respectively. We repurchased 53,012 and 95,420 shares in fiscal 2009 and 2008, respectively, of our common stock from the former owners of Cableco in accordance with the terms of the earn-out provision of the Cableco purchase agreement. We repurchased 669,480 shares of common stock for \$5.3 million in fiscal 2009.

Table of Contents**Contractual Obligations**

The following table summarizes contractual obligations and commitments, as of May 1, 2010 (in thousands):

	Total	Payments Due By Period			
		Less than 1 year	1-3 years	4-5 years	More than 5 years
Operating leases	\$ 4,906	\$ 2,604	\$ 1,963	\$ 271	\$ 68
Purchase obligations	46,251	46,251			
Deferred compensation	4,356	379	876	328	2,773
Total	\$ 55,513	\$ 49,234	\$ 2,839	\$ 599	\$ 2,841

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, other than the operating leases and purchase obligations noted in the preceding table.

Critical Accounting Policies and Estimates

Management's discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions; however, we do not believe that it is reasonably likely that changes will occur. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue Recognition. We recognize revenue on product sales when i) persuasive evidence of an agreement exists, ii) the price is fixed or determinable, iii) delivery has occurred or services have been rendered, and iv) collection of the sales proceeds is reasonably assured. Revenue from our product sales not requiring installation, net of trade discounts and estimated sales allowances, is recognized when title passes, which is generally upon shipment. We do not have any additional obligations or customer acceptance provisions after shipment of such products. We handle returns by replacing, repairing or issuing credit for defective products when returned. Revenue from cabling infrastructure systems installations is recognized when the installation is completed, tested and accepted by the customer.

Allowance for Doubtful Accounts. We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of customers to make required payments. The amount of the allowance is based on the age of unpaid amounts, information about the creditworthiness of customers, and other relevant information. Estimates of uncollectible amounts are revised each period, and changes are recorded in the period they become known. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

In addition, our revenues and accounts receivable are concentrated in a relatively small number of customers. A significant change in the liquidity or financial position of any one of these customers or a deterioration in the economic environment or automotive industry, in general, could have a material adverse impact on the collectability of our accounts receivable and our future operating results, including a reduction in future revenues and additional allowances for doubtful accounts.

Allowance for Excess and Obsolete Inventory. Inventories are valued at the lower-of-cost-or-market value and have been reduced by allowances for excess and obsolete inventories. The estimated allowances are based on our review of inventories on hand compared to estimated future usage and sales, using assumptions about future product life cycles, product demand and market conditions. If actual product life cycles, product demand and market conditions are less favorable than those projected by us, additional inventory write-downs may be required.

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Intangible Assets. We have significant intangible assets related to goodwill and other acquired intangibles. The determination of related estimated useful lives and whether these assets are impaired involves significant judgment. In assessing the recoverability of our intangibles, we must make assumptions regarding estimated future cash flows and other factors to determine the fair value of the respective assets. If these estimates or their related assumptions change in the future, we may be required to record impairment charges for these assets. In accordance with ASC No. 350, *Goodwill and Other Assets*, on May 1, 2002, we ceased amortizing goodwill. In lieu of amortization, we are required to perform an annual impairment review (see Note 4 to the Consolidated Financial Statements).

Income Taxes. As part of the process of preparing our Consolidated Financial Statements, we are required to estimate income taxes in each of the jurisdictions in which we operate. The process involves estimating actual current tax expense along with assessing temporary differences resulting from differing treatment of items for book and tax purposes. These temporary differences result in deferred tax assets and liabilities, which are included in our consolidated balance sheet. We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. We have considered future taxable income and ongoing tax planning strategies in assessing the need for the valuation allowance. The tax laws of Malta provide for investment tax credits of 50% of certain qualified expenditures. Unused credits can be carried forward indefinitely. We have accumulated investment tax credits in excess of amounts more likely than not to be realized based upon projections of taxable income to be generated within a reasonable time period. Valuation allowances have been provided for this excess.

Contingencies. We are subject to various investigations, claims, legal and administrative proceedings covering a wide range of matters that arise in the ordinary course of business activities. A significant amount of judgment and use of estimates is required to quantify our ultimate exposure in these matters. For those matters that we can estimate a range of loss, we have established reserves at levels within that range to provide for the most likely scenario based upon available information. The valuation of reserves for contingencies is reviewed on a quarterly basis to assure that the Company is properly reserved. Reserve balances are adjusted to account for changes in circumstances for ongoing issues and the establishment of additional reserves for emerging issues. While we believe that the current level of reserves is adequate, changes in the future could impact these determinations.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Certain of our foreign operations enter into transactions in currencies other than their functional currency, primarily the U.S. dollar and the Euro. A 10% change in foreign currency exchange rates from balance sheet date levels could impact our income before income taxes by \$4.7 million and \$2.8 million at May 1, 2010 and May 2, 2009, respectively. We also have foreign currency exposure arising from the translation of our net equity investment in our foreign operations to U.S. dollars. We generally view our investments in foreign operations with functional currencies other than the U.S. dollar as long-term. The currencies to which we are exposed are the British pound, Chinese yuan, Czech koruna, Indian rupee, Mexican peso and Singapore dollar. A 10% change in foreign currency exchange rates from balance sheet date levels could impact our net foreign investments by \$12.8 million at May 1, 2010 and \$10.8 million at May 2, 2009.

Item 8. Financial Statements and Supplementary Data

See Item 15 for an Index to Financial Statements and Financial Statement Schedule. Such Financial Statements and Schedule are incorporated herein by reference.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this annual report on Form 10-K, we performed an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the Exchange Act)). Our disclosure controls and procedures are designed to ensure that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and

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Exchange Commission's applicable rules and forms. As a result of this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of May 1, 2010 based on the guidelines established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Our internal control over financial reporting includes policies and procedures that provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

Based on the results of our evaluation, our management concluded that our internal control over financial reporting was effective as of May 1, 2010. Management reviewed the results of its assessment with the Audit Committee. Our independent registered public accounting firm, Ernst and Young, LLP, has issued an attestation report on our internal control over financial reporting. This report is included on page F-2 of this report on Form 10-K.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that was conducted during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, do not expect that our disclosure controls or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information regarding our directors will be included under the caption "Proposal One: Election of Directors" and "Corporate Governance" in the definitive proxy statement for our 2010 annual meeting to be held on September 16, 2010, and is incorporated herein by reference. Information regarding our executive officers is included under a separate caption in Part I hereof, and is incorporated herein by reference, in accordance with General Instruction G(3) to Form 10-K and Instruction 3 to Item 401(b) of Regulation S-K. Information regarding

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compliance with Section 16(a) of the Exchange Act is included under the caption "Section 16(a) Beneficial Ownership Reporting Compliance and Audit Committee Matters" in the definitive proxy statement for our 2010 annual meeting and is incorporated herein by reference.

We have adopted a Code of Business Conduct (the "Code") that applies to our directors, our principal executive officer, principal financial officer, principal accounting officer or controller and persons performing similar functions, as well as other employees. The Code of Business Conduct is publicly available on our website at www.methode.com. If we make any substantive amendments to the Code or grant any waiver, including any implicit waiver, from a provision of the Code to our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions, we will disclose the nature of such amendment or waiver on our website or in a report on Form 8-K in accordance with applicable rules and regulations.

Item 11. Executive Compensation

Information regarding the above will be included under the caption "Compensation Discussion and Analysis, Compensation Committee Report, Executive Compensation Tables and Director Compensation" in the definitive proxy statement for our 2010 annual meeting to be held on September 16, 2010, and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information regarding the above will be included under the caption "Security Ownership and Executive Compensation Discussion and Analysis" and in subsequent compensation tables in the definitive proxy statement for our 2010 annual meeting to be held on September 16, 2010, and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information regarding the above will be included under the caption "Corporate Governance" in the definitive proxy statement for our 2010 annual meeting to be held on September 16, 2010, and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

Information regarding the above will be included under the caption "Audit Committee Matters" in the definitive proxy statement for our 2010 annual meeting to be held on September 16, 2010, and is incorporated herein by reference.

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PART IV

Item 15. Exhibits and Financial Statement Schedule

(a) The documents included in the following indexes are filed as part of this annual report on Form 10-K.

(1) (2) The response to this portion of Item 15 is included in this report under the caption Financial Statements and Financial Statement Schedule below, which is incorporated herein by reference.

(3) See Index to Exhibits immediately following the financial statement schedule.

(b) See Index to Exhibits immediately following the financial statement schedule.

(c) See Financial Statements and Financial Statement Schedule.

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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.

METHODE ELECTRONICS, INC.
(Registrant)

By: /s/ DOUGLAS A. KOMAN
Douglas A. Koman
Chief Financial Officer
(Principal Accounting and Financial Officer)

Dated: July 1, 2010

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 and on the dates indicated.

Signature	Title	Date
/s / WARREN L. BATTS Warren L. Batts	Chairman of the Board	July 1, 2010
/s/ DONALD W. DUDA Donald W. Duda	Chief Executive Officer, President & Director (Principal Executive Officer)	July 1, 2010
/s / DOUGLAS A. KOMAN HORNUNG Douglas A. Koman	Chief Financial Officer	July 1, 2010
/s / WALTER J. ASPATORE Walter J. Aspatore	Director	July 1, 2010
/s/ J. EDWARD COLGATE J. Edward Colgate	Director	July 1, 2010
/s/ DARREN M. DAWSON Darren M. Dawson	Director	July 1, 2010
/s / ISABELLE C. GOOSSEN Isabelle C. Goossen	Director	July 1, 2010
/s / CHRISTOPHER J. HORNUNG Christopher J. Hornung	Director	July 1, 2010

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/s / LAWRENCE B. SKATOFF
Lawrence B. Skatoff

Director

July 1, 2010

/s / PAUL G. SHELTON
Paul G. Shelton

Director

July 1, 2010

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METHODE ELECTRONICS, INC. AND SUBSIDIARIES

FORM 10-K

ITEM 15 (a) (1) and (2)

(1) Financial Statements

The following consolidated financial statements of Methode Electronics, Inc. and subsidiaries are included in Item 8:

<u>Report of Independent Registered Public Accounting Firm</u>	F1
<u>Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting</u>	F2
<u>Consolidated Balance Sheets May 1, 2010 and May 2, 2009</u>	F3
<u>Consolidated Statements of Operations Years Ended May 1, 2010, May 2, 2009 and May 3, 2008</u>	F4
<u>Consolidated Statements of Shareholders Equity Years Ended May 1, 2010, May 2, 2009 and May 3, 2008</u>	F5
<u>Consolidated Statements of Cash Flows Years Ended May 1, 2010, May 2, 2009 and May 3, 2008</u>	F6
<u>Notes to Consolidated Financial Statements</u>	F7

(2) Financial Statement Schedule

<u>Schedule II Valuation and Qualifying Accounts</u>	F35
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All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are immaterial and, therefore, have been omitted.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders

Methode Electronics, Inc.

We have audited the accompanying consolidated balance sheets of Methode Electronics, Inc. and subsidiaries as of May 1, 2010 and May 2, 2009, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended May 1, 2010. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Methode Electronics, Inc. and subsidiaries at May 1, 2010 and May 2, 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended May 1, 2010, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Methode Electronics, Inc.'s internal control over financial reporting as of May 1, 2010, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated June 30, 2010 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Chicago, Illinois
July 1, 2010

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Board of Directors and Shareholders

Methode Electronics, Inc.

