



MAGNETEK
2011 ANNUAL REPORT

THE ROAD TO A
BRIGHTER FUTURE



To Our Shareholders:

After weathering the impact of the economic slowdown during our previous fiscal year, we are pleased with the strong performance our team achieved in fiscal 2011. Throughout the economic downturn, we continued to invest in R&D and new product development. This strategy enabled us to capitalize on demand with the right products as the markets began to recover. U.S. manufacturing activity increased for much of the fiscal year and most of our end markets, particularly on the industrial side, continued to show signs of steady growth and recovery. Our order rates and backlog levels reflected this. In fiscal 2011 we posted higher sales in each of our served markets, particularly material handling and renewable energy, resulting in year-over-year growth in revenue, gross profit and income from operations.

Given the positive momentum of our business and the strength of our operating performance in fiscal 2011, we have accelerated the level of investments in product development and sales channel expansion aimed at driving future sales growth. We're focused on organic growth opportunities across all major served markets. We also see international expansion as an important opportunity and are reviewing strategies to take our business model and technology to the global marketplace.

In terms of product development, we believe radio control is a key growth opportunity for us. We continue to develop radio control products for our traditional crane and hoist customers, as well as for the growing mobile hydraulic industry. We are exploring leveraging our wireless control technology in other industries as well, including the mining market, and we are further expanding our M-Force[®] mining drive product line to meet the growing demand for AC products in this industry. In our elevator business, we're building on the success of our Quattro[®] DC regenerative drive with a new AC version that has been shipped to various locations worldwide. Quattro AC allows us to bring our energy saving drive into the larger high-rise AC market for both modernization and new construction. We are also focusing our marketing efforts on our new line of low cost AC elevator drives, which should not only strengthen our position in North America, but allow for growth internationally. Given the challenging conditions in the wind market, and the better short- and long-term growth opportunities we see in the solar market, we've strategically allocated additional resources toward developing and marketing power inverters for utility scale solar applications. This should allow us to diversify our customer base and product offering to compete more effectively in the renewable space.

Toward the end of our fiscal year, certain indicators pointed to a moderation in U.S. manufacturing. However, we continued to see strong demand levels from customers operating in our traditional industrial end markets. While we are mindful that the road ahead could become challenging, we are confident in our business model. Magnetek's value proposition lies in the development and marketing of Energy Engineered[®] products that focus on operational efficiency and energy savings, increasingly important in today's world. Our talented team has the expert knowledge our customers rely on to apply advanced technology to meet their power control needs. We offer a balanced product portfolio that serves both our industrial customer base as well as the emerging renewable energy marketplace. This breadth of product lines, as well as our strong position in our traditional core industries, should allow us to weather the fluctuations seen in the renewable energy market and enable us to outpace overall economic growth rates.

The road to a brighter future means aligning our resources and investments with what we see as our greatest growth opportunities. We plan to capitalize on those opportunities through new product introductions, the penetration of new markets, and geographic expansion, while continuing to manage costs and assets to optimize cash flow and profitability.

Thank you for your continued support.



Peter M. McCormick
President and Chief Executive Officer

August 31, 2011

SELECTED FINANCIAL DATA

The following table sets forth selected historical financial data for Magnetek, Inc. for the fiscal year ended July 3, 2011, and the previous four fiscal years. The financial data presented below is derived from our audited consolidated financial statements. The results of our power electronics business, which was divested in October 2006, and our telecom power systems business, which was divested in September 2008, are included in discontinued operations for all periods presented, as explained in Note 2 of Notes to Consolidated Financial Statements.

For additional information, see our financial statements and the notes thereto included elsewhere in this Annual Report. The following table should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” below.

Statement of Operations Data

| For the years ended <i>(Amounts in thousands, except per share data)</i> | July 3, 2011 | June 27, 2010 | June 28, 2009 | June 29, 2008 | July 1, 2007 |
|--|-------------------------|--------------------------|--------------------------|--------------------------|-------------------------|
| Net sales | \$ 109,832 | \$ 80,571 | \$ 98,221 | \$ 100,039 | \$ 87,739 |
| Gross profit | 35,157 | 24,128 | 33,324 | 29,444 | 28,097 |
| Gross profit % | 32.0% | 29.9% | 33.9% | 29.4% | 32.0% |
| Income (loss) from operations | \$ 5,446 | \$ (2,314) | \$ 6,146 | \$ 6,783 | \$ (702) |
| Net income (loss): | | | | | |
| Continuing operations | \$ 4,817 | \$ (3,158) | \$ 4,969 | \$ 6,535 | \$ (2,770) |
| Discontinued operations | (1,154) | (1,943) | (1,686) | 3,484 | (5,222) |
| Net income (loss) | \$ 3,663 | \$ (5,101) | \$ 3,283 | \$ 10,019 | \$ (7,992) |
| Per common share - basic and diluted: | | | | | |
| Income (loss) from continuing operations - basic | \$ 0.15 | \$ (0.10) | \$ 0.16 | \$ 0.22 | \$ (0.09) |
| Income (loss) from continuing operations - diluted | \$ 0.15 | \$ (0.10) | \$ 0.16 | \$ 0.21 | \$ (0.09) |
| Income (loss) from discontinued operations - basic and diluted | \$ (0.04) | \$ (0.06) | \$ (0.05) | \$ 0.11 | \$ (0.18) |
| Income (loss) - basic | \$ 0.12 | \$ (0.16) | \$ 0.11 | \$ 0.33 | \$ (0.27) |
| Income (loss) - diluted | \$ 0.11 | \$ (0.16) | \$ 0.11 | \$ 0.33 | \$ (0.27) |

Balance Sheet Data

| <i>(Amounts in thousands)</i> | July 3, 2011 | June 27, 2010 | June 28, 2009 | June 29, 2008 | July 1, 2007 |
|---|-------------------------|--------------------------|--------------------------|--------------------------|-------------------------|
| Total assets | \$ 85,433 | \$ 76,100 | \$ 84,080 | \$ 91,547 | \$ 104,738 |
| Long-term debt, including current portion | - | 4 | 15 | 21 | 32 |
| Other long term obligations | 1,318 | 1,461 | 1,615 | 1,947 | 1,709 |
| Pension benefit obligations | 61,382 | 77,914 | 76,849 | 37,638 | 15,965 |
| Stockholders' equity (deficit) | (4,462) | (23,937) | (11,291) | 29,801 | 41,473 |

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We are a global provider of digital power control systems that are used to control motion and power primarily in material handling, elevator and energy delivery applications. Our systems consist primarily of programmable motion control and power conditioning systems used in the following applications: overhead cranes and hoists, elevators, coal mining equipment; and renewable energy applications. We believe that with our technical and productive resources, application expertise, broad product offerings and sales channel capabilities, we are well positioned to respond to increasing demand in our served markets. Our operations are located in North America, predominantly in Menomonee Falls, Wisconsin, our Company headquarters.

Our product offerings for material handling applications include drive systems, radio remote controls, and braking, collision-avoidance, and electrification subsystems, sold primarily to original equipment manufacturers ("OEMs") of overhead cranes and hoists. We have a significant market share in North America in alternating current ("AC") control systems and believe we have growth opportunities in wireless radio controls, direct current ("DC") control systems for retrofit applications and in automating existing manual material handling processes.

Our product offerings for elevator applications are comprised of highly integrated subsystems and drives used to control motion primarily in high rise, high speed elevator applications. Our products are sold mainly to elevator OEMs and we have a significant share of the available market for DC drives and subsystems used in high-rise elevators, primarily in retrofit projects. We believe we have opportunities for growth in available elevator markets by introducing new energy-saving product offerings for both AC and DC applications, expanding the breadth of our product offerings to include competitive low-end products for lower performance AC applications, and using our new product offerings to expand geographically.

Our product offerings for energy delivery applications include power inverters for renewable energy applications, primarily wind turbines, as well as AC and DC drives for mining applications. Renewable energy markets have grown rapidly in North America over recent years as both wind and solar power have become increasingly competitive from a cost standpoint with more traditional methods of power generation, and as state governments enact renewable energy portfolio standards. The continued uncertain global economic environment has had a worldwide impact on the solar and wind markets, as growth in these markets is heavily dependent on government subsidies as well as the availability of financing over extended periods of time. In addition, the cost of traditional forms of energy, such as natural gas and coal, also impact demand in renewable energy markets. Throughout most of the past year, relatively low natural gas prices have resulted in soft demand in the wind market. In addition, many companies that produce wind turbines also manufacture their own power inverters, limiting the market opportunity for our wind inverters. As a result, we view the solar market as offering better growth opportunities, particularly at the utility-scale end of the market. We also recognize the need to diversify our customer base and product offering if we are to compete more effectively in the renewable space. Accordingly, we've strategically allocated additional resources toward the ongoing development of utility-scale power inverters for the solar market in an effort to shift our renewable sales mix in the future through a more diverse product offering.

Continuing Operations

We focus on a variety of key indicators to monitor our business performance. These indicators include order rates, sales growth, gross profit margin, operating profit margin, net income, earnings per share, and working capital and cash flow measures. These indicators are compared to our operating plans as well as to our prior year actual results, and are used to measure our success relative to our objectives. Our Company objectives are to grow sales at least 10% on a year-over year basis, to achieve 30% gross margins and 10% operating profit margins, and to generate sufficient cash flow to fund our growth initiatives, our operations and our obligations.

Throughout fiscal 2011, we experienced improving conditions and increasing demand in most of our major served markets, both in traditional industrial markets as well as renewable energy markets. Accordingly, both our sales and operating results have improved significantly over prior year levels. Our sales increased 36% to \$109.8 million in fiscal 2011 from \$80.6 million in fiscal 2010. Sales of product with material handling applications, our largest served market, rebounded in fiscal 2011 and increased nearly 28% over fiscal 2010 levels to more than \$59 million. In addition, sales of products for renewable energy markets, mainly power inverters for wind turbine applications, increased from less than \$10 million in fiscal 2010 to more than \$20 million in fiscal 2011.

Fiscal 2011 gross profit increased to \$35.2 million, or 32.0% of sales, compared to \$24.1 million, or 29.9% of sales in fiscal 2010. We reported a pre-tax income from operations of \$5.4 million in fiscal 2011 compared to a prior year pre-tax loss from operations of \$2.3 million, due mainly to higher sales volumes in each of our primary served markets. Lower pension expense also contributed to our increased income in fiscal 2011. Fiscal 2011 pension expense decreased by \$1.7 million to \$6.5 million from fiscal 2010 levels. In summary, the majority of our key indicators for each of our served markets, including order rates, sales levels, and profit margins, improved significantly over the levels of one year ago.

Total bookings for the fourth quarter of fiscal 2011 were \$25.7 million, resulting in a book-to-bill ratio for the quarter of 83%, which was negatively impacted by soft renewable energy orders relative to sales in the fourth quarter. The book-to-bill ratio for the Company's industrial markets (material handling, elevator and mining) was 98% in the fourth quarter of fiscal 2011, as bookings of products for material handling applications were \$17.6 million, roughly equal to fourth quarter material handling sales. Total Company order backlog was \$21.0 million at July 3, 2011.

Demand levels remain strong in our traditional served industrial markets, particularly for products with material handling and mining applications. While it appears that U.S. manufacturing activity has moderated over the past several months, we expect demand in our served industrial markets to remain strong through calendar 2011. Our incoming order rate for wind inverters during the fourth quarter is indicative of the challenging conditions that have persisted in the wind market for some time, and we expect conditions in the wind market to remain soft for the remainder of calendar year 2011.

We believe that future growth in profitability is largely dependent upon increased sales revenue and continued improvement in gross margins. Our past sales growth has been, and we believe future sales growth will continue to be, dependent on overall economic conditions, which impact our customers' ability to obtain financing and willingness to invest, demand for material handling products, successful introduction and increasing acceptance of new products, and greater breadth in our product offerings in renewable energy markets. In the event the U.S. manufacturing recovery continues beyond calendar year 2011, sales of our material handling products should continue to increase, which should result in increases in our gross profit and income from operations.

Additional improvement in gross margins is mainly dependent upon favorable economic conditions, continued acceptance of recently introduced product offerings by the marketplace, and ongoing successful cost reduction actions related to recently introduced product offerings. We intend to focus our development and marketing efforts on organic sales growth opportunities across all major served markets, and also plan to continue to tightly control our operating expenses. In addition, a further increase in the valuation of our pension plan assets or increases in interest rates, primarily related to long-term high-quality corporate bond rates, would favorably impact our periodic pension expense and required pension contributions in future periods.

We believe overall economic conditions in our end markets remain fairly healthy, although current forecasts indicate the U.S. economic recovery is stalling. Other recent events, including the U.S. credit rating downgrade, concern over government debt levels both in the U.S. and Europe, and increasing volatility in the financial markets, could have an unfavorable impact on our business going forward. Macro-economic conditions remain dynamic and somewhat fragile, and as a result, it remains challenging to predict the timing, duration or strength of any economic recovery or the timing, duration or severity of a subsequent economic slowdown, worldwide, in the U.S., or in the specific end markets we serve.

Discontinued Operations

In the fourth quarter of fiscal 2008, we classified the assets and liabilities of our Telecom Power Systems ("TPS") business as held for sale, and the results of operations of the TPS business as discontinued operations. Our TPS product offerings were focused on providing back-up power for wireless applications. We concluded that we could better achieve our sales growth objectives by redirecting certain resources deployed in the TPS business to our product offerings in the material handling, elevator and energy delivery markets. We completed the divestiture of the TPS business during the first quarter of fiscal 2009 (see Note 3 of Notes to Consolidated Financial Statements).

In addition to the operating results of the divested TPS business, certain expenses related to previously divested businesses have also been classified as discontinued operations in the accompanying consolidated financial statements and footnotes for all periods presented (see Note 2 of Notes to Consolidated Financial Statements). Expenses related to previously divested businesses have historically included certain expenses for environmental matters, asbestos claims and product liability claims (see Note 11 of Notes to Consolidated Financial Statements). All of these issues relate to businesses we no longer own and most relate to indemnification agreements that we entered into when we divested those businesses.

Going forward, our results of discontinued operations may include additional costs incurred related to businesses no longer owned, and may include additional costs above those currently estimated and accrued related to the divestiture of our TPS business and our power electronics business, which was divested in October 2006.

Change in Fiscal Year

In August 2011, subsequent to the end of fiscal 2011, we made the decision to conform our fiscal year, which historically ended on the Sunday nearest June 30, to the calendar year, with future fiscal years ending on the Sunday nearest December 31. We feel this change will better align our business with customer spending patterns, will allow for enhanced comparability of our results with those of our peers, and will also increase our administrative efficiency by balancing our workload more evenly throughout the year. As a result, we plan to report our financial results for the six month transition period (“Transition Period 2011”) of July 4, 2011, through January 1, 2012, on an Annual Report on Form 10-K and to thereafter file reports for each 12 month period, beginning with the 12 month period ended December 30, 2012. Prior to filing the transition report, we will file our quarterly report on Form 10-Q for the quarter ending October 2, 2011.

Critical Accounting Policies

Our accounting policies are more fully described in Note 1 of the Notes to Consolidated Financial Statements. As disclosed in Note 1, the preparation of financial statements in conformity with accounting principles generally accepted in the United States requires estimates and judgments by management that affect the reported amount of assets and liabilities, revenues, expenses, and related disclosures. Such estimates are based upon historical experience and other assumptions believed to be reasonable given known circumstances. Actual results could differ from those estimates. On an ongoing basis, we evaluate and update our estimates, and we believe the following discussion addresses our policies which are most critical to understanding our financial position and results of operations and which require our most complex judgments.

Accounts Receivable

Accounts receivable represent amounts due from customers in the ordinary course of business. We are subject to losses from uncollectible receivables in excess of our allowances. We maintain allowances for doubtful accounts for estimated losses from customers’ inability to make required payments. In order to estimate the appropriate level of this allowance, we analyze historical bad debts, customer concentrations, current customer creditworthiness, current economic trends and changes in customer payment patterns. Our total allowance includes a specific allowance based on identification of customers where we feel full payment is in doubt, as well as a general allowance calculated based on our historical losses on accounts receivable as a percentage of historical sales. We believe that our methodology has been effective in accurately quantifying our allowance for doubtful accounts and do not anticipate changing our methodology in the future. However, if the financial condition of any of our customers was to deteriorate and impair their ability to make payments, additional allowances may be required in future periods. We believe that all appropriate allowances have been provided.

Inventories

Our inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out (FIFO) method, including material, labor and factory overhead. We identify potentially obsolete and excess inventory by evaluating overall inventory levels in relation to expected future requirements and market conditions, and provisions for excess and obsolete inventory and inventory valuation are recorded accordingly. Items with no usage for the past 12 months and no expected future usage are considered obsolete, and are disposed of or fully reserved. Reserves for excess inventory are determined based upon historical and anticipated usage as compared to quantities on hand. Excess inventory is defined as inventory items with on-hand quantities in excess of one year’s usage and specified percentages are applied to the excess inventory value in determining the reserve. Our assumptions have not changed significantly in the past, and are not likely to change in the future. We believe that our assumptions regarding inventory valuation have been accurate in the past and believe that all appropriate reserves for excess and obsolete inventory have been provided.

Long-Lived Assets and Goodwill

We periodically evaluate the recoverability of our long-lived assets, including property, plant and equipment. Impairment charges are recorded in operating results when the undiscounted future expected cash flows derived from an asset are less than the carrying value of the asset.

We are required to perform annual impairment tests of our goodwill, and may be required to test more frequently in certain circumstances. We have elected to perform our annual impairment test in the fourth quarter of our fiscal year. Per Accounting Standards Codification (“ASC”) Topic 350, *Intangibles – Goodwill and Others*, the best evidence of fair value are quoted prices in active markets. Accordingly, we believe that our market capitalization is the best indication of fair value. No impairments were recognized in long-lived assets or goodwill for the fiscal years ended July 3, 2011, June 27, 2010, and June 28, 2009.

Pension Benefits

We sponsor a defined benefit plan that was frozen in 2003 which covers primarily former employees in the U.S. The valuation of our pension plan requires the use of assumptions and estimates that attempt to anticipate future events to develop actuarial valuations of expenses, assets and liabilities. These assumptions include discount rates, expected rates of return on plan assets and mortality rates.

We consider market conditions, including changes in investment returns and interest rates, in making these assumptions. Our plan assets are comprised mainly of common stock and bond funds. The expected rate of return on plan assets is a long-term assumption and is generally not changed on an annual basis. The expected rate of return on plan assets used in determining pension expense was 8.5% in fiscal 2011 and 9.0% in fiscal 2010. In determining future periodic pension expense, we have reduced the expected rate of return on plan assets to 8.25%.

The discount rate reflects the market for high-quality fixed income debt instruments and is subject to change each year. As of July 3, 2011, the discount rate used to determine the benefit obligation was 5.15% as compared to 5.10% as of June 27, 2010.

Changes in assumptions typically result in actuarial gains or losses that are amortized over future accounting periods in accordance with the methods specified in ASC Topic 715, *Employers’ Accounting for Pensions*. Similarly, if our actual return on plan assets varies from our expected return on plan assets, this also results in actuarial gains or losses that are amortized to pension expense over future accounting periods. Mainly as a result of higher than expected returns on plan assets in fiscal 2011, our Transition Period 2011 pension expense is expected to decrease by approximately \$0.25 million per quarter from fiscal 2011. Significant differences between our assumptions and actual future investment returns or discount rates could have a material impact on our financial position or results of operations and related funding requirements.

Reserves for Contingencies

We periodically record the estimated impact of various conditions, situations or circumstances involving uncertain outcomes. The accounting for such events is prescribed under ASC Topic 450, *Contingencies*. ASC Topic 450 defines a contingency as an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss to an entity that will ultimately be resolved when one or more future events occur or fail to occur.

ASC Topic 450 does not permit the accrual of gain contingencies under any circumstances. For loss contingencies, the loss must be accrued if information is available that indicates it is probable that the loss has been incurred, given the likelihood of uncertain events, and the amount of the loss can be reasonably estimated.

The accrual of a contingency involves considerable judgment and we use our internal expertise and outside experts, as necessary, to help estimate the probability that a loss has been incurred and to assist in determining the amount or range of the loss. In those circumstances where we determined that it was probable that a loss had been incurred, our estimates of the amount of loss have been reasonably accurate.

Income Taxes

We operate in several taxing jurisdictions and are subject to a variety of income and related taxes. Judgment is required in determining our provision for income taxes and related tax assets and liabilities. We believe we have reasonably estimated our tax positions for all jurisdictions for all open tax periods. However, it is possible that, upon closure of our tax periods, our final tax liabilities could differ from our estimates.

We record deferred income tax assets in tax jurisdictions where we generate losses for income tax purposes. We also record valuation allowances against these deferred tax assets in accordance with ASC Topic 740, *Income Taxes*, when in our judgment, the deferred income tax assets will likely not be realized in the foreseeable future.

Since fiscal 2002, we have provided valuation reserves against our U.S. deferred tax assets that result in a net deferred tax liability position. A portion of our deferred tax liability relates to tax-deductible amortization of goodwill that is no longer amortized for financial reporting purposes. Under applicable accounting rules, such deferred tax liabilities are considered to have an indefinite life and are therefore ineligible to be considered as a source of future taxable income in assessing the realization of deferred tax assets.

RESULTS OF OPERATIONS FOR YEAR ENDED JULY 3, 2011, COMPARED WITH YEAR ENDED JUNE 27, 2010

Net Sales and Gross Profit

Net sales increased 36% to \$109.8 million in fiscal 2011 from \$80.6 million in fiscal 2010. The increase in net sales in fiscal 2011 was due primarily to higher sales of products for material handling applications of \$12.8 million and higher sales of products for energy delivery applications of \$10.6 million, primarily inverters for wind turbine applications. Net sales by market were as follows, in millions:

| <i>Fiscal Year Ended</i> | July 3, 2011 | | June 27, 2010 | |
|--------------------------|-----------------|-------------|----------------|-------------|
| | Sales | % of Sales | Sales | % of Sales |
| Material handling | \$ 59.1 | 54% | \$ 46.3 | 57% |
| Elevator motion control | 22.9 | 21% | 18.9 | 23% |
| Energy systems | 27.8 | 25% | 15.4 | 20% |
| Total net sales | \$ 109.8 | 100% | \$ 80.6 | 100% |

Gross profit in fiscal 2011 increased to \$35.2 million (32.0% of sales) from \$24.1 million (29.9% of sales) in fiscal 2010. The \$11.1 million increase in gross profit in fiscal 2011 was primarily due to sales of relatively higher margin material handling products and increased sales of wind power inverters.

Operating Expenses

Operating expenses are comprised of research and development (“R&D”) expense, pension expense, and selling, general and administrative (“SG&A”) expenses. R&D expense was \$4.4 million in fiscal 2011, or 4.0% of sales, compared to \$3.8 million, or 4.7% of sales, in fiscal 2010. The increased spending in R&D expense in fiscal 2011 as compared to fiscal 2010 reflects higher payroll expenses and development costs incurred in new product introductions.

