

# MAGNETEK, INC. CORPORATE GOVERNANCE GUIDELINES

(Amended and Restated as of October 23, 2008)

The Board of Directors of Magnetek, Inc., and its management, recognize that sound corporate governance principles are essential to building and maintaining the trust of investors and securing respect in the business community. Accordingly, the Board has approved the following guidelines. Along with the Charters approved for each of the standing committees of the Board of Directors, these guidelines provide the framework for the governance of the Company. The Nominating and Governance Committee will review these principles annually, and more often if appropriate, to determine whether they continue to reflect the principles of the Company and comply with applicable regulations, recommendations and guidelines and will make recommendations to the Board if changes are appropriate.

## **Role of Board and Management.**

Magnetek's business is conducted by its employees, managers and officers, under the direction of the Chief Executive Officer, with oversight by the Board. The collective goal in managing the Company is to enhance the long-term value of the Company for its shareholders. The Board's role is to oversee the management of the Company and assure that the long-term interests of the shareholders are being served. To facilitate this objective, each Director has unrestricted access to senior management and is encouraged to contact management directly at any time. The Company schedules its regular Board meetings at its primary business location so that the Directors have an opportunity to tour the facilities and meet with the local managers.

Board members are expected to exercise their business judgment in a manner consistent with their fiduciary duties and to act in the best interests of the Company and its shareholders at all times. They are expected to prepare for and regularly attend meetings of the Board and all committees to which they are assigned. The Board has four regularly scheduled meetings each year at which it reviews and discusses reports by management on the performance of the Company and forecasts for future performance, as well as immediate challenges and opportunities facing the Company.

Shareholders may communicate with the Board by following the procedure set forth in the Company's annual Proxy Statement.

**Specific Functions of the Board.** In addition to its general oversight of management, the Board also performs a number of specific functions that include:

- a. selecting, evaluating and compensating the CEO and overseeing CEO succession planning;
- b. providing counsel and oversight on the selection, evaluation, and development of senior management and approving the Compensation Committee's recommendations regarding compensation of senior management;

- c. reviewing, approving and monitoring fundamental financial and business strategies and major corporate actions;
- d. assessing major risks facing the Company and reviewing options for mitigation;
- e. reviewing annually the Company's management of its pension funding obligation;
- f. ensuring processes are in place for maintaining the integrity of the Company, including the integrity of its financial statements and disclosures and compliance with applicable law and ethics; and
- g. ensuring that the Company maintains positive relationships with customers and suppliers, and with shareholders.

### **Executive Sessions of the Board.**

Executive sessions of the Board, without the presence of non-Board management, are scheduled to take place at each regularly scheduled Board meeting. To empower the independent Directors to act as a more effective check on management, executive sessions of independent Directors only, without the presence of non-independent Directors, are also scheduled to take place at each regularly scheduled Board meeting.

### **Size of Board and Election Process.**

The Board of Directors shall consist of no fewer than three members and no more than five members. The Board's size and composition may be adjusted from time-to-time based upon the current size of the Company, the availability of qualified candidates whose experience and background add value to the Board, and the desirability of having a Board that represents diverse views and experience.

Directors are elected each year by the shareholders at the annual meeting of shareholders. The Board proposes a slate of nominees to the shareholders for election. Shareholders may also propose nominees for consideration by the Nominating and Governance Committee by submitting the names of proposed candidates and their supporting information in accordance with the procedure set forth in the Company's annual Proxy Statement. Between annual shareholder meetings, the Board may elect Directors to serve until the next annual meeting. The Chairman of the Board and the Chairman of the Nominating & Governance Committee jointly extend invitations to new nominees to the Board of Directors.

### **Director Qualification.**

The Nominating and Governance Committee is responsible for establishing qualifications for Directors, taking into account the composition and skills of the entire Board and the needs of the Company. Recognizing the value of continuity of Directors who have experience with the Company, there are no limits on the number of terms that a Director may hold office and no mandatory retirement age. The Board reserves the right to determine, from time to time, how to configure the leadership of the Board and the Company in the way that best serves the Company. The Board specifically reserves the right to vest the responsibilities of Chairman of the Board and Chief Executive Officer in the same individual.

Directors qualified to serve on Magnetek's Board possess the highest personal and professional ethics, integrity and values and are committed to representing the long-term

interests of the shareholders. They must be willing and able to devote sufficient time to carrying out their duties and responsibilities effectively and must be prepared to serve on the Board for an extended period of time. Directors should offer their resignation in the event of any significant change in their personal circumstances, including a change in their principal job responsibilities that would interfere with the Director's ability to meet his or her commitment to the Board.