We have audited Methode Electronics, Inc.'s internal control over financial reporting as of May 1, 2010, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Methode Electronics, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Methode Electronics, Inc. maintained effective internal control over financial reporting as of May 1, 2010, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Methode Electronics, Inc. as of May 1, 2010 and May 2, 2009, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended May 1, 2010 and our report dated June 30, 2010 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Chicago, Illinois
July 1, 2010

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Table of Contents**METHODE ELECTRONICS, INC AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(in thousands, except share data)

	May 1, 2010	May 2, 2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 63,821	\$ 54,030
Accounts receivable, less allowance (2010 \$1,102; 2009 \$1,444)	68,649	60,406
Inventories:		
Finished products	5,487	11,865
Work in process	7,686	7,583
Materials	16,587	17,796
	29,760	37,244
Deferred income taxes	2,272	4,928
Prepaid and refundable income taxes	13,956	14,764
Prepaid expenses and other current assets	6,138	6,692
TOTAL CURRENT ASSETS	184,596	178,064
PROPERTY, PLANT AND EQUIPMENT		
Land	3,240	3,236
Buildings and building improvements	49,398	54,378
Machinery and equipment	228,112	231,470
	280,750	289,084
Less allowances for depreciation	218,874	219,167
	61,876	69,917
OTHER ASSETS		
Goodwill	12,096	11,771
Other intangibles, less accumulated amortization	18,811	20,501
Cash surrender value of life insurance	9,391	11,177
Deferred income taxes	3,657	4,993
Pre-production costs	11,984	3,182
Other	8,412	5,683
	64,351	57,307
TOTAL ASSETS	\$ 310,823	\$ 305,288
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 29,743	\$ 24,495
Salaries, wages and payroll taxes	8,252	7,918
Other accrued expenses	18,283	19,921
Income taxes	2,467	1,184
TOTAL CURRENT LIABILITIES	58,745	53,518
OTHER LIABILITIES		
	10,251	13,561
DEFERRED COMPENSATION	1,885	3,308
SHAREHOLDERS EQUITY		
Common stock, \$0.50 par value, 100,000,000 shares authorized, 38,149,946 and 38,290,776 shares issued as of May 1, 2010 and May 2, 2009, respectively	19,075	19,145
Unearned common stock issuances		(3,632)
Additional paid-in capital	65,991	68,506
Accumulated other comprehensive income	16,247	15,675

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Treasury stock, 1,342,188 and 1,372,188 shares as of May 1, 2010 and May 2, 2009, respectively	(11,377)	(11,495)
Retained earnings	146,818	143,577
TOTAL METHODE ELECTONICS, INC. SHAREHOLDERS EQUITY	236,754	231,776
Noncontrolling interest	3,188	3,125
TOTAL EQUITY	239,942	234,901
TOTAL LIABILITIES AND EQUITY	\$ 310,823	\$ 305,288

See notes to consolidated financial statements.

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Table of Contents**METHODE ELECTRONICS, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS****(in thousands, except per share data)**

	May 1, 2010	Fiscal Year Ended May 2, 2009	May 3, 2008
INCOME			
Net sales	\$ 373,136	\$ 425,644	\$ 551,073
Other	4,510	3,202	1,879
	377,646	428,846	552,952
COSTS AND EXPENSES			
Cost of products sold	297,711	356,496	428,355
Restructuring	7,770	25,278	5,159
Impairment of goodwill and other assets		94,374	1,472
Selling and administrative expenses	62,427	57,128	61,221
Amortization of intangibles	2,297	6,933	6,013
	370,205	540,209	502,220
Income/(loss) from operations	7,441	(111,363)	50,732
Interest income/(expense), net	(139)	1,382	2,324
Other income/(expense), net	515	(479)	(3,250)
Income/(loss) before income taxes	7,817	(110,460)	49,806
Income tax expense/(benefit)	(5,964)	1,680	9,723
Net income/(loss)	13,781	(112,140)	40,083
Less: Net income attributable to noncontrolling interest	126	343	329
NET INCOME/(LOSS) ATTRIBUTABLE TO METHODE ELECTRONICS, INC.	\$ 13,655	\$ (112,483)	\$ 39,754
Amounts per common share:			
Basic net income/(loss)	\$ 0.37	\$ (3.05)	\$ 1.07
Diluted net income/(loss)	\$ 0.37	\$ (3.05)	\$ 1.06
Cash dividends:			
Common stock	\$ 0.28	\$ 0.26	\$ 0.20

See notes to consolidated financial statements.

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METHODE ELECTRONICS, INC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

Years Ended May 1, 2010, May 2, 2009 and May 3, 2008

(Dollar amounts in thousands, except share data)

	Common Stock Shares	Common Stock \$	Unearned Common Stock Issuances	Additional Paid-in Capital	Retained Earnings	Currency Translation Adjustments	Treasury Stock	Total Shareholders Equity
Balance at April 28, 2007	37,950,829	\$ 18,975	\$ (4,517)	\$ 65,512	\$ 233,684	\$ 16,010	\$ (5,455)	\$ 324,209
Cumulative impact of change in accounting for uncertainties in income taxes (FIN 48 adoption)					(25)			(25)
Release of restriction pursuant to acquisition earn-out			260					260
Earned portion of restricted stock awards	188,982	94		(94)				
Stock award and stock option amortization expense				3,359				3,359
Vested stock awards withheld for payroll taxes	(40,140)	(20)		(441)				(461)
Exercise of options	125,708	64		1,234				1,298
Common stock repurchased							(788)	(788)
Tax benefit from stock options				383				383
Foreign currency translation adjustments						12,371		12,371
Net income for year					39,754			39,754
Cash dividends on common stock					(7,575)			(7,575)
Balance at May 3, 2008	38,225,379	\$ 19,113	\$ (4,257)	\$ 69,953	\$ 265,838	\$ 28,381	\$ (6,243)	\$ 372,785
Release of restriction pursuant to acquisition earn-out	(53,012)	(27)	625	(598)				
Earned portion of restricted stock awards	120,041	60		(60)				
Stock award and stock option amortization expense				(553)				(553)
Vested stock awards withheld for payroll taxes	(20,721)	(11)		(130)				(141)
Exercise of options	19,089	10		103				113
Common stock repurchased							(5,252)	(5,252)
Tax expense from stock options				(209)				(209)
Foreign currency translation adjustments						(12,706)		(12,706)
Net income/(loss) for year					(112,483)			(112,483)
Cash dividends on common stock					(9,778)			(9,778)
Balance at May 2, 2009	38,290,776	\$ 19,145	\$ (3,632)	\$ 68,506	\$ 143,577	\$ 15,675	\$ (11,495)	\$ 231,776
Cancellation of shares pursuant to acquisition earn-out	(239,695)	(120)	3,307	(3,187)				
Release of restriction pursuant to acquisition earn-out			325					325
Earned portion of restricted stock awards	62,140	31		(31)				

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Stock award and stock option amortization expense			871				871
Vested stock awards withheld for payroll taxes	(10,923)	(5)	(99)				(104)
Exercise of options	17,648	9	176				185
Treasury shares issued for minority shares purchased	30,000	15	(214)		118		(81)
Tax expense from stock options			(31)				(31)
Foreign currency translation adjustments					572		572
Net income for year				13,655			13,655
Cash dividends on common stock				(10,414)			(10,414)
Balance at May 1, 2010	38,149,946	\$ 19,075	\$ 65,991	\$ 146,818	\$ 16,247	(11,377)	\$ 236,754

See notes to consolidated financial statements

Table of Contents**METHODE ELECTRONICS, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(in thousands)**

	May 1, 2010	Fiscal Year Ended May 2, 2009	May 3, 2008
OPERATING ACTIVITIES			
Net income/(loss)	\$ 13,781	\$ (112,140)	\$ 40,083
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:			
Gain on sale of fixed assets		(407)	(120)
Provision for depreciation	17,112	30,103	22,146
Amortization of intangible assets	2,297	6,933	6,013
Impairment of tangible assets	710	10,313	1,472
Impairment of goodwill and other assets		94,374	
Stock-based compensation	871	(553)	3,359
Provision for bad debt	142	120	195
Deferred income taxes	3,992	8,078	(2,948)
Changes in operating assets and liabilities:			
Accounts receivable	(12,436)	33,347	(793)
Inventories	645	19,918	(482)
Prepaid expenses and other current assets	(39)	(16,086)	7,989
Accounts payable and accrued expenses	291	(30,832)	107
NET CASH PROVIDED BY OPERATING ACTIVITIES	27,366	43,168	77,021
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	(9,379)	(17,064)	(20,018)
Acquisition of businesses	(325)	(57,469)	(9,647)
Acquisition of technology licenses	(530)	(1,575)	
Proceeds from life insurance policies	2,464		1,706
Joint venture dividend			(1,000)
Other		(14)	(27)
NET CASH USED IN INVESTING ACTIVITIES	(7,770)	(76,122)	(28,986)
FINANCING ACTIVITIES			
Purchase of common stock		(5,252)	(1,249)
Proceeds from exercise of stock options	185	113	1,298
Tax (expense)/benefit from stock options and awards	(31)	(209)	383
Cash dividends	(10,414)	(9,778)	(7,575)
NET CASH USED IN FINANCING ACTIVITIES	(10,260)	(15,126)	(7,143)
Effect of foreign currency exchange rate changes on cash	455	(2,195)	3,322
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,791	(50,275)	44,214
Cash and cash equivalents at beginning of year	54,030	104,305	60,091
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 63,821	\$ 54,030	\$ 104,305

See notes to condensed consolidated financial statements.

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METHODE ELECTRONICS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands, except number of shares and per share data)

1. Significant Accounting Policies

Principles of Consolidation. The consolidated financial statements include the accounts and operations of Methode Electronics, Inc. (the Company) and its subsidiaries. As used herein, we, us, our, the Company or Methode means Methode Electronics, Inc. and its subsidiaries.

Financial Reporting Periods. We maintain our financial records on the basis of a fifty-two or fifty-three week fiscal year ending on the Saturday closest to April 30. Due to the timing of our fiscal calendar, the fiscal year ended May 1, 2010 and the fiscal year ended May 2, 2009 represent 52 weeks of results and the fiscal year ended May 3, 2008 represents 53 weeks of results.

Cash Equivalents. Generally, all highly liquid investments with a maturity of three months or less when purchased are carried at their approximate fair value and classified in the consolidated balance sheets as cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts. We carry accounts receivable at their face amounts less an allowance for doubtful accounts. On a regular basis, we record an allowance for uncollectible receivables based upon past transaction history with customers, customer payment practices and economic conditions. Actual collection experience may differ from the current estimate of net receivables. A change to the allowance for uncollectible amounts may be required if a future event or other change in circumstances results in a change in the estimate of the ultimate collectability of a specific account. We do not require collateral for our accounts receivable balances. Accounts are written off against the allowance account when they are determined to be no longer collectible.

Inventories. Inventories are stated at the lower-of-cost (first-in, first-out method) or market.

Property, Plant and Equipment. Properties are stated on the basis of cost. We amortize such costs by annual charges to income, computed on the straight-line method using estimated useful lives of 5 to 40 years for buildings and improvements and 3 to 15 years for machinery and equipment for financial reporting purposes. Accelerated methods are generally used for income tax purposes.