Pension expense in fiscal 2011 decreased to \$6.5 million from \$8.2 million in fiscal 2010 due to higher than expected returns on assets realized in fiscal 2010 as well as a decrease in the interest cost component of pension expense due to declining interest rates.

SG&A expense was \$18.9 million, or 17.2% of sales, in fiscal 2011 compared to \$14.4 million, or 17.9% of sales, in fiscal 2010. Selling expenses were \$9.2 million, or 8.4% of sales, in fiscal 2011, compared to \$7.8 million, or 9.7% of sales, in fiscal 2010. The increase in selling expenses was due to higher commissions of \$0.7 million, increased payroll costs from headcount additions in fiscal 2011, and higher discretionary spending. General and administrative (“G&A”) expense was \$9.7 million in fiscal 2011 compared to \$6.6 million in fiscal 2010. The increase in G&A expense in fiscal 2011 as compared to fiscal 2010 was mainly due to higher incentive compensation provisions, increases in other payroll-related costs and higher professional fees.

Income (Loss) from Operations

Income from operations was \$5.4 million in fiscal 2011, compared to a loss from operations of \$2.3 million in fiscal 2010. The increase in income from operations in fiscal 2011 as compared to fiscal 2010 was primarily due to higher sales volume and lower pension expense, partially offset by higher SG&A costs.

Interest Income and Expense

Interest income was negligible in both fiscal 2011 and 2010.

Provision for Income Taxes

We recorded a tax provision of \$0.6 million in fiscal 2011 and \$0.9 million in fiscal 2010, mainly due to non-cash deferred tax provisions of \$1.0 million in fiscal 2010 and 2009, respectively, related to changes in deferred tax liabilities from goodwill amortization. The remainder of our provision or benefit for income taxes is comprised of provisions or benefit for income taxes on our pretax operating results in Canada (see Note 10 of Notes to Consolidated Financial Statements).

Income (Loss) from Continuing Operations

In fiscal 2011, we recorded income from continuing operations of \$4.8 million, or \$.15 per share, compared to a loss from continuing operations of \$3.2 million in fiscal 2010, or \$0.10 per share, on both a basic and diluted basis.

Loss from Discontinued Operations

We recorded a loss from discontinued operations in fiscal 2011 of \$1.2 million, or a \$0.04 loss per share on both a basic and diluted basis compared to a fiscal 2010 loss from discontinued operations of \$1.9 million, or a \$0.06 loss per share on both a basic and diluted basis.

Our loss from discontinued operations in fiscal 2011 related entirely to previously divested businesses, comprised mainly of legal and professional fees incurred in various matters.

Our loss from discontinued operations in fiscal 2010 included a loss of \$0.2 million on the September 2008 disposal of our TPS business, and costs of \$1.7 million loss related to previously divested businesses, comprised mainly of legal and professional fees incurred in various environmental matters.

Net Income (Loss)

We recorded net income in fiscal 2011 of \$3.7 million, or \$0.11 per share on a diluted basis, compared to a net loss in fiscal 2010 of \$5.1 million, or a \$0.16 loss per share, on both a basic and diluted basis.

RESULTS OF OPERATIONS FOR YEAR ENDED JUNE 27, 2010, COMPARED WITH YEAR ENDED JUNE 28, 2009

Net Sales and Gross Profit

Net sales decreased 18% to \$80.6 million in fiscal 2010 from \$98.2 million in fiscal 2009. The decrease in net sales in fiscal 2010 was due primarily to decreased sales of products for material handling applications of \$20.7 million and elevator motion control of \$1.0 million, partially offset by higher sales of products for energy delivery applications, primarily inverters for wind turbine applications. Net sales by market were as follows, in millions:

| <i>Fiscal Year Ended</i> | June 27, 2010 | | June 28, 2009 | |
|--------------------------|---------------|------------|---------------|------------|
| | Sales | % of Sales | Sales | % of Sales |
| Material handling | \$ 46.3 | 57% | \$ 67.0 | 68% |
| Elevator motion control | 18.9 | 23% | 19.9 | 20% |
| Energy systems | 15.4 | 20% | 11.3 | 12% |
| Total net sales | \$ 80.6 | 100% | \$ 98.2 | 100% |

Gross profit in fiscal 2010 decreased to \$24.1 million (29.9% of sales) from \$33.3 million (33.9% of sales) in fiscal 2009. The \$9.2 million decrease in gross profit in fiscal 2010 was primarily due to decreased sales of relatively higher margin material handling products, partially offset by increased sales of wind inverters.

Operating Expenses

R&D expense was \$3.8 million in fiscal 2010, or 4.7% of sales, compared to \$3.5 million, or 3.6% of sales, in fiscal 2009. The increased spending in R&D expense in fiscal 2010 as compared to fiscal 2009 reflected higher payroll-related costs incurred in new product introductions.

Pension expense in fiscal 2010 increased to \$8.2 million from \$3.4 million in fiscal 2009 due to lower than expected returns on assets realized in fiscal 2009 as well as an increase in the amortization of unrecognized actuarial losses related to our pension plan.

SG&A expense was \$14.4 million, or 17.9% of sales, in fiscal 2010 compared to \$20.3 million, or 20.6% of sales, in fiscal 2009. Selling expenses were \$7.8 million, or 9.7% of sales, in fiscal 2010, compared to \$9.7 million, or 9.9% of sales, in fiscal 2009. The decrease in selling expenses was due to lower commissions of \$1.0 million and reduced payroll costs from headcount reductions enacted during fiscal 2009 and 2010. G&A expense was \$6.6 million in fiscal 2010 compared to \$10.6 million in fiscal 2009. The decrease in G&A expense in fiscal 2010 as compared to fiscal 2009 was mainly due to lower incentive compensation as well as lower salaries & benefits from cost reduction actions implemented in fiscal 2009 and fiscal 2010. In addition, fiscal 2009 G&A expense included severance costs of \$1.0 million related to management reorganization actions (see Note 9 of Notes to Consolidated Financial Statements).

Income (Loss) from Operations

Our loss from operations was \$2.3 million in fiscal 2010, compared to income from operations of \$6.1 million in fiscal 2009. The decrease in income from operations in fiscal 2010 as compared to fiscal 2009 was primarily due to lower sales volume and higher pension expense, partially offset by lower SG&A costs.

Interest Income and Expense and Other Expense

Interest income was negligible in fiscal 2010 and \$0.1 million in fiscal 2009. The decrease in interest income in fiscal 2010 as compared to fiscal 2009 was mainly due to lower interest rates earned on cash balances during fiscal 2010.

Provision for Income Taxes

We recorded a tax provision of \$0.9 million in fiscal 2010 and \$1.3 million in fiscal 2009, mainly due to non-cash deferred tax provisions of \$1.0 million in fiscal 2010 and 2009, respectively, related to changes in deferred tax liabilities from goodwill amortization. The remainder of our provision for income taxes was comprised of provisions for income taxes on our pretax income in Canada (see Note 10 of Notes to Consolidated Financial Statements).

Income (Loss) from Continuing Operations

In fiscal 2010, we recorded a loss from continuing operations of \$3.2 million, or \$0.10 per share on both a basic and diluted basis, compared to income from continuing operations of \$5.0 million in fiscal 2009, or \$0.16 per share on a diluted basis.

Income (Loss) from Discontinued Operations

We recorded a loss from discontinued operations in fiscal 2010 of \$1.9 million, or a \$0.06 loss per share on both a basic and diluted basis compared to a fiscal 2009 loss from discontinued operations of \$1.7 million, or \$0.05 per share on both a basic and diluted basis.

Our loss from discontinued operations in fiscal 2010 included a loss of \$0.2 million on the September 2008 disposal of our TPS business, and costs of \$1.7 million loss related to previously divested businesses, comprised mainly of legal and professional fees incurred in various environmental matters.

Our loss from discontinued operations in fiscal 2009 included a loss from termination of a lease agreement of \$1.0 million, expenses related to previously divested businesses of \$0.8 million, a loss on the September 2008 disposal of our TPS business of \$0.3 million, and losses in our TPS business prior to its disposal of \$0.1 million, partially offset by a settlement gain of \$0.5 million from a previous agreement with Federal-Mogul Corporation.

Net Income (Loss)

We recorded a net loss in fiscal 2010 of \$5.1 million, or \$0.16 per share, on both a basic and diluted basis, compared to fiscal 2009 net income of \$3.3 million, or \$0.11 per share on both a basic and diluted basis.

Liquidity and Capital Resources

Our unrestricted cash and cash equivalent balance increased \$4.1 million during the year ended July 3, 2011, from \$8.2 million at June 27, 2010, to \$12.3 million at July 3, 2011. Restricted cash balances remained unchanged during the year at \$0.3 million. The primary source of cash during fiscal 2011 was income from continuing operations of \$4.8 million, which included non-cash charges for depreciation, amortization, pension, stock compensation and deferred income tax provisions, and cash from net reductions in operating assets and liabilities of \$0.6 million. Accounts payable increased during the year by \$2.2 million, mainly due to an increase in inventories due to higher sales volume. Inventory increased

during the year by \$4.0 million, due to both an increase in sales volume and a decrease in our inventory turnover rate to 5.8 turns for the fourth quarter of fiscal 2011 (ended July 3, 2011) from 6.7 turns for the fourth quarter of fiscal 2010 (ended June 27, 2010). Our accounts receivable increased during the year by \$1.8 million, due to higher sales volume in the fourth quarter of fiscal 2011 as compared to the fourth quarter of fiscal 2010. Sales in the fourth quarter of fiscal 2011 were \$31.1 million compared to sales of \$24.3 million in the fourth quarter of fiscal 2010. Our accounts receivable days sales outstanding decreased as of the end of the fourth quarter of fiscal 2011 to 53.4 days from 61.5 days at the end of the fourth quarter of fiscal 2010. Accrued liabilities increased by \$3.4 million during fiscal 2011, mainly due to the accrual of incentive compensation payments earned during fiscal 2011 to be paid in Transition Period 2011, higher accrued commissions, and an increase in customer deposits year-over-year. There was no incentive compensation accrual recorded during fiscal 2010 based on our operating performance for the fiscal year.

The primary uses of cash in fiscal 2011 were \$8.4 million in contributions to our defined benefit pension plan, \$1.6 million of disbursements related to previously divested businesses and \$0.7 million for capital expenditures. While we may make further investments to increase capacity and improve efficiency, we do not anticipate that capital expenditures during Transition Period 2011 will exceed \$0.5 million. The expected amount of capital expenditures could change depending upon changes in revenue levels, our financial condition and the general economy.

In December 2007, we entered into an agreement with Associated Bank, N.A. (“Associated Bank”) providing for a \$10 million revolving credit facility (the “revolving facility”). Borrowings under the revolving facility bore interest at the London Interbank Offering Rate (“LIBOR”) plus 1.5%, with borrowing levels determined by a borrowing base formula as defined in the agreement, based on the level of eligible accounts receivable. The revolving facility also supports the issuance of letters of credit, places certain restrictions on our ability to pay dividends or make acquisitions, and includes covenants which require minimum operating profit levels and limit annual capital expenditures. Borrowings under the revolving facility at that time were collateralized by our accounts receivable and inventory.

In December 2008, we entered into an amendment to the revolving facility with Associated Bank, the primary purpose of which was to extend the maturity date of the revolving facility to November 1, 2010. In February 2010, we entered into a second amendment to the revolving credit facility with Associated Bank, the purpose of which was to (i) extend the maturity date of the Credit Agreement to December 15, 2010; (ii) establish minimum adjusted earnings before interest, taxes, depreciation and amortization requirements for the periods ending March 31, 2010, June 30, 2010 and September 30, 2010; (iii) reduce the commitment amount of Associated Bank from \$10.0 million to \$7.5 million; (iv) establish maximum cash amounts the Company can contribute to its defined benefit pension plan during calendar year 2010; and (v) broaden the security interest of Associated Bank to include all assets of the Company.

In December 2010, we entered into a third amendment to the revolving credit facility with Associated Bank, the purpose of which was to (i) extend the maturity date of the Credit Agreement to December 15, 2011; (ii) establish minimum adjusted earnings before interest, taxes, depreciation and amortization requirements for the periods ending March 31, 2011, June 30, 2011 and September 30, 2011; and (iii) establish maximum cash amounts the Company can contribute to its defined benefit pension plan during calendar year 2011. The commitment amount of Associated Bank remained at \$7.5 million under the third amendment to the revolving facility.

There were no amounts outstanding under the revolving facility as of July 3, 2011. We are currently in compliance with all covenants of the revolving credit facility, as amended.

Primarily as a result of the decline in interest rates over the past decade, the accumulated benefit obligation of our defined benefit pension plan currently exceeds plan assets. We contributed \$30.0 million to our pension plan in December 2006 following the divestiture of our power electronics business, and subsequently have made contributions to the plan aggregating \$36.2 million from April 2008 through March 2011, funded by cash generated from operations and existing cash on hand, of which \$8.4 million was contributed in fiscal 2011. Estimated future contributions to achieve 100% funded status, as measured using current actuarial assumptions, are projected to be approximately \$65 million, relatively significant given the Company’s current size and cash flow. Actual future contribution amounts will likely vary from current estimated future contributions, depending on future interest rate levels, values in equity and fixed income markets, and the level and timing of additional interim contributions we may make to plan assets.

In response to the level of our projected pension funding obligations relative to our current operating cash flows, we filed an application with the Internal Revenue Service (“IRS”) in February 2011 for a waiver of our minimum funding requirements (contributions) for the pension plan year 2011. The amount of the funding waiver requested was approximately \$17 million, scheduled to be funded in quarterly installments from April 2011 through January 2012, with a final installment due in September 2012. Due to the pending funding waiver application, we are not required to make scheduled plan year 2011 contributions until we are notified by the IRS of a decision concerning the funding waiver. As a result, we did not contribute the scheduled quarterly amount of \$3.3 million, due on April 15, 2011, to our pension

plan. Similarly, subsequent to the end of fiscal 2011, we did not contribute the scheduled quarterly amount of \$3.3 million, due on July 15, 2011.

In the event the funding waiver is granted, the 2011 pension plan year scheduled contributions of \$17 million would be deferred and amortized with interest over pension plan years 2012 through 2016. In the event the funding waiver is not granted, we would be obligated to make our plan year 2011 minimum funding contributions by September 2012 at the latest, with the contribution amount increasing due to interest and interest penalties through the actual date of contribution. The current rate of interest is approximately 6% while the current penalty rate, applied to the late period only, is 5%.

We believe that receipt of a funding waiver would have a significant favorable impact on our cash flow, mainly over the next several quarters, and would enable us to increase our cash reserves while continuing to invest additional resources in growth opportunities. At the same time, receipt of a funding waiver would defer contributions from the current period of historically low interest rates. An increase in interest rates during the waiver period could have a significant favorable impact on our funding obligation as measured upon expiration of the waiver period.

In the event the funding waiver is granted, we currently expect pension contributions to total less than \$6 million over the next 12 months. If the funding waiver is not granted, pension contributions over the next 12 months would be expected to total approximately \$19 million. We expect a final decision on the funding waiver to be made by the IRS prior to the end of calendar 2011.

Our pension plan assets were approximately \$133 million as of July 3, 2011, while the projected benefit obligation was estimated at \$194 million using a discount rate assumption of 5.15%. As a result, we adjusted the pension liability on our balance sheet as of July 3, 2011, to \$61 million, down from \$78 million a year ago.

Annual payments from plan assets to participants in pay status have averaged approximately \$12 million over the past several years. As a result, we do not expect pension plan participants to be negatively impacted by the funding waiver process, nor do we expect any interruption in payments to participants resulting from the waiver process.

Based upon current plans and business conditions, we believe that current cash balances and internally generated cash flows will be sufficient to fund anticipated operational needs, capital expenditures, required pension plan contributions and other commitments over the next 12 months.

OFF-BALANCE SHEET ARRANGEMENTS

We did not have any off-balance sheet arrangements or variable interest entities as of July 3, 2011.

SUMMARY OF CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Future payments due under contractual obligations of our continuing operations as of July 3, 2011 were as follows (in thousands):

| | Less than 1 Year | 1 to 3 Years | 3 to 5 Years | More than 5 Years | Total |
|-----------------------------|-----------------------------|-------------------------|-------------------------|------------------------------|------------------|
| Pension funding obligations | \$ 19,077 | \$ 31,400 | \$ 13,316 | \$ 1,368 | \$ 65,161 |
| Operating lease obligations | 1,032 | 1,773 | 373 | - | 3,178 |
| Purchase obligations | 16,230 | - | - | - | 16,230 |
| Total | \$ 36,339 | \$ 33,173 | \$ 13,689 | \$ 1,368 | \$ 84,569 |

Pension funding amounts in the table above are based on current regulations and actuarial estimates as of July 3, 2011, assuming the Company does not receive a funding waiver from the Internal Revenue Service of pension plan year 2011 minimum required contributions. Estimated pension funding obligation amounts could vary, depending on future interest rate levels, values in equity and fixed-income markets or pension funding relief legislation that may be enacted in the future.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Our Annual Report on Form 10-K and this Annual Report, including documents incorporated herein by reference, contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The words “believe”, “expect”, “estimate”, “anticipate”, “intend”, “may”, “might”, “will”, “would”, “could”, “project” and “predict”, or similar words and phrases generally identify forward-looking statements. Forward-looking statements contained or incorporated by reference in this document, including those set forth in this section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, and in Item 1 of this Annual Report on Form 10-K entitled “Business” include, but are not limited to, statements regarding our plans, objectives, goals, strategies, future events, future sales or performance, projections of revenues, income or loss, capital expenditures, plans for future operations, products or services, legal issues, financing needs or expectations, and other information that is not historical information, as well as assumptions relating to the foregoing. All forward-looking statements are based upon our current expectations, beliefs, projections and assumptions.

Our expectations, beliefs, projections and assumptions are expressed in good faith and we believe there is a reasonable basis for them. However, there can be no assurance that our financial condition or results of operations will meet the expectations set forth in our forward-looking statements. Forward-looking statements are inherently subject to risks and uncertainties which in many cases are beyond the control of the Company and which cannot be predicted or quantified. As a result, future events and actual results could differ materially from those set forth in, contemplated by, or underlying forward-looking statements. Such risks and uncertainties include, but are not limited to, economic conditions in general, sensitivity to industry conditions, competitive factors such as technology and pricing pressures, business conditions in electronics, industrial equipment and energy markets, international sales and operations, dependence on major customers, increased material costs, risks and costs associated with acquisitions, litigation and environmental matters and the risk that the Company’s ultimate costs of doing business exceed present estimates. A discussion of these and other specific risks is included below under the heading “Risk Factors.” Forward-looking statements contained in this Annual Report speak only as of the date of this document or, in the case of any document incorporated by reference, the date of that document. The Company does not have an obligation to publicly update or revise any forward-looking statement contained or incorporated by reference in these documents to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results over time.

RISK FACTORS

Our future results of operations and the other forward-looking statements contained in our Annual Report on Form 10-K and this Annual Report, including the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” involve a number of risks and uncertainties. In particular, the statements regarding future goals and strategies, opportunities for growth in certain markets, new product introductions, penetration of new markets, projections of sales revenues, manufacturing costs and operating costs, pricing of our products and raw materials required to manufacture our products, gross margin expectations, relocation and outsourcing of production capacity, capital spending, research and development expenses, the outcome of pending legal proceedings and environmental matters, tax rates, sufficiency of funds to meet our needs including contributions to our defined benefit pension plan, and our plans for future operations, as well as our assumptions relating to the foregoing, are all subject to risks and uncertainties.

A number of other factors could cause our actual results to differ materially from our expectations. We are subject to all of the business risks facing public companies, including business cycles and trends in the general economy, financial market conditions, demand variations and volatility, potential loss of key personnel, supply chain disruptions, government legislation and regulation, and natural causes. The following list of risk factors is not all-inclusive. Other factors and unanticipated events could adversely affect our financial position or results of operations. We believe that the most significant potential risk factors that could adversely impact us are the following:

Current economic conditions, primarily in the U.S., may adversely affect our served markets, our business, demand for our products and our results of operations and cash flows

Demand for our products, which impacts our revenue and gross profit, is affected by general business and economic conditions as well as by changes in customer order patterns. Beginning in fiscal 2008 and continuing throughout fiscal 2009 and much of our fiscal 2010, worldwide economic conditions deteriorated due to the effects of the subprime lending crisis, credit market crisis, general concerns about the health of the financial and banking industries, increased unemployment, decreased consumer and business confidence, and liquidity concerns. This resulted in overall adverse business conditions, slower economic activity and reduced corporate profits and capital spending levels. These conditions resulted in reduced demand for our products, and also made it difficult for our customers, our vendors and us

to accurately forecast and plan future business activities. While economic conditions improved significantly in fiscal 2011 and demand in our served markets recovered from the levels of the previous year, the current state of the economic recovery is fragile, volatile and quite dynamic. We cannot predict the timing, duration or strength of any economic recovery or the timing, duration or severity of a subsequent economic slowdown, worldwide, in the U.S., or in the specific end markets we serve. In the event of a future prolonged slowdown in economic activity, our business, financial condition, results of operations and cash flows could be adversely and materially affected. Additionally, our stock price could decrease if investors have concerns that our business and financial condition will be negatively impacted by a continuing or recurring economic downturn.

We operate in a highly competitive industry

We operate in a competitive industry characterized by periodic changes in technology, product demand, prices and lead times. Our future profitability depends on our ability to successfully identify and react to these changing trends. Specifically, achievement of our sales and profit goals is dependent in part upon our ability to successfully anticipate product demand, to introduce quality products to meet that demand in a timely manner at competitive prices, to gain acceptance of our products in the marketplace, to achieve cost reductions during the product life cycle and to adapt our existing product platforms in the event of changes in technology. Failure to do so could result in low returns on investment in new products and technologies, a loss of competitive position relative to our peers, obsolete products and technologies, and an adverse impact on our operating results. In addition, price erosion in response to competition in our served markets could have a material impact on our financial position or results of operations.

Our future sales growth is partially dependent on the successful introduction of new products

Achievement of our Company objectives of sales growth of at least 10% on a year-over year basis and gross margins in excess of 30% are in part dependent upon the successful introduction of new products, acceptance of these new products by customers in those markets, and successful cost reduction efforts related to new products. Any delay in introduction of new products, customer acceptance of new products, or cost reduction actions could have an adverse impact on our financial position or results of operations.

Changes in technology could reduce demand for our products

We believe that our intellectual property is equal or superior to our competitors' and we do not know of any new technologies that could cause a shift away from digital power-electronic solutions. However, major advancements in digital power-electronic technologies by competitors or the advent of technologies obviating digital power-electronic solutions could have an adverse effect on our financial position or results of operations.

