REGAL BELOIT CORP
Form 424B5
August 11, 2005

Table of Contents

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Reg. No. 333-122823

PROSPECTUS SUPPLEMENT
(To Prospectus dated April 15, 2005)

REGAL-BELOIT Corporation
5,295,104 Shares of Common Stock

We are selling 1,330,714 primary shares of our common stock. The selling shareholder named in this prospectus supplement is selling 3,964,390 shares of our common stock.

Our common stock is listed on the New York Stock Exchange under the symbol RBC. The last reported sale price of our common stock on August 10, 2005 was $30.35 per share.

Investing in our common stock involves risks. See Risk Factors on page S-10.

	Per Share	Total
Public offering price	$ 30.150	$ 159,647,386
Underwriting discounts and commissions	$ 1.356	$ 7,180,161
Proceeds, before expenses, to us	$ 28.794	$ 38,316,579
Proceeds, before expenses, to the selling shareholder	$ 28.794	$ 114,150,646

We and the selling shareholder have granted the underwriters an option to purchase up to an additional 794,265 shares at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus supplement to cover over-allotments.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Sole Book-Running Manager
Robert W. Baird & Co.
Co-Lead Managers

Banc of America Securities LLC **Wachovia Securities**
Co-Managers
Jefferies & Company, Inc.
Barrington Research **Morgan Joseph**

August 11, 2005

Table of Contents

New additions in 2004 and 2005.

In 2004, the company added GE Commercial Motors, HVAC Motors and Capacitors to our electrical product lines, making REGAL-BELOIT the largest commercial, industrial, and HVAC electric motor manufacturer in the United States.

More REGAL-BELOIT brands inside...

Table of Contents

TABLE OF CONTENTS
PROSPECTUS SUPPLEMENT

	Page
About this Prospectus Supplement	S-i
Forward-Looking Statements	S-i
Glossary of Terms	S-i
Prospectus Supplement Summary	S-1
Risk Factors	S-10
Use of Proceeds	S-18
Price Range of Common Stock and Dividend Policy	S-19
Capitalization	S-20
Selected Consolidated Financial Data	S-21
Business	S-23
Management s Discussion and Analysis of Financial Statements	S-33
Management	S-41
Selling Shareholder	S-42
Underwriting	S-43
Incorporation of Information by Reference	S-46
Legal Matters	S-46
Index to Historical Consolidated Financial Statements	F-1

PROSPECTUS

	Page
Forward-Looking Statements	1
The Company	2
Risk Factors	4
Use of Proceeds	10
Description of Capital Stock	12
Selling Shareholder	16
Plan of Distribution	18
Where You Can Find More Information	20
Incorporation of Information by Reference	20
Legal Matters	21
Experts	21

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with information that is different from that contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We and the selling shareholder are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. You should assume that the information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus is accurate only as of the date of this prospectus supplement or the accompanying

prospectus, as the case may be, or in the case of the documents incorporated by reference, the date of such document regardless of the time of delivery of this prospectus supplement and the accompanying prospectus or any sales of our common stock. Our business, financial condition, results of operations and prospects may have changed since those dates.

The underwriters are offering the shares subject to various conditions and may reject all or part of any order. The shares should be ready for delivery on or about August 16, 2005 against payment in immediately available funds.

We have registered the following trademarks, which are used in this prospectus supplement: REGAL-BELOIT®, Electra-Gear®, Mastergear®, Leeson®, Marathon®, Marathon Electric®, Marathon Generators®, Marathon Special Products®, Thomson Technology® and Velvet Drive®. We also own the following trademarks and trade names, which are used in this prospectus supplement: Lincoln Motors, Hub City, Grove Gear, Durst, Richmond, Ohio Gear, Foote-Jones/ Illinois Gear, New York Twist Drill and Regal Cutting Tools. The trademarks and trade names of General Electric Company, or GE, used in this prospectus supplement are owned by GE and used by us under license from GE.

Table of Contents

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering. The second part, the accompanying prospectus, gives more information, some of which may not apply to this offering.

If the description of this offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

FORWARD-LOOKING STATEMENTS

This prospectus supplement, and the documents incorporated by reference, may contain forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements represent our management s judgment regarding future events. In many cases, you can identify forward-looking statements by terminology such as may, will, should, plan, expect, anticipate, estir believe, predict, intend, potential or continue or the negative of these terms or other words of similar import, alth some forward-looking statements are expressed differently. All statements other than statements of historical fact included in this prospectus supplement and the documents incorporated by reference in this prospectus supplement regarding our financial position, business strategy and plans or objectives for future operations are forward-looking statements. We cannot guarantee the accuracy of the forward-looking statements, and you should be aware that results and events could differ materially and adversely from those contained in the forward-looking statements due to a number of factors, including those described under the caption Risk Factors and elsewhere in this prospectus supplement and under the caption Forward-Looking Statements and elsewhere in the accompanying prospectus.

We urge you to consider these factors and to review carefully the section Risk Factors in this prospectus supplement for a discussion of the key risks of an investment in our common stock. The forward-looking statements included or incorporated by reference in this prospectus supplement are made only as of the date of this prospectus supplement or the date of the incorporated filing, as the case may be, and we undertake no obligation to update publicly these statements to reflect subsequent events or circumstances.

GLOSSARY OF TERMS

A few terms are defined and used in this prospectus supplement to assist you in understanding our company and business. Whenever used in this prospectus supplement, the following terms have the following meanings:

HVAC means heating, ventilation and air conditioning/refrigeration;

AC means alternating current;

DC means direct current;

OEM means an original equipment manufacturer; and

SEER means seasonal energy efficiency ratio.

Table of Contents

PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights information contained elsewhere or incorporated by reference in this prospectus supplement. Because this is a summary, it is not complete and does not contain all of the information that may be important to you. For a more complete understanding of us and this offering of our common stock, we encourage you to read this prospectus supplement and the accompanying prospectus in their entirety and the other documents to which we have referred you. References in this prospectus supplement to REGAL-BELOIT, we, us and our refer to REGAL-BELOIT Corporation and its consolidated subsidiaries.

Overview

We are one of the largest global manufacturers of commercial and industrial electric motors, HVAC motors, electric generators and controls, and mechanical motion control products. Many of our products hold leading market positions in a variety of essential commercial and industrial applications, and we believe we have one of the most comprehensive product lines in the markets we serve. We sell our products to a diverse global customer base using more than 20 recognized brand names through a multi-channel distribution model to leading OEMs, distributors and end users across many markets. We believe this strategy, coupled with a high level of customer service, provides us with a competitive selling advantage and allows us to more fully penetrate our target markets.

Our electrical products include HVAC motors, a full line of AC and DC commercial and industrial electric motors, electric generators and controls, capacitors and electrical connecting devices. Our mechanical products include gears and gearboxes, marine transmissions, high-performance automotive transmissions and ring and pinions, manual valve actuators, and cutting tools. OEMs and end users in a variety of motion control and other industrial applications increasingly combine the types of electrical and mechanical products we offer. We seek to take advantage of this trend and to enhance our market penetration by leveraging cross-marketing and product line bundling opportunities between our electrical and mechanical products.

We market our products through multiple business units, with each typically having its own branded product offering and sales organization. These sales organizations consist of varying combinations of our own internal direct sales people as well as exclusive and non-exclusive manufacturers representative organizations. We manufacture the vast majority of the products that we sell, and we have manufacturing, sales, engineering and distribution facilities throughout the United States and Canada as well as in Mexico, India, China and Europe.

