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FRANKLIN ELECTRIC CO INC
Form 11-K
June 23, 2004

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

FORM 11-K

FOR ANNUAL REPORTS OF EMPLOYEE STOCK PURCHASE, SAVINGS
AND SIMILAR PLANS PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003

OR

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

For the transition period from ____ to ____

COMMISSION FILE NUMBER 0-362

FRANKLIN ELECTRIC DIRECTED INVESTMENT SALARY PLAN
(FULL TITLE OF THE PLAN)

FRANKLIN ELECTRIC CO., INC.
(EXACT NAME OF ISSUER AS SPECIFIED IN ITS CHARTER)

INDIANA
(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

35-0827455
(I.R.S. EMPLOYER
IDENTIFICATION NO.)

400 EAST SPRING STREET
BLUFFTON, INDIANA
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

46714-3798
(ZIP CODE)

(260) 824-2900
(ISSUER'S TELEPHONE NUMBER, INCLUDING AREA CODE)

FRANKLIN ELECTRIC DIRECTED INVESTMENT SALARY PLAN

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| Supplemental Schedules not listed are omitted due to the absence of conditions under which they are required. | |

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE EMPLOYEE BENEFITS COMMITTEE OF FRANKLIN ELECTRIC CO., INC.:

We have audited the accompanying statements of net assets available for benefits of the Franklin Electric Directed Investment Salary Plan as of December 31, 2003 and 2002, and the related statement of changes in net assets available for benefits for the year ended December 31, 2003. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States) and in accordance with generally accepted auditing standards as established by the Auditing Standards Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2003 and 2002, and the changes in net assets available for benefits for the year ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This schedule is the responsibility of the Plan's management. Such schedule has been subjected to the auditing procedures applied in our audit of the basic 2003 financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

/s/ DELOITTE & TOUCHE LLP

Deloitte & Touche LLP
May 27, 2004

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FRANKLIN ELECTRIC DIRECTED INVESTMENT SALARY PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

As of December 31, 2003 and 2002

| | 2003 | 2002 |
|--|---------------|--------------|
| | ----- | ----- |
| ASSETS | | |
| ----- | | |
| Participant-directed investments, at | | |
| fair value (Note 3): | | |
| Short-term investments | \$ 1,070,900 | \$ 133,000 |
| Franklin Electric Common Stock | 30,239,400 | 27,213,100 |
| U.S. Government and Government Agencies | 3,794,300 | 4,263,600 |
| Shares of Registered Investment Companies: | | |
| MFS Strategic Value Equity Fund | 24,449,600 | 18,387,800 |
| Invesco Structured Core Equity Fund | 12,006,100 | 8,708,100 |
| Bank One Intermediate Bond Fund | 4,454,800 | 3,916,600 |
| Wells Fargo Stable Return Fund | 24,567,600 | 19,870,900 |
| Participant loans | 2,497,800 | 2,232,200 |
| | ----- | ----- |
| Total investments | 103,080,500 | 84,725,300 |
| Receivables: | | |
| Employer contribution | 248,000 | 192,000 |
| Accrued investment income | 3,900 | 200 |
| | ----- | ----- |
| Total receivables | 251,900 | 192,200 |
| | ----- | ----- |
| TOTAL ASSETS | 103,332,400 | 84,917,500 |
| LIABILITIES | | |
| ----- | | |
| Fees payable | - | 3,600 |
| | ----- | ----- |
| TOTAL LIABILITIES | - | 3,600 |
| | ----- | ----- |
| NET ASSETS AVAILABLE FOR BENEFITS | \$103,332,400 | \$84,913,900 |
| | ===== | ===== |

See notes to the financial statements.