The loss of one or more major customers could adversely affect our results of operations or financial condition

We rely on several large customers for a significant portion of our sales. While we have taken actions to diversify our customer base, sales to our top three customers represented approximately 36% of our net sales in fiscal 2011, and we have one customer whose purchases from us represented approximately 25% of our net sales in fiscal 2011. The loss of any such customer or significant decreases in any such customers' levels of purchases could have a material adverse effect on our business and on our results of operations.

Certain of our competitors have substantially greater resources than us

We compete with crane and hoist drive manufacturers and drive system integrators, radio control manufacturers, elevator drive manufacturers and control system integrators, mining machinery drive builders, and power inverter builders. The total number of such enterprises with whom we compete directly is believed to be fewer than 100. However, certain of our competitors are significantly larger and have substantially greater resources than we do, and some are global in scope, whereas we currently compete primarily in the North American market.

We have significant pension liabilities and funding obligations

Our defined benefit pension plan was significantly underfunded as of July 3, 2011, due primarily to reductions in interest rates, which impact the discount rate used to estimate the net present value of our pension obligations. Current actuarial estimates indicate that we will be required to make significant contributions to our defined benefit pension plan, which may consume the majority of our cash generated from operations for the next several years. As a result, we may be required to seek additional sources of cash to fund our operations and required pension contributions.

In addition, volatility in interest rates, investment returns and other factors could adversely affect the funded status of our pension plan in the future and require that we contribute additional cash to the pension plan over and above the amounts currently estimated. Such volatility could also increase pension expense in periods beyond fiscal 2011.

We may seek additional capital through private or public sales of equity, debt or convertible debt securities, which could have negative effects on our existing investors

We may seek to raise additional funding through equity or certain forms of debt financing in the future that could dilute the percentage ownership held by existing stockholders. In addition, new investors may demand rights or privileges that are preferable to, or senior to, those of our existing stockholders, such as interest payments, dividends or warrants, as a condition to completing a transaction that provides us with capital.

We may have limited access to additional financing

Recent macroeconomic conditions have led to volatility in security prices, the failure of financial institutions, diminished liquidity and credit availability, and deflation in the valuation of investment vehicles across varied asset classes.

In the event capital and credit markets become illiquid and the availability of funds remains limited, we could incur increased costs associated with future equity or debt financing transactions. Our ability to access the capital and credit markets may be limited by these or other factors unique to our Company. Limited access to financing opportunities in the future could have a material adverse impact on our ability to fund our operations or meet our corporate obligations.

We are subject to credit risk

We are exposed to the credit risk of our customers, including risk of bankruptcy, and are subject to losses from uncollectible accounts receivable. If the financial condition of any of our customers deteriorates and impairs their ability to make payments, we could incur future write-offs of accounts receivable that could have a material impact on our financial position, results of operations or cash flows.

We are reliant on suppliers

We purchase raw materials and subassemblies used in our products from third-party suppliers, and also purchase finished goods for resale to customers from third party subcontractors. If our suppliers or subcontractors cannot meet their commitments to us in terms of price, delivery, or quality, it may negatively impact our ability to meet our commitments to our customers. This could result in disruption of production, delay in shipments to customers, higher material costs, quality issues with our products and damage to customer relationships. In addition, increases in the cost of raw materials purchased from third party suppliers could negatively impact our gross profit and results of operations.

We may face claims of infringement on the intellectual property of others, or others may infringe upon our intellectual property

Our future success depends in part on our ability to prevent others from infringing on our proprietary rights, as well as our ability to operate without infringing upon the proprietary rights of others. We may be required at times to take legal action to protect our proprietary rights and, despite our best efforts, we may be sued for infringing on the patent rights of others. Patent litigation is costly and, even if we prevail, the cost of such litigation could adversely affect our financial condition. In addition, we could be adversely affected financially should we be judged to have infringed upon the intellectual property of others.

We may suffer losses resulting from legal and environmental issues

Our results of operations could be adversely impacted by pending and future litigation, including claims related to, but not limited to, product liability, patent infringement, contracts, employment and labor issues, personal injury and property damage, including damage to the environment.

In some cases, we have agreed to provide indemnification against legal and environmental liabilities and potential liabilities associated with operations that we have divested, including certain motor, generator, lighting ballast, transformer, drive and power supply manufacturing operations. If we are required to make payments under such indemnification obligations, such payments could have a material adverse impact on our financial position, results of operations or cash flows. Further, we have been indemnified against potential legal and environmental liabilities and potential liabilities associated with operations that we have acquired, including lighting ballast, transformer, capacitor and crane brake manufacturing operations that were subsequently divested. If not borne by the indemnifiers, such liabilities, if any, could be borne by us and have an adverse effect on our financial position or results of operations.

We may not be able to retain compliance with the continued listing standards of the New York Stock Exchange (“NYSE”) and our common stock could be delisted by the NYSE

In June 2010, we were notified by the NYSE that we had fallen below its continued listing standards because over a 30-trading-day period, our average total market capitalization was less than \$50 million and, during the same period, our stockholders' equity was less than \$50 million. In accordance with applicable NYSE rules, in August 2010, we

submitted to the NYSE a business plan that demonstrated how we intended to regain compliance with the continued listing standards within 12 months. In September 2010, we were notified by NYSE Regulation that our proposed plan to regain compliance with the continued listing standards of the NYSE was accepted. On June 21, 2011, the NYSE notified us that we had regained compliance with the NYSE's quantitative continued listing standards. The notice stated that the decision resulted from our achievement of compliance with the NYSE's minimum market capitalization requirement.

If we are unable to retain compliance with the continued listing standards in the future, our common stock could become delisted from the NYSE. A delisting of our common stock from the NYSE could potentially materially and adversely affect us by, among other things, reducing the liquidity and market price of our common stock, reducing the number of investors willing to hold or acquire our common stock, and limiting our ability to issue additional securities or obtain additional financing in the future. If it becomes apparent to us that we will be unable to retain compliance with the continued listing standards, or if our common stock is ultimately delisted from the NYSE, we would likely seek to move trading of our common stock to another national securities exchange or quotation system.

Ordinary transfers of our common stock between shareholders could result in an ownership change as defined in Section 382 of the Internal Revenue Code, limiting our ability to fully utilize our net operating loss carryforwards for U.S. federal tax purposes

We had net operating loss ("NOL") carryforwards for U.S. federal tax purposes of \$224 million as of July 3, 2011. Our NOLs have carryforward periods of 15 to 20 years with expiration dates ranging from 2013 to 2031. We anticipate that no federal income tax liability (other than alternative minimum tax) would be recorded if and when we generate U.S. taxable income and such carryforwards are utilized.

We periodically evaluate whether ordinary transfers of our common stock between shareholders have resulted in an ownership change as defined in Section 382 of the Internal Revenue Code. Based on available information, we have determined that no such ownership change has occurred. If such ownership change had occurred, utilization of the Company's NOLs would be subject to annual limitation provisions per the Internal Revenue Code and similar state laws. Such annual limitations could defer the utilization of NOL carryforwards, accelerate payment of federal income taxes, and could result in the expiration of a portion of the NOL carryforwards before utilization. An ownership change under Section 382 of the Internal Revenue Code would not have had a material adverse effect on our results of operations or financial position, as we have provided a full valuation allowance against substantially all of our deferred tax assets. Ordinary transfers of our common stock between shareholders in future periods could result in an ownership change in such periods and accordingly, at that time, limit the utilization of our NOLs as described above.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rates

The fair value of our debt was zero at July 3, 2011. However, we do have significant pension liabilities and funding obligations which vary as interest rates change. We used an average interest rate of 5.45% in determining our aggregate pension funding obligations of approximately \$65 million as of July 3, 2011 (see "Summary of Contractual Obligations and Commitments" table). A hypothetical increase of 100 basis points from the average interest rate used in the calculation (an 18% increase) would reduce our aggregate pension funding obligation to approximately \$50 million at July 3, 2011. Similarly, a hypothetical decrease of 100 basis points would increase our aggregate pension funding obligation to approximately \$80 million at July 3, 2011.

Foreign Currency Exchange Rates

We generally do not enter into foreign exchange contracts to protect against reductions in value and volatility of future cash flows caused by changes in exchange rates, but we may selectively enter into foreign exchange contracts to hedge certain exposures. Gains and losses on these non-U.S.-currency investments would generally be offset by corresponding losses and gains on the related hedging instruments, resulting in negligible net exposure.

We did not have any foreign currency contracts, or hedge instruments or contracts, outstanding at July 3, 2011, or June 27, 2010.

CONSOLIDATED STATEMENTS OF OPERATIONS

| <i>For the years ended</i> <i>(Amounts in thousands, except per share data)</i> | July 3, 2011 | June 27, 2010 | June 28, 2009 |
|--|-------------------------|--------------------------|--------------------------|
| Net sales | \$ 109,832 | \$ 80,571 | \$ 98,221 |
| Cost of sales | 74,675 | 56,443 | 64,897 |
| Gross profit | 35,157 | 24,128 | 33,324 |
| Research and development | 4,360 | 3,802 | 3,522 |
| Pension expense | 6,500 | 8,206 | 3,385 |
| Sales, general and administrative | 18,851 | 14,434 | 20,271 |
| Income (loss) from operations | 5,446 | (2,314) | 6,146 |
| Non operating expense (income): | | | |
| Interest income | (1) | (29) | (138) |
| Income (loss) from continuing operations | | | |
| before provision for income taxes | 5,447 | (2,285) | 6,284 |
| Provision for income taxes | 630 | 873 | 1,315 |
| Income (loss) from continuing operations | 4,817 | (3,158) | 4,969 |
| Loss from discontinued operations, net of taxes | (1,154) | (1,943) | (1,686) |
| Net income (loss) | \$ 3,663 | \$ (5,101) | \$ 3,283 |
| Per common share basic and diluted: | | | |
| Income (loss) from continuing operations - basic and diluted | \$ 0.15 | \$ (0.10) | \$ 0.16 |
| Loss from discontinued operations - basic and diluted | \$ (0.04) | \$ (0.06) | \$ (0.05) |
| Net income (loss) - basic | \$ 0.12 | \$ (0.16) | \$ 0.11 |
| Net income (loss) - diluted | \$ 0.11 | \$ (0.16) | \$ 0.11 |
| Weighted average shares outstanding - basic | 31,339 | 31,078 | 30,851 |
| Weighted average shares outstanding - diluted | 31,867 | 31,351 | 30,942 |

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

| <i>As of</i> <i>(Amounts in thousands)</i> | July 3, 2011 | June 27, 2010 |
|--|-------------------------|--------------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 12,269 | \$ 8,244 |
| Restricted cash | 262 | 262 |
| Accounts receivable, less allowance for doubtful accounts of \$255 in 2011 and \$249 in 2010 | 18,237 | 16,436 |
| Inventories | 14,329 | 10,285 |
| Prepaid expenses and other current assets | 530 | 480 |
| Total current assets | 45,627 | 35,707 |
| Property, plant and equipment: | | |
| Buildings and improvements | 1,964 | 1,964 |
| Machinery and equipment | 19,156 | 18,824 |
| Less accumulated depreciation | 17,498 | 16,963 |
| Net property, plant and equipment | 3,622 | 3,825 |
| Goodwill | 30,519 | 30,443 |
| Other assets | 5,665 | 6,125 |
| Total assets | \$ 85,433 | \$ 76,100 |
| Liabilities and Stockholders' Deficit | | |
| Current liabilities: | | |
| Accounts payable | \$ 12,083 | \$ 9,887 |
| Accrued liabilities | 8,341 | 4,957 |
| Total current liabilities | 20,424 | 14,844 |
| Long-term pension benefit obligations | 61,382 | 77,914 |
| Other long-term obligations | 1,318 | 1,461 |
| Deferred income taxes | 6,771 | 5,818 |
| Commitments and contingencies | | |
| Stockholders' Deficit: | | |
| Common stock, \$0.01 par value, 100,000 shares authorized; 31,383 and 31,205 shares issued and outstanding in 2011 and 2010 | 314 | 312 |
| Additional paid-in capital | 139,878 | 138,965 |
| Accumulated deficit | (2,959) | (6,622) |
| Accumulated other comprehensive loss | (141,695) | (156,592) |
| Total stockholders' deficit | (4,462) | (23,937) |
| Total liabilities and stockholders' deficit | \$ 85,433 | \$ 76,100 |

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT

| <i>(Amounts in thousands)</i> | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Accumulated Other Comprehensive Loss | Total |
|----------------------------------|--------------|--------|----------------------------------|------------------------|---|-------------|
| | Shares | Amount | | | | |
| Balance, June 29, 2008 | 30,620 | 306 | 136,864 | (4,804) | (102,565) | 29,801 |
| Exercise of stock options | 10 | - | 33 | | | 33 |
| Shares issued | 205 | 2 | (2) | | | - |
| Shares purchased | (75) | (1) | (180) | | | (181) |
| Stock-based compensation expense | | - | 1,104 | | | 1,104 |
| Shares issued to trust | 182 | 2 | 275 | | | 277 |
| Net income | | | | 3,283 | | 3,283 |
| Translation adjustments | | | | | (360) | (360) |
| Pension adjustments | | | | | (45,248) | (45,248) |
| Comprehensive loss | | | | | | (42,325) |
| Balance, June 28, 2009 | 30,942 | \$ 309 | \$ 138,094 | \$ (1,521) | \$ (148,173) | \$ (11,291) |
| Shares issued | 123 | 1 | | | | 1 |
| Shares purchased | (48) | - | (80) | | | (80) |
| Stock-based compensation expense | - | - | 685 | | | 685 |
| Shares issued to trust | 188 | 2 | 266 | | | 268 |
| Net loss | | | | (5,101) | | (5,101) |
| Translation adjustments | | | | | 27 | 27 |
| Pension adjustments | | | | | (8,446) | (8,446) |
| Comprehensive loss | | | | | | (13,520) |
| Balance, June 27, 2010 | 31,205 | \$ 312 | \$ 138,965 | \$ (6,622) | \$ (156,592) | \$ (23,937) |
| Stock-based compensation expense | - | - | 629 | | | 629 |
| Shares issued to trust | 178 | 2 | 284 | | | 286 |
| Net income | | | | 3,663 | | 3,663 |
| Translation adjustments | | | | | 284 | 284 |
| Pension adjustments | | | | | 14,613 | 14,613 |
| Comprehensive income | | | | | | 18,560 |
| Balance, July 3, 2011 | 31,383 | \$ 314 | \$ 139,878 | \$ (2,959) | \$ (141,695) | \$ (4,462) |

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended

| <i>(Amounts in thousands)</i> | July 3, 2011 | June 27, 2010 | June 28, 2009 |
|--|-------------------------|--------------------------|--------------------------|
| Cash flows from operating activities: | | | |
| Net income (loss) | \$ 3,663 | \$ (5,101) | \$ 3,283 |
| Loss (income) from discontinued operations | 1,154 | 1,943 | 1,686 |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | | |
| Depreciation | 914 | 1,002 | 1,043 |
| Amortization | 53 | 53 | 53 |
| Stock based compensation expense | 629 | 685 | 1,104 |
| Pension expense | 6,500 | 8,206 | 3,385 |
| Deferred income tax provision | 849 | 955 | 977 |
| Changes in operating assets and liabilities | 740 | 830 | 2,329 |
| Cash contribution to pension fund | (8,418) | (15,587) | (9,422) |
| Net cash provided by (used in) operating activities - continuing operations | 6,084 | (7,014) | 4,438 |
| Net cash provided by (used in) operating activities - discontinued operations | (1,636) | (1,858) | (1,226) |
| Net cash provided by (used in) operating activities | 4,448 | (8,872) | 3,212 |
| Cash flows from investing activities: | | | |
| Proceeds from sale of business, net of transaction costs | - | - | 1,250 |
| Purchase of business | - | - | (885) |
| Deposit into escrow account | - | - | (6) |
| Capital expenditures | (704) | (1,158) | (807) |
| Net cash provided by (used in) investing activities - continuing operations | (704) | (1,158) | (448) |
| Net cash provided by (used in) investing activities - discontinued operations | - | - | - |
| Net cash provided by (used in) investing activities | (704) | (1,158) | (448) |
| Cash flow from financing activities: | | | |
| Proceeds from issuance of common stock | 286 | 268 | 310 |
| Purchase and retirement of treasury stock | - | (80) | (181) |
| Borrowings under capital lease obligations | - | - | 10 |
| Principal payments under capital lease obligations | (5) | (11) | (16) |
| Net cash provided by (used in) financing activities - continuing operations | 281 | 177 | 123 |
| Net cash provided by (used in) financing activities - discontinued operations | - | - | - |
| Net cash provided by (used in) financing activities | 281 | 177 | 123 |
| Net increase (decrease) in cash | 4,025 | (9,853) | 2,887 |
| Cash at the beginning of the period | 8,244 | 18,097 | 15,210 |
| Cash at the end of the period | \$ 12,269 | \$ 8,244 | \$ 18,097 |

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in the notes to consolidated financial statements are expressed in thousands unless otherwise noted, except share and per share data)

1. Summary of Significant Accounting Policies

Profile

Magnetek, Inc. (the “Company” or “Magnetek”) is a global provider of digital power control systems that are used to control motion and power primarily in material handling, elevator and energy delivery applications. The Company’s products consist primarily of programmable motion control and power conditioning systems used on the following applications: overhead cranes and hoists; elevators; coal mining equipment; and renewable energy.

Basis of Presentation

The consolidated financial statements include the accounts of Magnetek, Inc. and its subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Fiscal Year

The Company has historically used a 52 or 53 week fiscal year ending on the Sunday nearest June 30. The fiscal year ended July 3, 2011, contained 53 weeks. The fiscal years ended June 27, 2010, and June 28, 2009, each contained 52 weeks.

Subsequent to the end of fiscal 2011, the Company changed its fiscal year-end from the Sunday nearest to June 30 of each calendar year to the Sunday nearest to December 31, with the change to a calendar year reporting cycle beginning January 2, 2012. The Company plans to report its financial results for the six month Transition Period of July 4, 2011 through January 1, 2012, on an Annual Report on Form 10-K and to thereafter file reports for each twelve month period, beginning with the twelve month period ending December 30, 2012. Prior to filing the transition report, the Company will file its quarterly report on Form 10-Q for the quarter ending October 2, 2011.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Significant areas requiring management estimates include the following key financial areas:

Accounts Receivable

Accounts receivable represent receivables from customers in the ordinary course of business. The Company is subject to losses from uncollectible receivables in excess of its allowances. The Company maintains allowances for doubtful accounts for estimated losses from customers’ inability to make required payments. In order to estimate the appropriate level of this allowance, the Company analyzes historical bad debts, customer concentrations, current customer creditworthiness, current economic trends and changes in customer payment patterns. If the financial conditions of the Company’s customers were to deteriorate and impair their ability to make payments, additional allowances may be required in future periods. The Company’s management believes that all appropriate allowances have been provided.

Inventories

The Company’s inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out (“FIFO”) method, including material, labor and factory overhead. Existing inventory on hand may exceed future demand either because the product is obsolete, or the amount on hand is more than can be used to meet future needs. The Company identifies potentially obsolete and excess inventory by evaluating overall inventory levels in relation to past and anticipated usage levels. In assessing the ultimate realization of inventories, the Company is required to make judgments as to future demand requirements and compare those with the current or committed inventory levels. If future demand requirements are less favorable than those projected by management, additional inventory write-downs may be required.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

Reserves for Litigation and Environmental Issues

The Company periodically records the estimated impacts of various conditions, situations or circumstances involving uncertain outcomes. The accounting for such events is prescribed under ASC Topic 450 *Contingencies*. ASC Topic 450 defines a contingency as an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss to an enterprise that will ultimately be resolved when one or more future events occur or fail to occur. ASC Topic 450 does not permit the accrual of gain contingencies under any circumstances. For loss contingencies, the loss must be accrued if information is available that indicates it is probable that the loss has been incurred, given the likelihood of uncertain events, and if the amount of the loss can be reasonably estimated.

The accrual of a contingency involves considerable judgment on the part of management. The Company uses its internal expertise, and outside experts, as necessary, to help estimate the probability that a loss has been incurred and the amount or range of the loss.

Income Taxes

The Company uses the liability method to account for income taxes. The preparation of consolidated financial statements involves estimating the Company's current tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included in the consolidated balance sheets. An assessment of the recoverability of deferred tax assets is made, and a valuation allowance is established if necessary based upon this assessment.

Pension Benefits

The valuation of the Company's pension plan requires the use of assumptions and estimates to develop actuarial valuations of expenses, assets and liabilities. These assumptions include discount rates, investment returns and mortality rates. Changes in assumptions and future investment returns could potentially have a material impact on the Company's expenses and related funding requirements.

Restricted Cash

At July 3, 2011, the Company had \$262 of restricted cash related to minimum balance requirements associated with procurement of certain raw materials and supplies.

Revenue Recognition

The Company's policy is to recognize revenue when the earnings process is complete. The criteria used in making this determination are persuasive evidence that an arrangement exists, delivery has occurred, the sales price is fixed or determinable, and collectability is reasonably assured. Sales are recorded net of returns and allowances, which are estimated using historical data, at the time of sale.

Terms of shipment are FOB shipping point, and payment is not contingent upon resale or any other matter other than passage of time. As a result, title to goods passes upon shipment. Amounts billed to customers for shipping costs are reflected in net sales; shipping costs are reflected in cost of sales.

Property, Plant and Equipment

Additions and improvements are capitalized at cost, whereas expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is provided over the estimated useful lives of the respective assets principally on the straight-line method (machinery and equipment normally five to ten years; buildings and leasehold improvements over the shorter of the lease term or the economic life, estimated at ten to forty years).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

Goodwill

In accordance with ASC Topic 350, *Goodwill and Other Intangible Assets*, the Company reviews the carrying value of goodwill at least annually and more frequently if indicators of potential impairment arise.

Intangible Assets

Additions to intangible assets are capitalized at fair market value and the carrying value of indefinite-lived intangibles is reviewed for impairment at least annually. Intangible assets are included in other assets in the consolidated balance sheets, and are amortized over the estimated useful lives of the respective assets, principally on the straight-line method. In fiscal 2009 and fiscal 2010, the Company acquired several patents related to the design and manufacture of digital DC drives for material handling and mining applications. The cost of the patents, \$533 as of July 3, 2011, and June 27, 2010, was capitalized and is included in other assets in the consolidated balance sheets. The estimated useful life of the patents is 10 years. Accumulated amortization of the patents as of July 3, 2011, and June 27, 2010, was \$158 and \$105, respectively, resulting in a net carrying value as of those dates of \$375 and \$428, respectively.

