FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-17** | Period of Report: **1994-03-31**
SEC Accession No. 0000912057-94-001788

FILER

MAGNETEK INC

CIK:**751085**| IRS No.: **953917584** | State of Incorp.:**DE** | Fiscal Year End: **0630**
Type: **10-Q** | Act: **34** | File No.: **001-10233** | Film No.: **94529109**
SIC: **3621** Motors & generators

Mailing Address
11150 SANTA MONICA BOULEVARD
15TH FLOOR
LOS ANGELES CA 90025

Business Address
11150 SANTA MONICA BLVD - 15TH FLR
LOS ANGELES CA 90025
3104736681

FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: March 31, 1994

OR

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

For the transition period from

Commission file number 1-10233

MAGNETEK, INC.
(Exact name of registrant as specified in its charter)

Delaware	95-3917584
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

11150 Santa Monica Boulevard, 15th floor
Los Angeles, California 90025
(Address of principal executive offices)
(Zip Code)
(310) 473-6681
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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 X No
----- -----

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY

PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes ----- No -----

APPLICABLE ONLY TO CORPORATE ISSUERS:

The number of shares outstanding of Registrant's Common Stock, as of April 26, 1994: 24,190,450 shares.

PART I. FINANCIAL INFORMATION

In the opinion of management, the accompanying condensed consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to fairly present the financial position as of March 31, 1994 and the results of operations and cash flows for the three-month and nine-month periods ended March 31, 1994, and 1993. It is suggested that these consolidated condensed financial statements be read in conjunction with the consolidated financial statements and notes included in the Company's latest annual report on Form 10-K. Results for the three months and nine months ended March 31, 1994 are not necessarily indicative of results which may be experienced for the full fiscal year.

ITEM 1

MAGNETEK, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
MARCH 31, 1994 and JUNE 30, 1993
(amounts in thousands)

<TABLE>
<CAPTION>

	MARCH 31 (unaudited)	JUNE 30
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash	$ 3,490	$ 7,795
Accounts receivable	280,183	335,877
Inventories	266,463	264,140
Deferred income taxes, prepaid expenses and other	37,348	24,460
Total current assets	587,484	632,272

Property, plant and equipment	462,620	428,730
Less-accumulated depreciation and amortization	209,949	182,725
	252,671	246,005
Cost in excess of fair value of net assets acquired	126,637	130,350
Deferred charges, intangible and other assets	40,045	44,163
	$ 1,006,837	$ 1,052,790
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 131,371	$ 162,671
Accrued liabilities	134,185	116,472
Current portion of long-term obligations	27,119	7,949
Total current liabilities	292,675	287,092
Long-term debt, net of current portion	505,711	515,807
Other long-term obligations	73,732	69,020
Deferred income taxes	13,974	17,842
Commitments and contingencies		
Stockholders' equity		
Common stock	242	241
Other	120,503	162,788
Total stockholders' equity	120,745	163,029
	$ 1,006,837	$ 1,052,790

</TABLE>

See accompanying notes

ITEM 1 (continued)

MAGNETEK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED
MARCH 31, 1994 AND 1993
(amounts in thousands except per share data)
(unaudited)

<TABLE>
<CAPTION>

<S>	1994 <C>	1993 <C>
Net sales	$ 374,246	$ 385,728
Cost of sales	299,190	296,808
Gross profit	75,056	88,920
Selling, general and administrative	58,659	58,796
Income from operations	16,397	30,124
Interest expense	11,916	12,467
Other expense, net	1,578	2,515
Income before income taxes	2,903	15,142
Income taxes	1,220	6,209
Net income	$ 1,683	$ 8,933
Earnings per common share:		
Primary	$ .07	$ 0.35

Fully diluted	$ *	$ 0.33

<FN>
* Per share amount on a fully diluted basis has been omitted as such amount is anti-dilutive in relation to the primary per share amount.