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Income Taxes. Deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Revenue Recognition. We recognize revenue on product sales when i) persuasive evidence of an agreement exists, ii) the price is fixed or determinable, iii) delivery has occurred or services have been rendered, and iv) collection of the sales proceeds is reasonably assured. Revenue from our product sales not requiring installation, net of trade discounts and estimated sales allowances, is recognized when title passes, which is generally upon shipment. We do not have any additional obligations or customer acceptance provisions after shipment of such products. We handle returns by replacing, repairing or issuing credit for defective products when returned. Return costs were not significant in fiscal 2010, 2009 and 2008. Revenue from cabling infrastructure systems installations is recognized when the installation is completed, tested and accepted by the customer.

Shipping and Handling Fees and Costs. Shipping and handling fees billed to customers are included in net sales, and the related costs are included in cost of products sold.

Foreign Currency Translation. The functional currencies of the majority of our foreign subsidiaries are in their local currencies. Accordingly, the results of operations of these foreign subsidiaries are translated into U.S. dollars using average exchange rates during the year, while the assets and liabilities are translated using period end exchange rates. Adjustments from the translation process are classified as a component of shareholders' equity. Exchange gains and losses arising from transactions denominated in a currency other than the functional currency of the foreign subsidiary are included in the Consolidated Statements of Operations in other, net. In fiscal 2010, 2009 and 2008, we had foreign exchange losses of \$1,151, \$479 and \$3,250, respectively.

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METHODE ELECTRONICS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands, except number of shares and per share data)

1. Significant Accounting Policies - Continued

Long-Lived Assets. In accordance with Accounting Standards Codification, (ASC) No. 360, Property, Plant and Equipment we continually evaluate whether events and circumstances have occurred which indicate that the remaining estimated useful lives of our intangible assets, excluding goodwill, and other long-lived assets, may warrant revision or that the remaining balance of such assets may not be recoverable. In the event that the undiscounted cash flows resulting from the use of the asset group is less than the carrying amount, an impairment loss equal to the excess of the asset's carrying amount over its fair value is recorded.

Goodwill and Intangibles. Costs assigned to the fair value of intangible assets acquired with finite lives are being amortized over periods ranging from 3 to 20 years, generally on a straight-line basis or accelerated basis, depending on the nature of the intangible asset. The fair value of certain intangible assets is being amortized over projected revenues used to initially value such intangible assets. Goodwill represents the excess of purchase price over the estimated fair value of net assets of acquired companies, which has not been allocated to other intangible assets.

The Company evaluates goodwill for impairment at the reporting unit level, which is one level below the operating segment level (herein referred to as the reporting unit). The impairment test for goodwill is a two-step process. The first step is to identify when goodwill impairment has occurred by comparing the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered impaired. If the carrying amount of the reporting unit exceeds its fair value, the second step of the goodwill test is performed to measure the amount of the impairment loss, if any. In this second step, the implied fair value of the reporting unit's goodwill is compared with the carrying amount of the goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess, not to exceed the carrying amount of the goodwill. Based on events and general business declines, we performed step one of the goodwill impairment test in accordance with ASC No. 350, Intangibles - Goodwill and Other, on the reporting units that had goodwill as of May 1, 2010.

Research and Development Costs. Costs associated with the development of new products are charged to expense when incurred. Research and development costs for the fiscal years ended May 1, 2010, May 2, 2009 and May 3, 2008 amounted to \$18,412, \$21,995 and \$25,595, respectively.

Stock-Based Compensation. See Note 5, Shareholders' Equity for a description of our stock-based compensation plans.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

Fair Value of Other Financial Instruments. The carrying values of our short-term financial instruments, including cash and cash equivalents, accounts receivable and accounts payable approximate their fair values because of the short maturity of these instruments.

Comprehensive Income. ASC No. 220, Comprehensive Income, requires companies to report all changes in equity during a period, except those resulting from investment by owners and distribution to owners, in a financial statement for the period in which they were recognized. We chose to disclose comprehensive income, which encompasses net income and foreign currency translation adjustments, in the consolidated statement of shareholders' equity.

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METHODE ELECTRONICS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands, except number of shares and per share data)

1. Significant Accounting Policies - Continued

Recently Adopted Accounting Pronouncements

Effective November 1, 2009, we adopted ASC No. 810, Consolidation (ASC No. 810). ASC No. 810 is intended to improve financial reporting by providing additional guidance to companies involved with variable interest entities and by requiring additional disclosures about a company's involvement in variable interest entities. This standard is effective for interim and annual periods ending after November 15, 2009. The adoption of this standard did not have a material impact on our financial statements.

Effective November 1, 2009, we adopted ASC No. 860, Transfers and Servicing (ASC No. 860). ASC No. 860 requires more information about transfers of financial assets, including continuing exposure to the risk related to transferred financial assets. It eliminates the concept of a qualifying special purpose entity, changes the requirements for derecognizing financial assets, and requires additional disclosure. This standard is effective for interim and annual periods ending after November 15, 2009. The adoption of this standard did not have an impact on our financial statements.

Effective October 31, 2009, we adopted ASC No. 105, Generally Accepted Accounting Principles, (ASC No. 105), the FASB Accounting Standards Codification the Codification and the Hierarchy of Generally Accepted Accounting Principles. The Codification is now the single source of authoritative GAAP for all non-governmental entities. The Codification changes the referencing and organization of accounting guidance. The issuance of ASC No. 105 did not change GAAP and therefore the adoption of ASC No. 105 affected how specific references to GAAP literature are disclosed in the notes to our consolidated financial statements.

In December 2007, the FASB issued new guidance under ASC No. 810, an Amendment of Accounting Research Bulletin No. 51, Consolidated Financial Statements. ASC No. 810 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. We adopted ASC No. 810 on May 3, 2009. As a result, we have reclassified financial statement line items within our condensed consolidated balance sheet and statement of operations for the prior period to conform with this standard.

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In June 2008, the FASB issued ASC No. 260, *Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities* (ASC No. 260). ASC No. 260 was issued to clarify that unvested share-based payment awards with a right to receive non-forfeitable dividends are participating securities. This ASC also provides guidance on how to allocate earnings to participating securities and compute basic earnings per share using the two-class method. We adopted ASC No. 260 on May 3, 2009. The adoption did not have a material impact on our earnings per share calculations.

In February 2008, the FASB issued new guidance under ASC No. 820, (FASB Staff Position No. 157-2), which delays the effective date of SFAS No. 157 for non-financial assets and liabilities, which are not measured at fair value on a recurring basis (at least annually) until fiscal years beginning after November 15, 2008, which is our fiscal year 2010 that began May 3, 2009. The adoption of ASC No. 820 for non-financial assets and liabilities did not have a material impact on our condensed consolidated financial statements.

On May 3, 2009, we adopted the provisions of ASC No. 805-10, *Business Combinations* (ASC No. 805-10). ASC No. 805-10 establishes principles and requirements on how an acquirer recognizes and measures in its financial statements identifiable assets acquired, liabilities assumed, noncontrolling interests in the acquiree, goodwill or gain from a bargain purchase and accounting for transaction costs. Additionally, ASC No. 805-10 determines what information must be disclosed to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The adoption of ASC No. 805-10 did not have a material impact on our consolidated financial statements, but will have an impact on the accounting for future business combinations.

In April 2009, the FASB issued three FASB Staff Positions, (FSPs) related to fair value measurements.

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METHODE ELECTRONICS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands, except number of shares and per share data)

1. Significant Accounting Policies - Continued

The first, FSP ASC No. 820, Fair Value Measurements and Disclosures, provides guidance on determining whether a market is inactive and whether transactions in that market are distressed. The second FSP issued, ASC No. 320, Investments Debt and Equity Securities, and EITF 99-20-2, Recognition and Presentation of Other-Than-Temporary Impairments, provides guidance on how to assess whether an asset has experienced an other-than-temporary impairment and, if so, where the impairment should be recorded in the financial statements. The third FSP issued, ASC No. 825, Financial Instruments, and ASC No. 270, Interim Reporting, requires that disclosures currently required under ASC No. 825, Disclosures about Fair Value of Financial Instruments, be presented for interim periods as well as annual periods. The Company adopted these FSPs during the first quarter of fiscal 2010. The adoption of these FSPs did not have a material impact on the Company's consolidated financial statements.

In May 2009, the FASB issued ASC No. 855, Subsequent Events (ASC No. 855). ASC No. 855 establishes general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. In particular, this statement sets forth: (1) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (2) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in the financial statements and (3) the disclosure that an entity should make about events or transactions that occurred after the balance sheet date. We adopted ASC No. 855 on August 1, 2009 and the adoption did not have a material impact on our financial statements.

2. Restructurings

March 2009 Restructuring

In March 2009, we announced additional restructuring actions to consolidate manufacturing facilities to reduce costs. All of the restructuring actions were complete as of the end of fiscal 2010.

In total, this additional restructuring affected approximately 850 employees worldwide. We recorded a total pre-tax charge of \$12,511 during fiscal years 2009 and 2010 related to this restructuring.

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During the fiscal year ended May 1, 2010, we recorded a restructuring charge of \$5,248, which consisted of \$3,512 for employee severance, \$279 in the cancellation of lease agreements and \$1,457 for other costs.

During the fiscal year ended May 2, 2009, we recorded a restructuring charge of \$7,263, which consisted of \$100 for employee severance, \$1,373 in impairment for buildings and improvements and machinery and equipment, \$5,418 for impairment of customer funded tooling and \$133 in forfeited security deposits related to the transfer of the new GM business and \$239 relating to professional fees.

As of May 1, 2010, we had an accrued restructuring liability of \$420 reflected in the current liabilities section of our consolidated balance sheet. We expect this liability to be paid out during fiscal 2011.

Table of Contents**METHODE ELECTRONICS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Dollar amounts in thousands, except number of shares and per share data)

2. Restructurings - Continued

The table below reflects the activity related to the March 2009 restructuring for fiscal 2009 and 2010.

	One-Time Employee Severance	Asset Write-Downs	Other Costs	Total
Accrued balance at May 3, 2008	\$	\$	\$	\$
FY 2009 restructuring charges	100	6,924	239	7,263
Payments and asset write-downs		(6,924)	(198)	(7,122)
Accrued balance at May 2, 2009	\$ 100	\$	\$ 41	\$ 141
FY 2010 restructuring charges	3,512		1,736	5,248
Payments and asset write-downs	(3,612)		(1,357)	(4,969)
Accrued balance at May 1, 2010	\$	\$	\$ 420	\$ 420

January 2008 Restructuring

In January 2008, we announced a restructuring of our U.S.-based automotive operations and a decision to discontinue producing certain legacy products in the Interconnect segment. The Automotive and Interconnect segment restructuring was completed during fiscal 2010. We record the expense in the restructuring section of our consolidated statement of operations. We recorded a total pre-tax charge of \$25,696 related to this restructuring initiative.

During the fiscal year ended May 1, 2010, we recorded a restructuring charge of \$2,522, which consisted of \$697 for employee severance, \$1,564 for accelerated depreciation for buildings equipment, and \$261 relating to other costs. As of May 1, 2010, we had an accrued restructuring liability of \$155 reflected in the current liabilities section of our consolidated balance sheet. We expect this liability to be paid out during fiscal 2011.