The Building of Our Business

We pursue consistent and sustainable growth in sales and earnings by emphasizing continuous improvement in the operating performance of our existing businesses and by acquiring businesses that are capable of achieving growth, diversifying our end markets, and improving or maintaining our returns on invested capital. We built our mechanical products business through a combination of strategic acquisitions and internal growth initiatives which, by the mid-1990 s, had established us as a leader in a variety of industrial mechanical product markets. With our acquisitions of Marathon Electric Manufacturing Corporation in 1997, the Lincoln Motors business of Lincoln Electric Holdings, Inc. in 1999 and LEESON Electric Corporation in 2000, we became one of the two largest producers of industrial electric motors serving the North American market and are able to offer our customers both electrical and mechanical products. Additionally, these acquisitions have brought products that are complementary to our core electric motor lines in such areas as electric generators and generator controls, motor controls and electrical connecting devices. The integration of these acquisitions has provided significant cost savings and synergies that have further strengthened the competitive position of our electrical products businesses.

During 2004, we separately acquired two electric motor businesses from GE, which were natural extensions of our core electric motor lines. In August 2004, we acquired GE s commercial AC motors business, which manufactures a full line of alternating current motors for pump, compressor and commercial HVAC applications. In December 2004, we acquired GE s HVAC motors and capacitors businesses, which produce a full line of electric motors for use principally in residential HVAC systems, as well as capacitors for HVAC systems, high intensity lighting and other applications. The acquisitions of these motor businesses complement our existing electrical products businesses, providing us with:

- a leading market position and brand name in the HVAC motor market;
- diversification of our served markets and a broad base of leading HVAC customers, including Carrier, Evcon/York, GE Supply, Goodman, Lennox, Nordyne, Rheem, Trane and W.W. Grainger;
- patented electronically commutated motor, or ECM, technology, which represents a growing portion of our motor sales because of the technology s unique capabilities;
- a strong management team and infrastructure to support growth; and
- significant scale and low cost manufacturing capabilities in Mexico and India.

After giving effect to these acquisitions as if they occurred on January 1, 2004, our pro forma 2004 revenues were approximately $1.3 billion.

Our Competitive Strengths

We believe that our competitive strengths include the following:

Leading Market Positions. We believe that the leading market positions of our products provide us with significant competitive advantages, including preferred supplier status with many of our customers. We believe we have become one of the largest producers of commercial and industrial electric motors and mechanical power transmission products in the world and that we hold leading market positions in the United States in HVAC motors, non-captive electric generators (not affiliated with a diesel engine manufacturer), and worm and bevel gear drives.

Comprehensive Product Offering. We believe we offer one of the most comprehensive product lines in our markets, including thousands of stock models and a wide assortment of custom AC and DC electric motors ranging in size primarily from sub-fractional to small integral horsepower. We also manufacture larger commercial and industrial AC motors. Our recent GE acquisitions have further expanded our electrical product portfolio and markets, providing us with HVAC and commercial motors, capacitors and other new product applications. This breadth of product offering enables us to provide a one-stop shop for our customers, who increasingly require complete electrical and mechanical motion control solutions, including electric motors, gearboxes and drives.

Leading Product Development and Technology. Each of our business units has its own product development and design teams that continuously enhance our existing products and develop new products. We believe that we have earned a reputation within the electric motor, electric generator and mechanical gear drive industries for design and engineering excellence, and, in 2004, we enhanced our design and engineering capabilities by adding extensive engineering operations through our GE acquisitions. An example of recent product enhancement is our new Magna-Smart generator product line that provides customers with a variable speed generator. Additionally, the newly acquired, patented ECM technology utilizes a brushless DC electric motor with integrated speed control made possible through sophisticated electronic and sensing technology. ECM motors provide many attractive performance characteristics versus competitive variable speed solutions, including motor life, noise and energy efficiency. These variable speed motors also support a high level of comfort for end users.

Well-Known Brands. Many of our brands have an extensive history and are well-known in their industries for their quality, reliability and performance, including GE HVAC Fan Motors by REGAL-BELOIT, Marathon Electric, Leeson Electric, Lincoln Motors, Thomson Technology, Hub City, Electra-Gear, Grove Gear, Mastergear, Foote-Jones/ Illinois Gear, Durst and others. We believe that our brand identity has created customer loyalty and helps us capture additional business, as well as maintain existing business, particularly as our customers look to procure equipment from fewer manufacturers.

Multi-Channel/ Multi-Brand Distribution Model. We use the strength of our brand names and sales organizations to reach many customers across a multitude of markets. Each of our business units maintains its own branded product offering and its own sales and marketing organization. On a combined basis, our sales organizations consist of more than 125 direct sales employees and 500 exclusive and non-exclusive manufacturers representatives from 190 organizations.

Broad and Established Customer Base. In 2004, across all of our business units and our acquired GE businesses, we sold products to more than 7,500 OEMs and 12,000 distributors. Our customers participate in a wide array of niche markets, including many customers with whom we have developed long-standing and close relationships. We distribute our products to a broad group of leading OEMs and distributors, many of whom have different purchasing patterns and varying sensitivities to changes in the economy. The large installed base associated with our customers ties a significant portion of our sales to replacement demand.

Experienced Management Team. Our entire senior management team has significant experience in industrial manufacturing, marketing and sales. Our team is skilled in the acquisition and integration of businesses, aggressive cost management, and efficient manufacturing techniques, all of which represent activities that are critical to our long-term growth strategy. Since 1979, our current management team has completed and successfully integrated 25 acquisitions. We recently added further depth and experience to our management through the GE acquisitions.

Global Infrastructure. We have established a network to manufacture, source and distribute products and components effectively on a global basis. We have highly flexible manufacturing and distribution facilities located in the United States, Canada and Europe focused on rapid response to customer needs. These operations are complemented by our facilities in Mexico, China and India which optimize our low cost production capabilities. We believe that our global infrastructure allows us to better serve our customers and provides the foundation for further global expansion initiatives.

Table of Contents

Rapid Response Capabilities. Our extensive internal logistics operation provides timely delivery of both stock and custom products. Our business units focus on coordinating their sales, engineering and manufacturing capabilities to compress the lead time necessary to produce stock and custom products. In addition, our own fleet of semi-tractors and customized semi-trailers helps reduce the risk of interruptions in our delivery schedules, further improves our customer service and response times, and lowers our overall distribution costs.

Financial Flexibility to Pursue Growth. We have significantly increased the scale of our company while maintaining a capital structure that will allow us to continue to pursue growth through acquisitions. Prior to our 2004 acquisitions, our cash flows allowed us to pay down our debt from $394 million in 2000 to $196 million at the end of 2003 resulting in a ratio of our total debt to book capitalization (defined as total debt divided by the sum of total debt plus shareholders investment) of 33%. We utilized our common stock as a portion of the consideration paid in our acquisitions of GE s HVAC motors and capacitors businesses in 2004. We expect that the ratio of our total debt to book capitalization after this offering will be approximately 45%, which is within our targeted range.

Our Business Strategy

Grow Revenues Organically in Excess of Market Rates. We intend to use our competitive advantages to grow our market share across all of our product lines. Our internal growth initiatives are outlined below:

Introduce New Products. We continue to grow our businesses by cultivating our engineering expertise to develop new, differentiated products in each of our business segments. We work closely with our customers to develop new electrical and mechanical products, or enhancements to existing products, that improve performance and meet their needs. For example, in 2004 we introduced our new Magna-Smart variable speed generator product line that provides customers with a lighter, smaller and more efficient product. We believe this product will help us further penetrate the recreational vehicle, emergency vehicle, marine and refrigeration markets. We also expect that our recently acquired, patented ECM product line will drive significant growth as our customers utilize this technology to meet 13 SEER requirements.

