

BALDOR ELECTRIC COMPANY

Corporate Governance Guidelines

Adopted by Baldor's Board of Directors on April 24, 2004,
and including amendments through February 28, 2010.

The following Guidelines have been approved and adopted by Baldor's Board. In addition to these Guidelines, Baldor's Articles, Bylaws, and Charters of the various Committees of the Board, provide the foundation for its governance. See the attached Exhibit "A" for certain definitions or terms used in this document.

1. Roles of the Board of Directors and Executive Management

Each Director is elected by Baldor's shareholders. The Board is the ultimate decision making body of Baldor, except with respect to those matters reserved to its shareholders in Baldor's Governing Documents or as required by other Regulatory Agencies. Baldor's business is conducted by its employees and officers under the direction of the CEO and subject to the oversight of the Board. Both the Board and the executive management seek to enhance the long-term value of Baldor for the benefit of its shareholders. In doing so, Baldor recognizes that the interests of its shareholders will also be advanced by responsibly taking into account the concerns of its other constituencies, including customers, employees, the communities in which it does business, the public at large, and the governmental entities that regulate its businesses.

2. Critical Functions of the Board of Directors

In addition to overseeing Baldor's Executives, the critical functions of the Board, at times in conjunction with an appropriate Committee, include, but are not limited to, the following matters:

- a. considering and approving Baldor's fundamental business strategies and major corporate actions in accordance with direction set forth in the Bylaws;
- b. selecting, evaluating, and compensating Executive positions;
- c. planning for succession to the position of CEO as well as certain other Executive positions; and
- d. enhancing Baldor's integrity and reputation by ensuring that the appropriate management establishes, implements, and maintains policies, practices, and procedures for full compliance with all applicable laws and for meeting the high ethical standards that the Board and the public expect of Baldor.

3. Director Responsibilities

The primary responsibility of each Director is to exercise business judgment in good faith to act in what the Director reasonably believes to be in the best interests of Baldor and its shareholders. In addition to those requirements set for in the Governing Documents, in discharging this responsibility, Baldor requires that each Director shall:

- a. preserve the confidential nature of material information given or presented to the Board;
- b. disclose to the other Directors any potential conflicts of interest with respect to any matter under discussion and, if appropriate, refrain from voting on such a matter;
- c. not serve as a director, officer, or employee of any entity which is in competition with Baldor and not misappropriate any opportunity or asset belonging to Baldor for direct or indirect benefit;
- d. be consistent with the Board's belief that management speaks for Baldor, and except as provided in these Guidelines, refer all inquiries from the press, institutional investors, and others to the CEO or such other Executives or appropriate designees, provided, however, that a Director may, from time to time, meet or otherwise communicate with various third parties about Baldor but only with the knowledge and advance approval of the Executive Committee or if requested by the Executive Committee; and
- e. establish a financial stake in Baldor by developing a meaningful ownership position in Baldor over time as determined by the Board and that is appropriate for the Director's personal financial circumstances.

4. Director Qualifications and Selection Process

The Corporate Governance Committee evaluates all Nominees, including current Directors who may be up for re-election, based on several different professional criteria and in accordance with the minimum requirements as established in the Governing Documents. Additional general criteria includes knowledge of business, industry, and economic environment, educational background, professional experience, and willingness and availability to serve as a Director of Baldor.

Baldor seeks to have a Board representing diverse experiences in business, government, education, technology, and in various areas relevant to its businesses. This Committee will also consider the make-up of the Board as a whole in terms of the professional diversity represented by various occupations and review the overall qualifications in determining a combination of Directors that will best serve the needs of the Board and Baldor. Other considerations and requirements include, but are not limited to, the following:

- a. Integrity and Values

Each Director should possess the highest personal and professional ethics and integrity and be devoted to representing the interests of Baldor and its shareholders. A Director must be willing to devote sufficient time to carrying out his or her duties and responsibilities effectively.