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During the fiscal year ended May 2, 2009, we recorded a restructuring charge of \$18,015, which consisted of \$6,099 for employee severance, \$3,522 and \$7,276 in impairments and accelerated depreciation, respectively, for buildings and improvements and machinery and equipment, \$153 in inventory write-downs and \$965 relating to professional fees. As of May 2, 2009, we had an accrued restructuring liability of \$1,849 reflected in the current liabilities section of our consolidated balance sheet.

During the fiscal year ended May 3, 2008, we recorded a restructuring charge of \$5,159, which consisted of \$3,355 for employee severance, \$1,346 in impairments and accelerated depreciation for buildings and improvements and machinery and equipment and \$458 relating to professional fees. As of May 3, 2008, we had an accrued restructuring liability of \$3,176 reflected in the current liabilities section of our consolidated balance sheet.

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Table of Contents**METHODE ELECTRONICS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Dollar amounts in thousands, except number of shares and per share data)

2. Restructurings - Continued

The table below reflects the January 2008 restructuring activity for fiscal 2008, 2009 and 2010.

	One-Time Employee Severance	Asset Write-Downs	Other Costs	Total
Accrued balance at April 28, 2007	\$	\$	\$	\$
Fiscal 2008 restructuring charges	3,355	1,346	458	5,159
Fiscal 2008 payments and asset write-downs	(203)	(1,346)	(434)	(1,983)
Accrued balance at May 3, 2008	3,152		24	3,176
Fiscal 2009 restructuring charges	6,099	10,951	965	18,015
Fiscal 2009 payments and asset write-downs	(7,402)	(10,951)	(989)	(19,342)
Accrued balance at May 2, 2009	\$ 1,849	\$	\$	\$ 1,849
Fiscal 2010 restructuring charges	697	1,564	261	2,522
Fiscal 2010 payments and asset write-downs	(2,429)	(1,564)	(223)	(4,216)
Accrued balance at May 1, 2010	\$ 117	\$	\$ 38	\$ 155

3. Acquisitions*Fiscal 2009 Acquisitions*

On September 30, 2008, we acquired certain assets of Hetronic LLC (Hetronic) for \$53,639 in cash. We also incurred \$2,447 in transaction costs related to the purchase. Hetronic is a global leader in industrial safety radio remote controls with locations in the U.S., Malta, the Philippines and Germany. Hetronic is represented in 45 countries by direct sales associates, licensed partners, distributors and representatives. Hetronic provides application specific and standard controls to many different industries, such as material handling, transportation, mining,

military, agriculture and construction.

Based in part on a third-party valuation report, management determined that the tangible net assets had a fair value of \$20,533. The fair values assigned to intangible assets acquired were \$12,170 for customer relationships, \$2,700 for the trade name and trademarks, \$1,450 for technology valuation, and \$170 for non-competes, resulting in \$19,063 of goodwill. The customer relationships, technology valuation and non-competes are being amortized over 5 to approximately 12 years. The trade name and trademarks are not subject to amortization but are subject to periodic impairment testing. The accounts and transactions of Hetricon have been included in the Interconnect segment in the consolidated financial statements from the effective date of the acquisition.

Fiscal 2008 Acquisitions

On August 31, 2007, we acquired 100% of the assets of Value Engineered Products, Inc. (VEP) for \$5,750 in cash. We also incurred \$79 in transaction costs related to the purchase. VEP is a thermal management solutions provider, manufacturing heat sinks and related products for high-powered applications. These components complement our Power Product offerings and, in some instances, are joined with bus bars to aid thermal management of power systems. The terms of the acquisition provide for an additional payment of up to a maximum of \$1,000 if sales reach specified targets during the twelve-month period following the closing. The final payout was \$758 and was recorded in the second quarter of fiscal 2009.

Based in part on a third-party valuation report, management determined that the tangible net assets acquired in the VEP transaction had a fair value of \$915. The fair values assigned to intangible assets acquired were \$2,900 for customer relationships and \$600 for trademarks, resulting in \$2,172 of goodwill. The customer relationships acquired are being amortized over a period of approximately 16 years, which began in September 2007. The

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METHODE ELECTRONICS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands, except number of shares and per share data)

3. Acquisitions - Continued

trademark intangible assets are not subject to amortization but are subject to periodic impairment testing. The accounts and transactions of the acquired business have been included in the Power Products segment in the consolidated financial statements from the effective date of the acquisition.

On March 30, 2008, we acquired 100% of the assets of Tribotek, Inc for \$1,750 in cash. We also incurred \$61 in transaction costs related to the purchase. Tribotek designs, develops and manufactures high current power connectors and power product systems for products such as power supplies, servers, rectifiers, inverters, robotics and automated test equipment, in addition to various military and telecommunication applications.

The tangible net assets acquired in the Tribotek transaction had a fair value of \$1,445. The fair values assigned to intangible assets acquired were \$366 for patents that are being amortized over a period of approximately 18 years beginning March 2008. There was no goodwill recorded for this acquisition. The accounts and transactions of the acquired business have been included in the Power Products segment in the consolidated financial statements from the effective date of the acquisition.

4. Intangible Assets and Goodwill

We review our goodwill and other intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable, and we also review our goodwill annually in accordance with ASC No. 350, Intangibles - Goodwill and Other . The values assigned to goodwill and intangible assets are normally based on estimates and judgments regarding expectations for the success and life cycle of products and technologies acquired. A severe decline in expectations, future cash flows, a change in strategic direction or our market capitalization remaining below our net book value for a significant period of time could result in significant impairment charges, which could have a material adverse effect on our financial condition and results of operations. We performed the annual goodwill impairment analysis as of May 1, 2010, using an internal discounted cash flow model for each reporting unit based on our internally developed forecasted budgets using the business conditions which existed as of the testing date. The internal discount rate and forecast assumptions used for our individual reporting units, as well as overall methodology, was validated through the reconciliation to our external market capitalization.

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In fiscal 2009, based on events and general business declines, we performed step one of the goodwill impairment test in accordance with ASC No. 350, on the reporting units. Based on this test, we determined that the fair value was less than the carrying value of the net assets for certain reporting units. We completed step two of the goodwill test and concluded that goodwill was impaired. Therefore, during fiscal 2009, we recorded a goodwill impairment charge of \$25,838 in our Automotive segment, \$30,752 in our Interconnect segment, \$5,358 in our Power Products segment and \$1,203 in our Other segment for a total of \$63,151 related to these assets.

Also, in accordance with ASC No. 360, Property, Plant and Equipment, we record impairment losses on long-lived assets used in operations when events and circumstances indicate that long-lived assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. During fiscal 2009, based on our future estimates of the undiscounted cash flows, it was determined that certain identifiable intangible assets of our TouchSensor and Hetronic businesses in the Interconnect segment, the Automotive Safety Technologies business in our Automotive segment and Magna-Lastic Devices, Inc. from our Other segment were impaired. Therefore, we recorded an impairment charge of \$26,176 in the Interconnect segment, \$4,626 in the Automotive segment and \$421 in the Other segment for a total of \$31,063 for these assets.

Goodwill increased \$325 in fiscal 2010, related to a final payout for the 2005 acquisition of Cableco Technologies Corporation. We had originally issued 623,526 shares of restricted common stock in connection with the contingent payments related to this transaction. The contingent payments were to be earned if certain operational and financial milestones were met, depending on certain factors. In fiscal 2010, the sellers earned 27,567 of the restricted shares. Since acquisition, including the 27,567 shares earned in fiscal 2010, the sellers earned a total of 383,831 of the restricted shares. The remaining 239,695 restricted shares were cancelled in fiscal

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(Dollar amounts in thousands, except number of shares and per share data)

4. Intangible Assets and Goodwill - Continued

2010.

The following table shows the roll-forward of goodwill in the financial statements resulting from our acquisition and impairment activities for fiscal 2008, 2009 and 2010.

	Automotive	Interconnect	Power Products	Other	Total
Balance as of April 28, 2007	\$ 25,838	\$ 21,553	\$ 2,926	\$ 1,203	\$ 51,520
Attributable to 2008 acquisitions			1,414		1,414
Adjustments due to earn-out			260		260
Adjustments due to finalization of purchase price allocation		1,282			1,282
Balance as of May 3, 2008	\$ 25,838	\$ 22,835	\$ 4,600	\$ 1,203	\$ 54,476
Attributable to 2009 acquisitions		19,063			19,063
Adjustments due to earn-out			625		625
Adjustments due to finalization of purchase price allocation			758		758
Impairment	(25,838)	(30,752)	(5,358)	(1,203)	(63,151)
Balance as of May 2, 2009	\$	\$ 11,146	\$ 625	\$	\$ 11,771
Adjustments due to earn-out			325		325
Balance as of May 1, 2010	\$	\$ 11,146	\$ 950	\$	\$ 12,096

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(Dollar amounts in thousands, except number of shares and per share data)

4. Intangible Assets and Goodwill - Continued*Intangible Assets*

The following tables present details of our remaining identifiable intangible assets:

	As of May 1, 2010				Wtd. Avg. Remaining Amortization Periods (Years)
	Gross	Accumulated Amortization	Net		
Customer relationships and agreements	\$ 14,995	\$ 13,066	\$ 1,929		13.7
Patents and technology licenses	23,774	6,991	16,783		13.0
Covenants not to compete	480	381	99		1.8
Total	\$ 39,249	\$ 20,438	\$ 18,811		

	As of May 2, 2009				Wtd. Avg. Remaining Amortization Periods (Years)
	Gross	Accumulated Amortization	Net		
Customer relationships and agreements	\$ 14,995	\$ 12,718	\$ 2,277		14.7
Patents and technology licenses	23,244	5,169	18,075		13.4
Covenants not to compete	480	331	149		2.8
Total	\$ 38,719	\$ 18,218	\$ 20,501		

The estimated aggregate amortization expense for each of the five succeeding fiscal years is as follows:

2011	\$	2,230
2012		1,701
2013		1,324
2014		1,212

2015	1,123
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As of May 1, 2010, the patents and technology licenses include \$2,400 of trade names that are not subject to amortization.

5. Shareholders Equity

Preferred Stock. We have 50,000 authorized shares of Series A Junior Participating Preferred Stock, par value \$100 per share, of which none were outstanding during any of the periods presented.

Common Stock. Common stock, par value \$0.50 per share, authorized, issued and in treasury, was as follows:

	May 1, 2010	May 2, 2009
Authorized	100,000,000	100,000,000
Issued	38,149,946	38,290,776
In treasury	1,342,188	1,372,188

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METHODE ELECTRONICS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands, except number of shares and per share data)

5. Shareholders Equity - Continued

At May 1, 2010, 473,181 shares of common stock are reserved for future issuance in connection with our 2007 Stock Plans.

Shareholders Rights Agreement. On January 8, 2004, our Board of Directors declared a dividend of one preferred share purchase right (a Right) for each share of common stock (Common Shares) outstanding on January 18, 2004 to the stockholders of record on that date. Each Right entitles the registered holder to purchase from us one ten-thousandth of a share of our Series A Junior Participating Preferred Stock at an exercise price of \$65.00 per one ten-thousandth of a preferred share, subject to adjustment.

The Rights, which are not detachable, will trade automatically with the Common Shares and will not be exercisable until it is announced that a person or group has become an acquiring person by acquiring 15% or more of the Common Shares, or a person or group commences a tender offer that will result in such person or group owning 15% or more of the Common Shares. Thereafter, separate right certificates will be distributed, and each right will entitle its holder to purchase for the exercise price, a fraction of a share of our Series A Junior Participating Preferred Stock having economic and voting terms similar to one share of common stock.