Capitalize on SEER Requirements. As of January 2006, the United States Department of Energy will require that all new residential air conditioner units and HVAC systems manufactured meet an increased energy efficiency standard, known as 13 SEER. The efficient, variable speed capability of our ECM motors enables OEMs to develop high performance continuous air flow HVAC systems that offer significantly greater temperature and air quality control, as well as increased energy efficiency and comfort. Because of the energy efficiency of these systems, we believe many of our customers consider ECM enabled continuous air flow systems to be important elements of their strategies to meet the January 2006 13 SEER standard from the current standard of 10 SEER. Unit sales of ECM motors have nearly doubled since 2001 and grew 35% year-over-year between 2003 and 2004. We are currently expanding our ECM motor manufacturing capacity in order to meet our customers anticipated requirements as they prepare for the increased 13 SEER standard.

Leverage Cross-Marketing and Product Line Bundling Opportunities. We seek to enhance our market penetration through cross-marketing and product line bundling opportunities

Table of Contents

between our business units. For example, we design most of our drive, motor and gear drive products to connect to one another so that we can provide a performance-matched, packaged solution that best suits our customers needs. We believe that by cross-selling the products offered under each of our brand names, including our newly acquired brand names, we can grow sales to our existing customer base.

Capitalize on Design and Engineering Expertise to Provide Custom Products. We will continue to take advantage of our engineering and design expertise to capture additional custom product business. We are continuously updating our products, many of which are designed in close coordination with our customers. These custom products generally provide higher margins than stock products because they require additional engineering. In addition, our ability to provide these custom products within very short lead times strengthens our relationships with customers and enhances our ability to sell other custom and stock products to these same customers. With this high degree of service and custom product capabilities, we believe our customers may face higher costs and increased risk in the event they switch to another supplier.

Increase Our Global Presence. A significant part of our long-term business strategy involves the pursuit of growth opportunities in a number of international markets. The percentage of our revenues from outside the United States has grown from approximately 14% in 2002 to approximately 21% in 2004. Our customers are increasingly operating on a global basis, and we plan to continue to pursue new international opportunities and significantly expand our presence in key international growth markets, such as China and India, where the investment in infrastructure by others is expected to grow. We currently have four joint ventures operating in China, and we plan to broaden our international presence through both organic expansion and acquisitions. Our purchase in January 2005 of the Changzhou Modern Technologies Co., LTD. reflects this strategy.

Exploit Operational Efficiencies. We have continuously sought ways to lower costs, enhance product quality, improve manufacturing efficiencies and increase productivity. The major initiatives that we have in process include the following:

Encourage Continuous Improvement Culture. We have a culture that seeks out and eliminates unnecessary costs at all levels of the organization and drives continuous improvement in our operations. By centralizing the manufacturing, purchasing, engineering, accounting, information technology and quality control activities of our electrical products businesses, we foster the sharing of best practices across each of these businesses and create focused centers of excellence in each of our electrical product manufacturing functions.

Utilize Multiple Low Cost Facilities/ Rationalize Manufacturing. Complementing our capabilities in the United States and China, our 2004 acquisitions of GE s commercial AC motors and HVAC motors and capacitors businesses provide us with facilities in Mexico and India. These new locations give us the flexibility to engineer, manufacture and distribute products for our customers at lower costs. This new capacity may also enable us to relocate and rationalize certain motor manufacturing operations and make more efficient use of our existing resources.

Expand Global Sourcing Opportunities. During the past decade, we have aggressively pursued global sourcing initiatives, particularly in Asia, and now have several strategic sourcing partners. With our established relationships in China, including four joint ventures, we are able to source components and finished products, including castings, machined parts and a variety of complete motors and generators. We are currently evaluating various options to expand our sourcing opportunities in Asia.

Pursue Strategic Acquisitions. In addition to our organic growth, we continue to pursue selective acquisitions of companies that complement our electrical and mechanical businesses. In evaluating acquisition candidates, we seek companies that are market leaders, possess good operations management, serve attractive end-markets, generate high returns on invested capital and expand our marketing and manufacturing presence. We believe our acquisition track record demonstrates our ability to identify and consummate acquisitions of companies that meet our selective criteria.

Recent Developments

In 2004, we acquired GE s commercial AC motors and HVAC motors and capacitors businesses. These acquisitions are consistent with our strategy of expanding our electrical product lines, end markets and global manufacturing capabilities. We acquired GE s commercial AC motors business on August 30, 2004 for approximately $72 million in cash. The commercial AC motors business, which adds approximately $140 million in annual sales, manufactures a full line of alternating current motors for pump, compressor and commercial HVAC applications. The business includes a significant manufacturing presence in Mexico and technical resources in India.

We acquired GE s HVAC motors and capacitors businesses on December 31, 2004. The HVAC motors business, which represents approximately 90% of the revenues of the acquired businesses, produces a full line of electric motors for use principally in residential HVAC systems. The capacitors business represents the balance of the revenues and produces a line of capacitors used in HVAC systems, high intensity lighting and other applications. In total, the businesses add approximately $500 million in annual sales. Based on the trading price of our common stock as of the closing of the acquisition, the purchase price for the acquisition was approximately $400 million and consisted of $270 million in cash and the issuance of 4,559,048 shares of our common stock to GE. Included in the acquisition were motor manufacturing facilities in Faridabad, India; Reynosa, Mexico; and Springfield, Missouri; and a capacitor manufacturing facility in Juarez, Mexico. The acquired businesses also maintain technology development, administrative and sales support teams in Fort Wayne, Indiana and electric motor engineering resources in Hyderabad, India. We entered into a shareholder agreement with GE related to our common stock issued to GE in the transaction. For a discussion of the material terms of the shareholder agreement, see the sections captioned Selling Shareholder in this prospectus supplement and in the accompanying prospectus.

Corporate Information

Our principal executive offices are located at 200 State Street, Beloit, Wisconsin 53511-6254, and our telephone number is (608) 364-8800. Our website address is www.regal-beloit.com. However, the information contained on our website is not part of this prospectus supplement.

Table of Contents

The Offering

Common stock offered by us	1,330,714 shares
Common stock offered by the selling shareholder	3,964,390 shares
Common stock to be outstanding after the offering	30,416,636 shares
Use of proceeds	We expect to use the net proceeds we receive from the offering to reduce debt under our credit facility. As described under the caption Use of Proceeds, the net proceeds we receive include approximately $8.0 million from the sale of shares by GE in this offering pursuant to the terms of a shareholder agreement between GE and us.
New York Stock Exchange symbol	RBC
Risk factors	See the section entitled Risk Factors beginning on page S-10 for a discussion of factors you should consider carefully before deciding to buy our common stock.

The number of shares of common stock outstanding after this offering is based on the actual number of shares outstanding as of June 29, 2005, and excludes:

- 1,763,350 shares of common stock issuable upon exercise of options outstanding as of June 29, 2005, at a weighted average exercise price of $22.56 per share; and
- 987,900 shares of common stock available for future grants under our stock option plans.

The number of shares of our common stock offered and to be outstanding assumes that the underwriters have not exercised their over-allotment option. If the underwriters exercise their over-allotment option in full, then we will issue and sell an additional 199,607 shares of our common stock and will have 30,616,243 shares of our common stock outstanding after the offering.

