

METHODE ELECTRONICS INC

Form DEF 14A

August 13, 2004

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant: x

Filed by a Party other than the Registrant: o

Check the appropriate box: o

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

METHODE ELECTRONICS, INC.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- x No fee required
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
 - (2) Aggregate number of securities to which transaction applies:
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):
 - (4) Proposed maximum aggregate value of transaction:
 - (5) Total fee paid:

- o Fee paid previously with preliminary materials.
 - o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
 - (1) Amount Previously Paid:
 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:
 - (4) Date Filed:
-

METHODE ELECTRONICS, INC.

**7401 West Wilson Avenue
Chicago, Illinois 60706
(708) 867-6777**

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

September 14, 2004

To the Stockholders of
METHODE ELECTRONICS, INC.:

Notice is hereby given that an annual meeting of stockholders of Methode Electronics, Inc. (Methode) will be held on Tuesday, September 14, 2004 at 3:30 p.m., Chicago time, at the Fountain Blue Conference Center, 2300 South Mannheim Road, Des Plaines, Illinois, for the following purposes:

1. To elect a board of directors;
2. To approve Methode s 2004 Stock Plan; and
3. To transact such other business as may properly come before the annual meeting or any adjournment or postponement thereof.

Our board of directors has fixed the close of business on July 26, 2004 as the record date for the determination of stockholders entitled to notice of and to vote at the annual meeting and at any adjournment or postponement thereof.

It is important that your shares be represented and voted at the annual meeting. Whether or not you plan to attend the annual meeting, please complete, sign, date and mail the accompanying proxy card in the enclosed self-addressed, stamped envelope, or deliver your proxy by telephone or the Internet in accordance with the instructions provided. We respectfully request your cooperation.

By Order of the Board of Directors

William T. Jensen
Chairman

August 13, 2004

METHODE ELECTRONICS, INC.

**7401 West Wilson Avenue
Chicago, Illinois 60706
(708) 867-6777**

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS

September 14, 2004

GENERAL INFORMATION

The enclosed proxy is solicited on behalf of Methode in connection with an annual meeting of our stockholders to be held on Tuesday, September 14, 2004 at 3:30 p.m., Chicago time, at the Fountain Blue Conference Center, 2300 South Mannheim Road, Des Plaines, Illinois, and at any adjournment or postponement of the annual meeting.

At the annual meeting, we will ask our stockholders to elect our board of directors and to approve the Methode Electronics, Inc. 2004 Stock Plan.

This proxy statement and the accompanying proxy card are first being mailed to our stockholders on or about August 13, 2004.

Record Date; Shares Outstanding

Our board of directors has fixed the close of business on July 26, 2004 as the record date for the determination of stockholders entitled to notice of and to vote at the annual meeting and at any adjournment or postponement thereof. As of the record date, there were 35,788,009 shares of our common stock outstanding. All shares of our common stock are entitled to vote at the annual meeting.

Quorum; Votes Required

The presence, in person or by proxy, of the holders of a majority of the outstanding shares of our common stock is necessary to constitute a quorum at the annual meeting. Both abstentions and broker non-votes are counted as present for the purpose of determining the presence of a quorum at the annual meeting. Generally, broker non-votes occur when shares held by a broker or nominee for a beneficial owner are not voted with respect to a particular proposal because the broker or nominee has not received voting instructions from the beneficial owner and the broker or nominee lacks discretionary power to vote such shares.

At the annual meeting, each share of common stock will be entitled to one vote per share. The approval of each proposal requires the approval by a majority of the shares of common stock represented at the meeting and entitled to vote, assuming a quorum is present. Abstentions and broker non-votes are not counted as votes for the proposals.

