

MAGNETEK, INC.
 Form 10-K
 March 22, 2013

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 December 30, 2012

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	The NASDAQ Global Select Market
Preferred Stock Purchase Rights	The NASDAQ Global Select Market

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

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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 \$15.44 per share as reported by the NASDAQ Stock Market, on July 1, 2012 (the last business day of the Company’s most recently completed second fiscal quarter), was \$48,386,752. 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 February 20, 2013, was 3,209,542 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Magnetek, Inc. definitive 2013 Proxy Statement, to be filed with the Securities and Exchange Commission within 120 days after the close of the fiscal year ended December 30, 2012, are incorporated by reference into Part II and Part III of this Form 10-K.

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PART I

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, 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”, “objective”, 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 Part II, Item 7, 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 in Part I, Item 1A, “Risk Factors” of this Annual Report on Form 10-K. 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.

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 mining applications. Magnetek is listed on the NASDAQ Global Market (NASDAQ: MAG) and was founded in 1984 as a Delaware corporation. However, certain businesses we have acquired have a long history of technical innovation that predates the founding of Magnetek. Our digital power control systems serve the needs of selected niches of traditional and emerging markets that are becoming increasingly dependent on “smart” power. Over the past ten years, we have successfully transitioned the Company from a component supplier to a provider of systems solutions. Today much of our focus is on developing and introducing innovative electronic drive solutions that both enhance our customers' operational efficiency and save energy. 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. Revenue and profit information, additional financial data, and commentary on recent financial results, which are

provided in Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and in Part II, Item 8. “Financial Statements and Supplementary Data” of this Annual Report Report on Form 10-K, should be read in conjunction with this section.

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. In addition, we have a growing range of motion control products for mining equipment applications. Our operations are located in North America, predominantly in Menomonee Falls, Wisconsin, the location of our headquarters.

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Our goal is to expand our position 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 productivity, throughput, energy efficiency, or safety, while reducing labor costs, downtime, and maintenance costs.

Product Offerings

Magnetek is a leading provider of innovative power control and delivery systems and solutions for overhead material handling applications used in a number of diverse industries, including aerospace, automotive, steel, aluminum, paper, logging, mining, ship loading, nuclear power plants, and heavy movable structures. Our material handling products include alternating current (“AC”) and DC drive systems, radio remote controls, push-button pendant stations, brakes, and collision avoidance and power delivery subsystems. We are a major supplier in North America of AC control systems. While we sell primarily to OEMs of overhead cranes and hoists, we spend a great deal of effort understanding the needs of end users to gain specification. We can combine our products with engineered services to provide complete customer-specific systems solutions.

Magnetek also designs, builds, sells, and supports elevator application-specific drive products that efficiently deliver power used to control motion, primarily in high-rise, high-speed elevator applications. We are recognized as an industry leader for DC high-performance elevator drives, as well as for AC drives used with low and high-performance traction elevators, due to our extensive application expertise and product reliability. Our elevator product offerings are comprised of highly integrated subsystems and drives, sold mainly to elevator OEMs. In addition, our product options include a number of regenerative controls for both new building installations and elevator modernization projects that help building owners save energy. We have over 70,000 elevator drives currently in operation worldwide.

We are also a leading independent supplier of AC and DC digital motion control systems for underground coal mining equipment. Our systems are used in coal hauling vehicles, shuttle cars, scoops, and other heavy mining equipment. We estimate that we have an installed base of over 10,000 drive systems operating in mining equipment throughout the world.

We intend to continue to build on our competitive strengths in established material handling, elevator, and mining 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.

Growth Drivers in our Served Markets

We believe that future demand for our products will be aided by certain trends that we expect to drive growth in our served markets, including the following:

Focus on Increasing Efficiency and Productivity

In response to increasingly competitive economic conditions, many manufacturers seek to increase productivity and efficiency while controlling costs, and many of our product offerings enable our customers to achieve these goals. Our variable frequency AC drive products and DC digital controls are highly reliable, operate at high speeds, and improve production output, while reducing labor and maintenance costs. Technology advancements in control products and engineering enable us to convert manual processes and systems to automated systems, providing a wide range of benefits, including labor and space savings, improved productivity, efficient material flow, more accurate positioning, and safer operation. As a result, we can demonstrate many opportunities to improve our customers' operations and provide them with quantifiable, and in many cases, significant returns on invested capital.

