



Apr 03, 2013

**Category:**

[Activist Target \(categories/activist-targets/\)](#)

**Ticker Symbol:**

[MAG \(tickers/list/?symbol=MAG&key=articlestags\)](#)

**Company:**

[Magnetek Inc \(companies/list/?c=594\)](#)

**Activist:**

[Blott Asset Management \(http://www.specialsituationsmonitor.com/activists/list/?a=31&key=select-activist\)](#)

## Blott Asset Mgmt Files 13D on Magnetek

The Reporting Persons have been long-term Shareholders since 2009 and have acquired shares in the belief that the Shares were undervalued. The Reporting Persons have conducted significant analysis with respect to the Issuer over several years, a summary of which is set forth in Schedule C attached hereto.

The Reporting Persons have concluded that the Company has a legitimate business model, qualified management, outstanding products and employees, with favorable long-term opportunities for profitable growth.

Accordingly, the Reporting Persons have formed a ? group?, as defined in Section 13(d)(3) and 13d-5(b)(1) of the Securities and Exchange Act, for the purpose of providing to the Issuers board of directors an expression of interest to finance a going-private transaction for \$15.00 per share, more than 30% premium to the Issuers volume weighted average share price for the 60 and 90 days prior to delivery of the proposal. The proposal was delivered to the Issuers board of directors on March 6th, 2013 and is incorporated by reference in Schedule D attached hereto.

The Reporting Persons want the Issuer to form an independent committee of its board to consider the acquisition proposal delivered to directors on March 6th, 2013. The all-cash purchase price, supported by debt financing letters delivered by qualified lenders and co-investors, is superior to current market value and represents a 30% premium to the Issuers volume weighted average share price for the 60 and 90 days prior to delivery of the proposal.

The board should take active steps to see this transaction to fruition for the benefit of all stakeholders.

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As part of the transaction, the Reporting Persons will take concrete steps to maximize shareholder value, including the following actions:

i) Redeem the PBGC waiver for cash. The Moving Ahead for Progress in the 21st Century Act (MAP 21) was signed into law in July 2012 and contains pension relief legislation that relieves uncertainty regarding required future pension funding obligations. There is no longer sufficient justification to hoard cash and pay 6% interest to the Pension Benefit Guarantee Corp (PBGC). The Issuer should redeem its waiver and discharge PBGCs security interest, thereby expanding credit capacity and improving return on capital. Additionally, such action will strengthen the commitment made to pension beneficiaries;

ii) Put excess cash to work for shareholders. To the extent the Issuer has distribution restrictions preventing a special dividend, it should put excess cash to work in its pension plan. This action will have the effect of reducing the PBO burden, increasing the absolute return on plan assets, lowering the future required contributions, and improving the Issuers credit profile, while strengthening its pension plan;

iii) Increase director stock ownership. Current non-executive board members collectively own less than 2% of the shares outstanding, substantially none of which were purchased in the open market. As part of this transaction director ownership would increase materially. Directors should acquire 3 times their annual retainer in shares of common stock, per the stated corporate policy disclosed in the proxy. Stock grants, deferred retainers, and other phantom share schemes do not align the risks taken by directors with the risks taken by shareholders, who paid cash for their shares, and have no similar anti-dilution and indemnity protections;

iv) Eliminate defensive measures. Contracts such as the Poison Pill adopted April 30th 2003, as amended, Golden Parachutes, etc., discourage interested parties from considering a change of control transaction, threaten legitimate acquirers with a false characterization of being hostile, and provide for excessive dilution to entrench insiders.

Four years ago, on May 8th 2009, when the share price was \$17.20, the board rejected a proposal from Riley Investment Management LLC and concluded that it was in the best interests of the Issuers shareholders to continue to follow the boards strategic plan rather than to pursue a potential sale of the Issuer under then current market and economic conditions. Now, four years later, with many similar public companies achieving all time high share prices, the Issuers share price remains less than \$14.00, and may fall further if the Reporting Persons abandon their proposal. In order to avoid further delays and mitigate against further potential destruction of shareholder value, the Reporting Persons have formed a group, as defined in Section 13(d)(3) and 13d-5(b)(1) of the Securities and Exchange Act, for the purpose of having discussions with like-minded shareholders, management, and directors of the Issuer to adopt the actions described herein. The Reporting Persons intend to collaborate regarding acquiring, holding, or disposing of their securities.

The Reporting Persons may, from time to time, and at any time: (i) acquire additional Shares and/or other equity, debt, notes, instruments or other securities (collectively, "Securities") of the Issuer in the open market or otherwise; (ii) dispose of any or all of their Securities in the open market or otherwise; (iii) enter into partnerships with like-minded shareholders, or (iv) engage in any hedging or similar transactions with respect to the Securities.

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