Voting Procedures

It is important that your shares be represented and voted at the annual meeting. Whether or not you plan to attend the annual meeting, please complete, sign, date and mail the accompanying proxy card in the enclosed self-addressed, stamped envelope, or deliver your proxy by telephone or the Internet in accordance with the instructions provided on the proxy card. The law of Delaware, under which we are incorporated, specifically permits electronically transmitted proxies, provided that each proxy contains or is submitted with information from which the inspector of election can determine that such proxy was authorized by the stockholder. In order to grant a proxy by Internet, go to www.proxyvote.com and enter your individual 12-digit control number found on your proxy card in order to obtain your records and to create an electronic voting instruction form. In order to grant a proxy by telephone, call 1-800-690-6903 and enter your individual 12-digit control number found on your proxy card and then follow the instructions given over the telephone. You may grant your proxy by Internet or by telephone up until 11:59 p.m. Eastern Time the day before the

annual meeting date. Please do not submit a proxy card if you delivered your proxy by telephone or the Internet unless you intend to change your voting instructions.

If you return a proxy without direction, the proxy will be voted FOR the election of all nine director nominees and FOR approval of the Methode Electronics, Inc. 2004 Stock Plan.

Revoking Your Proxy

If you decide to change your vote, you may revoke your proxy at any time before the annual meeting. You may revoke your proxy by notifying our Corporate Secretary in writing that you wish to revoke your proxy at the following address: Methode Electronics, Inc., 7401 West Wilson Avenue, Chicago, Illinois 60706, attention Corporate Secretary. You may also revoke your proxy by submitting a later-dated and properly executed proxy (including by means of the telephone or Internet) or by voting in person at the annual meeting. Attendance at the annual meeting will not, by itself, revoke a proxy.

Proxy Solicitation Expenses

We will bear the entire cost of the solicitation of proxies, including preparation, assembly, printing and mailing of this proxy statement, the proxy card and any additional information furnished to stockholders. Copies of solicitation materials will be furnished to banks, brokerage houses, fiduciaries and custodians holding shares of our common stock beneficially owned by others to be forwarded to such beneficial owners. We will reimburse such persons for their reasonable costs of forwarding solicitation materials to such beneficial owners. Our directors, officers or other regular employees may solicit proxies by telephone, by e-mail, by fax or in person. No additional compensation will be paid to directors, officers and other regular employees for such services.

SECURITY OWNERSHIP

Five Percent Stockholders

The following table sets forth information regarding all persons known to be the beneficial owners of more than 5% of Methode's common stock as of July 26, 2004 (except as set forth in the relevant footnotes).

Name and Address of Beneficial Owner	Title of Class	Number of Shares and Nature of Beneficial Ownership(1)	Percent of Class
Barclays Global Investors, N.A.(2) 45 Fremont Street San Francisco, California 94105	Common Stock	3,045,987	8.5%
T. Rowe Price Associates, Inc.(3) 100 East Pratt Street Baltimore, Maryland 21202	Common Stock	2,742,900	7.7%
NFJ Investment Group L.P.(4) c/o Allianz Dresdner Asset Management of America, L.P. 888 San Clemente Drive, Suite 100 Newport Beach, California 92660	Common Stock	2,109,650	5.9%

- (1) Beneficial ownership arises from sole voting and investment power unless otherwise indicated by footnote.
- (2) Based solely on a Schedule 13F for the quarter ended March 31, 2004 filed by Barclays Global Investors, N.A. with the Securities and Exchange Commission on May 14, 2004. Of the shares reported, sole voting and investment power was reported with respect to 2,822,181 shares.
- (3) Based solely on a Schedule 13F for the quarter ended March 31, 2004 filed by T. Rowe Price Associates, Inc. with the Securities and Exchange Commission on May 14, 2004. Of the shares reported, sole voting power was reported with respect to 665,600 shares and sole investment power was reported with respect to all shares.
- (4) Based solely on a Schedule 13F for the quarter ended March 31, 2004 filed by Allianz Dresdner Asset Management of America, L.P. with the Securities and Exchange Commission on May 17, 2004. Of the shares reported, sole voting power was reported with respect to 1,211,100 shares, shared voting power was reported with respect to 898,550 shares and shared investment power was reported with respect to all shares.

Directors and Executive Officers

The following table sets forth information regarding our common stock beneficially owned as of July 26, 2004 by (i) each director, (ii) each of the named executive officers, and (iii) all current directors and executive officers as a group.