Stock-Based Compensation

The Company records stock-based compensation expenses in accordance with ASC Topic 718, *Stock Compensation*, (formerly SFAS No. 123R, *Accounting for Stock-Based Compensation*.) ASC Topic 718 requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values.

Compensation expense related to all stock-based awards for fiscal years 2011, 2010 and 2009 is included in selling, general and administrative expense in the consolidated statements of operations. No tax benefit was recorded on the stock compensation expense for fiscal years 2011, 2010 and 2009 due to deferred tax valuation allowances recorded by the Company in those years.

Research and Development

Expenditures for research and development are charged to expense as incurred and totaled \$4,360, \$3,802 and \$3,522 for the fiscal years 2011, 2010 and 2009, respectively.

Advertising

Expenditures for advertising are charged to expense as incurred and totaled \$74, \$40 and \$74 for the fiscal years 2011, 2010 and 2009, respectively.

Foreign Currency Translation

The Company's foreign entities' accounts are measured using local currency as the functional currency. Assets and liabilities are translated at the exchange rate in effect at year-end. Revenues and expenses are translated at the rates of exchange prevailing during the year. Unrealized translation gains and losses arising from differences in exchange rates from period to period are included as a component of accumulated other comprehensive gain or loss in stockholders' deficit.

Earnings Per Share

In accordance with ASC Topic 260, *Earnings Per Share*, basic earnings per share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings per common share incorporate the incremental shares issuable upon the assumed exercise of stock options as if all exercises had occurred at the beginning of the fiscal year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements

In February 2010, the SEC approved a work plan regarding convergence of US GAAP with International Financial Reporting Standards (“IFRS”) and the timeline for the preparation of financial statements by U.S. registrants under IFRS. IFRS are standards and interpretations adopted by the International Accounting Standards Board. Under the proposed roadmap, the Company would be required to prepare financial statements in accordance with IFRS no earlier than in fiscal 2016, including comparative information also prepared under IFRS for fiscal 2014 and fiscal 2015. The Company is currently assessing the potential impact of IFRS on its financial statements and will continue to follow the proposed roadmap for future developments.

The Company has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through August 31, 2011, the date the financial statements were available to be issued, and has concluded that no recognized or nonrecognized subsequent events have occurred since its 2011 fiscal year ended on July 3, 2011.

2. Discontinued Operations

The Company’s telecom power systems (“TPS”) business, divested in September 2008, as well as certain expenses incurred related to businesses the Company no longer owns, are classified as discontinued operations. The results of discontinued operations follow:

| <i>For the years ended</i> | July 3, 2011 | June 27, 2010 | June 28, 2009 |
|--|-------------------------|--------------------------|--------------------------|
| Loss from discontinued operations before interest and income taxes | \$ (1,154) | \$ (1,787) | \$ (1,729) |
| Loss on sale of telecom power business | - | (156) | (342) |
| Income on sale of power electronics business | - | - | 385 |
| Loss from discontinued operations | \$ (1,154) | \$ (1,943) | \$ (1,686) |

The Company’s loss from discontinued operations in fiscal 2011 includes charges of \$0.5 million for environmental matters, \$0.3 million for legal fees related to asbestos issues and \$0.3 million for other legal fees and other costs related to previously divested businesses (see Note 11 of Notes to Consolidated Financial Statements).

The Company’s loss from discontinued operations in fiscal 2010 includes provisions of \$1.1 million for environmental matters and \$0.7 million for legal fees and other costs related to previously divested businesses.

Loss from discontinued operations in fiscal 2009 includes a loss of \$1.0 million related to the termination of a lease agreement for office space in Nashville, Tennessee, effective August 2010. By terminating the lease prior to the scheduled expiration date of August 2015, the Company avoided potential future lease payments of \$9.9 million. The lease termination costs, paid in March 2009, represent the unamortized portion of tenant improvements previously provided by the landlord to Magnetek. Loss from discontinued operations in fiscal 2009 also includes a loss on the September 2008 disposal of the TPS business of \$0.3 million, losses in the TPS business prior to its disposal of \$0.1 million, and expenses related to other businesses the Company no longer owns of \$0.8 million, partially offset by a settlement gain of \$0.5 million from a previous agreement with Federal-Mogul Corporation (“Federal-Mogul”) (see Note 11 of Notes to Consolidated Financial Statements).

During fiscal 2008, the Company committed to a plan to divest its TPS business. As a result, the Company reclassified the assets to be disposed of, primarily inventory, as held for sale at June 29, 2008, and classified the operating results of the business as discontinued operations. The Company sold the business to Myers Power Products, Inc. (“Myers”) in September 2008 (see Note 3 of Notes to Consolidated Financial Statements).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Discontinued Operations (Continued)

The results of the Company's TPS business follow:

| <i>For the years ended</i> | July 3, 2011 | June 27, 2010 | June 28, 2009 |
|--|-------------------------|--------------------------|--------------------------|
| Net sales | \$ - | \$ - | \$ 1,503 |
| Loss from discontinued operations | \$ - | \$ (156) | \$ (94) |
| Charges to adjust to fair market value | - | - | (342) |
| Loss from discontinued operations - telecom power systems business | \$ - | \$ (156) | \$ (436) |

3. Acquisitions and Divestitures

In April 2008, the Company committed to a plan to divest its TPS business, which manufactured backup power systems for wireless applications. As a result, the Company reclassified the assets to be disposed of, primarily inventory, as held for sale at June 29, 2008, and classified the operating results of the business as discontinued operations. In September 2008, the Company completed the sale of the assets of the TPS business to Myers. The purchase price of \$1.25 million was paid by Myers to the Company in October 2008. The Company recorded a loss of \$0.2 million and \$0.4 million related to the divestiture, included in results of discontinued operations for fiscal 2010 and 2009 respectively, comprised mainly of future lease costs and the write-off of certain TPS fixed assets.

In February 2008, the Company purchased substantially all of the net assets, primarily accounts receivable, inventory and accounts payable, of Enrange LLC ("Enrange") for cash upon closing of approximately \$1.75 million, a deferred payment of \$0.75 million made in February 2009 and contingent payments due over a three year period based on the future operating performance of the business under a negotiated earn-out schedule. Contingent payments of \$0.3 million were made in the three year period following the acquisition under the earn-out schedule, of which \$0.1 million was paid in fiscal year 2011. No future contingent payments are due under the earn-out schedule. The excess of purchase price over the fair value of the net assets acquired was approximately \$2.2 million and was recognized as goodwill. The Enrange business manufactures radio remote controls for material handling and other industrial applications. The operating results of the Enrange business have been included in the Company's consolidated results effective as of the acquisition date.

4. Goodwill

The change in the carrying value of goodwill for the years ended July 3, 2011, and June 27, 2010, is as follows:

| | July 3, 2011 | June 27, 2010 |
|------------------------------|-------------------------|--------------------------|
| Balance at beginning of year | \$ 30,443 | \$ 30,359 |
| Currency translation | 76 | 84 |
| Balance at end of year | \$ 30,519 | \$ 30,443 |

5. Inventories

Inventories consist of the following:

| | July 3, 2011 | June 27, 2010 |
|-----------------|-------------------------|--------------------------|
| Raw materials | \$ 9,341 | \$ 6,858 |
| Work in process | 1,338 | 1,124 |
| Finished goods | 3,650 | 2,303 |
| Total inventory | \$ 14,329 | \$ 10,285 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Bank Borrowing Arrangements

In November 2007, the Company entered into an agreement with Associated Bank, N.A. (“Associated Bank”) providing for a \$10 million revolving credit facility (the “revolving facility”). Borrowings under the revolving facility bore interest at the London Interbank Offering Rate (“LIBOR”) plus 1.5%, with borrowing levels determined by a borrowing base formula as defined in the agreement, which includes the level of eligible accounts receivable. The revolving facility also supports the issuance of letters of credit, places certain restrictions on the Company’s ability to pay dividends or make acquisitions, and includes covenants that require minimum operating profit levels and limit annual capital expenditures. Borrowings under the revolving facility were originally collateralized by the Company’s accounts receivable and inventory.

In December 2008, the Company and Associated Bank entered into a first amendment to the revolving facility, the primary purpose of which was to extend the maturity date of the revolving facility to November 2010.

In February 2010, the Company and Associated Bank entered into a second amendment to the revolving facility, the purpose of which was to (i) extend the maturity date of the revolving facility to December 15, 2010; (ii) establish minimum adjusted earnings before interest, taxes, depreciation and amortization requirements for the periods ending March 31, 2010, June 30, 2010 and September 30, 2010; (iii) reduce the commitment amount of Associated Bank from \$10.0 million to \$7.5 million; (iv) establish maximum cash amounts the Company can contribute to its defined benefit pension plan during calendar year 2010; and (v) broaden the security interest of Associated Bank to collateralize all assets of the Company.

In December 2010, the Company and Associated Bank entered into a third amendment to the revolving facility, the purpose of which was to (i) extend the maturity date of the revolving facility to December 15, 2011, (ii) establish minimum adjusted earnings before interest, taxes, depreciation and amortization requirements for the periods ending March 31, 2011, June 30, 2011 and September 30, 2011; and (iii) establish maximum cash amounts the Company can contribute to its defined benefit pension plan during calendar year 2011. The commitment amount of Associated Bank remained at \$7.5 million under the third amendment to the revolving facility.

There were no amounts outstanding on the amended revolving facility as of July 3, 2011. The Company is currently in compliance with all covenants of the revolving facility, as amended.

7. Earnings (Loss) Per Share

The following table sets forth the computation of basic and diluted earnings (loss) per share for the fiscal years ended:

| | July 3, 2011 | June 27, 2010 | June 28, 2009 |
|--|-----------------|------------------|------------------|
| Numerator: | | | |
| Income (loss) from continuing operations | \$ 4,817 | \$ (3,158) | \$ 4,969 |
| Loss from discontinued operations | (1,154) | (1,943) | (1,686) |
| Net income (loss) | \$ 3,663 | \$ (5,101) | \$ 3,283 |
| Denominator: | | | |
| Weighted average shares for basic loss per share | 31,339 | 31,078 | 30,851 |
| Add dilutive effect of stock options outstanding | 528 | 273 | 91 |
| Weighted average shares for diluted loss per share | 31,867 | 31,351 | 30,942 |
| Income (loss) per share, basic and diluted | | | |
| Income (loss) per share from continuing operations - basic and diluted | \$ 0.15 | \$ (0.10) | \$ 0.16 |
| Loss per share from discontinued operations - basic and diluted | \$ (0.04) | \$ (0.06) | \$ (0.05) |
| Net income (loss) per share - basic | \$ 0.12 | \$ (0.16) | \$ 0.11 |
| Net income (loss) per share - diluted | \$ 0.11 | \$ (0.16) | \$ 0.11 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Earnings (Loss) Per Share (Continued)

Outstanding options to purchase 1.8 million, 2.3 million and 2.0 million shares of common stock for fiscal years 2011, 2010 and 2009, respectively, have not been included in the Company's computation of weighted average shares for diluted earnings per share because the effect would have been anti-dilutive.

8. Fair Values of Financial Instruments

The carrying amounts of certain financial instruments including cash, restricted cash, accounts receivable and accounts payable approximate their fair values based on the short-term nature of these instruments. In addition, the Company's investment in an annuity contract of \$5.1 million at July 3, 2011, and \$5.6 million at June 27, 2010, is recorded at fair value based on quoted market prices. The annuity contract is included in other assets in the accompanying consolidated balance sheets.

9. Restructuring Costs

During fiscal 2009, the Company completed a management reorganization which combined the executive officer positions of chief executive officer and chief operating officer. As a result of this reorganization, the Company incurred severance and stock compensation costs of \$1.0 million in fiscal 2009, included in selling, general and administrative expense in the accompanying consolidated statement of operations. All severance amounts were paid during fiscal 2009.

10. Income Taxes

The Company's provision for income taxes, all related to its continuing operations, consists of the following:

| <i>For the years ended</i> | July 3, 2011 | June 27, 2010 | June 28, 2009 |
|-----------------------------------|-------------------------|--------------------------|--------------------------|
| Current | | | |
| Federal | \$ - | \$ - | \$ - |
| State | - | - | - |
| Foreign | (219) | (82) | 338 |
| Deferred | | | |
| Federal | 953 | 955 | 977 |
| State and foreign | (104) | - | - |
| Provision for income taxes | \$ 630 | \$ 873 | \$ 1,315 |

The Company did not record any provision for income taxes related to its discontinued operations in fiscal year 2011, 2010 or 2009.

A reconciliation of the Company's effective tax rate for continuing operations to the statutory Federal tax rate follows:

| <i>For the years ended</i> | July 3, 2011 | | June 27, 2010 | | June 28, 2009 | |
|--|-------------------------|-------------|--------------------------|---------------|--------------------------|-------------|
| | Amount | % | Amount | % | Amount | % |
| Provision (benefit) computed at the statutory rate | \$ 1,906 | 35.0 | \$ (800) | 35.0 | \$ 2,200 | 35.0 |
| Losses not benefited | - | - | 1,770 | (77.5) | - | |
| Use of net operating losses | (896) | (16.5) | - | | (838) | (13.3) |
| Foreign tax rate differential | (380) | (7.0) | (97) | 4.3 | (47) | (0.8) |
| Total provision for income taxes | \$ 630 | 11.5 | \$ 873 | (38.2) | \$ 1,315 | 20.9 |

Income before provision for income taxes of the Company's foreign subsidiaries (located in Canada and the United Kingdom) included in continuing operations was approximately \$341, \$207 and \$721 for fiscal years 2011, 2010 and 2009, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Income Taxes (Continued)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax liabilities and assets as of July 3, 2011, and June 27, 2010, follow:

| | July 3, 2011 | June 27, 2010 |
|---|-------------------------|--------------------------|
| Deferred tax liabilities | | |
| Depreciation and amortization (including differences in the basis of acquired assets) | \$ (6,771) | \$ (5,818) |
| Total deferred tax liabilities | (6,771) | (5,818) |
| Deferred tax assets | | |
| Inventory and other reserves | 2,370 | 2,523 |
| Net operating loss and capital loss carryforwards | 89,777 | 89,903 |
| Total gross deferred tax assets | 92,147 | 92,426 |
| Less: valuation allowance | (92,043) | (92,426) |
| Deferred tax assets less valuation allowance | 104 | - |
| Net deferred tax liability | \$ (6,667) | \$ (5,818) |

The Company records valuation allowances against its deferred tax assets, when necessary, in accordance with ASC Topic 740 *Income Taxes*. Realization of deferred tax assets (such as net operating loss carryforwards) is dependent on future taxable earnings and is therefore uncertain. To the extent the Company believes that recovery is unlikely, a valuation allowance is established against its deferred tax asset, which increases the Company's income tax expense in the period such determination is made. Due to the uncertainty surrounding the timing of realizing the benefits of its deferred tax assets in future tax returns, the Company has recorded a valuation allowance against its otherwise recognizable deferred tax assets.

The Company had net operating loss ("NOL") carryforwards for U.S. federal tax purposes of \$224 million as of both July 3, 2011, and June 27, 2010. The potential tax benefit of all carryforwards has been fully reserved with a valuation allowance and therefore there is no net tax asset on the consolidated balance sheets related to this asset at July 3, 2011, and June 27, 2010. The Company's NOLs have carryforward periods of 15 to 20 years with expiration dates ranging from 2013 to 2031. As the balance sheet reflects no benefit of such NOLs, the Company anticipates that no federal tax liability (other than alternative minimum tax) would be recorded if and when U.S. taxable income is generated and such carryforwards are utilized.

The Company regularly completes internal evaluations as to whether ordinary transfers of the Company's common stock between shareholders have resulted in an ownership change as defined in Section 382 of the Internal Revenue Code. Based on available information, the Company has determined that no such ownership change has occurred as of the end of fiscal 2011. If such ownership change had occurred, utilization of the Company's NOLs would be subject to annual limitation provisions per the Internal Revenue Code and similar state laws.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Commitments and Contingencies

Leases

The Company leases certain facilities and machinery and equipment primarily under operating lease arrangements, which generally provide renewal options. Future minimum rental payments under noncancelable operating leases as of July 3, 2011, follow:

| <i>Fiscal Year</i> | Minimum Lease Payments |
|-----------------------------|---------------------------------------|
| 2012 | \$ 1,032 |
| 2013 | 903 |
| 2014 | 870 |
| 2015 | 327 |
| 2016 | 46 |
| Thereafter | - |
| Total lease payments | \$ 3,178 |

For fiscal years 2011, 2010 and 2009, rent expense was \$1.2 million, \$2.7 million and \$3.1 million respectively, while sublease rental income was \$0.3 million, \$2.1 million and \$2.0 million respectively. In addition, during fiscal 2009, the Company paid \$1.0 million related to the early termination of a lease for office space in Nashville, Tennessee, effective August 2010. The lease termination payment is included in loss from discontinued operations in the accompanying consolidated statements of operations for fiscal 2009, and is not included in the rent expense amounts disclosed above.

Litigation—Product Liability

In August 2006, Pamela L. Carney, Administrator of the Estate of Michael J. Carney, filed a lawsuit in the Court of Common Pleas of Westmoreland County, Pennsylvania, against the Company and other defendants, alleging that a product manufactured by the Company's Telemotive Industrial Controls business acquired by the Company in December 2002 contributed to an accident that resulted in the death of Michael J. Carney in August 2004. The claim has been tendered to the Company's insurance carrier and legal counsel has been retained to represent the Company. Magnetek is defending the action on the basis of findings that the operator/owner of the product, Alleghany Ludlum Corporation, improperly maintained or modified the product, which led to its alleged failure. In March 2010, Magnetek's primary carrier, Travelers, denied coverage under a reservation of rights. This followed the Company's excess coverage carrier, AIG/AISLIC, denying coverage in June 2009. Travelers has agreed to continue to pay defense counsel to defend the case and has authorized defense counsel to undertake the defense of the "pass through" vendor PDS. Plaintiff's claim for damages is unknown at this time. The case is in the discovery phase and no trial date has been set.

The Company has been named, along with multiple other defendants, in asbestos-related lawsuits associated with business operations previously acquired by the Company, but which are no longer owned. During the Company's ownership, none of the businesses produced or sold asbestos-containing products. With respect to these claims, the Company believes that it has no such liability. For such claims, the Company is uninsured, contractually indemnified against liability, or contractually obligated to defend and indemnify the purchaser of these former Magnetek business operations. The Company aggressively seeks dismissal from these proceedings. Management does not believe the asbestos proceedings, individually or in the aggregate, will have a material adverse effect on its financial position or results of operations.

The Company also filed claims in the Federal-Mogul bankruptcy proceedings to recover attorney's fees for the defense of asbestos-related claims. In May 2007, the Company and Federal-Mogul entered into a settlement agreement under which the Company was entitled to receive amounts from a settlement trust established under Federal-Mogul's reorganization plan and funded by insurance proceeds. The Company was entitled to receive 15% of the first \$20 million and 10% of the next \$25 million of insurance proceeds, up to a maximum of \$5.5 million, in exchange for withdrawing its bankruptcy claims and objections to the reorganization plan and execution of certain releases. In January 2009, the Company received a payment of \$1.0 million under the settlement agreement, which brought the total proceeds received under the settlement agreement to \$5.5 million, the maximum amount to which the Company was entitled.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Commitments and Contingencies (Continued)

Litigation—Product Liability (Continued)

The consolidated statements of operations include \$0.5 million of income from the settlement trust in results of discontinued operations for fiscal year 2009. This amount represents primarily the recovery of previously incurred legal fees for the defense of these asbestos related lawsuits. Several insurance carriers filed a declaratory judgment action relating to insurance coverage for such previously acquired businesses, seeking a determination that no coverage is available under the policies. Federal-Mogul, the Company and other defendants filed responsive pleadings and motions relating to the case, and the court granted the motions to stay the declaratory judgment action. Some of these insurers appealed such ruling but the ruling was upheld on appeal in November 2008. Management does not believe the asbestos proceedings, individually or in the aggregate, will have a material adverse effect on its financial position or results of operations.

Given the nature of the above issues, uncertainty of the ultimate outcome, and inability to estimate the potential loss, no amounts have been reserved for these matters.

Litigation—Patent Infringement and Related Proceedings

In August 2008, the Company filed a complaint in the Circuit Court of Cook County, Illinois, County Department, Law Division, against Kirkland & Ellis, LLP (“K&E”). The lawsuit involves a claim for breach of professional responsibility arising out of K&E’s representation of Magnetek in the patent infringement action, *Ole K. Nilssen v Magnetek, Inc.* The Company alleges that, as a result of K&E’s negligent breach of professional duty in failing to discover or investigate the existence of prior art and prior misconduct which would have made Nilssen’s patent claim unenforceable or invalidated his patent, the Company suffered an arbitration award and judgment in the amount of \$23.4 million, which judgment was ultimately settled by the payment to Nilssen of \$18.75 million. The Company is seeking damages in the amount of \$18.75 million, reimbursement of reasonable costs and attorneys fees incurred in the proceeding to vacate the arbitration award and settlement thereof, and costs incurred in connection with this lawsuit. On April 5, 2010, the Circuit Court of Cook County dismissed the complaint against K&E for lack of subject matter jurisdiction. The Court relied upon a then recent Illinois appellate decision in which the Court held that attorney malpractice cases arising out of the prosecution or defense of federal patent claims raised federal questions for which the federal courts have exclusive jurisdiction. An appeal has been taken to the Illinois Appellate Court. On April 7, 2010, the Company filed a substantially identical complaint in the United States District Court for the Northern District of Illinois. The new federal complaint seeks damages in the amount of \$18.8 million, plus any additional damages as may be warranted by the evidence introduced at trial. On June 7, 2010, K&E entered a motion in federal court to have the Company’s complaint dismissed as being “time-barred” or filed beyond the applicable two year statute of limitations. The Company filed its responsive brief on July 15, 2010, arguing, among other things, that the doctrine of equitable tolling applies effectively suspending the running of the statute of limitations. On June 30, 2011, the Illinois Appellate Court reversed the Circuit Court of Cook County and remanded the case to the trial court. K&E filed a petition for rehearing with the Appellate Court which request was denied on July 28, 2011.