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FRANKLIN ELECTRIC DIRECTED INVESTMENT SALARY PLAN
 STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
 For the Year Ended December 31, 2003

| | |
|--|---------------|
| Additions: | |
| Interest and dividends | \$ 738,000 |
| Net appreciation(depreciation) in fair value of investments: | |
| Franklin Electric Common Stock | 6,743,500 |
| MFS Strategic Value Equity Fund | 5,055,500 |
| Invesco Structured Core Equity Fund | 2,442,800 |
| Bank One Intermediate Bond Fund | (58,300) |
| Wells Fargo Stable Return Fund | 1,015,000 |
| | ----- |
| Net Investment Gain | 15,936,500 |
| Contributions: | |
| Employer | 248,000 |
| Employee | 3,678,500 |
| Rollover | 2,262,800 |
| Merger of Intelligent Controls, Inc. defined contribution plan assets (Note 1) | 908,900 |
| Transfer from ESOP Diversification | 173,400 |
| | ----- |
| Total additions | 23,208,100 |
| Deductions: | |
| Benefits paid to participants | 4,684,700 |
| Administrative expenses | 91,400 |
| Loan fees | 13,500 |
| | ----- |
| Total deductions | 4,789,600 |
| | ----- |
| Net increase | 18,418,500 |
| Net assets available for benefits, beginning of year | 84,913,900 |
| | ----- |
| Net assets available for benefits, end of year | \$103,332,400 |
| | ===== |

See notes to the financial statements.

FRANKLIN ELECTRIC DIRECTED INVESTMENT SALARY PLAN

NOTES TO FINANCIAL STATEMENTS

As of December 31, 2003 and 2002 and
for the Year Ended December 31, 2003

1. PLAN DESCRIPTION

GENERAL - The Franklin Electric Directed Investment Salary Plan (the "Plan") is a defined contribution employee benefit plan covering substantially all eligible employees who elect to participate. Company matching contributions for Bluffton hourly and non-exempt employees are made to the Plan. Company matching contributions for all other eligible employees are made to the Company-sponsored Employee Stock Ownership Plan ("ESOP").

The Plan is administered by the Franklin Electric Co., Inc. (the "Company") Employee Benefits Committee ("Plan Administrator"), which is appointed by the Company, and Wells Fargo Bank of Minnesota, N.A. ("Plan Trustee"). The Plan is subject to the provisions of the Employee Retirement Income Security Act ("ERISA") of 1974. Participants should refer to the Plan Document and Summary Plan Description for more complete information.

CONTRIBUTIONS - Participating employees may elect to contribute from 1 percent to 50 percent of their eligible compensation to the Plan, subject to IRS limitations. The Company will contribute to the Plan or the ESOP an amount equal to 100 percent of the first 1 percent and 50 percent of the next 4 percent of the participant's contribution, or up to 3 percent of each employee's eligible compensation for the year, provided the Company's pre-tax profits for the year exceed 6 percent of the Company's net worth at the beginning of each year. Company contributions to the participant accounts are funded in the first quarter following the plan year. Participating employees 50 years of age or older may also elect to contribute additional funds that are not eligible for a company match, subject to IRS limitations.

On June 2, 2003, the defined contribution plan of Intelligent Controls Inc., a wholly owned subsidiary of Franklin Electric Co., Inc., was merged into the Plan. The fair value of assets associated with this plan was approximately \$908,900 at the time of the merger.

PARTICIPANT ACCOUNTS - Individual accounts are maintained for each Plan participant. Each participant's account is credited with: (a) the participant's contributions and withdrawals; (b) Company matching contributions made to the Plan; and (c) Plan earnings and losses, less expenses. Allocation of earnings and expenses are based on participants' account balances.

VESTING - Participants are fully vested in their accounts at all times.

INVESTMENT OPTIONS - Participating employees direct the investment of their contributions and account balances into various investment options offered by the Plan. The Plan currently offers a Franklin Electric Common Stock Fund, a strategic value equity fund, a structured core equity fund, a U.S. Government and Government Agencies fund, an intermediate bond fund, and a stable return collective investment fund as investment options for participants.

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DIVERSIFICATION ELECTION for ESOP - Participants who have attained the age of 55 and have at least 10 years of participation in the ESOP are given the opportunity to diversify up to 25% of their ESOP account balance into the Plan during the first 90 days after the close of any Plan year.