Name of Beneficial Owner	Title of Class	Number of Shares and Nature of Beneficial Ownership(1)	Percent of Class
Warren L. Batts	Common Stock	27,000(2)	*
J. Edward Colgate	Common Stock	2,370	*
William C. Croft	Common Stock	117,107(3)	*
Darren M. Dawson	Common Stock	3,000	*
Donald W. Duda	Common Stock	307,607(4)	*
Isabelle C. Goossen	Common Stock	3,000	*
Christopher J. Hornung	Common Stock	3,850	*
William T. Jensen	Common Stock	320,133(5)	*
Paul G. Shelton	Common Stock	6,850	*
Lawrence B. Skatoff	Common Stock	4,850(6)	*
George S. Spindler	Common Stock	13,410(7)	*
George C. Wright	Common Stock	113,176(8)	*
Douglas A. Koman	Common Stock	112,817(9)	*
Robert J. Kuehnau	Common Stock	133,748(10)	*
James F. McQuillen	Common Stock	39,274(11)	*
All current directors and executive officers as a group (16 individuals)	Common Stock	1,309,152(12)	3.7%

* Percentage represents less than 1% of the total shares of common stock outstanding as of July 26, 2004.

- (1) Beneficial ownership arises from sole voting and investment power unless otherwise indicated in the footnotes below.
- (2) Includes options to purchase 10,000 shares of common stock exercisable within 60 days.
- (3) Includes options to purchase 29,707 shares of common stock exercisable within 60 days.
- (4) Includes options to purchase 204,413 shares of common stock exercisable within 60 days and 1,944 shares of common stock held in Methode s 401(k) Plan.
- (5) Includes options to purchase 200,000 shares of common stock exercisable within 60 days.
- (6) Includes 1,000 shares of common stock held in joint-tenancy with his wife.
- (7) Includes 10,000 shares of common stock held in tenancy-in-common with his wife.
- (8) Includes 83,469 shares of common stock held as co-trustee and options to purchase 29,707 shares of common stock exercisable within 60 days.
- (9) Includes options to purchase 88,898 shares of common stock exercisable within 60 days and 5,519 shares of common stock held in Methode s 401(k) Plan.
- (10) Includes options to purchase 90,243 shares of common stock exercisable within 60 days and 8,582 shares of common stock held in Methode s 401(k) Plan.

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- (11) Includes options to purchase 31,502 shares of common stock exercisable within 60 days.
- (12) Includes options to purchase 707,795 shares of common stock exercisable within 60 days, 52,554 shares of common stock held in Methode s 401(k) Plan and 83,469 shares of common stock held as co-trustee.

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PROPOSAL 1 ELECTION OF DIRECTORS

A board of nine directors will be elected at the annual meeting. Each director will hold office until the next annual meeting of stockholders and until his or her successor is elected and qualified. All of the nominees listed below currently serve as Methode directors and were nominated unanimously by our independent directors. The shares represented by the proxies given pursuant to this solicitation will be voted for the following nominees unless votes are withheld in accordance with the instructions contained in the proxy. If any of these nominees is not a candidate for election at the annual meeting, an event which the board of directors does not anticipate, the proxies will be voted for a substitute nominee appointed by the board of directors.

The board of directors recommends a vote FOR the election of the board of directors nominees.

Warren L. Batts
Retired Chairman and Chief Executive Officer,
Tupperware Corporation
Director since 2001
Age 71

Mr. Batts is the retired Chairman and Chief Executive Officer of Tupperware Corporation, a diversified consumer products company. In 1997, Mr. Batts retired as Chairman of Premark International, Inc., a diversified consumer products company, where he also served as Chief Executive Officer from 1986 until 1996. Mr. Batts has taught as an Adjunct Professor of Strategic Management at the University of Chicago School of Business since 1998. Mr. Batts has also served as a director and the Chairman of Chicago Children's Memorial Medical Center; a life trustee for the Art Institute of Chicago; a director and the Chairman of the National Association of Manufacturers; and a director of the National Association of Corporate Directors.

