

BEL FUSE INC /NJ
Form 10-K
March 11, 2011

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 31, 2010
or
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File No. 0-11676

BEL FUSE INC.
206 Van Vorst Street
Jersey City, NJ 07302
(201) 432-0463

(Address of principal executive offices and zip code)
(Registrant's telephone number, including area code)

NEW JERSEY 22-1463699
(State of (I.R.S. Employer Identification No.)
incorporation)

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

| Title of Each Class | Name of Each Exchange on which Registered |
|---|---|
| Class A Common Stock (\$0.10 par value) | NASDAQ |
| Class B Common Stock (\$0.10 par value) | NASDAQ |

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

Indicate by checkmark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by checkmark if the registrant is not required to file reports to Section 13 or 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Requirement not applicable to registrant prior to June 30, 2011

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
[] (Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting and non-voting common equity of the registrant held by non-affiliates (for this purpose, persons and entities other than executive officers and directors) of the registrant, as of the last business day of the registrant's most recently completed second fiscal quarter (June 30, 2010) was \$177.5 million.

| Title of Each Class | Number of Shares of Common Stock Outstanding as of March 1, 2011 |
|----------------------|--|
| Class A Common Stock | 2,174,912 |
| Class B Common Stock | 9,527,343 |

Documents incorporated by reference:

Bel Fuse Inc.'s Definitive Proxy Statement for the 2011 Annual Meeting of Stockholders is incorporated by reference into Part III.

BEL FUSE INC.

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FORWARD LOOKING INFORMATION

The Company's quarterly and annual operating results are affected by a wide variety of factors that could materially and adversely affect revenues and profitability, including the risk factors described in Item 1A of the Company's Annual Report on Form 10-K. As a result of these and other factors, the Company may experience material fluctuations in future operating results on a quarterly or annual basis, which could materially and adversely affect its business, financial condition, operating results, and stock prices. Furthermore, this document and other documents filed by the Company with the Securities and Exchange Commission (the "SEC") contain certain forward-looking statements under the Private Securities Litigation Reform Act of 1995 ("Forward-Looking Statements") with respect to the business of the Company. These Forward-Looking Statements are subject to certain risks and uncertainties, including those mentioned above, and those detailed in Item 1A of this Annual Report on Form 10-K, which could cause actual results to differ materially from these Forward-Looking Statements. The Company undertakes no obligation to publicly release the results of any revisions to these Forward-Looking Statements which may be necessary to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. An investment in the Company involves various risks, including those mentioned above and those which are detailed from time to time in the Company's SEC filings.

PART I

Item 1. Business

General

Bel Fuse Inc. ("Bel" or the "Company") is a leading producer of electronic products that help make global connectivity a reality. The Company designs, manufactures and markets a broad array of magnetics, modules, circuit protection devices and interconnect products, as further described below. These products are designed to protect, regulate, connect, isolate or manage a variety of electronic circuits. Bel's products are primarily used in the networking, telecommunications, computing, military, aerospace and transportation industries. Bel's portfolio of products also finds application in the automotive, medical and consumer electronics markets. On January 29, 2010, the Company completed its acquisition of 100% of the issued and outstanding capital stock of Cinch Connectors, Inc. ("Cinch U.S."), Cinch Connectors de Mexico, S.A. de C.V. ("Cinch Mexico") and Cinch Connectors Ltd. ("Cinch Europe") (collectively, "Cinch") from Safran S.A.

With over 60 years in the electronics industry, Bel has reliably demonstrated the ability to succeed in a variety of product areas across multiple industries. The Company has a strong track record of technical innovation working with the engineering teams of market leaders. Bel has consistently proven itself a valuable supplier to the foremost companies in its chosen industries by developing cost-effective solutions for the challenges of new product development. By combining our strength in product design with our own specially-designed manufacturing facilities, Bel has established itself as a formidable competitor on a global basis.

The Company, which is organized under New Jersey law, operates in one industry with three reportable operating segments, which are geographic in nature. Bel's principal executive offices are located at 206 Van Vorst Street, Jersey City, New Jersey 07302; (201) 432-0463. The Company operates other facilities in North America, Europe and Asia and trades on the NASDAQ Global Select Market (BELFA and BELFB). For information regarding Bel's three geographic operating segments, see Note 11 of the notes to consolidated financial statements.

The terms “Company” and “Bel” as used in this Annual Report on Form 10-K refer to Bel Fuse Inc. and its consolidated subsidiaries unless otherwise specified.

Product Groups

The Company has set forth below a description of its product groups as of December 31, 2010.

Magnetics

- MagJack® integrated connector modules
 - Diplexer and triplexer filters
 - Power transformers
 - Discrete components

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The Company produces MagJack® integrated connector modules. These devices integrate RJ45 and/or USB connectors with discrete magnetic components to provide a more robust part that allows customers to substantially reduce board space and inventory requirements. MagJack® provides the signal conditioning, electromagnetic interference suppression and signal isolation for networking, telecommunications, and broadband applications. These connectors are designed for network speeds from 10/100Base-T to 10GBase-T and include options for Power over Ethernet (PoE) capability.

Bel's diplexer and triplexer filters are used in high speed, home networking applications that utilize excess bandwidth available on existing coax cabling. Developed in compliance with the Multimedia over Coax Alliance (MoCA), the Company's diplexers and triplexers help distribute high bandwidth video throughout the home by supporting the high speed, high quality, encrypted transmission required for DVD-quality video and triple play (data/voice/video) applications.

Power transformer products include standard and custom designs produced by the Company's Signal Transformer division. Manufactured for use in alarm, security, motion control, elevator, medical products and many other industries, Signal's designs are available in PC mount, chassis mount, surface mount and toroidal footprints. These devices are designed to comply with the international safety standards governing transformers including UL, CSA, IEC, TUV, and VDE.

Discrete magnetic components comprise Bel's legacy product group, which includes transformers and chokes for use in networking, telecommunications and broadband applications. These magnetic devices condition, filter and isolate the signal as it travels through network equipment, helping to ensure accurate data/voice/video transmission.

Modules

- Power conversion modules
 - Integrated modules

Bel's Power conversion products include standard and custom isolated and non-isolated DC-DC converters designed specifically to power low voltage silicon devices. The need for converting one DC voltage to another is growing rapidly as developers of integrated circuits commonly adjust the supply voltage as a means of optimizing device performance. The DC-DC converters are used in data networking equipment, distributed power architecture, and telecommunication devices, as well as computers and peripherals.

The Company has expanded its line of modules designed to support data transmission over existing power lines including next generation HomePlug® AV powerline applications. Typically deployed in home-based communication/entertainment devices such as Set Top Boxes (STBs), DSL modems, home theaters, HDTVs motherboards, and IPTV equipment, Bel's modules incorporate the silicon required to enable powerline functionality, supporting a lower cost of ownership within a reduced footprint. Bel's powerline modules are also being integrated in smart meters and appliances to support emerging Smart Grid technology developments.

The Company continues to pursue market opportunities where it can supply customized, value-added modules that capitalize on the Company's manufacturing capabilities in surface mount assembly, automatic winding, hybrid fabrication, and component encapsulation.

Circuit Protection

- Miniature fuses
 - Surface mount PTC devices and fuses
 - Radial PTC devices and micro fuses

Bel circuit protection products include board level fuses (miniature, micro and surface mount), and Polymeric PTC (Positive Temperature Coefficient) devices, designed for the global electronic and telecommunication markets. Fuses and PTC devices prevent currents in an electrical circuit from exceeding certain predetermined levels, acting as a safety valve to protect expensive components from damage by cutting off high currents before they can generate enough heat to cause smoke or fire. Additionally, PTC devices are resettable and do not have to be replaced before normal operation of the end product can resume.

While the Company continues to manufacture traditional fuse types, its surface mount chip fuses are used in space-critical applications such as mobile phones and computers. Like all of Bel's fuse products, the chip fuses comply with RoHS6 standards for the elimination of lead and other hazardous materials.

The Company's circuit protection devices are used extensively in products such as televisions, consumer electronics, power supplies, computers, telephones, and networking equipment.

Interconnect

Legacy-Bel Interconnect Products:

- Passive jacks
 - Plugs
- Cable assemblies

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Bel has a comprehensive line of modular connectors including RJ45 and RJ11 passive jacks, plugs, and cable assemblies. Passive jacks serve primarily as the connectivity device in networking equipment such as routers, hubs, switches, and patch panels. Modular plugs and cable assemblies are utilized within the structured cabling system, often referred to as premise wiring. The Company's connector products are designed to meet all major performance standards for Category 5e, 6, 6a, and Category 7a compliant devices used within Gigabit Ethernet and 10Gigabit Ethernet networks.

Cinch Interconnect Products (acquired in January 2010)

- I/O Interconnect – Circular Connectors, Micro D Connectors
- Compression Board to Board, Device to Board Interconnect
 - High speed cables
 - Enclosures
 - Custom cable assemblies

Cinch is a supplier of reliable, high quality standard products for use in a variety of industries. Cinch also possesses various enabling technologies and expertise, with which to provide custom solutions and products, for strategic accounts within its focus markets. Those focus markets are the transportation market for which a number of leading edge products have been, and continue to be, developed, and the telecommunications market to which Cinch supplies various standard products as well as a number of new, higher speed devices consistent with the rapidly changing needs in this industry.

Cinch is also a major supplier of products to the military/aerospace market with significant presence in the commercial aircraft industry, as well as in the munitions, missile, and satellite communications sectors.

The following table describes, for each of Bel's product groups, the principal functions and applications associated with such product groups.

| Product Group | Function | Applications |
|--------------------------------|--|---|
| Magnetics | | |
| MagJack® Integrated Connectors | Condition, filter, and isolate the electronic signal to ensure accurate data/voice/video transmission and provide RJ45 and USB connectivity. | Network switches, routers, hubs, and PCs used in 10/100/1000 Gigabit Ethernet, Power over Ethernet (PoE), PoE Plus, home networking, and cable modem applications. |
| Diplexer and Triplexer Filters | Condition, filter, and isolate the electronic signal to ensure accurate data/voice/video transmission with maximum throughput. | Home networking, set top box, and cable modem applications including high bandwidth video transmission and triple play applications. |
| Power Transformers | Safety isolation and distribution. | Power supplies, alarm, fire detection, and security systems, HVAC, lighting and medical equipment. Class 2, three phase, chassis mount, and PC mount designs available. |
| Discrete Components | | |

| | | |
|---|--|--|
| | Condition, filter, and isolate the electronic signal to ensure accurate data/voice/video transmission. | Network switches, routers, hubs, and PCs used in 10/100/1000 Gigabit Ethernet and Power over Ethernet (PoE). |
| Modules | | |
| Power Conversion Modules (DC-DC Converters) | Convert DC voltage level to other DC level as required to meet the power needs of low voltage silicon devices. | Networking equipment, distributed power architecture, telecom devices, computers, and peripherals. |
| Integrated Modules | Condition, filter, and isolate the electronic signal to ensure accurate data/voice/video transmission within a highly integrated, reduced footprint. | Broadband, home networking, set top boxes, HDTV, and telecom equipment supporting ISDN, T1/E1 and DSL technologies. Also integrated in smart meters and appliances in support of developing Smart Grid technology. |
| Circuit Protection | | |
| Miniature Fuses | Protects devices by preventing current in an electrical circuit from exceeding acceptable levels. | Power supplies, electronic ballasts, and consumer electronics. |
| Surface mount PTC devices and fuses | Protects devices by preventing current in an electrical circuit from exceeding acceptable levels. PTC devices can be reset to resume functionality. | Cell phone chargers, consumer electronics, power supplies, and set top boxes. |
| Radial PTC devices and micro fuses | Protects devices by preventing current in an electrical circuit from exceeding acceptable levels. PTC devices can be reset to resume functionality. | Cell phones, mobile computers, IC and battery protection, power supplies, and telecom line cards. |

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| Product Group | Function | Applications |
|--------------------------|---|--|
| Interconnect | | |
| Passive Jacks | RJ45 and RJ11 connectivity for data/voice/video transmission. | Network routers, hubs, switches, and patch panels deployed in Category 5e, 6, 6a, and 7a cable systems. |
| Plugs | RJ45 and RJ11 connectivity for data/voice/video transmission. | Network routers, hubs, switches, and patch panels deployed in Category 5e, 6, 6a, and 7a cable systems. |
| Cable Assemblies | RJ45 and RJ11 connectivity for data/voice/video transmission. | Structured Category 5e, 6, 6a, and 7a cable systems (premise wiring). High density parallel interfacing. Supporting |
| Compression Interface | CIN::APSE , iQ and AMC Connectors | Board-to-Board, Device-to-Board and Flex-To-Board applications – in ATE and high speed computer applications |
| High Speed Cables | QSFP, QSFP+ , CX4 and 12X | High speed data rate transfers – supported by industry standards like Infiniband – targeting networking applications |
| Connectors | Omega series, circular connectors, Dura-Con MIL-DTL-83513, Barrier Blocks, Harness Connectors | MIL/Aero applications, Specifically FQIS – Fuel quantity indicator system applications. Highest reliability interconnect applications |
| Enclosures and Harnesses | ModICE™ and SHS Headers/Connectors | Engine control units, transportation applications |

Acquisitions

Acquisitions have played a critical role in the growth of Bel and the expansion of both its product portfolio and its customer base. Furthermore, acquisitions continue to be a key element in the Company's growth strategy. As part of the Company's acquisition strategy, it may, from time to time, purchase equity positions in companies that are potential merger candidates. The Company frequently evaluates possible merger candidates that would provide an expanded product and technology base that will allow the Company to further penetrate its strategic customers and/or an opportunity to reduce overall operating expense as a percentage of revenue. Bel also looks at whether the merger candidates are positioned to take advantage of the Company's low cost manufacturing facilities; and whether a cultural fit will allow the acquired company to be integrated smoothly and efficiently.

On January 29, 2010 (the "Acquisition Date"), the Company completed its acquisition of 100% of the issued and outstanding capital stock of Cinch from Safran S.A. Bel paid \$39.7 million in cash and assumed an additional \$0.8 million of expenses in exchange for the net assets acquired. The transaction was funded with cash on hand. Cinch is

headquartered in Lombard, Illinois and has manufacturing facilities in Vinita, Oklahoma; Reynosa, Mexico; and Worksop, England.

Cinch manufactures a broad range of interconnect products for customers in the military and aerospace, high-performance computing, telecom/datacom, and transportation markets. The addition of Cinch's well-established lines of connector and cable products and extensive clientele has enabled Bel to broaden its customer base to include aerospace and military markets. The acquisition of Cinch has also created the opportunity for expense reduction and the elimination of redundancies. The combination of these factors has given rise to goodwill in the amount of \$2.3 million related to this acquisition. See Note 2 to the consolidated financial statements for further details on this acquisition.

On July 1, 2009, the Company acquired all of the outstanding shares of Winsonko (Guangxi Pingguo) Electron Co., Ltd. for \$0.5 million in cash, including an immaterial amount of transaction costs. The company was renamed Bel Pingguo Ltd. ("Bel Pingguo").

Sales and Marketing

The Company sells its products to customers throughout North America, Europe and Asia. Sales are made through one of three channels: direct strategic account managers, regional sales managers working with independent sales representative organizations or authorized distributors. Bel's strategic account managers are assigned to handle major accounts requiring global coordination.

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Independent sales representatives and authorized distributors are overseen by the Company's sales management personnel located throughout the world. As of December 31, 2010, the Company had a sales and support staff of 82 persons that supported a network of 86 sales representative organizations and non-exclusive distributors. The Company has written agreements with all of its sales representative organizations and major distributors. These written agreements, terminable on short notice by either party, are standard in the industry.

Sales support functions have also been established and located in Bel international facilities to provide timely, efficient support for customers. This supplemental level of service, in addition to first-line sales support, enables the Company to be more responsive to customers' needs on a global level. The Company's marketing capabilities include product management which drives new product development, application engineering for technical support and marketing communications. Product marketing managers facilitate technical partnerships for engineering development of IC-compatible components and modules.

For information regarding customer concentrations, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies – Revenue Recognition."

Research and Development

The Company's engineering groups are strategically located around the world to facilitate communication with and access to customers' engineering personnel. This collaborative approach enables partnerships with customers for technical development efforts. On occasion, Bel executes non-disclosure agreements with customers to help develop proprietary, next generation products destined for rapid deployment.

The Company also sponsors membership in technical organizations that allow Bel's engineers to participate in developing standards for emerging technologies. It is management's opinion that this participation is critical in establishing credibility and a reputable level of expertise in the marketplace, as well as positioning the Company as an industry leader in new product development.

Research and development costs are expensed as incurred, and are included in cost of sales. Generally, research and development is performed internally for the benefit of the Company. Research and development costs include salaries, building maintenance and utilities, rents, materials, administration costs and miscellaneous other items. Research and development expenses for the years ended December 31, 2010, 2009 and 2008 amounted to \$11.4 million, \$7.8 million and \$7.4 million, respectively. The increase in research and development expenses in 2010 primarily relates to the additional expense associated with Cinch.

Competition

The Company operates in a variety of markets, all of which are highly competitive. There are numerous independent companies and divisions of major companies that manufacture products that are competitive with one or more of Bel's products.

The Company's ability to compete is dependent upon several factors including product performance, quality, reliability, depth of product line, customer service, technological innovation, design, delivery time and price. Overall financial stability and global presence also play a role and give Bel a favorable position in relation to many of its competitors. Management intends to maintain a strong competitive posture in the Company's markets by continued expansion of the Company's product lines and ongoing investment in research, development and manufacturing resources.

Associates

As of December 31, 2010, the Company had 4,161 full-time associates. At that date, the Company employed 1,105 people at its North American facilities, 2,915 people at its Asian facilities and 141 people at its European facilities, excluding workers supplied by independent contractors. The Company's manufacturing facility in New York is represented by a labor union and all factory workers in the People's Republic of China (PRC), Worksop, England and Reynosa, Mexico are represented by unions. At December 31, 2010, 29 of our workers in the New York facility were covered by a collective bargaining agreement which expires on March 31, 2012. The Company believes that its relations with its associates are satisfactory.

Suppliers

The Company has multiple suppliers for most of the raw materials that it purchases. Where possible, the Company has contractual agreements with suppliers to assure a continuing supply of critical components.

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With respect to those items which are purchased from single sources, the Company believes that comparable items would be available in the event that there was a termination of the Company's existing business relationships with any such supplier. While such a termination could produce a disruption in production, the Company believes that the termination of business with any one of its suppliers would not have a material adverse effect on its long-term operations. Actual experience could differ materially from this belief as a result of a number of factors, including the time required to locate an alternative supplier, and the nature of the demand for the Company's products. In the past, the Company has experienced shortages in certain raw materials, such as capacitors, ferrites and integrated circuits ("IC's"), when these materials were in great demand. Even though the Company may have more than one supplier for certain materials, it is possible that these materials may not be available to the Company in sufficient quantities or at the times desired by the Company. In the event that the current economic conditions have a negative impact on the financial condition of our suppliers, this may impact the availability and cost of our raw materials.

Backlog

The Company typically manufactures products against firm orders and projected usage by customers. Cancellation and return arrangements are either negotiated by the Company on a transactional basis or contractually determined. The Company's estimated value of the backlog of orders as of February 28, 2011 was approximately \$100.4 million as compared with a backlog of \$125.6 million as of February 28, 2010. Management expects that all of the Company's backlog as of February 28, 2011 will be shipped by December 31, 2011. Such expectation constitutes a Forward-Looking Statement. Factors that could cause the Company to fail to ship all such orders by year-end include unanticipated supply difficulties, changes in customer demand and new customer designs. Due to these factors, backlog may not be a reliable indicator of the timing of future sales. See Item 1A of this Annual Report-"Risk Factors - Our backlog figures may not be reliable indicators."

Intellectual Property

The Company has been granted a number of patents in the U.S., Europe and Asia and has additional patent applications pending relating to its products. While the Company believes that the issued patents are defendable and that the pending patent applications relate to patentable inventions, there can be no assurance that a patent will be obtained from the applications or that its existing patents can be successfully defended. It is management's opinion that the successful continuation and operation of the Company's business does not depend upon the ownership of patents or the granting of pending patent applications, but upon the innovative skills, technical competence and marketing and managerial abilities of its personnel. The patents have a life of seventeen years from the date of issue or twenty years from filing of patent applications. The Company's existing patents expire on various dates from May 20, 2012 to November 13, 2027.

The Company utilizes registered trademarks in the U.S., Europe and Asia to identify various products that it manufactures. The trademarks survive as long as they are in use and the registrations of these trademarks are renewed.

Available Information

The Company maintains a website at www.belfuse.com where it makes available the proxy statements, press releases and reports on Form 4, 8-K, 10-K and 10-Q that it and its insiders file with the SEC. These forms are made available as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. Press releases are also issued via electronic transmission to provide access to the Company's financial and product news. In addition, the Company provides notification of and access to voice and Internet broadcasts of its quarterly and annual results. The Company's website also includes investor presentations and corporate governance materials.

Item 1A. Risk Factors

An investment in our common stock involves a high degree of risk. Investors should carefully consider the risks described below, together with all other information contained in this Annual Report before making investment decisions with respect to our common stock. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also materially adversely affect our business in the future.

We do business in a highly competitive industry

Our business is largely in a highly competitive worldwide industry, with relatively low barriers to competitive entry. We compete principally on the basis of product performance, quality, reliability, depth of product line, customer service, technological innovation, design, delivery time and price. The electronic components industry has become increasingly concentrated and globalized in recent years and our major competitors, some of which are larger than Bel, have significant financial resources and technological capabilities.

Our backlog figures may not be reliable indicators.

Many of the orders that comprise our backlog may be delayed, accelerated or canceled by customers without penalty. Customers may on occasion double order from multiple sources to ensure timely delivery when leadtimes are particularly long. Customers often cancel orders when business is weak and inventories are excessive. Therefore, we cannot be certain that the amount of our backlog equals or exceeds the level of orders that will ultimately be delivered. Our results of operations could be adversely impacted if customers cancel a material portion of orders in our backlog.

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There are several factors which can cause us to lower our prices.

- a) The average selling prices for our products tend to decrease rapidly over their life cycle, and customers are increasingly putting pressure on suppliers to lower prices even when production costs are increasing. Our profits suffer if we are not able to reduce our costs of production, induce technological innovations as sales prices decline, or pass through cost increases to customers.
- b) Any drop in demand or increase in supply of our products could cause a dramatic drop in our average sales prices which in turn could result in a decrease in our gross margins. In addition, a shift in product mix could have a favorable or unfavorable impact on our gross margins, depending upon the underlying raw material content and labor requirements of the associated products.
- c) Increased competition from low cost suppliers around the world has put further pressures on pricing. We continually strive to lower our costs, negotiate better pricing for components and raw materials and improve our operating efficiencies. Profit margins will be materially and adversely impacted if we are not able to reduce our costs of production or introduce technological innovations when sales prices decline.

In recent periods, demand for our products has been highly volatile, which materially adversely impacts Bel as we are challenged to bring workforce and leadtimes in line with customer demand.

Following the 2009 reduction in customer demand, Bel entered 2010 with insufficient labor to meet customer requirements when customers significantly increased requirements. The increased demand by customers also placed severe pressure on many suppliers of our raw materials, which often resulted in insufficient availability to Bel and its competitors. By late 2010, labor and material availability had returned to normal levels. Any future economic volatility would create a similar pattern, which ultimately can result in increased labor and material costs and lower gross profits.

In China, it is difficult for us to match availability of workers with customer demand.

In the PRC, the availability of labor is cyclical and is significantly affected by the migration of workers in relation to the annual Lunar New Year holiday as well as economic conditions in the PRC. In addition, we have little visibility into the ordering habits of our customers and can be subjected to large and unpredictable variations in demand for our products. Accordingly, we must continually recruit and train new workers to replace those lost to attrition each year and to address peaks in demand that may occur from time to time. These recruiting and training efforts and related inefficiencies, and overtime required in order to meet demand can add volatility to the costs incurred by the Company for labor in the PRC.

We are dependent on our ability to develop new products.

Our future operating results are dependent, in part, on our ability to develop, produce and market new and more technologically advanced products. There are numerous risks inherent in this process, including the risks that we will be unable to anticipate the direction of technological change or that we will be unable to timely develop and bring to market new products and applications to meet customers' changing needs.

Our acquisitions may not produce the anticipated results.

A significant portion of our growth is from acquisitions. We cannot assure you that we will identify or successfully complete transactions with suitable acquisition candidates in the future. If an acquired business fails to operate as

anticipated or cannot be successfully integrated with our other businesses, our results of operations, enterprise value, market value and prospects could all be materially and adversely affected. Integration of new acquisitions into our consolidated operations may result in lower average operating results for the group as a whole, and may divert management's focus from the ongoing operations of the Company during the integration period.

If our acquisitions fail to perform up to our expectations, or if the value of goodwill decreases as a result of weakened economic conditions, we could be required to record a loss from the impairment of assets. The Company recorded charges of \$12.9 million and \$14.1 million related to the impairment of goodwill during the years ended December 31, 2009 and 2008, respectively. In addition, a total of \$0.7 million of fixed asset impairments was recorded during the fourth quarter of 2008.

Our strategy also focuses on the reduction of selling, general and administrative expenses through the integration or elimination of redundant sales facilities and administrative functions at acquired companies. On January 29, 2010, the Company acquired Cinch as previously described in the Acquisitions section of this Form 10-K. Our inability to achieve our expectations with respect to the Cinch acquisition or future acquisitions could have a material and adverse effect on our results of operations.

