



## REX POWER MAGNETICS

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To our Valued Customers;

You may already be aware that the severe and rapid escalation of raw material prices in North America and indeed globally, that started late in 2004 has gotten even worse during 2005. It was only a few months ago when transformer manufacturers had no option but to pass on these increases to you, our customers and the marketplace.

Regrettably, it has become clear that this difficult and turbulent situation will worsen further before any hope of getting better. We at REX Power Magnetics had elected to absorb the 3<sup>rd</sup> wave of increases that came into effect for the 4<sup>th</sup> quarter of 2005. We now have been informed by our suppliers of further substantial increases in the costs of raw materials beginning January of 2006. This includes increases to the cost of Grain Oriented Silicon steel, Copper and Aluminum conductors and Insulating materials. As you know these materials account for the majority of the production cost of our products.

Considering the uncertain and volatile nature of the cost of these materials we have no choice but to issue yet another increase in the prices for the products we supply to you.

In the next week we will forward to you new price sheets effective January 2, 2006. Purchase orders received up to December 31 2005 will be honored at the current price levels provided the units are shipped before January 30, 2006. Outstanding orders currently in the approval stage must be released and shipped by January 30, 2006 or they will be renegotiated at the new price levels.

To give our customers as much advance notice as possible we would like to inform you that the price increase will range up to 15% depending on the product category.

However unfortunate this price increase is it is driven by factors beyond our control. The price volatility of these raw materials will affect the entire electrical transformer industry.

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