</TABLE>

See accompanying notes

ITEM 1 (continued)

MAGNETEK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE NINE MONTHS ENDED
MARCH 31, 1994 AND 1993
(amounts in thousands except per share data)
(unaudited)

<TABLE>
<CAPTION>

<S>	1994 <C>	1993 <C>
Net sales	$ 1,103,815	$ 1,093,558
Cost of sales	885,162	839,456
Gross profit	218,653	254,102
Selling, general and administrative	175,527	170,398
Restructuring and other charges	58,562	--
Income (loss) from operations	(15,436)	83,704
Interest expense	35,707	35,880
Other expense, net	2,673	7,264
Pretax income (loss) before cumulative effect of accounting changes	(53,816)	40,560
Income taxes	(14,403)	16,630

Income (loss) before cumulative effect of accounting changes	(39,413)	23,930
Cumulative effect of change in accounting for postretirement welfare benefits, net of tax benefit	--	(35,734)
Cumulative effect of change in accounting for income taxes	--	(13,000)
Net loss	$ (39,413)	$ (24,804)
Earnings per common share:		
Primary:		
Income (loss) before cumulative effect of accounting changes	$ (1.59)	$ 0.96
Cumulative effect of accounting changes	--	(1.99)
Net loss	$ (1.59)	$ (1.03)
Fully diluted:		
Income (loss) before cumulative effect of accounting changes	$ *	$ 0.89
Cumulative effect of accounting changes	--	*
Net loss	$ *	$ *

<FN>
* Per share amounts on a fully diluted basis has been omitted as such amounts are anti-dilutive in relation to the primary per share amounts.
</TABLE>

See accompanying notes

ITEM 1 (continued)

MAGNETEK, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED MARCH 31, 1994 AND 1993

(amounts in thousands)
(unaudited)

<TABLE>
<CAPTION>

<S>	1994 <C>	1993 <C>
Cash flows from operating activities:		
Net loss	$ (39,413)	$ (24,804)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation and amortization	35,715	35,763
Provision for restructuring and other charges	58,562	--
Cumulative effect of accounting changes	--	48,734
Change in assets and liabilities net of effects from acquired companies:		
(Increase) decrease in accounts receivable	54,694	(34,648)
(Increase) decrease in inventories	(17,823)	(4,410)
(Increase) decrease in other current assets	2,008	(959)
Decrease in current liabilities	(56,259)	(20,963)
Increase (decrease) in deferred income taxes	(18,774)	95
(Increase) decrease in other operating assets	328	(4,204)
Increase (decrease) in other long-term liabilities	4,712	(4,035)
Total adjustments	63,163	15,373
Net cash provided (used) by operating activities	23,750	(9,431)
Cash flows from investing activities:		
Purchase of and investment in companies, net of cash acquired	--	(24,323)
Capital expenditures, net	(38,245)	(43,473)
Annuity contract and other investments	902	(9,787)
Net cash used in investing activities	(37,343)	(77,583)

</TABLE>

(continued on next page)

ITEM 1 (continued)

MAGNETEK, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
FOR THE NINE MONTHS ENDED MARCH 31, 1994 AND 1993
(amounts in thousands)
(unaudited)

	1994	1993
Cash flows from financing activities:		
Borrowings under bank and other long-term obligations	20,026	91,409
Proceeds from issuance of common stock	428	2,036
Repayment of long-term obligations	(10,952)	(3,447)
Increase in deferred financing costs	(214)	(1,257)
Net cash provided by financing activities	9,288	88,741
Net increase (decrease) in cash	(4,305)	1,727
Cash at the beginning of the period	7,795	2,034
Cash at the end of the period	$ 3,490	$ 3,761
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 35,108	$ 37,216
Income Taxes	$ 6,477	$ 17,920
Reconciliation of assets acquired and liabilities assumed		
Fair value of assets acquired	$ --	$ 42,547
Liabilities assumed	--	18,224
Cash paid	$ --	$ 24,323

----------- -----------

</TABLE>

See accompanying notes

ITEM 1 (continued)

MAGNETEK, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1994
(All dollar amounts are in thousands except per share data)
(unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FISCAL PERIOD - The Company uses a fifty-two, fifty-three week fiscal year. Fiscal periods end on the Sunday nearest the end of the month. For clarity of presentation, all periods are presented as if they ended on the last day of the calendar period. The three-month and nine-month periods ended March 31, 1994 and 1993 contained thirteen weeks and forty weeks, and thirteen weeks and thirty-nine weeks, respectively.