Dr. J. Edward Colgate
Professor and Director,
Institute for Design Engineering and Applications,
Northwestern University
Director since July 2004
Age 41

Dr. Colgate is currently a Professor in the Department of Mechanical Engineering and the Founding Director of the Institute for Design Engineering and Applications at Northwestern University, where he has served in various professor positions since 1988. From June 1999 until September 2000, Dr. Colgate took a sabbatical leave from Northwestern University to serve as a founder and the President of Cobotics, Inc., which is now part of Stanley Assembly Technologies, a supplier of human interface technologies for the industrial marketplace. His research interests include human-machine systems, especially cobotics and haptic interface. Dr. Colgate is currently the holder of the Alumnae of Northwestern Professorship of Teaching Excellence.

Dr. Darren M. Dawson
Professor, Electrical and Computer Engineering Department,
Clemson University

Director since June 2004

Age 41

Dr. Dawson currently serves as a Professor in the Electrical and Computer Engineering Department at Clemson University, where he has held various professor positions since 1990. Dr. Dawson leads the Robotics and Mechatronics Laboratory, which is jointly operated by the Electrical and Mechanical Departments. His research interests include nonlinear control techniques for mechatronic systems, robotic manipulator systems and vision-based systems. Dr. Dawson's work has been recognized by several awards, including the Clemson University Centennial Professorship in 2000.

Donald W. Duda
Chief Executive Officer and President,
Methode Electronics, Inc.

Director since 2001

Age 49

Mr. Duda has served as Methode's Chief Executive Officer since May 2004 and Methode's President since 2001. Mr. Duda joined the Company in March 2000 and served as its Vice President - Interconnect Products Group. Prior to his service at Methode, Mr. Duda held several positions with Amphenol Corporation, a manufacturer of electronic connectors, most recently as General Manager of its Fiber Optic Products Division from 1988 through November 1998.

Isabelle C. Goossen
Vice President for Finance and Administration,
Chicago Symphony Orchestra Association

Director since June 2004

Age 52

Ms. Goossen has served as the Vice President for Finance and Administration for the Chicago Symphony Orchestra Association since 2001. From 1986 through 1999, Ms. Goossen held several management positions with Premark International, Inc., a diversified consumer products company, most recently as Vice President and Treasurer from 1996 through 1999.

Christopher J. Hornung
President, Pacific Cycle Division,
Dorel Industries, Inc.

Director since January 2004

Age 52

Mr. Hornung has served as the President of the Pacific Cycle Division of Dorel Industries, Inc., a global consumer products company, since Pacific Cycle, a large bicycle company in the United States, was acquired by Dorel Industries Inc. in February 2004. Prior to the acquisition, Mr. Hornung served as the Chairman and Chief Executive Officer of Pacific Cycle.

Paul G. Shelton
Retired Vice President and Chief Financial Officer,
FleetPride, Inc.

Director since January 2004

Age 54

Mr. Shelton retired in December 2003 as Vice President and Chief Financial Officer of FleetPride Inc., an independent heavy-duty truck parts distributor. From 1981 through 2001, Mr. Shelton served in various management positions at AMCOL International Corporation, a supplier of specialty minerals and chemicals, most recently as Senior Vice President from 1995 through 2001 and Chief Financial Officer from 1984 through 2001. Mr. Shelton also served on the board of directors of AMCOL International Corporation for 12 years.

Lawrence B. Skatoff
Retired Executive Vice President and Chief Financial Officer,
BorgWarner Inc.

Director since January 2004

Age 64

Mr. Skatoff retired in March 2001 as Executive Vice President and Chief Financial Officer of BorgWarner Inc., a manufacturer of highly engineered systems and components for the automotive industry. Prior to joining BorgWarner Inc., Mr. Skatoff was Senior Vice President and Chief Financial Officer of Premark International, Inc., a diversified consumer products company, from 1991 through 1999. Before joining Premark, Mr. Skatoff was Vice President-Finance of Monsanto Company, a worldwide manufacturer of chemicals and pharmaceuticals.