Growing Energy Needs and Focus on Energy Efficiency

Total global energy consumption is projected to increase nearly 60% by the year 2030 according to the U.S. Department of Energy (“DOE”). The vast majority of energy consumed today comes from traditional energy sources such as coal, oil and natural gas. Over half of the electricity used in the U.S. today comes from coal, and world energy use derived from coal sources is projected to increase nearly 30% through 2030, per the DOE. We have a wide variety of product offerings across all of our major served markets which are engineered to efficiently use available power, or which convert energy to usable power in an energy efficient manner. We have been a leading supplier of AC and DC digital motion control systems to underground coal mining equipment manufacturers for more than 20 years. In addition, our regenerative elevator drives can provide energy savings of 25% to 45% over other elevator solutions. We

believe our energy efficient product offerings have us well positioned to benefit from the expected growing demand for energy and energy efficient solutions in the future.

Shift from Electro-Mechanical Control to Digital Power Control

Fairly recent technological advancements have resulted in a shift away from electro-mechanical control to digital power control. For example, just a few years ago, cranes relied mainly on contactors, relays, and static controls for their operation, whereas today, AC and DC drives are the preferred method of control. Improvements in drive technology have also allowed for the downsizing of power platforms and the inclusion of many high-performance features valued by the

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marketplace. AC power control is generally used for new installations in overhead material handling systems, elevators, and mining equipment. However, DC drive solutions are also a viable alternative for existing installations that wish to retain existing DC power sources. We believe this trend will benefit us in the future as our primary core competency is in digital power control.

Conversion to Wireless Applications

Many industries, including the overhead material handling, mobile hydraulic, construction, and mining markets, are rapidly adopting remote wireless control solutions. While wireless control has been available for a number of years, technology has improved significantly in recent years, enabling enhancements that have resulted in products that are safer, more reliable, ergonomically designed, versatile, and cost-effective. Over the past several years, through both acquisition and internal development, we have invested in expanding the breadth of our wireless control product offering, which we believe will help us to meet demand, increase market share, and enter new markets in this growing field.

Modernization and Upgrade of Existing Equipment

Overhead cranes, elevators, and mining equipment represent significant investments in capital which in most cases operate under severe duty and in some cases, in harsh environments. Many of the structural components of these systems are manufactured to withstand significant mechanical forces, and to have useful lives in excess of 30 years. For example, it is not uncommon to find cranes that are more than 50 years old still operating today, or elevators or mining equipment operating with aging and inefficient power control equipment. Rather than scrap structurally sound but outdated equipment, it is often more cost-effective to modernize the equipment to meet current operational needs by upgrading the power control systems. Our current drive technology along with our application expertise can provide reduced energy consumption, greater reliability, improved throughput, lower operational costs, enhanced features, and prolonged equipment life over older drive technology. We believe our large installed base of product combined with our industry expertise provides us with opportunities to expand our business through modernization projects.

Systems Solutions

In an effort to reduce costs and streamline operations, many customers are recognizing increased value in consolidating purchasing requirements with suppliers who can provide increasingly integrated solutions. We can benefit from this trend as we can bundle a wide breadth of products together with engineered services to provide customer-specific solutions that will result in reduced installation costs as well as lower operating and maintenance costs for our customers. In many of our served markets, we can provide turnkey service, including project evaluation, project management, installation services, field start-up, operator training, and after-sales service and systems support.

Communication and Diagnostic Features

In many electrical applications today, electronic devices controlled by microprocessors are increasingly being networked together, resulting in smart devices with greater productivity and user benefits. The benefits of this trend on control systems for industrial applications include lower installation costs, better monitoring of performance, improved integration with supervisory systems, and improved uptime. We believe the power of embedded and connected microprocessors within our power electronic devices provide a tremendous benefit for users at all levels from maintenance to production to finance.

Safer Workplace Environments

In an effort to comply with increasing workplace safety regulations and to reduce ongoing costs associated with health insurance, workplace accidents, and workers' compensation expenses, many employers are focused on providing safer workplace environments. We offer a vast number of optional features that can further enhance workplace safety and reduce the risk of accidents and personal injury, including collision avoidance software, programmable acceleration and deceleration, and other safeguards that prevent overheating, eliminate load swing, and prevent uneven lifting.

Competitive Strengths

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

Technological Capabilities and Industry Expertise

We emphasize and leverage our ability to provide customized solutions for power and motion control applications through digital power technology. We have a long history of technical innovation and a highly skilled and experienced

technical staff. 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. We are widely recognized for our expertise in our served markets, regularly hosting training and technology seminars for customers and end users. We believe we are at the forefront of innovation in the industries we have traditionally served, continuously developing new products to provide cost-effective, value-added solutions to meet the changing needs of our customers.

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Customer and End-User 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, all of which ultimately adds value to our customers by improving their operations and reducing their costs.