PARTICIPANT LOANS - Participants may borrow from their accounts up to the lesser of \$50,000 or 50 percent of the Participant's account. Loans are secured by the balance in the participant's account. Loan transactions are treated as a transfer between the investment fund and the loan fund. Loan terms range from 1 to 4 1/2 years for general purpose loans or up to 10 years for the purchase of a primary residence and are repaid through payroll deductions. Interest is charged at the prime rate plus one percent and is credited to the participant's account.

All loan fees are paid by the participant and are deducted directly from the assets of the participant's account.

BENEFITS - Participants may elect to receive a lump-sum distribution equal to the value of their account or receive equal monthly or annual installments over a specified period as defined by the Plan.

ADMINISTRATIVE EXPENSES - Administrative expenses are paid by the Plan as provided in the plan document.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements of the Plan are prepared under the accrual method of accounting.

USE OF ESTIMATES - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for plan benefits.

INVESTMENT VALUATION - Investments in the Franklin Electric Co., Inc. Common Stock, the Bank One Intermediate Bond Fund, the Federated U.S. Government and Government Agencies fund, and the MFS Strategic Value Equity Fund are valued at the last quoted sale or bid prices as reported on a recognized security exchange. Shares of mutual funds are valued at quoted market prices, which represent the net asset value of shares held by the Plan at year end.

Investments in the Wells Fargo Stable Return Fund and the Invesco Structured Core Equity Fund are valued at the last reported sale or bid price.

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

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PARTICIPANT LOANS - Participant loans are valued at cost, which approximates fair value.

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PAYMENT OF BENEFITS - Benefit payments to participants are recorded upon distribution. Amounts allocated to accounts of persons who have elected to withdraw from the plan but have not yet been paid were not significant at December 31, 2003 and 2002.

EXCESS CONTRIBUTIONS PAYABLE - The Plan is required to return contributions received during the plan year in excess of the IRC limits.

3. INVESTMENTS

The following investments exceeded 5 percent of net assets at December 31, 2003 and 2002:

| | 2003 | 2002 |
|---|--------------|--------------|
| | ---- | ---- |
| Franklin Electric Common Stock (499,908 and 566,822 shares, respectively) | \$30,239,400 | \$27,213,100 |
| Wells Fargo Stable Return Fund | 24,567,600 | 19,870,900 |
| Invesco Structured Core Equity Fund | 12,006,100 | 8,708,100 |
| MFS Strategic Value Fund | \$24,449,600 | \$18,387,800 |

4. TAX STATUS

The Internal Revenue Service has stated in a determination letter dated May 6, 1996, that the Plan, as then designed, met the requirements of Section 401(a) of the Internal Revenue Code ("IRC"). On May 30, 2001, the Internal Revenue Service stated in a determination letter that the Plan, as designed, continues to meet the requirements of the IRC. The Plan Administrator believes the Plan is currently operated in compliance with applicable IRC requirements and therefore, the Plan's trust is exempt from federal income tax under section 501(a), and no provision for income taxes has been included in the Plan's financial statements.

5. RELATED-PARTY TRANSACTIONS

Certain Plan investments are shares of funds managed by the Plan Trustee. Fees paid by the Plan for investment management services were included as a reduction of the return earned on each fund.

At December 31, 2003 and 2002, the plan held 499,908 and 566,822 units, respectively, of common stock of Franklin Electric Co., Inc., the sponsoring employer, with a cost basis of \$9,945,677 and \$10,950,126, respectively.

6. PLAN TERMINATION

The Company has not expressed any intent to terminate the Plan. If the Plan was terminated, the termination would be subject to provisions set forth by ERISA, and the net assets of the Plan would be allocated among the participants and the beneficiaries of the Plan in the order provided for in ERISA.

