

METHODE ELECTRONICS INC
Form PRER14A
October 16, 2003

[QuickLinks](#) -- Click here to rapidly navigate through this document

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A INFORMATION

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

Filed by the Registrant:

Filed by a Party other than the Registrant:

Check the appropriate box:

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

- No fee required
- 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:
Class A common stock, par value \$.50 per share of Methode Electronics, Inc. ("Class A common stock")
Class B common stock, par value \$.50 per share of Methode Electronics, Inc. ("Class B common stock")
-
- (2) Aggregate number of securities to which transaction applies:
35,352,029 shares of Class A common stock
337,705 shares of Class B common stock
-
- (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):
\$23.55 per share of Class B common stock
\$11.92 per share of Class A common stock (based on the average of the high and low prices of the

Edgar Filing: METHODE ELECTRONICS INC - Form PRER14A

Class A common stock as reported on NASDAQ on August 29, 2003)

(4) Proposed maximum aggregate value of transaction:
\$429,349,138.30

(5) Total fee paid:
\$34,734.35

ý 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 Number:

(3) Filing Party:

(4) Date Filed:

PRELIMINARY PROXY STATEMENT

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

To our Shareholders.

You are cordially invited to attend a special meeting of the stockholders of Methode Electronics, Inc. ("Methode") to be held on _____, 2003 at _____, Chicago time, at _____, Illinois.

At the special meeting, you will be asked to consider and vote upon a proposal to adopt the Agreement and Plan of Merger dated _____, 2003 (the "Merger Agreement") by and between Methode and Methode Merger Corporation ("Merger Corp.") and approve the merger provided for therein, pursuant to which each share of Class B common stock, par value \$.50 per share ("Class B common stock"), will be converted into the right to receive \$23.55 in cash, without interest, and each share of Class A common stock, par value \$.50 per share ("Class A common stock"), will be converted into one share of new Methode common stock, par value \$.50 per share (the "merger"). A copy of the Merger Agreement is attached as Annex A, which includes as an exhibit Methode's Restated Certificate of Incorporation following the merger. Please read these materials carefully.

Our board of directors has fixed the close of business on _____, 2003 as the record date for the determination of stockholders entitled to notice of and to vote at the special meeting and at any adjournment or postponement thereof.

A special committee of our board of directors composed of directors elected by the holders of our Class A common stock has recommended that our board of directors approve the Merger Agreement and the merger, and has determined that the Merger Agreement and the merger are

Edgar Filing: METHODE ELECTRONICS INC - Form PRER14A

fair to and in the best interests of our Class A common stockholders. Our board of directors has approved the Merger Agreement and the merger, and has determined that the Merger Agreement and the merger are in the best interests of Methode and are fair to and in the best interests of our Class A common stockholders and our Class B common stockholders. **The Special Committee recommends that our Class A common stockholders vote "FOR" adoption of the Merger Agreement and approval of the merger. Our board of directors recommends that our Class A common stockholders and our Class B common stockholders vote "FOR" adoption of the Merger Agreement and approval of the merger.**

It is important that your shares be represented and voted at the special meeting. Whether or not you plan to attend the special 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.

Very truly yours,

William T. Jensen
Chairman

Chicago, Illinois
, 2003

This transaction has not been approved or disapproved by the Securities and Exchange Commission or any state securities commission nor has any such commission passed upon the fairness or merits of such transaction or upon the accuracy or adequacy of the information contained in this proxy statement. Any representation to the contrary is a criminal offense.

YOUR VOTE IS IMPORTANT

If you have any questions or need assistance in voting your shares, please call our information agent, Innisfree M&A Incorporated, toll-free at 1-888-750-5834

This proxy statement and accompanying proxy card are first being mailed to holders of our Class A common stock and Class B common stock on or about _____, 2003.

TABLE OF CONTENTS

	Page
SUMMARY TERM SHEET	1
QUESTIONS AND ANSWERS ABOUT THE MERGER	3
THE SPECIAL MEETING	8
General	8
Record Date; Shares Outstanding	8
Quorum; Votes Required	8
Voting Procedures	9
Revoking Your Proxy	9
Proxy Statement Expenses	9
SPECIAL FACTORS	10
The Merger Proposal	10
The McGinley Agreement and the Merger Agreement	11
Background of the Merger	13
Recommendation of the Special Committee to our Class A Common Stockholders	28
Recommendation of our Board of Directors to our Class A Common Stockholders and our Class B Common Stockholders	28
Reasons for the Special Committee's Recommendation that our Board of Directors Approve the McGinley Agreement, the Merger Agreement and the Merger and Recommendation to our Class A Common Stockholders	29
	32

	Page
Reasons for our Board of Directors' Approval of the McGinley Agreement, the Merger Agreement and the Merger and Recommendation to our Class A Common Stockholders and our Class B Common Stockholders	
Procedural Fairness	37
Merger Corp.'s Determination of Fairness of the McGinley Agreement, the Merger Agreement and the Merger	37
Opinion of the Financial Advisor to the Special Committee	38
Advice of the Investment Banker to our Board of Directors	43
Our Forecasts	48
Description of New Common Stock	53
Comparison of Stockholder Rights	54
Effects of the Merger	56
Source and Amount of Funds	59
Accounting Treatment	59
United States Federal Income Tax Consequences	59
Appraisal Rights	64
Regulatory Matters	67
Stock Certificates	67
Interests of Certain Persons	67
Litigation Relating to the Merger	71
Fees and Expenses	74
MARKET PRICE DATA; DIVIDENDS	75
SECURITY OWNERSHIP OF FIVE PERCENT STOCKHOLDERS	76
EXECUTIVE OFFICERS AND DIRECTORS	78
Background	78
Security Ownership	80
Employment Agreements	81
SUMMARIZED FINANCIAL INFORMATION	84
FORWARD LOOKING STATEMENTS	85
OTHER MATTERS	86
Stockholder Proposals	86
Additional Information	86
Other Business	87

ANNEXES:

- A. Merger Agreement dated _____, 2003 by and between Methode Electronics, Inc. and Methode Merger Corporation, including as Exhibit I, the Restated Certificate of Incorporation of Methode Electronics, Inc.
- B. Agreement dated as of July 18, 2003 by and among Methode Electronics, Inc., Marital Trust No. 1 and Marital Trust No. 2, each created under the William J. McGinley Trust, the Jane R. McGinley Trust, Margaret J. McGinley, James W. McGinley and Robert R. McGinley
- C. Opinion of TM Capital Corp. dated July 23, 2003
- D. Opinion of TM Capital Corp. dated August 20, 2003
- E. General Corporation Law of Delaware: Section 262 Appraisal Rights

METHODE ELECTRONICS, INC.
7401 West Wilson Avenue
Chicago, Illinois 60706
(708) 867-6777

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
_____, 2003

To the Stockholders of
METHODE ELECTRONICS, INC.:

Notice is hereby given that a special meeting of holders of the Class A common stock and Class B common stock of Methode Electronics, Inc. ("Methode") will be held on _____, 2003 at _____, Chicago time, at _____, Illinois, for the following purposes:

1. To consider and vote upon a proposal to adopt the Agreement and Plan of Merger dated _____, 2003 (the "Merger Agreement") by and between Methode and Methode Merger Corporation ("Merger Corp.") and approve the merger provided for therein, pursuant to which each share of Class B common stock, par value \$.50 per share ("Class B common stock"), will be converted into the right to receive \$23.55 in cash, without interest, and each share of Class A common stock, par value \$.50 per share ("Class A common stock"), will be converted into one share of new Methode common stock, par value \$.50 per share (the "merger"); and
2. To transact such other business as may properly come before the special meeting or any adjournment or postponement thereof.

Our board of directors has fixed the close of business on _____, 2003 as the record date for the determination of stockholders entitled to notice of and to vote at the special meeting and at any adjournment or postponement thereof.