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If we were to undertake a substantial acquisition for cash, the acquisition would either be funded with cash on hand or financed in part through bank borrowings or the issuance of public or private debt or equity. The acquisition of Cinch was funded with cash on hand. If we borrow money to finance future acquisitions, this would likely decrease our ratio of earnings to fixed charges and adversely affect other leverage criteria and could result in the imposition of material restrictive covenants. Under our existing credit facility, we are required to obtain our lenders' consent for certain additional debt financing and to comply with other covenants, including the application of specific financial ratios, and we may be restricted from paying cash dividends on our capital stock. We cannot assure you that the necessary acquisition financing would be available to us on acceptable terms, or at all, when required. If we issue a substantial amount of stock either as consideration in an acquisition or to finance an acquisition, such issuance may dilute existing stockholders and may take the form of capital stock having preferences over our existing common stock.

We are exposed to weaknesses in international markets and other risks inherent in foreign trade.

We have operations in six countries around the world outside the United States, and approximately 67% of our revenues during 2010 were derived from sales to customers outside the United States. Some of the countries in which we operate have in the past experienced and may continue to experience political, economic, and military instability or unrest, medical epidemic and natural disasters. These conditions could have a material and adverse impact on our ability to operate in these regions and, depending on the extent and severity of these conditions, could materially and adversely affect our overall financial condition and operating results.

Although our operations have traditionally been largely transacted in U.S. dollars or U.S. dollar linked currencies, recent world financial instability may cause additional foreign currency risks in the countries in which we operate. The decoupling of the Chinese Renminbi from the U.S. dollar has increased, and will continue to increase financial risk. In addition, with the acquisition of Cinch, the Company has additional exposure to foreign currency risks associated with the Mexican Peso as the Company now has a larger labor force in Mexico.

Other risks inherent in doing business internationally include: expropriation and nationalization, trade restrictions, transportation delays, and changes in United States laws that may inhibit or restrict our ability to manufacture in or sell to any particular country. For information regarding risks associated with our presence in Hong Kong, see "Item 2 - Properties" of this Annual Report on Form 10-K.

While we have benefited from favorable tax treatment in many of the countries where we operate, the benefits we currently enjoy could change if laws or rules in the United States or those foreign jurisdictions change, incentives are changed or revoked, or we are unable to renew current incentives.

The loss of certain substantial customers could materially and adversely affect us.

During the year ended December 31, 2010, we had two customers with sales in excess of 10% of our consolidated revenue. One such customer represented 13.6% of our revenue and the other represented 11.1% of our revenue. We believe that the loss of either of these customers would have a material adverse effect on the Company's results of operations, financial position and cash flows. We have experienced significant concentrations in prior years. See Note 11 of the notes to the Company's consolidated financial statements.

We may experience labor unrest.

As we implement transfers of certain of our operations, we may experience strikes or other types of labor unrest as a result of lay-offs or termination of employees in higher labor cost countries. Our manufacturing facility in New York is represented by a labor union and all factory workers in the PRC are represented by government-sponsored

unions. In addition, in connection with the Cinch acquisition we acquired manufacturing facilities located in the United Kingdom and Mexico whose factory workers are represented by labor unions.

We may experience labor shortages.

Government economic, social and labor policies in the PRC may cause shortages of factory labor in areas where we have our products manufactured. If we are required to manufacture more products outside of the PRC as a result of such shortages, our margins will likely be materially adversely affected.

Our results of operations may be materially and adversely impacted by environmental and other regulations.

Our manufacturing operations, products and/or product packaging are subject to environmental laws and regulations governing air emissions; wastewater discharges; the handling, disposal and remediation of hazardous substances, wastes and certain chemicals used or generated in our manufacturing processes; employee health and safety labeling or other notifications with respect to the content or other aspects of our processes, products or packaging; restrictions on the use of certain materials in or on design aspects of our products or product packaging; and, responsibility for disposal of products or product packaging. More stringent environmental regulations may be enacted in the future, and we cannot presently determine the modifications, if any, in our operations that any such future regulations might require, or the cost of compliance with these regulations.

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We may face risks relating to climate change that could have an adverse impact on our business.

Greenhouse gas (“GHG”) emissions have increasingly become the subject of substantial international, national, regional, state and local attention. GHG emission regulations have been promulgated in certain of the jurisdictions in which we operate, and additional GHG requirements are in various stages of development. Such measures could require us to modify existing or obtain new permits, implement additional pollution control technology, curtail operations or increase our operating costs. Any additional regulation of GHG emissions, including a cap-and-trade system, technology mandate, emissions tax, reporting requirement or other program, could adversely affect our business.

Our results may vary substantially from period to period.

Our revenues and expenses may vary significantly from one accounting period to another accounting period due to a variety of factors, including customers' buying decisions, our product mix, the volatility of raw material costs and general market and economic conditions. Such variations could significantly impact our stock price.

A shortage of availability or an increase in the cost of raw materials and components may adversely impact our ability to procure high quality raw materials at cost effective prices and thus may negatively impact profit margins.

Our results of operations may be adversely impacted by difficulties in obtaining raw materials, supplies, power, labor, natural resources and any other items needed for the production of our products, as well as by the effects of quality deviations in raw materials and the effects of significant fluctuations in the prices of existing inventories and purchase commitments for these materials. Many of these materials and components are produced by a limited number of suppliers and may be constrained by supplier capacity.

As product life cycles shorten and during periods of market slowdowns, the risk of materials obsolescence increases and this may materially and adversely impact our financial results.

Rapid shifts in demand for various products may cause some of our inventory of raw materials, components or finished goods to become obsolete.

The life cycles and demand for our products are directly linked to the life cycles and demand for the end products into which they are designed. Rapid shifts in the life cycles or demand for these end products due to technological shifts, economic conditions or other market trends may result in material amounts of inventory of either raw materials or finished goods becoming obsolete. While the Company works diligently to manage inventory levels, rapid shifts in demand may result in obsolete or excess inventory and materially impact financial results.

A loss of the services of the Company's executive officers or other skilled associates could negatively impact our operations and results.

The success of the Company's operations is largely dependent upon the performance of its executive officers, managers, engineers and sales people. Many of these individuals have a significant number of years of experience within the Company and/or the industry in which we compete and would be extremely difficult to replace. The loss of the services of any of these associates may materially and adversely impact our results of operations if we are unable to replace them in a timely manner.

Our stock price, like that of many technology companies, has been and may continue to be volatile.

The market price of our common stock may fluctuate as a result of variations in our quarterly operating results and other factors beyond our control. These fluctuations may be exaggerated if the trading volume of our common stock is low. In addition, the market price of our common stock may rise and fall in response to a variety of factors, including:

- announcements of technological or competitive developments;
 - general market or economic conditions;
- acquisitions or strategic alliances by us or our competitors;
 - the gain or loss of a significant customer or order; or
- changes in estimates of our financial performance or changes in recommendations by securities analysts regarding us or our industry

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In addition, equity securities of many technology companies have experienced significant price and volume fluctuations even in periods when the capital markets generally are not distressed. These price and volume fluctuations often have been unrelated to the operating performance of the affected companies.

Our intellectual property rights may not be adequately protected under the current state of the law.

We cannot assure you we will be successful in protecting our intellectual property through patent or other laws. As a result, other companies may be able to develop and market similar products which could materially and adversely affect our business.

We may be sued by third parties for alleged infringement of their proprietary rights and we may incur defense costs and possibly royalty obligations or lose the right to use technology important to our business.

From time to time, we receive claims by third parties asserting that our products violate their intellectual property rights. Any intellectual property claims, with or without merit, could be time consuming and expensive to litigate or settle and could divert management attention from administering our business. A third party asserting infringement claims against us or our customers with respect to our current or future products may materially and adversely affect us by, for example, causing us to enter into costly royalty arrangements or forcing us to incur settlement or litigation costs. In connection with a patent infringement lawsuit discussed in Item 3. Legal Proceedings, the Company incurred an expense of \$8.1 million related to the SynQor lawsuit settlement in December 2010. In addition, the Company paid a lump sum licensing fee of \$2.1 million during 2009 in exchange for a licensing agreement covering past and future sales of the Company's MagJack® integrated connector modules (ICMs).

Our investments in marketable securities could have a negative impact on our profitability.

As part of our acquisition strategies, we may from time to time acquire equity positions in companies that could be attractive acquisition candidates or could otherwise be potential co-venturers in potential business transactions with us. Market declines occurring subsequent to any such investment could have a negative impact on our profitability.

As a result of protective provisions in the Company's certificate of incorporation, the voting power of certain officers, directors and principal shareholders may be increased at future meetings of the Company's shareholders.

The Company's certificate of incorporation provides that if a shareholder, other than shareholders subject to specific exceptions, acquires (after the date of the Company's 1998 recapitalization) 10% or more of the outstanding Class A common stock and does not own an equal or greater percentage of all then outstanding shares of both Class A and Class B common stock (all of which common stock must have been acquired after the date of the 1998 recapitalization), such shareholder must, within 90 days of the trigger date, purchase Class B common shares, in an amount and at a price determined in accordance with a formula described in the Company's certificate of incorporation, or forfeit its right to vote its Class A common shares. As of February 28, 2011, to the Company's knowledge, there were two shareholders of the Company's common stock with ownership in excess of 10% of Class A outstanding shares with no ownership of the Company's Class B common stock and with no basis for exception from the operation of the above-mentioned provisions. In order to vote their respective shares at Bel's next shareholders' meeting, these shareholders must either purchase the required number of Class B common shares or sell or otherwise transfer Class A common shares until their Class A holdings are under 10%. As of February 28, 2011, to the Company's knowledge, these shareholders owned 28.5% and 15.9%, respectively, of the Company's Class A common stock and had not taken steps to either purchase the required number of Class B common shares or sell or otherwise transfer Class A common shares until their Class A holdings fall below 10%. Unless and until this situation is satisfied in a manner permitted by the Company's Restated Certificate of Incorporation, the subject shareholders will not be permitted to vote their shares of Common Stock.

To the extent that the voting rights of particular holders of Class A common stock are suspended as of times when the Company's shareholders vote due to the above-mentioned provisions, such suspension will have the effect of increasing the voting power of those holders of Class A common shares whose voting rights are not suspended. As of February 28, 2011, Daniel Bernstein, the Company's chief executive officer, beneficially owned 173,402 Class A common shares (or 14.2%) of the outstanding Class A common shares whose voting rights were not suspended, the Estate of Elliot Bernstein beneficially owned 251,132 Class A common shares (or 20.8%) of the outstanding Class A common shares whose voting rights were not suspended and all directors and executive officers as a group (including Daniel Bernstein) beneficially owned 323,778 Class A common shares (or 26.4%) of the outstanding Class A common shares whose voting rights were not suspended.

Item 1B. Unresolved Staff Comments

Not applicable.

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Item 2. Properties

The Company is headquartered in Jersey City, New Jersey, where it currently owns 19,000 square feet of office and warehouse space. In addition to its facilities in Jersey City, New Jersey, the Company leases 112,000 square feet in 13 facilities and owns properties of 45,000 square feet which are used primarily for management, financial accounting, engineering, sales and administrative support. The Company also operated 12 manufacturing facilities in 6 countries as of December 31, 2010. Approximately 36% of the 1.3 million square feet the Company occupies is owned while the remainder is leased. See Note 15 of the notes to consolidated financial statements for additional information pertaining to leases.

The following is a list of the locations of the Company's principal manufacturing facilities at December 31, 2010.

| Location | Approximate Square Feet | Owned/Leased | Percentage Used for Manufacturing |
|---------------------------------------|-------------------------|--------------|-----------------------------------|
| Zhongshan, People's Republic of China | 385,000 | Leased | 68% |
| Zhongshan, People's Republic of China | 118,000 | Owned | 100% |
| Zhongshan, People's Republic of China | 78,000 | Owned | 100% |
| Pingguo, People's Republic of China | 136,000 | Leased | 75% |
| Louny, Czech Republic | 11,000 | Owned | 75% |
| Dominican Republic | 41,000 | Leased | 85% |
| Cananea, Mexico | 39,000 | Leased | 60% |
| Reynosa, Mexico | 77,000 | Leased | 56% |
| Workshop, England (a) | 52,000 | Leased | 28% |
| Inwood, New York | 39,000 | Owned | 40% |
| Glen Rock, Pennsylvania | 74,000 | Owned | 60% |
| Vinita, Oklahoma | 87,000 | Owned | 53% |
| | 1,137,000 | | |

(a) Approximately 58% of the Workshop facility is designated for manufacturing use, but 30% is currently idle

Of the space described above, 195,000 square feet is used for engineering, warehousing, sales and administrative support functions at various locations and 128,000 square feet is used for dormitories, canteen and other employee related facilities in the PRC. Manufacturing operations at the Westborough, Massachusetts facility ceased at the end of 2008 and as a result, 14,430 square feet at this facility remains unoccupied as of December 31, 2010 and is excluded from the table above.

During the year ended December 31, 2009, the Company realized a \$4.6 million gain from the sale of property in Jersey City, New Jersey.

The Territory of Hong Kong became a Special Administrative Region (“SAR”) of the PRC during 1997. The territory of Macao became a SAR of the PRC at the end of 1999. Management cannot presently predict what future impact, if any, this will have on the Company or how the political climate in the PRC will affect its contractual arrangements in the PRC. A significant portion of the Company's manufacturing operations and approximately 43% of its identifiable assets are located in Asia.

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Item 3. Legal Proceedings

The Company is a defendant in a lawsuit captioned SynQor, Inc. v. Artesyn Technologies, Inc., et al. brought in the United States District Court, Eastern District of Texas in November 2007. The plaintiff alleged that eleven defendants, including Bel, infringed its patents covering certain power products. With respect to the Company, the plaintiff claimed that the Company infringed its patents related to unregulated bus converters and/or point-of-load (POL) converters used in intermediate bus architecture power supply systems. The case went to trial in December 2010 and a judgment was entered on December 29, 2010. The jury found that certain products of the defendants directly and/or indirectly infringe the SynQor patents. The jury awarded damages of \$8.1 million against the Company. The Company intends to appeal the verdict and judgment. The Company recorded an \$8.1 million litigation charge during the year ended December 31, 2010 related to this case.

The Company was a defendant in a lawsuit captioned Halo Electronics, Inc. (“Halo”) v. Bel Fuse Inc., Pulse Engineering, Inc. and Technitrol, Inc. brought in Nevada Federal District Court. Plaintiff claimed that the Company had infringed its patents covering certain surface mount discrete magnetic products made by the Company. Halo sought unspecified damages, which it claimed should be trebled. In December 2007, this case was dismissed by the Nevada Federal District Court for lack of personal jurisdiction. Halo then re-filed this suit, with similar claims against the Company, in the Northern California Federal District Court, captioned Halo Electronics, Inc. v. Bel Fuse Inc., Elec & Eltek (USA) Corporation, Wurth Electronics Midcom, Inc., and Xfmrs, Inc.

The Company is a plaintiff in a lawsuit captioned Bel Fuse Inc. v. Halo Electronics, Inc. brought in the United States District Court of New Jersey during June 2007. The Company claims that Halo has infringed a patent covering certain integrated connector modules made by Halo. The Company is seeking an unspecified amount of damages plus interest, costs and attorney fees. A trial date for this case has been set for March 2011.

Cinch, a wholly-owned subsidiary of the Company, was a defendant in a lawsuit captioned Engelbrecht v. Motorola, et. al. brought in the Circuit Court of the State of Oregon for the County of Douglas (the “Complaint”) on January 10, 2010. The plaintiff claimed that Cinch was engaged in the manufacture and sale of asbestos-containing radio components which allegedly caused him to sustain personal injuries due to his exposure to asbestos. Cinch filed an answer to the Complaint, denying any legal liability or fault for the damages alleged in the Complaint, and affirmatively pleaded, among other defenses, that the plaintiff’s alleged damages, if any, were caused by persons for whom Cinch is not responsible. Cinch was dismissed as a party to this case through a limited judgment of dismissal which was filed by the Douglas County Circuit Court on July 19, 2010.

As of December 31, 2010, other than as described above relating to the SynQor litigation, no amounts have been accrued in connection with contingencies related to these lawsuits, as the amounts are not estimable. The Company cannot predict the outcome of its unresolved legal proceedings; however, management believes that the ultimate resolution of these matters will not have a material impact on the Company's consolidated financial condition or results of operations.

The Company is not a party to any other legal proceeding, the adverse outcome of which is likely to have a material adverse effect on the Company's consolidated financial condition or results of operations.

Item 4. Reserved.

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PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters and Issuer Purchases of Equity Securities

(a) Market Information

The Company's voting Class A Common Stock, par value \$0.10 per share, and non-voting Class B Common Stock, par value \$0.10 per share ("Class A" and "Class B," respectively), are traded on the NASDAQ Global Select Market under the symbols BELFA and BELFB. The following table sets forth the high and low sales price range (as reported by The Nasdaq Stock Market Inc.) for the Common Stock on NASDAQ for each quarter during the past two years.

| | Class A High | Class A Low | Class B High | Class B Low |
|------------------------------|-----------------|----------------|-----------------|----------------|
| Year Ended December 31, 2010 | | | | |
| First Quarter | \$21.80 | \$14.64 | \$24.04 | \$17.37 |
| Second Quarter | 22.25 | 15.50 | 25.15 | 16.35 |
| Third Quarter | 23.36 | 16.45 | 24.03 | 16.27 |
| Fourth Quarter | 27.88 | 20.46 | 25.52 | 20.11 |
| Year Ended December 31, 2009 | | | | |
| First Quarter | \$18.19 | \$7.00 | \$21.94 | \$8.79 |
| Second Quarter | 15.33 | 10.80 | 17.75 | 12.44 |
| Third Quarter | 19.30 | 12.85 | 20.65 | 14.78 |
| Fourth Quarter | 20.70 | 16.80 | 22.11 | 17.23 |

(b) Holders

As of February 28, 2011, there were 69 registered shareholders of the Company's Class A Common Stock and 170 registered shareholders of the Company's Class B Common Stock. As of February 28, 2011, the Company estimates that there were 719 beneficial shareholders of the Company's Class A Common Stock and 1,965 beneficial shareholders of the Company's Class B Common Stock. At February 28, 2011, to the Company's knowledge, there were two shareholders of the Company's Class A common stock whose voting rights were suspended. These two shareholders owned an aggregate of 44.4% of the Company's outstanding shares of Class A common stock. See Item 1A – Risk Factors for additional discussion.

(c) Dividends

Throughout 2008, 2009 and 2010, the Company declared dividends on a quarterly basis at a rate of \$0.06 per Class A share of common stock and \$0.07 per Class B share of common stock. During the years ended December 31, 2010, 2009 and 2008, the Company declared dividends totaling \$3.2 million, \$3.1 million and \$3.2 million, respectively. There are no contractual restrictions on the Company's ability to pay dividends provided the Company is not in default under its credit agreements immediately before such payment and after giving effect to such payment. On February 1, 2011, the Company paid a dividend to all shareholders of record at January 15, 2011 of Class A and Class B Common Stock in the total amount of \$0.1 million (\$0.06 per share) and \$0.6 million (\$0.07 per share), respectively. The Company currently anticipates paying dividends quarterly in the future.

(d) Issuer Purchases of Equity Securities

From 2000 through December 31, 2010, the Company has purchased and retired 527,817 Class A common shares at a cost of approximately \$16.8 million and has purchased and retired 23,600 Class B common shares at a cost of approximately \$0.8 million. No shares of Class A or Class B common stock were repurchased during the year ended December 31, 2010.

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Item 6. Selected Financial Data

The following tables set forth selected consolidated financial data as of the dates and for the periods presented. The selected consolidated balance sheet data as of December 31, 2010 and 2009 and the selected consolidated statement of operations data for the years ended December 31, 2010, 2009 and 2008 have been derived from our audited consolidated financial statements and related notes that we have included elsewhere in this Annual Report. The selected consolidated balance sheet data as of December 31, 2008, 2007 and 2006 and the selected consolidated statement of operations data for the years ended December 31, 2007 and 2006 have been derived from audited consolidated financial statements that are not presented in this Annual Report.

The selected historical consolidated financial data as of any date and for any period are not necessarily indicative of the results that may be achieved as of any future date or for any future period. You should read the following selected historical consolidated financial data in conjunction with the more detailed information contained in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the related notes that we have presented elsewhere in this Annual Report.

For information regarding the Company’s acquisitions of Cinch in 2010 and Bel Pingguo in 2009, see “Business – Acquisitions.”

Years Ended December 31,
2010 2009 2008 2007 2006
(In thousands of dollars, except per share data)

Selected Statements of Operations Data:

| | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|-----------|-----------|-----------|-----------|-----------|
| Net sales | \$302,539 | \$182,753 | \$258,350 | \$259,137 | \$254,933 |
| Cost of sales (f) | 239,185 | 161,454 | 217,079 | 203,007 | 192,985 |
| Selling, general and administrative expenses (g) | 40,443 | 30,055 | 36,093 | 36,117 | 37,800 |
| Impairment of assets (b) (d) | - | 12,875 | 14,805 | - | - |
| Litigation charge (h) | 8,103 | - | - | - | - |
| Restructuring charges (c) | - | 413 | 1,122 | - | - |
| Gain on sale of property, plant and equipment | (352) | (4,693) | - | (5,499) | - |
| Casualty loss (a) | - | - | - | - | 1,030 |
| Gain (loss/impairment charge) on investments (e) | - | 7,129 | (10,358) | 2,146 | 5,150 |
| Interest income and other, net | 420 | 527 | 2,454 | 4,046 | 2,780 |
| Earnings (loss) before provision (benefit) for income taxes | 15,580 | (9,695) | (18,653) | 31,704 | 31,048 |
| Income tax provision (benefit) | 1,931 | (1,385) | (3,724) | 5,368 | 5,845 |
| Net earnings (loss) | 13,649 | (8,310) | (14,929) | 26,336 | 25,203 |
| Earnings (loss) per share: | | | | | |
| Class A common share - basic and diluted | 1.10 | (0.71) | (1.25) | 2.11 | 2.03 |
| Class B common share - basic | 1.18 | (0.72) | (1.28) | 2.25 | 2.16 |
| Class B common share - diluted | 1.18 | (0.72) | (1.28) | 2.24 | 2.15 |
| Cash dividends declared per share: | | | | | |
| Class A common share | 0.24 | 0.24 | 0.24 | 0.20 | 0.16 |

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| | | | | | |
|----------------------|------|------|------|------|------|
| Class B common share | 0.28 | 0.28 | 0.28 | 0.24 | 0.20 |
|----------------------|------|------|------|------|------|

As of December 31,

| | | | | |
|------|------|------|------|------|
| 2010 | 2009 | 2008 | 2007 | 2006 |
|------|------|------|------|------|

(In thousands of dollars, except percentages)

Selected Balance Sheet Data and Ratios:

| | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|
| Working capital | \$157,296 | \$167,833 | \$163,985 | \$173,171 | \$144,677 |
| Total assets | 277,172 | 245,946 | 261,784 | 293,860 | 268,497 |
| Stockholders' equity | 220,333 | 208,932 | 217,773 | 244,527 | 222,150 |
| Return on average total assets (i) | 5.22 | % -3.32 | % -5.17 | % 9.34 | % 9.65 |
| Return on average stockholders' equity (i) | 6.37 | % -3.88 | % -6.23 | % 11.30 | % 11.81 |

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- (a) During 2006, the Company incurred a loss of \$1.0 million as a result of a fire at its leased manufacturing facility in the Dominican Republic. The loss was for raw materials and equipment in excess of estimated insurance proceeds. The production at this facility was substantially restored during 2006.
- (b) During the third quarter of 2009, the Company conducted an interim valuation test related to the Company's goodwill by operating segment. As a result of the reduction in fair value of the Asia operating segment, the Company recorded charges of \$12.9 million related to the impairment of goodwill of its Asia operating segment during 2009. During the fourth quarter of 2008, the Company conducted its annual valuation test related to the Company's goodwill by operating segment. As a result of the reduction in the fair value of the North America operating segment, the Company recorded charges of \$14.1 million related to the impairment of goodwill of its North America operating segment during 2008.
- (c) During 2008, the Company ceased its manufacturing operations in its Westborough, Massachusetts facility. In connection with this closure, the Company incurred severance costs during 2008 of \$0.6 million and lease termination costs of \$0.5 million. The Company incurred an additional \$0.4 million of restructuring costs in 2009 related primarily to the facility lease obligation.
- (d) During 2008, the Company incurred fixed asset impairments of \$0.7 million related to assets located at the Westborough, Massachusetts facility which ceased operations as of December 31, 2008. This charge is included in Impairment of Assets in the Company's consolidated statement of operations for the year ended December 31, 2008.
- (e) During 2009, the Company realized a net gain for financial reporting purposes of \$7.1 million related to the sale of its investments in Toko, Inc. and Power-One, Inc. and the final redemptions of its investment in the Columbia Strategic Cash Portfolio. During 2008, the Company recorded other-than-temporary impairment charges and realized losses of \$10.4 million related to its investments in Toko, Inc., Power-One, Inc. and the Columbia Strategic Cash Portfolio. During 2007, the Company realized a gain from the sale of Toko, Inc. common stock in the amount of \$2.5 million, offset by an other-than-temporary impairment charge of \$0.3 million related to its investment in the Columbia Strategic Cash Portfolio. During 2006, the Company realized a gain principally from the sale of Artesyn common stock in the amount of \$5.2 million.
- (f) During 2009, the Company incurred a \$2.0 million licensing fee in connection with the settlement of the Murata lawsuit.
- (g) During 2009, the Company incurred \$0.6 million in acquisition costs related to the acquisitions of Bel Pingguo and Cinch Connectors. During 2010, the Company incurred an additional \$0.3 million of acquisition costs related to Cinch.
- (h) During 2010, the Company recorded a litigation charge in the amount of \$8.1 million in connection with the SynQor lawsuit, as further described in Item 3.
- (i) Returns on average total assets and stockholders' equity are computed for each year by dividing net income (loss) for such year by the average balances of total assets or stockholders' equity, as applicable, on the last day of each quarter during such year and on the last day of the immediately preceding year.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the Company's consolidated financial statements and the notes related thereto. The discussion of results, causes and trends should not be construed to imply any conclusion that such results, causes or trends will necessarily continue in the future.