Upon announcement that any person or group has become an acquiring person, each Right will entitle all right-holders (other than the acquiring person) to purchase, for the exercise price, a number of shares of Common Shares having a market value of twice the exercise price. Right-holders would also be entitled to purchase the common stock of another entity having a value of twice the exercise price if, after a person has become an acquiring person, the Company were to enter into certain mergers or other transactions with such other entity. If any person becomes an acquiring person, the Company's Board of Directors may, at its option and subject to certain limitations, exchange one share of common stock for each Right.

The Rights may be redeemed by our Board of Directors for \$0.01 per Right at any time prior to a person or group having become an acquiring person. The Rights will expire on January 8, 2014.

Dividends

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We paid quarterly dividends totaling \$10,414, \$9,778 and \$7,575 during fiscal 2010, 2009 and 2008, respectively. We intend to retain the remainder of our earnings not used for dividend payments to provide funds for the operation and expansion of our business. Our board of directors approved a stock repurchase plan in September 2008, which expired at the end of fiscal 2010. There were no shares purchased under the plan during fiscal 2010 and there were 669,480 shares purchased at an average price of \$7.85 under the plan in fiscal 2009.

2007 Stock Plan

On June 21, 2007, our Board of Directors, on the recommendation of our Compensation Committee, adopted the Methode Electronics, Inc. 2007 Stock Plan (the "Stock Plan"). The Stock Plan was voted on and approved by the shareholders at our annual meeting on September 13, 2007. Upon adoption of the Stock Plan, our board of directors elected to terminate the 2004 Plan and the 2000 Plan with respect to the shares reserved under these plans that are not subject to outstanding awards.

The Stock Plan permits a total of 1,250,000 shares of our common stock to be awarded to participants. Shares issued under the Stock Plan may be either authorized but unissued shares, or treasury shares. If any award terminates, expires, is cancelled or forfeited as to any number of shares of common stock, new awards may be granted with respect to such shares. The total number of shares with respect to which awards may be granted to any participant in any calendar year shall not exceed 200,000 shares. As of May 1, 2010 there were 473,181 shares still available for award under the Stock Plan.

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5. Shareholders Equity - Continued**Stock Options Granted Under the 2000 and 2004 Stock Plans**

There are 529,776 stock options that were granted in previous years under the 2000 and 2004 stock plans that are outstanding and exercisable as of May 1, 2010. No options were granted under the Plans since the first quarter of fiscal 2005. Stock options granted under the Plans vest over a period of six months to forty-eight months after the date of the grant and have a term of ten years. There was no remaining compensation expense relating to these options in fiscal 2010.

	Options Outstanding		Exercisable Options	
	Shares	Wtd. Avg. Exercise Price	Shares	Wtd. Avg. Exercise Price
April 28, 2007	818,918	\$ 10.26	777,668	\$ 10.20
Granted				
Exercised	(125,708)	10.32		
Cancelled	(3,521)	8.03		
May 3, 2008	689,689	10.26	689,689	10.26
Granted				
Exercised	(19,089)	5.90		
Cancelled	(44,967)	10.65		
May 2, 2009	625,633	10.36	625,633	10.36
Granted				
Exercised	(17,648)	10.62		
Cancelled	(78,209)	12.08		
May 1, 2010	529,776	10.10	529,776	10.10

**Options Outstanding and
Exercisable at May 1, 2010**

Range of Exercise Prices	Shares	Wtd. Avg. Exercise Price	Avg. Remaining Life (Years)
\$5.12 - \$7.69	148,125	\$ 6.72	1.0
\$8.08 - \$11.64	283,367	10.87	2.6

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\$12.11 - \$14.70	98,284	12.99	0.1
	529,776	10.10	

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(Dollar amounts in thousands, except number of shares and per share data)

5. Shareholders Equity - Continued**Stock Options Granted Under the 2007 Stock Plan**

In March 2009, the Compensation Committee approved the grant of options to purchase 285,000 shares of our common stock to our executive officers under the 2007 Stock Plan. The March 2009 stock options vest on the third anniversary of the date of grant. In July 2009, the Compensation Committee approved the grant of options to purchase 275,000 shares of our common stock to our executive officers and other members of management under the same plan. The July 2009 stock options vest one-third per year on each anniversary of the date of grant. Additionally, in December 2009, the Compensation Committee approved the grant of options to purchase 35,500 shares of our common stock to some members of the management team. The December 2009 stock options vest on the third anniversary of the date of grant. The stock options granted under the 2007 plan have a ten-year term. We recognized pre-tax compensation expense for stock options in the fiscal 2010 of \$450 and a pre-tax compensation expense of \$17 for fiscal 2009. We record the expense in the selling and administrative section of our Consolidated Statement of Operations.

The following tables summarize the stock option activity and related information for the stock options granted under the 2007 Stock Plan as of May 1, 2010:

	Summary of Option Activity	
	Shares	Wtd. Avg. Exercise Price
Outstanding at May 2, 2009	285,000	\$ 2.72
Granted	310,500	6.65
Exercised		
Cancelled		
Outstanding at May 1, 2010	595,500	\$ 4.77

Options Outstanding**at May 1, 2010**

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Exercise Price		Shares	Avg. Remaining Life (Years)
\$	2.72	285,000	8.8
\$	6.46	275,000	9.2
\$	8.13	35,500	9.6

We estimated the fair value of our employee stock options on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	Fiscal 2009 Grants	Fiscal 2010 Grants
Average expected volatility	69.58%	86.88%
Average risk-free interest rate	1.39%	1.43%
Dividend yield	2.26%	2.77%
Expected life of options	6.87 years	6.87 years
Weighted-average grant-date fair value	\$ 1.46	\$ 4.02

Expected volatility was based on the monthly changes in our historical common stock prices over the expected life of the award. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of the

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METHODE ELECTRONICS, INC. AND SUBSIDIARIES

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5. Shareholders Equity - Continued

grant corresponding to the expected life of the options. Our dividend yield is based on the average dividend yield for the previous two years from the date of grant. The expected life of options is based on historical stock option exercise patterns and the terms of the options.

Restricted Stock Awards and Restricted Stock Units

In April 2007, 225,000 shares of common stock subject to performance-based Restricted Stock Awards (RSAs) granted to our CEO in fiscal 2006 and 2007 were converted to Restricted Stock Units (RSUs). The RSUs are subject to the same vesting schedule and other major provisions of the RSAs they replaced, except the RSUs are not payable until the earlier of: (1) thirty days after the CEO's date of termination of employment with the Company and all of its subsidiaries and affiliates; or (2) the last day of our fiscal year in which the payment of common stock in satisfaction of the RSUs becomes deductible to the Company under Section 162(m) of the Internal Revenue Code. All further discussion of RSAs in this report includes the RSUs described above.

At the beginning of fiscal 2010, there were 678,287 performance-based and time-based RSAs outstanding. The time-based RSAs vest in three equal annual installments from the grant date. All RSAs awarded to senior management are performance-based and vest after three years if the recipient remains employed by the Company until that date and we have met certain revenue growth and return on invested capital targets. All of the unvested RSAs are entitled to voting rights and to payment of dividends. During fiscal 2010, we awarded 24,000 restricted stock awards which vested immediately upon grant.

During fiscal 2010, it was determined that based on the current economic environment, the performance shares granted in fiscal 2008 and 2009 were not meeting the revenue growth and return on invested capital targets. Due to the performance shares not meeting financial targets, all of the 382,769, performance-based stock awards granted in fiscal 2008 and fiscal 2009 were cancelled. There was no adjustment to the pre-tax compensation expense to reflect the performance shares not meeting current and future anticipated revenue growth and return on invested capital targets because the compensation expense was fully reversed in fiscal 2009. We recognized pre-tax compensation expense for RSAs in fiscal 2010 of \$421, a pre-tax compensation expense reversal of \$570 for fiscal 2009 and \$3,348 for fiscal 2008. We record the expense in the selling and administrative expenses section of our consolidated statement of operations.

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(Dollar amounts in thousands, except number of shares and per share data)

5. Shareholders Equity - Continued

The following table summarizes the RSA activity:

	2010	Fiscal Year 2009	2008
Unvested at beginning of fiscal year	678,287	582,298	525,589
Awarded	24,000	356,665	246,123
Vested	(62,140)	(105,522)	(188,982)
Cancelled	(382,769)	(120,750)	
Forfeited	(7,028)	(34,404)	(432)
Unvested at end of period	250,350	678,287	582,298

The table below shows the Company's unvested RSAs at May 1, 2010:

Grant Fiscal Year	RSAs	Vesting Period	Weighted Average Value	Probable Unearned Compensation Expense at May 1, 2010	Target Unearned Compensation Expense at May 1, 2010
2006	125,000	3-year cliff performed-based	\$ 12.42	\$	\$
2007	100,000	3-year cliff performed-based	7.64		
2008	666	3-year equal annual installments	11.74		
2009	24,684	3-year equal annual installments	10.64	89,314	89,314

At May 1, 2010, the aggregate unvested RSAs had a weighted average fair value of \$10.33 and a weighted average vesting period of approximately 12 months.

6. Employee 401(k) Savings Plan

We have an Employee 401(k) Savings Plan covering substantially all U.S. employees to which we make contributions equal to 3% of eligible compensation. Our contributions to the Employee 401(k) Savings Plan were \$1,429, \$1,950 and \$2,075 in fiscal 2010, 2009 and 2008, respectively.

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7. Income Taxes

Significant components of our deferred tax assets and liabilities were as follows:

	May 1, 2010		May 2, 2009
Deferred tax liabilities:			
Accelerated tax depreciation	\$ 2,978	\$	2,104
Deferred tax assets:			
Deferred compensation and stock award amortization	1,875		3,576
Inventory valuation differences	1,364		2,855
Property valuation differences	4,456		1,031
Accelerated book amortization	19,738		22,025
Environmental reserves	1,569		1,191
Bad debt reserves	710		639
Vacation accruals	855		966
Restructuring accruals	197		866
Foreign investment tax credit	23,933		26,518
Foreign net operating loss carryover			3,032
State net operating loss carryover	1,312		443
Other accruals	1,300		260
	57,309		63,402
Less valuation allowance	48,402		51,377
Total deferred tax assets	8,907		12,025
Net deferred tax assets	\$ 5,929	\$	9,921
Balance sheet classification:			
Current asset	\$ 2,272	\$	4,928
Non-current asset	3,657		4,993
	\$ 5,929	\$	9,921

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METHODE ELECTRONICS, INC. AND SUBSIDIARIES

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7. Income Taxes - Continued

At May 1, 2010, we had valuation allowances against our deferred tax assets of \$48,402. In accordance with ASC No. 740, *Income Taxes*, a valuation allowance is required to be recorded when it is more likely than not that deferred tax assets will not be realized. In fiscal 2010, we utilized all ability to carry-back federal U.S. losses to prior years. Future realization depends on the existence of sufficient taxable income within the carry forward period available under the tax law. Sources of future taxable income include future reversals of taxable temporary differences, future taxable income exclusive of reversing taxable differences, taxable income in carry back years and tax planning strategies. These sources of positive evidence of realizability must be weighed against negative evidence, such as cumulative losses in recent years.