As previously reported by the Company, Universal Lighting Technologies, Inc. (“ULT”) and Nilssen entered into a consent judgment in April 2008, for dismissal, on collateral estoppel grounds, of the patent infringement lawsuit filed by Nilssen against ULT. The Company had provided the defense in the lawsuit pursuant to an indemnification claim from ULT subject to the terms of the sale agreement under which ULT purchased Magnetek’s lighting business in 2003. In September 2009, Nilssen and ULT entered into a settlement agreement relating to attorney’s fees. Under the settlement agreement, Nilssen paid to the Company an amount of \$0.75 million as attorney’s fees as well as a nominal amount for costs. However, if Nilssen files a Rule 60 Motion and is successful such that ULT ceases to be the “prevailing party” and is no longer entitled to attorney’s fees, then the Company is obligated to refund the \$0.75 million attorney’s fees settlement amount. As such, the amount paid to the Company represents a contingent gain and accordingly, is included in accrued liabilities in the consolidated balance sheet as of July 3, 2011. At present, further proceedings are stayed pending the outcome of separate appellate matters.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Commitments and Contingencies (Continued)

Litigation—Other

In November 2007, a lawsuit was filed by Antonio Canova in Italy, in the Court of Arezzo, Labor Law Section, against the Company and Power-One Italy, S.p.A. Mr. Canova is a former Executive Vice President of the Company and was Deputy Chairman and Managing Director of the Company's former Italian subsidiary, Magnetek S.p.A. Mr. Canova asserted claims for damages in the amount of 3.5 million Euros (approximately US\$4.9 million) allegedly incurred in connection with the termination of his employment at the time of the sale of the Company's power electronics business to Power-One, Inc. in October 2006. The claims against the Company relate to a change of control agreement and restricted stock grant. The Company believes the claims are without merit and intends to vigorously defend against them.

In October 2010, the Company received a request for indemnification from Power-One, Inc. ("Power-One") for an Italian tax matter arising out of the sale of the Company's power electronic group to Power-One in October 2006. With a reservation of rights, the Company affirmed its obligation to indemnify Power-One for certain pre-closing taxes. The sale included an Italian company, Magnetek, S.p.A., and its wholly owned subsidiary, Magnetek Electronics (Shenzhen) Co. Ltd. (the "Power-One China Subsidiary"). The tax authority in Arezzo, Italy, issued a notice of audit report in September 2010 wherein it asserted that the Power-One China Subsidiary had its administrative headquarters in Italy with fiscal residence in Italy and, therefore, is subject to taxation in Italy. In November 2010, the tax authority issued a notice of tax assessment for the period of July 2003 to June 2004, alleging that taxes of approximately 1.9 million Euros (approximately US\$2.7 million) were due in Italy on taxable income earned by the Power-One China Subsidiary during this period. In addition, the assessment alleges potential penalties calculated at 120% of the tax amount claimed together with interest in the amount of approximately 2.6 million Euros (or approximately US\$3.7 million) for the alleged failure of the Power-One China Subsidiary to file its Italian tax return. The Power-One China Subsidiary filed its response with the provincial tax commission of Arezzo, Italy in January 2011. The tax authority in Arezzo, Italy issued a tax inspection report in January 2011 for the periods July 2002 to June 2003 and July 2004 to December 2006 claiming that the Power-One China Subsidiary failed to file Italian tax returns for the reported periods. The Company believes the Italian tax claims are without merit and intends to vigorously defend against them.

Litigation - Environmental Matters

From time to time, Magnetek has taken action to bring certain facilities associated with previously owned businesses into compliance with applicable environmental laws and regulations. Upon the subsequent sale of certain businesses, the Company agreed to indemnify the buyers against environmental claims associated with the divested operations, subject to certain conditions and limitations. Remediation activities, including those related to the Company's indemnification obligations, did not involve material expenditures during fiscal years 2011, 2010 or 2009.

The Company has also been identified by the United States Environmental Protection Agency and certain state agencies as a potentially responsible party for cleanup costs associated with alleged past waste disposal practices at several previously utilized, owned or leased facilities and offsite locations. Its remediation activities as a potentially responsible party were not material in fiscal years 2011, 2010 or 2009. Although the materiality of future expenditures for environmental activities may be affected by the level and type of contamination, the extent and nature of cleanup activities required by governmental authorities, the nature of the Company's alleged connection to the contaminated sites, the number and financial resources of other potentially responsible parties, the availability of indemnification rights against third parties and the identification of additional contaminated sites, the Company's estimated share of liability, if any, for environmental remediation, including its indemnification obligations, is not expected to be material.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Commitments and Contingencies (Continued)

Litigation - Environmental Matters (Continued)

Bridgeport, Connecticut Facility

In 1986, the Company acquired the stock of Universal Manufacturing Company (“Universal”) from a predecessor of Fruit of the Loom (“FOL”), and the predecessor agreed to indemnify the Company against certain environmental liabilities arising from pre-acquisition activities at a facility in Bridgeport, Connecticut. Environmental liabilities covered by the indemnification agreement included completion of additional cleanup activities, if any, at the Bridgeport facility and defense and indemnification against liability for potential response costs related to offsite disposal locations. The Company’s leasehold interest in the Bridgeport facility was assigned to the buyer in connection with the sale of the Company’s transformer business in June 2001. FOL, the successor to the indemnification obligation, filed a petition for Reorganization under Chapter 11 of the Bankruptcy Code in 1999 and the Company filed a proof of claim in the proceeding for obligations related to the environmental indemnification agreement. The Company believes that FOL had substantially completed the clean-up obligations required by the indemnification agreement prior to the bankruptcy filing. In November 2001, the Company and FOL entered into an agreement involving the allocation of certain potential tax benefits and Magnetek withdrew its claims in the bankruptcy proceeding. The Company further believes that FOL’s obligation to the state of Connecticut was not discharged in the reorganization proceeding.

In October 2006, Sergy Company, LLC (“Sergy”), the owner of the Bridgeport facility, filed a lawsuit in Superior Court, Fairfield, Connecticut alleging that the Company is obligated to remediate environmental contamination at the facility. The case was transferred to the Complex Litigation Docket, Waterbury, Connecticut. Sergy filed an amended complaint alleging a breach of lease obligations and violation of Connecticut environmental statutory requirements, which allegations were denied in the Company’s amended answer, affirmative defenses and counterclaims. Sergy amended its complaint to include additional claims against the Company under the Connecticut Transfer Act. In January 2011, Sergy and the Company reached an agreement in principle to resolve the lawsuit, including a payment by the Company to Sergy in the amount of \$85 thousand. The settlement is contingent upon reducing the agreed terms to writing and obtaining certain approvals to support ongoing groundwater remedial measures.

In January 2007, the Connecticut Department of Environmental Protection (“DEP”) requested parties, including the Company, to submit reports summarizing the investigations and remediation performed to date at the site and the proposed additional investigations and remediation necessary to complete those actions at the site. DEP requested additional information from the Company relating to site investigations and remediation. The Company retained an environmental consultant to review and prepare reports on historical operations and environmental activities at the Bridgeport facility. In November 2009, the Company submitted its site summary report and proposed work plan to the DEP and in October 2010 submitted a revised work plan to the DEP. The Company and the DEP agreed to the scope of the work plan in November 2010. The Company has recorded a liability of \$0.4 million related to the Bridgeport facility, representing the Company’s best estimate of future site investigation costs and remediation costs which are expected to be incurred in the future. The liability is included in accrued liabilities in the consolidated balance sheet as of July 3, 2011.

In April 2008, the Commissioner of Environmental Protection (“CTCEP”) filed an action in Superior Court, Judicial District of Hartford-New Britain at Hartford seeking injunctive relief against Sergy and the Company, which action was commenced after Sergy cut off power to the Bridgeport facility, thereby disabling a groundwater pump and treatment system previously installed by FOL and currently operated by the Company. Although a stipulation was entered into by the Company and Sergy relating to the start-up and operation of the groundwater pump and treatment system, the CTCEP filed a request to amend the complaint to assert additional claims and to seek further remedies, including injunctive relief and civil penalties, for alleged failure to investigate and remediate pollution under the Connecticut Transfer Act. In September, 2008 the Hartford Court ordered the case transferred to the Waterbury Court. The lawsuit against the Company was settled with the CTCEP by means of a stipulation for judgment in compromise and settlement which was approved by the Court in November 2010. The stipulation, which included the Company paying the CTCEP \$5 thousand, resolves all liability for past activities and requires the Company to conduct limited additional investigation pursuant to an approved work plan.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Commitments and Contingencies (Continued)

Litigation - Environmental Matters (Continued)

Bridgeport, Connecticut Facility (Continued)

FOL's inability to satisfy its remaining obligations to the state of Connecticut related to the Bridgeport facility and any offsite disposal locations, or in the event a final settlement cannot be achieved and an unfavorable ruling in the lawsuit with the owner of the Bridgeport facility, or the discovery of additional environmental contamination at the Bridgeport facility could have a material adverse effect on the Company's financial position, cash flows or results of operations.

Letters of Credit

The Company had approximately \$1.5 million of outstanding letters of credit as of July 3, 2011.

12. Stock-Based Compensation Agreements

The Company has two stock option plans (the "Plans"), one of which provides for the issuance of both incentive stock options (under Section 422A of the Internal Revenue Code of 1986) and non-qualified stock options at exercise prices not less than the fair market value of the Company's common stock at the date of grant, and one of which provides only for the issuance of non-qualified stock options at exercise prices not less than the fair market value of the Company's common stock at the date of grant. One of the Plans also provides for the issuance of stock appreciation rights, restricted stock, incentive bonuses and incentive stock units. The total number of shares of the Company's common stock available for issuance of stock options and other stock rights under the Plans is 3.1 million shares.

Under the provisions of the Plans, key employees and non-employee directors may be granted options to purchase shares of Magnetek common stock at a price not less than its fair market value on the date of grant. Options granted have a maximum term of 10 years. Vesting requirements are determined at the discretion of the Compensation Committee of the Company's Board of Directors, with vesting periods generally ranging from two to four years. The Company uses the Black-Scholes option pricing model to calculate the fair value of stock options. The key assumptions for the Black-Scholes valuation method include the expected life of the option, stock price volatility, a risk-free interest rate, and dividend yield. Many of these assumptions are judgmental and highly sensitive. Following is a table of the weighted average fair value of the Company's stock option grants for fiscal years 2011, 2010 and 2009, using the Black-Scholes valuation model, assuming no dividends, with the following assumptions:

| | Options | | |
|--|---------|---------|---------|
| | 2011 | 2010 | 2009 |
| Expected life in years | 5.7 | 5.7 | 5.7 |
| Expected stock price volatility | 73.3% | 73.0% | 66.8% |
| Risk-free interest rate | 1.6% | 2.1% | 2.9% |
| Options granted (in thousands) | 421 | 30 | 474 |
| Weighted average fair value of options granted | \$ 0.80 | \$ 0.71 | \$ 1.33 |

Compensation expense related to stock option awards is recognized ratably over the vesting period.

The Company also awards restricted shares of the Company's common stock to key employees under the provisions of one of the Plans. All restrictions on the shares expire after completion of a service period, typically three years, as determined by the Compensation Committee of the Company's Board of Directors. Shares are valued at the market price on the date of award. Compensation expense related to these awards is recognized ratably over the service period.

For fiscal years 2011, 2010 and 2009, the Company recorded \$0.6 million, \$0.7 million and \$1.1 million, respectively, of stock-based compensation related to all share-based awards. Stock-based compensation expense is included in selling, general and administrative expense in the accompanying consolidated statements of operations. As of July 3, 2011, there was \$1.1 million of total unrecognized compensation cost related to all stock option and restricted share grants, to be expensed ratably over a weighted-average remaining period of 1.8 years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Stock-Based Compensation Agreements (Continued)

A summary of certain information with respect to outstanding stock options under the Plans follows (options in thousands):

| | Options | Weighted- Average Exercise Price | Aggregate Intrinsic Value (\$000's) |
|------------------------------------|----------------|---|--|
| Options outstanding, June 29, 2008 | 3,413 | \$ 7.46 | \$ 467 |
| Granted | 474 | \$ 2.19 | |
| Exercised | (10) | 4.32 | \$ 10 |
| Canceled | (1,332) | 9.41 | |
| Options outstanding, June 28, 2009 | 2,545 | \$ 5.47 | \$ - |
| Granted | 30 | \$ 1.11 | |
| Exercised | - | - | |
| Canceled | (251) | 7.81 | |
| Options outstanding, June 27, 2010 | 2,324 | \$ 5.16 | \$ - |
| Granted | 421 | \$ 1.26 | |
| Exercised | - | - | |
| Canceled | (959) | 5.89 | |
| Options outstanding, July 3, 2011 | 1,786 | \$ 3.85 | \$ 270 |
| Exercisable options, June 28, 2009 | 1,841 | \$ 6.50 | \$ - |
| Exercisable options, June 27, 2010 | 1,918 | \$ 5.72 | \$ - |
| Exercisable options, July 3, 2011 | 1,140 | \$ 5.09 | \$ 23 |

The following table provides information regarding exercisable and outstanding options as of July 3, 2011 (options in thousands):

| <i>Range of exercise price per share</i> | Exercisable | | | Outstanding | | |
|--|------------------------|---|---|------------------------|---|---|
| | Options exercisable | Weighted average exercise price per share | Weighted average remaining contractual life (years) | Options outstanding | Weighted average exercise price per share | Weighted average remaining contractual life (years) |
| \$1.11 - \$2.50 | 306 | \$ 2.09 | 7.5 | 918 | \$ 1.74 | 8.3 |
| \$2.51 - \$5.00 | 281 | 3.54 | 4.6 | 315 | 3.55 | 4.8 |
| \$5.01 - \$7.50 | 328 | 6.26 | 2.4 | 328 | 6.26 | 2.4 |
| \$7.51 - \$10.00 | 119 | 8.08 | 2.8 | 119 | 8.08 | 2.8 |
| Over \$10.00 | 106 | 11.01 | 0.9 | 106 | 10.85 | 0.1 |
| Total | 1,140 | \$ 5.09 | 4.1 | 1,786 | \$ 3.85 | 5.8 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Stock-Based Compensation Agreements (Continued)

The following table provides information regarding vested and unvested restricted stock activity for the fiscal years 2009, 2010 and 2011 (shares in thousands):

| | Shares | Weighted average grant date fair value | Fair value of vested shares at vesting date |
|---------------------------|--------|---|--|
| Unvested at June 29, 2008 | 379 | \$ 3.48 | |
| Granted | - | \$ - | |
| Vested | (205) | 2.77 | \$ 492 |
| Forfeited | (4) | 3.61 | |
| Unvested at June 28, 2009 | 170 | \$ 4.34 | |
| Granted | 646 | \$ 1.31 | |
| Vested | (123) | 4.15 | \$ 202 |
| Forfeited | (59) | 1.79 | |
| Unvested at June 27, 2010 | 634 | \$ 1.53 | |
| Granted | 499 | \$ 1.18 | |
| Vested | - | - | |
| Forfeited | (227) | 1.44 | |
| Unvested at July 3, 2011 | 906 | \$ 1.36 | |

13. Employee Benefit Plans

The Company maintains a defined benefit pension plan (the “pension plan”) for the benefit of eligible employees, former employees and retirees in the U.S. Effective June 30, 2003, the pension plan was frozen and no future compensation credits will be accrued to participants' individual accounts, although participant accounts will continue to be credited with interest.

During 2006, Congress passed the Pension Protection Act of 2006 (the “2006 Act”) with the stated purpose of improving the funding of U.S. private pension plans. The 2006 Act introduced new funding requirements for qualified defined benefit pension plans, introduced benefit limitations for certain under-funded plans, and raised tax deduction limits for contributions. The 2006 Act applies to pension plan years beginning after December 31, 2007. In June 2010, Congress passed the Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010 (the “2010 Act”). The 2010 Act provides, among other things, pension relief for employers with defined benefit pension plans. The 2010 Act allows companies with a defined benefit pension plan to choose between two alternative funding schedules: amortizing funding shortfalls over 15 years for any two plan years between 2008 and 2011, or paying interest on a funding shortfall for only two plan years of the employer’s choosing after which seven-year amortization would apply. The Company selected the funding option to amortize funding shortfalls over 15 years for any two plans years between 2008 and 2011.

The Company funds the pension plan in accordance with applicable employee benefit and tax laws described above and made required contributions to the pension plan of \$8.4 million in fiscal 2011, \$15.6 million in fiscal 2010 and \$9.4 million in fiscal 2009. Based upon current actuarial projections and pension funding regulations, future required minimum contributions to the pension plan are estimated at \$65.1 million, of which approximately \$15.7 million is scheduled to be contributed from July 2011 through June 2012. Required contributions after June 2012 are subject to change and will depend on future interest rate levels, values in equity and fixed income markets, and the level and timing of interim contributions we may make to the pension plan.

In response to the level of the Company’s projected pension funding obligations relative to its current operating cash flows, the Company filed an application with the Internal Revenue Service (“IRS”) in February 2011 for a waiver of its minimum funding requirements (contributions) for the pension plan year 2011. The amount of the funding waiver

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Employee Benefit Plans (Continued)

requested was approximately \$17 million, scheduled to be funded in quarterly installments from April 2011 through January 2012, with a final installment due in September 2012. Due to the pending funding waiver application, the Company is not required to make scheduled plan year 2011 contributions until the Company is notified by the IRS of a decision concerning the funding waiver. As a result, the scheduled quarterly installment of \$3.3 million due on April 15, 2011, was not made.

In the event the funding waiver is granted, the 2011 plan year scheduled contributions of \$17 million would be deferred and amortized with interest over plan years 2012 through 2016. In the event the funding waiver is not granted, the Company would be obligated to make its plan year 2011 minimum funding contributions by September 2012 at the latest, with the contribution amount increasing due to interest and interest penalties through the actual date of contribution. The current rate of interest is approximately 6% while the current penalty rate, applied to the late period only, is 5%.

Weighted average assumptions used to determine benefit cost and benefit obligation for the pension plan follow:

| | 2011 | 2010 |
|--|--------------|---------------|
| Discount rate used to determine benefit obligation | 5.15% | 5.10% |
| Discount rate used to determine benefit cost | 5.10% | 6.25% |
| Expected return on plan assets | 8.50% | 8.50% |
| Measurement date for pension benefit obligations | July 3, 2011 | June 27, 2010 |

The Company determines the expected return on pension plan assets based upon the overall expected long-term rate of return over the period that benefits are expected to be paid. This estimate considers the targeted allocation of pension plan assets among securities with various risk and return profiles and incorporates historical data as well as anticipated economic and market conditions. Based on analysis of future expectations of asset performance, past return results, and current and expected asset allocations, the Company reduced its long-term expected return on plan assets to 8.25% for cost recognition purposes in 2012 from the expected return assumption of 8.5% for fiscal 2011 and 2010.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Employee Benefit Plans (Continued)

Pension benefit obligations at year-end, fair value of pension plan assets, and the pension plan funded status for the years ended July 3, 2011, and June 27, 2010, are as follows:

| | July 3, 2011 | June 27, 2010 |
|---|-------------------------|--------------------------|
| Change in Benefit Obligation: | | |
| Benefit obligation at beginning of year | \$ 196,306 | \$ 179,056 |
| Interest cost | 9,686 | 10,821 |
| Actuarial loss | 2,327 | 18,635 |
| Benefits paid | (14,074) | (12,206) |
| Benefit obligation at end of year | \$ 194,245 | \$ 196,306 |
| Change in Plan Assets: | | |
| Fair value of plan assets at beginning of year | \$ 118,392 | \$ 102,207 |
| Actual return on plan assets | 20,127 | 12,804 |
| Employer contributions | 8,418 | 15,587 |
| Benefits paid | (14,074) | (12,206) |
| Fair value of plan assets at end of year | \$ 132,863 | \$ 118,392 |
| Funded status | \$ (61,382) | \$ (77,914) |
| Unrecognized net actuarial loss | 159,652 | 174,265 |
| Prepaid benefit cost | \$ 98,270 | \$ 96,351 |
| Amounts Recognized in Statement of Financial Position: | | |
| Pension benefit obligations, net | \$ (61,382) | \$ (77,914) |
| Accumulated other comprehensive loss | 159,652 | 174,265 |
| Net amount recognized | \$ 98,270 | \$ 96,351 |

In fiscal 2007 the Company adopted ASC Topic 715-30, *Defined Benefit Plans – Pension*, which requires the Company to recognize the funded status of the pension plan in the consolidated balance sheet and provide related disclosures. The pension plan has been in a net under-funded position for the past several years, and as a result, the Company recognized an additional minimum pension liability on its balance sheet in accordance with ASC Topic 715. The pension plan's unrecognized losses of \$159,652 and \$174,265 (excluding tax benefits of \$17,000) at July 3, 2011, and June 27, 2010, respectively, have been recorded as a reduction to equity in "Accumulated Other Comprehensive Loss" on the Company's consolidated balance sheets. Amounts included in accumulated other comprehensive loss, net of tax, at July 3, 2011, which have not yet been recognized in net periodic benefit cost, relate solely to unrecognized net actuarial losses of the pension plan.

Net periodic benefit cost (income) for the Company's pension plan for the fiscal years 2011, 2010 and 2009 are as follows:

| Fiscal year ended | Pension Benefits | | |
|--|-------------------------|--------------------------|--------------------------|
| | July 3, 2011 | June 27, 2010 | June 28, 2009 |
| Components of Net Periodic Benefit Cost: | | | |
| Interest cost | \$ 9,686 | \$ 10,821 | \$ 11,195 |
| Expected return on plan assets | (10,041) | (8,825) | (12,130) |
| Recognized net actuarial loss | 6,855 | 6,210 | 4,320 |
| Net periodic benefit cost | \$ 6,500 | \$ 8,206 | \$ 3,385 |

Total net periodic benefit cost for the Transition Period 2011 (the next two fiscal quarters) is estimated at \$2.7 million. During that time, it is expected that \$3.2 million of amounts included in accumulated other comprehensive loss will be recognized in net periodic benefit cost. The expected return on the pension plan assets in determining future pension expense is 8.25%.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Employee Benefit Plans (Continued)

Pension plan fiduciaries set investment policies and strategies for the pension plan's trust. The primary investment objectives are to maximize total return within a prudent level of risk, to fully diversify investment holdings, and to meet the long-term return target selected as an actuarial assumption. The pension plan's fiduciaries oversee the investment allocation process, which includes selecting investment managers, setting long-term strategic targets and monitoring asset allocations. Pension plan assets are invested in a diversified mix of funds containing equity and debt securities through a professional investment manager with the objective to achieve targeted risk adjusted returns while maintaining liquidity sufficient to fund current benefit payments. Pension plan assets do not include any shares of Company common stock as of July 3, 2011, or June 27, 2010.