2. INVENTORIES

Inventories at March 31, 1994 and June 30, 1993 consist of the following:

<TABLE>
<CAPTION>

<S>	March 31 <C>	June 30 <C>
Raw materials and stock parts	$ 71,181	$ 88,163
Work-in-process	80,161	91,762
Finished goods	125,165	98,933
	276,507	278,858
Less - Progress billings	10,044	14,718
	$266,463	$264,140

</TABLE>

3. RESTRUCTURING AND OTHER CHARGES

On January 5, 1994, the Company's Board of Directors approved a restructuring program with the objective of focusing the Company's resources on its core product lines and reducing debt. In connection with the program, the Company has identified certain businesses for potential divestiture. Aggregate sales of these businesses represented approximately 29 percent of the Company's total sales volume for fiscal 1993. Estimated proceeds from the sale of certain of these businesses are less than the current book value of those respective businesses. As a result, the Company has recorded a charge to income of approximately $27,300. This amount is included under "Restructuring and other charges" in the accompanying Condensed Consolidated Statements of Operations. While the Company believes it will be able to sell all of the identified candidates for divesture at prices acceptable to the Company, if such prices are not obtained the Company may elect to retain certain of these businesses for an indefinite period. As a result, the Company will classify the results of these businesses as continuing operations until any related sale is consummated.

The Company has also undertaken a review of its core product lines with the objective of developing actions to reduce costs and improve future profitability. The Company has identified a substantial amount of excess capacity and potentially obsolete or excess inventory levels related to the Company's electronic ballast product line. Estimated exposure to these issues is based upon current and projected demand and production rates for this product line primarily over the next 24 months. The Company also plans to relocate and consolidate a number of administrative functions in connection with its overall restructuring program. As a result of the review and restructuring program, the Company recorded charges to income of approximately $26,500 related to the electronic ballast product line, including approximately $12,400 related to potentially excess and obsolete inventory and approximately $14,100 related to excess capacity, severance and other issues. The Company has also recorded a charge of approximately $4,800 related primarily to anticipated severance and relocation costs associated with the planned consolidation of administrative functions. These amounts are included under "Restructuring and other charges" in the accompanying Condensed Consolidated Statements of Operations.

Of the approximately $58,600 total "Restructuring and other charges" as detailed above and recorded during the second quarter of fiscal 1994, approximately $47,900 represent a noncash write-off of recorded assets and $10,700 relate to actions which will require future cash outflows, primarily over the next 6 to 12 months.

4. LONG-TERM DEBT AND BANK BORROWING ARRANGEMENTS

Primarily as a result of the Restructuring and other charges referred to in Note 3 and recorded during fiscal 1994 and recent operating results, the Company violated certain financial covenants included in its Revolving Credit and Senior Note Agreements. Effective March 31, 1994, the Company amended both Agreements to adjust the financial covenants prospectively based upon a review of expected future operating performance. As a result of these amendments, the interest rate on borrowings under both the Revolving Credit and Senior Note Agreements was increased by one-quarter percent. The interest rate on borrowings under the Revolving Credit Agreement will be reduced to prior levels upon the achievement of specified leverage ratios. All other terms and provisions of both Agreements remain substantially unchanged.

ITEM 2
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

- - --

RESULTS OF OPERATIONS:

THREE MONTHS ENDED MARCH 31, 1994 VS. 1993 -- Net sales. Total net sales decreased 3% to $374.2 million in the three months ended March 31, 1994, from $385.7 million in the corresponding period in the prior fiscal year. Net sales in the Ballasts and Transformers segment decreased 10% due primarily to lower sales of electronic lighting ballasts, small transformer products in Europe and medium power transformers, partially offset by increased sales of power supplies in Europe. Net sales in the Motors and Controls segment increased 5% due primarily to increased sales of fractional horsepower motors and electronic adjustable speed drives, partially offset by lower sales of large custom motors and airport systems equipment.

Gross profit. Gross profit decreased 16% to $75.1 million (20.1% of net sales) in the three months ended March 31, 1994 from 88.9 million (23.0% of net sales) in the three months ended March 31, 1993. Gross profit decreased due to lower margins in the electronic ballast business due to lower sales and increased fixed costs associated with capacity increases implemented in the prior fiscal year; lower sales and margins in the medium power transformer and utility service businesses due to lower selling prices; and lower margins in the large custom motor business partially offset by higher margins in fractional horsepower motors.