- b. Independence

The make-up of the Board shall at all times meet the criteria for independence required by the Regulatory Agencies.

c. Nominations

Proposed nominations for Directors will be made to the Board by the Corporate Governance Committee in accordance with the policies and principles in its Charter. Shareholders may also propose nominees for election as Directors for consideration by this Committee in accordance with the procedures set forth in Governing Documents. In the event of vacancies that occur on the Board between annual shareholder meetings, as set forth in the Governing Documents, the Board may fill such positions pursuant to recommendation by this Committee and as indicated in Governing Documents.

d. Director Resignation Policy

If a Director experiences an event listed below, such Director shall immediately submit a letter to the Board of Directors offering to resign as a Director, contingent upon the Board accepting the resignation:

- Upon the resignation or retirement from, or termination of, the Director's principal current employment, or other similarly material changes in professional occupation or association; or
- Upon conclusion of a shareholder vote for the nomination of directors, if the Director does not receive the number of votes required for re-election.

Upon receiving a resignation offer, the Corporate Governance Committee shall evaluate the best interest of Baldor and its shareholders and shall recommend to the Board whether to accept or reject the tendered resignation. Within 90 days from the date the resignation is tendered, the Board will decide whether to accept or reject the resignation. The Director who tendered his or her resignation will not participate in the recommendation of the Corporate Governance Committee or the decision of the Board with respect to his or her resignation.

e. Service on Other Boards of Directors

A Director will advise the Chairman of the Board and the Committee Chair of the Corporate Governance Committee in advance of accepting an invitation to serve as a director of another public company. The Corporate Governance Committee will review whether such board membership may unduly impact the ability of the Director to fulfill his or her responsibilities as a Director of Baldor and shall make a recommendation to the Board. Generally, a Director of Baldor should not serve on more than three other public company boards of directors.

f. Chairman of the Board

Baldor has no fixed policy with respect to the separation of the offices of Chairman of the Board and the CEO. The Board believes that this issue is part of the succession planning process, and that it is in the best interests of Baldor for the Board to make this determination from time to time, when selecting a new CEO.

5. Independence of Directors

The Corporate Governance Committee shall be responsible for creating categorical standards to assist it and the Board in making a determination of independence of Directors in accordance with the Governing Documents and the rules and regulations Regulatory Agencies. Upon approval by the Board, the standards shall be disclosed to interested parties of Baldor. On an annual basis, this Committee shall re-evaluate and determine the status of independence of all Directors in accordance with the set standards. This Committee shall present for approval to the full Board a report regarding its determination on the independence (or lack thereof) of each Director serving on the Board.

6. Membership, Terms, and Term Limits

The number of Directors on the Board and the terms of each Director shall be in compliance with the Governing Documents. The Board does not believe it should establish term limits for its Directors and, as such, each Director may be re-elected to additional terms. The nomination process and associated criteria will ensure that there are fresh ideas and viewpoints available to the Board while maintaining the contribution of Directors who have been able to develop, over a period of time, increasing insight into Baldor and its operations and, therefore, provide an increasing contribution to the Board as a whole.

7. Meetings of the Board of Directors

a. Meetings Scheduled

The Board, in accordance with Governing Documents, may have meetings, regular or special, as frequently as the Board determines. Although Baldor has no formal policy regarding the required number of meetings held each year, the Board has generally found that four regularly scheduled meetings per year have been appropriate and sufficient.

b. Meeting Attendance and Preparation

Each Director is expected to attend all Board meetings and all meetings of Committees on which the Director serves. A Director should notify Baldor's Secretary as soon as practical after becoming aware of being unable to attend a meeting. Each Director is expected to spend the amount of time and effort needed, and to meet as frequently as necessary, to properly discharge the required and appropriate responsibilities. Information and data that are important to the Directors' understanding of the business to be conducted at a Board meeting generally should be made available or distributed to the Directors as soon as possible and practicable. All Committees may establish information distribution guidelines and timelines within their individual Charters. Each Director should review the materials in advance of the meeting.

c. Meeting Agenda

Prior to each meeting, the Chairman of the Board will establish the agenda for each Board meeting and establish a schedule of agenda subjects to be discussed during the meeting to the degree this can be foreseen. The Board of Directors will review

Baldor's long-term strategic plans and the principal issues that it will face in the future during at least one Board meeting each year. Directors are encouraged to suggest the inclusion of additional items on the agenda. Whenever possible, such additional agenda items should be discussed with the Chairman of the Board or Corporate Secretary in advance of the meeting so that appropriate notice and materials relating to such item can be distributed to all Directors prior to the meeting. A Director may raise subjects for discussion at any Board meeting whether or not included within the formal agenda for that meeting.

