

Dear Ladies & Gentlemen:

Every October we hold a planning meeting to begin the process of developing our plan for the coming year. This meeting always starts with a review of our mission statement to be sure that it continues to describe our company mission. From time to time we make changes because we have added products or find ways to make it more descriptive. This year we've made one minor change. Our new mission statement will be:

Baldor is to be the best (as determined by our customers) marketers, designers and manufacturers of industrial electric motors, mechanical power transmission products, drives and generators.

The word **mechanical** has been inserted before power transmission products. Some people define power transmission products as a product that transmits electricity. Our power transmission products do not transmit electricity, they transmit mechanical power. We believe by adding the word **mechanical** our mission statement is more accurate and understandable.

Please begin using the new mission statement as quickly as possible.

Lastly, I would like to comment on our current business conditions. I know many of you have heard about other companies laying off employees because their business is slow. Our goal is to never have a layoff (we haven't had one in Fort Smith in over 40 years). We don't anticipate having layoffs, however, our business has slowed. We're making adjustments to our plant schedules and we're not replacing any employee who leaves. Also, we're looking for every opportunity to save money by reducing scrap, improving quality, and reducing waste. If you see a way the company can save money, please mention it to your supervisor or plant manager so that it can be addressed. While our business has not dropped by much yet, it could drop further next year. The time to find cost reductions is now.

Baldor Electric Company is 88 years old. We've gone through many slow periods during our history and come out of each one stronger and better positioned to take care of our customers. If we work together as a team finding ways to take care of our customers and ways to reduce waste and cost, we will come out of this downturn stronger also.

I appreciate each and every person's effort in taking care of our customers, taking care of our shareholders and taking care of each other. Finding ways now to reduce cost and save money will help us prepare for slower sales if they occur.

Thank you for all you do in making Baldor a great company!

Best regards,

John/jf