

MINDSPEED TECHNOLOGIES, INC

Form 11-K

June 26, 2006

Table of Contents

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

FORM 11-K

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

For the fiscal year ended December 31, 2005

OR

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

Commission file number: 000-50499

MINDSPEED TECHNOLOGIES, INC.

RETIREMENT SAVINGS PLAN

(Full title of the plan)

MINDSPEED TECHNOLOGIES, INC.

(Name of issuer of the securities held pursuant to the plan)

4000 MacArthur Boulevard, East Tower

Newport Beach, California 92660-3095

(Address of principal executive office)

**MINDSPEED TECHNOLOGIES, INC.
RETIREMENT SAVINGS PLAN
Annual Report on Form 11-K
Index**

| | Page |
|--|-------------|
| <u>Report of Independent Registered Public Accounting Firm</u> | 3 |
| <u>Statements of Net Assets Available for Benefits December 31, 2005 and 2004</u> | 4 |
| <u>Statements of Changes in Net Assets Available for Benefits Years Ended December 31, 2005 and 2004</u> | 5 |
| <u>Notes to Financial Statements</u> | 6 |
| <u>SUPPLEMENTAL SCHEDULE*</u> | |
| <u>Schedule H, Line 4i Schedule of Assets (Held at End of Year) December 31, 2005</u> | 10 |
| <u>Signature</u> | 11 |
| <u>Exhibit Index</u> | 12 |
| <u>EXHIBIT 23</u> | |

* Other schedules
are omitted
because they are
not required or
are not applicable
based on
disclosure
requirements of
the Employee
Retirement
Income Security
Act of 1974 and
regulations issued
by the
Department of
Labor

Table of Contents

June 12, 2006

Report of Independent Registered Public Accounting Firm

To the Administrative Committee of the
Mindspeed Technologies, Inc. Retirement Savings Plan

We have audited the accompanying statements of net assets available for benefits of the Mindspeed Technologies, Inc. Retirement Savings Plan as of December 31, 2005 and 2004, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Mindspeed Technologies, Inc. Retirement Savings Plan as of December 31, 2005 and 2004, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of Schedule H, line 4i - Schedule of Assets (Held at End of Year) as of December 31, 2005 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. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lesley, Thomas, Schwarz & Postma, Inc.
A Professional Accountancy Corporation
Newport Beach, California

Table of Contents**MINDSPEED TECHNOLOGIES, INC. RETIREMENT SAVINGS PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS**

| | December 31, | |
|---|---------------------|--------------|
| | 2005 | 2004 |
| ASSETS | | |
| Investments (Note 2) | | |
| Interest bearing cash | \$ 113,796 | \$ 82,169 |
| Common/collective trust | 1,679,565 | 1,097,470 |
| Mutual funds | 9,900,677 | 6,382,977 |
| Mindspeed Technologies, Inc. common stock | 3,275,916 | 1,977,228 |
| Participant loans | 111,621 | 80,506 |
| | 15,081,575 | 9,620,350 |
| Receivables | | |
| Other | 21,288 | 128 |
| Total assets | 15,102,863 | 9,620,478 |
| LIABILITY | | |
| NET ASSETS AVAILABLE FOR BENEFITS | \$ 15,102,863 | \$ 9,620,478 |

See the accompanying notes to these financial statements.

Table of Contents

**MINDSPEED TECHNOLOGIES, INC. RETIREMENT SAVINGS PLAN
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**

| | Years Ended December 31, | |
|---|---------------------------------|---------------------|
| | 2005 | 2004 |
| ADDITIONS TO NET ASSETS ATTRIBUTED TO: | | |
| Investment income | | |
| Net appreciation (depreciation) in fair value of investments (Note 2) | \$ 791,324 | \$ (917,124) |
| Interest and dividends | 58,356 | 36,143 |
| | 849,680 | (880,981) |
| Contributions | | |
| Participants | 4,192,126 | 4,535,626 |
| Company Mindspeed Technologies, Inc. common stock | 866,759 | 958,128 |
| Rollovers | 407,104 | 103,348 |
| | 5,465,989 | 5,597,102 |
| Total additions | 6,315,669 | 4,716,121 |
| DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO: | | |
| Benefits paid to participants | 813,277 | 169,717 |
| Administrative expenses | 20,007 | 19,269 |
| Total deductions | 833,284 | 188,986 |
| NET INCREASE | 5,482,385 | 4,527,135 |
| NET ASSETS AVAILABLE FOR BENEFITS, beginning of year | 9,620,478 | 5,093,343 |
| NET ASSETS AVAILABLE FOR BENEFITS, end of year | \$ 15,102,863 | \$ 9,620,478 |

See the accompanying notes to these financial statements.