A special committee of our board of directors composed of directors elected by the holders of our Class A common stock has recommended that our board of directors approve the Merger Agreement and the merger, and has determined that the Merger Agreement and the merger are fair to and in the best interests of our Class A common stockholders. Our board of directors has approved the Merger Agreement and the merger, and has determined that the Merger Agreement and the merger are in the best interests of Methode and are fair to and in the best interests of our Class A common stockholders and our Class B common stockholders. **The Special Committee recommends that our Class A common stockholders vote "FOR" adoption of the Merger Agreement and approval of the merger. Our board of directors recommends that our Class A common stockholders and our Class B common stockholders vote "FOR" adoption of the Merger Agreement and approval of the merger.**

It is important that your shares be represented and voted at the special meeting. Whether or not you plan to attend the special 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

SUMMARY TERM SHEET

The following summarizes the principal terms of the merger. This summary does not contain all information that may be important to you in determining whether or not to vote in favor of the merger proposal at the special meeting. We encourage you to read this proxy statement, including the annexes and the documents we have incorporated by reference into this proxy statement, in their entirety, before voting. We have included section references to direct you to a more complete description of the topics discussed in this summary.

Edgar Filing: METHODE ELECTRONICS INC - Form PRER14A

The McGinley Agreement and the Merger Agreement. As of July 18, 2003, we entered into an agreement with the McGinley family members and related trusts, pursuant to which the McGinley family members and trusts sold 750,000 of their shares of Class B common stock to us for \$22.75 per share and agreed, among other things, to vote their remaining 181,760 shares of Class B common stock, representing approximately 53.8% of the outstanding Class B common stock and approximately 4.7% of the total voting power of Methode, in favor of the merger proposal. Pursuant to the McGinley Agreement, Methode entered into the Merger Agreement. Please read "Special Factors The McGinley Agreement and the Merger Agreement" beginning on page .

The Merger Proposal. At the special meeting, we will ask you to adopt the Merger Agreement and approve the merger, pursuant to which each share of Class B common stock will be converted into the right to receive \$23.55 in cash, without interest, and each share of Class A common stock will be converted into one share of new Methode common stock. The affirmative vote of the holders of shares having a majority of the votes entitled to be cast by the holders of the outstanding shares of Class A common stock and Class B common stock, voting together as a single class, is required to adopt the Merger Agreement and approve the merger. Holders of the shares of Class A common stock have approximately 91.3% of the voting power of Methode and holders of the shares of Class B common stock have approximately 8.7% of the voting power of Methode with respect to the merger proposal. The shares of Class B common stock owned by the McGinley family and related trusts, representing approximately 4.7% of the voting power of Methode, have agreed to vote for the merger proposal. Please read subsections "General" and "Quorum; Votes Required" under "The Special Meeting" beginning on page .

Recommendation of the Special Committee to our Class A Common Stockholders. A special committee of our board of directors composed of directors elected by the holders of our Class A common stock has recommended that our board of directors approve the Merger Agreement and the merger, and has determined that the Merger Agreement and the merger are fair to and in the best interests of our Class A common stockholders. Please read subsections "Background of the Merger," "Recommendation of the Special Committee to our Class A Common Stockholders" and "Reasons for the Special Committee's Recommendation that our Board of Directors Approve the McGinley Agreement, the Merger Agreement and the Merger and Recommendation to our Class A Common Stockholders" under "Special Factors" beginning on page .

Recommendation of our Board of Directors to our Class A Common Stockholders and our Class B Common Stockholders. Our board of directors has approved the Merger Agreement and the merger, and has determined that the Merger Agreement and the merger are in the best interests of Methode and are fair to and in the best interests of our Class A common stockholders and our Class B common stockholders. Our board of directors recommends that our Class A common stockholders and our Class B common stockholders vote "FOR" adoption of the Merger Agreement and approval of the merger. Please read subsections "Background of the Merger," "Recommendation of our Board of Directors to our Class A Common Stockholders and our Class B Common Stockholders" and "Reasons for our Board of Directors' Approval of the McGinley Agreement, the Merger Agreement and the Merger and Recommendation to our Class A Common Stockholders and our Class B Common Stockholders" under "Special Factors" beginning on page .

Superior Proposals. Pursuant to the McGinley Agreement, if Methode receives an alternative acquisition proposal that our board of directors determines to be superior and the Special Committee determines to be fair to and in the best interests of our stockholders, Methode is not required to call, or to hold, the special meeting, nor are the Trusts and the McGinley family members required to vote in favor of the merger, and Methode is permitted to enter into discussions or negotiations with any third party that makes an acquisition proposal. Please read "Special Factors The McGinley Agreement and the Merger Agreement" beginning on page .

Irrevocable Proxy; Transfer Restrictions on McGinley Class B Common Stock. On all matters other than the merger and related matters, the Trusts and the McGinley family members have granted an irrevocable proxy to vote their remaining shares of Class B common stock in accordance with the vote of the Class A common stockholders (other than the use of the proxy to remove directors) and have agreed to restrictions on their ability to transfer their shares. The Trusts and the McGinley family members also agreed not to participate in any election contest or proxy solicitation. Please read "Special Factors The McGinley Agreement and the Merger Agreement" beginning on page .

Edgar Filing: METHODE ELECTRONICS INC - Form PRER14A

Termination and Other Rights Relating to the Repurchase of Shares Subject to the McGinley Agreement. Either Methode or the Trusts and the McGinley family members may terminate their agreement if the merger is not completed on or prior to December 18, 2004, provided that the party purporting to terminate was not the cause of the delay. Under certain circumstances, Methode can require the Trusts and the McGinley family members to sell to Methode or its designee, and the Trusts and the McGinley family members can require Methode or its designee to purchase, all of the Class B common stock held by the Trusts and the McGinley family members. Please read "Special Factors The McGinley Agreement and the Merger Agreement" beginning on page .

Interests of Certain Persons. James W. McGinley, Robert R. McGinley and Roy M. Van Cleave, three of our directors elected by the holders of our Class B common stock, have interests in the Merger Agreement and the merger that are different from, or in addition to, the interests of Methode's Class A common stockholders and unaffiliated Class B common stockholders. Please read "Special Factors Interests of Certain Persons" beginning on page .

Change in Directors. Under the terms of the McGinley Agreement, James W. McGinley and Roy M. Van Cleave will cease to be members of our board of directors upon completion of the merger. Please read "Special Factors The McGinley Agreement and the Merger Agreement" beginning on page .

Appraisal Rights. Holders of shares of Class A common stock are not entitled to appraisal rights in connection with the merger. Any holder of shares of Class B common stock (other than the Trusts and the McGinley family members) who perfects such holder's appraisal rights in accordance with and as contemplated by Section 262 of the Delaware General Corporation Law shall be entitled to receive, in lieu of the \$23.55 per share for such holder's shares, the fair value of such shares in cash as determined pursuant to such statute; provided, however, that no such payment shall be made to any such holder unless and until such holder has complied with the applicable provisions of the Delaware General Corporation Law and surrendered to Methode the certificate or certificates representing the shares of Class B common stock for which payment is being made. A court may award such holder greater or less consideration than the \$23.55 per share provided in the merger. Please read "Special Factors Appraisal Rights" beginning on page .

2

QUESTIONS AND ANSWERS ABOUT THE MERGER

Q: When and where is the special meeting?

A: The special meeting will be held on , , 2003 at Chicago time at , , Illinois.

Q: What matters will be voted upon at the special meeting?

A: At the special meeting, you will be asked to consider and vote upon a proposal to adopt the Merger Agreement and approve the merger provided for therein, pursuant to which each share of Class B common stock will be converted into the right to receive \$23.55 in cash, without interest, and each share of Class A common stock will be converted into one share of new Methode common stock.

Q: What does the Special Committee and our board of directors recommend?