At least annually, the Nominating and Governance Committee shall review the qualifications of all Directors, particularly any who experience a significant change in personal circumstances or who is or becomes a CEO, principal or senior executive of another company. Directors who have significant job or personal responsibilities, including those who serve as a CEO or as a senior executive of another Company, should not serve on more than two boards of public companies in addition to the Magnetek Board. No Director may serve on more than four other boards of publicly traded companies in addition to the Magnetek Board. No member of the Audit Committee may serve on the Audit Committees of more than two other public companies. Notwithstanding the foregoing, board and committee memberships in excess of those set forth above may be allowed following (i) a determination by the Nominating and Governance Committee that service on additional boards or audit committees will not negatively impact the ability to meet obligations to Magnetek's Board of Directors or Audit Committee and (ii) approval by the Board. A summary of any such determination involving an Audit Committee member who serves on more than two Audit Committees of other public companies will be published in the Company's Proxy Statement. No Director may serve as a Director, officer or employee of a competitor Company.

### **Independence of Directors.**

A majority of the Directors are independent under the applicable provisions of the Securities Exchange Act of 1934, the rules promulgated thereunder, the Sarbanes-Oxley Act of 2002 and the applicable NYSE rules. The Nominating and Governance Committee evaluates the independence of each Board member at least annually, and more often if warranted by a change of circumstances for an existing Board member or by the nomination of a new Board member, and discloses the results in the Proxy Statement. All non-employee Directors must be independent. Directors who cease to be employees may continue to serve on the Board but will not be considered independent until three years after their employment terminates. To be considered independent, the Board member must satisfy the following criteria:

1. the Director may not have a material relationship with the Company other than as a Director, either directly or as a partner, shareholder or officer of a corporation that has a material relationship with the Company;
2. the Director may not have been an employee of the Company during the past three years, nor can any of their immediate family members have been employed as an executive officer of the Company during the past three years;
3. neither the Director nor any immediate family member may have received during the past three years more than \$120,000 per year in direct compensation from the Company, other than fees for service as a Director or committee member, pension fund payments or payment of other forms of deferred compensation for prior service (provided the compensation is not contingent in any way on continued service);

4. the Director may not have been employed by or affiliated with the Company's present or former internal or external auditors during the past three years and no member of the Director's immediate family may have been employed in a professional capacity by the Company's present or former internal or external auditors during the past three years;

5. neither the Director nor any immediate family member may have been employed as an executive officer of another company where any of the Company's present executives serve or served on the compensation committee during the past three years;

6. the Director may not be an executive officer or employee, and no member of their immediate family may be an executive officer, of a company that makes payments to or receives payments from the Company for property or services in an amount for any single fiscal year that exceeds the greater of \$1 million, or 2% of the other company's consolidated gross revenues, until three years after falling below the threshold.

All relationships will be evaluated annually by the Nominating and Governance Committee to determine whether they impact a Director's independence; although, the following are examples of commercial and charitable relationships that are not considered sufficiently material to impair independence: (i) a Director's service as an executive officer of another company that is indebted to the Company, or to which the Company is indebted, if the total amount of indebtedness is less than one percent (1%) of the total consolidated assets of the other company; and (ii) a Director's service as an officer, director or trustee of a charitable organization to which the Company's discretionary charitable contributions to the organization are less than one percent (1%) of that organization's total annual charitable receipts.

To further ensure that Director's remain independent and that conflicts of interest do not arise, the Company will not make personal loans or extensions of credit to Directors or executive officers. No Director or family member may provide personal services for compensation to the Company.

#### **Independence of Committee Members.**

In addition to the requirement that a majority of the Board satisfy the independence standards set forth above, all of the members of the Audit Committee, the Compensation Committee and the Nominating and Governance Committee must be independent. Members of the Audit Committee must also satisfy additional independence requirements. Specifically, no member of the Audit Committee may accept any consulting, advisory, or other compensatory fee from the Company or be an affiliate of the Company or any subsidiary.

#### **Standing Committees of the Board**

The Board shall at all times maintain an Audit Committee, a Nominating and Governance Committee and a Compensation Committee. Each of these committees shall be made up entirely of independent Directors and shall operate in accordance with applicable law, the adopted Charters of each respective committee, as amended from time to time, and the applicable rules of the Securities and Exchange Commission, the New York Stock Exchange (NYSE) and the Sarbanes-Oxley Act. Each committee's Charter is published on the Company's website.

In addition to the above-mentioned committees, the Board is authorized to establish such other committees as it deems appropriate and to delegate to such committees any authority permitted by applicable law and the Company's by-laws.