Table of Contents

Summary Consolidated Financial Data

The following table presents summary historical consolidated financial and other data as of and for each of the past five years, which have been derived from our audited consolidated financial statements, and as of and for the six months ended June 29, 2004 and June 29, 2005, which have been derived from our unaudited interim consolidated financial statements. The table also presents pro forma, unaudited financial data for the year 2004, which have been derived from adding our audited financial data for the year 2004 to the audited and unaudited financial data of the GE commercial AC motors business and GE HVAC motors and capacitors businesses, and include adjustments that in our opinion are necessary for a fair presentation of our combined results for the year 2004. The pro forma financial data for the year 2004 give effect to our August 30, 2004 GE commercial AC motors business acquisition, and our December 31, 2004 HVAC motors and capacitors businesses acquisition, as if those transactions all occurred on January 1, 2004. The pro forma financial data are presented for illustrative purposes only and are not necessarily indicative of our results of operations or our financial position had the transactions occurred on January 1, 2004, nor are they intended to project our financial position or results of operations for any future period. You should read this information together with Selected Consolidated Financial Data, Management s Discussion and Analysis of Financial Statements and our consolidated financial statements, including the related Notes to Consolidated Financial Statements, included elsewhere in this prospectus supplement.

Table of Contents

Summary Historical and Pro Forma Financial Data

	For the Years Ended December 31,						For the Six Months Ended	
	2000	2001	2002	2003	2004	Pro Forma 2004(1)	June 29, 2004(2)	June 29, 2005(2)
	(In thousands of dollars, except shares outstanding and per share data)							
Statement of Income Data:								
Net Sales	$ 598,203	$ 663,571	$ 605,292	$ 619,098	$ 756,557	$ 1,295,228	$ 340,736	$ 706,591
Cost of Sales	440,774	497,694	462,149	472,343	589,497	1,007,404	261,708	558,329
Gross Profit	157,429	165,877	143,143	146,755	167,060	287,824	79,028	148,262
Operating Expenses	85,821	109,817	95,916	99,529	111,898	167,872	52,322	86,586
Income From Operations	71,608	56,060	47,227	47,226	55,162	119,952	26,706	61,676
Interest Expense	15,332	22,239	9,399	6,462	6,787	16,467	2,836	11,348
Interest Income	274	221	149	79	183	347	32	76
Income Before Income Taxes and Minority Interest	56,550	34,042	37,977	40,843	48,558	103,832	29,302	50,404
Provision For Income Taxes	22,779	14,452	13,182	14,791	15,728	36,455	8,594	18,638
Income Before Minority Interest	33,771	19,590	24,795	26,052	32,830	67,377	15,308	31,766
Minority Interest in Income, Net of Tax			277	846	2,395	3,055	819	1,035
Net Income	$ 33,771	$ 19,590	$ 24,518	$ 25,206	$ 30,435	$ 64,322	$ 14,489	$ 30,731

Earnings Per Share	$ 1.61	$ .94	$ 1.01	$ 1.01	$ 1.24	$ 2.21	$ 0.59	$ 1.06
Earnings Per Share Assuming Dilution	$ 1.61	$ .93	$ 1.01	$ 1.00	$ 1.22	$ 2.18	$ 0.58	$ 1.03
Average Number of Shares Outstanding	20,984,423	20,868,896	24,186,839	25,029,942	24,602,868	29,162,868	24,744,342	29,049,209
Average Number of Shares Outstanding Assuming Dilution	20,996,189	21,124,204	24,310,165	25,246,088	24,904,287	29,464,287	24,977,674	29,982,397
Balance Sheet Data:								
Cash and Cash Equivalents	$ 2,612	$ 6,629	$ 5,591	$ 9,100	$ 31,275	$ 31,275	$ 14,259	$ 29,066
Working Capital(3)	185,781	161,044	157,405	158,104	279,710	279,710	180,537	299,136
Total Assets	792,407	746,599	733,988	734,445	1,352,052	1,352,052	764,197	1,375,283
Long-term Debt	393,510	345,667	222,812	195,677	547,350	547,350	214,509	536,895
Shareholders Investment	273,889	280,150	381,423	398,704	538,179	538,179	394,701	565,272
Other Financial Data:								
Capital Expenditures	$ 16,994	$ 15,426	$ 10,754	$ 17,965	$ 16,281	$ 22,866	$ 6,699	$ 15,549
Depreciation and Amortization	25,549	31,798	22,134	21,014	21,613	40,468	11,031	18,845

(1) Pro forma for our August 30, 2004 GE commercial AC motors business acquisition, and our December 31, 2004 HVAC motors and capacitors businesses acquisition, as if those transactions all occurred on January 1, 2004.
(2) Actual second quarter amounts are as reported, not pro forma.
(3) Working capital defined as current assets minus current liabilities.

Table of Contents

RISK FACTORS

Before making an investment in shares of our common stock, you should carefully consider the following risk factors, in addition to the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus. If any of the events contemplated by the following risks occur, our business, financial condition or results of operations would likely suffer. In that case, the trading price of our common stock could decline, and you may lose all or part of the money you paid to buy the common stock.

Risks Related to Our Business

Our future success depends on our ability to integrate effectively acquired companies and manage our growth.

On August 30, 2004, we completed the acquisition of GE s commercial AC motors business. On December 31, 2004, we completed the acquisition of the HVAC motors and capacitors businesses of GE. With these two acquisitions, we have more than doubled the number of our employees to over 11,000 (with more than 3,600 new employees in Mexico and 1,700 new employees in India, including temporary workers), added five manufacturing operations in the United States, Mexico, India and China, and significantly increased our revenue and cost structures.

Realization of the benefits of these GE acquisitions requires the integration of some or all of the sales and marketing, distribution, manufacturing, engineering, finance and administrative operations and information of the newly acquired businesses. Combined, these GE acquisitions constitute the largest acquisitions we have completed to date and, although GE has agreed to provide various services to us during a transition period, the magnitude of these acquisitions may present significant integration challenges and costs to us. The successful integration of these businesses will require substantial attention from our senior management and the management of the acquired businesses, which will decrease the time that they have to serve and attract customers. In addition, we continue to pursue new acquisitions, some of which could be material to our business if completed. We cannot assure you that we will be able to integrate successfully our recent acquisitions or any future acquisitions, that these acquired companies will operate profitably, or that we will realize the potential benefits from these acquisitions. Our financial condition, results of operations, and cash flows could be materially and adversely affected if we do not successfully integrate the new businesses.

Our dependence on, and the price of, raw materials may adversely affect our profits.

The principal raw materials used to produce our products are copper, aluminum and steel. We source raw materials on a global or regional basis, and the prices of those raw materials are susceptible to significant price fluctuations due to supply/demand trends, transportation costs, government regulations and tariffs, changes in currency exchange rates, price controls, the economic climate and other unforeseen circumstances. If we are unable to pass on raw materials price increases to our customers, our future profitability may be materially adversely affected.

Table of Contents

In our HVAC motor business, we depend on revenues from several significant customers, and any loss, cancellation or reduction of, or delay in, purchases by these customers could harm our business.

Several significant customers of our HVAC motors business represent a significant portion of our revenues. Collectively, net sales to our ten largest HVAC customers represented approximately 26% percent of pro forma 2004 net sales, after giving effect to the GE acquisitions. Our success will depend on our continued ability to develop and manage relationships with these customers. We expect that significant customer concentration will continue for the foreseeable future in our HVAC motor business. Our dependence in the HVAC motor business on sales from a relatively small number of customers makes our relationship with each of these customers important to our business. We cannot assure you that we will be able to retain significant customers. Some of our customers may in the future shift some or all of their purchases of products from us to our competitors or to other sources. The loss of one or more of our largest customers, any reduction or delay in sales to these customers, our inability to develop relationships successfully with additional customers, or future price concessions that we may make could significantly harm our business.