A: A special committee of our board of directors composed of directors elected by the holders of our Class A common stock (the "Special Committee") has recommended that our board of directors approve the Merger Agreement and the merger, and has determined that the Merger Agreement and the merger are fair to and in the best interests of our Class A common stockholders. Our board of directors has approved the Merger Agreement and the merger, and has determined that the Merger Agreement and the merger are in the best interests of Methode and are fair to and in the best interests of our Class A common stockholders and our Class B common stockholders. **The Special Committee recommends that our Class A common stockholders vote "FOR" adoption of the Merger Agreement and approval of the merger. Our board of directors recommends that our Class A common stockholders and our Class B common stockholders vote "FOR" adoption of the Merger Agreement and approval of the merger.**

Q. Does Methode have an agreement with the McGinley family and related trusts?

A. Yes. As of July 18, 2003, Methode entered into an agreement (the "McGinley Agreement") with Marital Trust No. 1 and Marital Trust No. 2, each created under the William J. McGinley Trust (the "Trusts"), the Jane R. McGinley Trust, Margaret J. McGinley, James W. McGinley and Robert R. McGinley (the "McGinley family members"), pursuant to which the Trusts and McGinley family members sold 750,000 of their shares of Class B common stock to us for \$22.75 per share and agreed to vote their remaining 181,760 shares of Class B common stock, representing approximately 53.8% of the outstanding Class B common stock, and approximately 4.7% of the total voting power of Methode, in favor of the merger proposal, unless Methode receives an alternative acquisition proposal that our board of directors determines to be superior and the Special Committee determines to be fair to and in the best interests of all of our stockholders. Pursuant to the McGinley Agreement, Methode entered into the Merger Agreement.

Q. What will be the effects of the merger?

A. We currently have two classes of common stock, Class A common stock and Class B common stock. The holders of the Class A common stock have the right to elect 25% of our board of directors (rounded up to the nearest whole number) and cast one-tenth of one vote per share on all other matters and the holders of the Class B common stock have the right to elect the remaining members of our board of directors and cast one vote per share on all other matters. The merger, when consummated, will eliminate this dual class voting structure. Each share of Class B common stock will receive \$23.55 per share in cash, without interest, and each share of Class A common stock will be converted into one share of new Methode common stock. The new common stock will have the right to elect the entire board of directors and will be entitled to one vote per share on all matters.

The current Class A common stock, which is traded under the symbol "METHA," and the Class B common stock, which is traded under the symbol "METHB," will cease to be listed on the Nasdaq

3

National Market and will cease to exist. We expect that the new common stock will be listed and traded on the Nasdaq National Market under the trading symbol "METH."

Under the terms of the McGinley Agreement, James W. McGinley and Roy M. Van Cleave will cease to be members of our board of directors upon completion of the merger.

Q. How does the Dura tender offer impact the special meeting or the merger?

A. On July 3, 2003, Dura Automotive Systems, Inc. ("Dura") made an unsolicited bid to acquire all of the outstanding shares of our Class B common stock for \$23 per share. On August 5, 2003 (after Methode had entered into the McGinley Agreement providing for the merger), Dura increased its proposed tender offer price to \$50 per share of Class B common stock, offered to fund a dividend of \$0.35 per share of Class A common stock, offered to support an additional dividend of \$0.26 per share of Class A common stock to be paid with Methode's funds, and proposed to enter into a three-year corporate governance agreement with Methode. Our board of directors determined to recommend that the holders of our Class B common stock not tender their shares into Dura's offer. A purported shareholder of Methode has commenced litigation relating to Methode's rejection of Dura's offer and entry into the McGinley Agreement. This litigation seeks to, among other things, prevent Methode from consummating the proposed merger or soliciting any proxies related to the proposed merger.

If our shareholders approve the merger proposal and the merger is consummated, Dura's offer will be incapable of being completed.

Q. How do I vote?

A. The special meeting will take place on _____, 2003. After carefully reading and considering the information contained in this document, please indicate on the enclosed proxy card how you want to vote or submit your proxy using the Internet or telephone procedures provided. Please submit your proxy as soon as possible, so that your shares may be represented at the special meeting.

Q. If my shares are held in "street name" by my broker, will my broker vote my shares for me without my instructions?

A. We recommend that you contact your broker. Your broker can give you directions on how to instruct your broker to vote your shares. Your broker may not be able to vote your shares unless your broker receives appropriate instructions from you.

Q: What stockholder vote is required to approve the merger proposal?

A: The affirmative vote of the holders of shares having a majority of the votes entitled to be cast by the holders of the outstanding shares of Class A common stock and Class B common stock, voting together as a single class, is required to adopt the Merger Agreement and approve the merger. Holders of Class B common stock are entitled to one vote per share and holders of Class A common stock are entitled to one-tenth of one vote per share. Because there are 35,352,029 shares of Class A common stock and 337,705 shares of Class B common stock outstanding as of August 26, 2003, holders of the shares of Class A common stock have approximately 91.3% of the voting power of Methode and holders of the shares of Class B common stock have approximately 8.7% of the voting power of Methode, with respect to the merger proposal. The shares of Class B common stock owned by the McGinley family and related trusts, representing approximately 4.7% of the votes entitled to be cast by the holders of the Class A common stock and Class B common stock, have agreed to vote for the merger proposal.

Q: What should I do if I want to change my vote?

A: If you decide to change your vote at any time before the special meeting, you may do so by sending a written notice to the Corporate Secretary stating that you would like to revoke your proxy; completing and submitting a new proxy card with a later date; submitting a later proxy by Internet or

4

telephone; or attending the special meeting and voting in person. However, your attendance alone will not revoke your proxy.

Q: What are the reasons for the merger?

A: For some time, the McGinley family members have expressed an interest in selling their interest in Methode, held mainly through their shares of Class B common stock, and Methode has been interested in acquiring their shares of Class B common stock in a transaction that eliminated the dual class capital structure of Methode and provided for a single class of common stock in which shareholders' voting interests would reflect their economic investment in Methode. A prior agreement with the Trusts and the McGinley family members, pursuant to which Methode would make a tender offer to purchase all of the Class B common stock at a price of \$20 per share and the Trusts and the McGinley family members would sell their shares of Class B common stock into that tender offer, was terminated by the Trusts and the McGinley family members after Dura made its unsolicited bid on July 3, 2003 to acquire all of the outstanding shares of Class B common stock for \$23 per share.

The Special Committee, in reaching its decision to recommend that our board of directors approve the McGinley Agreement, the Merger Agreement and the merger, determining that the Merger Agreement and the merger are fair to and in the best interests of our Class A common stockholders, and recommending that our Class A common stockholders adopt the Merger Agreement and approve the merger, considered several material factors, including the following: the opinion of TM Capital Corp. that the consideration to be paid pursuant to the transactions contemplated by the McGinley Agreement, including the execution and delivery of the Merger Agreement and the merger, are fair to the Class A common stockholders from a financial point of view; the size of the premium to be paid to our Class B common stockholders; the amount of the premium to be paid to our Class B common stockholders for the shift in control of our board and other beneficial effects to our Class A common stockholders; the reduction in the McGinley family's voting influence; the elimination of the dual class structure; the shift in availability of any future control premium; and its comparison of the McGinley Agreement and the merger proposal to the unsolicited tender offer by Dura.

Our board of directors, in deciding to enter into the McGinley Agreement and in making its recommendation to our Class A common stockholders and our Class B common stockholders to vote in favor of the Merger Agreement and the merger, carefully considered several material factors, including, among others: the conclusions of the Special Committee, the terms of the McGinley Agreement, our board's belief that the Merger Agreement and the merger are fair to the holders of shares of our Class A common stock and our Class B common stock, the risks associated with the unsolicited tender offer by Dura to take control of Methode by buying only the shares of Class B common stock, and the benefits of eliminating our dual class structure. On August 5, 2003, after Methode had entered into the McGinley Agreement, Dura amended its proposed tender offer for our Class B common stock as described above, including increasing its offer price to \$50 per share. See "Special Factors Recommendation of the Special Committee to our Class A Common Stockholders" and "Reasons for the Special Committee's Recommendation that our Board of Directors Approve the McGinley Agreement, the Merger Agreement and the Merger and Recommendation to Class A Common Stockholders" and "Reasons for our Board of Directors' Approval of the McGinley Agreement, the Merger Agreement and the Merger and Recommendation to our Class A Common Stockholders and our Class B Common Stockholders."