Product Breadth and Brand Name Recognition

We provide a wide variety of products in most of our major served markets, and we are among the leaders in the U.S in many of our served markets. For material handling customers, we serve as a one-stop source, providing a full range of AC and DC crane controls as well as subsystems, including radio controls, push-button stations, motors, brakes and power delivery products. For elevator customers, we offer both AC and DC integrated digital motion control subsystems for mid- to high-rise buildings at varying speed and performance levels. Our elevator control systems can be found in many of the world's most recognizable buildings. Over the past several years, we've introduced a number of new innovative products to further broaden our product offerings, including severe duty AC traction drives for mining applications, regenerative AC and DC drives for elevator applications, and a new generation of lower-cost AC elevator drives for mid-rise applications.

Our brand names, including Telemotive, Electromotive Systems, OmniPulse, IMPULSE, Enrange, Mondel, M-FORCE, and Quattro, are among the most known and respected in the industries we serve. We believe our strong brand name recognition enables us to retain and leverage existing customer relationships while also providing opportunities to gain market share with new customers and grow our business by entering new markets.

Sales Channels

Our sales force is comprised of a combination of direct employees, sales representatives, and distributors. Although we sell our products to OEMs, our sales and marketing efforts are also aimed at gaining end-user specification. Our sales and marketing team is focused on targeted markets, and has extensive experience and a great deal of application expertise in those markets. We believe that our well established sales network constitutes a significant competitive advantage in the North American marketplace.

Large Installed Base with Proven Technology

Our many years of experience combined with leading share positions in our served markets has resulted in a significant installed base of our products operating in material handling systems, elevators, and mining equipment around the world. We believe the large installed base of our quality products not only demonstrates our technical capability and expertise, but also serves as a potential source for future business from service, repair, retrofit and modernization opportunities. As production requirements change and existing installed equipment ages, reliability may deteriorate, resulting in reduced productivity, increased downtime, unscheduled repair costs, and safety issues. In these situations, it is often prudent to replace and upgrade power control systems with state-of-the-art controls that can meet present operational needs, enhance performance, and prolong the life of the equipment.

After-Market Service and Support

We have a highly trained team of experienced service technicians dedicated to aftermarket support to provide prompt service to end users of our products, 24 hours a day, every day of the year. We believe we are able to attract and retain customers in part due to our commitment to quality, service, and customer satisfaction.

Strategy

Invest in Innovation and New Product Development

We continue to invest in research and development ("R&D") in an effort to grow our business, refreshing our product offerings and developing new products and services to address the changing needs of our customers. Developing and offering a broad range of products for each of our served markets is an integral part of our strategy. We make innovative modifications to existing products in an effort to add features and special application software that improve performance. For example, we recently launched a new series of drives for material handling applications which provide our customers with a more cost-effective solution with enhanced safety and performance features. We continue to expand our bundling opportunities in material handling with our radio drive serial interface ("RDSI"). An

RDSI module allows a wireless radio to communicate directly with the crane control system, providing improved diagnostic and troubleshooting information.

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We believe opportunities for growth exist in available elevator markets through the expansion of the breadth of available product offerings to include competitive low-end products for lower performance AC applications. We also believe opportunities for growth exist in available material handling, elevator, and mining markets through the introduction of new energy-saving product offerings. Over the past several years, we've developed an AC version of our Quattro regenerative elevator drive, and a severe duty AC traction drive for mining equipment.

In renewable energy, we used our years of know-how gained in the fuel cell inverter market to develop power inverters for the wind and solar markets, and we have a number of inverters installed and operating in wind turbines today. Conditions in renewable energy markets have deteriorated significantly over the past two years, and as a result, near the end of fiscal 2012, we made a strategic decision to no longer pursue new business opportunities in renewable energy markets. We believe we have sustainable competitive advantages and better growth opportunities in our traditional served markets, and accordingly, we intend to focus our future investments in those areas.

Gain Market Share in Served Markets

Our long-standing customer relationships, sales network, and end-user relationships provide us with insights into our served markets that help us to anticipate changes in market conditions and customer requirements. We believe we can leverage our close relationships with our channel partners to grow our business by further enhancing strategic partnerships with key customers. We also believe we can use our knowledge and application expertise to increase our share in our served markets by expanding our level of sales with existing customers and by providing value-added solutions to displace our competition.

Entry into New Markets

We continue to seek to grow our business by migrating our proven technology and application expertise into new markets. Over the past several years, we've strategically allocated R&D, sales, and marketing resources to markets such as automation and mobile hydraulic in material handling in an effort to understand the dynamics and requirements of those markets. We've had success in growing our business in those markets, and will continue to look for opportunities where we believe we can take advantage of our competitive strengths to enter into and gain share in new markets.