The fair values of pension plan assets as of July 3, 2011, are as follows:

| Retirement Plan Assets | Balance as of July 3, 2011 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|-------------------------------------|---------------------------------------|---|--|--|
| Cash and cash equivalents | \$ 210 | \$ 210 | \$ - | \$ - |
| Equity holdings: | | | | |
| U.S. large cap | 43,596 | 43,596 | - | - |
| U.S. small cap | 13,456 | 13,456 | - | - |
| International equity | 19,980 | 19,980 | - | - |
| Total equity holdings | 77,032 | 77,032 | - | - |
| Fixed income holdings: | | | | |
| Core fixed income | 22,219 | - | 22,219 | - |
| Emerging market debt | 3,111 | - | 3,111 | - |
| Total fixed income holdings | 25,330 | - | 25,330 | - |
| Limited partnership holdings | 30,291 | - | - | 30,291 |
| Total Retirement Plan assets | \$ 132,863 | \$ 77,242 | \$ 25,330 | \$ 30,291 |

The following table presents a reconciliation of the fair value measurements using significant unobservable inputs (Level 3) as of July 3, 2011:

| | Limited Partnership Holdings |
|-------------------------------|---|
| Balance, beginning of period | \$ 24,953 |
| Return on plan assets | 5,338 |
| Balance, end of period | \$ 30,291 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Employee Benefit Plans (Continued)

Expected future benefit payments under the Pension plan by fiscal year are as follows (in \$ thousands):

| <u>Fiscal</u> <u>Year</u> | <u>Benefit</u> <u>Payment</u> |
|------------------------------|----------------------------------|
| 2012 | \$ 12,806 |
| 2013 | 12,805 |
| 2014 | 13,036 |
| 2015 | 13,089 |
| 2016 | 13,110 |
| 2017-2021 | 66,549 |

In addition to the pension plan, the Company maintains a defined contribution savings plan (“401k plan”) for eligible employees. Contributions made to the 401k plan by the Company were \$200, \$184 and \$426 for the fiscal years 2011, 2010 and 2009, respectively. Effective January 1, 2011, the Company reinstated its matching contributions to the 401k plan which had been suspended effective as of January 1, 2010.

14. Warranties

The Company offers warranties for certain products that it manufactures, with the warranty term generally ranging from one to two years. Warranty reserves are established for costs expected to be incurred after the sale and delivery of products under warranty, based mainly on known product failures and historical experience, and are included in accrued liabilities in the accompanying consolidated balance sheets.

Changes in the warranty reserve for fiscal 2011 and 2010 follow:

| | July 3, 2011 | June 27, 2010 |
|---|-------------------------|--------------------------|
| Balance at beginning of year | \$ 591 | \$ 374 |
| Additions charged to earnings | 446 | 719 |
| Use of reserve for warranty obligations | (458) | (502) |
| Balance at end of year | \$ 579 | \$ 591 |

15. Supplemental Cash Flow Information

Changes in operating assets and liabilities of continuing operations follow:

| <i>Fiscal year ended</i> | July 3, 2011 | June 27, 2010 | June 28, 2009 |
|--|-------------------------|--------------------------|--------------------------|
| (Increase) decrease in accounts receivable | \$ (1,801) | \$ (4,838) | \$ 7,002 |
| (Increase) decrease in inventories | (4,044) | 2,332 | (92) |
| (Increase) decrease in prepaids and other current assets | 54 | 762 | 891 |
| (Increase) decrease in other assets | 460 | 131 | 647 |
| Increase (decrease) in accounts payable | 2,196 | 4,171 | (4,691) |
| Increase (decrease) in accrued liabilities | 3,875 | (1,728) | (1,428) |
| Increase (decrease) in operating assets and liabilities | \$ 740 | \$ 830 | \$ 2,329 |

Cash paid for interest and paid (refunded) for income taxes :

| | | | |
|--------------|----------|--------|--------|
| Interest | \$ - | \$ - | \$ - |
| Income taxes | \$ (100) | \$ 323 | \$ 271 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss consisted of the following at July 3, 2011, and June 27, 2010:

| | July 3, 2011 | June 27, 2010 |
|---|-------------------------|--------------------------|
| Unrecognized pension plan liabilities, net of \$17,000 income tax benefit | \$ (142,652) | \$ (157,265) |
| Foreign currency translation adjustments | 957 | 673 |
| Accumulated other comprehensive loss | \$ (141,695) | \$ (156,592) |

17. Business Segment and Geographic Information

The Company currently operates within a single business segment, digital power control systems. The Company sells its products primarily to large original equipment manufacturers and manufacturers' representatives. The Company performs ongoing credit evaluations of its customers' financial conditions and generally requires no collateral. The Company has one customer whose purchases represented approximately 25% of the Company's total revenue in fiscal year 2011.

Information with respect to the Company's foreign subsidiaries follows:

| <i>For the fiscal year</i> | July 3, 2011 | June 27, 2010 | June 28, 2009 |
|-------------------------------|-------------------------|--------------------------|--------------------------|
| Sales | \$ 6,593 | \$ 7,446 | \$ 14,355 |
| Income from operations | 341 | 207 | 721 |
| Identifiable assets | 5,200 | 5,151 | 7,714 |
| Capital expenditures | - | - | 138 |
| Depreciation and amortization | 53 | 65 | 58 |

Sales by foreign subsidiaries include sales of products to customers within the U.S.

Export sales from the United States were \$5,624, \$3,747 and \$5,534 in fiscal years 2011, 2010 and 2009, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

18. Quarterly Results (unaudited)

The supplementary quarterly financial information presented below reflects the results of the Company's TPS business as discontinued operations for all periods presented as described in Note 2 of Notes to Consolidated Financial Statements.

| <i>Fiscal 2011 quarter ended</i> | Oct 3, 2010 | Jan 2, 2011 | Apr 3, 2011 | Jul 3, 2011 |
|---|------------------------|------------------------|------------------------|------------------------|
| Net sales | \$ 24,877 | \$ 26,066 | \$ 27,831 | \$ 31,058 |
| Gross profit | 7,544 | 8,470 | 8,744 | 10,399 |
| Income from operations | 934 | 1,392 | 1,482 | 1,638 |
| Income from continuing operations before income taxes | 935 | 1,392 | 1,482 | 1,638 |
| Provision for income taxes | 272 | 15 | 241 | 102 |
| Income (loss) from continuing operations | 663 | 1,377 | 1,241 | 1,536 |
| Loss from discontinued operations | (392) | (141) | (270) | (351) |
| Net income | \$ 271 | \$ 1,236 | \$ 971 | \$ 1,185 |
| Per common share: | | | | |
| Basic and diluted: | | | | |
| Income (loss) from continuing operations | \$ 0.02 | \$ 0.04 | \$ 0.04 | \$ 0.05 |
| Loss from discontinued operations | \$ (0.01) | \$ (0.00) | \$ (0.01) | \$ (0.01) |
| Net income | \$ 0.01 | \$ 0.04 | \$ 0.03 | \$ 0.04 |

| <i>Fiscal 2010 quarter ended</i> | Sep 27, 2009 | Dec 27, 2009 | Mar 28, 2010 | Jun 27, 2010 |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| Net sales | \$ 17,834 | \$ 19,232 | \$ 19,185 | \$ 24,320 |
| Gross profit | 5,622 | 5,878 | 5,464 | 7,164 |
| Income from operations | (1,290) | (756) | (1,166) | 898 |
| Income from continuing operations before income taxes | (1,280) | (750) | (1,155) | 900 |
| Provision for income taxes | 231 | 130 | 251 | 261 |
| Income (loss) from continuing operations | (1,511) | (880) | (1,406) | 639 |
| Loss from discontinued operations | (284) | (345) | (207) | (1,107) |
| Net loss | \$ (1,795) | \$ (1,225) | \$ (1,613) | \$ (468) |
| Per common share: | | | | |
| Basic and diluted: | | | | |
| Income (loss) from continuing operations | \$ (0.05) | \$ (0.03) | \$ (0.05) | \$ 0.02 |
| Loss from discontinued operations | \$ (0.01) | \$ (0.01) | \$ (0.01) | \$ (0.04) |
| Net loss | \$ (0.06) | \$ (0.04) | \$ (0.05) | \$ (0.01) |

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders

Magnetek, Inc.

We have audited the accompanying consolidated balance sheets of Magnetek, Inc. as of July 3, 2011 and June 27, 2010, and the related consolidated statements of operations, stockholders' deficit, and cash flows for each of the three years in the period ended July 3, 2011. These financial statements are the responsibility of the Company'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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Magnetek, Inc. at July 3, 2011, and June 27, 2010, and the consolidated results of its operations and its cash flows for each of the three years in the period ended July 3, 2011, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP
Milwaukee, Wisconsin

August 31, 2011

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

FORM 10-K

(Mark One)

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

For the fiscal year ended July 3, 2011

OR

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

Commission file number 1-10233

MAGNETEK, INC.

(Exact name of Registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of incorporation or organization)

95-3917584

(I.R.S. Employer Identification No.)

**N49 W13650 Campbell Drive
Menomonee Falls, Wisconsin**

(Address of Principal Executive Offices)

53051

(Zip Code)

Registrant's telephone number, including area code: **(262) 783-3500**

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

Title of each class

Name of each exchange on which registered

Common Stock, \$.01 par value

New York Stock Exchange

Preferred Stock Purchase Rights

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the Registrant is a well known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The aggregate market value of the voting stock held by non-affiliates of the Registrant, based on the closing price of \$1.35 per share as reported by the New York Stock Exchange, on January 2, 2011 (the last business day of the Company's most recently completed second fiscal quarter), was \$41,609,392. Shares of common stock held by each executive officer and director have been excluded since such persons may be deemed affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of shares outstanding of the Registrant's Common Stock, as of August 8, 2011, was 31,372,794 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Magnetek, Inc. 2011 Annual Report for the fiscal year ended July 3, 2011 (the “2011 Annual Report”) are incorporated by reference into Parts I and II of this Form 10-K. With the exception of those portions that are expressly incorporated by reference into this Form 10-K, the 2011 Annual Report is not deemed as filed as part of this Form 10-K. Portions of the Magnetek, Inc. definitive Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after the close of the fiscal year ended July 3, 2011, are incorporated by reference into Part III of this Form 10-K.

MAGNETEK, INC. ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED JULY 3, 2011

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The Company has historically used a 52-53 week fiscal year which ends on the Sunday nearest June 30. Fiscal year 2011 contained 53 weeks. Fiscal years 2010 and 2009 each contained 52 weeks. Subsequent to the end of fiscal 2011, the Company elected to change its fiscal year to end on the Sunday nearest December 31.

PART I

ITEM 1. BUSINESS

General

Magnetek, Inc. (“Magnetek,” the “Company,” “we,” or “us”) is a global provider of digital power control systems that are used to control motion and power primarily in material handling, elevator, and energy delivery applications. Magnetek was founded in 1984 and is listed on the New York Stock Exchange (NYSE: MAG). Our products are sold directly or through manufacturers’ representatives to original equipment manufacturers (“OEMs”) for incorporation into their products, to system integrators and value-added resellers for assembly and incorporation into end-user systems, to distributors for resale to OEMs and contractors, and to end-users for repair and replacement purposes. We operate in a single segment, Digital Power Control Systems.

Magnetek’s systems consist primarily of programmable motion control and power conditioning systems used in the following applications: overhead cranes and hoists; elevators; coal mining equipment; and renewable energy sources. We are North America's largest independent supplier of digital drives, radio controls, software and accessories for industrial cranes and hoists, and we are also the largest independent supplier of digital direct current (“DC”) motion control systems for elevators. Customers include most of the industrial crane and hoist companies in North America and the world's leading elevator builders. Our operations are located in North America, predominantly in Menomonee Falls, Wisconsin, the location of our headquarters.

Our goal is to become solidly positioned in markets offering long-term stability, excellent growth potential and profitability. Our primary focus is on markets where we can apply both our industry expertise and our systems integration model to add value to our customers by improving their production, energy efficiency, manufacturing throughput or safety, while minimizing down time and maintenance costs. We believe U.S. industry is in the midst of a shift from electro-mechanical power controls to digital power controls, and believe we are positioned to take advantage of this shift through many of our product offerings. We also believe that wireless controls will be an area of strategic growth for us. To that end, in February 2008, we acquired the assets and business of Enrange, LLC, a wireless control manufacturer providing radio remote controls for material handling, hydraulic and other industries. The acquisition enhances our wireless technical expertise, expands our wireless control product portfolio, and allows us to penetrate additional markets. We will continue to pursue internal growth opportunities in our core product lines, look to expand our current business model geographically, and also pursue external growth through acquisitions in our served or related markets, adding products, technology, market opportunities or capabilities that complement our existing business. Our focus for the next 12 months will be directed toward aligning our resources and investments with the best growth opportunities, maximizing those opportunities through new product introductions and penetration of new markets. At the same time, we’ll strive to effectively manage our cost structure and our assets to optimize cash flow and profitability.

Product Offerings

Magnetek is a leading provider of innovative power control and delivery systems and solutions for overhead material handling applications used in industries such as: aerospace, automotive, steel, aluminum, paper, logging, mining, ship loading, nuclear power plants, locomotive yards, and heavy movable structures.

Our material handling products include drive systems, radio remote controls, and braking, collision-avoidance, and electrification subsystems, sold primarily to original equipment manufacturers of overhead cranes and hoists. We have a significant market share in North America in alternating current (“AC”) control systems and see revenue growth opportunities in DC control systems for retrofit applications and in wireless remote controls.

Magnetek also designs, builds, sells, and supports elevator application specific drive products and is recognized as a leader for DC high performance elevator drives, as well as AC drives for low and high performance traction elevators. Our elevator product offerings are comprised of highly integrated subsystems and drives used to control motion primarily in high-rise, high speed elevator applications. Our products are sold mainly to elevator OEMs and we have a significant share of the available market for DC drives and subsystems used in high-rise elevators. Magnetek elevator drives currently operate in many of the most recognizable high-rise buildings in the world. We believe opportunities for growth exist in available elevator markets through the introduction of new energy-saving product offerings, the expansion of the breadth of available product offerings to include competitive low-end products for lower performance AC applications, and the use of new product offerings to expand geographically.

Magnetek's energy delivery product offerings include power inverters for fuel cells and wind turbines, which deliver AC power from these energy sources to the utility power grid. We believe there are revenue growth opportunities in the wind and solar markets which are expected to grow rapidly in North America as these renewable sources of power become increasingly competitive from a cost standpoint with more traditional methods of power generation. We also provide drives for underground coal mining equipment.

We intend to continue to build on our competitive strengths in established material handling and elevator markets and continue to invest in research and development to expand our product portfolio aimed at penetrating growing and emerging markets for digital power-based systems, such as renewable energy, particularly in the utility-scale solar market.

Seasonality

Our power control systems for material handling applications represented nearly 54% of our annual revenue in fiscal 2011. Sales of these products tend to follow capital budgeting and spending patterns of the customer base. As a result, our revenues are generally strongest in fiscal quarters ending in June and December, with relatively lower revenues in the fiscal quarters ending in March and September.

Backlog

Our backlog as of the end of fiscal 2011 was \$21.0 million versus \$22.8 million at the end of fiscal 2010. The decrease in backlog is primarily due to a decrease of \$7.4 million in our backlog of wind inverters, partially offset by an increase of \$4.8 million in our backlog of material handling systems. While we use our backlog figure as an indicator of future sales activity, we have historically had a significant amount of revenue derived from orders that are booked and shipped within the same reporting period. We expect most of the orders in our backlog to be filled from July 2011 through December 2011.

Competition

Our primary competitors during fiscal 2011 included: Konecranes Inc., Cattron Group International, Conductix-Wampfler (a division of Delachaux Group), Control Techniques (a division of Emerson Electric), OMRON Corporation, Yaskawa, KEB GmbH, Fujitec, SMA, SatCon Technology, and Xantrex (a division of Schneider Electric). Some of these companies have substantially greater financial, marketing and other resources, larger product portfolios and greater brand recognition than us.

Competitive Strengths

We believe that we benefit most from competitive advantages in the following areas:

Technological Capabilities and Industry Expertise. We emphasize and leverage our ability to provide custom-designed and customized solutions for power and motion control applications through digital power-electronic technology. Our technical personnel possess substantial expertise in disciplines central to digital power systems and applications. These include analog-to-digital circuit design, thermal management technology, and the application of microprocessors, digital signal processors and software algorithms in the development of smart power products.

Customer Relationships. We have established long-term relationships with major manufacturers of cranes and hoists, elevators and mining equipment, among others. We believe that these relationships have resulted from our reliability and responsiveness, readiness to meet special customer requirements based on innovative technology and application expertise, and the quality and performance of our products.

Product Breadth and Systems Sales Channels. We provide a variety of products in each of our major product lines. For material handling customers, we serve as a one-stop source providing a full range of crane controls as well as subsystems, including radio controls, brakes and electrification products. We believe that our well established distribution network constitutes a significant competitive advantage in the North American material handling marketplace.

Competitive Weaknesses

We consider our primary competitive weaknesses to be our limited size and financial resources. Based upon current plans and business conditions, we believe that available cash and short-term investments, borrowing capacity under our

revolving credit facility, and internally generated cash flows will be sufficient to fund anticipated operational needs, capital expenditures and other commitments over the next 12 months. However, some of our competitors have substantially greater financial resources than us.

Suppliers and Raw Materials

Virtually all materials and components that we purchase are available from multiple suppliers. During fiscal 2011, raw material purchases accounted for approximately 76% of our total cost of sales. Production of digital power control systems depends heavily on various electronic components as well as steel and aluminum enclosures and wire harnesses. We seek to obtain competitive pricing on these raw materials by utilizing multiple suppliers and leveraging our total purchasing requirements.

Research and Development

Our research and development activities, which are conducted primarily in Menomonee Falls, Wisconsin, are directed toward developing new products, improving existing products and customizing or modifying products to meet customers' specific needs. Total research and development expenditures were approximately \$4.4 million, \$3.8 million and \$3.5 million for our 2011, 2010 and 2009 fiscal years, respectively.

Intellectual Property

Magnetek holds numerous patents, trademarks and copyrights, and we believe that we hold or license all of the patent, trademark, copyright and other intellectual property rights necessary to conduct our business. We generally rely upon patents, copyrights, trademarks and trade secret laws to establish and maintain our proprietary rights in our technology and products. There can be no assurance that any of our patents, trademarks or other intellectual property rights will not be challenged, invalidated or circumvented, or that any rights granted there under will provide competitive advantages to us. In addition, there can be no assurance that patents will be issued from pending patent applications filed by us, or that claims allowed on any future patents will be sufficiently broad to protect Magnetek's technology. Further, the laws of some foreign countries may not permit the protection of our proprietary rights to the same extent as do the laws of the United States. Although we believe the protection afforded by our patents, patent applications, trademarks and copyrights have value, Magnetek's future success will depend primarily on the innovative skills, technological expertise, research and development and management capabilities of our employees rather than on patent, copyright, and trademark protection.

International Operations

International sales accounted for 11% of our net sales in fiscal 2011. We define international sales as sales of products manufactured by our facilities outside the U.S. that are sold outside of the U.S., as well as sales of products manufactured in the U.S. to purchasers outside of the U.S. For our 2011, 2010 and 2009 fiscal years, revenues derived from domestic sales were \$97.6 million, \$71.1 million and \$84.4 million respectively, and revenues derived from international sales were \$12.2 million, \$9.5 million and \$13.8 million, respectively. We hold assets in Canada and the United Kingdom totaling \$5.2 million, of which \$3.4 million are held in Canada and \$1.8 million are in the United Kingdom.

Employee Relations

As of August 1, 2011, we had 120 salaried employees and 191 hourly employees, none of whom were covered by collective bargaining agreements with unions. We believe that our relationships with our employees are favorable.

Available Information

Our Internet website address is www.magnetek.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to these reports that are filed by the Company with the Securities and Exchange Commission (SEC) pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge at or through our website.

Environmental Matters

From time to time, Magnetek has taken action to bring certain facilities associated with previously owned businesses into compliance with applicable environmental laws and regulations. Upon the subsequent sale of certain businesses, we

agreed to indemnify the buyers against environmental claims associated with the divested operations, subject to certain conditions and limitations. Remediation activities, including those related to our indemnification obligations, did not involve material expenditures during fiscal years 2011, 2010 or 2009.

We have been identified by the United States Environmental Protection Agency and certain state agencies as a potentially responsible party for cleanup costs associated with alleged past waste disposal practices at several previously utilized, owned or leased facilities and offsite locations. Our remediation activities as a potentially responsible party were not material in fiscal years 2011, 2010 or 2009. Although the materiality of future expenditures for environmental activities may be affected by the level and type of contamination, the extent and nature of cleanup activities required by governmental authorities, the nature of our alleged connection to the contaminated sites, the number and financial resources of other potentially responsible parties, the availability of indemnification rights against third parties and the identification of additional contaminated sites, our estimated share of liability, if any, for environmental remediation, including our indemnification obligations, is not expected to be material.

For a discussion of environmental-related litigation matters in which we are engaged, please refer to Item 3 - “Legal Proceedings” of this Annual Report on Form 10-K.

Supplemental Information-Executive Officers of the Company

The following table sets forth certain information regarding the current executive officers of the Company, each of whom serves a one year term of office, as appointed by the Board of Directors.

| <u>Name</u> | <u>Age</u> | <u>Position</u> |
|--------------------|------------|---|
| Peter M. McCormick | 51 | Director, President and Chief Executive Officer |
| Marty J. Schwenner | 50 | Vice President and Chief Financial Officer |
| Scott S. Cramer | 59 | Vice President, General Counsel and Corporate Secretary |
| Michael J. Stauber | 37 | Vice President, Corporate Controller |
| Hungsun S. Hui | 48 | Vice President, Operations |

Peter McCormick has been President and Chief Executive Officer of Magnetek since October 2008. Prior to that, Mr. McCormick served as Chief Operating Officer of Magnetek since November 2006 and served as the Executive Vice President responsible for the Company's Power Control Systems Group since 2002. Prior to that, he served as the President of the Company's Industrial Controls Group from 1999 until 2002. Since joining the Company in 1996, Mr. McCormick has also served as the Vice President of Operations for the Company's drives group from 1998 until 1999 and as Vice President of the custom products business group from 1996 until 1998.

Marty Schwenner has been Chief Financial Officer of Magnetek since November 2006. Mr. Schwenner has served as a Vice President of the Company since 2003 and was Controller of the Company from 2002 until November 2006. Mr. Schwenner was Vice President of Finance for the Company's power electronics group from 1998 until 2002. Mr. Schwenner also served as the Chief Financial Officer of the Company's European operations from 1992 to 1998 and as Internal Audit Manager from 1991 until 1992. Mr. Schwenner joined Magnetek as an Internal Auditor in 1989. Mr. Schwenner is a Certified Public Accountant and a Certified Internal Auditor.

Scott Cramer has been Vice President, General Counsel and Corporate Secretary of Magnetek since March 2010. Prior to joining Magnetek, Mr. Cramer served as Senior Vice President and General Counsel with Bucyrus International, Inc. in South Milwaukee, WI from 2006 until 2010. From 2005 to 2006, Mr. Cramer was Senior Legal Counsel with Regal Beloit Corporation following private practice from 2004 to 2005. Mr. Cramer served as Vice President, General Counsel and Secretary from 1997 until 2004 with Superior Services, Inc. following his tenure with Browning-Ferris Industries in Houston, TX and Utrecht, The Netherlands, where he served respectively as Senior Counsel and EMEA General Counsel from 1984 to 1997.