Q: What will I receive in the merger?

A: Each holder of Class B common stock will receive \$23.55 in cash, without interest, for each share of Class B common stock held and each holder of Class A common stock will receive one share of new Methode common stock for each share of Class A common stock held.

Q: How will my rights as a Class A common stockholder differ after the merger?

A: If you are a Class A common stockholder, upon completion of the merger, you will hold shares of the new Methode common stock, which will be the only class of Methode common stock outstanding. As such, the holders of new Methode common stock will have the right to elect the entire board of directors and will be entitled to one vote per share on all matters. We are amending our certificate of incorporation in the merger to eliminate provisions relating to the shares of Class A common stock and Class B common stock and as further described herein. See "Description of New Common Stock" and "Comparison of Stockholder Rights."

Q: How will my rights as a Class B common stockholder differ after the merger?

A: If you are a Class B common stockholder, upon completion of the merger, you will no longer have any interest in Methode other than the right to receive \$23.55 in cash, without interest, for each share of Class B common stock that you hold or, if you take appropriate steps to perfect them, appraisal rights as provided under Delaware law.

Q: Do I have appraisal rights in connection with the merger?

A: Any holder of shares of Class B common stock (other than the Trusts and the McGinley family members) who perfects such holder's appraisal rights in accordance with and as contemplated by Section 262 of the Delaware General Corporation Law shall be entitled to receive, in lieu of the \$23.55 per share applicable to such holder's shares, the fair value of such shares in cash as determined pursuant to such statute; provided, however, that no such payment shall be made to such holder unless and until such holder has complied with the applicable provisions of the Delaware General Corporation Law and surrendered to Methode the certificate or certificates representing the shares of Class B common stock for which payment is being made. A court may award such holder greater or less consideration than the \$23.55 per share provided in the merger.

If you are a holder of Class B common stock, you should read "Special Factors Appraisal Rights."

Holders of shares of Class A common stock are not entitled to appraisal rights in connection with the merger.

Q: What are the U.S. federal income tax consequences of the merger?

A: The holders of shares of our Class A common stock will not recognize any gain or loss for U.S. federal income tax purposes as a result of the merger. The tax basis in the shares of new common stock that Class A common stockholders will own immediately following the merger will equal the basis of the shares that Class A common stockholders owned immediately prior to the merger. The holding period in the shares of new common stock that Class A common stockholders own immediately following the merger will include the period for which the shares that Class A common stockholders owned immediately prior to the merger were held, provided that those shares were held as a capital asset.

The receipt of cash for shares of Class B common stock in the merger will be a taxable event and will be treated either as a sale or exchange or a distribution.

You should read "Special Factors United States Federal Income Tax Consequences" for a more complete discussion of the federal income tax consequences of the merger. You should also consult your own tax advisor with respect to other tax consequences of the merger or any special circumstances that may affect the tax treatment for you in the merger.

Q: Are there any regulatory requirements that must be complied with to effect the merger?

A: To effect the merger, we will be required to file a certificate of merger with the Delaware Secretary of State. The issuance of new common stock in exchange for the shares of Class A common

stock is exempt from registration under Section 3(a)(9) of the Securities Act of 1933. We have applied to list the new common stock on the Nasdaq National Market under the symbol "METH." We are awaiting approval and official notice of issuance.

Q: When do you expect the merger will be completed?

A: If the stockholders adopt the Merger Agreement and approve the merger at the special meeting, we currently expect the merger to be completed shortly after the date of the special meeting.

Q: What will happen to my shares held in book-entry form through the transfer agent if the merger is completed?

A: Shares of Class A common stock held in book-entry form through our transfer agent will automatically be converted into shares of new common stock in the merger without any action on the part of the Class A common stockholders. A new statement showing holdings will be mailed to Class A common stockholders after completion of the merger. Shares of Class B common stock held in book-entry form through our transfer agent will cease to exist after the merger.

Q: What will happen to my stock certificates if the merger is completed?

A: After completion of the merger, your certificates representing shares of Class A common stock will represent an equal number of shares of new common stock. It will not be necessary for you to exchange your existing certificates for new certificates. However, you may at any time after the merger exchange your existing certificates for new common stock certificates by contacting Mellon Investor Services LLC, our transfer agent, at 1-800-288-9541.

For holders of our Class B common stock, promptly following completion of the merger, Mellon Investor Services LLC, our transfer agent, will mail to each record holder of shares of Class B common stock in certificated form, instructions and transmittal materials for effecting the surrender of stock certificates of Class B common stock in exchange for \$23.55 in cash per share, without interest.

Q: What will happen to Methode's stock-based awards?

A: Outstanding options to purchase Class A common stock and other awards with respect to Class A common stock issued under our employee stock-based incentive and compensation plans will be converted into options and awards for the same number of shares of new common stock upon the same terms as in effect before the merger. The merger will not constitute a change in control for purposes of Methode's stock-based plans.

There are no outstanding awards with respect to Class B common stock issued under our stock-based incentive and compensation plans.

Q: What will happen to Methode's rights agreement?

A: Our board of directors has approved an amendment to our Stockholder Rights Plan, set forth in the Rights Agreement dated _____, 2003 among _____, to terminate the plan immediately prior to the completion of the merger. Upon completion of the merger, our board of directors intends to consider the adoption of a new rights plan with similar terms.

Q: Whom do I call if I have questions about the meeting or the merger proposal?

A: Please call our Investor Relations Department toll-free at 1-877-316-7700. You may also call Innisfree M&A Incorporated, which is acting as our information agent, toll-free at 1-888-750-5834.

The summary information provided above in "question and answer" format is for your convenience only and is merely a brief description of material information contained in this proxy statement.

THE SPECIAL MEETING

General

The enclosed proxy is solicited on behalf of Methode in connection with a special meeting of our stockholders to be held on _____, 2003 at _____, Chicago time, at _____, _____, and at any adjournment or postponement of the special meeting.

At the special meeting, we will ask our Class A common stockholders and Class B common stockholders to consider and vote upon a proposal to adopt the Agreement and Plan of Merger dated _____, 2003 (the "Merger Agreement") by and between Methode and Methode Merger Corporation ("Merger Corp.") and approve the merger provided for therein, pursuant to which each share of Class B common stock, par value \$.50 per share ("Class B common stock"), will be converted into the right to receive \$23.55 in cash, without interest, and each share of Class A common stock, par value \$.50 per share ("Class A common stock"), will be converted into one share of new Methode common stock, par value \$.50 per share (the "merger"). The proposal is referred to herein as the "merger proposal." A copy of the Merger Agreement is attached as Annex A, including as an exhibit thereto Methode's Restated Certificate of Incorporation as it will be amended in the merger. Please read these materials carefully.

This proxy statement and the accompanying proxy card are first being mailed to holders of our Class A common stock and Class B common stock on or about _____, 2003.

Record Date; Shares Outstanding

Our board of directors has fixed the close of business on _____, 2003 as the record date for the determination of stockholders entitled to notice of and to vote at the special meeting and at any adjournment or postponement thereof. As of the record date, there were _____ shares of our Class A common stock outstanding and _____ shares of our Class B common stock outstanding. All shares of our Class A common stock and Class B common stock are entitled to vote at the special meeting. Since most of our Class A common stock is held by nominees, such as brokers, Methode does not know how many shares of our Class B common stock are also owned by Class A common stockholders.