d. Meetings of Non-Management Directors

Executive sessions or meetings of those members of the Board who meet the then current standards of independence shall be held at least annually and more frequently if the independent Directors so desire. No member of Baldor management shall be present at such executive sessions except by specific invitation by the Presiding Director of the meeting. The non-management Directors may meet in executive session completely separate from a scheduled meeting of the full Board of Directors or during a scheduled Board meeting upon first excusing all members of Baldor management from that segment of the meeting. The Presiding Director for this Committee will be determined annually.

8. Board Committees

a. Standing Committees

The Board will have at all times an Executive Committee and any other Committee required by the Governing Documents or Regulatory Agencies. Other than the Executive Committee, all of the members of these Committees shall be Directors who then meet the independence criteria then in effect and as established by the Regulatory Agencies. The Board may create additional standing and ad hoc committees as deemed appropriate from time to time. Consideration will be given to rotating Committee members periodically, but the Board does not believe that rotation should be mandated.

b. Committee Charters

Each Board Committee will have its own Charter or other governing document. Each Charter will set forth the purposes, goals, and responsibilities of the Committee as well as certain specific qualifications for Committee membership and procedures for Committee member appointment. Each Charter will address the nature of items that, and the frequency with which, the Committee will report to the full Board. Each Charter will require the Committee to annually evaluate its own performance.

c. Committee Meetings and Agendas

The Committee Chair, in consultation with the Committee members and Baldor's Chairman of the Board, CEO and Executives, where appropriate, will determine the frequency and length of the Committee meetings consistent with any requirements set forth in the Committee's Charter. The Committee Chair, in consultation with the appropriate members of the Committee and Executives, will develop the Committee's agenda for each meeting. The meeting schedule for each Committee will be furnished to all Directors.

d. Committee Reports to the Board

After each Committee meeting, but not less than annually, each standing Committee will make a report to the Board as required in each Committee's Charter and including other issues that may be of interest to the Board. Such reports shall include an analysis of the issues and how such issues were resolved or otherwise addressed by the Committee.

e. Engagement of Advisors

The Board and each Committee have the power to hire, at the expense of Baldor, independent legal, financial or other advisors as it may deem necessary, without consulting or obtaining the approval of any Executive of Baldor in advance. Directors are expected to use their best judgment in determining when such engagements are necessary and shall consider the qualifications and fees to be charged by such advisors when making their selection. The Board and/or the Committee that engages such advisor shall promptly notify Baldor's Corporate Secretary of such engagement so that the Corporate Secretary can confirm the independence of such advisor and make the necessary arrangements for the payment of fees to such advisor. Except for the Audit Committee, any other standing Committee shall be limited to \$5,000 per engagement unless otherwise authorized by the Board of Directors. A report will be made to the Board regarding the reason for the engagement and the fees at the next Board meeting.

9. Non-Delegable Actions of the Board of Directors

The Board may delegate responsibility for certain actions within the scope of the Board's authority to the extent such delegation is permissible by applicable law. Any such matters delegated to a Committee must be within the scope of authority granted to such Committee in its Charter. Notwithstanding any such delegation, the Board shall remain responsible for such actions and the Committees and/or persons to whom such actions have been delegated shall report the status of such matters to the Board from time to time as directed by the Board. However, Baldor believes that the following matters may not be delegated outside the Board and must be addressed by the Board as a whole:

- a. any matter which is required by applicable law to be acted upon by the Board of Directors, such as amendments to Baldor's Articles of Incorporation, issuances of shares, share repurchases, and declarations of dividends;
- b. any amendment to, or waiver of, Baldor's Code of Ethics and Business Conduct;
- c. any waiver to, or waiver of, Baldor's Code of Ethics for Certain Executives; or
- d. any business acquisition or disposition requiring approval by Baldor's shareholders;

10. Director Access to Officers and Employees

- a. Contacts

Directors shall have full and free access to Executives and employees of Baldor. Any meetings or contacts that a Director wishes to initiate may be arranged directly or through the CEO or Corporate Secretary. A Director will use judgment to ensure that any such contact is not disruptive to the business operations of Baldor and may, if appropriate, copy the CEO and Corporate Secretary on any written communications between a Director and an Executive or employee of Baldor.

b. Participation in Meetings

In addition to the Directors and Baldor's Corporate Secretary, the Board may extend invitations to other Baldor personnel or affiliates to attend various Board or Committee meetings, or certain portions of such meetings. Meeting attendance of non-members should be approved by the Chairman of the Board or by the Committee Chair or by a majority of the members of the Board or Committee.