Michael Stauber has been Vice President, Corporate Controller since February 2011. Prior to that, Mr. Stauber served as Operations Controller for the Company since November 2007 and prior thereto served as Finance Manager of the Company's Power Control Division since joining the Company in December 2004. Prior to joining Magnetek, from August 1995 to December 2004, Mr. Stauber was with Rockwell Automation in a variety of financial roles of increasing responsibility.

Hungsun Hui has served as Vice President, Operations since February 2001. Mr. Hui previously held the positions of Magnetek's Vice President, Engineering from June 1999 to January 2001, and Magnetek's Director of Advance

Manufacturing from March 1998 to June 1999. Prior to joining Magnetek, from June 1985 to February 1998, Mr. Hui was with Rockwell Automation in a variety of operational roles of increasing responsibility.

ITEM 1A. RISK FACTORS

The information called for by this Item 1A is hereby incorporated by reference to the section of the Company's 2011 Annual Report entitled "Risk Factors."

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Magnetek's headquarters and each of our manufacturing facilities for the continuing operations of the Company are listed below, each of which is leased.

| Location | Lease Term | Approximate Size (Sq.Ft.) | Principal Use |
|----------------------------|-------------------|----------------------------------|--|
| Menomonee Falls, Wisconsin | 2015 | 155,000 | Power control systems manufacturing and corporate headquarters |
| Mississauga, Canada | 2016 | 11,180 | Power control systems manufacturing |
| Pittsburgh, Pennsylvania | 2012 | 9,000 | Power control systems manufacturing |
| Canonsburg, Pennsylvania | 2012 | 5,000 | Power control systems manufacturing |

We believe our facilities are in satisfactory condition and are adequate for our continuing operations.

ITEM 3. LEGAL PROCEEDINGS

We are involved from time to time in legal actions for product liability and other matters that arise in the ordinary course of our business. We are also involved in legal actions associated with our discontinued business operations, including product liability, asbestos-related liability, patent matters, and environmental proceedings relating to cleanup costs associated with alleged past waste disposal practices at several previously utilized, owned or leased facilities and offsite locations. It is not possible to predict with certainty the outcome of any of these unresolved legal actions or proceedings or the range of possible loss or recovery. A more detailed discussion of these matters appears in Note 11 of the Notes to Consolidated Financial Statements, including a discussion of whether or not these unresolved matters will have a material impact on our financial position or results of operations

Litigation—Product Liability

In August 2006, Pamela L. Carney, Administrator of the Estate of Michael J. Carney, filed a lawsuit in the Court of Common Pleas of Westmoreland County, Pennsylvania, against us and other defendants, alleging that a product manufactured by our Telemotive Industrial Controls business that we acquired in December 2002 contributed to an accident that resulted in the death of Michael J. Carney in August 2004. The claim has been tendered to our insurance carrier and legal counsel has been retained to represent us. We are defending the action on the basis of findings that the operator/owner of the product, Alleghany Ludlum Corporation, improperly maintained or modified the product, which led to its alleged failure. In March 2010, our primary carrier, Travelers, denied coverage under a reservation of rights. This followed our excess coverage carrier, AIG/AISLIC, denying coverage in June 2009. Travelers has agreed to continue to pay defense counsel to defend the case and has authorized defense counsel to undertake the defense of the "pass through" vendor PDS. Plaintiff's claim for damages is unknown at this time. The case is in the discovery phase and no trial date has been set.

We have been named, along with multiple other defendants, in asbestos-related lawsuits associated with business operations we previously acquired, but which are no longer owned. During our ownership, none of the businesses produced or sold asbestos-containing products. With respect to these claims, we believe that we have no such liability. For such claims, we are uninsured, contractually indemnified against liability, or contractually obligated to defend and indemnify the purchaser of these former Magnetek business operations. We aggressively seek dismissal from these proceedings. Management does not believe the asbestos proceedings, individually or in the aggregate, will have a material adverse effect on its financial position or results of operations.

We also filed claims in the Federal-Mogul bankruptcy proceedings to recover attorney's fees for the defense of asbestos-related claims. In May 2007, we entered into a settlement agreement with Federal Mogul under which we were entitled to receive amounts from a settlement trust established under Federal-Mogul's reorganization plan and funded by insurance proceeds. We were entitled to receive 15% of the first \$20 million and 10% of the next \$25 million of insurance proceeds, up to a maximum of \$5.5 million, in exchange for withdrawing our bankruptcy claims and objections to the reorganization plan and execution of certain releases. In January 2009, we received a payment of \$1.0 million under the settlement agreement, which brought the total proceeds received under the settlement agreement to \$5.5 million, the maximum amount to which we were entitled. The consolidated statements of operations include \$0.5 million of income from the settlement trust in results of discontinued operations for fiscal year 2009. This amount represents primarily the recovery of previously incurred legal fees for the defense of these asbestos related lawsuits. Several insurance carriers filed a declaratory judgment action relating to insurance coverage for such previously acquired businesses, seeking a determination that no coverage is available under the policies. Federal-Mogul, us and other defendants filed responsive pleadings and motions relating to the case, and the court granted the motions to stay the declaratory judgment action. Some of these insurers appealed such ruling but the ruling was upheld on appeal in November 2008. Management does not believe the asbestos proceedings, individually or in the aggregate, will have a material adverse effect on its financial position or results of operations.

Given the nature of the above issues, uncertainty of the ultimate outcome, and inability to estimate the potential loss, no amounts have been reserved for these matters.

Litigation—Patent Infringement and Related Proceedings

In August 2008, we filed a complaint in the Circuit Court of Cook County, Illinois, County Department, Law Division, against Kirkland & Ellis, LLP ("K&E"). The lawsuit involves a claim for breach of professional responsibility arising out of K&E's representation of Magnetek in the patent infringement action, *Ole K. Nilssen v Magnetek, Inc.* We allege that, as a result of K&E's negligent breach of professional duty in failing to discover or investigate the existence of prior art and prior misconduct which would have made Nilssen's patent claim unenforceable or invalidated his patent, we suffered an arbitration award and judgment in the amount of \$23.4 million, which judgment was ultimately settled by the payment to Nilssen of \$18.75 million. We are seeking damages in the amount of \$18.75 million, reimbursement of reasonable costs and attorneys fees incurred in the proceeding to vacate the arbitration award and settlement thereof, and costs incurred in connection with this lawsuit. On April 5, 2010, the Circuit Court of Cook County dismissed the complaint against K&E for lack of subject matter jurisdiction. The Court relied upon a then recent Illinois appellate decision in which the Court held that attorney malpractice cases arising out of the prosecution or defense of federal patent claims raised federal questions for which the federal courts have exclusive jurisdiction. An appeal has been taken to the Illinois Appellate Court. On April 7, 2010, we filed a substantially identical complaint in the United States District Court for the Northern District of Illinois. The new federal complaint seeks damages in the amount of \$18.8 million, plus any additional damages as may be warranted by the evidence introduced at trial. On June 7, 2010, K&E entered a motion in federal court to have our complaint dismissed as being "time-barred" or filed beyond the applicable two year statute of limitations. We filed its responsive brief on July 15, 2010, arguing, among other things, that the doctrine of equitable tolling applies effectively suspending the running of the statute of limitations. On June 30, 2011, the Illinois Appellate Court reversed the Circuit Court of Cook County and remanded the case to the trial court. K&E filed a petition for rehearing with the Appellate Court which request was denied on July 28, 2011.

As we previously reported, Universal Lighting Technologies, Inc. ("ULT") and Nilssen entered into a consent judgment in April 2008, for dismissal, on collateral estoppel grounds, of the patent infringement lawsuit filed by Nilssen against ULT. We had provided the defense in the lawsuit pursuant to an indemnification claim from ULT subject to the terms of the sale agreement under which ULT purchased Magnetek's lighting business in 2003. In September 2009, Nilssen and ULT entered into a settlement agreement relating to attorney's fees. Under the settlement agreement, Nilssen paid to Magnetek an amount of \$0.75 million as attorney's fees as well as a nominal amount for costs. However, if Nilssen files a Rule 60 Motion and is successful such that ULT ceases to be the "prevailing party" and is no longer entitled to attorney's fees, then we are obligated to refund the \$0.75 million attorney's fees settlement amount. As such, the amount paid to us represents a contingent gain and accordingly, is included in accrued liabilities in the consolidated balance sheet as of July 3, 2011. At present, further proceedings are stayed pending the outcome of separate appellate matters.

Litigation—Other

In November 2007, a lawsuit was filed by Antonio Canova in Italy, in the Court of Arezzo, Labor Law Section, against us and Power-One Italy, S.p.A. Mr. Canova is a former Executive Vice President of Magnetek and was Deputy Chairman and Managing Director of our former Italian subsidiary, Magnetek S.p.A. Mr. Canova asserted claims for

damages in the amount of 3.5 million Euros (approximately US\$4.9 million) allegedly incurred in connection with the termination of his employment at the time of the sale of our power electronics business to Power-One, Inc. in October 2006. The claims against us relate to a change of control agreement and restricted stock grant. We believe the claim is without merit and intend to vigorously defend against it.

In October 2010, we received a request for indemnification from Power-One, Inc. (“Power-One”) for an Italian tax matter arising out of the sale of our power electronics group to Power-One in October 2006. With a reservation of rights, we affirmed our obligation to indemnify Power-One for certain pre-closing taxes. The sale included our Italian company, Magnetek, S.p.A., and its wholly owned subsidiary, Magnetek Electronics (Shenzhen) Co. Ltd. (the “Power-One China Subsidiary”). The tax authority in Arezzo, Italy, issued a notice of audit report in September 2010 wherein it asserted that the Power-One China Subsidiary had its administrative headquarters in Italy with fiscal residence in Italy and, therefore, is subject to taxation in Italy. In November 2010, the tax authority issued a notice of tax assessment for the period of July 2003 to June 2004, alleging that taxes of approximately 1.9 million Euros (approximately US\$2.7 million) were due in Italy on taxable income earned by the Power-One China Subsidiary during this period. In addition, the assessment alleges potential penalties calculated at 120% of the tax amount claimed together with interest in the amount of approximately 2.6 million Euros (or approximately US\$3.7 million) for the alleged failure of the Power-One China Subsidiary to file its Italian tax return. The Power-One China Subsidiary filed its response with the provincial tax commission of Arezzo, Italy in January 2011. The tax authority in Arezzo, Italy issued a tax inspection report in January 2011 for the periods July 2002 to June 2003 and July 2004 to December 2006 claiming that the Power-One China Subsidiary failed to file Italian tax returns for the reported periods. We believe the Italian tax claims are without merit and intend to vigorously defend against them.

Litigation - Environmental Matters

From time to time, we have taken action to bring certain facilities associated with previously owned businesses into compliance with applicable environmental laws and regulations. Upon the subsequent sale of certain businesses, we agreed to indemnify the buyers against environmental claims associated with the divested operations, subject to certain conditions and limitations. Remediation activities, including those related to our indemnification obligations, did not involve material expenditures during fiscal years 2011, 2010 or 2009.

We have also been identified by the United States Environmental Protection Agency and certain state agencies as a potentially responsible party for cleanup costs associated with alleged past waste disposal practices at several previously utilized, owned or leased facilities and offsite locations. Our remediation activities as a potentially responsible party were not material in fiscal years 2011, 2010 or 2009. Although the materiality of future expenditures for environmental activities may be affected by the level and type of contamination, the extent and nature of cleanup activities required by governmental authorities, the nature of our alleged connection to the contaminated sites, the number and financial resources of other potentially responsible parties, the availability of indemnification rights against third parties and the identification of additional contaminated sites, our estimated share of liability, if any, for environmental remediation, including our indemnification obligations, is not expected to be material.

Bridgeport, Connecticut Facility

In 1986, we acquired the stock of Universal Manufacturing Company (“Universal”) from a predecessor of Fruit of the Loom (“FOL”), and the predecessor agreed to indemnify us against certain environmental liabilities arising from pre-acquisition activities at a facility in Bridgeport, Connecticut. Environmental liabilities covered by the indemnification agreement included completion of additional cleanup activities, if any, at the Bridgeport facility and defense and indemnification against liability for potential response costs related to offsite disposal locations. Our leasehold interest in the Bridgeport facility was assigned to the buyer in connection with the sale of our transformer business in June 2001. FOL, the successor to the indemnification obligation, filed a petition for Reorganization under Chapter 11 of the Bankruptcy Code in 1999 and we filed a proof of claim in the proceeding for obligations related to the environmental indemnification agreement. We believe that FOL had substantially completed the clean-up obligations required by the indemnification agreement prior to the bankruptcy filing. In November 2001, we entered into an agreement with FOL involving the allocation of certain potential tax benefits and we withdrew our claims in the bankruptcy proceeding. We further believe that FOL’s obligation to the state of Connecticut was not discharged in the reorganization proceeding.

In October 2006, Sergy Company, LLC (“Sergy”), the owner of the Bridgeport facility, filed a lawsuit in Superior Court, Fairfield, Connecticut alleging that we are obligated to remediate environmental contamination at the facility. The case was transferred to the Complex Litigation Docket, Waterbury, Connecticut. Sergy filed an amended complaint alleging a breach of lease obligations and violation of Connecticut environmental statutory requirements, which allegations were denied in our amended answer, affirmative defenses and counterclaims. Sergy amended its complaint to include

additional claims against us under the Connecticut Transfer Act. In January 2011, we reached an agreement in principle with Sergy to resolve the lawsuit, including a payment by us to Sergy in the amount of \$85 thousand. The settlement is contingent upon reducing the agreed terms to writing and obtaining certain approvals to support ongoing groundwater remedial measures.

In January 2007, the Connecticut Department of Environmental Protection (“DEP”) requested parties, including us, to submit reports summarizing the investigations and remediation performed to date at the site and the proposed additional investigations and remediation necessary to complete those actions at the site. DEP requested additional information from us relating to site investigations and remediation. We retained an environmental consultant to review and prepare reports on historical operations and environmental activities at the Bridgeport facility. In November 2009, we submitted our site summary report and proposed work plan to the DEP and in October 2010 submitted a revised work plan to the DEP. The DEP agreed to the scope of our work plan in November 2010. We have recorded a liability of \$0.4 million related to the Bridgeport facility, representing our best estimate of future site investigation costs and remediation costs which are expected to be incurred in the future. The liability is included in accrued liabilities in the consolidated balance sheet as of July 3, 2011.

In April 2008, the Commissioner of Environmental Protection (“CTCEP”) filed an action in Superior Court, Judicial District of Hartford-New Britain at Hartford seeking injunctive relief against Sergy and us, which action was commenced after Sergy cut off power to the Bridgeport facility, thereby disabling a groundwater pump and treatment system previously installed by FOL and currently operated by us. Although we entered into a stipulation with Sergy relating to the start-up and operation of the groundwater pump and treatment system, the CTCEP filed a request to amend the complaint to assert additional claims and to seek further remedies, including injunctive relief and civil penalties, for alleged failure to investigate and remediate pollution under the Connecticut Transfer Act. In September, 2008 the Hartford Court ordered the case transferred to the Waterbury Court. The lawsuit against us was settled with the CTCEP by means of a stipulation for judgment in compromise and settlement which was approved by the Court in November 2010. The stipulation, which included payment by us to the CTCEP of \$5 thousand, resolves all liability for past activities and requires us to conduct limited additional investigation pursuant to an approved work plan.

FOL’s inability to satisfy its remaining obligations to the state of Connecticut related to the Bridgeport facility and any offsite disposal locations, or in the event a final settlement cannot be achieved and an unfavorable ruling in the lawsuit with the owner of the Bridgeport facility, or the discovery of additional environmental contamination at the Bridgeport facility could have a material adverse effect on our financial position, cash flows or results of operations.

ITEM 4. REMOVED AND RESERVED

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The following table sets forth the high and low sales prices of our common stock during each quarter of fiscal 2011 and 2010:

| Fiscal Year 2011 | High | Low |
|-------------------------|-------------|------------|
| First Quarter | \$ 1.36 | \$ 0.84 |
| Second Quarter | 1.47 | 1.11 |
| Third Quarter | 2.60 | 1.34 |
| Fourth Quarter | 2.35 | 1.43 |

| Fiscal Year 2010 | High | Low |
|-------------------------|-------------|------------|
| First Quarter | \$ 1.75 | \$ 1.32 |
| Second Quarter | 2.01 | 1.20 |
| Third Quarter | 1.75 | 1.34 |
| Fourth Quarter | 2.15 | 0.99 |

Our common stock is listed for trading on the New York Stock Exchange under the ticker symbol "MAG." As of August 10, 2011, there were 163 record holders of Magnetek's common stock.

Securities Authorized for Issuance Under Equity Compensation Plans

The information required by this item will be contained in our 2011 Proxy Statement and is incorporated herein by reference.

Stock Performance Graph – Return to Shareholders

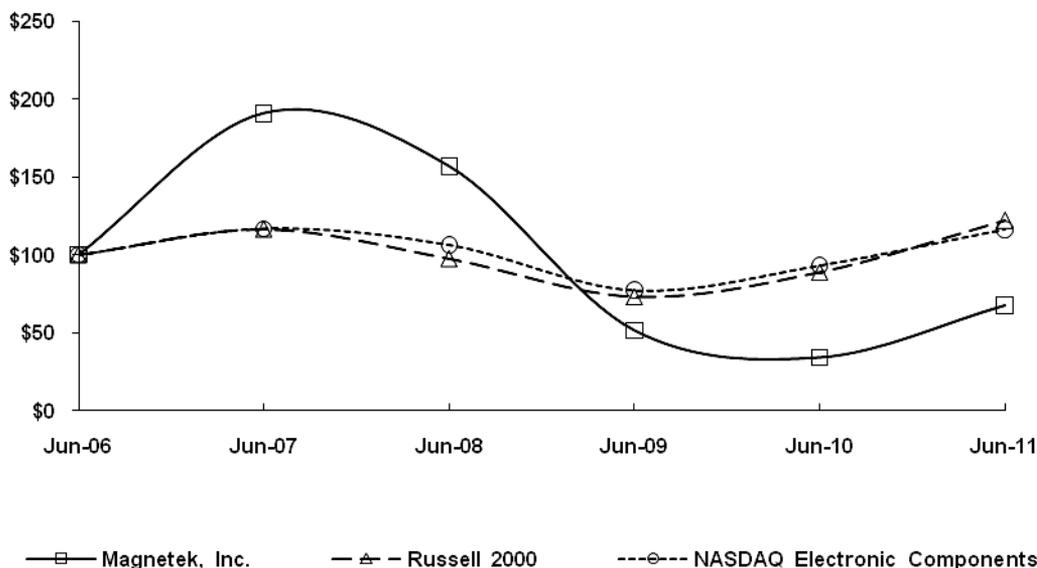
The table and line graph shown below compare the cumulative total return for the last five years to holders of Magnetek common stock with the cumulative total return of the Russell 2000 Index and the NASDAQ Electronics Components index.

The table and line graph below assume an investment of \$100 in the Company's common stock and in each of the comparison groups beginning June 30, 2006, and assumes the reinvestment of all dividends. The stock price performance information shown below should not be considered indicative of potential future stock price performance.

| | Jun-06 | Jun-07 | Jun-08 | Jun-09 | Jun-10 | Jun-11 |
|------------------------------|--------|--------|--------|--------|--------|--------|
| Magnetek, Inc. | 100.00 | 190.74 | 156.67 | 51.48 | 34.07 | 67.41 |
| Russell 2000 | 100.00 | 116.43 | 97.58 | 73.17 | 88.89 | 122.15 |
| NASDAQ Electronic Components | 100.00 | 116.80 | 106.44 | 77.55 | 93.33 | 116.37 |

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Magnetek, Inc., the Russell 2000 Index
and the NASDAQ Electronic Components Index



*\$100 invested on 6/30/06 in stock or index, including reinvestment of dividends.
Fiscal year ending June 30.

We have not paid any cash dividends on our common stock and do not anticipate paying cash dividends in the near future. Our ability to pay dividends on our common stock is restricted by provisions in our 2007 revolving loan agreement, which provides that we may not declare or pay any dividend or make any distribution with respect to our capital stock.

There were no unregistered sales of equity securities during fiscal year 2011.

ITEM 6. SELECTED FINANCIAL DATA

The information called for by this Item 6 is hereby incorporated by reference to the section of the Company's 2011 Annual Report entitled "Selected Financial Data."

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information called for by this Item 7 is hereby incorporated by reference to the section of the Company's 2011 Annual Report entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations."

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information called for by this Item 7A is hereby incorporated by reference to the section of the Company's 2011 Annual Report entitled "Quantitative and Qualitative Disclosures About Market Risk."

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information called for by this Item 8 is hereby incorporated by reference to the Company's Consolidated Financial Statements and the corresponding Report of Independent Registered Public Accounting Firm in the Company's 2011 Annual Report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Magnetek had no disagreements with its independent accountants in fiscal 2011 with respect to accounting and financial disclosure, and has not changed its independent accountants during the two most recent fiscal years.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Our management, under the supervision of and with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this Annual Report on Form 10-K. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of July 3, 2011.

(b) Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

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

Our management assessed the effectiveness of our internal control over financial reporting as of July 3, 2011, the end of our fiscal year. Our management's assessment was based on the criteria set forth in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on the assessment, our management has concluded that our internal control over financial reporting was effective as of July 3, 2011, the end of our fiscal year. This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

Because of inherent limitations, internal control over financial reporting, no matter how well designed, may not prevent or detect misstatements. Therefore, even effective internal control over financial reporting can only provide reasonable assurance with respect to the reliability of financial reporting and the preparation and presentation of financial statements. Also, projections of any evaluation about the effectiveness of internal control over financial reporting to future periods are subject to the risk that controls may become inadequate due to changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

(c) Changes in Controls and Procedures

No change in internal control over financial reporting occurred during the period ended July 3, 2011, that has materially affected, or is reasonably likely to materially affect, such internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

No other information is required to be reported for matters not disclosed on Form 8-K during the period ended July 3, 2011.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information called for by this Item 10 is hereby incorporated by reference to the sections of the Company's 2011 Proxy Statement entitled "Proposal No. 1 – Election of Board of Directors," "Section 16(a) Beneficial Ownership Reporting Compliance," "Corporate Governance Principles," "Standing Committees of the Board" and by reference to Part I of this Annual Report on Form 10-K under the heading "Supplemental Information – Executive Officers of the Company."

Supplemental Information - Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics ("Code of Ethics") for all of our directors and employees that contains portions specifically applicable to executives and officers of the Company, including the Chief Executive Officer, the Chief Financial Officer, the Controller and employees performing financial functions for the Company. The Code of Ethics is posted on Magnetek's website at www.magnetek.com. A copy of the Code of Ethics is available, without charge, to any shareholder who sends a written request to our Corporate Secretary at N49 W13650 Campbell Drive, Menomonee Falls, Wisconsin, 53051. We intend to satisfy the disclosure requirements of Form 8-K regarding any amendment to, or waiver of, a provision of the Code of Ethics by posting such information on our website, at the web address and location specified above.