Quorum; Votes Required

The presence, in person or by proxy, of the holders of a majority of the outstanding shares of our Class A and Class B common stock, with each share of both classes counting the same for purposes of determining whether such majority is present, is necessary to constitute a quorum at the special meeting. Both abstentions and broker non-votes are counted as present for the purpose of determining the presence of a quorum at the special 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 special meeting, each share of Class A common stock will be entitled to one-tenth of one vote per share and each share of Class B common stock will be entitled to one vote per share. The affirmative vote of the holders of shares having a majority of the votes entitled to be cast by the holders of the outstanding shares of Class A common stock and Class B common stock, voting together as a single class, is required to adopt the Merger Agreement and approve the merger. Holders of our Class A common stock have approximately 91.3% of the voting power and holders of our Class B common stock have approximately 8.7% of the voting power with respect to the merger proposal. Abstentions and broker non-votes will have the same effect as a vote "against" the adoption of the Merger Agreement and approval of the merger.

The Trusts and the McGinley family members have agreed in the McGinley Agreement to vote their remaining 181,760 shares of Class B common stock (representing approximately 53.8% of the outstanding shares of Class B common stock and approximately 4.7% of the total voting power of Methode on matters other than the election of directors, such as the merger proposal) in favor of the merger proposal, unless Methode receives an alternative acquisition proposal that our board of directors determines to be superior and the Special Committee determines to be fair to and in the best interests of all of our stockholders.

Voting Procedures

Edgar Filing: METHODE ELECTRONICS INC - Form PRER14A

It is important that your shares be represented and voted at the special meeting. Whether or not you plan to attend the special 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 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-xxx-xxx-xxxx and enter your individual 12-digit control number 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. Central Time the day before the special 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" adoption of the Merger Agreement and approval of the merger.

Revoking Your Proxy

If you decide to change your vote, you may revoke your proxy at any time before the special 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 special meeting. Attendance at the special meeting will not, by itself, revoke a proxy.

Proxy Statement 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 Class A common stock and Class B 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.

We have retained the services of Innisfree M&A Incorporated ("Innisfree") to act as information agent. Innisfree has agreed to perform the broker nominee search and to distribute proxy materials to banks, brokers, nominees and intermediaries. Innisfree will not solicit proxies from our stockholders for the special meeting and will not be making any independent recommendation to stockholders. Rather, Innisfree will be performing ministerial functions in assisting stockholders with submitting their votes with respect to the special meeting. We will pay Innisfree approximately \$ _____, plus out-of-pocket expenses, for performing these information agent services.

9

SPECIAL FACTORS

The Merger Proposal

Structure

At the special meeting, we will ask our Class A common stockholders and Class B common stockholders to consider and vote upon a proposal to adopt the Merger Agreement and approve the merger provided for therein, pursuant to which each share of Class B common stock will be converted into the right to receive \$23.55 in cash, without interest, and each share of Class A common stock will be converted into one share of new Methode common stock, par value \$.50 per share. A copy of the Merger Agreement is attached as Annex A, including as an exhibit thereto Methode's Restated Certificate of Incorporation as it will be amended in the merger. Please read these materials carefully.

Under the McGinley Agreement, the Trusts and the McGinley family members are obligated to vote all of their remaining shares of Class B common stock in favor of the merger proposal unless Methode receives an alternative acquisition proposal that our board of directors considers superior and the Special Committee considers fair to and in the best interests of all of our stockholders. The Trusts and the McGinley family members currently hold 181,760 shares of Class B common stock, representing approximately 53.8% of the outstanding shares of Class B common stock and approximately 4.7% of the total voting power of Methode (on matters other than the election of directors).

Fairness

A special committee of our board of directors composed of directors elected by the holders of our Class A common stock has recommended that our board of directors approve the Merger Agreement and the merger, and has determined that the Merger Agreement and the merger are fair to and in the best interests of our Class A common stockholders. The Special Committee did not make separate determinations regarding whether the Merger Agreement and the merger are fair to and in the best interests of either Class A common stockholders who are affiliated with Methode or Class A common stockholders who are not affiliated with Methode. Our board of directors has approved the Merger Agreement and the merger, and has determined that the Merger Agreement and the merger are in the best interests of Methode and are fair to and in the best interests of our Class A common stockholders and our Class B common stockholders.

The Special Committee recommends that our Class A common stockholders vote "FOR" adoption of the Merger Agreement and approval of the merger.

Our board of directors recommends that our Class A common stockholders and our Class B common stockholders vote "FOR" adoption of the Merger Agreement and approval of the merger.

Purpose and Alternatives

The key purposes of the merger are to (i) eliminate the control of our board by the Trusts and the McGinley family at a price to be shared by all holders of our Class B common stock, (ii) shift control of our board to holders of our Class A common stock, (iii) eliminate our dual class voting structure and (iv) provide all stockholders with voting interests commensurate with their economic interest in Methode.

The Special Committee reviewed alternative transaction structures which could be used to eliminate Methode's dual-class voting structure. As discussed in more detail below in "Background of the Merger," in August 2002, the Special Committee entered into an agreement with the McGinley family to purchase their shares of Class B common stock in a tender offer. This transaction was subsequently terminated by the Trusts.

The McGinley Agreement and the Merger Agreement

The following discussions of the McGinley Agreement and the Merger Agreement are qualified in their entirety by reference to the provisions of these agreements, which are attached to this proxy statement as Annex B and Annex A, respectively, and are incorporated herein by reference. We urge you to read these agreements in their entirety.

The McGinley Agreement

As of July 18, 2003, Methode entered into an agreement with Marital Trust No. 1 and Marital Trust No. 2, each created under the William J. McGinley Trust (the "Trusts"), the Jane R. McGinley Trust, Margaret J. McGinley, James W. McGinley and Robert R. McGinley (the "McGinley Agreement"). Under the terms of the McGinley Agreement:

The Purchase and the Merger. The Trusts and the McGinley family members sold 750,000 of their shares of Class B common stock to Methode for \$22.75 per share and agreed to vote their remaining shares of Class B common stock in favor of a merger in which all then outstanding shares of Class B common stock (including those held by the Trusts and the McGinley family members not previously sold to Methode) will receive \$23.55 per share in cash and each share of Class A common stock will be converted into one share of new Methode common stock. The 750,000 shares of Class B common stock that were repurchased by Methode were retired and returned to the status of authorized but unissued shares of Class B common stock.

Conditions to the Merger. Methode is obligated to use its reasonable best efforts to call a stockholders meeting to obtain stockholder approval of the merger. Methode's obligation to effect the merger is conditioned on receiving the affirmative vote of the holders of shares having a majority of the votes entitled to be cast by the holders of the outstanding shares of Class A common stock and Class B common stock, voting together as a single class. The Trusts and the McGinley family members have agreed to vote all of their remaining shares of Class B common stock (representing approximately 4.7% of the total voting power of Methode) in favor of the merger. Methode's obligation to complete the merger is also contingent on the absence of any law or injunction preventing the merger.

Irrevocable Proxy; Transfer Restrictions on McGinley Class B Common Stock. On all matters other than the merger, matters relating to any breach of the McGinley Agreement, acquisition proposals and proposals to amend Methode's certificate of incorporation and by-laws in a manner materially adverse to the Trusts and the McGinley family members (as to which matters, the McGinley Agreement will control), the Trusts and the McGinley family members have granted an irrevocable proxy to vote their remaining shares of Class B common stock in accordance with the vote of the Class A common stockholders (other than the use of the proxy to remove directors) and they have also agreed, among other things, not to transfer their shares without Methode's prior written consent and the approval of the directors elected by the holders of our Class A common stock, except that the Trusts and McGinley family members may transfer beneficial ownership by death or disability or by substitution of special fiduciaries or trustees if the transferees agree to be bound by the McGinley Agreement. The Trusts and the McGinley family members also agreed not to participate in any election contest or proxy solicitation.

Superior Proposals. If Methode receives an alternative acquisition proposal that our board of directors determines to be superior and the Special Committee determines to be fair to and in the best interests of Methode's stockholders, Methode is not required to call, or to hold, the special meeting, nor are the Trusts and the McGinley family members required to vote in favor of the merger, and Methode is permitted to enter into discussions or negotiations with any third party that makes such an acquisition proposal.