Income from operations. Income from operations decreased 46% to $16.4 million (4.4% of net sales) in the three months ended March 31, 1994 from 30.1 million (7.8% of net sales) in the corresponding period in the prior fiscal year. Income from operations in the Ballasts and Transformers segment was $7.3 million (3.8% of net sales) vs. $20.0 million (9.4% of net sales) due primarily to lower income in electronic ballasts and the transformer product lines indicated above. Income from operations in the Motors and Controls segment was $9.1 million (5.0% of net sales) vs. $10.1 million (5.8% of net sales) due to lower income in utility service and large custom motor business, partially offset by higher income in fractional horsepower motors.

Interest expense. Interest expense decreased 4% to $11.9 million in the three months ended March 31, 1994 from $12.5 million in the corresponding period in the prior fiscal year. The decrease was due to lower variable interest rates, primarily related to the Company's European borrowings.

Income before taxes and net income. Income before taxes was $2.9 million in the three months ended March 31, 1994 compared to $15.1 million in the three months ended March 31, 1993. Net income was $1.7 million compared to $8.9 million. The effective income tax rate was 42% in the 1994 period vs. 41% in the 1993 period due to a higher federal income tax rate.

ITEM 2 (continued)

NINE MONTHS ENDED MARCH 31, 1994 VS. 1993 -- Net sales. Total net sales increased 1% to $1.10 billion in the nine months ended March 31, 1994, from $1.09 billion in the corresponding period in the prior fiscal year. As a result of the Company's use of a fifty-two, fifty-three week fiscal year, the first nine months of fiscal 1994 contained forty weeks compared to thirty-nine weeks in the first nine months of 1993. The increase in total net sales was due to the additional week of sales in the fiscal 1994 period as well as the inclusion of the results of a power conversion business acquired in the second quarter of the prior fiscal year. On a proforma basis, excluding the effect of these items, total net sales in the fiscal 1994 period were 1% lower than to net sales in the fiscal 1993 period. Net sales in the Ballasts and Transformers segment decreased 8% due primarily to the lower sales of electronic lighting ballasts, small transformer products in Europe and medium power transformers, partially offset by increased sales of magnetic lighting ballasts. Net sales in the Motors and Controls segment increased 12% due primarily to increased sales of fractional horsepower motors and electronic adjustable speed drives, partially offset by lower sales of large custom motors.

Gross profit. Gross profit decreased 14% to $218.7 million (19.8% of net sales) in the nine months ended March 31, 1994, from $254.1 million (23.2% of net sales) in the nine months ended March 31, 1993. Gross profit decreased due primarily to lower margins in the electronic ballast business due to lower sales and increased fixed costs associated with capacity increases implemented in the prior fiscal year; lower margins in the medium power transformer and utility service businesses due to lower sales prices; and lower margins in large custom motors due to lower sales volume, partially offset by higher margins in fractional horsepower motor product lines.

Income (loss) from operations. For the nine months ended March 31, 1994, the Company recorded a loss from operations of $15.4 million compared to income of $83.7 million in the corresponding period in the prior fiscal year. The loss from operations in the Ballasts and Transformers segment was $14.9 million compared to income of $51.9 million due primarily to Restructuring and other charges of $32.8 million recorded in the fiscal 1994 period, as a result of a restructuring program approved by the Company's Board of Directors and a review of inventory and capacity issues in the electronic ballast business (see Note 3 of Notes to Condensed Consolidated Financial Statements). In addition to these charges, the loss from operations was impacted by lower income in the electronic ballast business and the medium power transformer business as well as an operating loss in the domestic power supply business. In the Motors and Controls business, a loss from operations of $0.5 million was recorded in the nine months ended March 31, 1994, compared to income from operations of $31.8 million in the corresponding period in the prior fiscal year, due to Restructuring and other charges of $25.8 million recorded in the fiscal 1994 period.

The loss from operations was also impacted by lower income from operations in utility repair services, large custom motors and control products, partially offset by higher income from operations in fractional horsepower motor and electronic drive product lines.

Interest expense. Interest expense was comparable at $35.7 million in the nine months ended March 31, 1994, vs $35.9 million in the corresponding period in the prior fiscal year. On a pro forma basis excluding the additional week of interest expense in the fiscal 1994 period, interest expense decreased 2% due to interest income from the Company's investment in an annuity contract and lower variable borrowing rates in Europe.