Critical Accounting Policies

The Company's discussion and analysis of its financial condition and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates, including those related to product returns, bad debts, inventories, intangible assets, investments, SERP expense, income taxes and contingencies and litigation. The Company bases its estimates on historical experience and on various other assumptions, including in some cases future projections, that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The Company believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

Allowance for Doubtful Accounts

The Company maintains allowances for doubtful accounts for estimated losses from the inability of its customers to make required payments. The Company determines its reserves both by specific identification of customer accounts where appropriate and by the application of historical loss experience to non-specific accounts. As of December 31, 2010 and 2009, the Company had an allowance for doubtful accounts of \$0.7 million and \$0.6 million, respectively. While historical loss experience is utilized in determining the Company's allowance for doubtful accounts, the Company believes this factor may not by itself provide an accurate depiction of future losses, given the current economic conditions. If the financial condition of the Company's customers were to deteriorate, to the extent that their ability to make payments is impaired, additional allowances may be required.

Inventory

The Company makes purchasing and manufacturing decisions principally based upon firm sales orders from customers, projected customer requirements and the availability and pricing of raw materials. Future events that could adversely affect these decisions and result in significant charges to the Company's operations include miscalculating customer requirements, technology changes which render certain raw materials and finished goods obsolete, loss of customers and/or cancellation of sales orders, stock rotation with distributors and termination of distribution agreements. The Company writes down its inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the estimated market value based on the aforementioned assumptions. As of December 31, 2010 and 2009, the Company had reserves for excess or obsolete inventory of \$4.6 million and \$2.8 million, respectively. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required.

When the value of inventory is written down, it is never written back up. When inventory that has been written down is subsequently used in the manufacturing process, the lower adjusted cost of the material is charged to cost of sales. Should any of this inventory be used in the manufacturing process for customer orders, the improved gross profit will be recognized at the time the completed product is shipped and the sale is recorded.

Goodwill and Indefinite-Lived Intangible Assets

The assets and liabilities of acquired businesses are recorded under the purchase method of accounting at their estimated fair values at the dates of acquisition. Goodwill represents the amount of consideration transferred in excess of fair values assigned to the underlying net assets of acquired businesses.

Goodwill and intangible assets deemed to have indefinite lives are not amortized, but are subject to annual impairment testing. Management reviews the carrying value of goodwill and other indefinite-lived intangible assets on an annual basis or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company tests goodwill for impairment, and has established December 31 as the annual impairment test date, using a fair value approach at the reporting unit level. A reporting unit is an operating segment or one level below an operating segment for which discrete financial information is available and reviewed regularly by management. Assets and liabilities of the Company have been assigned to the reporting units to the extent they are employed in or are considered a liability related to the operations of the reporting unit and are considered in determining the fair value of the reporting unit. Reporting units with similar economic characteristics are aggregated for the goodwill impairment test.

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The goodwill impairment test is a two-step process. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired and the second step of the impairment test is unnecessary. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. The second step of the goodwill impairment test, used to measure the amount of impairment loss, compares the implied fair value of goodwill associated with each reporting unit with the carrying amount of that goodwill. If the carrying amount of goodwill associated with a reporting unit exceeds the implied fair value of that goodwill, an impairment loss shall be recognized in an amount equal to that excess.

During the year ended December 31, 2008, the Company recorded a goodwill impairment charge of \$14.1 million associated with its North America reporting unit. During the year ended December 31, 2009, the Company recorded a goodwill impairment charge of \$12.9 million associated with its Asia reporting unit.

In connection with the acquisition of Cinch in January 2010, the Company recorded \$2.3 million in goodwill and \$7.0 million in indefinite-lived intangible assets.

At December 31, 2010, the Company's goodwill consisted of \$1.2 million related to its North America reporting unit and \$3.1 million related to its Europe reporting unit. Management has concluded that the fair value of the North America and Europe reporting units exceeds the associated carrying values at December 31, 2010. While it has been determined that no impairment exists as of December 31, 2010, there can be no assurances that goodwill impairments will not occur in the future. The valuation model utilizes assumptions which represent management's best estimate of future events, but would be sensitive to positive or negative changes in each of the underlying assumptions as well as to an alternative weighting of valuation methods which would result in a potentially higher or lower goodwill impairment expense. The Company's goodwill balance was \$4.3 million and \$2.0 million at December 31, 2010 and 2009, respectively. See Note 3 to the consolidated financial statements for additional information on the Company's goodwill.

The Company tests indefinite-lived intangible assets for impairment using a fair value approach, the relief-from-royalty method (a form of the income approach). At December 31, 2010, the Company's indefinite-lived intangible assets related solely to the trademarks acquired in the Cinch acquisition in January 2010. Management has concluded that the combined fair value of the Cinch trademarks exceeds the related carrying value at December 31, 2010 and that no impairment existed as of that date.

Long-Lived Assets and Other Intangible Assets

Property, plant and equipment represents an important component of the Company's total assets. The Company depreciates its property, plant and equipment on a straight-line basis over the estimated useful lives of the assets. Intangible assets with a finite useful life are amortized on a straight-line basis over the estimated useful lives of the assets. Management reviews long-lived assets and other intangible assets for potential impairment whenever significant events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment exists when the estimated undiscounted cash flows expected to result from the use of an asset and its eventual disposition are less than its carrying amount. If an impairment exists, the resulting write-down would be the difference between the fair market value of the long-lived asset and the related net book value. No impairments related to long-lived assets or amortized intangible assets were recorded during the years ended December 31, 2010 or 2009. During 2008, the Company evaluated its long-lived assets in its Westborough, Massachusetts facility due to the scheduled closing of the facility at the end of 2008. In connection with this evaluation, the Company recorded \$0.7 million of impairment charges related to its long-lived assets during the year ended December 31, 2008.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, as measured by enacted tax rates that are expected to be in effect in the periods when the deferred tax assets and liabilities are expected to be settled or realized. Significant judgment is required in determining the worldwide provisions for income taxes. Valuation allowances are provided for deferred tax assets where it is considered more likely than not that the Company will not realize the benefit of such asset. In the ordinary course of a global business, the ultimate tax outcome is uncertain for many transactions. It is the Company's policy to establish provisions for taxes that may become payable in future years as a result of an examination by tax authorities. The Company establishes the provisions based upon management's assessment of exposure associated with permanent tax differences and tax credits applied to temporary difference adjustments. The tax provisions are analyzed periodically (at least quarterly) and adjustments are made as events occur that warrant adjustments to those provisions. The accounting literature requires significant judgment in determining what constitutes an individual tax position as well as assessing the outcome of each tax position. Changes in judgment as to recognition or measurement of tax positions can materially affect the estimate of the effective tax rate and, consequently, affect our operating results.

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As of December 31, 2010, the Company had gross foreign income tax net operating and capital losses (“NOL”) of \$1.5 million. The Company has established a valuation allowance of \$1.5 million against this amount. In addition, the Company has gross state income tax NOL’s, capital loss carryforwards, and credit carryforwards totaling \$7.4 million, of which the Company expects to be able to utilize \$0.6 million. The foreign NOL's can be carried forward indefinitely and the state NOL's expire at various times during 2013 - 2029. If our assumptions change and we determine we will be able to realize these amounts, the tax benefits relating to any reversal of the valuation allowance on deferred tax assets at December 31, 2010 will be recognized as a reduction of income tax expense.

On August 10, 2010, President Obama signed into law the “Education Jobs & Medicaid Assistance Act” (H.R. 1586) “The Act”. The Act’s international tax provisions place certain restrictions on the use of foreign tax credits. The Company has evaluated the newly enacted international tax provisions and determined that they do not materially affect the Company’s operating results or financial condition.

The Company continues to monitor proposed legislation affecting the taxation of transfers of U.S. intangible property and other potential tax law changes.

Revenue Recognition

Revenue is recognized when the product has been delivered and title and risk of loss have passed to the customer, collection of the resulting receivable is deemed reasonably assured by management, persuasive evidence of an arrangement exists and the sale price is fixed and determinable.

Historically the Company has been successful in mitigating the risks associated with its revenue. Some issues relate to product warranty, creditworthiness of customers and concentration of sales among a few major customers.

The Company is not contractually obligated to accept returns from non-distributor customers except for defective product or in instances where the product does not meet the Company’s quality specifications. If these conditions exist, the Company would be obligated to repair or replace the defective product or make a cash settlement with the customer. Distributors generally have the right to return up to 5% of their purchases over the previous three to six months and are obligated to purchase an amount at least equal to the return. If the Company terminates a relationship with a distributor, the Company is obligated to accept as a return all of the distributor’s inventory from the Company. The Company accrues an estimate for anticipated returns based on historical experience at the time revenue is recognized and adjusts such estimate as specific anticipated returns are identified. If a distributor terminates its relationship with the Company, the Company is not obligated to accept any inventory returns.

The Company has a significant amount of sales with several customers. During the year ended December 31, 2010, the Company had two customers with sales in excess of 10% of Bel’s consolidated revenue. Management believes that the individual loss of these customers would have a material adverse effect on the Company’s results of operations, financial position and cash flows. During the year ended December 31, 2010, the Company had sales of \$41.1 million and \$33.6 million, representing 13.6% and 11.1% of Bel’s consolidated revenue, to Hon Hai Precision Industry Company Ltd. and Flextronics International Ltd., respectively.

Overview

Our Company

Bel is a leading producer of electronic products that help make global connectivity a reality. The Company designs, manufactures and markets a broad array of magnetics, modules, circuit protection devices and interconnect products. These products are designed to protect, regulate, connect, isolate or manage a variety of electronic

circuits. Bel's products are primarily used in the networking, telecommunications, computing, military, aerospace and transportation industries. Bel's portfolio of products also finds application in the automotive, medical and consumer electronics markets.

Bel's business is operated through three geographic segments: North America, Asia and Europe. During 2010, 52% of the Company's revenues were derived from Asia, 37% from North America and 11% from its Europe operating segment. The Company's revenues are primarily driven by working closely with customers' engineering staffs and aligning new and existing product offerings with industry standards committees and various integrated circuit (IC) manufacturers. Sales of the Company's magnetic products represented approximately 42% of our total net sales for 2010. The remaining 2010 revenues related to sales of the Company's modules products (20%), interconnect products (34%) and circuit protection products (4%).

The Company's expenses are driven principally by the cost of labor where Bel's factories are located, the cost of the materials that it uses and its ability to efficiently manage overhead costs. As labor and material costs vary by product line, any significant shift in product mix has an associated impact on the Company's costs of sales. Bel generally enters into processing arrangements with several independent suppliers of wire wound components in Asia. Costs are recorded as incurred for all products manufactured, whether at third party facilities or at the Company's own manufacturing facilities. Such amounts are determined based upon the estimated stage of production and include labor cost and fringes and related allocations of factory overhead. The Company manufactures products at its manufacturing facilities in the People's Republic of China (PRC); Glen Rock, Pennsylvania; Inwood, New York; Haina, Dominican Republic; Reynosa and Cananea, Mexico; Louny, Czech Republic; Vinita, Oklahoma; and Worksop, England.

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In the PRC, where the Company generally enters into processing arrangements with several independent third-party contractors and also has its own manufacturing facilities, the availability of labor is cyclical and is significantly affected by the migration of workers in relation to the annual Lunar New Year holiday as well as economic conditions in the PRC. In addition, the Company has little visibility into the ordering habits of its customers and can be subjected to large and unpredictable variations in demand for its products. Accordingly, the Company must continually recruit and train new workers to replace those lost to attrition each year and to address peaks in demand that may occur from time to time. These recruiting and training efforts and related inefficiencies, and overtime required in order to meet demand, can add volatility to the costs incurred by the Company for labor in the PRC.

Trends Affecting our Business

The Company believes the key factors affecting Bel's 2010 and/or future results include the following:

- **Cinch Acquisition** – The acquisition of Cinch in January 2010 has allowed the Company to broaden its customer base into the military, aerospace and transportation industries. The Cinch products are among the Company's interconnect product group which generally use lower-cost materials and generate higher profit margins than Bel's other product groups. The Company believes the integration of the Cinch products has had, and will continue to have, a favorable impact on Bel's overall profit margin.
- **Reduced Backlog** - Bel's backlog of orders was \$109 million at December 31, 2010, reflecting an 18% decrease from June 30, 2010. This decrease was primarily due to the Company's ability to manufacture and deliver our products with shorter lead times, while a smaller portion of the reduction was due to the cancellation of orders by customers, primarily during the third quarter. Bel's backlog of orders at February 28, 2011 was \$100 million, a decrease of 8% from December 31, 2010, primarily due to some easing in the availability of components, which has improved our ability to ship modules products.
- **Pricing and Availability of Materials** – While the Company has seen component pricing and availability stabilize in the latter half of 2010 for most of Bel's product lines, the Company continues to experience some component shortages in its modules product line which limits Bel's ability to deliver its DC-DC products. In addition, the costs of certain commodities associated with our raw materials, such as gold and copper, have increased. Fluctuations in these prices and other commodity prices associated with Bel's raw materials will have a corresponding impact on Bel's profit margins.
- **Workforce Volatility** – Bel increased its workforce by over 4,000 workers during late 2009 and into 2010 to accommodate the substantial increase in demand for Bel's products. The Company experienced higher labor costs through the first half of 2010 due to training costs, overtime and production inefficiencies associated with hiring these new workers. These increased labor costs stabilized during the third quarter, as the training periods generally ended and production efficiencies were restored.
- **Labor Costs** – In addition to increases in labor costs due to the mostly new workforce, the costs of labor, particularly in the PRC where several of Bel's factories are located, have been higher in recent years as a result of government mandates for new higher minimum wage and overtime requirements. The PRC government increased minimum wage levels by 21% in the areas where Bel's factories are located effective May 1, 2010. While Bel has implemented price increases to its customers during 2010 to partially offset the existing increases in labor and material costs, there is an additional government mandate effective March 2011 which will increase the minimum wage level by 18% at certain of Bel's facilities in the PRC. The Company anticipates that this increase and any additional increases to the minimum wage levels will have a negative impact on Bel's profit margins in future quarters.

- Impact of Lunar New Year – As described above, the Company has limited visibility as to the percentage of experienced workers who will return after the Lunar New Year holiday, which occurred in early February 2011. The current lead time for Bel products is averaging 8-12 weeks. If a large percentage of workers do not return, this will stretch out lead times for our products and will drive up labor costs as the Company will incur additional recruiting and training expenses, as well as overtime to meet demand.
- Product Mix – The Company is beginning to see a shift in product mix, with the largest growth during 2011 expected in the modules product line. The products in this line have a higher material content, which results in lower profit margins than the Company's other product lines. A large increase in this product line coupled with flat to minimal growth in other product lines would result in a lower overall profit margin percentage in 2011.

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- Acquisition-Related Costs – In connection with the acquisition of Cinch in January 2010, the Company incurred \$0.3 million in acquisition-related costs and \$0.8 million in inventory-related purchase accounting adjustments during 2010. Bel continues to look for potential acquisition opportunities. Any future acquisitions, including the proposed acquisition of Pulse Electronics as further described in the Liquidity and Capital Resources section, would give rise to additional legal and professional fees and could result in various purchase accounting adjustments.

Bel is expecting a competitive atmosphere in 2011. As lead times have stabilized, customers will be focused on pricing rather than delivery. Bel's greatest challenge in the coming year will be addressing pricing issues from customers, while managing the rising costs of raw materials and labor.

Summary by Operating Segment

Net sales to external customers by reportable operating segment for the years ended December 31, 2010, 2009 and 2008 were as follows (dollars in thousands):

| | 2010 | | | 2009 | | | 2008 | | |
|---------------|-----------|-----|---|-----------|-----|---|-----------|-----|---|
| North America | \$111,888 | 37 | % | \$41,898 | 23 | % | \$67,380 | 26 | % |
| Asia | 156,635 | 52 | % | 123,764 | 68 | % | 165,164 | 64 | % |
| Europe | 34,016 | 11 | % | 17,091 | 9 | % | 25,806 | 10 | % |
| | \$302,539 | 100 | % | \$182,753 | 100 | % | \$258,350 | 100 | % |

In addition to an increase in revenue volume across all operating segments, there was a shift in the percentage of total net sales among the Company's reportable operating segments during 2010 primarily due to the Cinch acquisition. During the year ended December 31, 2010, the Cinch acquisition contributed sales to external customers of \$44.3 million and income from operations of \$3.6 million to the Company's North America operating segment and sales to external customers of \$10.7 million and income from operations of \$1.0 million to the Company's Europe operating segment. In 2009, the Company experienced large reductions in sales volumes across all operating segments due to weakened economic conditions, and continued to transition manufacturing to the PRC with the closure of the Westborough, Massachusetts facility at the end of 2008.

Income (loss) from operations by operating segment for the years ended December 31, 2010, 2009 and 2008 were as follows (dollars in thousands):

| | 2010 | 2009 | 2008 |
|--------------------------------|-----------|-------------|-------------|
| Income (Loss) from Operations: | | | |
| North America | \$ 4,181 | \$ (205) | \$ (12,646) |
| Asia | 9,357 | (16,462) | 1,202 |
| Europe | 1,622 | (684) | 695 |
| | \$ 15,160 | \$ (17,351) | \$ (10,749) |

The significant increase in net sales during 2010 had a corresponding effect on income from operations. This was offset by a litigation charge recorded in 2010 in the amount of \$8.1 million, which primarily impacted Asia's income from operations. In addition to sales volumes being significantly lower in 2009 as compared to 2008, the Company recorded a goodwill impairment charge of \$12.9 million in its Asia operating segment in 2009. In 2008, the Company recorded asset impairment charges in its North America operating segment totaling \$14.8 million, primarily related to a \$14.1 million goodwill impairment charge and \$0.7 million in asset impairments related to the closure of the

Westborough, Massachusetts facility. Also in 2008, the Company experienced a significant increase in labor costs in Asia, due to increased training costs and production inefficiencies resulting from the hiring of 5,300 net new hires by our independent contractors in addition to significantly higher wage rate rates effective April 1, 2008, as mandated by PRC officials.

See Note 11 of the notes to consolidated financial statements contained in this Annual Report on Form 10-K for additional segment disclosures.

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Our 2010 Results

The acquisition of Cinch in late January 2010 and the rebound of market conditions in 2010 have impacted the Company considerably during the year ended December 31, 2010. The Company generated higher margins in 2010 resulting from several factors, including price increases for certain products that went into effect on July 1, 2010; improved productivity in our factories in China; the addition of the relatively high-margin Cinch product lines; and a favorable mix of product sales in both the Cinch and legacy Bel businesses.

During the year ended December 31, 2010, the Company experienced a 65.5% increase in sales as compared to 2009. Of the 65.5% increase, 35.4% was attributable to a rebound in demand for Bel's products. The addition of Cinch's sales volume accounted for the remaining 30.1% increase in sales from 2009. While sales increased 65.5% as compared to 2009, cost of sales increased by only 48.1% compared to 2009. A shift in sales among Bel's product groups has resulted in a significant decrease in material costs as a percentage of sales, as the Company sold a lower proportion of product with high material content. Selling, general and administrative expenses increased by \$10.4 million during the year ended December 31, 2010 as compared to 2009, primarily due to personnel expenses, office expenses and other costs associated with the recently acquired Cinch facilities. The Company also recorded an \$8.1 million litigation charge during 2010 related to the SynQor lawsuit, as further described in Item 3. Legal Proceedings. Additional details related to these factors affecting the 2010 results are described in the Results of Operations section below.

Results of Operations

The following table sets forth, for the past three years, the percentage relationship to net sales of certain items included in the Company's consolidated statements of operations.

| | Percentage of Net Sales Years Ended December 31, | | |
|---|---|---------|---------|
| | 2010 | 2009 | 2008 |
| Net sales | 100.0 % | 100.0 % | 100.0 % |
| Cost of sales | 79.1 | 88.3 | 84.0 |
| Selling, general and administrative expenses | 13.4 | 16.4 | 14.0 |
| Impairment of assets | - | 7.0 | 5.7 |
| Litigation charge | 2.7 | - | - |
| Restructuring charges | - | 0.2 | 0.4 |
| Gain on sale of property, plant and equipment | 0.1 | 2.6 | - |
| Realized gain (loss/impairment charge) on investment | - | 3.9 | (4.0) |
| Interest income and other, net | 0.1 | 0.3 | 1.0 |
| Earnings (loss) before provision (benefit) for income taxes | 5.1 | (5.3) | (7.2) |
| Income tax provision (benefit) | 0.6 | (0.8) | (1.4) |
| Net earnings (loss) | 4.5 | (4.5) | (5.8) |

The following table sets forth the year over year percentage increases or decreases of certain items included in the Company's consolidated statements of operations.

| | Increase (Decrease) from Prior Period | |
|---|--|----------------------------|
| | 2010 compared with 2009 | 2009 compared with 2008 |
| Net sales | 65.5 % | (29.3) % |
| Cost of sales | 48.1 | (25.6) |
| Selling, general and administrative expenses | 34.6 | (16.7) |
| Net loss/earnings | 264.2 | (44.3) |

Sales

Net sales increased by \$119.8 million or 65.5% from \$182.8 million during 2009 to \$302.5 million during 2010. The increase in sales during 2010 related primarily to improved market conditions, which resulted in an increase in legacy-Bel revenue of \$64.7 million. The remaining increase for 2010 related to the addition of Cinch revenue of \$55.1 million. Net sales decreased by \$75.6 million or 29.3% from \$258.4 million during 2008 to \$182.8 million during 2009. The Company attributes the decrease principally to a reduction in demand across all major product groups as a result of the weak economic conditions during 2009.

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The Company's net sales by major product line as a percentage of consolidated net sales for the years ended December 31, 2010, 2009 and 2008 were as follows:

| | Year Ended December 31, | | | | | | | | |
|--------------------|----------------------------|-------|--|------------|-------|--|------------|-------|--|
| | 2010 | | | 2009 | | | 2008 | | |
| Magnetics | \$ 127,664 | 43 % | | \$ 86,326 | 47 % | | \$ 118,552 | 46 % | |
| Interconnect | 101,059 | 33 % | | 32,447 | 18 % | | 47,407 | 18 % | |
| Modules | 61,092 | 20 % | | 54,323 | 30 % | | 77,285 | 30 % | |
| Circuit protection | 12,724 | 4 % | | 9,657 | 5 % | | 15,106 | 6 % | |
| | \$ 302,539 | 100 % | | \$ 182,753 | 100 % | | \$ 258,350 | 100 % | |

The Company continues to have limited visibility as to future customer requirements and as such, the Company cannot predict with any degree of certainty sales revenue for 2011. The Company had two customers with sales in excess of 10%, with customer sales for 2010 amounting to \$41.1 million and \$33.6 million, representing 13.6% and 11.1%, respectively, of total sales during the year ended December 31, 2010. The loss of either or both of these customers would cause a significant reduction in sales volume.

The Company cannot quantify the extent of sales growth arising from unit sales mix and/or price changes. Product demand and sales volume will affect how we price our products. Through the Company's engineering and research effort, the Company has been successful in adding additional value to existing product lines, which tends to increase sales prices initially until that generation of products becomes mature and sales prices experience price degradation. In general, as products become mature, average selling prices decrease.

Cost of Sales

The Company's cost of sales as a percentage of consolidated net sales for the years ended December 31, 2010, 2009 and 2008 were comprised of the following:

| | Year Ended December 31, | | |
|--------------------------|----------------------------|-------|-------|
| | 2010 | 2009 | 2008 |
| Material | 44.7% | 55.3% | 51.1% |
| Labor | 13.9% | 11.5% | 15.0% |
| Research and development | 3.8% | 4.3% | 2.9% |
| Other expenses | 16.7% | 17.2% | 15.0% |
| Total cost of sales | 79.1% | 88.3% | 84.0% |

2010 as Compared to 2009

The decrease in material costs as a percentage of consolidated net sales in 2010 resulted primarily from a shift in product mix. The Company's module products have a higher material content as compared to the Company's interconnect products. As shown in the table above, the Company's net sales of module products decreased from 30% of net sales in 2009 to 20% in 2010, while net sales of interconnect products increased from 18% of net sales in 2009 to 33% in 2010. Labor costs as a percentage of consolidated net sales increased during 2010 as a result of training expenses, production inefficiencies and additional overtime charges associated with the hiring of over 4,000 new production workers over the past year, which was necessary to accommodate the increase in demand for Bel's products. In addition, labor costs for the second half of 2010 included the 21% increase in the minimum wage levels

in the PRC, as discussed in “Trends Affecting our Business” above. The Company also sold a higher proportion of its magnetic and interconnect products, primarily due to the addition of Cinch products, during 2010 as compared to 2009, and these product lines have a higher assembly labor requirement. While R&D expenses decreased as a percentage of sales, the dollar amount increased to \$11.4 million in 2010 from \$7.8 million in 2009. The increase in R&D expenses related to the inclusion of Cinch’s R&D expenses since its acquisition in January 2010 in addition to an increase in legacy-Bel R&D expenses related to power products and ICMs. Other expenses in 2009 included a \$2.1 million license fee related to the Murata patent infringement claim, which did not recur in 2010.

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2009 as Compared to 2008

The increase in material costs as a percentage of sales from 2008 to 2009 was the result of a shift in product mix. Bel manufactures a particular product line within the modules group that consists of a larger percentage of purchased components than most of the Company's other products. The proportion of total sales attributable to this product increased to 13% of total sales for 2009 as compared to 12% of total sales in 2008, mainly due to relatively larger revenue declines in other product lines. While these products are strategic to Bel's growth and important to total earnings, they return lower gross profit margins due to their higher material content.