Alternative Transaction Structure. The Trusts and the McGinley family members also agreed to cooperate with Methode and support an alternative transaction structure providing at least the same consideration to the holders of the Class B common stock as the merger if Methode determines that such action is in Methode's or its stockholders' best interests.

Indemnification. Methode has agreed to indemnify the Trusts and each member of the McGinley family and their representatives from and against attorneys' fees and expenses arising out of any third party claim (whether commenced or threatened) alleging any wrongful action or inaction by any such person in connection with the authorization, execution, delivery and performance of the agreement by the Trusts and the McGinley family members, except to the extent that such person is determined by a final unappealable determination of a court to have engaged in intentional misconduct or to have acted in bad faith in connection with any such claim.

Change in Directors. James W. McGinley and Roy M. Van Cleave will cease to be members of our board of directors upon completion of the merger.

Appraisal Rights. Any holder of shares of Class B common stock (other than the Trusts and the McGinley family members) who perfects such holder's appraisal rights in accordance with and as contemplated by Section 262 of the Delaware General Corporation Law shall be entitled to receive, in lieu of the \$23.55 per share applicable to such holder's shares, the fair value of such shares in cash as determined pursuant to such statute; provided, however, that no such payment shall be made to such holder unless and until such holder has complied with the applicable provisions of the Delaware General Corporation Law and surrendered to Methode the certificate or certificates representing the shares of Class B common stock for which payment is being made. The Trusts and the McGinley family members have waived any appraisal right they may have in connection with their agreement with Methode and the merger, but not with respect to any superior proposal that may be pursued by Methode in accordance with the agreement. A court may award a holder seeking an appraisal greater or less consideration than the \$23.55 per share provided in the merger. Please see "Special Factors Appraisal Rights" for more information on appraisal rights. Holders of shares of our Class A common stock are not entitled to appraisal rights in connection with the Merger Agreement and the merger.

Termination. Either Methode or the Trusts and the McGinley family members may terminate their agreement if the merger is not completed on or prior to December 18, 2004, provided that the party purporting to terminate was not the cause of the failure of the merger to be completed by such time. The McGinley Agreement may also be terminated by the mutual agreement of the parties.

Other Rights Relating to the Repurchase of Shares Subject to the McGinley Agreement. Methode can require the Trusts and the McGinley family members to sell all of their Class B common stock for \$23.55 per share during the period from the tenth to the sixth day prior to December 18, 2004. The Trusts and the McGinley family members can require Methode (or its designee) to purchase all of the Trusts' and McGinley family members' Class B common stock for \$23.55 per share under the following circumstances: (a) during the period from the fifth day prior to December 18, 2004 until December 18, 2004, (b) if Methode agrees to any merger (other than the merger provided for in the McGinley Agreement) or other business combination, in each case in which the holders of Class B common stock would receive less than \$23.55 per share, or sale of shares which would result in a transfer of a controlling interest in Methode, or (c) if, after Methode buys the Trusts' and the McGinley family members' Class B common stock, there would be less than 100,000 shares of Class B common stock issued and outstanding.

The Merger Agreement

Pursuant to the McGinley Agreement, Methode entered into the Merger Agreement. Under the terms of the Merger Agreement, Methode Merger Corporation, a Delaware corporation wholly owned by Methode ("Merger Corp."), will merge with and into Methode, with Methode as the surviving corporation in the merger (the "Surviving Company"), and the separate existence of Merger Corp. will cease. By virtue of the merger and without any further action on the part of any holder of any capital stock of Methode: (i) each share of issued and outstanding Class B common stock shall be converted into the right to receive \$23.55 per share in cash, without interest; (ii) each share of issued and outstanding Class A common stock shall be converted into one share of new Methode common stock; and (iii) each issued and outstanding share of capital stock of Merger Corp. shall be cancelled.

The business address and telephone number of Merger Corp. and its directors and executive officers are c/o Methode, 7401 West Wilson Avenue, Chicago, Illinois 60706; (708) 867-6777.

Background of the Merger

Since 1982, our certificate of incorporation has provided for two classes of common stock, Class A common stock with one-tenth of one vote per share and Class B common stock with one vote per share. Under our certificate of incorporation, shares of our Class A common stock voting as a separate class have the right to elect 25% of our board of directors (rounded up to the nearest whole number) and shares of our Class B common stock voting as a separate class have the right to elect the remaining directors, representing up to 75% of our board of directors, so long as there are at least 100,000 shares of Class B common stock outstanding.

In 1982, William J. McGinley and his family controlled a majority of each of the classes of common stock. Since 1982, the McGinley family members sold most of their Class A common stock, including shares received as dividends on the Class A common stock and Class B common stock, but have continued to control a majority of the Class B common stock. In January 2001, William J. McGinley died, at which time a majority of the Class B common stock passed to his estate (the "Estate") and was subsequently distributed to the Trusts in January 2002. Jane McGinley, William McGinley's wife, died in February 2003. In addition to the shares owned by the Trusts, members of William McGinley's family, including his two sons, James and Robert, and his daughter, Margaret, individually own, directly or indirectly, shares of Class B common stock. The Trusts and the McGinley family members have the ability to elect up to 75% of the members of our board of directors. Prior to the repurchase of 750,000 of their shares by Methode on July 21, 2003, the Trusts and the McGinley family members had the ability to control approximately 21% of the voting power of the Class A common stock and Class B common stock on matters where both classes vote together even though the shares of Class B common stock held by the Trusts and the McGinley family members represented only approximately 2.6% of the total number of shares of our common stock outstanding. Currently, both James McGinley and Robert McGinley serve as members of our board and were elected by the holders of our Class B common stock.

In December 2001, the McGinley family approached our board of directors regarding a possible sale of the Estate's shares of Class B common stock. At a December 6, 2001 board meeting, James McGinley informed our board of directors that the Estate had been reviewing its financial condition and needs and, as a result of that review, determined that it may need to liquidate certain assets. It was noted that shares of Class B common stock were one of the primary assets of the Estate. Prior to that time, our management had already been reviewing our dual class capital stock structure. After discussion, our board of directors directed management to continue its evaluation of possible options regarding our current capital structure and the Class B common stock held by the Estate and others.

Our management was concerned about the potential consequences to Methode and our Class A common stockholders if the Trusts decided to sell their Class B common stock, and with it control of

our board of directors, to a third party. In that regard, our management was aware that members of the McGinley family had received inquiries from a third party concerning a possible sale of their shares of Class B common stock at a premium. To management's knowledge, this third party had offered to pay a premium, but had not proposed a specific price or range of prices.

Our management met with one of these parties which served the electronics industry at its request in December 2001. During this meeting, our management learned that this party proposed to follow its purchase of the Trusts' shares of the Class B common stock with a stock for stock merger resulting in significant dilution to our Class A common stockholders. Based on the terms proposed by the third party, our management determined that it would be more advantageous to Methode and our Class A common stockholders for us to evaluate the repurchase of the shares of Class B common stock held by the Trusts.

In January 2002, Donald W. Duda, our President, William T. Jensen, our Chairman of the Board, and Douglas A. Koman, our Vice President, Corporate Finance, consulted with our outside financial advisor, Robert W. Baird & Co. ("Baird"), regarding our capital structure. On January 24, 2002, Baird made a presentation to our management regarding the benefits of eliminating our dual class capital structure. According to Baird, the benefits included eliminating investor confusion about the two classes of stock, simplifying our capital structure, eliminating administrative expenses, increasing liquidity and aligning stockholder voting rights with economic ownership. The information provided by Baird included data regarding the impact of any transaction on Methode's available cash and Methode's earnings per share. Baird's presentation reviewed available transaction alternatives, including a tender offer with a premium, a tender offer without a premium and a combination of the Class A common stock and Class B common stock.