ITEM 11. EXECUTIVE COMPENSATION

The information called for by this Item 11 is hereby incorporated by reference to the section of the Company's 2011 Proxy Statement entitled "Compensation Discussion and Analysis" and the tables, narrative and notes relating to Executive and Director compensation, "Summary Compensation Table," "All Other Compensation Table," "Grants of Plan-Based Awards in Fiscal Year Table," "Outstanding Equity Awards at Fiscal Year-End Table," "Option Exercises and Stock Vested for Fiscal Year Table," "Pension Benefits for Fiscal Year Table," "Employment, Severance and Change in Control Agreements and Other Arrangements Table," "Director Compensation for Fiscal Year Table," "Compensation Committee Interlocks and Insider Participation" and "Compensation Committee Report."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information called for by this Item 12 is hereby incorporated by reference to the sections of the Company's 2011 Proxy Statement entitled "Equity Compensation Plan Information Table" and "Beneficial Ownership of Magnetek, Inc. Common Stock by Directors, Officers and Certain Other Owners."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item 13 is hereby incorporated by reference to the sections of the Company's 2011 Proxy Statement entitled "Proposal 1 – Election of Directors," "Relationships and Related Transactions," and "Corporate Governance Principles."

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information called for by this Item 14 is hereby incorporated by reference to the section of the Company's 2011 Proxy Statement entitled "Proposal No. 2 – Ratification of the Appointment of Independent Registered Public Accounting Firm."

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Index to Consolidated Financial Statements, Consolidated Financial Statement Schedules and Exhibits:

| | <u>Annual Report to Stockholders Page</u> |
|---|---|
| 1. Consolidated Financial Statements | |
| Consolidated Statements of Operations for Years Ended July 3, 2011, June 27, 2010 and June 28, 2009..... | 15 |
| Consolidated Balance Sheets at July 3, 2011 and June 27, 2010 | 16 |
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| 2. Consolidated Financial Statement Schedule | |
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All other financial statement schedules have been omitted because of the absence of conditions under which they are required or applicable, or because the information required is included in the Consolidated Financial Statements and related notes.

3. Exhibit Index

The following exhibits are filed as part of this Annual Report Form 10-K, or are incorporated herein by reference. Where an exhibit is incorporated by reference, the number which precedes the description of the exhibit indicates the documents to which the cross-reference is made.

| <u>Exhibit No.</u> | <u>Note</u> | <u>Description of Exhibit</u> |
|------------------------|-------------|--|
| 3.1 | (1) | Restated Certificate of Incorporation of the Company, as filed with the Delaware Secretary of State on November 21, 1989. |
| 3.2 | (2) | Magnetek, Inc. Amended and Restated By-laws. |
| 4.1 | (3) | Registration Rights Agreement, dated as of April 29, 1991, by and among the Company, Andrew G. Galef, Frank Perna, Jr. and the other entities named therein. |
| 4.2 | (4) | Registration Rights Agreement, dated as of June 28, 1996, by and between the Company and U.S. Trust Company of California, N.A. |
| 4.3 | (13) | Registration Rights Agreement, dated as of June 26, 2002, by and between the Company and U. S. Trust Company N.A. |
| 4.4 | (7) | Rights Agreement, dated as of April 30, 2003, by and between the Company and The Bank of New York, as Rights Agent. |
| 4.5 | (13) | Agreement for Registration Rights, dated as of September 15, 2003, by and between the Company and SEI Private Trust Company. |
| 4.6 | (16) | Registration Rights Agreement, dated as of October 3, 2003, by and between the Company and each B. Riley Investor. |
| 10.1* | (5) | Second Amended and Restated 1989 Incentive Stock Compensation Plan of Magnetek, Inc. (“1989 Plan”). |
| 10.2* | (4) | Amendment No. 1 to 1989 Plan. |
| 10.3* | (4) | Standard Terms and Conditions Relating to Non-Qualified Stock Options, revised as of July 24, 1996, pertaining to the 1989 Plan. |
| 10.4* | (4) | Form of Non-Qualified Stock Option Agreement Pursuant to the Second Amended and Restated 1989 Incentive Stock Compensation Plan of the Company. |
| 10.5* | (22) | Magnetek, Inc. Amended and Restated 1997 Non-Employee Director Stock Option Plan. |
| 10.6* | (3) | 1991 Discretionary Director Incentive Compensation Plan of the Company. |
| 10.7* | (22) | Amended and Restated 1999 Stock Incentive Plan of Magnetek, Inc. (the “1999 Plan”) |
| 10.8* | (22) | Amended and Restated 2000 Employee Stock Plan of Magnetek, Inc. (the “2000 Plan”). |

| Exhibit No. | Note | Description of Exhibit |
|--------------------|-------------|---|
| 10.9* | (6) | Standard Terms and Conditions Relating to Non-Qualified Stock Options, effective as of October 19, 1999, pertaining to the 1999 Plan and the 2000 Plan. |
| 10.10* | (27) | Magnetek, Inc. Amended and Restated Director and Officer Compensation and Deferral Investment Plan. |
| 10.11* | (8) | Non-Qualified Stock Option Agreement, dated as of January 27, 1997, by and between the Company and David P. Reiland. |
| 10.12* | (9) | Change of Control Agreement, dated as of October 20, 1998, by and between David P. Reiland and the Company. |
| 10.13* | (11) | Change of Control Agreement, dated as of December 11, 2002, by and between Peter McCormick and the Company. |
| 10.14* | (13) | Change of Control Agreement, dated as of July 29, 2003, by and between Marty Schwenner and the Company. |
| 10.15* | (22) | Amended Form of Change of Control Agreement for David P. Reiland, Peter M. McCormick and Marty J. Schwenner, effective as of January 1, 2008. |
| 10.16* | (23) | Amended Form of Change of Control Agreement for David P. Reiland, Peter M. McCormick and Marty J. Schwenner, effective as of January 1, 2009. |
| 10.17 | (10) | Tax Agreement, dated as of February 12, 1986, by and between the Company and Farley Northwest Industries, Inc. |
| 10.18 | (14) | Contract, dated as of July 10, 2003, for Current Account Credit With Mortgage Lien Pursuant to Article 38 and Subsequent Articles of Legislative Decree No. 385/1993 (Republic of Italy). |
| 10.19 | (15) | Joinder Agreement, dated as of April 23, 2004, by and among the Company, SEI Private Trust Company and LaSalle Bank, N.A. |
| 10.20 | (18) | Agreement for the Sale of Magnetek, Inc. Power Electronics Group, dated as of September 28, 2006, by and between the Company and Power-One, Inc. |
| 10.21* | (19) | Incentive Bonus Agreement, dated as of January 5, 2007, by and between the Company and David P. Reiland. |
| 10.22 | (20) | Settlement Agreement and Release, dated as of May 1, 2007, by and between the Company and Samsung Electro-Mechanics Co. |
| 10.23 | (21) | Settlement Agreement, dated as of May 24, 2007, by and among the Company, Magnetek Controls, Inc., Magnetek National Electric Coil, Inc., Federal-Mogul Corporation, Federal-Mogul Products, Inc., and certain other parties thereto. |
| 10.24 | (12) | Lease of Menomonee Falls, Wisconsin facility, dated as of July 23, 1999. |
| 10.25 | (2) | Industrial Building Lease dated as of November 26, 2006, and Amendment of Industrial Building Lease dated as of April 5, 2007, by and between the Company and W.C. Bradley Co. |
| 10.26 | (24) | Revolving Credit Agreement dated as of November 6, 2007, by and between the Company and Associated Bank, N.A. |
| 10.27 | (25) | Asset Purchase Agreement dated February 4, 2008 by and among Magnetek, Inc., Enrange LLC, W. Christopher Dulin, William Gibson and David Ashburn. |
| 10.28 | (26) | Settlement Agreement, dated as of June 12, 2008, by and among Magnetek, Inc., Ole K. Nilssen and Geo Foundation, Ltd. |
| 10.29* | (30) | Transition, Separation and Complete Release Agreement by and between the Company and David P. Reiland dated as of February 5, 2009. |
| 10.30* | (28) | Form of Retention Agreement for named executive officer Scott S. Cramer. |
| 10.31 | (29) | First Amendment to Credit Agreement dated as of December 15, 2008 by and between the Company and Associated Bank, N.A. |
| 10.32* | (30) | Advisory Services Agreement by and between the Company and David A. Bloss, Sr. dated as of December 15, 2008. |
| 10.33* | (31) | Amendment to Advisory Services Agreement by and between the Company and David A. Bloss, Sr., dated as of August 28, 2009. |
| 10.34 | (32) | Transition, Separation and Complete Release Agreement by and between the Company and Jolene A. Shellman, dated as of March 2, 2010. |
| 10.35* | (33) | Second Amended and Restated 2004 Stock Incentive Plan of Magnetek, Inc. (the "2004 Plan"). |
| 10.36* | (30) | Amended Form of Restricted Stock Agreement Pursuant to Amended and Restated 2004 Stock Incentive Plan of Magnetek, Inc. |
| 10.37* | (34) | Form of Restricted Stock Award Agreement Pursuant to 2004 Plan. |
| 10.38* | (35) | Standard Terms and Conditions Relating to Non-Qualified Options for the 2004 Plan. |
| 21.1 | ** | Subsidiaries of the Registrant as of June 29, 2008. |
| 23.1 | ** | Consent of Independent Registered Public Accounting Firm. |
| 31.1 | ** | Certification Pursuant to 15 U.S.C. Section 7241. |
| 31.2 | ** | Certification Pursuant to 15 U.S.C. Section 7241. |
| 32.1 | ** | Certifications Pursuant to 18 U.S.C. Section 1350. |
| * | | Indicates a management contract or compensatory plan or arrangement |
| ** | | Filed with this Form 10-K. |

| Exhibit No. | Note | Description of Exhibit |
|--------------------|-------------|---|
| (1) | | Previously filed with the Registration Statement on Form S-3 filed on August 1, 1991, Commission File No. 33-41854, and incorporated herein by this reference. |
| (2) | | Previously filed with Form 8-K filed August 4, 2011, and incorporated herein by this reference. |
| (3) | | Previously filed with Form 10-K for Fiscal Year ended June 30, 1991, and incorporated herein by this reference. |
| (4) | | Previously filed with Form 10-K for Fiscal Year ended June 30, 1996, and incorporated herein by this reference. |
| (5) | | Previously filed with Form 10-Q for quarter ended December 31, 1994, and incorporated herein by this reference. |
| (6) | | Previously filed with Form 10-Q/A for quarter ended September 30, 1999, and incorporated herein by this reference. |
| (7) | | Previously filed with Form 8-K filed May 12, 2003, and incorporated herein by this reference. |
| (8) | | Previously filed with Form 10-Q for quarter ended March 31, 1997, and incorporated herein by this reference. |
| (9) | | Previously filed with Form 10-Q for quarter ended December 31, 1998, and incorporated herein by this reference. |
| (10) | | Previously filed with Amendment No. 1 to Registration Statement of Form S-1 filed on February 14, 1986, Commission File No. 002-97500, and incorporated herein by this reference. |
| (11) | | Previously filed with Form 10-Q for Quarter ended December 31, 2002, and incorporated herein by this reference. |
| (12) | | Previously filed with Form 10-K for Fiscal Year ended June 27, 1999, and incorporated herein by this reference. |
| (13) | | Previously filed with Form 10-Q for quarter ended September 30, 2003, and incorporated herein by this reference. |
| (14) | | Previously filed with Registration Statement on Form S-3 filed on November 13, 2003, Commission File No. 333-110460, and incorporated herein by this reference. |
| (15) | | Previously filed with Registration Statement on Form S-3 filed on May 21, 2004, Commission File No. 333-115724, and incorporated herein by this reference. |
| (16) | | Previously filed with Form 8-K dated October 21, 2003, and incorporated herein by this reference. |
| (18) | | Previously filed with Form 10-K for Fiscal Year ended July 2, 2006, and incorporated herein by this reference. |
| (19) | | Previously filed with Form 8-K filed January 11, 2007, and incorporated herein by this reference. |
| (20) | | Previously filed with Form 8-K filed May 1, 2007, and incorporated herein by this reference. |
| (21) | | Previously filed with Form 8-K filed June 4, 2007, and incorporated herein by this reference. |
| (22) | | Previously filed with Form 10-Q for quarter ended December 30, 2007, and incorporated herein by this reference. |
| (23) | | Previously filed with Form 8-K filed August 8, 2008, and incorporated herein by this reference. |
| (24) | | Previously filed with Form 8-K filed November 7, 2007, and incorporated herein by this reference. |
| (25) | | Previously filed with Form 8-K filed February 2, 2008, and incorporated herein by this reference. |
| (26) | | Previously filed with Form 8-K filed June 12, 2008, and incorporated herein by this reference. |
| (27) | | Previously filed with Form 8-K filed August 5, 2008, and incorporated herein by this reference. |
| (28) | | Previously filed with Form 8-K filed February 9, 2009, and incorporated herein by this reference. |
| (29) | | Previously filed with Form 8-K filed December 18, 2008, and incorporated herein by this reference. |
| (30) | | Previously filed with Form 10-Q for quarter ended December 28, 2008, and incorporated herein by this reference. |
| (31) | | Previously filed with Form 10-Q for quarter ended September 27, 2009, and incorporated herein by this reference. |
| (32) | | Previously filed with Form 8-K filed March 3, 2010, and incorporated herein by this reference. |
| (33) | | Previously filed with Company's Proxy Statement dated September 6, 2009, for the 2009 Annual Meeting of the Shareholders, and incorporated herein by this reference. |
| (34) | | Previously filed with Form 10-Q for quarter ended December 27, 2009, and incorporated herein by this reference. |
| (35) | | Previously filed with Form 10-K for Fiscal Year ended June 27, 2010, and incorporated herein by this reference. |

Chief Executive Officer and Chief Financial Officer Certifications

The certifications of Magnetek's Chief Executive Officer and Chief Financial Officer required under Section 302 and 906 of the Sarbanes-Oxley Act of 2002 have been filed with the Securities and Exchange Commission as Exhibits 31.1, 31.2, and 32.1 to the Company's Annual Report on Form 10-K for the fiscal year ended July 3, 2011.

Additionally, in November 2010, Magnetek's Chief Executive Officer filed with the New York Stock Exchange ("NYSE") the annual certification required to be furnished pursuant to Section 303A.12 of the NYSE Listed Company Manual. The certification confirmed that Magnetek's Chief Executive Officer was not aware of any violation by Magnetek of the NYSE's corporate governance listing standards.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Menomonee Falls, State of Wisconsin, on the 31th day of August, 2011.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

| <u>Signature</u> | <u>Title</u> | <u>Date</u> |
|---|---|-----------------|
| <u>/s/ MITCHELL I. QUAIN</u> Mitchell I. Quain | Chairman of the Board of Directors | August 31, 2011 |
| <u>/s/ DAVID A. BLOSS, SR.</u> David A. Bloss, Sr. | Director | August 31, 2011 |
| <u>/s/ YON Y. JORDEN</u> Yon Y. Jordan | Director | August 31, 2011 |
| <u>/s/ ALAN B. LEVINE</u> Alan B. Levine | Director | August 31, 2011 |
| <u>/s/ DAVID P. REILAND</u> David P. Reiland | Director | August 31, 2011 |
| <u>/s/ PETER M. MCCORMICK</u> Peter M. McCormick | Director, President and Chief Executive Officer | August 31, 2011 |
| <u>/s/ MARTY J. SCHWENNER</u> Marty J. Schwenner | Vice President and Chief Financial Officer (Principal Financial Officer) | August 31, 2011 |
| <u>/s/ MICHAEL J. STAUBER</u> Michael J. Stauber | Vice President and Corporate Controller (Principal Accounting Officer) | August 31, 2011 |

SCHEDULE II

MAGNETEK, INC.
VALUATION AND QUALIFYING ACCOUNTS
Years ended JUNE 28, 2009, JUNE 27, 2010 AND JULY 3, 2011
(amounts in thousands)

| | Balance at beginning of year | Additions charged (recoveries added) to earnings | Deductions from allowance | Other | Balance at end of year |
|---------------------------------|------------------------------------|--|---------------------------------|-------|---------------------------|
| June 28, 2009 | | | | | |
| Allowance for doubtful accounts | \$ 517 | \$ (26) | \$ (208) | \$ - | \$ 283 |
| June 27, 2010 | | | | | |
| Allowance for doubtful accounts | \$ 283 | \$ 66 | \$ (102) | \$ 2 | \$ 249 |
| July 3, 2011 | | | | | |
| Allowance for doubtful accounts | \$ 249 | \$ 29 | \$ (24) | \$ 1 | \$ 255 |

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Magnetek, Inc.

We have audited the consolidated financial statements of Magnetek, Inc. as of July 3, 2011, and June 27, 2010, and for each of the three years in the period ended July 3, 2011, and have issued our report thereon dated August 31, 2011 (included elsewhere in this Annual Report on Form 10-K). Our audits also included the financial statement schedule listed in Item 15(a) of this Annual Report on Form 10-K. This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits.

In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP
Milwaukee, Wisconsin

August 31, 2011

Magnetek, Inc.
Subsidiaries of the Registrant as of July 3, 2011

The following list of subsidiaries of Magnetek, Inc. indicates the jurisdiction of organization.

| <u>Name</u> | <u>Jurisdiction of Incorporation</u> | <u>Status at July 3, 2011</u> |
|--|--------------------------------------|-------------------------------|
| Magnetek Mondel Holding, Inc. (1) | Delaware | Active |
| Magnetek Alternative Energy, Inc. (1) | Delaware | Active |
| Magnetek (U.K.) Limited (1) | England | Active |
| Mondel ULC (3) | Canada | Active |
| Magnetek National Electric Coil, Inc. (1) | Delaware | Inactive |
| Magnetek de Mexico, S.A. de C.V. (2) | Mexico | Inactive |
| Manufacturas Electricas de Reynosa, S.A. de C.V. (2) | Mexico | Inactive |
| Mejor Electronica de Mexico S.A. de C.V. (2) | Mexico | Inactive |
| Servicio de Guarderas, S.C. (2) | Mexico | Inactive |

(1) 100% owned by Magnetek, Inc.

(2) 99% owned by Magnetek, Inc.

(3) 100% owned by Magnetek Mondel Holding, Inc.

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements (Form S-3 Nos. 333-110460, 333-115724, 333-15933, 333-24187 and 333-28415) of Magnetek, Inc. and in the related Prospectuses, and in the Registration Statements (Form S-8 Nos. 33-58929, 333-04021, 333-17889, 333-45935, 333-45939, 333-90645, 333-90647, 333-75418, 333-129362 and 333-146898) pertaining to the Amended and Restated 1989 Incentive Stock Compensation Plan of Magnetek, Inc., Magnetek, Inc. Non-Employee Director Stock Option Plan, Magnetek, Inc. Deferral Investment Plan, Magnetek, Inc. 1997 Non-Employee Director Stock Option Plan, Magnetek, Inc. Amended and Restated Director Compensation and Deferral Investment Plan, 1999 Stock Incentive Plan of Magnetek, Inc., 2000 Employee Stock Plan of Magnetek, Inc., Magnetek, Inc. Employee Stock Purchase Plan and 1999 Stock Incentive Plan of Magnetek, Inc., 2004 Stock Incentive Plan of Magnetek, Inc. and Executive Employment Agreement for Thomas G. Boren, and the Amended and Restated Director and Officer Compensation and Deferral Investment Plan, of our report dated August 31, 2011, with respect to the consolidated financial statements and financial statement schedule of Magnetek, Inc. listed in Item 15(a).

/s/ Ernst & Young LLP
Milwaukee, Wisconsin

Date: August 31, 2011

**CERTIFICATION PURSUANT TO RULE 13a-14(a) or RULE 15d-14(a),
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Peter M. McCormick, certify that:

1. I have reviewed this annual report on Form 10-K of Magnetek, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ PETER M. MCCORMICK
Peter M. McCormick
President and Chief Executive Officer

Date: August 31, 2011

**CERTIFICATION PURSUANT TO RULE 13a-14(a) or RULE 15d-14(a),
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Marty J. Schwenner, certify that:

1. I have reviewed this annual report on Form 10-K of Magnetek, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ MARTY J. SCHWENNER

Marty J. Schwenner
Vice President and
Chief Financial Officer

Date: August 31, 2011

**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 Magnetek, Inc. (the "Company") on Form 10-K for the period ending July 3, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Peter M. McCormick, President and Chief Executive Officer of the Company, and Marty J. Schwenner, Vice President and Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350 and Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934, 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 financial condition and results of operations of the Company.

/s/ PETER M. MCCORMICK

Peter M. McCormick
President and Chief Executive Officer

/s/ MARTY J. SCHWENNER

Marty J. Schwenner
Vice President and Chief Financial Officer

Dated: August 31, 2011

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mitchell I. Quain

Chairman of the Board, Magnetek, Inc.,
Partner, One Equity Partners LLC

David A. Bloss, Sr.

Former Chairman of the Board and Chief Executive Officer,
CIRCOR International, Inc.

Yon Y. Jorden

Former Executive Vice President and Chief Financial
Officer, Advance PCS

David P. Reiland

Chairman of the Board, Broadwind Energy, Inc.

Alan B. Levine

Former Chief Financial Officer and Director,
Virtual Access Networks, Inc.

Peter M. McCormick

President and Chief Executive Officer, Magnetek, Inc.

CORPORATE OFFICERS

Peter M. McCormick

President and Chief Executive Officer

Marty J. Schwenner

Vice President and Chief Financial Officer

Scott S. Cramer

Vice President, General Counsel and Corporate Secretary

Michael J. Stauber

Vice President, Corporate Controller

Hungsun S. Hui

Vice President, Operations

INVESTOR RELATIONS

Investor Relations Department

Magnetek, Inc.

N49 W13650 Campbell Drive

Menomonee Falls, WI 53051

Telephone 262.252.2903

Web site www.magnetek.com

STOCK LISTING AND SYMBOL

NYSE

Symbol: MAG

SHAREHOLDER INFORMATION

Copies of the Company's annual, quarterly, and current reports, as filed with the Securities and Exchange Commission, are available on request from the Company. Visit our web site, www.magnetek.com, for updated news releases, stock performance, financial reports, conference call web casts, SEC filings, corporate governance and other investor information.

ANNUAL SHAREHOLDERS' MEETING

Wednesday, November 9, 2011

10 a.m. Central Standard Time

Magnetek Corporate Offices

N50 W13775 Overview Drive

Menomonee Falls, WI 53051

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young, LLP

Milwaukee, WI

TRANSFER AGENT

American Stock Transfer & Trust Company, LLC

6201 15th Avenue

Brooklyn, NY 11219

800.937.5449

www.amstock.com



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