In forming a judgment about the future realization of our deferred tax assets, we considered both the positive and negative evidence of realizability and gave significant weight to the negative evidence from our recent cumulative loss. We will continue to assess this situation and make appropriate adjustments to the valuation allowance based on our evaluation of the positive and negative evidence existing at the time. We are currently unable to forecast when there will be sufficient positive evidence for us to reverse the remainder of the valuation allowances that we have recorded.

The valuation allowance is associated with the deferred tax assets for the differences between book and tax that result from net operating losses (NOL), foreign investment tax credits with unlimited carryovers generated in the current and prior years and temporary differences which become deductible when the related asset is recovered or related liability is settled.

The state NOL carry forwards relate to the current years' NOLs, which may be used to reduce tax liabilities in future years. If not realized, the state tax benefits of \$1,312 expire over a twelve to twenty year period.

Income taxes consisted of the following:

	Fiscal Year Ended		
	May 1, 2010	May 2, 2009	May 3, 2008
Current			
Federal	\$ (11,356)	\$ (6,956)	\$ 10,580

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Foreign	1,339	867	1,502
State	61	(309)	589
	(9,956)	(6,398)	12,671
Deferred	3,992	8,078	(2,948)
	\$ (5,964)	\$ 1,680	\$ 9,723

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(Dollar amounts in thousands, except number of shares and per share data)

7. Income Taxes - Continued

A reconciliation of the consolidated provisions for income taxes to amounts determined by applying the prevailing statutory federal income tax rate to pre-tax earnings/(loss) is as follows:

	May 1, 2010		Fiscal Year Ended May 2, 2009		May 3, 2008	
Income tax at statutory rate	\$ 2,693	35.0%	\$ (38,779)	35.0%	\$ 17,317	35.0%
Effect of:						
State income taxes, net of federal benefit	637	8.3	(2,559)	2.3	244	0.5
Foreign operations with lower statutory rates	(4,723)	(61.4)	(2,578)	2.3	(5,718)	(11.6)
Foreign losses with no tax benefit	532	6.9	13,498	(12.2)	12	0.0
Foreign investment tax credit (FTC)	(337)	(4.4)	(2,027)	1.8	(6,360)	(12.8)
Change in tax contingency reserve	(3,344)	(43.5)	37		1,910	3.9
Manufacturing deduction					(318)	(0.6)
Research and development credit	(293)	(3.8)	(255)	0.2	(470)	(1.0)
Foreign plant closing benefit					(1,846)	(3.7)
Goodwill			6,422	(5.8)		
True-up of refundable receivable estimate	1,714	22.3				
Valuation allowance	(2,975)	(38.6)	27,953	(25.1)	4,739	9.6
Other, net	132	1.7	(32)		213	0.4
Income tax provision	\$ (5,964)	-77.5%	\$ 1,680	-1.5%	\$ 9,723	19.7%

We paid income taxes of \$1,392 in 2010, \$8,280 in 2009 and \$10,628 in fiscal 2008. In fiscal 2010, we received a tax refund of \$9,334 in the U.S. No provision has been made for income taxes on undistributed net income of foreign operations, as we expect them to be indefinitely reinvested in our foreign operations. If the undistributed net income of \$75,189 were distributed as dividends, we would be subject to foreign tax withholdings and incur additional income tax expense of approximately \$30,076, before available foreign tax credits. It is not practical to estimate the amount of foreign tax withholdings or foreign tax credits that may be available.

As of May 1, 2010, our FIN 48 gross unrecognized tax benefits totaled \$2,782. After considering the federal impact on the state issues, \$2,738 of this total would favorably affect the effective tax rate if resolved in our favor.

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The following table presents a reconciliation of the beginning and ending amounts of unrecognized tax benefits:

Balance at May 2, 2009	\$	6,126
Increases for positions related to the current year		2
Increases for positions related to the prior years		(171)
Settlements		(3,125)
Lapsing of statutes of limitations		(50)
Balance at May 1, 2010	\$	2,782

We believe that it is reasonably possible that the total amount of unrecognized tax benefits will change within the next twelve months. We have certain tax return years subject to statutes of limitation, which will close within twelve months from the end of the fiscal 2010. Unless challenged by tax authorities, the closure of those statutes of limitation is expected to result in the recognition of uncertain tax positions in the range between \$100 and \$2,700.

The U.S. Internal Revenue Service and the Illinois Department of Revenue have completed their audits for

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7. Income Taxes - Continued

the fiscal years ended April 30, 2007 and May 3, 2008. The U.S. federal statute of limitations remains open for fiscal year ended April 29, 2006. Generally, the fiscal years ended April 29, 2006 and forward remain open under the state statute of limitations.

The continuing practice of the Company is to recognize interest and penalties related to income tax matters in the provision for income taxes. We had \$714 accrued for interest and no accrual for penalties at May 1, 2010. We recorded interest expense related to unrecognized tax provision of \$221 in fiscal 2010 and no expense for penalties.

8. Earnings Per Share

Basic earnings per share (EPS) is calculated by dividing net earnings by the weighted average number of common shares outstanding for the applicable period. Diluted EPS is calculated after adjusting the numerator and the denominator of the basic EPS calculation for the effect of all potential dilutive common shares outstanding during the period.

The following table sets forth the computation of basic and diluted earnings/(loss) per share:

	May 1, 2010	Fiscal Year Ended May 2, 2009	May 3, 2008
Numerator - net income/(loss)	\$ 13,655	\$ (112,483)	\$ 39,754
Denominator:			
Denominator for basic earnings per share-weighted average shares (in thousands)	36,712	36,879	37,069
Dilutive potential common shares-employee and director stock options (in thousands)	220		424
Denominator for diluted earnings per share adjusted weighted average shares and assumed conversions (in	36,932	36,879	37,493

thousands)

Basic and diluted net income/(loss) per share:

Basic income/(loss) per share	\$	0.37	\$	(3.05)	\$	1.07
Diluted net income/(loss) per share	\$	0.37	\$	(3.05)	\$	1.06

Options to purchase 369,651, 625,633 and 35,296 shares of common stock were outstanding at May 1, 2010, May 2, 2009 and May 3, 2008, respectively, but were not included in the computation of diluted earnings/(loss) per share because the exercise price was greater than the average market price of the common shares; therefore, the effect would have been anti-dilutive. Potential common shares have not been included in the calculation of diluted net loss per share, as the effect would be anti-dilutive. As such, the numerator and the denominator used in computing both basic and diluted net loss per share for the fiscal year ended May 2, 2009 are the same.

9. Environmental Matters

We apply the guidance of SOP 96-1 *Environmental Remediation Liabilities* in accounting for known environmental obligations. We are not aware of any potential unasserted environmental claims that may be brought against us. We are involved in environmental investigation and/or remediation at two of our former plant sites. We use environmental consultants to assist us in evaluating our environmental liabilities in order to establish appropriate

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9. Environmental Matters - Continued

accruals in our financial statements. Accruals are recorded when environmental remediation is probable and the costs can be reasonably estimated. A number of factors affect the cost of environmental remediation, including the determination of the extent of contamination, the length of time remediation may require, the complexity of environmental regulations and the advancement of remediation technology. Considering these factors, we have estimated (without discounting) the costs of remediation, which will be incurred over a period of several years. Recovery from insurance or other third parties is not anticipated. We are not yet able to determine when such remediation activity will be complete, but estimates for certain remediation efforts are projected through 2015.

At May 1, 2010 and May 2, 2009, we had accruals, primarily based upon independent engineering studies, for environmental matters of \$4,017 and \$4,271, respectively, of which \$500 was classified in other accrued expenses and the remainder was included in other long term liabilities on our consolidated balance sheet. We believe the provisions made for environmental matters are adequate to satisfy liabilities relating to such matters, however it is reasonably possible that costs could exceed accrued amounts if the selected methods of remediation do not reduce the contaminants at the sites to levels acceptable to federal and state regulatory agencies.

In fiscal 2010, we spent \$474 on remediation cleanups and related studies compared with \$685 in fiscal 2009 and \$387 in fiscal 2008. The costs associated with environmental matters as they relate to day-to-day activities were not material.

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10. Comprehensive Income/(Loss)

The components of our comprehensive income/(loss) for fiscal 2010, 2009 and 2008 include net income/(loss) and adjustments to stockholders equity for foreign currency translations. The foreign currency translation adjustment was due to exchange rate fluctuations in our foreign affiliates local currency versus the U.S. dollar.

The following table presents details of our comprehensive income/(loss):

	Total	Fiscal 2010 Methode Shareholders	Noncontrolling Interest
Net income	\$ 13,781	\$ 13,655	\$ 126
Translation adjustment	682	572	110
Total comprehensive income	\$ 14,463	\$ 14,227	\$ 236

	Total	Fiscal 2009 Methode Shareholders	Noncontrolling Interest
Net income/(loss)	\$ (112,140)	\$ (112,483)	\$ 343
Translation adjustment	(13,268)	(12,706)	(562)
Total comprehensive loss	\$ (125,408)	\$ (125,189)	\$ (219)

	Total	Fiscal 2008 Methode Shareholders	Noncontrolling Interest
Net income	\$ 40,083	\$ 39,754	\$ 329
Translation adjustment	13,018	12,371	647
Total comprehensive income	\$ 53,101	\$ 52,125	\$ 976

11. Pending Litigation

Certain litigation arising in the normal course of business is pending against us. We, from time to time, are subject to various legal actions and claims incidental to our business, including those arising out of alleged defects, breach of contracts, employment-related matters and environmental matters. We consider insurance coverage and third party indemnification when determining required accruals for pending litigation and claims. Although the outcome of potential legal actions and claims cannot be determined, it is the opinion of our management, based on the information available, that we have adequate reserves for these liabilities and that the ultimate resolution of these matters will not have a material adverse effect on our consolidated financial statements.

12. Material Customers

Sales to two customers in the Automotive segment, either directly or through their tiered suppliers, represented a significant portion of our business. Net sales to these two customers approximated 18.2% and 13.9% of consolidated net sales in fiscal 2010; two customers accounted for 18.8% and 9.7% of consolidated net sales, respectively in fiscal 2009 and three customers accounted for 25.1%, 13.8% and 9.4% of consolidated net sales in fiscal 2008. Sales of PODS sensor pads to one of these customers were 9.7% and 9.4% of consolidated net sales in fiscal 2009 and 2008, respectively.

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12. Material Customers - Continued

At May 1, 2010 and May 2, 2009, accounts receivable from customers in the automotive industry were approximately \$11,300 and \$26,834, respectively, which included \$5,682 and \$14,386, respectively, at our Maltese subsidiary. Accounts receivable are generally due within 30 to 60 days. Credit losses relating to all customers generally have been within management's expectation.

13. Line of Credit

We have an agreement with our primary bank for a revolving credit facility to provide up to \$75,000 ready financing for general corporate purposes, including acquisition opportunities that may become available. This facility, which expires January 31, 2011, bears interest at (a) LIBOR plus 2.75% or (b) the bank's prime rate (or, if higher, the Federal Funds Rate plus 0.5%) plus 1.50%. The facility also includes a fee of 0.50% of the unused balance. The facility requires that we maintain a minimum consolidated net worth equal to 85% of consolidated net worth plus 50% of consolidated net income earned in each fiscal quarter, with no deduction for a net loss in any quarter and maintain consolidated interest coverage, as defined, of not less than 3.50:1.00, and maintain on a monthly basis a consolidated debt to EBITDA ratio, as defined, of not more than 2.50:1.00. We were in compliance at May 1, 2010.

