



REX POWER MAGNETICS

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To Our Valued Customers

It has been less than five months since the most recent announcements of price increases by North American Transformer manufacturers, driven primarily by the continued and rapid escalation of world wide electrical steel prices. Now we are facing yet another price increase, driven this time by the dramatic and almost overnight escalation of copper prices world wide.

Since Last November when our last price increase notice was issued, copper prices have increased 60% to past \$4.80 per lb of bare conductor, with the bulk of the increase materializing since April.

Copper price increases take effect immediately in the marketplace as conductor suppliers pass them on to manufacturers with an applied copper value factor with every shipment. Therefore, the increases of the past five months were already being absorbed by Transformer Manufacturers. It is not known if worldwide copper prices are to stabilize anytime soon. However, most industry watchers predict continued upward pressure for a few years until such time when demand for copper may subside.

In this light, we have no option but to pass on this increase to you effective June 3, 2006. As you know, copper conductor content varies greatly based on transformer size and type. Therefore, price increases will vary between 5 to 15% and will impact copper wound transformers only. Aluminum wound units are not impacted at this time.

In the next few weeks we will forward to you new price sheets effective June 3, 2006. Purchase orders received up to May 15, 2006 will be honored at the current price levels provided the units are shipped prior to May 30, 2006. Outstanding orders currently in the approval stage will be renegotiated at the new price levels.

However unfortunate this price increase is it is driven by factors beyond our control.

Once again, we ask for your understanding and remain committed to serve you responsibly and reliably with leading technology power magnetic products to meet your power distribution needs. Please do not hesitate to contact us with your comments or if you require further information.

Sincerely yours,

Rory Thomson
Manager, Sales and Marketing
REX Power Magnetics