Table of Contents

**MINDSPEED TECHNOLOGIES, INC. RETIREMENT SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

NOTE 1 DESCRIPTION OF THE PLAN AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following description of the Mindspeed Technologies, Inc. Retirement Savings Plan (the Plan) provides only general information. Participants should refer to the Plan document for a complete description of the Plan's provisions.

General The Plan became effective on July 1, 2003 and is intended to qualify as a defined contribution plan under Section 401(a) of the Internal Revenue Code of 1986, as amended (the IRC), covering all eligible employees of Mindspeed Technologies, Inc. (the Company or Plan Sponsor). The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

Eligibility An employee will be permitted to participate in the Plan as soon as practicable following his or her commencement of service with the Company, effective on the first payroll payment date following his or her commencement of service as an employee.

Contributions Participant contributions to the Plan are based upon a percentage of base compensation as designated by each participant. Participants may contribute a percent of their base compensation on a pre-tax or post-tax basis, or a combination of both, up to a maximum of seventeen percent (17%). Participants who have attained age 50 before the end of the Plan year are eligible to make catch-up contributions. Participant contributions are deposited with the Plan after each pay period. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans. Contributions are invested based on each participant's election in one or more of several investment funds.

The Company may make discretionary matching contributions up to one hundred percent (100%) on the first four percent (4%) of base compensation that an employee contributes each pay period. The Company may also make a profit sharing contribution at its discretion, to be determined by the plan committee. The Company's matching contributions and profit sharing contributions are in the form of common stock of the Company, but may, at the discretion of the Board of Directors, be in cash or in any combination of cash and common stock of the Company. Company matching contributions are deposited with the Plan after each pay period. The Company matching contributions for the years ended December 31, 2005 and 2004 consisted of shares of the Company's common stock valued at \$866,759 and \$958,128, respectively, at the time of the contributions. The Company made no profit sharing contribution for the years ended December 31, 2005 or 2004.

Participant Accounts Each participant's account is credited with the participant's contribution and allocations of (a) the Company's contribution and (b) Plan earnings, and charged with an allocation of administrative expenses. Allocations of profit sharing contributions are based on a participant's base compensation. Allocations of earnings and expenses are based on a participant's account balances. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Plan participants may choose among various investment options, as more fully described in the information package provided to eligible employees by the Company.

Vesting Participants are fully vested in all contributions and earnings on contributions.

Forfeitures Participants are fully vested in their accounts upon entry to the Plan, therefore, the Plan does not allow for forfeitures.

Administrative Expenses The employer absorbs significant costs of the Plan. Certain administrative functions are performed by officers and employees of the Company. No such officer or employee receives compensation from the Plan.

Table of Contents

Payment of Benefits Plan benefits are distributed in a lump sum or installments.

Active participants may withdraw the pre-tax portion of their account in a lump sum in the event of undue financial hardship or part or all of their account upon attainment of age fifty-nine and one half (59½). Withdrawals made under this provision are limited to one withdrawal every six (6) months.

Participant Loans Participants may generally borrow an amount not exceeding the least of fifty percent (50%) of their balance, \$50,000, or the aggregate of the balances in the borrower's pre-tax contribution and post-tax contribution accounts. The loans are collateralized by the participant's vested interest in the Plan.

Non-Distributed Benefits The Plan does not accrue non-distributed benefits related to participants who have withdrawn from the Plan, but recognizes such benefits as a deduction from net assets in the period in which such benefits are paid.