Also included in the Baird presentation was a case study of five recent proposed or consummated dual class transactions: Pacificare Health Systems, BankAtlantic Bancorp, Fischer & Porter, J.M. Smucker Company, and Gartner, Inc. In these transactions, the premiums paid or proposed to be paid to the control class of stock to eliminate a dual class structure ranged from 0 to 24% of the price of the non-control stock.

On February 21, 2002, our board of directors held a special meeting to consider a possible transaction with the Trusts regarding their Class B common stock. James McGinley and Robert McGinley did not attend the meeting. At this meeting, our board of directors discussed the possible financial ramifications to us of repurchasing the Class B common stock held by the Trusts and the consequences to us and our Class A common stockholders of a sale by the Trusts of their Class B common stock to a third party. Our board of directors also discussed whether it should attempt to sell the company and the potential value that could be realized on a sale of the company as a whole at that time. After considering the various options, our board of directors adopted resolutions creating the Special Committee, consisting solely of directors elected by the holders of our Class A common stock, to determine whether: (i) it was in the best interests of Methode and our stockholders (other than the Trusts) to repurchase some or all of the Class B common stock owned by the Trusts, and if so, to negotiate with the Trusts the terms of such a repurchase and enter into an agreement on behalf of Methode; (ii) in connection with any transaction with the Trusts, an offer should be made to the other holders of Class B common stock, and if so, to approve on behalf of Methode the terms and conditions of such an offer; and (iii) it was in the best interests of Methode, as an alternative to a repurchase of the Class B common stock held by the Trusts, to agree with the Trusts to enter into another transaction that would result in the elimination of our dual class structure, and if so, to take all actions on behalf of Methode to enter into such transaction that the Special Committee determined to be in the best interests of Methode and our stockholders (other than the Trusts), provided, however, that if the Special Committee determined that such other transaction required the approval of our full board of directors, it would make a recommendation to our board concerning the advisability of such transaction. Pursuant to these resolutions, Warren L. Batts, George C. Wright and William C. Croft, the

directors elected by the holders of our Class A common stock at the time, were appointed as the members of the Special Committee. Mr. Croft had resigned as a special fiduciary of the Trusts shortly before his appointment to the Special Committee. Mr. Batts was appointed as the Chairman of the Special Committee. In addition, pursuant to the authorization of our board to retain such experts and advisors as the Special Committee determined necessary to carry out its responsibilities, the Special Committee retained the law firm of Morris, Nichols, Arsh & Tunnell ("Morris, Nichols") as its legal counsel and TM Capital Corp. ("TM Capital") as its financial advisor. The Special Committee did not consider retaining Baird as its financial advisor since Baird has served, and continues to serve, as Methode's outside financial advisor.

On February 27, 2002, the Special Committee and its legal and financial advisors held their first meeting. As of that date, the Trusts had not made a specific proposal but had, instead, invited an offer from Methode for their Class B common stock. At the meeting, Morris, Nichols discussed the fiduciary duties of the members under Delaware law and discussed the potential advantages and disadvantages of various structures for a possible transaction. TM Capital described for the Special Committee the process that TM Capital would undertake to gather information and analyze comparable transactions. The Special Committee also discussed the timing implications of a possible transaction,

including the need to receive a supplemental Internal Revenue Service ("IRS") private letter ruling concerning the effect of any possible transaction with the Trusts on a prior letter ruling concerning Methode's spin-off of Stratos Lightwave, Inc. The Special Committee concluded that any transaction with the Trusts could not be done on a basis favorable to Methode without such a revenue ruling.

On March 14, 2002, the Special Committee again met with its legal and financial advisors. At this meeting, TM Capital made a detailed presentation to the Special Committee of information and analyses it had prepared for the Special Committee to consider in approaching its task. TM Capital discussed Methode's current capital structure, its historical financial information and future forecasts, the trading prices of the Class A common stock and Class B common stock over the past three years, and the trading relationship of shares with unequal voting rights of other public companies with dual classes of stock. These forecasts, which relate to the business, earnings, cash flow, assets and prospects of Methode, were furnished to TM Capital by Methode and are included in the written materials which TM Capital provided to the Special Committee. Copies of these materials are filed as exhibits to our Schedule 13E-3 which was filed with the Securities and Exchange Commission (the "Commission") on May 1, 2003 and are available to the public free of charge over the Internet at the Commission's website at www.sec.gov.

TM Capital discussed with the Special Committee recent acquisition transactions which it had identified involving dual class stock in which the entire company was acquired where an additional premium was paid to the control stockholders and then reviewed a list of acquisitions where no additional premium was paid to the higher vote stock. TM Capital then reviewed its analysis of recent transactions where premiums had been paid for significant ownership blocks. TM Capital explained that in those transactions, the purchaser acquired between 10% and 50% equity ownership. TM Capital indicated that the average premium was approximately 50% for the control stake, but that the premiums ranged from 100% to -6%.

TM Capital then presented to the Special Committee certain information concerning six recent dual class restructuring transactions in which holders of a control block with superior voting rights had agreed to yield such rights in return for additional consideration in the form of securities and/or cash and which TM Capital believed were most similar to the transaction proposed with the Trusts. The companies involved in these six transactions were Continental Airlines, Inc., Dairy Mart Convenience Stores, Inc., Fedders Corporation, Pacificare Health Systems, Inc., Reinsurance Group of America, and Remington Oil and Gas Corporation. TM Capital noted that in these transactions the non-control shareholders had experienced dilution of their economic ownership in order to eliminate the superior voting power of the control block, and that an analysis of the magnitude of the dilution in each

transaction would in its view provide the best way to compare transactions which had involved different capital structures. TM Capital further noted that among these six transactions the premium paid to the control shareholders tended to increase as the relative size of the control block decreased. TM Capital noted that such an increase would be expected if dilution were the principal factor in determining the premium, as a given quantity of dilution and, therefore, a given amount of premium is spread over a smaller proportion of shares as the size of the control block decreases.

For these six transactions, TM Capital calculated the dilution to the non-control shareholders as ranging from 1.63% to 5.67%, with an average dilution of 3.33%. The size of the control block as a percentage of outstanding shares for these six transactions ranged from 13% to 84% of shares outstanding, all of which were larger proportions of outstanding shares than the 2.6% block which held control of Methode. Based upon TM Capital's dilution methodology, the larger proportions would be expected to result in lower percentage premiums, and the premiums paid in these comparable transactions did, in fact, exhibit that relationship, ranging from 1% to 32%. TM Capital also provided an exhibit illustrating that, given repurchase prices for the Class B common stock ranging from \$11 per share to \$22 per share, the ownership dilution to Methode's non-control shareholders would be below the average dilution in these comparable transactions. Finally, TM Capital provided a list of 14 recent transactions in which the control shareholders had agreed to eliminate the control aspects of a block of shares without requiring a premium.

TM Capital also discussed with the Special Committee the differences between its analysis of the Class B common stock and the analysis previously prepared by Baird for our management. In addition to listing various non-financial considerations associated with a repurchase of the Class B common stock, the Baird presentation included matrices of the impact on Methode's cash and earnings per share (accretion/dilution) at various repurchase prices. TM Capital explained that, while it and Baird both reviewed examples of dual class capital structures, TM Capital excluded certain transactions utilized by Baird that it did not feel were relevant. TM Capital believed that the BankAtlantic Bancorp and the J.M. Smucker Company transactions were not relevant because the transactions did not eliminate the company's dual class structure. The Fisher & Porter transaction occurred in 1993 and, given the breadth of more recent data, was not included in TM Capital's analyses. Finally, in the case of Gartner, Inc., the transaction was never consummated and therefore was not comparable. Also and more importantly, TM Capital pointed out that Baird analyzed only the percentage premium paid to the control stockholders and did not consider the direct cost to the non-control stockholders, as measured by the equity ownership dilution, which TM Capital advised the Special Committee was important to it in reaching its conclusions regarding the level of premium that the control block of shares of Class B common stock held by the Trusts could be expected to command.