We increasingly manufacture our products outside the United States, which may present additional risks to our business.

As a result of our recent acquisitions, a significant portion of our net sales are attributable to products manufactured outside of the United States, principally in Mexico, India and China. Approximately half of our over 11,000 total employees and 10 of our 32 principal manufacturing facilities are located outside the United States. International operations generally are subject to various risks, including political, societal and economic instability, local labor market conditions, the imposition of foreign tariffs and other trade restrictions, the impact of foreign government regulations, and the effects of income and withholding taxes, governmental expropriation and differences in business practices. We may incur increased costs and experience delays or disruptions in product deliveries and payments in connection with international manufacturing and sales that could cause loss of revenue. Unfavorable changes in the political, regulatory, and business climate in countries where we have operations could have a material adverse effect on our financial condition, results of operations and cash flows.

Cyclicality adversely affects us.

Our business is cyclical and dependent on industrial and consumer spending and is therefore impacted by the strength of the economy generally, interest rates and other factors. Economic factors adversely affecting OEM production and consumer spending could adversely impact us. During periods of expansion in OEM production, we generally have benefited from increased demand for our products. Conversely, during recessionary periods, we have been adversely affected by reduced demand for our products.

We operate in highly competitive electric motor, power generation and mechanical motion control markets.

The electric motor, power generation and mechanical motion control markets are highly competitive. Some of our competitors are larger and have greater financial and other resources than we do. There can be no assurance that our products will be able to compete successfully with the products of these other companies.

Table of Contents

The failure to obtain business with new products or to retain or increase business with redesigned existing or customized products could also adversely affect our business. It may be difficult in the short-term for us to obtain new sales to replace any unexpected decline in the sale of existing or customized products. We may incur significant expense in preparing to meet anticipated customer requirements, which may not be recovered.

There is substantial and continuing pressure from the major OEMs and larger distributors to reduce costs, including the cost of products purchased from outside suppliers such as us. As a result of the cost pressures from our customers, our ability to compete depends in part on our ability to generate production cost savings and, in turn, find reliable, cost effective outside suppliers to manufacture and source components of our products. If we are unable to generate sufficient production or sourcing cost savings in the future to offset price reductions, then our gross margin could be adversely affected.

Our leverage could adversely affect our financial health and make us vulnerable to adverse economic and industry conditions.

We have incurred indebtedness that is substantial relative to our shareholders investment. Our indebtedness has important consequences. For example, it could:

- make it difficult for us to fulfill our obligations under our credit and other debt agreements;
- make it more challenging for us to obtain additional financing to fund our business strategy and acquisitions, debt service requirements, capital expenditures and working capital;
- increase our vulnerability to interest rate changes and general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to service our indebtedness, thereby reducing the availability of our cash flow to finance acquisitions and to fund working capital, capital expenditures, research and development efforts and other general corporate activities;
- limit our flexibility in planning for, or reacting to, changes in our business and our markets; and
- place us at a competitive disadvantage relative to our competitors that have less debt.

In addition, our credit facility requires us to maintain specified financial ratios and satisfy certain financial condition tests, which may require that we take action to reduce our debt or to act in a manner contrary to our business objectives. If an event of default under our credit facility occurs, then the lenders could elect to declare all amounts outstanding under the credit facility, together with accrued interest, to be immediately due and payable, and a cross default could occur under the terms of our senior subordinated convertible notes allowing the trustee or the holders of the notes to declare the principal amount of the notes, together with accrued interest, to be immediately due and payable.

Our sales of products incorporated into HVAC systems are seasonal and affected by the weather; mild or cooler weather could have an adverse effect on our operating performance.

Many of our motors are incorporated into HVAC systems that OEMs sell to end users. The number of installations of new and replacement HVAC systems or components is higher during the spring and summer seasons due to the increased use of air conditioning during warmer months. Mild or cooler weather conditions during the spring and summer seasons often result in end users deferring the purchase of new or replacement HVAC systems or components. As a result, prolonged periods of mild or cooler weather conditions in the spring or summer seasons in broad geographical areas could have a negative impact on the demand for our HVAC motors and, therefore, could have an adverse effect on our operating performance. In addition, due to variations in weather conditions from year to year, our operating performance in any single year may not be indicative of our performance in any future year.

We may be adversely impacted by an inability to identify and complete acquisitions.

A substantial portion of our growth in the past five years has come through acquisitions, and an important part of our growth strategy is based upon acquisitions. We may not be able to identify and successfully negotiate suitable acquisitions, obtain financing for future acquisitions on satisfactory terms or otherwise complete acquisitions in the future. If we are unable to successfully complete acquisitions, our ability to grow our company significantly will be limited.

We are subject to litigation that may adversely affect our business and results of operations.

We are, from time to time, a party to litigation that arises in the normal course of our business operations, including, among other things, contract disputes, product warranty and liability claims, and environmental, asbestos, employment and other litigation matters. Litigation may have an adverse effect on us because of potential adverse outcomes, the costs associated with defending lawsuits, the diversion of our management s resources and other factors.

An action was filed in 2004 against one of our subsidiaries, Marathon Electric Manufacturing Corporation, by Enron Wind Energy Systems, LLC and other parties. In the action against Marathon, Enron Wind has asserted various claims relating to the alleged failures and/or degradations of performance of about 564 generators sold by Marathon to Enron Wind from 1997 to 1999. In 2001, Enron Wind and Marathon entered into an agreement that resolved various issues related to past performance of the generators, provided a limited warranty related to the generators going forward, and contained a release by all parties of any claims related to the generators other than those arising out of the obligations contained in the warranty agreement. Enron Wind is seeking to recover the purchase price of the generators and transportation costs totaling about $21 million. In addition, although the 2001 agreement contains a waiver of consequential, incidental, and punitive damages, Enron Wind claims that this limitation is unenforceable and seeks recovery of consequential and incidental damages incurred by it and by its customers, as well as punitive damages, totaling an additional $100 million, related to the Marathon generators. Enron Wind has asserted claims of breach of contract, breach of the implied covenant of good faith and fair dealing, promissory fraud, and intentional interference with contractual relations. We have filed a motion with the court seeking to have many of Enron Wind s claims dismissed. Enron Wind recently has filed a motion with the court seeking a declaration that Marathon had an obligation under the 2001 agreement to repair or replace the generators in the first instance regardless of whether an actual breach of warranty had occurred. The court has held hearings on both motions, but has not yet ruled. As of June 29, 2005, we had recorded a reserve in our

Table of Contents

financial statements related solely to a portion of the anticipated costs in defending against this matter.

The Enron Wind litigation is in the preliminary stage, and we cannot predict its outcome. The litigation process is inherently uncertain. If this litigation proceeds and its outcome is adverse to us or we determine to settle this litigation and if we are required to pay significant monetary damages, there could be a material adverse effect on our business, operating results, financial position or cash flows. In addition, the cost of the litigation and the resulting distraction of our management resources could have a material adverse effect on our results of operations and financial condition.

Goodwill comprises a significant portion of our total assets, and if we determine that goodwill has become impaired in the future, net income in such years may be materially and adversely affected.