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7. NET ASSETS AVAILABLE BY FUND

The net assets available for the Plan by fund as of December 31, 2003 and 2002, respectively, were as follows:

| | 2003 | 2002 |
|---|---------------|--------------|
| | ----- | ----- |
| Franklin Electric Common Stock Fund | \$ 31,559,400 | \$27,538,300 |
| MFS Strategic Value Equity Fund | 24,449,600 | 18,387,800 |
| Wells Fargo Stable Return Fund | 24,567,600 | 19,870,900 |
| U.S Government and Government Agencies Fund | 3,797,100 | 4,263,600 |
| Invesco Structured Core Equity Fund | 12,006,100 | 8,704,500 |
| Bank One Intermediate Bond Fund | 4,454,800 | 3,916,600 |
| Participant Loans | 2,497,800 | 2,232,200 |
| | ----- | ----- |
| TOTAL NET ASSETS AVAILABLE | \$103,332,400 | \$84,913,900 |
| | ===== | ===== |

8. NET APPRECIATION BY FUND

During 2003, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by \$15,198,500 as follows:

| | |
|-------------------------------------|--------------|
| Franklin Electric Common Stock Fund | \$ 6,743,500 |
| MFS Strategic Value Equity Fund | 5,055,500 |
| Wells Fargo Stable Return Fund | 1,015,000 |
| Invesco Structured Core Equity Fund | 2,442,800 |
| Bank One Intermediate Bond Fund | (58,300) |
| | ----- |
| NET APPRECIATION | \$15,198,500 |
| | ===== |

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FRANKLIN ELECTRIC DIRECTED INVESTMENT SALARY PLAN
FORM 5500, SCHEDULE H, PART IV, ITEM 4(i), SCHEDULE OF ASSETS
(HELD AT END OF YEAR)
DECEMBER 31, 2003

| Identity of Issue, Borrower, Lessor or Similar Party | Description of Investment Including Maturity Date, Interest Rate, Collateral and Par or Maturity Value | Fair Value |
|--|---|--------------|
| ----- | ----- | ----- |
| * U.S. Government | Federated Government Obligations Fund | \$ 3,794,300 |
| * Wells Fargo Bank of Minnesota | Short Term Investment Fund | 1,070,900 |
| * Franklin Electric Co., Inc. | Common Stock | 30,239,400 |

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| | | |
|------------------------------------|--|---------------------------------|
| * Wells Fargo Bank of Minnesota | Stable Return Fund | 24,567,600 |
| MFS | Strategic Value Equity Fund | 24,449,600 |
| Invesco | Structured Core Equity Fund | 12,006,100 |
| Bank One | Intermediate Bond Fund | 4,454,800 |
| | Participant loans (Interest rates ranging from 4.75 to 10.50 percent and maturities ranging from 2003 to 2012 | 2,497,800 |
| | | ----- \$103,080,500 ===== |

* Represents a party-in-interest as defined by ERISA.

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SIGNATURES

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

Franklin Electric Co., Inc.
Directed Investment Salary Plan

Date June 23, 2004

By /s/ GREGG C. SENGSTACK

Gregg C. Sengstack
Chairman
Employee Benefits Committee

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EXHIBIT 23

INDEPENDENT AUDITOR'S CONSENT

We consent to the incorporation by reference in Registration Statements of Franklin Electric Co., Inc. on Form S-8 (file numbers 2-90330, 33-35958 and 333-59771) of our report dated May 27, 2004, appearing in the Annual Report on Form 11-K of the Franklin Electric Directed Investment Salary Plan for the year ended December 31, 2003.

/s/ DELOITTE & TOUCHE LLP

Deloitte & Touche LLP
June 23, 2004

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EXHIBIT 99 - CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of the Franklin Electric Directed Investment Salary Plan (the "Plan") on Form 11-K for the year ended December 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gregg C. Sengstack, Senior Vice President, Chief Financial Officer and Secretary of Franklin Electric Co., Inc., (the "Company"), and Chairman of the Company's Employee Benefits Committee (the "Plan Administrator"), certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the net assets available for benefits and changes in net assets available for benefits of the Plan.

Date: June 23, 2004

/s/ Gregg C. Sengstack

Gregg C. Sengstack
Senior Vice President, Chief Financial Officer and Secretary,
Franklin Electric Co., Inc.
Chairman,
Employee Benefits Committee