Income (loss) before taxes and Net loss. The Company recorded a loss before income taxes of $53.8 million in the nine months ended March 31, 1994 compared to income before taxes of $40.6 million in the nine months ended March 31, 1993. The loss before cumulative effect of accounting changes was $39.4 million in the fiscal 1994 period compared to income before cumulative effect of accounting changes of $23.9 million in fiscal 1993. Net loss was $39.4 million compared to net loss of $24.8 million. The fiscal 1993 period reflects charges to income aggregating $48.7 million reflecting the cumulative effect of changes in accounting for postretirement welfare benefits and income taxes. The income tax benefit in the fiscal 1994 period was recorded at 27% compared to a statutory rate of approximately 40%, reflecting a valuation allowance provided against the Company's net deferred tax asset position.

LIQUIDITY AND CAPITAL RESOURCES:

The Company believes that internally generated funds and available credit facilities will provide sufficient capital resources to finance operations, fund planned capital expenditures and pay interest and scheduled maturity payments on outstanding debt. The Company recorded approximately $58.6 million of Restructuring and other charges in the nine-month period ended March 31, 1994 (see note 3 of Notes to Condensed Consolidated Financial Statements). Of the $58.6 million, approximately $10.7 million represents anticipated future cash outflows, primarily over the next 6 to 12 months, from actions associated with the planned restructuring program. However, the Company also expects to generate substantial cash, primarily during the same period, from anticipated divestitures associated with the program. Cash generated from the restructuring program will be used primarily to repay outstanding debt.

As of March 31, 1994, the Company had available borrowing capacity of approximately $45 million under bank credit facilities. During the second quarter of fiscal 1994, the Company amended certain financial covenants under its Revolving Credit Agreement based upon projected operating results. Primarily as a result of the announced restructuring program and related charges recorded during the current fiscal year, the Company violated certain financial covenants in the Revolving Credit and Senior Note Agreements. Effective March 31, 1994 the Company amended the revolving Credit and Senior Note Agreements to reflect revised financial covenants (see Note 4 of Notes to Condensed Consolidated Financial Statements).

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

10.87 First Amendment to the 1991 Director Incentive Compensation Plan of MagneTek, Inc., dated as of April 28, 1994

10.88 Executive Management Agreement by and between MagneTek, Inc. and The Spectrum Group, Inc., dated as of July 1, 1994

(b) REPORTS ON FORM 8-K

None

SIGNATURES

Pursuant to the requirements 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.

MAGNETEK, INC.
(Registrant)

Date: May 16, 1993 /s/ David P. Reiland

David P. Reiland
Executive Vice President
and Chief Financial Officer
(Duly authorized officer of the
registrant and principal
financial officer)

FIRST AMENDMENT TO
THE 1991 DIRECTOR INCENTIVE
COMPENSATION PLAN OF MAGNETEK, INC.

MagneTek, Inc., a Delaware corporation, hereby adopts this amendment to the 1991 Director Incentive Compensation Plan of MagneTek, Inc. (the "Plan") pursuant to Section 6.3 of the Plan, as of this 28th day of April, 1994.

1. Section 3.2(c) of the Plan is hereby amended and restated in its entirety to read as follows:

"(c) Each person who is an Outside Director on the last day of any of the Company's fiscal years during the period beginning with the fiscal year ending 1991 and ending with the fiscal year ending in 2000 (each such day referred to as an "Eligibility Date" herein) shall be granted, subject to the vesting schedule described below in Section 4.3, a Stock Appreciation Right with respect to 4,000 shares of Common Stock at a Base Price equal to the Fair Market Value of a share of Common Stock on the Eligibility Date. An example of the grant and vesting procedure is set forth on the attached Annex I. Notwithstanding any provision contained in this Plan to the contrary: (i) the Eligibility Date for fiscal year 1994 shall be April 28, 1994 and not the last day of fiscal year 1994, with the result that for fiscal year 1994 only, each person who is an Outside Director on April 28, 1994 shall be granted, subject to the vesting schedule described below in Section 4.3, a Stock Appreciation Right with respect to 4,000 shares of Common Stock at a Base Price equal to the Fair Market Value of a share of Common Stock on April 28, 1994 (a "1994 Stock Appreciation Right"); (ii) the other provisions of this Plan and of the attached Annex I are hereby amended accordingly; and (iii) each person who is an Outside Director on the last day of fiscal year 1994 shall not be granted a Stock Appreciation Right on such date."