14. Segment Information and Geographic Area Information

We are a global manufacturer of component and subsystem devices. We design, manufacture and market devices employing electrical, electronic, wireless, sensing and optical technologies. Our components are found in the primary end markets of the automotive, appliance, communications (including information processing and storage, networking equipment, wireless and terrestrial voice/data systems), aerospace, rail and other transportation industries; and the consumer and industrial equipment markets.

ASC No. 280, Segment Reporting (ASC No. 280), establishes annual and interim reporting standards for an enterprise's operating segments and related disclosures about its products, services, geographic areas and major customers. An operating segment is defined as a component of an enterprise that engages in business activities from which it may earn revenues and incur expenses, and about which separate financial information is regularly evaluated by the Chief Operating Decision Maker (CODM) in deciding how to allocate resources. The CODM, as defined by ASC No. 280, is the Company's President and Chief Executive Officer (CEO).

The Automotive segment supplies electronic and electromechanical devices and related products to automobile OEMs, either directly or through their tiered suppliers, including control switches for electrical power and signals, connectors for electrical devices, integrated control components, switches and sensors that monitor the operation or status of a component or system, and packaging of electrical components.

The Interconnect segment provides a variety of copper and fiber-optic interconnect and interface solutions for the appliance, computer, networking, telecommunications, storage, medical, military, aerospace, commercial and consumer markets. Solutions include solid-state field effect interface panels, PC and express card packaging, optical and copper transceivers, terminators, connectors, custom cable assemblies and conductive polymer and thick film inks. Services include the design and installation of fiber optic and copper infrastructure systems, and manufacture of active and passive optical components.

The Power Products segment manufactures current-carrying laminated bus devices, custom power-product assemblies; powder coated bus bars, braided flexible cables and high-current low voltage flexible power cabling systems that are used in various markets and applications, including telecommunications, computers, transportation, industrial and power conversion, insulated gate bipolar transistor solutions, aerospace and military.

The Other segment includes a designer and manufacturer of magnetic torque sensing products, and independent laboratories that provide services for qualification testing and certification, and analysis of electronic and optical components.

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14. Segment Information and Geographic Area Information - Continued

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. We allocate resources to and evaluate performance of segments based on operating income. Transfers between segments are recorded using internal transfer prices set by us.

The table below presents information about our reportable segments:

	Fiscal Year Ended May 1, 2010					
	Automotive	Inter-Connect	Power Products	Other	Eliminations	Consolidated
Net sales	\$ 199,296	\$ 124,474	\$ 40,746	\$ 9,372	\$ 752	\$ 373,136
Transfers between segments		(355)	(342)	(55)	(752)	
Net sales to unaffiliated customers	\$ 199,296	\$ 124,119	\$ 40,404	\$ 9,317	\$	\$ 373,136
Segment income (loss) before restructuring charges	\$ 16,826	\$ 11,849	\$ 3,926	\$ (2,299)	\$	\$ 30,302
Restructuring	(5,649)	(1,552)	(569)			(7,770)
Segment income (loss) including restructuring charges	\$ 11,177	\$ 10,297	\$ 3,357	\$ (2,299)	\$	\$ 22,532
Corporate expenses, net						(14,715)
Income before income taxes						\$ 7,817
Depreciation and amortization	\$ 10,691	\$ 4,756	\$ 1,672	\$ 760	\$	\$ 17,879
Corporate depreciation and amortization						1,530

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							\$	19,409		
Identifiable assets	\$	127,613	\$	125,133	\$	31,081	\$	7,659	\$	291,486
General corporate assets										19,337
Total assets									\$	310,823

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14. Segment Information and Geographic Area Information - Continued

	Fiscal Year Ended May 2, 2009						
	Automotive	Inter-Connect	Power Products	Other	Eliminations		Consolidated
Net sales	\$ 243,650	\$ 131,998	\$ 43,097	\$ 8,353	\$ 1,454		\$ 425,644
Transfers between segments		(952)	(399)	(103)	(1,454)		
Net sales to unaffiliated customers	\$ 243,650	\$ 131,046	\$ 42,698	\$ 8,250			\$ 425,644
Segment income (loss) before restructuring charge, impairment of goodwill and intangible assets	\$ 25,782	\$ 2,024	\$ 137	\$ (3,506)			\$ 24,437
Restructuring	(19,283)	(5,468)	(527)				(25,278)
Impairment of goodwill and intangible assets	(30,466)	(56,926)	(5,358)	(1,624)			(94,374)
Segment income (loss) including restructuring charge, impairment of goodwill and intangible assets	\$ (23,967)	\$ (60,370)	\$ (5,748)	\$ (5,130)			\$ (95,215)
Corporate expenses, net							(15,245)
Loss before income taxes							\$ (110,460)
Depreciation and amortization	\$ 17,408	\$ 15,262	\$ 2,153	\$ 1,019			\$ 35,842
Corporate depreciation and amortization							1,194
							\$ 37,036
Identifiable assets	\$ 121,572	\$ 115,085	\$ 23,925	\$ 6,613			\$ 267,195
General corporate assets							38,093
Total assets							\$ 305,288

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14. Segment Information and Geographic Area Information - Continued

The table below presents information about our reportable segments:

	Fiscal Year Ended May 3, 2008						Consolidated
	Automotive	Inter-Connect	Power Products	Other	Eliminations		
Net sales	\$ 362,165	\$ 137,239	\$ 46,839	\$ 6,982	\$ 2,152	\$	\$ 551,073
Transfers between segments	(69)	(979)	(1,023)	(81)	(2,152)		
Net sales to unaffiliated customers	\$ 362,096	\$ 136,260	\$ 45,816	\$ 6,901	\$	\$	\$ 551,073
Segment income (loss) before restructuring charge	\$ 59,783	\$ 5,597	\$ 8,546	\$ (1,798)		\$	\$ 72,128
Restructuring	(4,487)	(672)					(5,159)
Segment income (loss) including restructuring charge	\$ 55,296	\$ 4,925	\$ 8,546	\$ (1,798)		\$	\$ 66,969
Corporate expenses, net							(17,163)
Income before income taxes and cumulative effect of accounting change							\$ 49,806
Depreciation and amortization	\$ 19,007	\$ 6,257	\$ 1,409	\$ 602		\$	\$ 27,275
Corporate depreciation and amortization							884
						\$	\$ 28,159
Identifiable assets	\$ 185,905	\$ 134,412	\$ 37,063	\$ 7,332		\$	\$ 364,712
General corporate assets							105,508
Total assets						\$	\$ 470,220

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14. Segment Information and Geographic Area Information - Continued

The following table sets forth certain geographic financial information for fiscal years ended May 1, 2010, May 2, 2009 and May 3, 2008. Geographic net sales and income are determined based our sales and income from our various operational locations.

	May 1, 2010	Fiscal Year Ended May 2, 2009	May 3, 2008
Net Sales:			
North American	\$ 167,721	\$ 259,539	\$ 356,240
Asia Pacific	70,022	53,378	51,915
Malta	124,604	100,594	127,880
Europe, excluding Malta	10,789	12,133	15,038
	\$ 373,136	\$ 425,644	\$ 551,073
Income (loss) before income taxes and cumulative effect of accounting change:			
North American	\$ (18,183)	\$ (81,985)	\$ 27,251
Asia Pacific	14,657	(30,610)	4,598
Europe	11,482	753	15,633
Income and expenses not allocated	(139)	1,382	2,324
	\$ 7,817	\$ (110,460)	\$ 49,806
Property, Plant and Equipment:			
North American	\$ 23,085	\$ 32,589	\$ 43,070
Asia Pacific	8,968	7,523	11,847
Malta	25,042	24,561	29,255
Europe, excluding Malta	4,781	5,244	6,108
	\$ 61,876	\$ 69,917	\$ 90,280

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METHODE ELECTRONICS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands, except number of shares and per share data)

15. Lease Commitments

We lease certain office and manufacturing properties under non-cancelable operating leases expiring at various dates through fiscal 2015. Rental expense under non-cancelable operating leases amounted to \$4,191, \$4,841 and \$4,032 in fiscal 2010, 2009 and 2008, respectively.

Our aggregate minimum rental commitments under all non-cancelable operating leases are summarized in the table below for the next succeeding five fiscal years:

2011	\$	2,604
2012		1,209
2013		754
2014		242
2015		29

16. Pre-Production Costs Related to Long-Term Supply Arrangements

We incur pre-production tooling costs related to the products produced for our customers under long-term supply agreements. We had \$11,984 and \$3,182 as of the fiscal year ended May 1, 2010 and May 2, 2009, respectively, of pre-production tooling costs related to customer-owned tools for which reimbursement is contractually guaranteed by the customer or for which the customer has provided a non-cancelable right to use the tooling. These amounts are included in our other assets section in the consolidated balance sheets. Net revenues and costs on projects are deferred and recognized over the life of the related long-term supply agreement.

17. Fair Value Measurements

Accounting standards define fair value based on an exit price model, establish a framework for measuring fair value where our assets and liabilities are required to be carried at fair values and provide for certain disclosures related to the valuation methods used within a valuation hierarchy as established with the accounting standards. The hierarchy priorities the inputs into three broad levels as follows:

- Level 1 Quoted prices in active markets for identical assets and liabilities.
- Level 2 Quoted prices in active markets for similar assets and liabilities, or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Below is a table that summarizes the fair value of assets and liabilities as of May 1, 2010:

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Table of Contents**METHODE ELECTRONICS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Dollar amounts in thousands, except number of shares and per share data)

17. Fair Value Measurements - Continued

	Recorded Value	Fair Value Measurement Used		
		Quoted prices in active markets for identical instruments (Level 1)	Quoted prices in active markets for similar instruments (Level 2)	Other unobservable inputs (Level 3)
Assets:				
Cash and cash equivalents (1)	\$ 63,821	\$ 63,821		\$
Assets related to deferred compensation plan	\$ 2,985		\$ 2,985	\$
Total assets at fair value	\$ 66,806	\$ 63,821	\$ 2,985	\$
Liabilities:				
Liabilities related to deferred compensation plan	\$ 2,847	\$ 2,847		\$
Total liabilities at fair value	\$ 2,847	\$ 2,847		\$

(1) Includes cash, money-market investments and certificates of deposit.

18. Summary of Quarterly Results of Operations (Unaudited)

The following is a summary of unaudited quarterly results of operations for the two years ended May 1, 2010 and May 2, 2009:

	Fiscal Year 2010 Quarter Ended			
	August 1	October 31	January 30	May 1
Net sales	\$ 89,776	\$ 98,496	\$ 89,127	\$ 95,737
Gross profit	18,867	20,712	14,203	21,643
Net income/(loss) attributable to Methode Electronics, Inc.	(19)	2,052	(4,475)	16,097
	\$	\$ 0.05	\$ (0.12)	\$ 0.44

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Net income/(loss) per basic
common share

	Fiscal Year 2009			
	Quarter Ended			
	August 2	November 1	January 31	May 2
Net sales	\$ 134,514	\$ 121,304	\$ 80,781	\$ 89,045
Gross profit	29,084	23,489	10,269	6,306
Net income/(loss) attributable to Methode Electronics, Inc.	6,816	238	(26,985)	(92,552)
Net income/(loss) per basic common share	\$ 0.18	\$ 0.01	\$ (0.74)	\$ (2.50)

Significant Items for Fiscal 2010

The first, second, third and fourth quarter of fiscal 2010 includes a pre-tax restructuring charge of \$3,611, \$3,156, \$559 and \$444, respectively. In addition, the first, second, third and fourth quarter of fiscal 2010 includes pre-tax legal fees relating to the Delphi supply agreement and patent lawsuit of \$440, \$1,489, \$2,356 and \$1,481, respectively.