The decrease in labor costs from 2008 to 2009 was due to a variety of factors. The Company experienced excessive labor costs in 2008 related to increased training costs and production inefficiencies associated with the large volume of new hires after the 2008 Chinese New Year, which did not reoccur in 2009. As discussed above, there was a shift in product mix during 2009 whereby there is a higher percentage of sales relating to a particular product line within the modules group that consists of a larger percentage of purchased components than most of the Company's other products. The manufacturing process around this product line is less labor intensive, resulting in reduced labor costs in 2009. In addition, the Company continued to transition the labor intensive assembly operations of other product lines to lower cost regions of the PRC during 2009.

Research and development expenses amounted to \$7.8 million in 2009 as compared to \$7.4 million in 2008. The increase in research and development expenses during 2009 was primarily related to Bel's power products and new MagJack® integrated connectors. The Company also incurred a \$2.1 million license fee related to the Murata patent infringement claim during 2009, which was recorded as part of cost of sales.

Selling, General and Administrative Expenses ("SG&A")

While the percentage relationship of SG&A expenses to net sales decreased during 2010, the dollar amount of SG&A expense was higher during 2010 as compared to 2009. The overall increase in dollar amount was the result of the following factors (dollars in thousands):

| | (Favorable) Unfavorable Variances in SG&A | | | |
|---|---|--------------------|--|-----------------------------------|
| | Year Ended December 31, 2010 vs. 2009 | | Year Ended December 31, 2009 vs. 2008 | |
| | Consolidated | Legacy-Bel Only | Cinch | Legacy-Bel Only (pre-Cinch) |
| Sales commissions | \$1,892 | \$1,060 | \$832 | \$(1,952) |
| Salaries and fringes | 2,755 | (809) | 3,564 | (1,447) |
| Incentive compensation | 2,528 | 2,263 | 265 | (215) |
| Fraud-related costs | (594) | (594) | - | 472 |
| Acquisition-related costs | (205) | (260) | 55 | 605 |
| Travel expenses | 873 | 539 | 334 | (975) |
| Office expenses | 1,642 | 100 | 1,542 | (1,086) |
| Other legal and professional fees | 716 | 475 | 241 | (236) |
| Severance charges | (191) | (372) | 181 | 389 |
| Fair value of COLI investments (SG&A portion only) | 160 | 160 | - | (545) |

| | | | | |
|------------------|----------|---------|---------|------------|
| Foreign exchange | 58 | (76) | 134 | (522) |
| Other | 754 | (244) | 998 | (526) |
| | \$10,388 | \$2,242 | \$8,146 | \$(6,038) |

2010 as Compared to 2009

As Cinch SG&A expenses have been included in Bel's results only since the Acquisition Date, 100% of such Cinch expenses are included in the variances above. The variances in the "Legacy-Bel Only" column above show an increase in sales commissions due to an increase in Bel sales as compared to the comparable periods of 2009, a bonus accrual based upon financial results in 2010, acquisition-related costs associated with the acquisition of Cinch, and increased legal fees related to patent litigation, offset by a reduction in salaries and fringes due to headcount reductions.

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2009 as Compared to 2008

The weak economic conditions during 2009 led the Company to take various cost-cutting measures throughout its SG&A function. In early 2009, the Company implemented travel restrictions and company-wide reductions in headcount. This resulted in the decreases in travel expenses and salaries and fringe benefits during 2009 noted above. In addition, sales commissions were much lower in 2009 as Bel's revenues were down by 29.3% from 2008. As a result of the significant volatility in market conditions during 2008 and 2009, the underlying investments associated with the portion of the Company's company-owned life insurance (COLI) attributable to SG&A experienced a decrease in cash surrender value during 2008 of \$0.4 million, followed by an increase in cash surrender value of \$0.1 million during 2009. This accounted for the decrease noted above.

As an offsetting factor, the Company incurred acquisition costs in 2009 related to the acquisitions of Bel Pingguo and Cinch Connectors. The Company also incurred fraud-related costs during 2009 related to the unauthorized issuance of stock.

Impairment of Assets

During the third quarter of 2009, the Company performed an interim valuation of the Company's goodwill. In connection with this analysis, it was determined that the goodwill associated with the Company's Asia operating segment was impaired, primarily due to a reduction in estimated future cash flows. The related impairment charge of \$12.9 million is included in the Company's consolidated statement of operations for the year ended December 31, 2009.

During the fourth quarter of 2008, the Company conducted its annual valuation test related to the Company's goodwill by operating segment. The valuation test, which heavily weights future cash flow projections, indicated that the goodwill associated with our North America operating segment was fully impaired as of the valuation date. As a result, the Company recorded a charge of \$14.1 million related to the impairment of goodwill during the fourth quarter of 2008.

Also during the fourth quarter of 2008, the Company finalized its plans for the transfer, sale or ultimate disposition of its fixed assets located in the Westborough facility. Of the Westborough fixed assets, approximately \$0.7 million were sold to a local vendor in January 2009. As such, these assets were reclassified as assets held for sale as of December 31, 2008 and the assets were written down to their net realizable value of \$0.2 million. As a result of this sale of assets, in addition to a \$0.2 million reserve on the remaining Westborough fixed assets, a total of \$0.7 million of fixed asset impairments was recorded during the fourth quarter 2008.

Restructuring Charges

In connection with the termination of its manufacturing operations at the Company's DC-DC manufacturing facility in Westborough, the Company incurred restructuring charges of \$1.1 million during the year ended December 31, 2008. The restructuring charges consisted of \$0.6 million of severance and other termination benefits associated with the layoff of approximately 50 employees in the Westborough facility and \$0.5 million related to the Company's facility lease obligation. The Company incurred an additional \$0.4 million of restructuring charges in 2009, primarily related to the facility lease obligation.

Gain on Sale of Property, Plant and Equipment

During the year ended December 31, 2010, the Company recognized net gains of \$0.4 million primarily related to the sale of a property in Hong Kong. During the year ended December 31, 2009, the Company recognized a previously deferred gain from the sale of property in Jersey City, New Jersey in the amount of \$4.6 million.

Realized Gain (Loss/Impairment Charge) on Investments

During the year ended December 31, 2009, the Company sold its remaining investments in Power-One Inc. (“Power-One”) common stock and Toko Inc. (“Toko”) common stock. These sales resulted in an aggregate net gain for financial reporting purposes of \$6.9 million which was recorded during 2009. The Company also realized \$0.2 million in gains associated with redemptions of its investment in the Columbia Strategic Cash Portfolio (“Columbia Portfolio”) during the year ended December 31, 2009. During the year ended December 31, 2008, the Company recorded pre-tax charges related to other-than-temporary impairments of Bel's holdings in Toko of \$3.6 million, Power-One of \$5.3 million and the Columbia Portfolio of \$1.4 million.

Interest Income and Other, Net

Interest income earned on cash and cash equivalents decreased by approximately \$0.1 million during the year ended December 31, 2010, as compared to the year ended December 31, 2009. Interest income earned on cash and cash equivalents decreased by approximately \$1.9 million during the year ended December 31, 2009, as compared to the year ended December 31, 2008. The decrease in interest income during 2009 as compared to 2008 is due primarily to the reduction in interest rates on invested balances.

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Provision (Benefit) for Income Taxes

The provision for income taxes for the year ended December 31, 2010 was \$1.9 million compared to a tax benefit of \$1.4 million for the year ended December 31, 2009. The Company earned a profit before income taxes for the year ended December 31, 2010 versus a loss for the year ended December 31, 2009 which resulted in \$25.3 million higher earnings before income taxes during the year ended December 31, 2010 compared to the year ended December 31, 2009. The Company's effective tax rate, the income tax provision (benefit) as a percentage of earnings (loss) before provision (benefit) from income taxes, was 12.4% and (14.3)% for the years ended December 31, 2010 and December 31, 2009, respectively. The Company's effective tax rate will fluctuate based on the geographic segment in which the pretax profits are earned. Of the geographic segments in which the Company operates, the U.S. has the highest tax rates; Europe's tax rates are generally lower than U.S. tax rates; and the Far East has the lowest tax rates. The increase in the effective tax rate during the year ended December 31, 2010 as compared to the year ended December 31, 2009 is principally attributable to higher earnings before taxes in all geographic segments during the year ended December 31, 2010 as compared to losses (or very modest earnings) in all geographic segments during 2009. During the year ended December 31, 2010, certain statutes of limitations expired which resulted in a reversal of a previously recognized liability for uncertain tax positions in the amount of \$1.8 million. This was offset, in part, by an increase in the liability for uncertain tax positions in the amount of \$1.0 million during the year ended December 31, 2010. During 2010, the Company accrued an \$8.1 million liability in connection with a lawsuit, discussed above, which resulted in a negligible tax benefit (\$0.1 million). During the year ended December 31, 2009, certain statutes of limitations expired which resulted in a reversal of a previously recognized liability for uncertain tax positions in the amount of \$3.9 million offset, in part, by an increase in the liability for uncertain tax positions in the amount of \$1.3 million. Additionally, the Company settled a lawsuit during the year ended December 31, 2009 which resulted in a tax benefit of \$0.8 million. The tax benefit was also affected by a gain on the sale of property in North America during the year ended December 31, 2009.

The benefit for income taxes for the year ended December 31, 2009 was \$1.4 million compared to \$3.7 million for the year ended December 31, 2008. The Company incurred losses before benefit for income taxes for the years ended December 31, 2009 and 2008 which resulted in a \$9.0 million lower loss before benefit for income taxes during 2009 compared to 2008. The Company's effective tax rate, the income tax benefit as a percentage of loss before benefit from income taxes, was (14.3)% and (20.0)% for the years ended December 31, 2009 and 2008, respectively. The Company's effective tax rate fluctuates based on the geographic segment in which the pretax profits are earned, as discussed above. The decrease in the effective tax benefit during 2009 as compared to 2008 is attributable to a gain on sale of property and marketable securities in North America which was offset, in part, by the settlement of a lawsuit. In the Far East, the Company incurred losses with no associated tax benefit as compared to the year ended December 31, 2008. During the year ended December 31, 2009, certain statutes of limitations expired which resulted in a reversal of a previously recognized liability for uncertain tax positions in the amount of \$3.9 million. This was offset, in part, by an increase in the liability for uncertain tax positions in the amount of \$1.3 million during the year ended December 31, 2009.

The Company has the majority of its products manufactured on the mainland of the People's Republic of China ("PRC"), and Bel is not subject to corporate income tax on manufacturing services provided by third parties in the PRC. Hong Kong imposes corporate income tax at a rate of 16.5 percent solely on income sourced to Hong Kong. That is, its tax system is a territorial one which only seeks to tax activities conducted in Hong Kong.

During 2005, the Company was granted an offshore operating license from the government of Macao. An MCO named Bel Fuse (Macao Commercial Offshore) Limited was set up to handle all of the Company's sales to third-party customers in Asia. Sales to third-party customers commenced during the first quarter of 2006. Sales consist of products manufactured in the PRC. The MCO is not subject to Macao corporate income taxes which are imposed at a

tax rate of 12%.

The Company has historically followed a practice of reinvesting a portion of the earnings of foreign subsidiaries in the expansion of its foreign operations. If the unrepatriated earnings were distributed to the parent corporation rather than reinvested in Asia, such funds would be subject to United States federal income taxes. During the year ended December 31, 2008, the Company repatriated previously taxed foreign earnings of approximately \$0.3 million.

The Company's policy is to recognize interest and penalties related to uncertain tax positions as a component of the current (benefit) provision for income taxes. During the years ended December 31, 2010, 2009 and 2008, the Company recognized approximately \$0.2 million, \$0.1 million and \$0.1 million, respectively, in interest and penalties in the consolidated statements of operations. The Company has approximately \$0.4 million and \$0.6 million accrued for the payment of interest and penalties at December 31, 2010 and 2009, respectively, which is included in both income taxes payable and liability for uncertain tax positions in the consolidated balance sheet.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction and various states and foreign jurisdictions. The Company is no longer subject to U.S. federal examinations by tax authorities for years before 2006 and for state examinations before 2005. Regarding foreign subsidiaries, the Company is no longer subject to examination by tax authorities for years before 2003 in Asia and generally 2005 in Europe. During September 2010, the Company was notified of an Internal Revenue Service ("IRS") tax audit for the years ended December 31, 2006, 2008 and 2009. The Company believes the audit is a result of a foreign tax credit carryback claim to the year ended December 31, 2006. As the statute of limitations for the year 2006 has expired, any tax adjustment proposed by the IRS for the year 2006 would be limited to the amount of the carryback claim of approximately \$0.3 million.

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On August 10, 2010 President Obama signed into law the “Education Jobs & Medicaid Assistance Act” (H.R. 1586) (the “Act”). The Act’s international tax provisions place certain restrictions on the use of foreign tax credits. The Company has evaluated the newly enacted international tax provisions and determined that they do not materially affect the Company’s operating results or financial condition.

The Company continues to monitor proposed legislation affecting the taxation of transfers of U.S. intangible property and other potential tax law changes.

Inflation and Foreign Currency Exchange

During the past three years, the effect of inflation on the Company's profitability was not material. Historically, fluctuations of the U.S. Dollar against other major currencies have not significantly affected the Company's foreign operations as most sales have been denominated in U.S. Dollars or currencies directly or indirectly linked to the U.S. Dollar. Most significant expenses, including raw materials, labor and manufacturing expenses, are incurred primarily in U.S. Dollars or the Chinese Renminbi, and to a lesser extent in British Pounds and Mexican Pesos. While the appreciation of the Chinese Renminbi was minimal during 2009 and 2010, future appreciation of the Renminbi would result in the Company’s incurring higher costs for all expenses incurred in the PRC. The Company's European entities, whose functional currencies are Euros, British Pounds, Czech Korunas, and U.S. dollars, enter into transactions which include sales which are denominated principally in Euros, British Pounds and various other European currencies, and purchases that are denominated principally in U.S. dollars and British Pounds. Settlement of such transactions resulted in net realized and unrealized currency exchange losses of \$0.2 million and \$0.6 million for the years ended December 31, 2010 and 2008, respectively, which were charged to expense. Realized and unrealized currency losses during the year ended December 31, 2009 were not material. Translation of subsidiaries’ foreign currency financial statements into U.S. dollars resulted in translation losses of \$0.9 million and \$0.4 million for the years ended December 31, 2010 and 2008, respectively, which are included in accumulated other comprehensive (loss) income. Translation gains during the year ended December 31, 2009 were not material. Any change in the linkage of the U.S. Dollar and the Hong Kong Dollar could have a material effect on the Company's consolidated financial position or results of operations.

Liquidity and Capital Resources

Historically, the Company has financed its capital expenditures primarily through cash flows from operating activities and has financed acquisitions both through cash flows from operating activities and borrowings. Management believes that the cash flow from operations after payments of dividends, combined with its existing capital base and the Company's available lines of credit, will be sufficient to fund its operations for at least the next twelve months. Such statement constitutes a Forward Looking Statement. Factors which could cause the Company to require additional capital include, among other things, a softening in the demand for the Company’s existing products, an inability to respond to customer demand for new products, potential acquisitions requiring substantial capital, future expansion of the Company's operations and net losses that would result in net cash being used in operating, investing and/or financing activities which result in net decreases in cash and cash equivalents. Net losses may result in the loss of domestic and foreign credit facilities and preclude the Company from raising debt or equity financing in the capital markets on affordable terms or otherwise.

The Company has an unsecured credit agreement in the amount of \$20 million, which expires on June 30, 2011. There have not been any borrowings under the credit agreement and as such, there was no balance outstanding as of December 31, 2010 and December 31, 2009. At each of those dates, the entire \$20 million line of credit was available to the Company to borrow. The credit agreement bears interest at LIBOR plus 0.75% to 1.25% based on certain financial statement ratios maintained by the Company. The Company is in compliance with its debt covenants

as of December 31, 2010.

The Company's Hong Kong subsidiary had an unsecured line of credit of approximately \$2 million, which was unused at December 31, 2009. The line of credit expired during 2010 and was not renewed.

For information regarding further commitments under the Company's operating leases, see Note 15 of the notes to the Company's consolidated financial statements.

On January 29, 2010, the Company completed the acquisition of Cinch Connectors ("Cinch") from Safran S.A. for approximately \$39.7 million in cash plus approximately \$0.8 million for the assumption of certain expenses. The transaction was funded with cash on hand. Cinch is headquartered in Lombard, Illinois and has manufacturing facilities in Vinita, Oklahoma, Reynosa, Mexico and Worksop, England.

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On February 28, 2011, the Company announced via press release that it had delivered a letter to Pulse Electronics Corporation (“Pulse Electronics”) proposing to acquire all of the outstanding shares of Pulse Electronics common stock for per share consideration of \$6.00. Pulse Electronics’ Annual Report on Form 10-K for the year ended December 31, 2010 states that as of March 2, 2011, Pulse Electronics had 41,489,733 shares of common stock outstanding. The Company’s proposal would give Pulse Electronics shareholders the ability to choose whether to receive the consideration in cash or the Company’s Class B common stock. The Company also announced that it has nominated a slate of four highly qualified independent director nominees for election to Pulse Electronics’ Board of Directors at Pulse Electronics’ upcoming annual meeting of shareholders, which is expected to be held in May. If elected, these director nominees will constitute a majority of Pulse Electronics’ Board of Directors. Refer to the “Other Matters” section of Item 7 for information regarding the Company’s available resources for funding potential acquisitions.

Stock Repurchases

During 2000, the Board of Directors of the Company authorized the purchase of up to ten percent of the Company’s outstanding common shares. As of December 31, 2010, the Company had purchased and retired 527,817 Class A common shares at a cost of approximately \$16.8 million and had purchased and retired 23,600 Class B common shares at a cost of approximately \$0.8 million. There were no repurchases of Class A or Class B common stock during the year ended December 31, 2010. During the year ended December 31, 2009, the Company purchased 6,070 shares of Class A common stock at a cost of \$0.1 million. There were no repurchases of Class B common stock during 2009.

Cash Flows

During the year ended December 31, 2010, the Company's cash and cash equivalents decreased by \$40.4 million. This resulted primarily from \$40.4 million paid in connection with the acquisition of Cinch, \$2.4 million for the purchase of property, plant and equipment, \$6.2 million for the purchase of marketable securities and \$3.2 million for payments of dividends, offset by \$7.6 million provided by operating activities, \$3.4 million in net proceeds from the cash surrender value of company-owned life insurance policies, and \$0.6 million of proceeds from the sale of property, plant and equipment. During the year ended December 31, 2010, the Company had cash provided by operating activities of \$7.6 million as compared to \$29.2 million for year ended December 31, 2009. This \$21.6 million reduction in operating cash flow related primarily to the significant fluctuations in accounts receivable and inventory levels in both 2009 and 2010, as customer demand and the related manufacturing and sales volumes fluctuated. In 2009, customer demand for Bel’s products was down, which resulted in decreased accounts receivable and inventory levels during 2009. With demand recovering during the latter part of 2009 and into 2010, inventory levels have increased as Bel is purchasing raw materials and increasing its manufacturing accordingly.

During the year ended December 31, 2009, the Company's cash and cash equivalents increased by \$49.3 million from \$75.0 million at December 31, 2008 to \$124.2 million at December 31, 2009, reflecting approximately \$29.2 million provided by operating activities. This resulted primarily from a reduction in 2009 sales volume and the associated decrease in purchasing of raw materials and overall reduction in manufacturing of finished products which led to a \$11.3 million decrease in accounts receivable and a \$14.8 million decrease in inventory on hand as compared to those balances at December 31, 2008. Other factors contributing to the overall increase in cash and cash equivalents at December 31, 2009 included \$20.6 million from the sale of marketable securities, \$5.3 million from the final redemptions of the Columbia Portfolio, \$1.5 million of proceeds from the cash surrender value of company-owned life insurance policies and \$2.6 million of proceeds from the sale of property, plant and equipment, primarily from the \$2.3 million release of final escrow related to the sale of the Jersey City property, offset, in part, by \$2.4 million for the purchase of property, plant and equipment, \$0.1 million for the repurchase of the Company’s common stock, \$3.5 million for the purchase of marketable securities, \$0.4 million for payment of an acquisition, \$0.1 million for the

purchase of a license agreement and \$3.1 million for payments of dividends. The remaining reduction in cash and cash equivalent relates to \$0.3 million which was reclassified as restricted cash as of December 31, 2009.

During the year ended December 31, 2008, the Company's cash and cash equivalents decreased by \$8.9 million from \$83.9 million at December 31, 2007 to \$75.0 million at December 31, 2008, reflecting approximately \$10.3 million provided by operating activities, \$16.6 million from the partial redemption of the Columbia Portfolio, \$2.0 million of marketable securities redesignated as cash equivalents and \$2.3 million from the partial release of escrow related to the sale of the Jersey City property, offset, in part, by \$19.0 million used for purchases of marketable securities, \$6.9 million for the purchase of property, plant and equipment, \$11.0 million for the repurchase of the Company's common stock and \$3.2 million for payments of dividends.

Cash and cash equivalents, marketable securities, short-term investments and accounts receivable comprised approximately 50.1% and 64.7% of the Company's total assets at December 31, 2010 and December 31, 2009, respectively. The Company's current ratio (i.e., the ratio of current assets to current liabilities) was 4.4 to 1 and 7.0 to 1 at December 31, 2010 and December 31, 2009, respectively.

Accounts receivable, net of allowances, were \$53.3 million at December 31, 2010, as compared with \$34.8 million at December 31, 2009. The increase in accounts receivable is primarily due to a 72.0% increase in fourth quarter sales for 2010 as compared to 2009 partially offset by a decrease in the Company's days sales outstanding (DSO) from 62 days at December 31, 2009 to 57 days at December 31, 2010. Marketable securities increased by \$1.7 million as a result of the purchase of new marketable securities during 2010. Inventories were \$57.0 million at December 31, 2010, as compared with \$31.8 million at December 31, 2009. Legacy-Bel inventory levels were \$16.7 million higher at December 31, 2010 as compared to December 31, 2009 to accommodate increased customer demand for Bel's products during 2010. The remaining \$8.5 million of the increase related to the inclusion of Cinch inventories at December 31, 2010. Accounts payable was \$21.2 million at December 31, 2010 as compared to \$17.2 million at December 31, 2009. Of the increase in accounts payable, \$2.7 million relates to the inclusion of Cinch at December 31, 2010 and the remaining increase relates to the Company's hiring additional workers in order to meet an upturn in customer demand and the Company's purchasing raw materials to accommodate the resulting increase in production. Accrued expenses increased from \$8.0 million at December 31, 2009 to \$22.5 million at December 31, 2010. The \$14.5 million increase in accrued expenses primarily relates to the \$8.1 million litigation charge in connection with the SynQor lawsuit, a \$3.5 million increase in accrued bonuses and an increase of \$2.8 million due to the inclusion of Cinch's accrued expenses at December 31, 2010.

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Contractual Obligations

The following table sets forth at December 31, 2010 the amounts of payments due under specific types of contractual obligations, aggregated by category of contractual obligation, for the time periods described below. This table excludes liabilities recorded relative to uncertain income tax positions, amounting to \$0.9 million included in income taxes payable and \$2.9 million included in liability for uncertain tax positions, as of December 31, 2010, as the Company is unable to make reasonably reliable estimates of the period of cash settlements, if any, with the respective taxing authorities.

| Contractual Obligations | Total | Payments due by period | | | |
|-----------------------------------|-----------------|------------------------|----------------|----------------|----------------------|
| | | Less than 1 year | 1-3 years | 3-5 years | More than 5 years |
| Capital expenditure obligations | \$1,658 | \$1,658 | \$- | \$- | \$- |
| Operating leases | 8,714 | 2,956 | 3,880 | 1,878 | - |
| Raw material purchase obligations | 30,154 | 30,153 | 1 | - | - |
| Total | \$40,526 | \$34,767 | \$3,881 | \$1,878 | \$- |

The Company is required to pay SERP obligations at the occurrence of certain events. As of December 31, 2010, \$7.4 million is included in long-term liabilities as an unfunded pension obligation on the Company's consolidated balance sheet. Included in other assets at December 31, 2010 is the cash surrender value of company-owned life insurance and marketable securities held in a Rabbi trust with an aggregate value of \$8.4 million, which has been designated by the Company to be utilized to fund the Company's SERP obligations.

Other Matters

The Company believes that it has sufficient cash reserves to fund its foreseeable working capital needs. It may, however, seek to expand such resources through bank borrowings, at favorable lending rates, from time to time. If the Company were to undertake a substantial acquisition for cash, the acquisition would either be funded with cash on hand or would be financed in part through cash on hand and in part through bank borrowings or the issuance of public or private debt or equity. If the Company borrows money to finance acquisitions, this would likely decrease the Company's ratio of earnings to fixed charges, could impact other leverage criteria and could result in the imposition of material restrictive covenants, depending on the size of the borrowing and the nature of the target company. Under its existing credit facility, the Company is required to obtain its lender's consent for certain additional debt financing and to comply with other covenants, including the application of specific financial ratios, and may be restricted from paying cash dividends on its common stock. Depending on the nature of the transaction, the Company cannot assure investors that the necessary acquisition financing would be available to it on acceptable terms, or at all, when required. If the Company issues a substantial amount of stock either as consideration in an acquisition or to finance an acquisition, such issuance may dilute existing stockholders and may take the form of capital stock having preferences over its existing common stock.

As noted above, on February 28, 2011, Bel proposed to acquire the outstanding stock of Pulse Electronics at a price of \$6.00 per share, or approximately \$246 million in the aggregate. The offer contemplates that Pulse Electronics' stockholders would have the opportunity to elect to receive cash or Bel's Class B Common Stock. Based on the strength of Bel's balance sheet, the opportunities presented and the advice of its investment bankers, the Company believes that the necessary financing arrangements can be obtained to complete this offer on an affordable basis.