George S. Spindler
Retired Senior Vice President, Law and Corporate Affairs,
BP Amoco Corporation

Director since March 2004

Age 66

Mr. Spindler retired in May 1999 as Senior Vice President, Law and Corporate Affairs, for BP Amoco Corporation, a provider of oil, gas and renewable energy sources. Mr. Spindler joined Amoco Corporation as an engineer in 1961 and, after completion of his law degree in 1966, served in various legal and management roles until his retirement. Since 1999, Mr. Spindler has taught as an Adjunct Professor of Strategic Management at the University of Chicago Graduate School of Business.

CORPORATE GOVERNANCE

Methode is committed to maintaining high standards of corporate governance intended to serve the long-term interests of Methode and its stockholders and employees.

Director Independence

Methode's board of directors has considered the independence of its members under the applicable standards of the Securities and Exchange Commission and the Nasdaq Stock Market. The board has determined that all of its current directors (each of which is nominated for election at the annual meeting except for William Croft, William Jensen and George Wright), are independent under those standards, except for Mr. Jensen, Chairman of Methode, and Donald Duda, Chief Executive Officer and President of Methode. Messrs. Jensen's and Duda's lack of independence relates solely to their past or present service as executive officers of Methode and is not due to any other transactions or relationships.

In addition, the board of directors has determined that each current member of the Audit Committee, the Compensation Committee and the Nominating and Governance Committee satisfies the independence requirements of the applicable standards of the Securities and Exchange Commission and the Nasdaq Stock Market.

The Audit Committee

The Audit Committee provides assistance to the board of directors in fulfilling the board's oversight responsibility by overseeing Methode's accounting and financial reporting processes, audits of Methode's financial statements, the independent auditor's qualifications and independence, Methode's compliance with legal and regulatory requirements pertaining to its financial statements, the performance of Methode's internal audit function and independent auditors and other legal and regulatory requirements. The Committee is directly responsible for the appointment, termination, compensation and oversight of the independent auditors.

Pursuant to its charter, the Audit Committee is responsible for reviewing and pre-approving all audit and non-audit services provided by the independent auditor. The Committee may delegate pre-approval authority to a member of the Audit Committee. The decisions of any Audit Committee member to whom pre-approval authority is delegated must be presented to the full Audit Committee at its next scheduled meeting. In the 2004 fiscal year, 100% of non-audit services were approved by the Audit Committee.

The current members of the Audit Committee are Lawrence Skatoff, Chairman, William Croft, Paul Shelton and George Wright. The board of directors has determined that Mr. Skatoff is an audit committee financial expert as defined in the Sarbanes-Oxley Act of 2002 and the applicable rules and regulations of the Securities and Exchange Commission. Prior to February 17, 2004, the members of the Audit Committee consisted of Mr. Wright, Chairman, Warren L. Batts and Mr. Croft.

The Audit Committee operates pursuant to a charter adopted by the board, which may be found on our website at www.methode.com and is attached to this proxy statement as Appendix B. See "Audit Committee Matters" below for more information regarding the Audit Committee.

The Compensation Committee

The Compensation Committee assists the board of directors in fulfilling its responsibilities in connection with the compensation of company officers and employees. Specifically, the Committee is responsible for annually reviewing and approving corporate goals and objectives relevant to the compensation of the Chief Executive Officer, evaluating the Chief Executive Officer's performance in light of those goals and objectives, and as a committee determining and approving the Chief Executive Officer's compensation level based on this evaluation. In determining the long-term incentive component of the Chief Executive Officer's compensation, the Committee considers, among other things, Methode's performance and relative shareholder return, the value of similar incentive awards to chief executive officers at comparable companies and awards given to the Chief Executive Officer in past years. This review and evaluation may involve consultations from time to time with the other independent directors.

The Compensation Committee is also responsible for reviewing and approving, after consulting with the Chief Executive Officer, compensation of officers and key managers other than the Chief Executive Officer, including the annual base salary level; employment agreements, severance arrangements and change in control agreements/provisions, in each case, as, when and if appropriate; and any deferred, special or supplemental benefits. The Committee also reviews and approves the terms of Methode's incentive compensation plans, equity based plans, retirement plans, deferred compensation plans and welfare benefit plans. In carrying out its responsibilities, the Committee has the sole authority to retain and terminate any professional advisor engaged to assist the Committee in fulfilling its responsibilities.