2. Section 4.3(b) of the Plan is hereby amended and restated in its entirety to read as follows:

"(b) A Stock Appreciation Right granted under Section 3.2(c) (other than a 1994 Stock Appreciation Right) shall become exercisable in four installments on four installment dates:

(i) The first installment shall consist of 1,000 of the shares of Common Stock covered by the Stock Appreciation Right and shall become exercisable on the last day of the first fiscal year following the applicable Eligibility Date, so long as the Participant remains an Outside Director on such installment date.

(ii) The second installment shall consist of 1,000 of the shares of Common Stock covered by the Stock Appreciation Right and shall become exercisable on the last day of the second fiscal year following the applicable Eligibility Date, so long as the Participant remains an Outside Director on such installment date.

(iii) The third installment shall consist of 1,000 of the shares of Common Stock covered by the Stock Appreciation Right and shall become exercisable on the last day of the third fiscal year following the applicable Eligibility Date, so long as the Participant remains an Outside Director on such installment date.

(iv) The fourth installment shall consist of 1,000 of the shares of Common Stock covered by the Stock Appreciation Right and shall become exercisable on the last day of the fourth fiscal year following the applicable Eligibility Date, so long as the Participant remains an Outside Director on such installment date.

Notwithstanding any provision contained in this Plan to the contrary, a 1994 Stock Appreciation Right granted under Section 3.2(c) shall become exercisable in four installments on four installment dates:

(i) The first installment shall consist of 1,000 of the shares of Common Stock covered by the Stock Appreciation Right and shall become exercisable on April 28, 1995, so long as the Participant remains an Outside Director on such installment date.

(ii) The second installment shall consist of 1,000 of the shares of Common Stock covered by the Stock Appreciation Right and shall become exercisable on April 28, 1996, so long as the Participant remains an Outside Director on such installment date.

(iii) The third installment shall consist of 1,000 of the shares of Common Stock covered by the Stock Appreciation Right and shall become exercisable on April 28, 1997, so long as the Participant remains an Outside Director on such installment date.

(iv) The fourth installment shall consist of 1,000 of the shares of Common Stock covered by the Stock Appreciation Right and shall become exercisable on April 28, 1998, so long as the

Participant remains an Outside Director on such installment date.

Each such installment which becomes exercisable shall remain exercisable until it ecomes unexercisable and expires under Section 4.4."

3. Schedule II of the Plan is hereby amended and restated in its entirety to read as follows:

"PARTICIPANTS: A. Carl Kotchian
Crocker Nevin

<TABLE>
<CAPTION>

GRANT DATE	NUMBER OF SHARES OF COMMON STOCK SUBJECT TO STOCK APPRECIATION RIGHT	BASE PRICE PER SHARE OF COMMON STOCK
<S>	<C>	<C>
7/24/91	2,500	$10.00
1/24/92	2,500	$10.00
1/24/93	2,500	$10.00
1/24/94	2,500	$10.00

</TABLE>

PARTICIPANT: Paul J. Kofmehl

<TABLE>
<CAPTION>

GRANT DATE	NUMBER OF SHARES OF COMMON STOCK SUBJECT TO STOCK APPRECIATION RIGHT	BASE PRICE PER SHARE OF COMMON STOCK
<S>	<C>	<C>
4/28/95	11,500	$14.5625
4/28/96	11,500	$14.5625
4/28/97	11,500	$14.5625

4/28/98	11,500	$14.5625"

</TABLE>

EXECUTIVE MANAGEMENT AGREEMENT

This Agreement is made and entered into as of the 1st day of July, 1994, by and between MagneTek, Inc. (the "Company"), a Delaware corporation, and The Spectrum Group, Inc. ("Spectrum"), a California corporation.

W I T N E S S E T H :

WHEREAS, during the past five years, Spectrum has provided the Company with certain management services as contemplated below pursuant to that certain Executive Management Agreement (the "Prior Agreement"), dated April 10, 1989, between the Company and Spectrum; and

WHEREAS, the Company and Spectrum desire to continue the provision of said services on the terms and conditions set forth herein.