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METHODE ELECTRONICS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands, except number of shares and per share data)

18. Summary of Quarterly Results of Operations (Unaudited) - Continued

Significant Items for Fiscal 2009

The first, second, third and fourth quarter of fiscal 2009 includes a pre-tax restructuring charge of \$4,917, \$6,284, \$3,796 and \$10,281, respectively. In addition, the third and fourth quarter of fiscal 2009 include impairment charges for goodwill and intangible assets write-down of \$32,678 and \$61,696, respectively.

19. Subsequent Event

On May 5, 2010, it was announced that we have become an investor in Eetrex Incorporated, a Boulder, Colorado-based developer and manufacturer of chargers, inverters, and battery systems for hybrid and plug-in hybrid electronic vehicles. This investment from us will be used by Eetrex to advance their technology and product development efforts.

We paid \$1,000 and acquired 15 percent, on a fully diluted basis, of Eetrex's stock, and pursuant to the investment, we will appoint two board members. Methode and Extrex have entered into ancillary agreements in which Methode will become Extrex's sales and manufacturing arm. Additionally, Eetrex granted a non-exclusive, world-wide license to us for fields including alternative energy, defense and aviation/aerospace markets.

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SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS

METHODE ELECTRONICS, INC. AND SUBSIDIARIES

(in thousands)

COL. A	COL. B	COL. C	COL. D.	COL. E	
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts Describe	Deductions Describe	Balance at End of Period
YEAR ENDED MAY 1, 2010:					
Reserves and allowances deducted from asset accounts:					
Allowance for uncollectible accounts	\$ 1,444	\$ 142	\$ 25(1)	\$ 509(2)	\$ 1,102
Deferred tax valuation allowance	51,377	943	1,880(1)	5,798(3)	48,402
YEAR ENDED MAY 2, 2009:					
Reserves and allowances deducted from asset accounts:					
Allowance for uncollectible accounts	\$ 2,309	\$ 120	\$ 625(1)	\$ 360(2)	\$ 1,444
Deferred tax valuation allowance	31,164	27,506	(7,293)(1)		51,377
YEAR ENDED MAY 3, 2008:					
Reserves and allowances deducted from asset accounts:					
Allowance for uncollectible accounts	\$ 2,231	\$ 195	\$ 45(1)	\$ 162(2)	\$ 2,309
Deferred tax valuation allowance	25,762	3,892	1,510(1)		31,164

(1) Impact of foreign currency translation and other reclassifications.

(2) Uncollectible accounts written off, net of recoveries.

(3) Reduction of valuation allowances on foreign tax assets with no effect on net income.

Table of Contents**INDEX TO EXHIBITS**

Exhibit Number	Description
3.1	Certificate of Incorporation of Registrant, as amended and currently in effect (1)
3.2	Bylaws of Registrant, as amended and currently in effect (17)
4.1	Article Fourth of Certificate of Incorporation of Registrant, as amended and currently in effect (included in Exhibit 3.1) (1)
4.2	Rights Agreement dated as of January 8, 2004 between Methode Electronics, Inc. and Mellon Investor Services LLC, which includes as Exhibit A thereto, the Certificate of Designation of Series A Junior Participating Preferred Stock of Methode Electronics, Inc.; as Exhibit B thereto, the Form of Right Certificate; as Exhibit C thereto, the Summary of Rights to Purchase Preferred Shares. (2)
10.1*	Methode Electronics, Inc. Managerial Bonus and Matching Bonus Plan (also referred to as the Longevity Contingent Bonus Program) (3)
10.2*	Methode Electronics, Inc. 2000 Stock Plan (4)
10.3*	Methode Electronics, Inc. 2004 Stock Plan (5)
10.4*	Form of Methode Electronics, Inc. Restricted Stock Award Agreement (Executive Award/Cliff Vesting) under the 2000 Stock Plan (23)
10.5	Credit Agreement dated as of December 19, 2002 among Methode Electronics, Inc. as the Borrower, Bank of America, N.A., as Administrative Agent and L/C Issuer, and The Other Lenders Party Thereto (7)
10.6	Amendment to Credit Agreement dated as of November 2005 among Methode Electronics, Inc. as the Borrower, Bank of America, N.A., as Administrative Agent and L/C Issuer, and The Other Lenders Party Thereto (6)
10.7*	Form of Methode Electronics, Inc. Restricted Stock Award Agreement (Outside Director) under the 2004 Stock Plan (8)
10.8*	Form of Methode Electronics, Inc. Restricted Stock Award Agreement (Executive Award/Performance Based) under the 2004 Stock Plan (8)
10.9	Amendment to Credit Agreement dated as of January 31, 2006, among Methode Electronics, Inc., the Borrower, Bank of America, N.A., as Administrative Agent, and L/C Issuer, and The Other Lenders Party Thereto (9)
10.10*	Change in Control Agreement dated September 1, 2006 between Methode Electronics, Inc. and Donald W. Duda (10)
10.11*	Change in Control Agreement dated September 1, 2006 between Methode Electronics, Inc. and Douglas A. Koman (10)
10.12*	Change in Control Agreement dated September 1, 2006 between Methode Electronics, Inc. and Thomas D. Reynolds (10)
10.13*	Change in Control Agreement dated September 1, 2006 between Methode Electronics, Inc. and Paul E. Whybrow (10)
10.14*	Change in Control Agreement dated September 14, 2006 between Methode Electronics, Inc. and Theodore P. Kill (11)
10.15*	Change in Control Agreement dated September 14, 2006 between Methode Electronics, Inc. and Timothy R. Glandon (11)
10.16*	First Amendment to Methode Electronics, Inc. 2000 Stock Plan effective as of December 14, 2006 (12)
10.17*	Amended and Restated Restricted Stock Unit Award Agreement (Executive Award/Performance Based) effective as of June 18, 2004 between Methode Electronics, Inc. and Donald W. Duda (12)
10.18*	Amended and Restated Restricted Stock Unit Award Agreement (Executive Award/Cliff Vesting) effective as of June 18, 2004 between Methode Electronics, Inc. and Donald W. Duda (12)
10.19	Waiver and Amendment dated as of February 28, 2007 among Methode Electronics, Inc., the Borrower, Bank of America, N.A., as Administrative Agent, and L/C Issuer, and The Other Lenders Party Thereto (13)
10.20*	Amended Cash Bonus Agreement effective as of April 6, 2007 between Methode Electronics, Inc. and Donald W. Duda (14)
10.21*	Amended and Restated Restricted Stock Unit Award Agreement (Executive Award/Performance Based) effective as of June 15, 2005 between Methode Electronics, Inc. and Donald W. Duda (14)

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10.22*	Amended and Restated Restricted Stock Unit Award Agreement (Executive Award/Performance Based) effective as of August 7, 2006 between Methode Electronics, Inc. and Donald W. Duda (14)
10.23*	Methode Electronics, Inc. 2007 Stock Plan (15)
10.24*	Methode Electronics, Inc. 2007 Cash Incentive Plan (15)
10.25*	Form Performance Based RSA Award Agreement (15)
10.26*	Form Annual Cash Bonus Award Agreement (15)
10.27*	Form RSA Tandem Cash Award Agreement (15)
10.28*	Form Director RSA Award Agreement (15)
10.29*	Change in Control Agreement dated July 15, 2008 between Methode Electronics, Inc. and Ronald L. G. Tsoumas (17)
10.30	Asset and Share Purchase Agreement for Hetronic (18)
10.31	Fourth Amendment and Waiver to Credit Agreement, effective as of May 2, 2009, among the Company as the Borrower, Bank of America, N.A.(19)
10.32	Letter Agreements dated August 25, 2008 and September 4, 2008 by and between Methode Electronics, Inc. and Delphi Automotive Systems, LLC (19)
10.33*	Form of Methode Electronics, Inc. Restricted Stock and Tandem Cash Award Cancellation Agreement (20)
10.34*	Form of Non-Qualified Stock Option Award Agreement (21)
10.35*	Form of Amendment to Change in Control Agreement (22)
21	Subsidiaries of Methode Electronics, Inc.
23	Consent of Ernst & Young LLP
31.1	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer
32	Certification of Periodic Financial Report Pursuant to 18 U.S.C. Section 1350

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|------|----------------------------------|--|
| (1) | Previously filed with Registrant | s Form 8-K filed January 9, 2004, and incorporated herein by reference. |
| (2) | Previously filed with Registrant | s Form 8-A filed January 8, 2004, and incorporated herein by reference. |
| (3) | Previously filed with Registrant | s Form 10-K for the year ended April 30, 2005, and incorporated herein by reference. |
| (4) | Previously filed with Registrant | s Form 10-Q for the three months ended October 31, 2000, and incorporated herein by reference. |
| (5) | Previously filed with Registrant | s Form 8-K filed December 7, 2004, and incorporated herein by reference. |
| (6) | Previously filed with Registrant | s Form 10-Q for the three months ended October 31, 2005, and incorporated herein by reference. |
| (7) | Previously filed with Registrant | s Form 10-Q for the three months ended January 31, 2003, and incorporated herein by reference. |
| (8) | Previously filed with Registrant | s Form 8-K filed August 11, 2006, and incorporated herein by reference. |
| (9) | Previously filed with Registrant | s Form 8-K filed February 3, 2006, and incorporated herein by reference. |
| (10) | Previously filed with Registrant | s Form 8-K filed September 6, 2006, and incorporated herein by reference. |
| (11) | Previously filed with Registrant | s Form 8-K filed September 18, 2006, and incorporated herein by reference. |
| (12) | Previously filed with Registrant | s Form 10-Q for the three months ended January 27, 2007, and incorporated herein by reference. |
| (13) | Previously filed with Registrant | s Form 8-K filed March 12, 2007, and incorporated herein by reference. |
| (14) | Previously filed with Registrant | s Form 8-K filed April 6, 2007, and incorporated herein by reference. |
| (15) | Previously filed with Registrant | s Form 8-K filed September 19, 2007, and incorporated herein by reference. |
| (16) | Previously filed with Registrant | s Form 8-K filed November 2, 2007, and incorporated herein by reference. |
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- (17) Previously filed with Registrant s Form 10-K filed July 17, 2008, and incorporated herein by reference.
- (18) Previously filed with Registrant s Form 10-K filed July 2, 2009, and incorporated herein by reference.
- (19) Previously filed with Registrant s Form 10-Q for the three months ended August 1, 2009, and incorporated herein by reference.
- (20) Previously filed with Registrant s Form 8-K filed December 18, 2009, and incorporated herein by reference.
- (21) Previously filed with Registrant s Form 8-K filed July 9, 2009, and incorporated herein by reference.
- (22) Previously filed with Registrant s Form 8-K filed July 20, 2009, and incorporated herein by reference.
- (23) Previously filed with Registrant s Form 10-Q for the three month ended October 31, 2004, and incorporated herein by reference.

* Management Compensatory Plan