Goodwill represents the excess of cost over the fair market value of net assets acquired in business combinations. Through December 31, 2001, we amortized the cost of goodwill and other intangibles on a straight-line basis over the estimated periods benefited ranging from 5 to 40 years with the amount amortized in a particular period constituting a non-cash expense that reduced our net income. On January 1, 2002, we adopted the provisions of Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangibles , and discontinued the amortization of goodwill. We now review goodwill and other intangibles annually for impairment and any excess in carrying value over the estimated fair value is charged to the results of operations. A reduction in net income resulting from the write down or impairment of goodwill would affect financial results and could have a material and adverse impact upon the market price of our common stock.

We may suffer losses as a result of foreign currency fluctuations.

The net assets, net earnings and cash flows from our wholly owned subsidiaries in Mexico and India are based on the U.S. dollar equivalent of such amounts measured in the applicable functional currency. These foreign operations have the potential to impact our financial position due to fluctuations in the local currency arising from the process of re-measuring the local functional currency in the U.S. dollar. Any increase in the value of the U.S. dollar in relation to the value of the local currency will adversely affect our revenues from our foreign operations when translated into U.S. dollars. Similarly, any decrease in the value of the U.S. dollar in relation to the value of the local currency will increase our development costs in our foreign operations, to the extent such costs are payable in foreign currency, when translated into U.S. dollars.

We may be adversely affected by environmental, health and safety laws and regulations.

We are subject to various laws and regulations relating to the protection of the environment and human health and safety and have incurred and will continue to incur capital and other expenditures to comply with these regulations. Failure to comply with any environmental regulations could subject us to future liabilities, fines or penalties or the suspension of production. In addition, we are currently involved in some remediation activities at certain sites. If unexpected obligations at these or other sites or more stringent environmental laws are imposed in the future, we could be adversely affected.

Table of Contents

Failure to achieve and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and stock price.

We are required to document and test our internal control procedures to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002. The Sarbanes-Oxley Act requires annual management assessments of the effectiveness of our internal control over financial reporting and a report by our independent auditors addressing these assessments.

Our management assessed the effectiveness of our our internal control over financial reporting as of December 31, 2004 using the criteria set forth in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. As permitted by the Public Company Accounting Oversight Board auditing standards, we excluded the GE businesses we acquired in 2004 from the scope of our management s assessment of internal control over financial reporting as of December 31, 2004. The acquired businesses will be within the scope of our management s assessment of internal control over financial reporting as of December 31, 2005.

Our ability to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act, therefore, will depend, in part, on our ability to satisfy those requirements with respect to the GE businesses we acquired in 2004. While we intend to address material weaknesses, if any, at acquired businesses, we cannot provide any assurance that this will be accomplished. We also cannot assure that the work necessary for our management to issue its management report in the future, or for our auditors to issue their attestation, will be completed in a timely manner, or that management or the auditors will be able to report that our internal control over financial reporting is effective.

Risks Related to Our Common Stock

We have implemented, and Wisconsin law contains, anti-takeover provisions that may adversely affect the rights of holders of our common stock.

Our articles of incorporation contain provisions that could have the effect of discouraging or making it more difficult for someone to acquire us through a tender offer, a proxy contest or otherwise, even though such an acquisition might be economically beneficial to our shareholders. These provisions include a board of directors divided into three classes of directors serving staggered terms of three years each and the removal of directors only for cause and only with the affirmative vote of a majority of the votes entitled to be cast in an election of directors. These provisions may make the removal of management more difficult, even in cases where removal would be favorable to the interests of our shareholders. See Description of Capital Stock Certain Anti-Takeover Provisions in the accompanying prospectus.

Each currently outstanding share of our common stock includes, and each newly issued share of our common stock will include, a common share purchase right. The rights are attached to and trade with the shares of common stock and generally are not exercisable. The rights will become exercisable if a person or group acquires, or announces an intention to acquire, 15% (20% in the case of GE and its subsidiaries) or more of our outstanding common stock. The rights have some anti-takeover effects and generally will cause substantial dilution to a person or group that attempts to acquire control of us without conditioning the offer on either redemption of the rights or amendment of the rights to prevent this dilution. The rights could have the effect of delaying, deferring or preventing a change of control. See Description of Capital Stock Common Share Purchase Rights in the accompanying prospectus.

Table of Contents

We are subject to the Wisconsin Business Corporation Law, which contains several provisions that could have the effect of discouraging non-negotiated takeover proposals or impeding a business combination. These provisions include:

- requiring a supermajority vote of shareholders, in addition to any vote otherwise required, to approve business combinations not meeting adequacy of price standards;

- prohibiting some business combinations between an interested shareholder and us for a period of three years, unless the combination was approved by our board of directors prior to the time the shareholder became a 10% or greater beneficial owner of our shares or under some other circumstances;

- limiting actions that we can take while a takeover offer for us is being made or after a takeover offer has been publicly announced; and

- limiting the voting power of shareholders who own more than 20% of our stock.

Our stock price may be subject to significant fluctuations and volatility.

The market price of shares of our common stock may be volatile. Among the factors that could affect our common stock price are those discussed above under Risks Related to Our Business as well as:

- quarterly fluctuation in our operating income and earnings per share results;

- decline in demand for our products;

- significant strategic actions by our competitors, including new product introductions or technological advances;

- fluctuations in interest rates;

- cost increases in energy, raw materials or labor;

- changes in revenue or earnings estimates or publication of research reports by analysts; and

- domestic and international economic and political factors unrelated to our performance.

In addition, the stock markets have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock.

Risks associated with sales of shares of our common stock by GE.

On December 31, 2004, we issued 4,559,048 shares of our common stock to GE in connection with our acquisition of its HVAC motors and capacitors businesses. As of August 10, 2005, GE s ownership of our common stock represented approximately 15.7% of our shares outstanding. In connection with the issuance of common stock, we entered into a shareholder agreement with GE. The shareholder agreement, as amended, requires us to provide GE with opportunities to sell the shares of the common stock under certain circumstances, including an obligation that we use our commercially reasonable best efforts to complete a firm commitment underwritten public offering of at least 3,419,286 shares held by GE by September 12, 2005. In addition, beginning on December 31, 2005, until GE holds 1,139,762 or fewer shares of our common stock, GE may demand that we conduct subsequent public offerings to sell its shares. Once GE holds 1,139,762 or fewer shares, it may sell those shares at any time through brokerage transactions within the volume limitations of Rule 144 of the Securities Act of 1933. Depending on the number of shares sold by GE, the timing of such sales, and the price at which the sales are made, sales of shares by GE could have a

Table of Contents

negative impact on the trading price of our common stock and could increase the volatility in the trading price of our common stock.

Risks associated with the price-protection provisions in our shareholder agreement with GE.

The shareholder agreement we entered into with GE in connection with the issuance of 4,559,048 shares of our common stock to GE includes price-protection provisions. Pursuant to these provisions, we have agreed that, if the aggregate net proceeds received by GE from the sale of all the shares of common stock offered by it under the prospectus are less than $109 million, then we will pay to GE the difference between $109 million and such aggregate net proceeds, up to a maximum amount of $20 million. If from time to time GE sells some, but not all, of the shares offered by it under the prospectus, then the amount, if any, that we would be obligated to pay to GE would be calculated and paid following each such sale based on the amount by which the net proceeds received by GE in such sale are less than the proportional targeted net proceeds for such sale (calculated on a proportionate per share basis based on a targeted $109 million aggregate net proceeds for the sale of all the shares), but in no event will we be obligated to pay GE in excess of $20 million in the aggregate under the price-protection provisions with respect to any or all sales by GE of the common stock offered by it under the prospectus. If we are obligated to make any significant payments to GE under the price-protection provisions in the shareholder agreement, then there could be an adverse effect on our financial condition and cash flows in the amount of such payments.