A G R E E M E N T

NOW, THEREFORE, the Company and Spectrum agree as follows:

SECTION 1. SERVICES

A. The Company hereby retains Spectrum to provide the Company with executive management services as contemplated herein for the period commencing on the date first set forth above and ending on July 1, 1999, subject to renewal as set forth in

Section 3 below. Such services shall include consultation, advice and direct management assistance to the Company with respect to operations, strategic planning, financing and other aspects of the business of the Company. Spectrum shall devote such time as is reasonably necessary to provide such services.

B. The executive management services contemplated hereby shall be performed personally by and/or under the personal direction of Andrew G. Galef.

C. Spectrum accepts the appointment provided in Section 1.A above and agrees to provide executive management services to the Company in accordance with the terms hereof.

D. Notwithstanding anything to the contrary herein, in the event Andrew G. Galef ceases active employment with Spectrum or to provide the personal services or direction contemplated in Section 1.B above, the Company may terminate this Agreement upon thirty (30) days' written notice to Spectrum; except that in the event of Andrew G. Galef's death or disability, the Company may terminate this Agreement upon six (6) months' written notice to Spectrum.

SECTION 2. CONSIDERATION

A. In consideration for the executive management services to be provided by Spectrum to the Company, during the term of this Agreement the Company shall pay and Spectrum shall be entitled to receive $732,000 per Company fiscal year, payable in monthly installments of $61,000, such monthly payments to be made in advance commencing on the date hereof and continuing thereafter and on the first day of each succeeding month. In addition, Spectrum shall also be entitled to reimbursement for all reasonable out-of-pocket expenses incurred by Spectrum or its personnel, payable by the Company when billed by Spectrum, in connection with the performance of Spectrum's duties hereunder. The fee payable to Spectrum hereunder shall be adjusted at the commencement of each of the Company's fiscal years (July 1st) subsequent to the effective date hereof to reflect the cumulative increase in the Consumer Price Index for the metropolitan Los Angeles-Long Beach area, as reported by the U.S. Department of Labor, Bureau of Labor Statistics, during the directly preceding fiscal year and thereafter shall be adjusted at the commencement of each renewal period to reflect the cumulative increase in such Consumer Price Index during the prior renewal period.

B. The Company shall pay Spectrum or its designee a bonus in an amount to be determined by, and within the discretion of, the Compensation Committee of the Board of Directors; said

payment shall be made at the same time payments are made to participants in the

Company's bonus plan.

SECTION 3. TERM

This Agreement shall take effect as of the date first above written and shall continue until July 1, 1999, unless sooner terminated by the Board of Directors of the Company as a result of criminal misconduct or fraud by Spectrum or by Andrew G. Galef or as otherwise provided herein. This Agreement shall thereafter be renewed, subject to the approval by the Board of Directors of the Company, for successive annual periods unless the Company or Spectrum terminates this Agreement by ninety (90) days' notice to the other party prior to the commencement of a renewal period or unless sooner terminated by the Board of Directors of the Company as a result of criminal misconduct or fraud by Spectrum or as otherwise provided herein.

SECTION 4. PRIOR AGREEMENT TERMINATED

The Prior Agreement is hereby terminated and neither party thereto shall have any further liability or responsibility thereunder to the other except to the extent accrued, but unsatisfied as of the date first set forth above.

SECTION 5. MISCELLANEOUS

A.   Any notice required or desired to be given hereunder shall be in writing and shall be personally served or shall be deemed given three business days after deposit in the United States mail, registered or certified, postage and fee prepaid, and addressed as follows:

If to the Company:

MagneTek, Inc.
15th Floor
11150 Santa Monica Boulevard
Los Angeles, CA 90025
Attention: General Counsel

If to Spectrum:

The Spectrum Group, Inc.
14th Floor

11150 Santa Monica Boulevard
Los Angeles, CA 90025
Attention: Chairman

B. This Agreement shall not be assigned or transferred by Spectrum except with the express prior written consent of the Company. This Agreement shall be binding upon the successors and assigns of the parties hereto, including, but not limited to, any corporation or other entity into which the Company is merged, liquidated or otherwise combined.

C. This Agreement shall not be amended except by a written instrument executed by the parties.

D. This Agreement is made under the and shall be construed in accordance with the laws of the State of Delaware.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date above written:

MAGNETEK, INC.

By: ____________________________

THE SPECTRUM GROUP, INC.

By: ____________________________