The current members of the Compensation Committee are Christopher Hornung, Chairman, Warren Batts, William Croft, Paul Shelton and George Spindler. Prior to February 17, 2004, the members of the Compensation Committee consisted of Mr. Croft, Chairman, Mr. Wright and Roy Van Cleave. However, in connection with the completion of the merger to eliminate Methode's dual class voting structure, Mr. Van Cleave resigned from our board of directors in January 2004. The Compensation Committee operates pursuant to a charter adopted by the board, which may be found on our website at www.methode.com.

The Nominating and Governance Committee

The Nominating and Governance Committee is responsible for identifying, seeking and recommending to the board of directors individuals qualified to become directors consistent with criteria approved by the board. In considering potential candidates for the board, including with respect to nominations for re-election of incumbent directors, the Committee considers the potential candidate's integrity and business ethics; strength of character, judgment and experience, consistent with the needs of Methode; specific areas of expertise and leadership roles; and the ability to bring diversity to the board. The Committee also considers the ability of the individual to allocate the time necessary to carry out the tasks of board membership including membership on appropriate committees. No person shall be nominated for election as a director after his or her 75th birthday.

The Committee identifies potential nominees by asking current directors and others to notify the Committee if they become aware of persons, meeting the criteria described above, who may be available to serve on the board. The Committee has sole authority to retain and terminate any search firm used to identify director candidates and has sole authority to approve the search firm's fees and other retention terms. Historically, Methode has not engaged third parties to assist in identifying and evaluating potential nominees, but would do so in those situations where particular qualifications are required to fill a vacancy and the board's contacts are not sufficient to identify an appropriate candidate.

The Committee will consider suggestions from Methode's stockholders. Any recommendations received from stockholders will be evaluated in the same manner that potential nominees suggested by board members, management or other parties are evaluated. Upon receiving a stockholder recommendation, the Committee will initially determine the need for additional or replacement board members and evaluate the candidate based on the information the Committee receives with the stockholder recommendation or may otherwise acquire, and, may, in its discretion, consult with the other members of our board. If the Committee determines that a more comprehensive evaluation is warranted, the Committee may obtain additional information about the director candidate's background and experience, including by means of interviews with the candidate.

Our stockholders may recommend candidates at any time, but the Committee requires recommendations for election at an annual meeting of stockholders to be submitted to the Committee no later than 120 days before the first anniversary of the date of the proxy statement sent to stockholders in connection with the previous year's annual meeting. The Committee believes this deadline is appropriate and in the best interests of Methode and our stockholders because it ensures that the Committee has sufficient time to properly evaluate all proposed candidates. Therefore, to submit a candidate for consideration for nomination at the 2005 Annual Meeting of Stockholders, a stockholder must submit the recommendation, in writing, by April 15, 2005. The written notice must include:

the name, age, business address and residence address of each proposed nominee and the principal occupation or employment of each nominee;

the number of shares of Methode stock that each nominee beneficially owns;

a statement that each nominee is willing to be nominated; and

any other information concerning each nominee that would be required under the rules of the SEC in a proxy statement soliciting proxies for the election of those nominees.

Recommendations must be sent to the Nominating and Governance Committee, Methode Electronics, Inc., 7401 West Wilson Avenue, Chicago, Illinois 60706.

Other responsibilities of the Committee include periodically reviewing and reassessing the adequacy of Methode's Corporate Governance Guidelines, recommending to the board director nominees for each committee, recommending to the board the size of the board and its committee structure, reviewing and making recommendations to the board with respect to the succession plans relating to executive officers, overseeing the evaluations of the board and making recommendations to the board regarding director compensation.

The current members of the Nominating and Governance Committee are Warren Batts, Chairman, Christopher Hornung, Lawrence Skatoff, George Spindler and George Wright. Prior to February 17, 2004, the members of the Nominating and Governance Committee, which was titled the Nominating Committee, consisted of Warren Batts, Robert McGinley and Roy Van Cleave. However, Mr. McGinley resigned from our board of directors in October 2003 and, in connection with the completion of the merger to eliminate Methode's dual class voting structure, Mr. Van Cleave resigned from our board of directors in January 2004. The Nominating and Governance Committee operates pursuant to a charter adopted by the board, which may be found on our website at www.methode.com.