Non-Discrimination Testing for Employee and Employer Contributions The Plan, as required by the IRC, performs annual tests between highly compensated participants versus non-highly compensated participants to ensure that highly compensated participants are not disproportionately favored under the Plan. If the Plan fails the tests, it must refund some of the excess deferral contributions. Excess deferral contributions which are refunded within two and one-half months of the Plan year end are accrued as a liability to the Plan. Excess deferral contributions which are not refunded within two and one-half months of the Plan year end are recorded as a distribution in the Plan year in which the refund is paid.

Basis of Accounting The financial statements are prepared under the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America and present the fair value of assets available for employee benefits and the changes in those assets.

Investment Valuation Quoted market prices are used to value investments except for the participant loans. Participant loans are valued at the outstanding principal balance which the Plan administrator (the Company) has estimated approximates fair value. The common/collective trust fund is valued by a financial institution based on the quoted market values of the underlying investments held by the fund.

Accounting 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 changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Table of Contents**NOTE 2 INVESTMENTS**

The following table presents the fair values of investments as of the dates indicated. Investments that represent five percent (5%) or more of the Plan's net assets at December 31, 2005 or 2004 are separately identified:

| | December 31, | |
|---|---------------------|--------------|
| | 2005 | 2004 |
| PARTICIPANT DIRECTED INVESTMENTS | | |
| Common/collective trust: | | |
| Fidelity Managed Income Portfolio Trust | \$ 1,679,565 | \$ 1,097,470 |
| Mutual funds: | | |
| Fidelity Dividend Growth Fund | 1,265,709 | 887,634 |
| Spartan U.S. Equity Index Fund | 1,235,519 | 885,422 |
| Fidelity Low-Priced Stock Fund | 964,640 | 625,382 |
| Baron Growth Fund | 935,522 | 500,467 |
| The Oakmark Select Fund Class I | 876,127 | 634,837 |
| Other | 4,623,160 | 2,849,235 |
| Total mutual funds | 9,900,677 | 6,382,977 |
| Mindspeed Technologies, Inc. common stock | 3,275,916 | 1,977,228 |
| Interest bearing cash | 113,796 | 82,169 |
| Participant loans | 111,621 | 80,506 |
| | \$ 15,081,575 | \$ 9,620,350 |

The Plan's investments (including gains and losses on investments bought and sold, as well as held) appreciated in value for the year ended December 31, 2005 and depreciated in value for the year ended December 31, 2004. A summary of the change in fair value of the investments is as follows:

| | Years Ended December 31, | |
|---|---------------------------------|----------------|
| | 2005 | 2004 |
| Mindspeed Technologies, Inc. common stock | \$ 266,416 | \$ (1,513,135) |
| Mutual funds | 524,908 | 596,011 |
| | \$ 791,324 | \$ (917,124) |

NOTE 3 PLAN TERMINATION

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. Participants are always fully vested in their accounts.

NOTE 4 TAX STATUS

The IRS has determined and informed the Company by a letter dated November 16, 2004, that the Plan and related trust were designed in accordance with the applicable regulations of the Internal Revenue Code. The Company and the plan administrator believe that the Plan is currently designed and operated in compliance with the applicable requirements of the Internal Revenue Code and that the Plan and related trust continue to be tax-exempt. Therefore, no provision for income taxes has been included in the Plan's financial statements.

Table of Contents

NOTE 5 RISKS AND UNCERTAINTIES

The Plan provides for various investment options in any combination of stocks, bonds, fixed-income securities, and mutual funds. Investment securities are exposed to various risks, such as interest rate, market, and credit. Because of the risks associated with certain investment securities and the uncertainties related to changes in the value of investment securities, it is possible that changes in the value of such securities may materially affect participants account balances and the amounts reported in the statements of net assets available for benefits and the statements of changes in net assets available for benefits.

NOTE 6 RELATED PARTY TRANSACTIONS

Certain Plan investments are shares of mutual funds and units of participation in a common/collective trust managed by Fidelity Investments. Fidelity Management Trust Company (a wholly owned subsidiary of Fidelity Investments) is the Plan Trustee and, therefore, these transactions qualify as party-in-interest transactions. The Plan also holds investments in the common stock of Mindspeed Technologies, Inc., the Plan Sponsor. These transactions also qualify as party-in-interest transactions for which a statutory exception exists.