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New Financial Accounting Standards

During 2009, the Company implemented an update to the accounting guidance related to earnings per share. In accordance with this accounting guidance, unvested share-based payment awards with rights to dividends are participating securities and shall be included in the computation of basic earnings per share. The Company adopted this guidance effective January 1, 2009 and in accordance with the accounting guidance, all prior-period earnings per share data presented has been adjusted retrospectively to conform to the provisions of the new guidance. This adjustment did not have a material impact on prior periods presented.

The FASB has published an update to the accounting guidance on fair value measurements and disclosures as it relates to investments in certain entities that calculate net asset value per share (or its equivalent). This accounting guidance permits a reporting entity to measure the fair value of certain investments on the basis of the net asset value per share of the investment (or its equivalent). This update also requires new disclosures, by major category of investments, about the attributes of investments included within the scope of this amendment to the Codification. The guidance in this update is effective for interim and annual periods ending after December 15, 2009. As the standard relates to expanded disclosures, the Company does not expect the adoption of this standard to have a material impact on the Company's results of operations, financial condition or cash flows.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Fair Value of Financial Instruments — The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies.

The Company has not entered into, and does not expect to enter into, financial instruments for trading or hedging purposes. The Company does not currently anticipate entering into interest rate swaps and/or similar instruments.

The Company's carrying values of cash, marketable securities, accounts receivable, accounts payable and accrued expenses are a reasonable approximation of their fair value.

The Company enters into transactions denominated in U.S. Dollars, Hong Kong Dollars, the Chinese Renminbi, Euros, British Pounds, Mexican Pesos, the Czech Koruna and other European currencies. Fluctuations in the U.S. dollar exchange rate against these currencies could significantly impact the Company's consolidated results of operations.

The Company believes that a change in interest rates of 1% or 2% would not have a material effect on the Company's consolidated statement of operations or balance sheet.

Item 8. Financial Statements and Supplementary Data

See the consolidated financial statements listed in the accompanying Index to Consolidated Financial Statements for the information required by this item.

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BEL FUSE INC.
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Bel Fuse Inc.
Jersey City, New Jersey

We have audited the accompanying consolidated balance sheets of Bel Fuse Inc. and subsidiaries (the “Company”) as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders’ equity, and cash flows for each of the three years in the period ended December 31, 2010. Our audits also included the financial statement schedule listed in the Index at Item 15. We also have audited the Company’s internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company’s management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying management’s report on internal control over financial reporting. Our responsibility is to express an opinion on these financial statements and financial statement schedule and an opinion on the Company’s internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over

financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bel Fuse Inc. and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule of Bel Fuse Inc. and subsidiaries, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ DELOITTE & TOUCHE LLP

New York, New York
March 11, 2011

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BEL FUSE INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except share and per share data)

| | December 31, 2010 | December 31, 2009 |
|--|-------------------------|-------------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$83,829 | \$124,231 |
| Marketable securities | 1,706 | 2 |
| Accounts receivable - less allowance for doubtful accounts of \$653 and \$596 at December 31, 2010 and 2009, respectively | 53,312 | 34,783 |
| Inventories | 56,970 | 31,791 |
| Prepaid expenses and other current assets | 2,354 | 953 |
| Refundable income taxes | 4,370 | 3,255 |
| Deferred income taxes | 1,023 | 815 |
| Total Current Assets | 203,564 | 195,830 |
| Property, plant and equipment - net | 44,793 | 35,943 |
| Restricted cash | 155 | 250 |
| Deferred income taxes | 3,201 | 4,516 |
| Intangible assets - net | 11,291 | 551 |
| Goodwill | 4,264 | 1,957 |
| Other assets | 9,904 | 6,899 |
| TOTAL ASSETS | \$277,172 | \$245,946 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Accounts payable | \$21,180 | \$17,194 |
| Accrued expenses | 22,545 | 7,991 |
| Accrued restructuring costs | 160 | 156 |
| Income taxes payable | 1,584 | 1,863 |
| Dividends payable | 799 | 793 |
| Total Current Liabilities | 46,268 | 27,997 |
| Long-term Liabilities: | | |
| Accrued restructuring costs | 347 | 508 |
| Liability for uncertain tax positions | 2,874 | 2,887 |
| Minimum pension obligation and unfunded pension liability | 7,350 | 5,622 |
| Total Long-term Liabilities | 10,571 | 9,017 |
| Total Liabilities | 56,839 | 37,014 |
| Commitments and Contingencies | | |
| Stockholders' Equity: | | |

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| | | |
|--|-----------|-----------|
| Preferred stock, no par value, 1,000,000 shares authorized; none issued | - | - |
| Class A common stock, par value \$.10 per share, 10,000,000 shares authorized; 2,174,912 shares outstanding at each date (net of 1,072,769 treasury shares) | 217 | 217 |
| Class B common stock, par value \$.10 per share, 30,000,000 shares authorized; 9,527,343 and 9,464,343 shares outstanding, respectively (net of 3,218,307 treasury shares) | 953 | 946 |
| Additional paid-in capital | 23,725 | 21,663 |
| Retained earnings | 195,477 | 185,014 |
| Accumulated other comprehensive (loss) income | (39 |) 1,092 |
| Total Stockholders' Equity | 220,333 | 208,932 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$277,172 | \$245,946 |

See notes to consolidated financial statements.

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BEL FUSE INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(dollars in thousands, except per share data)

| | Years Ended December 31, | | |
|---|--------------------------|------------|-------------|
| | 2010 | 2009 | 2008 |
| Net Sales | \$302,539 | \$182,753 | \$258,350 |
| Costs and expenses: | | | |
| Cost of sales | 239,185 | 161,454 | 217,079 |
| Selling, general and administrative | 40,443 | 30,055 | 36,093 |
| Impairment of assets | - | 12,875 | 14,805 |
| Litigation charge | 8,103 | - | - |
| Restructuring charges | - | 413 | 1,122 |
| Gain on sale of property, plant and equipment | (352) | (4,693) | - |
| | 287,379 | 200,104 | 269,099 |
| Income (loss) from operations | 15,160 | (17,351) | (10,749) |
| Gain (loss/impairment charge) on investment | - | 7,129 | (10,358) |
| Interest income and other, net | 420 | 527 | 2,454 |
| Earnings (loss) before provision (benefit) for income taxes | 15,580 | (9,695) | (18,653) |
| Income tax provision (benefit) | 1,931 | (1,385) | (3,724) |
| Net earnings (loss) | \$13,649 | \$(8,310) | \$(14,929) |
| Earnings (loss) per share: | | | |
| Class A common share - basic and diluted | \$1.10 | \$(0.71) | \$(1.25) |
| Class B common share - basic and diluted | \$1.18 | \$(0.72) | \$(1.28) |
| Weighted-average shares outstanding: | | | |
| Class A common share - basic and diluted | 2,174,912 | 2,175,322 | 2,391,088 |
| Class B common share - basic and diluted | 9,504,261 | 9,363,199 | 9,350,747 |
| Dividends paid per share: | | | |
| Class A common share | \$0.24 | \$0.24 | \$0.24 |
| Class B common share | \$0.28 | \$0.28 | \$0.28 |

See notes to consolidated financial statements.

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BEL FUSE INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(dollars in thousands)

| | Total | Comprehensive (Loss) Income | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Class A Common Stock | Class B Common Stock | Additional Paid-In Capital |
|--|------------|-----------------------------------|----------------------|---|-------------------------------|-------------------------------|----------------------------------|
| Balance, January 1, 2008 | \$ 244,527 | | \$ 214,580 | \$ (344) | \$ 255 | \$ 929 | \$ 29,107 |
| Exercise of stock options | 312 | | | | | \$ 3 | \$ 309 |
| Tax benefits arising from the disposition of non-qualified incentive stock options | 39 | | | | | | 39 |
| Cash dividends declared on Class A common stock | (565) | | (565) | | | | |
| Cash dividends declared on Class B common stock | (2,619) | | (2,619) | | | | |
| Issuance of restricted common stock | - | | | | | 6 | (6) |
| Termination of restricted common stock | - | | | | | (1) | 1 |
| Repurchase/retirement of Class A common stock | (11,002) | | | | (37) | | (10,965) |
| Currency translation adjustment | (355) | \$ (355) | | (355) | | | |
| Unrealized holding losses on marketable securities arising during the year, net of taxes of (\$2,591) | (4,230) | (4,230) | | (4,230) | | | |
| Reclassification adjustment of unrealized holding losses for impairment charge included in net loss, net of taxes of \$3,402 | 5,551 | 5,551 | | 5,551 | | | |

| | | | | | | | |
|---|------------|--------------|------------|----------|--------|--------|-----------|
| Stock-based compensation expense | 1,478 | | | | | | 1,478 |
| Change in unfunded SERP liability, net of taxes of (\$123) | (434) | (434) | | (434) | | | |
| Net loss | (14,929) | (14,929) | (14,929) | | | | |
| Comprehensive loss | | \$ (14,397) | | | | | |
| Balance, December 31, 2008 | \$ 217,773 | | \$ 196,467 | \$ 188 | \$ 218 | \$ 937 | \$ 19,963 |
| Cash dividends declared on Class A common stock | (521) | | (521) | | | | |
| Cash dividends declared on Class B common stock | (2,622) | | (2,622) | | | | |
| Issuance of restricted common stock | - | | | | 14 | | (14) |
| Termination of restricted common stock | - | | | | (2) | | 2 |
| Repurchase/retirement of Class A common stock | (92) | | | | (1) | | (91) |
| Currency translation adjustment | 43 | \$ 43 | | 43 | | | |
| Unrealized holding gains on marketable securities arising during the year, net of taxes of \$2,648 | 4,321 | 4,321 | | 4,321 | | | |
| Reclassification adjustment of unrealized holding gains included in net loss, net of taxes of (\$2,629) | (4,289) | (4,289) | | (4,289) | | | |
| Reduction in APIC pool associated with tax deficiencies related to restricted stock awards | (287) | | | | | | (287) |
| Unauthorized issuance of common stock | 812 | | | | | | 812 |
| Return of unauthorized shares of common stock | (456) | | | | (3) | | (453) |
| Stock-based compensation expense | 1,731 | | | | | | 1,731 |
| Change in unfunded SERP liability, net of taxes of \$264 | 829 | 829 | | 829 | | | |

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| | | | | | | | |
|--|------------|-------------|------------|----------|--------|--------|-----------|
| Net loss | (8,310) | (8,310) | (8,310) | | | | |
| Comprehensive loss | | \$ (7,406) | | | | | |
| Balance, December 31, 2009 | \$ 208,932 | | \$ 185,014 | \$ 1,092 | \$ 217 | \$ 946 | \$ 21,663 |
| Cash dividends declared on Class A common stock | (522) | | (522) | | | | |
| Cash dividends declared on Class B common stock | (2,664) | | (2,664) | | | | |
| Issuance of restricted common stock | - | | | | | 7 | (7) |
| Currency translation adjustment | (907) | \$ (907) | | (907) | | | |
| Unrealized holding gains on marketable securities arising during the year, net of taxes of \$280 | 457 | 457 | | 457 | | | |
| Reduction in APIC pool associated with tax deficiencies related to restricted stock awards | (131) | | | | | | (131) |
| Stock-based compensation expense | 2,200 | | | | | | 2,200 |
| Change in unfunded SERP liability, net of taxes of (\$294) | (681) | (681) | | (681) | | | |
| Net income | 13,649 | 13,649 | 13,649 | | | | |
| Comprehensive income | | \$ 12,518 | | | | | |
| Balance, December 31, 2010 | \$ 220,333 | | \$ 195,477 | \$ (39) | \$ 217 | \$ 953 | \$ 23,725 |

See notes to consolidated financial statements.

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BEL FUSE INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)

| | Year Ended December 31, | | |
|--|-------------------------|------------|-------------|
| | 2010 | 2009 | 2008 |
| Cash flows from operating activities: | | | |
| Net earnings (loss) | \$13,649 | \$(8,310) | \$(14,929) |
| Adjustments to reconcile net earnings (loss) to net cash provided by operating activities: | | | |
| Depreciation and amortization | 8,836 | 6,778 | 7,443 |
| Stock-based compensation | 2,200 | 1,731 | 1,478 |
| Excess tax benefits from share-based payment arrangements | - | - | (39) |
| Gain on sale of property, plant and equipment | (352) | (4,693) | - |
| Realized (gain) loss/impairment charge on investment | - | (7,129) | 10,358 |
| Impairment of assets | - | 12,875 | 14,805 |
| Other, net | 715 | 807 | 1,565 |
| Deferred income taxes | 725 | 4,004 | (3,616) |
| Changes in operating assets and liabilities (see below) | (18,136) | 23,095 | (6,776) |
| Net Cash Provided by Operating Activities | 7,637 | 29,158 | 10,289 |
| Cash flows from investing activities: | | | |
| Purchase of property, plant and equipment | (2,427) | (2,357) | (6,887) |
| Purchase of intangible asset | - | (99) | (300) |
| Purchase of marketable securities | (6,190) | (3,545) | (18,970) |
| Payment for acquisition | (40,424) | (454) | - |
| Cash transferred from (to) restricted cash | 250 | (250) | - |
| Redesignation of marketable security to cash equivalent | - | - | 2,000 |
| Proceeds from sale of marketable securities | - | 20,592 | - |
| Proceeds from sale of property, plant and equipment | 606 | 2,639 | 2,272 |
| Proceeds from cash surrender value of company-owned life insurance, net of purchases | 3,428 | 1,518 | - |
| Redemption of investment | - | 5,286 | 16,600 |
| Net Cash (Used In) Provided by Investing Activities | (44,757) | 23,330 | (5,285) |
| Cash flows from financing activities: | | | |
| Proceeds from exercise of stock options | - | - | 312 |
| Dividends paid to common shareholders | (3,181) | (3,137) | (3,192) |
| Purchase and retirement of Class A common stock | - | (92) | (11,002) |
| Excess tax benefits from share-based payment arrangements | - | - | 39 |
| Net Cash Used In Financing Activities | (3,181) | (3,229) | (13,843) |
| Effect of exchange rate changes on cash | (101) | 17 | (81) |
| Net (Decrease) Increase in Cash and Cash Equivalents | (40,402) | 49,276 | (8,920) |
| Cash and Cash Equivalents - beginning of year | 124,231 | 74,955 | 83,875 |

| | | | |
|---|----------|-----------|----------|
| Cash and Cash Equivalents - end of year | \$83,829 | \$124,231 | \$74,955 |
|---|----------|-----------|----------|

See notes to consolidated financial statements.

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BEL FUSE INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(dollars in thousands)

Year Ended December 31,
2010 2009 2008

Changes in operating assets and liabilities consist of:

| | | | |
|---|-------------|----------|------------|
| (Increase) decrease in accounts receivable | \$(12,164) | \$11,297 | \$6,010 |
| (Increase) decrease in inventories | (17,648) | 14,763 | (7,585) |
| (Increase) decrease in prepaid expenses and other current assets | (833) | (92) | 579 |
| (Increase) decrease in other assets | (13) | 76 | (20) |
| Increase (decrease) in accounts payable | 1,716 | 2,905 | (1,842) |
| Decrease in income taxes payable | (1,157) | (3,510) | (2,743) |
| (Decrease) increase in accrued restructuring costs | (157) | (297) | 961 |
| Increase (decrease) in accrued expenses | 12,120 | (2,047) | (2,136) |
| | \$(18,136) | \$23,095 | \$(6,776) |

Supplementary information:

Cash paid during the year for:

| | | | |
|---------------------------------------|---------|------------|---------|
| Income taxes, net of refunds received | \$2,172 | \$(1,909) | \$2,606 |
| Interest | \$15 | \$2 | \$4 |

Details of acquisition (see Note 3):

| | | | |
|---|----------|-------|-----|
| Fair value of identifiable net assets acquired | \$38,132 | \$25 | \$- |
| Goodwill | 2,349 | 468 | - |
| Fair value of net assets acquired | \$40,481 | \$493 | - |
| Fair value of consideration transferred | \$40,481 | \$493 | - |
| Less: Cash acquired in acquisition | (57) | - | - |
| Amount held back on acquisition payment | - | (39) | - |
| Cash paid for acquisition, net of cash acquired | \$40,424 | \$454 | \$- |

See notes to consolidated financial statements.

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BEL FUSE INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bel Fuse Inc. and subsidiaries (“Bel” or the “Company”) operate in one industry with three geographic reportable operating segments and are engaged in the design, manufacture and sale of products used in local area networking, telecommunication, business equipment and consumer electronic applications. On January 29, 2010, the Company completed its acquisition of 100% of the issued and outstanding capital stock of Cinch Connectors, Inc. (“Cinch U.S.”), Cinch Connectors de Mexico, S.A. de C.V. (“Cinch Mexico”) and Cinch Connectors Ltd. (“Cinch Europe”) (collectively, “Cinch”) from Safran S.A. With the acquisition of Cinch, the Company broadened its portfolio of products into the transportation, military and aerospace applications. The Company manages its operations geographically through its three reportable operating segments: North America, Asia and Europe.

PRINCIPLES OF CONSOLIDATION - The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, including businesses acquired since their respective dates of acquisition. All intercompany transactions and balances have been eliminated.

USE OF ESTIMATES - The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates, including but not limited to those related to product returns, bad debts, inventories, goodwill, intangible assets, investments, SERP expense, income taxes, contingencies and litigation. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

CASH EQUIVALENTS - Cash equivalents include short-term investments in money market funds and certificates of deposit with an original maturity of three months or less when purchased.

ALLOWANCE FOR DOUBTFUL ACCOUNTS - The Company maintains allowances for doubtful accounts for estimated losses from the inability of its customers to make required payments. The Company determines its reserves by both specific identification of customer accounts where appropriate and the application of historical loss experience to non-specific accounts. As of December 31, 2010 and 2009, the Company had an allowance for doubtful accounts of \$0.7 million and \$0.6 million, respectively.

MARKETABLE SECURITIES - The Company generally classifies its equity securities as "available for sale" and, accordingly, reflects unrealized gains and losses, net of deferred income taxes, as a component of accumulated other comprehensive (loss) income. The Company periodically reviews its marketable securities and determines whether the investments are other-than-temporarily impaired. If the investments are deemed to be other-than-temporarily impaired, the investments are written down to their then current fair market value. During the year ended December 31, 2008, the Company recorded combined impairment charges and realized losses of \$10.4 million related to certain of its investments.

The fair values of marketable securities are based on quoted market prices. Realized gains or losses from the sale of marketable securities are based on the specific identification method. During the year ended December 31, 2009, the Company recorded net realized gains on sales of investments in the amount of \$7.1 million.

BUSINESS COMBINATIONS – During 2009, the Company adopted the revised accounting guidance related to business combinations. This guidance requires an acquirer to recognize the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date, with limited exceptions specified in the literature. In accordance with this guidance, acquisition-related costs, including restructuring costs, must be recognized separately from the acquisition and will generally be expensed as incurred. That replaces the cost-allocation process detailed in previous accounting literature, which required the cost of an acquisition to be allocated to the individual assets acquired and liabilities assumed based on their estimated fair values. The Company implemented this new guidance effective January 1, 2009.

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FOREIGN CURRENCY TRANSLATION - The functional currency for some foreign operations is the local currency. Assets and liabilities of foreign operations are translated at exchange rates as of the balance sheet date, and income, expense and cash flow items are translated at the average exchange rate for the applicable period. Translation adjustments are recorded in other comprehensive income. The U.S. Dollar is used as the functional currency for certain foreign operations that conduct their business in U.S. Dollars. Translation of subsidiaries' foreign currency financial statements into U.S. dollars resulted in translation losses of \$0.9 million and \$0.4 million for the years ended December 31, 2010 and 2008, respectively, which are included in accumulated other comprehensive (loss) income. Translation gains during the year ended December 31, 2009 were not material.

CONCENTRATION OF CREDIT RISK - Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of accounts receivable and temporary cash investments. The Company grants credit to customers that are primarily original equipment manufacturers and to subcontractors of original equipment manufacturers based on an evaluation of the customer's financial condition, without requiring collateral. Exposure to losses on receivables is principally dependent on each customer's financial condition. The Company controls its exposure to credit risk through credit approvals, credit limits and monitoring procedures and establishes allowances for anticipated losses. See Note 11 of notes to the Company's consolidated financial statements for disclosures regarding significant customers.

The Company places its temporary cash investments with quality financial institutions and commercial issuers of short-term paper and, by policy, limits the amount of credit exposure in any one financial instrument.

INVENTORIES - Inventories are stated at the lower of weighted-average cost or market.

REVENUE RECOGNITION – Revenue is recognized when the product has been delivered and title and risk of loss has passed to the customer, collection of the resulting receivable is deemed reasonably assured by management, persuasive evidence of an arrangement exists and the sales price is fixed and determinable. Substantially all of the Company's shipments are FCA (free carrier), which provides for title to pass upon delivery to the customer's freight carrier. Some product is shipped DDP/DDU with title passing when the product arrives at the customer's dock. DDP is defined as Delivered Duty Paid by the Company and DDU is Delivered Duty Unpaid by the Company.

For certain customers, the Company provides consigned inventory, either at the customer's facility or at a third party warehouse. Sales of consigned inventory are recorded when the customer withdraws inventory from consignment.

The Company typically has a twelve-month warranty policy for workmanship defects. As the Company has not historically had significant warranty claims, no general reserves for warranties have been established.

The Company is not contractually obligated to accept returns except for defective product or in instances where the product does not meet the customer's quality specifications. However, the Company may permit its customers to return product for other reasons. In these instances, the Company would generally require a significant cancellation penalty payment by the customer. The Company estimates such returns, where applicable, based upon management's evaluation of historical experience, market acceptance of products produced and known negotiations with customers. Such estimates are deducted from sales and provided for at the time revenue is recognized.

INTANGIBLE ASSETS – Intangible assets with finite lives are stated at cost less accumulated amortization. Amortization is calculated using the straight-line method over the estimated useful life of the asset. Intangible assets with indefinite lives, such as trademarks, are tested for impairment on an annual basis or whenever events or changes in circumstances indicate that the carrying amount of the intangible asset may not be

recoverable. The Company tests indefinite-lived intangible assets for impairment using the relief-from-royalty method (a form of the income approach). See Note 3 of the consolidated financial statements.

GOODWILL – Goodwill is tested for impairment on an annual basis or whenever events or changes in circumstances indicate that the carrying amount of goodwill may not be recoverable. The Company tests goodwill for impairment, and has established December 31 as the annual impairment test date, using a fair value approach at the reporting unit level. A reporting unit is an operating segment or one level below an operating segment for which discrete financial information is available and reviewed regularly by management. Assets and liabilities of the Company have been assigned to the reporting units to the extent they are employed in or are considered a liability related to the operations of the reporting unit and are considered in determining the fair value of the reporting unit. Reporting units with similar economic characteristics are aggregated for the goodwill impairment test.

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The goodwill impairment test is a two-step process. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired and the second step of the impairment test is unnecessary. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. The second step of the goodwill impairment test, used to measure the amount of impairment loss, compares the implied fair value of goodwill associated with each reporting unit with the carrying amount of that goodwill. If the carrying amount of goodwill associated with a reporting unit exceeds the implied fair value of that goodwill, an impairment loss shall be recognized in an amount equal to that excess. See Note 3 of the consolidated financial statements.

DEPRECIATION - Property, plant and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated primarily using the straight-line method over the estimated useful life of the asset. The estimated useful lives primarily range from 3 to 39 years for buildings and leasehold improvements, and from 3 to 13 years for machinery and equipment.

INCOME TAXES - The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

The Company records net deferred tax assets to the extent it believes these assets will more-likely-than-not be realized. In making such determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent financial operations. The Company has established a valuation allowance for deferred tax assets that are not likely to be realized. In the event the Company were to determine that it would be able to realize its deferred income tax assets in the future in excess of its net recorded amount, the Company would make an adjustment to the valuation allowance which would reduce the provision for income taxes.

The Company establishes reserves for tax contingencies when, despite the belief that the Company's tax return positions are fully supported, it is probable that certain positions may be challenged and may not be fully sustained. The tax contingency reserves are analyzed on a quarterly basis and adjusted based upon changes in facts and circumstances, such as the conclusion of federal and state audits, expiration of the statute of limitations for the assessment of tax, case law and emerging legislation. The Company's effective tax rate includes the effect of tax contingency reserves and changes to the reserves as considered appropriate by management.

EARNINGS (LOSS) PER SHARE – The Company utilizes the two-class method to report its earnings (loss) per share. The two-class method is an earnings (loss) allocation formula that determines earnings (loss) per share for each class of common stock according to dividends declared and participation rights in undistributed earnings (loss). The Company's Certificate of Incorporation, as amended, states that Class B common shares are entitled to dividends at least 5% greater than dividends paid to Class A common shares, resulting in the two-class method of computing earnings (loss) per share. In computing earnings (loss) per share, the Company has allocated dividends declared to Class A and Class B based on amounts actually declared for each class of stock and 5% more of the undistributed earnings (loss) have been allocated to Class B shares than to the Class A shares on a per share basis. Basic earnings (loss) per common share are computed by dividing net earnings (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings per common share, for each class of common stock, are computed by dividing net earnings (loss) by the weighted average number of common shares and potential common shares outstanding during the period.