Table of Contents

USE OF PROCEEDS

We estimate that we will raise approximately $37.9 million of net proceeds from the sale of common stock by us in this offering (assuming no exercise of the underwriters over-allotment option), after deducting the underwriting discount and estimated offering expenses payable by us.

In addition, we estimate that we will receive approximately $8.0 million of the net proceeds received by GE from the sale of our common stock in this offering (assuming no exercise of the underwriters over-allotment option), after deducting the underwriting discount and estimated offering expenses payable by GE, pursuant to the terms of a shareholder agreement between GE and us. For a discussion of the terms of the shareholder agreement, please see the section captioned Selling Shareholder in this prospectus supplement and the sections captioned Use of Proceeds and Selling Shareholder in the accompanying prospectus. Other than the approximately $8.0 million in net proceeds discussed above, assuming no exercise of the underwriters over-allotment option, we will not receive any other proceeds from the sale of our common stock by GE in this offering.

We intend to use the net proceeds we receive in this offering to repay debt under our credit facility. The interest rate we pay under our credit facility varies monthly with the London Interbank Offered Rate, or LIBOR, and the ratio of our funded debt to our earnings before interest, taxes, depreciation and amortization, or EBITDA. As of June 29, 2005, we had $417.5 million of total debt outstanding under our credit facility bearing interest at that date at the rate of 4.7% per annum. The debt outstanding under our credit facility matures on May 5, 2009.

Table of Contents

PRICE RANGE OF COMMON STOCK AND DIVIDEND POLICY

Our common stock is traded on the New York Stock Exchange under the symbol RBC. Prior to January 21, 2005, our common stock was traded on the American Stock Exchange. The following table sets forth the high and low sale prices of our common stock on these exchanges for the periods presented.

	Price of Common Stock	
	High	Low
Calendar 2003		
First Quarter	$ 21.75	$ 14.96
Second Quarter	21.64	15.05
Third Quarter	24.45	18.48
Fourth Quarter	23.07	19.20
Calendar 2004		
First Quarter	$ 23.20	$ 19.41
Second Quarter	22.22	19.14
Third Quarter	24.33	20.40
Fourth Quarter	29.38	23.13
Calendar 2005		
First Quarter	$ 32.08	$ 27.69
Second Quarter	28.94	25.30
Third Quarter (through August 10, 2005)	32.15	28.25

On August 10, 2005, the last reported sale price for our common stock on the New York Stock Exchange was $30.35.

In 2003 and 2004 and for the first quarter of 2005, we paid quarterly cash dividends of $0.12 per share on our common stock. For the second quarter of 2005, we paid a quarterly cash dividend of $0.13 per share on our common stock. Our board of directors has declared a quarterly cash dividend of $0.13 per share on our common stock payable on October 14, 2005, to shareholders of record at the close of business on September 30, 2005.

We have paid cash dividends in each of the preceding 180 quarterly periods through July 2005. We currently intend to declare and pay dividends on a regular basis at the current rate. However, the payment and amount of future dividends is at the discretion of our board of directors and will depend upon future earnings, capital requirements, our general financial condition, general business conditions and other factors.

Table of Contents

CAPITALIZATION

The following table sets forth our consolidated capitalization as of June 29, 2005 on an actual basis, and as adjusted to give effect to the sale of 1,330,714 shares of common stock by us at the public offering price of $30.15 per share after deducting the underwriting discount and estimated offering expenses payable by us, our receipt of approximately $8.0 million of net proceeds from GE pursuant to the terms of the shareholder agreement between GE and us and after applying the net proceeds we receive in this offering as we intend. You should read this table together with Management s Discussion and Analysis of Financial Statements, Description of Common Stock and our consolidated financial statements, including the related Notes to Consolidated Financial Statements, included elsewhere in this prospectus supplement and in the accompanying prospectus.

	As of June 29, 2005	
	Actual	As Adjusted
	(Dollars in thousands)	
Total debt (1)	$ 537,371	$ 491,504
Shareholders investment:		
Common stock, $.01 par value; 50,000,000 shares authorized; 29,860,022 shares issued and 31,190,736 shares issued as adjusted	$ 299	$ 312
Additional paid-in capital	265,826	311,680
Retained earnings	312,302	312,302
Unearned compensation	(844)	(844)
Accumulated other comprehensive income	2,917	2,917
Treasury stock, at cost, 774,100 shares	(15,228)	(15,228)
Total shareholders investment	565,272	611,139
Total capitalization	$ 1,102,643	$ 1,102,643

(1) Total debt includes long-term debt plus current maturities of long-term debt.

Table of Contents

SELECTED CONSOLIDATED FINANCIAL DATA

The following table presents selected historical consolidated financial and other data as of and for each of the past five years, which have been derived from our audited consolidated financial statements, and as of and for the six months ended June 29, 2004 and June 29, 2005, which have been derived from our unaudited interim consolidated financial statements. The table also presents pro forma, unaudited financial data for the year 2004, which have been derived from adding our audited financial data for the year 2004 to the audited and unaudited financial data of the GE commercial AC motors business and GE HVAC motors and capacitors businesses, and include adjustments that in our opinion are necessary for a fair presentation of our combined results for the year 2004. The pro forma financial data for the year 2004 give effect to our August 30, 2004 GE commercial AC motors acquisition, and our December 31, 2004 HVAC motors and capacitors businesses acquisition, as if those transactions all occurred on January 1, 2004. The pro forma financial data are presented for illustrative purposes only and are not necessarily indicative of our results of operations or our financial position had the transactions occurred on January 1, 2004, nor are they intended to project our financial position or results of operations for any future period. You should read the selected financial information together with Management s Discussion and Analysis of Financial Statements and our consolidated financial statements, including the related Notes to Consolidated Financial Statements, included elsewhere in this prospectus supplement (except for the consolidated financial statements as of and for the years ended December 31, 2000 and 2001, which are not included in this prospectus supplement).

Table of Contents

Selected Historical and Pro Forma Financial Data

	For the Years Ended December 31,						For the Six Months Ended	
	2000	2001	2002	2003	2004	Pro Forma 2004(1)	June 29, 2004(2)	June 29, 2005(2)
	(In thousands of dollars, except shares outstanding and per share data)							
Statement of Income Data:								
Net Sales	$ 598,203	$ 663,571	$ 605,292	$ 619,098	$ 756,557	$ 1,295,228	$ 340,736	$ 706,591
Cost of Sales	440,774	497,694	462,149	472,343	589,497	1,007,404	261,708	558,329
Gross Profit	157,429	165,877	143,143	146,755	167,060	287,824	79,028	148,262
Operating Expenses	85,821	109,817	95,916	99,529	111,898	167,872	52,322	86,586
Income From Operations	71,608	56,060	47,227	47,226	55,162	119,952	26,706	61,676
Interest Expense	15,332	22,239	9,399	6,462	6,787	16,467	2,836	11,348
Interest Income	274	221	149	79	183	347	32	76
Income Before Income Taxes and Minority Interest	56,550	34,042	37,977	40,843	48,558	103,832	29,302	50,404
Provision For Income Taxes	22,779	14,452	13,182	14,791	15,728	36,455	8,594	18,638
Income Before Minority Interest	33,771	19,590	24,795	26,052	32,830	67,377	15,308	31,766
Minority Interest in Income, Net of Tax			277	846	2,395	3,055	819	1,035
Net Income	$ 33,771	$ 19,590	$ 24,518	$ 25,206	$ 30,435	$ 64,322	$ 14,489	$ 30,731