Meetings of the Board and Committees

The board of directors held eleven meetings during the 2004 fiscal year. The Audit Committee held six meetings during the fiscal year ended April 30, 2004. In addition to two meetings to plan and review the results of the annual audit, the Audit Committee held four meetings with management and Methode's independent auditors in connection with Methode's quarterly earnings releases and Quarterly Reports on Form 10-Q filed with the Securities and Exchange Commission during the 2004 fiscal year. The Compensation Committee held one meeting during the 2004 fiscal year. The Nominating and Governance Committee, formerly known as the Nominating Committee, held no meetings during the 2004 fiscal year.

During their respective tenures, no incumbent director attended less than 75% of the aggregate of the total number of meetings of the board and the total number of meetings held by the respective committees on which he served, except Christopher Hornung, who attended two out of three board meetings held since he was elected as a director. Under our Corporate Governance Guidelines, our directors are expected to attend board and stockholder meetings and meetings of committees on which they serve and to meet as frequently as necessary to properly discharge their responsibilities.

Our independent directors hold regularly scheduled executive sessions at which only independent directors are present. Pursuant to our Corporate Governance Guidelines, the Chairman is the Presiding Director of such sessions if the Chairman is an independent director. If the Chairman is a management director, the chair of the Nominating and Governance Committee is the Presiding Director.

Communications with Directors

Methode's annual meeting of stockholders provides an opportunity each year for stockholders to ask questions of or otherwise communicate directly with members of our board of directors on appropriate matters. All of our directors attended the 2003 annual meeting. We anticipate that all of our directors will attend the 2004 annual meeting.

In addition, stockholders may, at any time, communicate in writing with any particular director, or non-management directors as a group, by sending such written communication to the Corporate Secretary of Methode Electronics, Inc. at 7401 West Wilson Avenue, Chicago, Illinois 60706. Copies of written

communications received at such address will be provided to the relevant director or the non-management directors as a group unless such communications are considered, in the reasonable judgment of the Corporate Secretary, to be improper for submission to the intended recipient(s). Examples of stockholder communications that would be considered improper for submission include, without limitation, customer complaints, solicitations, communications that do not relate directly or indirectly to Methode or Methode's business or communications that relate to other improper or irrelevant topics.

Codes of Business Conduct and Ethics

The board of directors has adopted a Code of Business Conduct and Ethics for members of the board of directors, as well as a Code of Business Conduct that applies to our principal executive officer, principal financial officer, principal accounting officer or controller and persons performing similar functions, as well as other employees. The Codes may be found on our website at www.methode.com.

If we make any substantive amendments to the Code of Business Conduct or grant any waiver, including any implicit waiver, from a provision of the Code of Business Conduct 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.

AUDIT COMMITTEE MATTERS

Report of the Audit Committee

The Audit Committee oversees Methode's financial reporting process on behalf of the board of directors. Management has the primary responsibility for the financial statements and the reporting process, including the system of internal control. In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed the audited financial statements in the Annual Report on Form 10-K with management, including a discussion of the quality, not just the acceptability, of the accounting principles; the reasonableness of significant judgments; and the clarity of disclosures in the financial statements.

The Audit Committee reviewed and discussed with Methode's independent auditors, Ernst & Young LLP (Ernst & Young), which is responsible for expressing an opinion on the conformity of the audited financial statements with U.S. generally accepted accounting principles, the firm's judgments as to the quality, not just the acceptability, of Methode's accounting principles and such other matters as are required to be discussed under the standards of the Public Company Accounting Oversight Board (United States).

Ernst & Young provided to the Committee the written disclosures and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees). The Audit Committee discussed with Ernst & Young the firm's independence from management and Methode and considered the compatibility of nonaudit services with the firm's independence.