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The earnings (loss) and weighted average shares outstanding used in the computation of basic and diluted earnings (loss) per share are as follows (dollars in thousands, except share and per share data):

| | 2010 | 2009 | 2008 |
|---|-----------|--------------|--------------|
| Numerator: | | | |
| Net earnings (loss) | \$ 13,649 | \$ (8,310) | \$ (14,929) |
| Less Dividends declared: | | | |
| Class A | 522 | 521 | 565 |
| Class B | 2,664 | 2,622 | 2,619 |
| Undistributed earnings (loss) | \$ 10,463 | \$ (11,453) | \$ (18,113) |
| Undistributed earnings (loss) allocation - basic and diluted: | | | |
| Class A undistributed earnings (loss) | \$ 1,872 | \$ (2,075) | \$ (3,547) |
| Class B undistributed earnings (loss) | 8,591 | (9,378) | (14,566) |
| Total undistributed earnings (loss) | \$ 10,463 | \$ (11,453) | \$ (18,113) |
| Net earnings (loss) allocation - basic and diluted: | | | |
| Class A undistributed earnings (loss) | \$ 2,394 | \$ (1,554) | \$ (2,982) |
| Class B undistributed earnings (loss) | 11,255 | (6,756) | (11,947) |
| Net earnings (loss) | \$ 13,649 | \$ (8,310) | \$ (14,929) |
| Denominator: | | | |
| Weighted average shares outstanding: | | | |
| Class A - basic and diluted | 2,174,912 | 2,175,322 | 2,391,088 |
| Class B - basic and diluted | 9,504,261 | 9,363,199 | 9,350,747 |
| Earnings (loss) per share: | | | |
| Class A - basic and diluted | \$ 1.10 | \$ (0.71) | \$ (1.25) |
| Class B - basic and diluted | \$ 1.18 | \$ (0.72) | \$ (1.28) |

During the years ended December 31, 2010, 2009 and 2008, a weighted average of 14,718, 42,249 and 55,660 outstanding stock options, respectively, were not included in the foregoing computations for Class B common shares as their effect would be antidilutive.

STOCK-BASED COMPENSATION – The Company has one stock-based compensation plan under which both incentive stock-options and restricted stock awards are granted to employees and directors. The aggregate pretax compensation cost recognized for stock-based compensation (including incentive stock options, restricted stock and dividends on restricted stock, as further discussed below) amounted to approximately \$2.2 million, \$1.7 million and \$1.5 million for the years ended December 31, 2010, 2009 and 2008, respectively.

During the years ended December 31, 2010, 2009 and 2008, the Company issued 68,900, 141,300 and 56,300 class B common shares, respectively, under a restricted stock plan to various employees and directors. No options were granted during the years ended December 31, 2010, 2009 and 2008.

RESEARCH AND DEVELOPMENT - The Company's engineering groups are strategically located around the world to facilitate communication with and access to customers' engineering personnel. This collaborative approach enables partnerships with customers for technical development efforts. On occasion, Bel executes non-disclosure agreements with customers to help develop proprietary, next generation products destined for rapid deployment.

Research and development costs are expensed as incurred, and are included in cost of sales. Generally, research and development is performed internally for the benefit of the Company. Research and development costs include salaries, building maintenance and utilities, rents, materials, administration costs and miscellaneous other items. Research and development expenses for the years ended December 31, 2010, 2009 and 2008 amounted to \$11.4 million, \$7.8 million and \$7.4 million, respectively, and are included in cost of sales in the accompanying consolidated statements of operations. The increase in 2010 primarily relates to the inclusion of Cinch's research and development expenses in addition to an increase in legacy-Bel research and development expenses related to power products and ICMs.

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EVALUATION OF LONG-LIVED ASSETS – Property, plant and equipment represent an important component of the Company’s total assets. The Company depreciates its property, plant and equipment on a straight-line basis over the estimated useful lives of the assets. Management reviews long-lived assets for potential impairment whenever significant events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment exists when the carrying amount of the long-lived asset is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the estimated undiscounted cash flows expected to result from the use and eventual disposition of the asset. If an impairment exists, the resulting write-down would be the difference between fair market value of the long-lived asset and the related net book value. As the Company ceased its manufacturing operations in its Westborough, Massachusetts facility as of December 31, 2008, the fixed assets related to that facility were evaluated for impairment. Based on the results of this analysis, the Company recorded a \$0.7 million impairment charge related to these fixed assets during 2008.

FAIR VALUE MEASUREMENTS - The Company utilizes the accounting guidance for fair value measurements and disclosures for all financial assets and liabilities and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis or on a nonrecurring basis during the reporting period. The fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants based upon the best use of the asset or liability at the measurement date. The Company utilizes market data or assumptions that market participants would use in pricing the asset or liability. The accounting guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers are defined as follows:

Level 1 - Observable inputs such as quoted market prices in active markets

Level 2 - Inputs other than quoted prices in active markets that are either directly or indirectly observable

Level 3 - Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions

For financial instruments such as cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, the carrying amount approximates fair value because of the short maturities of such instruments. See Note 4 for additional disclosures related to fair value measurements.

NEW FINANCIAL ACCOUNTING STANDARDS

During 2009, the Company implemented an update to the accounting guidance related to earnings per share. In accordance with this accounting guidance, unvested share-based payment awards with rights to dividends are participating securities and shall be included in the computation of basic earnings per share. The Company adopted this guidance effective January 1, 2009 and in accordance with the accounting guidance, all prior period earnings per share data presented have been adjusted retrospectively to conform to the provisions of the new guidance. This adjustment did not have a material impact on prior periods presented.

The Financial Accounting Standards Board (“FASB”) has published an update to the accounting guidance on fair value measurements and disclosures as it relates to investments in certain entities that calculate net asset value per share (or its equivalent). This accounting guidance permits a reporting entity to measure the fair value of certain investments on the basis of the net asset value per share of the investment (or its equivalent). This update also requires new disclosures, by major category of investments, about the attributes of investments included within the scope of this update. The guidance in this update is effective for interim and annual periods ending after December 15, 2009. The adoption of this standard did not have a material impact on the Company’s results of operations, financial condition or cash flows.

2.

ACQUISITION OF CINCH

On January 29, 2010 (the “Acquisition Date”), the Company completed its acquisition of 100% of the issued and outstanding capital stock of Cinch from Safran S.A. As of December 31, 2010, Bel paid \$39.7 million in cash and assumed an additional \$0.8 million of expenses in exchange for the net assets acquired. The transaction was funded with cash on hand. Cinch is headquartered in Lombard, Illinois and has manufacturing facilities in Vinita, Oklahoma; Reynosa, Mexico; and Worksop, England.

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Cinch manufactures a broad range of interconnect products for customers in the military and aerospace, high-performance computing, telecom/datacom, and transportation markets. The addition of Cinch's well-established lines of connector and cable products and extensive clientele has enabled Bel to broaden its customer base to include aerospace and military markets. The acquisition of Cinch has also created the opportunity for expense reduction and the elimination of redundancies. The combination of these factors has given rise to the goodwill detailed below.

The following table summarizes the consideration paid and the finalized allocation of assets acquired and liabilities assumed as of the close of the acquisition (in thousands):

| | January 29, 2010 | Measurement Period Adjustments | January 29, 2010 (As adjusted) |
|--|---------------------|--------------------------------------|---|
| Cash | \$ 57 | \$ - | \$ 57 |
| Accounts receivable | 6,910 | (263) | 6,647 |
| Inventories | 7,548 | 169 | 7,717 |
| Other current assets | 803 | 399 | 1,202 |
| Property, plant and equipment | 7,822 | 6,996 | 14,818 |
| Intangible assets | 2,528 | 8,887 | 11,415 |
| Other assets | 1,715 | (57) | 1,658 |
| Total identifiable assets | 27,383 | 16,131 | 43,514 |
| Accounts payable | (2,320) | - | (2,320) |
| Accrued expenses and other current liabilities | (2,932) | 317 | (2,615) |
| Noncurrent deferred tax liability | - | (447) | (447) |
| Total liabilities assumed | (5,252) | (130) | (5,382) |
| Net identifiable assets acquired | 22,131 | 16,001 | 38,132 |
| Goodwill | 18,371 | (16,022) | 2,349 |
| Net assets acquired | \$ 40,502 | \$ (21) | \$ 40,481 |
| Cash paid | \$ 39,755 | (79) | \$ 39,676 |
| Assumption of change-in-control payments | 747 | 58 | 805 |
| Fair value of consideration transferred | \$ 40,502 | \$ (21) | \$ 40,481 |

Subsequent to the Acquisition Date, the Company received additional information related to the Acquisition Date fair values of the net assets acquired. These updates to the purchase price allocation are noted as measurement period adjustments in the above table. The purchase price allocation related to the Cinch acquisition is complete.

During the valuation process, the Company utilized the income, cost, and market approaches in determining the fair values of the assets acquired and liabilities assumed. The fair value measurements were primarily based on significant inputs that were not observable in the market. Various income approaches were utilized to value the intangible assets, consisting primarily of trademarks, customer relationships and technology. The income approach indicates value for a subject asset based on the present value of cash flows projected to be generated by the asset. Projected cash flows were discounted at a required market rate of return that reflected the relative risk of achieving the cash flows and the time value of money. The cost approach, which estimates value by determining the current cost of replacing an asset

with another of equivalent economic utility, was utilized as appropriate for plant, property and equipment. The cost to replace a given asset reflects the estimated reproduction or replacement cost for the asset, less an allowance for loss in value due to depreciation.

The fair value of property, plant and equipment (as adjusted) acquired from Cinch consists of the following:

| | Weighted-Average Estimated Useful Life | Acquisition-Date Fair Value |
|---|--|--------------------------------|
| Land | Indefinite | \$ 166 |
| Buildings and improvements | 11.7 years | 2,464 |
| Machinery and equipment | 5.0 years | 11,539 |
| Construction in progress | N/A | 649 |
| Total property, plant and equipment acquired | | \$ 14,818 |

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The fair value of identifiable intangible assets noted above (as adjusted) consists of the following:

| | Weighted-Average Life | Acquisition-Date Fair Value |
|--|--------------------------|--------------------------------|
| Trademarks | Indefinite | \$ 7,000 |
| Customer relationships | 16.5 years | 2,600 |
| Technology | 9.8 years | 1,700 |
| Licensing agreements | 10.0 years | 75 |
| Non-compete agreements | 2.0 years | 40 |
| Total identifiable intangible assets acquired | | \$ 11,415 |

Of the \$2.3 million of goodwill noted above, \$1.2 million has been allocated to the Company's North America reportable operating segment and \$1.1 million has been allocated to the Company's Europe reportable operating segment. This allocation was determined based on those reportable operating segments expected to benefit from the acquisition of Cinch and was based primarily on the location of Cinch operations and associated revenue generation at the Acquisition Date. The Company expects \$1.2 million of the goodwill and \$8.8 million of intangible assets allocated to the North America reportable operating segment to be deductible for tax purposes over a period of 15 years.

During the year ended December 31, 2010, the Company expensed approximately \$0.3 million of acquisition-related costs. These costs are included in selling, general and administrative expenses in the accompanying consolidated statement of operations.

Cinch's results of operations have been included in the Company's consolidated financial statements for the periods subsequent to the Acquisition Date. During the year ended December 31, 2010, Cinch contributed revenues of \$55.1 million, and estimated net earnings of \$1.2 million, to the Company since the Acquisition Date. The unaudited pro forma information below presents the combined operating results of the Company and Cinch. The unaudited pro forma results are presented for illustrative purposes only and include the effects of headcount reductions that were effected on the Acquisition Date. They do not reflect the realization of any other potential cost savings, or any related integration costs. Certain cost savings may result from the acquisition; however, there can be no assurance that these cost savings will be achieved. These pro forma results do not purport to be indicative of the results that would have been obtained if the acquisition had actually occurred as of January 1, 2009, nor is the pro forma data intended to be a projection of results that may be obtained in the future.

The following unaudited pro forma consolidated results of operations assume that the acquisition of Cinch was completed as of January 1, 2009 (dollars in thousands except per share data):

| | Year Ended December 31, | |
|---|-------------------------|------------|
| | 2010 | 2009 |
| Revenue | \$ 306,226 | \$ 237,723 |
| Net earnings (loss) | 14,540 | (7,500) |
| Earnings (loss) per Class A common share - basic and diluted | 1.17 | (0.65) |
| Earnings (loss) per Class B common share - basic and diluted | 1.26 | (0.65) |

3. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill represents the excess of the purchase price and related acquisition costs over the fair value assigned to the net tangible and other intangible assets acquired in a business acquisition.

Other intangible assets include patents, product information, license agreements, supply agreements, non-compete agreements and trademarks. Amounts assigned to these intangible assets have been determined by management. Management considered a number of factors in determining the allocations, including valuations and independent appraisals. Trademarks have indefinite lives and are reviewed for impairment on an annual basis. Other intangible assets, excluding trademarks, are being amortized over 1 to 16.5 years.

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The changes in the carrying value of goodwill classified by reportable operating segment, net of accumulated amortization, for the years ended December 31, 2010 and 2009 are as follows (dollars in thousands):

| | Total | Asia | North America | Europe |
|--|-----------|-----------|------------------|----------|
| Balance, January 1, 2009 | \$ 14,334 | \$ 12,407 | \$ - | \$ 1,927 |
| Goodwill allocation related to acquisition | 468 | 468 | | |
| Impairment charge | (12,875) | (12,875) | - | - |
| Foreign currency translation | 30 | - | - | 30 |
| Balance, December 31, 2009 | 1,957 | - | - | 1,957 |
| Goodwill allocation related to acquisition | 2,349 | - | 1,227 | 1,122 |
| Impairment charge | - | - | - | - |
| Foreign currency translation | (42) | - | - | (42) |
| Balance, December 31, 2010 | \$ 4,264 | \$ - | \$ 1,227 | \$ 3,037 |

The net goodwill balances above are comprised of the following (dollars in thousands):

| | Total | Asia | North America | Europe |
|-------------------------------------|-----------|-----------|------------------|----------|
| As of December 31, 2009: | | | | |
| Goodwill balance, gross | \$ 28,898 | \$ 12,875 | \$ 14,066 | \$ 1,957 |
| Accumulated impairment charges | (26,941) | (12,875) | (14,066) | - |
| Goodwill, net of impairment charges | \$ 1,957 | \$ - | \$ - | \$ 1,957 |
| As of December 31, 2010: | | | | |
| Goodwill balance, gross | \$ 31,205 | \$ 12,875 | \$ 15,293 | \$ 3,037 |
| Accumulated impairment charges | (26,941) | (12,875) | (14,066) | - |
| Goodwill, net of impairment charges | \$ 4,264 | \$ - | \$ 1,227 | \$ 3,037 |

During the third quarter of 2009, the Company conducted an interim impairment test related to its goodwill by reporting unit as a result of continued market declines. For the interim goodwill impairment assessment performed as of August 31, 2009, the Company's fair value analysis was supported by a weighting of two generally accepted valuation approaches, the income approach and the market approach, as further described in Note 2 of the Company's 2009 Annual Report on Form 10-K. These approaches include numerous assumptions with respect to future circumstances, such as industry and/or local market conditions that might directly impact each of the reporting unit's operations in the future, and are therefore uncertain. These approaches were utilized to develop a range of fair values and a weighted average of these approaches was utilized to determine the best fair value estimate within that range.

The interim impairment test related to the Company's goodwill was performed by reporting unit. The valuation test, which heavily weights future cash flow projections, indicated that the goodwill associated with the Company's Asia reporting unit was fully impaired and, as a result, the Company recorded an impairment charge of \$12.9 million during the third quarter of 2009. The Company's goodwill associated with its Asia reporting unit originated from several of Bel's prior acquisitions, primarily e-Power, APC and Lucent (which represented \$8.0 million, \$2.0 million and \$1.5 million, respectively, of the carrying value of goodwill at the testing date). The remaining goodwill as of December 31, 2009 had a carrying value of \$2.0 million and related solely to the Company's Europe reporting unit. Management determined that the fair value of the remaining goodwill at December 31, 2009 exceeded its carrying value and that no additional impairment existed as of that date.

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The Company tests indefinite-lived intangible assets for impairment using a fair value approach, the relief-from-royalty method (a form of the income approach). At December 31, 2010, the Company's indefinite-lived intangible assets related solely to the trademarks acquired in the Cinch acquisition in January 2010. Management has concluded that the combined fair value of the Cinch trademarks exceeds the related carrying value at December 31, 2010 and that no impairment existed as of that date.

During the year ended December 31, 2010, the Company recorded an additional \$2.3 million in goodwill in connection with the acquisition of Cinch. The goodwill was allocated by segment as noted in the table above. Management determined that the fair value of the goodwill at December 31, 2010 exceeded its carrying value and that no impairment existed as of that date.

The components of intangible assets other than goodwill are as follows (dollars in thousands):

| | December 31, 2010 | | | December 31, 2009 | | |
|---------------------------------|-----------------------|--------------------------|---------------------|-----------------------|--------------------------|---------------------|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Patents and product information | \$2,724 | \$ 795 | \$1,929 | \$1,231 | \$ 764 | \$467 |
| Customer relationships | 4,370 | 1,974 | 2,396 | 1,830 | 1,746 | 84 |
| Non-compete agreements | 40 | 18 | 22 | - | - | - |
| Trademarks | 6,944 | - | 6,944 | - | - | - |
| | \$14,078 | \$ 2,787 | \$11,291 | \$3,061 | \$ 2,510 | \$551 |

During the year ended December 31, 2010, the Company recorded \$11.4 million of various intangible assets in connection with the Cinch acquisition. A listing of intangible assets acquired with Cinch and the related weighted-average lives of those assets is detailed in Note 2. The Company also wrote off \$0.3 million of fully amortized patents during 2010. During the year ended December 31, 2009, the Company acquired intangible assets related to customer licensing agreements in the amount of \$0.1 million with a weighted-average estimated life of 16 months at the time of acquisition. Amortization expense was \$0.6 million, \$0.5 million and \$0.5 million for the years ended December 31, 2010, 2009 and 2008, respectively.

Estimated amortization expense for intangible assets for the next five years is as follows (dollars in thousands):

| Year Ending December 31, | Amortization Expense |
|--------------------------|----------------------|
| 2011 | \$ 430 |
| 2012 | 392 |
| 2013 | 390 |
| 2014 | 390 |
| 2015 | 390 |

4.

FAIR VALUE MEASUREMENTS

As of December 31, 2010 and 2009, the Company held certain financial assets that are measured at fair value on a recurring basis. These consisted primarily of the Company's investments in a Rabbi Trust which are intended to fund the Company's SERP obligations. These are categorized as available-for-sale securities, and are included as other assets in the accompanying consolidated balance sheet at December 31, 2010 and 2009.

During the year ended December 31, 2010, the Company purchased marketable securities on the open market at a purchase price of \$1.2 million. As of December 31, 2010, the fair market value of this investment was \$1.7 million and the resulting unrealized gain of \$0.5 million is included net of tax in accumulated other comprehensive (loss) income in the accompanying consolidated balance sheet. This investment is classified as available-for-sale and is included in marketable securities in the table below.

The fair value of these investments is determined based on quoted market prices in public markets and is categorized as Level 1. The Company does not have any financial assets measured at fair value on a recurring basis categorized as Level 2 or Level 3, and there were no transfers in or out of Level 2 or Level 3 during the year ended December 31, 2010. There were no changes to the Company's valuation techniques used to measure asset fair values on a recurring or nonrecurring basis during the year ended December 31, 2010.

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The following table sets forth by level, within the fair value hierarchy, the Company's financial assets accounted for at fair value on a recurring basis as of December 31, 2010 and 2009 (dollars in thousands).

| | Assets at Fair Value Using | | | |
|--------------------------------|----------------------------|--|---|--|
| | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| As of December 31, 2010 | | | | |
| Available-for-sale securities: | | | | |
| Investments held in Rabbi | | | | |
| Trust | \$ 5,924 | \$ 5,924 | \$ - | \$ - |
| Marketable securities | 1,706 | 1,706 | - | - |
| Total | \$ 7,630 | \$ 7,630 | \$ - | \$ - |
| As of December 31, 2009 | | | | |
| Available-for-sale securities: | | | | |
| Investments held in Rabbi | | | | |
| Trust | \$ 3,656 | \$ 3,656 | \$ - | \$ - |
| Marketable securities | 2 | 2 | - | - |
| Total | \$ 3,658 | \$ 3,658 | \$ - | \$ - |

There were no financial assets accounted for at fair value on a nonrecurring basis as of December 31, 2010 or 2009.

The Company has other financial instruments, such as cash equivalents, accounts receivable, accounts payable and accrued expenses, which are not measured at fair value on a recurring basis but are recorded at amounts that approximate fair value due to their liquid or short-term nature. The Company did not have any other financial liabilities within the scope of the fair value disclosure requirements as of December 31, 2010.

Nonfinancial assets and liabilities, such as goodwill, indefinite-lived intangible assets and long-lived assets, are accounted for at fair value on a nonrecurring basis. These items are tested for impairment upon the occurrence of a triggering event or in the case of goodwill, on at least an annual basis. At December 31, 2010, the Company determined that the fair value of its aggregated reporting units exceeded the respective carrying values, and concluded that no impairment of goodwill existed as of that date. In addition, the Company determined that the fair value of its indefinite-lived intangible assets exceeded the book value at December 31, 2010 and concluded that no impairment existed as of that date.

5. OTHER ASSETS

At December 31, 2010, the Company has obligations of \$7.4 million associated with its supplemental executive retirement plan ("SERP"). As a means of informally funding these obligations, the Company has invested in life insurance policies related to certain employees and marketable securities held in a Rabbi Trust. At December 31, 2010, these assets had a combined fair value of \$8.4 million.

Company-Owned Life Insurance

Investments in company-owned life insurance policies (“COLI”) were made with the intention of utilizing them as a long-term funding source for the Company’s SERP obligations. However, the cash surrender value of the COLI does not represent a committed funding source for these obligations. Any proceeds from these policies are subject to claims from creditors. The fair market value of the COLI at December 31, 2009 was \$2.7 million. During 2010, the Company purchased an additional \$1.6 million in new COLI policies and subsequently surrendered the policies within the COLI at a cash surrender value of \$4.5 million. In late 2010, the Company purchased \$2.4 million in new COLI policies. The fair market value of the COLI of \$2.4 million at December 31, 2010 is included in other assets in the accompanying consolidated balance sheets. The volatility in global equity markets in recent years has had a significant effect on the cash surrender value of the COLI policies. As a result, the Company recorded income to account for the increase in cash surrender value in the amount of \$0.2 million and \$0.4 million during the years ended December 31, 2010 and 2009, respectively. These increases in cash surrender value were allocated between cost of sales and selling, general and administrative expenses on the consolidated statements of operations for the years ended December 31, 2010 and 2009. The allocation is consistent with the costs associated with the long-term employee benefit obligations that the COLI is intended to fund.

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Other Investments

At December 31, 2010 and 2009, the Company held available-for-sale investments at a cost of \$5.6 million and \$3.5 million, respectively. Together with the COLI described above, these investments are intended to fund the Company's SERP obligations and are classified as other assets in the accompanying consolidated balance sheets. These investments are classified as available for sale and the Company monitors these investments for impairment on an ongoing basis. At December 31, 2010 and 2009, the fair market value of these investments was \$5.9 million and \$3.7 million, respectively. The unrealized gain of \$0.3 million and \$0.2 million at December 31, 2010 and 2009, respectively, has been included in accumulated other comprehensive (loss) income.

6. INVENTORIES

The components of inventories are as follows (dollars in thousands):

| | December 31, | |
|------------------|--------------|-----------|
| | 2010 | 2009 |
| Raw materials | \$ 35,157 | \$ 22,431 |
| Work in progress | 5,930 | 1,478 |
| Finished goods | 15,883 | 7,882 |
| | \$ 56,970 | \$ 31,791 |

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following (dollars in thousands):

| | December 31, | |
|----------------------------|--------------|-----------|
| | 2010 | 2009 |
| Land | \$ 3,400 | \$ 3,237 |
| Buildings and improvements | 24,803 | 21,454 |
| Machinery and equipment | 67,961 | 55,336 |
| Construction in progress | 1,332 | 1,538 |
| | 97,496 | 81,565 |
| Accumulated depreciation | (52,703) | (45,622) |
| | \$ 44,793 | \$ 35,943 |

Depreciation expense for the years ended December 31, 2010, 2009 and 2008 was \$8.3 million, \$6.3 million and \$6.9 million, respectively.

During the year ended December 31, 2009, upon the resolution of various environmental matters with the State of New Jersey, the Company recognized a previously-deferred \$4.6 million gain related to the 2007 sale of land in Jersey City, New Jersey. During the year ended December 31, 2008, the Company recorded an impairment charge of \$0.7 million on fixed assets in connection with the closure of the Company's Westborough, Massachusetts facility.

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8. INCOME TAXES

At December 31, 2010 and 2009, the Company has approximately \$3.8 million and \$4.7 million, respectively, of liabilities for uncertain tax positions (\$0.9 million and \$1.8 million, respectively, included in income taxes payable and \$2.9 million and \$2.9 million, respectively, included in liability for uncertain tax positions) all of which, if recognized, would reduce the Company's effective tax rate.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction and various states and foreign jurisdictions. The Company is no longer subject to U.S. federal examinations by tax authorities for years before 2006 and for state examinations before 2005. Regarding foreign subsidiaries, the Company is no longer subject to examination by tax authorities for years before 2003 in Asia and generally 2005 in Europe. During September 2010, the Company was notified of an Internal Revenue Service ("IRS") tax audit for the years ended December 31, 2006, 2008 and 2009. The Company believes the audit is a result of a foreign tax credit carryback claim to the year ended December 31, 2006. As the statute of limitations for the year 2006 has expired, any tax adjustment proposed by the IRS for the year 2006 would be limited to the amount of the carryback claim of approximately \$0.3 million.