Earnings Per Share	$ 1.61	$ .94	$ 1.01	$ 1.01	$ 1.24	$ 2.21	$ 0.59	$ 1.06
Earnings Per Share Assuming Dilution	$ 1.61	$ .93	$ 1.01	$ 1.00	$ 1.22	$ 2.18	$ 0.58	$ 1.03
Average Number of Shares Outstanding	20,984,423	20,868,896	24,186,839	25,029,942	24,602,868	29,162,868	24,744,342	29,049,209
Average Number of Shares Outstanding Assuming Dilution	20,996,189	21,124,204	24,310,165	25,246,088	24,904,287	29,464,287	24,977,674	29,982,397
Balance Sheet Data:								
Cash and Cash Equivalents	$ 2,612	$ 6,629	$ 5,591	$ 9,100	$ 31,275	$ 31,275	$ 14,259	$ 29,066
Working Capital(3)	185,781	161,044	157,405	158,104	279,710	279,710	180,537	299,136
Total Assets	792,407	746,599	733,988	734,445	1,352,052	1,352,052	764,197	1,375,283
Long-term Debt	393,510	345,667	222,812	195,677	547,350	547,350	214,509	536,895
Shareholders Investment	273,889	280,150	381,423	398,704	538,179	538,179	394,701	565,272
Other Financial Data:								
Capital Expenditures	$ 16,994	$ 15,426	$ 10,754	$ 17,965	$ 16,281	$ 22,866	$ 6,699	$ 15,549
Depreciation and Amortization	25,549	31,798	22,134	21,014	21,613	40,468	11,031	18,845

(1) Pro forma for our August 30, 2004 GE commercial AC motors business acquisition, and our December 31, 2004 HVAC motors and capacitors businesses acquisition, as if those transactions all occurred on January 1, 2004.
(2) Actual second quarter amounts are as reported, not pro forma.
(3) Working capital defined as current assets minus current liabilities.

Table of Contents

BUSINESS

Our Company

We are one of the largest global manufacturers of commercial and industrial electric motors, HVAC motors, electric generators and controls, and mechanical motion control products. Many of our products hold leading market positions in a variety of essential commercial and industrial applications, and we believe we have one of the most comprehensive product lines in the markets we serve. We sell our products to a diverse global customer base using more than 20 recognized brand names through a multi-channel distribution model to leading OEMs, distributors and end users across many markets. We believe this strategy, coupled with a high level of customer service, provides us with a competitive selling advantage and allows us to more fully penetrate our target markets.

We manufacture and market electrical and mechanical products. Our electrical products include HVAC motors, a full line of AC and DC commercial and industrial electric motors, electric generators and controls, capacitors and electrical connecting devices. Our mechanical products include gears and gearboxes, marine transmissions, high-performance automotive transmissions and ring and pinions, manual valve actuators, and cutting tools. OEMs and end users in a variety of motion control and other industrial applications increasingly combine the types of electrical and mechanical products we offer. We seek to take advantage of this trend and to enhance our market penetration by leveraging cross-marketing and product line bundling opportunities between our electrical and mechanical products.

We market our products through multiple business units, with each typically having its own branded product offering and sales organization. These sales organizations consist of varying combinations of our own internal direct sales people as well as exclusive and non-exclusive manufacturers representative organizations. We manufacture the vast majority of the products that we sell, and we have manufacturing, sales, engineering and distribution facilities throughout the United States and Canada as well as in Mexico, India, China and Europe.

We believe our competitive strengths include our:

- leadership in our major market segments
- comprehensive product offering and leading brands
- leading product development and recently-acquired ECM technology
- multi-channel and multi-brand distribution model
- broad and diverse customer base
- experienced management team
- global infrastructure
- rapid response capabilities
- financial flexibility to pursue growth

Our business strategy includes growing revenues organically in excess of market rates, continuously lowering our manufacturing costs and pursuing strategic acquisitions.

Our specific revenue growth initiatives include:

- introducing new products
- capitalizing on new 13 SEER requirements
- leveraging cross-marketing and product line bundling opportunities
- utilizing our design and engineering expertise to provide leading-edge products
- increasing our global presence, especially in China and India

We have a culture that seeks out and eliminates unnecessary costs at all levels of the organization and drives continuous improvement in our manufacturing operations. Major initiatives in process to lower our manufacturing costs include utilizing our new low cost facilities and rationalizing manufacturing; further improving our operational efficiencies; and focusing on sourcing, lean/ Six Sigma and logistics opportunities. We will also seek to broaden our market coverage by acquiring businesses and product lines that provide a strategic fit with our existing businesses.

Electrical Products

Our electrical products include a full line of AC and DC commercial and industrial electric motors, HVAC motors, electric generators and controls, capacitors and electrical connecting devices. Over the past eight years, we have focused on building our electrical product lines through a combination of strategic acquisitions and internal growth initiatives. Our initial focus was to establish our company as a significant manufacturer of industrial electric motors, since our mechanical products businesses serve similar markets and their products are often used in combination with a motor. With our acquisitions of Marathon Electric Manufacturing Corporation in 1997, the Lincoln Motors business of Lincoln Electric Holdings, Inc. in 1999 and LEESON Electric Corporation in 2000, we became one of the two largest producers of industrial electric motors serving the North American market and are able to offer our customers both electrical and mechanical products. Additionally, these acquisitions have brought products that are complementary to our core electric motor lines in such areas as electric generators and generator controls, motor controls, and electrical connecting devices. The integration of these acquisitions provides significant cost savings and synergies that further strengthen the competitive position of our electrical products businesses.

During 2004, we separately acquired two electric motor businesses from GE which were natural extensions to our core electric motor lines. In August 2004, we acquired GE s commercial AC motors business, which manufactures a full line of alternating current motors for pump, compressor and commercial heating, ventilating and air conditioning applications. In December 2004, we acquired GE s HVAC motors and capacitors businesses, which produce a full line of electric motors for use principally in residential HVAC systems, as well as capacitors for HVAC systems, high intensity lighting and other applications. The acquisitions of these motor businesses complement our existing electrical products businesses, providing us with:

- a leading market position and brand name in the HVAC motor market;
- diversification of our served markets and a broad base of leading HVAC customers;
- patented ECM technology, which represents a growing portion of our motor sales because of the technology s unique capabilities;

Table of Contents

- a strong management team and infrastructure in place to support growth; and

- significant scale and low cost manufacturing capabilities in Mexico and India.

After giving effect to these acquisitions as if they occurred on January 1, 2004, our pro forma 2004 revenues were approximately $1.3 billion.

We manufacture and market AC and DC commercial and industrial electric motors ranging in size primarily from sub-fractional to small integral horsepowers. We also manufacture larger commercial and industrial AC electric motors from 50 through 800 horsepower and DC electric motors from sub-fractional through small integral horsepowers. We offer thousands of stock models of electric motors in addition to the motors we produce to specific customer specifications. We also produce and market precision servo motors, electric generators ranging in size from five kilowatts through four megawatts, automatic transfer switches and paralleling switchgear to interconnect and control electric power generation equipment and electrical connecting devices such as terminal blocks, fuse holders and power blocks. Additionally, our electrical segment markets a line of AC and DC adjustable speed drives. We manufact