**Nominating and Corporate Governance Committee.** This committee shall be composed entirely of independent directors. The committee shall also have a written Charter that addresses the purpose and responsibilities of the committee, which include: (i) make recommendations to the Board about the size, structure and membership of the Board and its standing committees; (ii) evaluate annually the independence of Board members; (iii) develop qualification criteria for Board membership; (iv) screen potential Board candidates, recommend nominees for Board Membership and fill vacancies on the Board; (v) periodically review the adequacy of Board compensation and make compensation recommendations to the Board; (vi) review succession plans annually; (vii) develop, oversee and review annually the Corporate Governance Guidelines and Code of Ethics and recommend proposed changes to the Board, (vii) review requests for waiver of the Code of Ethics by senior executives and make recommendations regarding the request to the Board; and (viii) perform an annual performance evaluation of the Committee and review the Board and committee self-evaluations.

**Compensation Committee.** This committee shall be composed entirely of independent directors. The committee must also have a written charter that addresses the purpose and responsibilities of the committee, which include: (i) review and approve corporate goals and objectives relevant to CEO compensation and evaluate the CEO's performance in light of those goals and objectives, determine the CEO's compensation level based on the evaluation and make recommendations to the Board; (ii) approve CEO recommendations for compensation of Corporate officers; (iii) make recommendations to the Board with respect to compensation strategy, incentive-compensation plans and equity-based plans; (iv) review and discuss with management the Compensation and Discussion Analysis report prepared by management for the Proxy Statement, provide a Compensation Committee Report on executive compensation for the Proxy Statement, and make other compensation disclosures as required by applicable law, rules and regulations; and (v) perform an annual performance evaluation of the Committee. Equity compensation plans and material revisions thereto, except for employment inducement awards, certain grants, plans and amendments in the context of mergers and acquisitions, and certain specific types of plans, will be submitted to the shareholders for a vote.

**Audit Committee.** This committee must have a minimum of three members, all of whom must be independent. In addition, the committee must satisfy the requirements under rule 10A-3 of the Securities Exchange Act of 1934, as amended from time to time, and must satisfy the independence requirements set out in Section 303A.02 of the NYSE Listed Company Manual. The committee will have at least one member who qualifies as a financial expert and must disclose the existence of a financial expert on the committee, as required by the Sarbanes-Oxley Act, as amended from time to time. The committee must also a written Charter that addresses the purpose and responsibilities of the committee, which includes: (i) assist Board oversight of: (a) the integrity of financial statements; (b) the integrity of the Company's internal controls; (c) the Company's compliance with legal and regulatory requirements; (d) the independent auditor's qualifications and independence; and (e) the performance of the Company's internal audit function and independent auditors; (ii) prepare an Audit Committee Report as required by the SEC to be included in the annual Proxy Statement; and (iii) evaluate annually the performance of the Audit Committee members. The specific duties of the Audit Committee will be to:

- (i) at least annually, obtain and review a report by the independent auditor describing: (a) the firm's internal quality control procedures; (b) any material

issues raised by the most recent internal quality-control review or peer review of the firm or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm and any steps taken to deal with those issues; and (c) all relationships between the independent auditor and the Company, to help assess independence;

- (ii) discuss the company's annual audited financial statements and quarterly financial statements with management and the independent auditor, including the disclosures under "Management's Discussion and analysis of Financial Condition and Results of Operations;
- (iii) discuss the Company's earnings and press releases, as well as financial information and earnings guidance provided to analysts and rated agencies;
- (iv) discuss policies with respect to risk assessment and risk management;
- (v) meet separately, periodically with management and with internal auditors and independent auditors;
- (vi) review with the independent auditor any audit problems or difficulties and management's response;
- (vii) set clear hiring policies for employees or former employees of the independent auditors; and
- (viii) report regularly to the Board.

#### **Self-Evaluation.**

Each year, the Board and each committee perform a self-evaluation to provide an assessment of the effectiveness of the Board and its standing committees. The individual assessments are organized and summarized for the Board and the committees. The evaluations are discussed by the Board to determine what, if any, action could improve Board and committee performance and the Nominating and Governance Committee uses the evaluations to select existing Board members to stand for re-election for the following year and to make committee appointments for the following year.

#### **Internal Audit Function.**

The Company shall have an internal audit function in order to provide management and the Audit Committee with an on-going assessment of the Company's risk management processes and system of internal control.

#### **Setting Board Agenda.**

The Board shall be responsible for its own meeting agendas. The Chairman of the Board shall set the agenda for meetings of the Board and the Chairman of each committee shall set the agenda for meetings of their respective committees. Prior to the October meeting, each committee will submit to the Chairman of the Board the agenda topics for their respective committee meetings for the next year. At that time, Board members may also submit proposals for the Board agenda. The Chairman or the Committee Chairman, as appropriate, shall determine the nature and extent of information that shall be provided to the Directors before each scheduled Board or committee meeting. Directors are urged to make suggestions for agenda items and

requests for pre-meeting materials to the Chairman of the Board or the appropriate Committee Chairman, at any time. Any Director may suggest agenda items and may raise at meetings other matters that they consider worthy of discussion.