As a result of the expiration of the statute of limitations for specific jurisdictions, it is reasonably possible that the related unrecognized benefits for tax positions taken regarding previously filed tax returns may change materially from those recorded as liabilities for uncertain tax positions in the Company's consolidated financial statements at December 31, 2010. A total of \$1.0 million of previously recorded liabilities for uncertain tax positions relates to the 2007 tax year. The statute of limitations related to this liability is scheduled to expire on September 15, 2011.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (dollars in thousands):

| | 2010 | 2009 | 2008 |
|---|----------|----------|----------|
| Unrecognized tax benefit - January 1 | \$ 4,722 | \$ 7,345 | \$ 9,191 |
| Additions based on tax positions related to the current year | 948 | 1,277 | 415 |
| Expiration of statutes of limitations | (1,835) | (3,900) | (2,261) |
| Unrecognized tax benefit - December 31 | \$ 3,835 | \$ 4,722 | \$ 7,345 |

The Company's policy is to recognize interest and penalties related to uncertain tax positions as a component of the current provision for income taxes. During the years ended December 31, 2010, 2009 and 2008, the Company recognized approximately \$0.2 million, \$0.1 million and \$0.1 million, respectively, in interest and penalties in the consolidated statements of operations. The Company has approximately \$0.4 million and \$0.6 million accrued for the payment of interest and penalties at December 31, 2010 and 2009, respectively, which is included in both income taxes payable and liability for uncertain tax positions in the Company's consolidated balance sheets.

The provision (benefit) for income taxes consists of the following (dollars in thousands):

| | Years Ended December 31, | | |
|----------|--------------------------|------------|-----------|
| | 2010 | 2009 | 2008 |
| Current: | | | |
| Federal | \$ 221 | \$ (5,383) | \$ (426) |
| Foreign | 804 | 12 | (107) |
| State | 182 | (18) | 425 |

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| | | | |
|-----------|----------|------------|------------|
| | 1,207 | (5,389) | (108) |
| Deferred: | | | |
| Federal | (133) | 4,229 | (3,240) |
| State | 189 | 302 | (381) |
| Foreign | 668 | (527) | 5 |
| | 724 | 4,004 | (3,616) |
| | \$ 1,931 | \$ (1,385) | \$ (3,724) |

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A reconciliation of taxes on income computed at the federal statutory rate to amounts provided is as follows (dollars in thousands):

| | Years Ended December 31, | | | | | |
|--|--------------------------|-------|------------|-------|------------|-------|
| | 2010 | | 2009 | | 2008 | |
| | \$ | % | \$ | % | \$ | % |
| Tax provision (benefit) computed at the federal statutory rate | \$ 5,297 | 34 % | \$ (3,296) | 34 % | \$ (6,342) | 34 % |
| (Decrease) increase in taxes resulting from: | | | | | | |
| Different tax rates and permanent differences applicable to foreign operations | (2,377) | -15 % | 720 | -8 % | (161) | 1 % |
| Reversal of liability for uncertain tax positions - net | (887) | -6 % | (2,623) | 27 % | (1,846) | 10 % |
| Permanent tax differences related to goodwill impairment with no tax benefit | - | 0 % | 4,378 | -45 % | 4,264 | -23 % |
| Utilization of research and development and foreign tax credits | (549) | -4 % | (674) | 7 % | (383) | 2 % |
| State taxes, net of federal benefit | 309 | 2 % | 290 | -3 % | 368 | -2 % |
| Other, including qualified production activity credits, SERP/COLI income, fair value of vested stock awards, over accruals and amortization of purchase accounting intangibles | 138 | 1 % | (180) | 2 % | 376 | -2 % |
| Tax provision (benefit) computed at the Company's effective tax rate | \$ 1,931 | 12 % | \$ (1,385) | 14 % | \$ (3,724) | 20 % |

As of December 31, 2010, the Company has gross foreign income tax net operating losses (“NOL”) and capital loss carryforwards of \$1.5 million. The Company has established a valuation allowance of \$1.5 million against this amount. In addition, the Company has gross state income tax NOLs, capital loss carryforwards and credit carryforwards of \$7.4 million, of which the Company expects to be able to utilize \$0.6 million. The foreign NOL's can be carried forward indefinitely and the state NOL's expire at various times during 2013 - 2029.

In connection with the Cinch acquisition, the Company acquired certain tax assets and liabilities. Cinch Europe had NOL and capital loss carryforwards in the amounts of \$0.6 million and \$0.2 million, respectively, as of the acquisition date. The related tax benefits were \$0.2 million and \$0.1 million, respectively. The capital loss carryforward was acquired with a valuation allowance, which the Company maintained at December 31, 2010. During the year ended December 31, 2010, the entire \$0.6 million net operating loss was utilized. Additionally, Cinch Europe had a deferred tax liability in the amount of \$0.1 million for various timing differences and \$0.1 million in refundable income taxes. Cinch U.S. had a deferred tax asset in the amount of \$0.1 million relating to vacation accruals, \$0.1 million of net refundable income tax and a deferred tax asset related to inventory capitalization in the amount of \$0.2 million at the time of the acquisition. Of these amounts, \$0.1 million of net refundable income tax remains on the consolidated balance sheet as of December 31, 2010. Cinch Mexico was acquired with a refundable income tax in the amount of \$0.1 million, which was applied to current year income tax for 2010. The Company has received a fair market value report of property, plant and equipment, and intangibles related to Cinch Europe and Cinch Mexico which resulted in the establishment of deferred tax liabilities at the date of acquisition in the amounts of \$0.4 million and an immaterial amount, respectively. At December 31, 2010, the deferred tax liability of \$0.4 million remains on the consolidated balance sheet. None of the reversals of the deferred tax asset or deferred tax liabilities or use of NOL carryforwards acquired from the Cinch acquisition will impact the consolidated statement of operations.

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Management's intention is to permanently reinvest the majority of the earnings of foreign subsidiaries in the expansion of its foreign operations. During the year ended December 31, 2008, the Company repatriated previously taxed foreign earnings of approximately \$0.3 million. Unrepatriated earnings, upon which U.S. income taxes have not been accrued, are approximately \$97.0 million at December 31, 2010. Such unrepatriated earnings are deemed by management to be permanently reinvested. The estimated federal income tax liability (net of estimated foreign tax credits) related to unrepatriated foreign earnings is \$22.4 million under the current tax law.

On August 10, 2010, President Obama signed into law the "Education Jobs & Medicaid Assistance Act" (H.R. 1586) (the "Act"). The Act's international tax provisions place certain restrictions on the use of foreign tax credits. The Company has evaluated the newly-enacted international tax provisions and determined that they do not materially affect the Company's operating results or financial condition.

The Company continues to monitor proposed legislation affecting the taxation of transfers of U.S. intangible property and other potential tax law changes.

Components of deferred income tax assets are as follows (dollars in thousands).

| | December 31, | |
|---|--------------|------------|
| | 2010 | 2009 |
| | Tax Effect | Tax Effect |
| Deferred Tax Assets - current: | | |
| State tax credits | \$ 519 | \$ - |
| Reserves and accruals | 923 | 917 |
| Valuation allowance | (419) | (102) |
| | \$ 1,023 | \$ 815 |
| Deferred Tax Assets - noncurrent: | | |
| Unfunded pension liability | \$ 635 | \$ 341 |
| Depreciation | 161 | 138 |
| Amortization | 526 | 1,076 |
| Federal, state and foreign net operating loss and credit carryforwards | 1,060 | 1,893 |
| Restructuring expenses | 193 | 294 |
| Other accruals | 1,670 | 1,550 |
| Valuation allowances | (1,044) | (776) |
| | \$ 3,201 | \$ 4,516 |

During 2005, the Company was granted an offshore operating license from the government of Macao to set up a Commercial Offshore Company ("MCO") named Bel Fuse (Macao Commercial Offshore) Limited. Sales to third-party customers commenced during the first quarter of 2006. Sales consist of products manufactured in the People's Republic of China (PRC). The MCO is not subject to Macao corporation income taxes.

9. DEBT

At December 31, 2010 and 2009, a \$20 million line of credit, which expires on June 30, 2011, was available to the Company to borrow. The loan was collateralized with a first priority security interest in 100% of the issued and outstanding shares of the capital stock of the Company's material domestic subsidiaries and 65% of all the issued and outstanding shares of the capital stock of certain of the foreign subsidiaries of the Company. There have not been any borrowings under the credit agreement during 2010 or 2009 and, as a result, there was no balance outstanding as of

December 31, 2010 or 2009. At those dates, the entire \$20 million line of credit was available to the Company to borrow. The credit agreement bears interest at LIBOR plus 0.75% to 1.25% based on certain financial statement ratios maintained by the Company. Under the terms of the credit agreement, the Company is required to maintain certain financial ratios and comply with other financial conditions. At December 31, 2010, the Company was in compliance with its debt covenants.

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The Company's Hong Kong subsidiary had an unsecured line of credit of approximately \$2 million, which was unused at December 31, 2009. The line of credit expired during 2010 and was not renewed.

In July 2009, the Company established a standby letter of credit with the State of New Jersey as a performance guarantee related to environmental cleanup associated with the Jersey City, New Jersey property sale. In connection with this agreement, the Company had a compensating balance of \$0.3 million which has been classified as restricted cash as of December 31, 2009. This matter was resolved during the fourth quarter of 2010.

10. ACCRUED EXPENSES

Accrued expenses consist of the following (dollars in thousands):

| | Year Ended December | |
|--|---------------------|----------|
| | 2010 | 2009 |
| Sales commissions | \$ 1,740 | \$ 1,506 |
| Subcontracting labor | 2,467 | 2,615 |
| Salaries, bonuses and related benefits | 7,405 | 1,475 |
| Litigation reserve | 8,103 | - |
| Other | 2,830 | 2,395 |
| | \$ 22,545 | \$ 7,991 |

Accrued Restructuring Costs

Activity and liability balances related to restructuring charges for the years ended December 31, 2009 and 2010 are as follows (these charges are associated with the 2008 closure of the Company's facility in Westborough, Massachusetts) (dollars in thousands):

| | Facility Lease Obligation | Termination Benefit Charges | Total |
|--|---------------------------------|-----------------------------------|--------|
| Liability balance at January 1, 2009 | \$ 524 | \$ 437 | \$ 961 |
| New charges | 292 | 121 | 413 |
| Cash payments | (152) | (558) | (710) |
| Liability balance at December 31, 2009 | 664 | - | 664 |
| Cash payments | (157) | - | (157) |
| Liability balance at December 31, 2010 | \$ 507 | \$ - | \$ 507 |

The Company has included the current portion of \$0.2 million in accrued restructuring costs in the consolidated balance sheet at December 31, 2010, and has classified the remaining \$0.3 million of the liability related to the facility lease obligation as noncurrent. During the year ended December 31, 2009, the Company recorded \$0.4 million in restructuring charges, including \$0.1 million of severance charges and \$0.3 million related to its facility lease obligations.

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11. BUSINESS SEGMENT INFORMATION

The Company operates in one industry with three reportable operating segments, which are geographic in nature. The segments consist of North America, Asia and Europe. The primary criteria by which financial performance is evaluated and resources are allocated are revenues and operating income. The following is a summary of key financial data (dollars in thousands):

| | 2010 | 2009 | 2008 |
|--|------------|--------------|--------------|
| Net Sales to External Customers: | | | |
| North America | \$ 111,888 | \$ 41,898 | \$ 67,380 |
| Asia | 156,635 | 123,764 | 165,164 |
| Europe | 34,016 | 17,091 | 25,806 |
| | \$ 302,539 | \$ 182,753 | \$ 258,350 |
| Net Sales: | | | |
| North America | \$ 125,383 | \$ 51,189 | \$ 79,862 |
| Asia | 196,243 | 144,572 | 188,718 |
| Europe | 35,150 | 18,110 | 27,143 |
| Less intergeographic revenues | (54,237) | (31,118) | (37,373) |
| | \$ 302,539 | \$ 182,753 | \$ 258,350 |
| Income (Loss) from Operations: | | | |
| North America | \$ 4,181 | \$ (205) | \$ (12,646) |
| Asia | 9,357 | (16,462) | 1,202 |
| Europe | 1,622 | (684) | 695 |
| | \$ 15,160 | \$ (17,351) | \$ (10,749) |
| Total Assets: | | | |
| North America | \$ 110,984 | \$ 131,078 | |
| Asia | 155,414 | 107,546 | |
| Europe | 10,774 | 7,322 | |
| | \$ 277,172 | \$ 245,946 | |
| Capital Expenditures: | | | |
| North America | \$ 870 | \$ 353 | \$ 948 |
| Asia | 1,371 | 1,979 | 5,758 |
| Europe | 186 | 25 | 181 |
| | \$ 2,427 | \$ 2,357 | \$ 6,887 |
| Depreciation and Amortization Expense: | | | |
| North America | \$ 3,862 | \$ 1,535 | \$ 1,787 |
| Asia | 4,513 | 5,087 | 5,484 |
| Europe | 461 | 156 | 172 |
| | \$ 8,836 | \$ 6,778 | \$ 7,443 |

Net sales from external customers are attributed to individual operating segments based on the geographic source of the billing for such customer sales. Transfers between geographic areas include finished products manufactured in foreign countries which are then transferred to the United States and Europe for sale; finished goods manufactured in

the United States which are transferred to Europe and Asia for sale; and semi-finished components manufactured in the United States which are sold to Asia for further processing. Income (loss) from operations represents gross profit less operating expenses.

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The following items are included in the income (loss) from operations presented above:

Litigation Charges – During the year ended December 31, 2010, the Company recorded \$8.1 million of litigation charges related to the SynQor lawsuit. This charge impacted income from operations primarily within the Company's Asia reportable operating segment.

Impairment of Assets – During the third quarter of 2009, the Company conducted an interim valuation test related to the Company's goodwill by operating segment. As a result of the reduction in fair value of the Asia operating segment, the Company recorded charges of \$12.9 million related to the impairment of goodwill of its Asia operating segment during 2009. During the fourth quarter of 2008, the Company conducted its annual valuation test related to the Company's goodwill by reporting unit. As a result of the reduction in the fair value of the North America operating segment, the Company recorded charges of \$14.1 million related to the impairment of goodwill of its North America operating segment during 2008. The Company also incurred fixed asset impairments in the North America operating segment of \$0.7 million related to assets located at the Westborough, Massachusetts facility which ceased operations as of December 31, 2008.

Restructuring Charges – In connection with the closure of its Westborough, Massachusetts facility, the Company incurred severance costs during 2008 of \$0.6 million and lease termination costs of \$0.5 million. The Company incurred an additional \$0.4 million of restructuring costs in 2009 related primarily to the facility lease obligation.

Gain on Sale of Property, Plant & Equipment – During the year ended December 31, 2009, the Company recognized a previously-deferred \$4.6 million pre-tax gain in the North America operating segment from the 2007 sale of a property in Jersey City, New Jersey.

Entity-Wide Information

The following is a summary of entity-wide information related to the Company's net sales to external customers by geographic area and by major product line (dollars in thousands).

| | 2010 | 2009 | 2008 |
|----------------------------------|------------|------------|------------|
| Net Sales by Geographic Area: | | | |
| United States | \$ 111,888 | \$ 41,898 | \$ 67,380 |
| Macao | 156,635 | 123,764 | 165,164 |
| United Kingdom | 10,747 | - | - |
| Germany | 20,027 | 13,959 | 21,280 |
| Czech Republic | 3,242 | 3,132 | 4,526 |
| Consolidated net sales | \$ 302,539 | \$ 182,753 | \$ 258,350 |
| Net Sales by Major Product Line: | | | |
| Magnetics | \$ 127,664 | \$ 86,326 | \$ 118,552 |
| Interconnect | 101,059 | 32,447 | 47,407 |
| Modules | 61,092 | 54,323 | 77,285 |
| Circuit protection | 12,724 | 9,657 | 15,106 |
| Consolidated net sales | \$ 302,539 | \$ 182,753 | \$ 258,350 |

Net sales from external customers are attributed to individual countries based on the geographic source of the billing for such customer sales.

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The following is a summary of long-lived assets by geographic area as of December 31, 2010 and 2009 (dollars in thousands):

| | 2010 | 2009 |
|---|-----------|-----------|
| Long-lived Assets by Geographic Location: | | |
| United States | \$ 30,904 | \$ 17,549 |
| People's Republic of China (PRC) | 20,999 | 24,199 |
| All other foreign countries | 2,794 | 1,094 |
| Consolidated long-lived assets | \$ 54,697 | \$ 42,842 |

Long-lived assets consist of property, plant and equipment, net and other assets of the Company that are identified with the operations of each geographic area.

The territory of Hong Kong became a Special Administrative Region (“SAR”) of the PRC in the middle of 1997. The territory of Macao became a SAR of the PRC at the end of 1999. Management cannot presently predict what future impact this will have on the Company, if any, or how the political climate in the PRC will affect the Company's contractual arrangements in the PRC. A significant portion of the Company's manufacturing operations and approximately 43% of its identifiable assets are located in Asia.

Net Sales to Major Customers

In 2010, the Company had sales to two customers in excess of ten percent of consolidated net sales. The combined revenue from these two customers was \$74.6 million during the year ended December 31, 2010, representing 24.7% of total sales. The Company had sales to three customers in excess of ten percent of consolidated net sales in 2009. The combined revenue from these three customers was \$71.9 million during the year ended December 31, 2009, representing 39.4% of total sales. In 2008, there were two customers in excess of ten percent of consolidated net sales. The combined revenue of these two customers was \$62.8 million during the year ended December 31, 2008, representing 24.3% of total sales. Sales related to these significant customers were primarily reflected in the Asia operating segment.

12. RETIREMENT FUND AND PROFIT SHARING PLAN

The Company maintains a domestic profit sharing plan and a contributory stock ownership and savings 401(k) plan, which combines stock ownership and individual voluntary savings provisions to provide retirement benefits for plan participants. The plan provides for participants to voluntarily contribute a portion of their compensation, subject to certain legal maximums. The Company will match, based on a sliding scale, up to \$350 for the first \$600 contributed by each participant. Matching contributions plus additional discretionary contributions are made with Company stock purchased in the open market. The expense for the years ended December 31, 2010, 2009 and 2008 amounted to approximately \$0.7 million, \$0.4 million and \$0.4 million, respectively. As of December 31, 2010, the plans owned 16,297 and 208,303 shares of Bel Fuse Inc. Class A and Class B common stock, respectively.

The Company's subsidiaries in Asia have a retirement fund covering substantially all of their Hong Kong based full-time employees. Eligible employees contribute up to 5% of salary to the fund. In addition, the Company must contribute a minimum of 5% of eligible salary, as determined by Hong Kong government regulations. The Company currently contributes 7% of eligible salary in cash or Company stock. The expense for the years ended December 31,

2010, 2009 and 2008 amounted to approximately \$0.3 million, \$0.3 million and \$0.4 million, respectively. As of December 31, 2010, the plan owned 3,323 and 17,342 shares of Bel Fuse Inc. Class A and Class B common stock, respectively.

The Supplemental Executive Retirement Plan (the "SERP" or the "Plan") is designed to provide a limited group of key management and highly compensated employees of the Company with supplemental retirement and death benefits. Participants in the SERP are selected by the Compensation Committee of the Board of Directors. The SERP initially became effective in 2002 and was amended and restated in April 2007 to conform with applicable requirements of Section 409A of the Internal Revenue Code and to modify the provisions regarding benefits payable in connection with a change in control of the Company. The Plan is unfunded. Benefits under the SERP are payable from the general assets of the Company, but the Company has established a rabbi trust which includes certain life insurance policies in effect on participants as well as other investments to partially cover the Company's obligations under the Plan.

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The benefits available under the Plan vary according to when and how the participant terminates employment with the Company. If a participant retires (with the prior written consent of the Company) on his normal retirement date (65 years old, 20 years of service, and 5 years of Plan participation), his normal retirement benefit under the Plan would be annual payments equal to 40% of his average base compensation (calculated using compensation from the highest 5 consecutive calendar years of Plan participation), payable in monthly installments for the remainder of his life. If a participant retires early from the Company (55 years old, 20 years of service, and 5 years of Plan participation), his early retirement benefit under the Plan would be an amount (i) calculated as if his early retirement date were in fact his normal retirement date, (ii) multiplied by a fraction, with the numerator being the actual years of service the participant has with the Company and the denominator being the years of service the participant would have had if he had retired at age 65, and (iii) actuarially reduced to reflect the early retirement date. If a participant dies prior to receiving 120 monthly payments under the Plan, his beneficiary would be entitled to continue receiving benefits for the shorter of (i) the time necessary to complete 120 monthly payments or (ii) 60 months. If a participant dies while employed by the Company, his beneficiary would receive, as a survivor benefit, an annual amount equal to (i) 100% of the participant's annual base salary at date of death for one year, and (ii) 50% of the participant's annual base salary at date of death for each of the following 4 years, each payable in monthly installments. The Plan also provides for disability benefits, and a forfeiture of benefits if a participant terminates employment for reasons other than those contemplated under the Plan. The expense related to the Plan for the years ended December 31, 2010, 2009 and 2008 amounted to approximately \$0.8 million, \$0.9 million and \$0.7 million, respectively.

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The following provides a reconciliation of benefit obligations, the funded status of the SERP and a summary of significant assumptions (dollars in thousands):

| December 31, | 2010 | 2009 | 2008 |
|--|-------------|-------------|----------|
| Change in benefit obligation: | | | |
| Projected benefit obligation at beginning of year | \$ 5,622 | \$ 5,910 | \$ 4,698 |
| Service cost | 340 | 383 | 293 |
| Interest cost | 336 | 352 | 303 |
| Benefits paid | (56) | (75) | (75) |
| Actuarial (gains) losses | 1,108 | (948) | 691 |
| Minimum pension obligation and unfunded pension liability | \$ 7,350 | \$ 5,622 | \$ 5,910 |
| Funded status of plan: | | | |
| Underfunded status | \$ (7,350) | \$ (5,622) | |
| Accrued pension cost | \$ (7,350) | \$ (5,622) | |
| Change in plan assets: | | | |
| Fair value of plan assets, beginning of year | \$ - | \$ - | \$ - |
| Company contributions | 56 | 75 | 75 |
| Benefits paid | (56) | (75) | (75) |
| Fair value of plan assets, end of year | \$ - | \$ - | \$ - |
| Balance sheet amounts: | | | |
| Minimum pension obligation and unfunded pension liability | \$ 7,350 | \$ 5,622 | |
| Amounts recognized in accumulated other comprehensive income, pretax: | | | |
| Prior service cost | \$ 1,143 | \$ 1,276 | |
| Net loss (gain) | 932 | (176) | |
| | \$ 2,075 | \$ 1,100 | |
| The components of SERP expense are as follows: | | | |
| Year Ended December 31, | 2010 | 2009 | 2008 |
| Service cost | \$ 340 | \$ 383 | \$ 293 |
| Interest cost | 336 | 352 | 303 |
| Net amortization and deferral | 133 | 147 | 133 |
| Total SERP expense | \$ 809 | \$ 882 | \$ 729 |
| Assumption percentages: | | | |
| Discount rate | 5.50 % | 6.00 % | 6.00 % |

| | | | | | | |
|-------------------------------|------|---|------|---|------|---|
| Rate of compensation increase | 3.00 | % | 3.00 | % | 3.00 | % |
|-------------------------------|------|---|------|---|------|---|

The accumulated benefit obligation for the SERP was \$5.8 million and \$4.8 million as of December 31, 2010 and 2009, respectively.

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The estimated net loss and prior service cost for the defined benefit pension plan that will be amortized from other comprehensive income into net periodic benefit cost over the next fiscal year is \$0 and \$0.1 million, respectively. The Company does not expect to make any contributions to the SERP in 2011.

The Company had no net transition assets or obligations recognized as an adjustment to other comprehensive income and does not anticipate any plan assets being returned to the Company during 2011, as the plan has no assets.

The following benefit payments, which reflect expected future service, are expected to be paid (dollars in thousands):

| Years Ending December 31, | |
|------------------------------|-------|
| 2011 | \$ - |
| 2012 | 79 |
| 2013 | 137 |
| 2014 | 184 |
| 2015 | 239 |
| 2016 - 2020 | 1,804 |

13. SHARE-BASED COMPENSATION

The Company records compensation expense in its consolidated statements of operations related to employee stock-based options and awards. The aggregate pretax compensation cost recognized for stock-based compensation amounted to approximately \$2.2 million, \$1.7 million and \$1.5 million for the years ended December 31, 2010, 2009 and 2008, respectively. The Company did not use any cash to settle any equity instruments granted under share-based arrangements during the years ended December 31, 2010, 2009 and 2008.

Stock Options

The Company has an equity compensation program (the "Program") which provides for the granting of "Incentive Stock Options" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, non-qualified stock options and restricted stock awards. The Company believes that such awards better align the interest of its employees with those of its shareholders. The Plan provides for the issuance of 2.4 million common shares. Unless otherwise provided at the date of grant or unless subsequently accelerated, options granted under the Program become exercisable twenty-five percent (25%) one year from the date of grant and twenty-five percent (25%) for each year of the three years thereafter. Upon exercise the Company will issue new shares. The exercise price of incentive stock options granted pursuant to the Plan is not to be less than 100 percent of the fair market value of the shares on the date of grant. In general, no option will be exercisable after ten years from the date granted.

No incentive stock options were granted in 2010, 2009 or 2008. Expected lives of options previously granted were estimated using the historical exercise behavior of employees. Expected volatilities were based on implied volatilities from historical volatility of the Company's stock. The Company uses historical data to estimate employee forfeitures. The risk free rate is based on the U.S. Treasury yield curve in effect at the time of grant.

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Information regarding the Company's stock options for the year ended December 31, 2010 is as follows. All of the stock options noted below relate to options to purchase shares of the Company's Class B common stock.

| Stock Options | Shares | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term | Aggregate Intrinsic Value (in 000's) |
|----------------------------------|-----------|---------------------------------|---|--------------------------------------|
| Outstanding at January 1, 2010 | 34,000 | \$ 29.50 | | |
| Exercised | - | - | | |
| Granted | - | - | | |
| Cancelled | (34,000) | 29.50 | | |
| Outstanding at December 31, 2010 | - | - | - | - |
| Exercisable at December 31, 2010 | - | \$ - | - | \$ - |

No stock options were exercised during the years ended December 31, 2010 and 2009. During the year ended December 31, 2008, the Company received \$0.3 million from the exercise of stock options and realized tax benefits of less than \$0.1 million. The total intrinsic value of options exercised during the year ended December 31, 2008 was \$0.2 million. Stock compensation expense applicable to stock options was minimal during the years ended December 31, 2010, 2009 and 2008.

