

REX POWER MAGNETICS

DIVISION OF TRANSFACTOR INDUSTRIES INC.

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To our Valued Customers;

As you well know, it was only recently that the electrical industry in North America and indeed globally faced the challenge of severe and rapid escalation of raw material prices. It was only two months ago when transformer manufacturers had no option but to pass on the latest increases to you, our customers and the marketplace.

To date our raw material cost increases were driven by;

- Copper and Aluminum conductor. Up to 55%.
- Grain oriented electrical core steel. Up 67% for January 2005.
- Cold/Hot rolled Sheet Steel. Up to 60%.

Regrettably, it has also become clear that this difficult and turbulent situation is yet to become worse before any hope of getting better.

Just two weeks ago grain oriented steel mills confirmed a second price increase of a further 70% for the 2nd quarter effective April 1, 2005 (for a total of 285% in four months). They have also served notice that further price changes are likely for the 3rd and 4th quarters of 2005.

Considering the uncertain and volatile nature of the prevailing global silicon steel prices, we at REX Power Magnetics have elected to introduce an "Electrical Steel Surcharge" that will appear separately on our quotations and invoices.

Starting early 2nd Quarter our quoted prices will include a surcharge. The amount of the surcharge will be shown separately as a dollar amount and will be valid for one month only. The surcharge amount may change and will be confirmed to you for orders placed outside the one month quotation period.

Considering that electrical steel represents a substantial portion of transformer construction and may vary greatly per KVA rating, the surcharge on orders with delivery times longer than 60 days will be addressed specifically.

To give our customers as much advance notice as possible we would like to inform you that the surcharge is expected to be between 15 to 25% for the 2nd quarter depending on steel content of various product categories.

However unfortunate, the introduction of this surcharge is unavoidable as it is driven by factors beyond our control. The price volatility of grain oriented electrical steel 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