The Special Committee discussed possible ways of structuring a transaction that would eliminate the control block of Class B common stock owned by the McGinley family as well as the special voting rights of the Class B common stock. For timing reasons, the Special Committee determined that its proposal to the Trusts should be structured either as a direct purchase from the Trusts and the McGinley family members followed by a tender offer or a tender offer to all holders of Class B common stock, subject to the condition that a sufficient number of shares of Class B common stock were tendered so that the total number of shares of Class B common stock outstanding after the completion of the offer would be less than 100,000 shares, and a requirement that the Trusts and the McGinley family members agree to tender all of their Class B common stock. The Committee determined not to seek a direct purchase from the Trusts to be followed by a tender offer because a single offer to all stockholders with one closing was simpler and eliminated the Committee's concerns about the period after purchasing the McGinley block, but before purchasing additional shares, during which the other holders of the Class B common stock would continue to have the right to elect a majority of our board of directors. The Special Committee also determined that the proposal should contain a requirement that all amounts due under the \$6 million Horizon loan be repaid from the

proceeds received by the Trusts from tendering its Class B common stock in the tender offer. The Special Committee tentatively decided to make an offer to the Trusts to purchase their Class B common stock for \$16.00 per share.

The Special Committee next met on March 18, 2002. At this meeting, the Special Committee again discussed the price to be offered to the Trusts for their Class B common stock. TM Capital indicated that it could support an offer within the range of \$15.84 per share to \$16.80, representing a premium of 32% to 40% over the current price of the Class A common stock. TM Capital expressed its view that, as a matter of negotiating strategy, the offer should not be less than \$16.00 per share to keep the Trusts in negotiations with the Special Committee and to avoid causing the Trusts and the McGinley family to seek another buyer. TM Capital also noted its view that the block of Class B common stock held by the Trusts was unique, due to its small size relative to Methode's total market value and revenues, and therefore was very valuable and could be sold for a very substantial premium to a third party, which would not be in the best interests of Methode or its Class A common stockholders. The Special Committee and its advisors then discussed the proposed offer price and its strategy for negotiating with the Trusts. After this discussion, Mr. Batts requested that the Special Committee's advisors prepare a term sheet outlining the terms of the proposal discussed by the Special Committee other than price.

On March 20, 2002, the Special Committee met again with its legal and financial advisors. At this meeting, counsel for the Special Committee informed the Special Committee that William T. Jensen believed that the McGinley family was looking for a price between \$20 and \$30 per share. After discussion of a draft term sheet prepared by its advisors, the Special Committee approved a term sheet for presentation to the Trusts providing for a tender offer by Methode for all of the outstanding shares of Class B common stock at a price of \$16.00 per share, conditioned on (1) the tender of a sufficient number of shares of Class B common stock so that the total number of shares of Class B common stock outstanding after the completion of the offer would be less than 100,000 shares and (2) Methode's receipt of a favorable tax ruling from the IRS that the proposed transaction would not result in any adverse tax consequences to Methode or its stockholders. The proposed term sheet also required the Trusts and the McGinley family members to tender all of their Class B common stock in the tender offer, subject only to a customary "no injunction" condition, and a requirement that the Trusts cause part of the proceeds from the sale of their Class B common stock to be used to repay the entire outstanding balance of the \$6 million Horizon loan (see "Interests of Certain Persons The Horizon Loan"). Thereafter, legal counsel to the Special Committee presented the Special Committee's proposed offer to Roy M. Van Cleave, special counsel to the Trusts. In June 2002, Mr. Van Cleave was proposed for election by the McGinley family as a Class B director and was elected to the Board in September 2002.

On March 29, 2002, the Special Committee met with its advisors to discuss the Trusts' response to its proposal. At the meeting, Mr. Batts reported on his discussion with Robert McGinley and Mr. Croft's conversation with James McGinley regarding the Special Committee's proposal, including James McGinley's informal suggestion that a price of in excess of \$30 per share would be appropriate. In addition, Morris, Nichols reported on its discussions with the Trusts' counsel regarding the proposal in which Morris, Nichols was advised that the Trusts and the McGinley family did not believe that negotiations would be mutually beneficial at this time. After these reports, the Special Committee and its advisors discussed the possibility that the Trusts and the McGinley family would pursue a sale of Methode as a whole or their control block of Class B common stock to a third party. During this discussion, TM Capital stated that it did not believe that the McGinley family could achieve a price per share of \$30 or more in a transaction involving a sale of the whole company. Following further discussion, the Special Committee asked Morris, Nichols to request additional information from the Trusts regarding its asking price and its plans concerning future negotiations with the Special Committee. During a subsequent discussion, the Trusts' special counsel indicated to Morris, Nichols

Edgar Filing: METHODE ELECTRONICS INC - Form PRER14A

that the Trusts intended to submit a counter-proposal to the Special Committee after it resolved certain tax issues.

On May 2, 2002, the Trusts' special counsel transmitted a counter-proposal to the Special Committee's counsel. Among other things, the Trusts' counter-proposal provided that the Trusts would agree to transfer their 880,901 shares of Class B common stock to Methode in exchange for (i) Methode's forgiveness of the entire outstanding balance of principal and interest on the \$6 million Horizon loan and (ii) Methode's transfer to the Trusts of 2.5 shares of Class A common stock for each share of Class B common stock.

On May 9, 2002, the Special Committee met with its advisors to discuss the Trusts' counter-proposal. At the meeting, TM Capital informed the Special Committee that the counter-proposal had a value of approximately \$35.11 per share of Class B common stock, with a dilutive effect on the equity ownership of the Class A common stock of over 6.5% and indicated that the counter-proposal was significantly in excess of any justifiable valuation for the Class B common stock held by the Trusts. After discussion, the Special Committee directed its counsel to inform the Trusts' special counsel that the proposed valuation of the Class B common stock held by the Trusts in the counter-proposal was well beyond that which could be supported by the Special Committee.

On May 24, 2002, the Special Committee met again with its advisors. At the meeting, Morris, Nichols reported to the Special Committee, based on discussions with the Trusts' special counsel, that it had concluded that the Trusts were not willing to change their valuation premises. After discussion, the Special Committee determined that it would report to Methode's board of directors that it was unable to negotiate a transaction with the Trusts.

In June 2002, Mr. Croft was approached by members of the McGinley family regarding his nomination for election to the board of directors by the holders of Class B common stock.

On June 21, 2002, Mr. Batts, as the chairman of the Special Committee, reported to our board of directors at a board meeting that the Special Committee had been unable to negotiate an acceptable transaction for the purchase of the Class B common stock held by the Trusts. Also at this meeting, Mr. Croft was nominated by our board for election to our board of directors by the holders of our Class B common stock.

On July 19, 2002, special counsel for the Trusts informed Morris, Nichols that the Trusts had engaged the services of a financial advisor and wanted to reopen negotiations.

On July 29, 2002, the Trusts' special counsel forwarded to the Special Committee's counsel a proposal for Methode to repurchase the 880,901 shares of Class B common stock held by the Trusts in exchange for (i) Methode's forgiveness of the entire outstanding balance of principal and interest on the \$6 million Horizon loan, (ii) Methode's transfer to the Trusts of 3.0 shares of Class A common stock for each share of Class B common stock, and (iii) cash equal to 300% of the closing price of a share of Class A common stock on the trading date immediately preceding the public announcement of the exchange agreement for each share of Class B common stock held by the Trusts.

On August 1, 2002, with the approval of the chairman of the Special Committee, TM Capital contacted the Trusts' financial advisor to direct him to seven transactions that TM Capital believed were most appropriate for analyzing a possible repurchase of the Trusts' shares. These transactions were the six precedent transactions previously discussed with the Special Committee in March 2002 (Continental Airlines, Inc., Dairy Mart Convenience Stores, Inc., Fedders Corporation, Pacificare Health Systems, Inc., Reinsurance Group of America, and Remington Oil and Gas Corporation) and a recent transaction involving Reader's Digest Association, Inc., which are referred to herein as the "Seven Precedent Transactions."