Restricted Stock Awards

The Company provides common stock awards to certain officers and key employees. The Company grants these awards, at its discretion, from the shares available under the Program. Unless otherwise provided at the date of grant or unless subsequently accelerated, the shares awarded are earned in 25% increments on the second, third, fourth and fifth anniversaries of the award, respectively, and are distributed provided the employee has remained employed by the Company through such anniversary dates; otherwise the unearned shares are forfeited. The market value of these shares at the date of award is recorded as compensation expense on the straight-line method over the five-year periods from the respective award dates, as adjusted for forfeitures of unvested awards. During 2010, 2009 and 2008, the Company issued 68,900, 141,300 and 56,300 class B common shares, respectively, under a restricted stock plan to various officers and employees. In connection with these and other awards granted in prior years, the Company recorded compensation expense of \$2.2 million, \$1.7 million and \$1.5 million (\$1.9 million, \$1.2 million and \$1.1 million, after tax benefit) for the years ended December 31, 2010, 2009 and 2008, respectively.

A summary of the restricted stock activity under the Program as of December 31, 2010 is presented below:

| Restricted Stock Awards | Shares | Weighted Average Award Price | Weighted Average Remaining Contractual Term |
|----------------------------------|-----------|------------------------------|---|
| Outstanding at January 1, 2010 | 273,850 | \$ 24.96 | 3.6 years |
| Granted | 68,900 | 21.35 | |
| Vested | (60,425) | 33.21 | |
| Forfeited | (5,900) | 23.01 | |
| Outstanding at December 31, 2010 | 276,425 | \$ 22.30 | 3.4 years |

As of December 31, 2010, there was \$4.1 million of total pretax unrecognized compensation cost included within additional paid-in-capital related to non-vested stock based compensation arrangements granted under the restricted stock award plan; that cost is expected to be recognized over a period of 4.4 years.

The Company's policy is to issue new shares to satisfy Restricted Stock Awards and stock option exercises. Currently the Company believes that substantially all restricted stock awards will vest.

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14. COMMON STOCK

During 2000, the Board of Directors of the Company authorized the purchase of up to ten percent of the Company's outstanding common shares. As of December 31, 2010, the Company had purchased and retired 23,600 Class B common shares at a cost of approximately \$0.8 million and had purchased and retired 527,817 Class A common shares at a cost of approximately \$16.8 million. No shares of Class A or Class B common stock were repurchased during the year ended December 31, 2010.

As of December 31, 2010, to the Company's knowledge, there were two shareholders of the Company's common stock (other than shareholders subject to specific exceptions) with ownership in excess of 10% of Class A outstanding shares with no ownership of the Company's Class B common stock. In accordance with the Company's certificate of incorporation, the Class B Protection clause is triggered if a shareholder owns 10% or more of the outstanding Class A common stock and does not own an equal or greater percentage of all then outstanding shares of both Class A and Class B common stock (all of which common stock must have been acquired after the date of the 1998 recapitalization). In such a circumstance, such shareholder must, within 90 days of the trigger date, purchase Class B common shares, in an amount and at a price determined in accordance with a formula described in the Company's certificate of incorporation, or forfeit its right to vote its Class A common shares. As of December 31, 2010, to the Company's knowledge, these shareholders had not purchased any Class B shares to comply with these requirements. In order to vote their shares at Bel's next shareholders' meeting, these shareholders must either purchase the required number of Class B common shares or sell or otherwise transfer Class A common shares until their Class A holdings are under 10%. As of December 31, 2010, to the Company's knowledge, these shareholders owned 27.8% and 15.9%, respectively, of the Company's Class A common stock in the aggregate and had not taken steps to either purchase the required number of Class B common shares or sell or otherwise transfer Class A common shares until their Class A holdings fall below 10%. Unless and until this situation is satisfied in a manner permitted by the Company's Restated Certificate of Incorporation, the subject shareholders will not be permitted to vote their shares of common stock.

Throughout 2008, 2009 and 2010, the Company declared dividends on a quarterly basis at a rate of \$0.06 per Class A share of common stock and \$0.07 per Class B share of common stock. During the years ended December 31, 2010, 2009 and 2008, the Company declared dividends totaling \$3.2 million, \$3.1 million and \$3.2 million, respectively. There are no contractual restrictions on the Company's ability to pay dividends provided the Company is not in default under its credit agreements immediately before such payment and after giving effect to such payment.

15. COMMITMENTS AND CONTINGENCIES

Leases

The Company leases various facilities. Some of these leases require the Company to pay certain executory costs (such as insurance and maintenance).

Future minimum lease payments for operating leases are approximately as follows (dollars in thousands):

Years Ending
December 31,

| | |
|------|----------|
| 2011 | \$ 2,956 |
| 2012 | 2,330 |
| 2013 | 1,550 |

| | |
|------------|----------|
| 2014 | 1,079 |
| 2015 | 799 |
| Thereafter | - |
| | \$ 8,714 |

Subsequent to December 31, 2010, the Company modified and extended the terms of an existing facility lease. This modification will result in additional rent expense of \$0.2 million during 2015 and a total of \$1.3 million thereafter. Rental expense for all leases was approximately \$3.4 million, \$2.2 million and \$2.3 million for the years ended December 31, 2010, 2009, and 2008, respectively.

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Other Commitments

The Company submits purchase orders for raw materials to various vendors throughout the year for current production requirements, as well as forecasted requirements. Certain of these purchase orders relate to special purpose material and, as such, the Company may incur penalties if an order is cancelled. The Company had outstanding purchase orders related to raw materials in the amount of \$30.2 million and \$19.9 million at December 31, 2010 and December 31, 2009, respectively. Of the \$10.3 million increase, the addition of Cinch commitments accounts for \$6.5 million and the remaining \$3.8 million increase relates to new purchase orders of raw materials to accommodate the increased demand for Bel's products. The Company also had outstanding purchase orders related to capital expenditures in the amount of \$1.7 million and \$1.4 million at December 31, 2010 and December 31, 2009, respectively.

Legal Proceedings

The Company is a defendant in a lawsuit captioned SynQor, Inc. v. Artesyn Technologies, Inc., et al. brought in the United States District Court, Eastern District of Texas in November 2007. The plaintiff alleged that eleven defendants, including Bel, infringed its patents covering certain power products. With respect to the Company, the plaintiff claimed that the Company infringed its patents related to unregulated bus converters and/or point-of-load (POL) converters used in intermediate bus architecture power supply systems. The case went to trial in December 2010 and a judgment was entered on December 29, 2010. The jury found that certain products of the defendants directly and/or indirectly infringe the SynQor patents. The jury awarded damages of \$8.1 million against the Company. The Company intends to appeal the verdict and judgment. The Company recorded an \$8.1 million litigation charge during the year ended December 31, 2010 related to this case.

The Company was a defendant in a lawsuit captioned Halo Electronics, Inc. ("Halo") v. Bel Fuse Inc., Pulse Engineering, Inc. and Technitrol, Inc. brought in Nevada Federal District Court. Plaintiff claimed that the Company had infringed its patents covering certain surface mount discrete magnetic products made by the Company. Halo sought unspecified damages, which it claimed should be trebled. In December 2007, this case was dismissed by the Nevada Federal District Court for lack of personal jurisdiction. Halo then re-filed this suit, with similar claims against the Company, in the Northern California Federal District Court, captioned Halo Electronics, Inc. v. Bel Fuse Inc., Elec & Eltek (USA) Corporation, Wurth Electronics Midcom, Inc., and Xfmrs, Inc.

The Company is a plaintiff in a lawsuit captioned Bel Fuse Inc. v. Halo Electronics, Inc. brought in the United States District Court of New Jersey during June 2007. The Company claims that Halo has infringed a patent covering certain integrated connector modules made by Halo. The Company is seeking an unspecified amount of damages plus interest, costs and attorney fees. A trial date for this case has been set for March 2011.

Cinch, a wholly-owned subsidiary of the Company, was a defendant in a lawsuit captioned Engelbrecht v. Motorola, et. al. brought in the Circuit Court of the State of Oregon for the County of Douglas (the "Complaint") on January 10, 2010. The plaintiff claimed that Cinch was engaged in the manufacture and sale of asbestos-containing radio components which allegedly caused him to sustain personal injuries due to his exposure to asbestos. Cinch filed an answer to the Complaint, denying any legal liability or fault for the damages alleged in the Complaint, and affirmatively pleaded, among other defenses, that the plaintiff's alleged damages, if any, were caused by persons for whom Cinch is not responsible. Cinch was dismissed as a party to this case through a limited judgment of dismissal which was filed by the Douglas County Circuit Court on July 19, 2010.

As of December 31, 2010, other than as described above relating to the SynQor litigation, no amounts have been accrued in connection with contingencies related to these lawsuits, as the amounts are not estimable. The Company cannot predict the outcome of its unresolved legal proceedings; however, management believes that the ultimate resolution of these matters will not have a material impact on the Company's consolidated financial condition or

results of operations.

The Company is not a party to any other legal proceeding, the adverse outcome of which is likely to have a material adverse effect on the Company's consolidated financial condition or results of operations.

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16. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

The components of accumulated other comprehensive (loss) income as of December 31, 2010 and 2009 are summarized below (dollars in thousands)

| | 2010 | 2009 |
|--|----------|----------|
| Foreign currency translation adjustment | \$ 882 | \$ 1,789 |
| Unrealized holding gain (loss) on available-for-sale securities, net of taxes of \$322 and \$42 as of December 31, 2010 and 2009 | 519 | 62 |
| Unfunded SERP liability, net of taxes of \$(635) and \$(341) as of December 31, 2010 and 2009 | (1,440) | (759) |
| Accumulated other comprehensive (loss) income | \$ (39) | \$ 1,092 |

17. RELATED PARTY TRANSACTIONS

As of December 31, 2010, the Company has \$2.0 million invested in a money market fund with GAMCO Investors, Inc. ("GAMCO"). GAMCO is a current shareholder of the Company, with holdings of its Class A stock of approximately 27.8%. However, as discussed in Note 14, GAMCO's voting rights are currently suspended.

18. UNAUTHORIZED TRANSACTIONS

In April 2009, as part of the March 31, 2009 quarter-end review, the Company's internal accounting personnel identified a questionable entry in the Company's stock option exercise records. After questioning by management, a Company employee (the "Employee") responsible for certain aspects of the Company's benefit plan administration admitted fabricating certain Company records for his own benefit in order to enable him to exercise stock options that had not been granted to him by the Company's Compensation Committee. The investigation related to this matter was completed during 2009.

During the year ended December 31, 2009, the Company recorded an unauthorized issuance of common stock charge of \$0.9 million related to this theft. This charge was offset by \$0.5 million related to the fair market value of shares returned by the Employee during 2009. In addition, the Company incurred \$0.2 million in legal and professional fees related to this activity which were included within selling, general and administrative expenses in the accompanying consolidated statement of operations for the year ended December 31, 2009. During the year ended December 31, 2010, the Company received insurance proceeds related to this theft in the amount of \$0.1 million. This amount was recorded as a reduction to the corresponding expense items within selling, general and administrative expenses in the accompanying consolidated statement of operations for the year ended December 31, 2010.

19. SUBSEQUENT EVENT

On February 28, 2011, the Company announced via press release that it had delivered a letter to Pulse Electronics Corporation ("Pulse Electronics") proposing to acquire all of the outstanding shares of Pulse Electronics common stock for per share consideration of \$6.00, or approximately \$246 million in the aggregate. Pulse Electronics' Annual Report

on Form 10-K for the year ended December 31, 2010 states that as of March 2, 2011, Pulse Electronics had 41,489,733 shares of common stock outstanding. The Company's proposal would give Pulse Electronics shareholders the ability to choose whether to receive the consideration in cash or the Company's Class B common stock. The Company also announced that it has nominated a slate of four highly qualified independent director nominees for election to Pulse Electronics' Board of Directors at Pulse Electronics' upcoming annual meeting of shareholders, which is expected to be held in May. If elected, these director nominees will constitute a majority of Pulse Electronics' Board of Directors.

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20. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Quarterly results (unaudited) for the years ended December 31, 2010 and 2009 are summarized as follows (in thousands, except per share data):

| | Quarter Ended | | | | Total Year Ended |
|--|-------------------|------------------|-----------------------|--------------------------|-----------------------------|
| | March 31, 2010 | June 30, 2010 | September 30, 2010 | December 31, 2010 (e) | December 31, 2010 (a) |
| Net sales | \$ 56,149 | \$ 77,732 | \$ 84,961 | \$ 83,697 | \$ 302,539 |
| Cost of sales | 47,053 | 61,676 | 64,795 | 65,661 | 239,185 |
| Net earnings (loss) | 32 | 4,695 | 9,944 | (1,022) | 13,649 |
| Earnings (loss) per share: | | | | | |
| Class A common share - basic and diluted | \$ 0.00 | \$ 0.38 | \$ 0.81 | \$ (0.09) | \$ 1.10 |
| Class B common share - basic and diluted | \$ 0.00 | \$ 0.41 | \$ 0.86 | \$ (0.09) | \$ 1.18 |

| | Quarter Ended | | | | Total Year Ended |
|--|--------------------------|------------------|------------------------------|-----------------------------|-----------------------------|
| | March 31, 2009 (d) | June 30, 2009 | September 30, 2009 (c) | December 31, 2009 (b) | December 31, 2009 (a) |
| Net sales | \$ 43,871 | \$ 44,934 | \$ 45,283 | \$ 48,665 | \$ 182,753 |
| Cost of sales | 38,211 | 40,192 | 41,516 | 41,535 | 161,454 |
| Net earnings (loss) | 816 | (1,272) | (10,752) | 2,898 | (8,310) |
| Earnings (loss) per share: | | | | | |
| Class A common share - basic and diluted | \$ 0.06 | \$ (0.11) | \$ (0.90) | \$ 0.23 | \$ (0.71) |
| Class B common share - basic and diluted | \$ 0.07 | \$ (0.11) | \$ (0.94) | \$ 0.25 | \$ (0.72) |

(a) Quarterly amounts of earnings per share may not agree to the total for the year due to rounding.

(b)

Net earnings for the quarter ended December 31, 2009 include a gain on sale of investment of \$5.4 million (\$3.3 million after tax), primarily related to the sale of the investment in Power-One common stock.

- (c) The net loss for the quarter ended September 30, 2009 includes a goodwill impairment charge of \$12.9 million related to the Company's Asia operating segment and a \$2.0 million (\$1.2 million after tax) charge related to a licensing fee.
- (d) Net earnings for the quarter ended March 31, 2009 include a gain on the sale of property in Jersey City, New Jersey of \$4.7 million (\$2.9 million after tax) offset by restructuring charges associated with the closure of the Company's Westborough, Massachusetts facility of \$0.4 million (\$0.3 million after tax).
- (e) The net loss for the quarter ended December 31, 2010 includes a litigation charge of \$8.1 million related to the SynQor lawsuit (\$8.0 million after tax).

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BEL FUSE INC. AND SUBSIDIARIES
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
(Amounts in thousands)

| Column A | Column B | Column C | | Column D | Column E |
|---|--------------------------------------|---|---|-------------------|--------------------------------|
| Description | Balance at beginning of period | Additions | | Deductions (a) | Balance at end of period |
| | | (1) Charged to costs and expenses | (2) Charged to other accounts (b) | | |
| Year ended December 31, 2010: | | | | | |
| Allowance for doubtful accounts | \$596 | \$35 | \$29 | \$(7) | \$653 |
| Allowance for excess and obsolete inventory | \$2,767 | \$2,560 | \$(14) | \$(706) | \$4,607 |
| Deferred tax assets - valuation allowances | \$878 | \$614 | \$- | \$(29) | \$1,463 |
| Year ended December 31, 2009: | | | | | |
| Allowance for doubtful accounts | \$660 | \$36 | \$6 | \$(106) | \$596 |
| Allowance for excess and obsolete inventory | \$4,051 | \$(849) | \$(26) | \$(409) | \$2,767 |
| Deferred tax assets - valuation allowances | \$971 | \$231 | \$- | \$(324) | \$878 |
| Year ended December 31, 2008: | | | | | |
| Allowance for doubtful accounts | \$977 | \$(191) | \$(43) | \$(83) | \$660 |
| Allowance for excess and obsolete inventory | \$3,266 | \$1,079 | \$(10) | \$(284) | \$4,051 |
| Deferred tax assets - valuation allowances | \$331 | \$640 | \$- | \$- | \$971 |

(a) Write offs

(b) Includes foreign currency translation adjustments

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures.

Not applicable

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

During the fourth quarter of 2010, the Company's management, including the principal executive officer and principal financial officer, evaluated the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) related to the recording, processing, summarization, and reporting of information in the Company's periodic reports that the Company files with the SEC. These disclosure controls and procedures have been designed to ensure that material information relating to the Company, including its subsidiaries, is made known to the Company's management, including these officers, by other of the Company's employees, and that this information is recorded, processed, summarized, evaluated, and reported, as applicable, within the time periods specified in the SEC's rules and forms. The Company's controls and procedures can only provide reasonable, not absolute, assurance that the above objectives have been met. Notwithstanding these limitations, the Company believes that its disclosure controls and procedures are designed to provide reasonable assurances of achieving their objectives.

Based on their evaluation as of December 31, 2010, the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) are effective to ensure that the information required to be disclosed by the Company in the reports that the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

Management's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Under the supervision and with the participation of the Company's management, including the Company's principal executive officer and principal financial officer, the Company conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the Company's evaluation under the framework in Internal Control – Integrated Framework, the Company's management concluded that the Company's internal control over financial reporting was effective as of December 31, 2010.

The Company's independent registered public accounting firm, Deloitte & Touche LLP, has audited the effectiveness of the Company's internal control over financial reporting as of December 31, 2010 and has expressed an unqualified opinion in their report which is included in Item 8 herein.

Changes in Internal Controls Over Financial Reporting

There were no significant changes in the Company's internal control over financial reporting that occurred during the last fiscal quarter of the year to which this Annual Report on Form 10-K relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

Not applicable.

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Item 10. Directors, Executive Officers and Corporate Governance

The Registrant incorporates by reference herein information to be set forth in its definitive proxy statement for its 2011 annual meeting of shareholders that is responsive to the information required with respect to this item.

The Registrant has adopted a code of ethics for its directors, executive officers and all other senior financial personnel. The code of ethics, as amended from time to time, is available on the Registrant's website under Corporate Governance. The Registrant will also make copies of its code of ethics available to investors upon request. Any such request should be sent by mail to Bel Fuse Inc., 206 Van Vorst Street, Jersey City, NJ 07302 Attn: Colin Dunn or should be made by telephone by calling Colin Dunn at 201-432-0463.

Item 11. Executive Compensation

The Registrant incorporates by reference herein information to be set forth in its definitive proxy statement for its 2011 annual meeting of shareholders that is responsive to the information required with respect to this Item.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The Registrant incorporates by reference herein information to be set forth in its definitive proxy statement for its 2011 annual meeting of shareholders that is responsive to the remaining information required with respect to this Item.

The table below depicts the securities authorized for issuance under the Company's equity compensation plans.

Equity Compensation Plan Information

| Plan Category | Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a) | Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b) | Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c) |
|--|--|--|--|
| Equity compensation plans approved by security holders | - | \$ - | 565,150 |
| Equity compensation plans not approved by security holders | - | - | - |
| Totals | - | \$ - | 565,150 |

Item 13. Certain Relationships and Related Transactions, and Director Independence

The Registrant incorporates by reference herein information to be set forth in its definitive proxy statement for its 2011 annual meeting of shareholders that is responsive to the information required with respect to this Item.

Item 14. Principal Accountant Fees and Services

The Registrant incorporates by reference herein information to be set forth in its definitive proxy statement for its 2011 annual meeting of shareholders that is responsive to the information required with respect to this Item.

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PART IV

Item 15. Exhibits, Financial Statement Schedules

| | | Page |
|-----|----------------------|------|
| (a) | Financial Statements | |

1. Financial Statements filed as part of this Annual Report on Form 10-K:

| | | |
|--|---|-----|
| | Report of Independent Registered Public Accounting Firm | F-1 |
|--|---|-----|

| | | |
|--|--|-----|
| | Consolidated Balance Sheets as of December 31, 2010 and 2009 | F-2 |
|--|--|-----|

| | | |
|--|---|-----|
| | Consolidated Statements of Operations for Each of the Three Years in the Period Ended December 31, 2010 | F-3 |
|--|---|-----|

| | | |
|--|---|-----|
| | Consolidated Statements of Stockholders' Equity for Each of the Three Years in the Period Ended December 31, 2010 | F-4 |
|--|---|-----|

| | | |
|--|---|-----|
| | Consolidated Statements of Cash Flows for Each of the Three Years in the Period Ended December 31, 2010 | F-5 |
|--|---|-----|

| | | |
|--|--|-----|
| | Notes to Consolidated Financial Statements | F-7 |
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2. Financial statement schedules filed as part of this report:

| | | |
|--|--|-----|
| | Schedule II: Valuation and Qualifying Accounts | S-1 |
|--|--|-----|

All other schedules are omitted because they are inapplicable, not required or the information is included in the consolidated financial statements or notes thereto.

(b) Exhibits

Exhibit No.:

- | | |
|-------|---|
| 3.1 | Certificate of Incorporation, as amended, is incorporated by reference to Exhibit 3.1 of the Company's Annual Report on Form 10-K for the year ended December 31, 1999. |
| 3.2 | By-laws, as amended, are incorporated by reference to Exhibit 4.2 of the Company's Registration Statement on Form S-2 (Registration No. 33-16703) filed with the Securities and Exchange Commission on August 25, 1987. |
| 10.1† | 2002 Equity Compensation Program. Incorporated by reference to the Registrant's proxy statement for its 2002 annual meeting of shareholders. |

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- 10.2 Credit and Guaranty Agreement, dated as of February 12, 2007, by and among Bel Fuse, Inc., as Borrower, the Subsidiary Guarantors party thereto and the Bank of America, N.A., as Lender. Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 16, 2007 and incorporated herein by reference.
- 10.3† Amended and Restated Bel Fuse Supplemental Executive Retirement Plan, dated as of April 17, 2007. Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 23, 2007 and incorporated herein by reference.
- 10.4 Contract for Purchase and Sale of Real Estate dated July 15, 2004 between Bel Fuse Inc. and Fields Development Group Co. Incorporated by reference to Exhibit 10.9 of the Company's Form 10-K for the year ended December 31, 2004.

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- 10.5 First Amendment to Credit and Guaranty Agreement dated as of April 30, 2008, by and among Bel Fuse, Inc., as Borrower, the Subsidiary Guarantors party thereto and the Bank of America, N.A., as Lender. Filed as Exhibit 10.6 to the Company's Annual Report on Form 10-K for the year ended December 31, 2009 and incorporated herein by reference.
- 10.6 Second Amendment to Credit and Guaranty Agreement dated as of June 30, 2009, by and among Bel Fuse, Inc., as Borrower, the Subsidiary Guarantors party thereto and the Bank of America, N.A., as Lender. Filed as Exhibit 10.7 to the Company's Annual Report on Form 10-K for the year ended December 31, 2009 and incorporated herein by reference.
- 10.7 Stock purchase agreement by and among Safran USA, Inc., Safran UK Limited and Bel Fuse Inc., dated as of December 28, 2009. Filed as Exhibit 10.8 to the Company's Annual Report on Form 10-K for the year ended December 31, 2009 and incorporated herein by reference.
- 10.8 Third Amendment to Credit and Guaranty Agreement dated as of January 29, 2010, by and among Bel Fuse, Inc., as Borrower, the Subsidiary Guarantors party thereto and the Bank of America, N.A., as Lender. Filed as Exhibit 10.9 to the Company's Annual Report on Form 10-K for the year ended December 31, 2009 and incorporated herein by reference.
- 11.1 A statement regarding the computation of earnings per share is omitted because such computation can be clearly determined from the material contained in this Annual Report on Form 10-K.
- 21.1* Subsidiaries of the Registrant.
- 23.1* Consent of Independent Registered Public Accounting Firm.
- 24.1* Power of attorney (included on the signature page)
- 31.1* Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2* Certification of the Vice President of Finance pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1** Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes - Oxley Act of 2002.
- 32.2** Certification of the Vice-President of Finance pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith.

** Submitted herewith.

† Management contract or compensatory plan or arrangement.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BEL FUSE INC.

By: /s/ Daniel Bernstein
 Daniel Bernstein
 President and Chief Executive Officer

Dated: March 11, 2011

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Daniel Bernstein and Colin Dunn as his/her attorney-in-fact and agent, with full power of substitution and resubstitution, for him/her and in his/her name, place, and stead, in any and all capacities, to sign and file any and all amendments to this Annual Report on Form 10-K, with all exhibits thereto and hereto, and other documents with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he/she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes, may lawfully do or cause to be done by virtue hereof.

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

| Signature | Title | Date |
|-----------------------|------------------------------------|--------------------|
| /s/ Daniel Bernstein | President, Chief Executive Officer | March 11 , 2011 |
| Daniel Bernstein | and Director | |
| /s/ Howard Bernstein | Director | March 11 , 2011 |
| Howard B. Bernstein | | |
| /s/ Robert H. Simandl | Director | March 11 , 2011 |
| Robert H. Simandl | | |
| /s/ Peter Gilbert | Director | March 11 , 2011 |
| Peter Gilbert | | |
| /s/ John Tweedy | Director | March 11 , 2011 |
| John Tweedy | | |

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| | | |
|------------------|--|-------------------|
| /s/ John Johnson | Director | March 11, 2011 |
| John Johnson | | |
| /s/ Avi Eden | Director | March 11, 2011 |
| Avi Eden | | |
| /s/ Colin Dunn | Vice President of Finance and Secretary | March 11, 2011 |
| Colin Dunn | | |