Table of Contents

MINDSPEED TECHNOLOGIES, INC. RETIREMENT SAVINGS PLAN
SUPPLEMENTAL SCHEDULE
DECEMBER 31, 2005
FEIN: 01-0616769
PLAN NUMBER: 001
SCHEDULE H, LINE 4i SCHEDULE OF ASSETS
(HELD AT END OF YEAR)

| (a) | (b) Identity of Issue, Borrower, | (c) Description of Investment Including Maturity Date, Rate of Interest, Collateral, | (d) Cost | (e) Current Value |
|-----|-------------------------------------|---|-------------|----------------------|
| | Lessor or Similar Party | Par or Maturity Value | | |
| * | Fidelity Investments | Interest bearing cash | ** | \$ 113,796 |
| * | Fidelity Investments | Fidelity Fund | ** | 132,469 |
| * | Fidelity Investments | Fidelity Growth Company Fund | ** | 578,925 |
| * | Fidelity Investments | Fidelity OTC Portfolio Fund | ** | 88,779 |
| * | Fidelity Investments | Fidelity Low-Priced Stock Fund | ** | 964,640 |
| * | Fidelity Investments | Fidelity Diversified International Fund | ** | 584,637 |
| * | Fidelity Investments | Fidelity Dividend Growth Fund | ** | 1,265,709 |
| * | Fidelity Investments | Fidelity Mid-Cap Stock Fund | ** | 672,210 |
| * | Fidelity Investments | Fidelity Freedom Income Fund | ** | 52,581 |
| * | Fidelity Investments | Fidelity Freedom 2000 Fund | ** | 50,522 |
| * | Fidelity Investments | Fidelity Freedom 2005 Fund | ** | 1,742 |
| * | Fidelity Investments | Fidelity Freedom 2010 Fund | ** | 170,417 |
| * | Fidelity Investments | Fidelity Freedom 2015 Fund | ** | 20,530 |
| * | Fidelity Investments | Fidelity Freedom 2020 Fund | ** | 282,279 |
| * | Fidelity Investments | Fidelity Freedom 2025 Fund | ** | 6,648 |
| * | Fidelity Investments | Fidelity Freedom 2030 Fund | ** | 207,523 |
| * | Fidelity Investments | Fidelity Freedom 2035 Fund | ** | 74,996 |
| * | Fidelity Investments | Fidelity Freedom 2040 Fund | ** | 146,921 |
| * | Fidelity Investments | Fidelity Intermediate Government Income Fund | ** | 97,019 |
| * | Fidelity Investments | Fidelity Managed Income Portfolio Trust | ** | 1,679,565 |
| * | Fidelity Investments | Fidelity U.S. Bond Index Fund | ** | 464,205 |
| | T. Rowe Price | T. Rowe Price Emerging Market Stock Fund | ** | 313,962 |
| | Ariel | Ariel Fund | ** | 351,928 |
| | Baron Funds | Baron Growth Fund | ** | 935,522 |
| | Oakmark Funds | The Oakmark Select Fund Class I | ** | 876,127 |
| | Spartan | Spartan U.S. Equity Index Fund | ** | 1,235,519 |
| | Van Kampen | Van Kampen Growth & Income Fund Class A | ** | 324,867 |
| * | Mindspeed Technologies, Inc. | Common stock, 1,394,007 shares | ** | 3,275,916 |
| * | Participant loans | Interest rates ranging from 5.75% to 10% | \$ 0 | 111,621 |

\$ 15,081,575

* *Party-in-interest
for which a
statutory
exception exists*

** *Historical cost
information is
not required for
participant
directed
investment funds*

See report of Independent Registered Public Accounting Firm and the accompanying notes to financial statements.

Table of Contents

SIGNATURE

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

MINDSPEED TECHNOLOGIES, INC.
RETIREMENT SAVINGS PLAN

Date: June 26, 2006

By /s/ Bradley W. Yates

Bradley W. Yates
Senior Vice President and Chief Administrative
Officer
of Mindspeed Technologies, Inc. and Member of
the
Plan Committee

Table of Contents

EXHIBIT INDEX

| | |
|----|--|
| 23 | Consent of Independent Registered Public Accounting Firm |
| | 12 |