Expand Geographically

We have leading North American market positions and derive the majority of our revenue from North American, and more specifically, U.S. customers. We believe that certain non-U.S. markets can provide us with compelling growth opportunities for our products. We also believe that, with our commitment to technological innovation and our demonstrated ability to reduce our customers' costs and improve efficiency, our business model may transfer well to markets outside the U.S. where cost-effective, high quality, reliable power solutions are also valued. In addition, certain of our customers are increasing their global footprint, which could provide us with opportunities to partner with them and service those customers locally. We intend to evaluate these opportunities, and prudently allocate sales resources to those markets outside the U.S. where we think we have the best growth prospects relative to the level of investment required to enter the market.

Generate Sufficient Cash to Fund our Growth Initiatives and our Obligations

Our business has consistently generated positive cash flow from operating activities, prior to funding pension obligations, even during periods of economic downturns by focusing on controlling our costs and effectively managing our working capital. Since January 2007, our unrestricted cash balances have increased from \$7 million to nearly \$29 million at the end of December 2012. During that time, we've contributed approximately \$50 million to our defined benefit pension plan while enduring some of the worst economic conditions since the 1930's. In addition, we've continued to spend approximately \$4 million annually on R&D activities aimed at growing our business through innovative new product introductions and entry into new markets. Our sales have grown from \$88 million in fiscal 2007 to \$114 million in fiscal 2012, even as our sales into renewable energy markets declined significantly during fiscal 2012. We intend to continue to focus on tight cost control and asset management while continuing to prudently invest in our business to drive future growth, in an effort to maximize our profitability and cash flow, while we reduce our pension obligation over time through contributions.

In summary, we will continue to pursue internal growth opportunities in our core product lines, seeking to increase our market share, enter new markets, and expand our current business model geographically. We may also selectively

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 over 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.

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Seasonality

Our power control systems for material handling applications represented nearly 71% of our revenue in fiscal year 2012. 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 our June and December fiscal quarters, with relatively lower revenues in our March and September fiscal quarters.

Backlog

Our backlog as of the end of fiscal 2012 was \$13.1 million versus \$17.9 million at the end of transition period 2011, twelve months earlier. The decline in our backlog during fiscal 2012 was mainly due to a slowdown in the coal industry which impacted our mining orders, our withdrawal from renewable energy markets, and a slowdown in our incoming order rate during the December period due in part to ongoing economic uncertainties. 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 during fiscal 2013.

Competition

Our primary competitors include: Konecranes Inc., Power Electronics International, Inc., Cattron Group International, Conductix-Wampfler (a division of Delachaux Group), Control Techniques (a division of Emerson Electric), OMRON Corporation, KEB GmbH, and Fujitec. Some of these companies have substantially greater financial, marketing, and other resources, larger product portfolios, and greater global reach than us.

Suppliers and Raw Materials

Virtually all materials and components that we purchase are available from multiple suppliers. During fiscal 2012, raw material purchases accounted for approximately 72% 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 by, among other things, adding features or reducing costs, and customizing or modifying products to meet customers' specific needs. Total research and development expenditures were approximately \$3.8 million, \$2.1 million, \$4.4 million, and \$3.8 million for fiscal 2012, the six-month transition period 2011, and our 2011 and 2010 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 thereunder 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.

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International Operations

International sales accounted for \$13.9 million, or 12% of our net sales, while domestic sales were \$100.4 million, or 88% of our net sales in fiscal year 2012. 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. sold to purchasers outside of the U.S. During the six-month transition period ended January 1, 2012, our domestic sales were \$51.4 million, while international sales were \$7.3 million. For our 2011 and 2010 fiscal years, revenues derived from domestic sales were \$97.6 million and \$71.1 million respectively, and revenues derived from international sales were \$12.2 million and \$9.5 million, respectively. We hold assets in Canada and the United Kingdom totaling \$6.6 million, of which \$4.4 million are held in Canada and \$2.2 million are in the United Kingdom.

Employee Relations

As of February 20, 2013, we had 134 salaried employees and 216 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 2012, our six-month transition period 2011, or in fiscal years 2011 or 2010.

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 2012, our six-month transition period 2011, or in fiscal years 2011 or 2010. 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

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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.

Name	Age	Position
Peter M. McCormick	52	Director, President and Chief Executive Officer
Marty J. Schwenner	52	Vice President and Chief Financial Officer
Scott S. Cramer	60	Vice President, General Counsel and Corporate Secretary
Michael J. Stauber	39	Vice President, Corporate Controller
Hungsun S. Hui	50	Vice President, Operations

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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 1993, 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 wit