The Audit Committee discussed with Methode's internal auditors and Ernst & Young the overall scope and plans for their respective audits. The Audit Committee meets with the internal auditors and Ernst & Young, with and without management present, to discuss the results of their examinations, their evaluations of Methode's internal control, and the overall quality of Methode's financial reporting. The Committee also discussed with Ernst & Young matters related to the financial reporting process required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees).

In reliance on the reviews and discussions referred to above, the Committee recommended to the board of directors (and the board has approved) that the audited financial statements be included in the Annual Report on Form 10-K for the year ended April 30, 2004 for filing with the Securities and Exchange Commission.

AUDIT COMMITTEE

Lawrence B. Skatoff, *Chairman*

William C. Croft

Paul G. Shelton

George C. Wright

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Auditing and Related Fees

Our Audit Committee engaged Ernst & Young to examine Methode's consolidated financial statements for the fiscal year ended April 30, 2004. Fees paid to Ernst & Young for services performed during the 2004 and 2003 fiscal years were as follows:

	<u>Fiscal 2004</u>	<u>Fiscal 2003</u>
Audit Fees(1)	\$ 360,600	\$ 371,200
Audit-Related Fees(2)	\$ 93,500	\$ 49,110
Tax Fees(3)	\$ 79,500	\$ 39,400
All Other Fees(4)	\$	\$
	<u>\$ 533,600</u>	<u>\$ 459,700</u>

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- (1) Audit fees represent aggregate fees billed for professional services rendered by Ernst & Young for the audit of our annual financial statements and review of our quarterly financial statements, audit services provided in connection with other statutory and regulatory filings and consultation with respect to various accounting and financial reporting matters.
- (2) Audit-related fees represent the aggregate fees billed for assurance and related services by Ernst & Young that are reasonably related to the performance of the audit or review of our financial statements and are not reported under the caption "Audit Fees" above. These audit-related fees include fees for employee benefit plan audits, and due diligence services.
- (3) Tax fees principally included tax compliance fees of \$51,000 and \$39,400, in 2004 and 2003, respectively, and tax advice fees of \$28,500 in 2004.
- (4) There were no other fees billed by Ernst & Young in 2004 and 2003.

Representatives of Ernst & Young will be present at the annual meeting, will have the opportunity to make a statement and will be available to respond to appropriate questions.

EXECUTIVE COMPENSATION

The Summary Compensation Table below includes, for each of the fiscal years ended April 30, 2004, 2003 and 2002, individual compensation paid for services to Methode and its subsidiaries to Methode's chief executive officer and the four other most highly compensated individuals serving as executive officers of Methode at the end of fiscal 2004 (the Named Executives).

Summary Compensation Table

Name and Principal Position	Fiscal Year	Annual Compensation			Long Term Compensation			All Other Compensation (\$)(5)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)(2)	Awards		Payouts	
					Restricted Stock Awards (\$)(3)	Securities Underlying Options (#)	LTIP Payouts (\$)(4)	
William T. Jensen Chairman(1)	2004	\$278,356	\$279,915	\$10,354			\$37,549	\$7,929
	2003	279,447	132,124	10,460		50,000		8,124
	2002	260,664	114,498	10,129		50,000		6,276
Donald W. Duda President(1)	2004	278,356	279,915	9,600	\$1,134,000		136,983	10,680
	2003	281,588	132,124	9,450		100,000	15,454	7,630
	2002	260,664	114,498	8,250		100,000		5,480
Douglas A. Koman Vice President, Corporate Finance(1)	2004	183,144	93,965	9,600	208,656			6,371
	2003	180,794	66,483	9,200		35,000		6,371
	2002	148,319	54,065	4,400		75,000		1,699
Robert J. Kuehnau Vice President, Treasurer and Controller	2004	180,512	93,965	9,600	119,070		70,135	8,368
	2003	174,209	66,483	9,200		20,000	83,836	8,514
	2002	165,328	54,065	4,725		30,000	74,751	7,126
James F. McQuillen Executive Vice President	2004	175,244	69,993	9,000			53,029	8,816
	2003	171,410	17,219	8,750		15,000	32,521	8,261
	2002	160,691	7,500	6,000		20,000		