



Department of Justice

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**JUSTICE DEPARTMENT REQUIRES DIVESTITURES IN ORDER FOR
REGAL BELOIT CORPORATION TO PROCEED WITH ITS ACQUISITION
OF A.O. SMITH CORPORATION'S ELECTRIC MOTOR BUSINESS**

***Divestitures Will Preserve Competition for Electric Motors for Pool and Spa Pumps
and Draft Inducers for High-Efficiency Furnaces***

WASHINGTON – The Department of Justice announced today that it has reached a settlement that will require Regal Beloit Corporation (RBC) to divest its U.S. business for electric motors for pool and spa pumps to SNTech Inc. and to divest A.O. Smith Corporation's (AOS) development work and related assets for draft inducers for high-efficiency furnaces to Revcor Inc., in order to proceed with RBC's acquisition of AOS's electric motor business. The department said that without the divestitures the acquisition would lead to higher prices, lower quality products, less customer service and less innovation in each of these markets.

The department said that the acquisition, as originally proposed, would combine two of the three leading suppliers of electric motors for pool and spa pumps in the United States. The acquisition also would have eliminated the most likely entrant into the market for draft inducers for furnaces with a thermal efficiency of 90 percent or greater (90+ draft inducers), a market in which RBC has a near monopoly.

The Department of Justice's Antitrust Division filed a civil antitrust lawsuit today in U.S. District Court for the District of Columbia to block the proposed acquisition. At the same time, the department filed a proposed settlement that, if approved by the court, would resolve the competitive concerns alleged in the lawsuit.

"The acquisition as originally proposed would have lessened the vigorous competition that currently exists among manufacturers of electric motors for pool and spa pumps resulting in higher prices and lower quality products," said Sharis A. Pozen, Acting Assistant Attorney General in charge of the Department of Justice's Antitrust Division. "The acquisition also would have eliminated the firm best positioned to challenge Regal Beloit Corporation's dominance in the market for draft inducers for high-efficiency furnaces."

The department's complaint alleges that the proposed acquisition would eliminate the significant competition between RBC and AOS in the already highly concentrated

markets for electric motors for pool and spa pumps in the United States. The complaint also alleges that the proposed acquisition would eliminate the potential competition from AOS in the 90+ draft inducer market, in which RBC has a near monopoly.

The proposed settlement requires RBC to divest the assets used to design, manufacture and sell RBC motors used in pool and spa pump applications. The department has concluded that SNTech will integrate the divestiture assets into its current operations to create a viable competitor in the markets for electric motors for pool and spa pumps. The proposed settlement also requires that RBC divest the assets necessary to continue the design and development of AOS's 90+ draft inducers. The department concluded that Revcor will integrate the divestiture assets into its current operations and replace the potential competition lost by RBC's acquisition of AOS's electric motor business. The divestitures to SNTech and Revcor will remedy the competitive concerns alleged in the complaint.

Electric motors sold for use in pool and spa pumps must be uniquely engineered and assembled to meet the size and performance specifications of the individual pump. In addition to size and energy efficiency, specification variables include the capacity of the impeller, speed, current/voltage, whether the motor is operated continually or sporadically, and whether the pump has more than one speed of operation.

Furnace draft inducers are specialized blowers for the movement of air and the expulsion of hot combustion gases produced by gas-fired furnaces. They perform an important safety function by extracting harmful combustion gases and venting those gases outside. Furnaces are classified according to their thermal efficiency, which is the percentage of energy used to heat the air and that is not lost with the vented combustion gases. Draft inducers are designed for the specific thermal efficiency of each furnace. More modern furnaces with higher thermal efficiency, typically referred to as 90 percent thermal efficiency or 90+, use draft inducers based on more advanced technology.

RBC, headquartered in Beloit, Wis., manufactures mechanical and electrical motion control and power generation products. RBC had revenues of approximately \$2.2 billion in 2010.

AOS, headquartered in Milwaukee, is made up of two operating units: the water products business and the electric motor business. AOS is one of North America's largest manufacturers of electric motors for residential and commercial applications. In 2010, AOS had revenues of approximately \$1.5 billion, with approximately \$700 million of that amount from electric motors and related products.

SNTech, headquartered in Phoenix, manufactures low-cost smart electric motors used in air moving applications.

Revcor, headquartered in Carpentersville, Ill., manufactures air moving products, including blowers and fans.

As required by the Tunney Act, the proposed settlement, along with a competitive impact statement, will be published in the Federal Register. Any person may submit written comments concerning the proposed settlement during a 60-day comment period to Maribeth Petrizzi, Chief, Litigation II Section, Antitrust Division, U.S. Department of Justice, 450 Fifth Street, N.W., Suite 8700, Washington, D.C. 20530. At the conclusion of the 60-day comment period, the U.S. District Court for the District of Columbia may approve the proposed settlement upon finding it is in the public interest.

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