### **Ethics and Conflicts of Interest.**

The Board expects the Directors, as well as officers and employees, to act ethically at all times and to acknowledge their adherence to the policies comprising the Code of Conduct posted on the Company's website, which applies to Directors, officers and employees. Requests for waiver of any policy in the Code of Conduct must be submitted to the Nominating and Governance Committee for review and to recommend approval or disapproval to the Board. Any waiver of the Code of Conduct will be disclosed in the Company's Proxy Statement and as otherwise required. Absent compelling circumstances, the Board will not permit any waiver of any ethics policy for any Director, officer or key employee. Any waiver of the Code of Conduct for a Director or executive officer will be promptly disclosed. If an actual or potential conflict of interest arises for a Director, the Director shall promptly inform the Chairman of the Board. If a significant conflict exists and cannot be resolved, the Director should resign. All directors will recuse themselves from any discussion or decision affecting their personal, business or professional interests. The Board shall resolve any conflict of interest question involving any officer, and the CEO shall resolve any conflict of interest issue involving any other employee of the Company. Directors must disclose to other Directors any potential conflicts of interest they may have with respect to any matter under discussion and, if appropriate, refrain from voting on a matter in which they may have a conflict.

### **Reporting of Concerns to Non-Employee Directors or the Audit Committee.**

Anyone who has a concern about the Company's accounting, internal accounting controls or auditing matters, may communicate that concern directly to the Chairman of the Audit Committee. Such communications may be submitted confidentially or anonymously, and may be e-mailed, submitted in writing, or reported by phone to the address or toll-free phone number published in the Company's Proxy Statement. Concerns relating to accounting, internal controls, auditing or officer conduct shall be communicated immediately to the Chairman of the Board and the Chairman of the Audit Committee. The status of all outstanding concerns addressed to the Chairman of the Board or the Chairman of the Audit Committee will be reported to the Board on a quarterly basis. The Chairman of the Board or the Chairman of the Audit Committee have the authority to direct special treatment, including the retention of outside advisors or counsel, for any concern addressed to them. The Company prohibits any employee from retaliating or taking any adverse action against anyone for raising or helping to resolve a concern. In addition to the Audit Committee, the Company will also have an independent internal audit function.

### **Compensation of the Board.**

The Nominating and Governance Committee shall be responsible for recommending compensation and benefits for non-employee Directors, including the form and amount of compensation such as cash, equity-based awards and other compensation, to the Board for approval. In discharging this duty, the committee shall be guided by three goals: (1) compensation should fairly pay Directors for work required given the Company's size and scope; (2) compensation should align directors' interests with the long-term interests of shareholders; and (3) the structure of the compensation should be simple, transparent and easy for shareholders to understand. The Committee currently believes those goals are best served by

requiring the Directors to accept payment of their annual retainer in shares of the Company's common stock and by allowing the Directors to elect payment in shares of common stock or cash for meeting fees. Periodically, the Nominating and Governance Committee shall review non-employee Director compensation and benefits and make recommendations to the Board.

The Board believes that Directors should be stockholders and have a financial stake in the Company. While the Board does not believe it appropriate to specify the level of share ownership for individual Directors, it is anticipated that each Director will develop a meaningful ownership position in the Company over time and the compensation program is structured to facilitate that goal.

#### **Succession Plan.**

The Board shall approve and maintain a succession plan for the CEO and key officers, based upon recommendations from the Nominating and Governance Committee and the CEO. The CEO shall to provide an annual report on succession planning to the Nominating and Governance Committee, including a short-term succession plan delineating temporary delegation of authority in the event that the Chief Executive Officer or any other key officer is unexpectedly unable to perform his or her duties.

#### **Annual Compensation Review of Senior Management.**

Each year the Nominating and Governance Committee and the Compensation Committee jointly approve the goals and performance objectives for the CEO, evaluate the CEO's performance in light of the identified goals and objectives, set the CEO's salary, bonus and other incentive and equity compensation, and make a recommendation to the Board for approval. Each year the Compensation Committee also approves the compensation structure for the Company's officers, and evaluates their performance before approving salary, bonus and other incentive and equity compensation recommendations made by the CEO.

#### **Independent Advisors.**

The Board and Committees, to the extent set forth in the applicable Committee Charters, have the right to consult with and retain independent legal and other advisors at the expense of the Company.

#### **Director Orientation and Continuing Education.**

The Vice President Legal Affairs and Corporate Secretary and the Chief Financial Officer shall be responsible for providing information about the Company's business to new Directors, and for periodically providing materials and information on subjects that would assist the Directors in discharging their duties. The Company encourages, but does not require, its Board members to periodically enroll in programs or subscribe to materials related to the responsibilities of Directors of publicly traded companies and other matters of interest to the Directors.