



REX POWER MAGNETICS

DIVISION OF TRANSFACTOR INDUSTRIES INC.

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To our Valued Customers;

As you well know, earlier this year, the electrical industry in North America and indeed globally faced the challenge of severe and rapid escalation of copper and aluminum prices. It was only seven months ago when transformer manufacturers had no option but to pass on these increases to you, our customers and the marketplace.

Over the past six months electrical silicon steel and rolled sheet steel have also recorded dramatic and successive price increases totaling over 70% from March 2004 price levels. We, at REX Power Magnetics were able to shield our customers by absorbing a portion of these cost increases and successfully delayed the balance through annual purchase agreements until the December 2004. Unfortunately, we will not be able to absorb these substantial cost increases beyond the end of the year and have no option but to pass them on to the marketplace starting next year.

Therefore, to give our customers as much advance notice as possible we would like to inform you that effective January 2nd, 2005 we expect our prices to go up between 15 to 20% depending on steel content of various product categories. We will publish detailed price lists by late November to give you ample time to prepare.

We will also honor our current prices for all orders received by December 31st, 2004 marked for delivery before January 21st, 2005.

However unfortunate, these increases are unavoidable as they are driven by factors beyond our control and will impact the entire electrical power distribution industry.

Therefore, we ask for your understanding and remain committed to serve you responsibly, responsively 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,

A handwritten signature in blue ink, appearing to read 'Rory Thomson', with a long horizontal flourish extending to the right.

Rory Thomson
Manager, Sales and Marketing
REX Power Magnetics