11. Management Evaluation

At least annually, the Board, in conjunction with the Compensation Committee, shall review the performance of the CEO and Executives, particularly Baldor's Named Executive Officers, to ensure that these senior management individuals are providing the best leadership for Baldor in the long and short term.

12. Succession Planning

In order to be prepared in the event of an unexpected inability of the CEO to continue to serve, the Board, upon recommendations of the Executive Committee and the Corporate Governance Committee, shall evaluate potential successors to the CEO. In evaluating potential successors, the Board or these Committees shall meet with the CEO to discuss the CEO's recommendations and evaluations, including a review of any development plans recommended for such potential successors.

13. Director Compensation

The form and amount of Director compensation will be determined by the full Board on the recommendation of the Corporate Governance Committee in accordance with the policies and principles set forth herein, in its Charter, and any Regulatory Agency. This Committee will conduct an annual review of Director compensation. The Board, upon the advice of this Committee, shall consider whether the independence of Directors may be jeopardized: a) if Director compensation and perquisites exceed customary levels; b) if Baldor makes substantial charitable contributions to organizations with which a Director is affiliated; or c) if Baldor enters into consulting contracts with (or provides other indirect forms of compensation to) a Director or an organization with which the Director is affiliated.

14. Director Education and Continuing Education

Baldor will establish, or identify and provide access to, appropriate orientation programs, sessions, or materials for newly elected directors of Baldor for their benefit prior to or within a reasonable period of time after their nomination or election as a Director. The program or materials will include information to familiarize new Directors with Baldor's strategic plans, its significant financial, accounting, and risk management issues, its

compliance programs, its Code of Ethics and Business Conduct, its Executives, and its internal and independent auditors.

The Board encourages its members to participate in continuing education programs sponsored by universities, stock exchanges, or other organizations or consultants specializing in director education. Subject to approval by the Board's Executive Committee, a Director may attend continuing education programs at Baldor's expense.

15. Reliance on others; Liability Insurance

In discharging the obligations and responsibilities as a Director of Baldor, each Director is entitled to rely on the honesty and integrity of other Directors and of Baldor's Executives, independent auditors, and other outside advisors. Further, in order to promote the ability of each Director to act in accordance with the Director's reasonable, good faith business judgment without undue concern for the substantial risk of personal liability faced by directors of public companies, Baldor shall purchase and maintain directors' and officers' liability insurance in amounts reasonably deemed appropriate from time to time. To the extent deemed advisable by the Board, Baldor shall bestow on the Directors the benefits of indemnification and exculpation to the fullest extent permitted by law and by Baldor's Governing Documents and any indemnification agreements.

16. Annual Performance Evaluation

The Board, in conjunction with the Corporate Governance Committee, will conduct an annual self-evaluation to determine whether it and its Committees are functioning effectively. The performance assessment will be discussed with the full Board following the end of each fiscal year. The assessment will focus on the Board's contribution to Baldor and specifically focus on areas in which the Board or management believes that the Board could improve. In addition, at least annually the Board shall review whether the Baldor short term strategy, including its compensation packages for executive officers and employees generally, is in line with its long-term strategic plans and shall revise such plans as needed.

17. Amendment, Waiver and Modification

The Board recognizes that these Guidelines must continue to evolve in accordance with the changing needs of Baldor, its shareholders, and the applicable laws and regulations of Regulatory Agencies. At least annually, the Board will review these Guidelines and Baldor's Governing Documents to determine whether any changes are appropriate. The Board may amend, modify, or waive these Guidelines, subject to the disclosure and other provisions of laws, rules, and regulations applicable to Baldor.

EXHIBIT “A”
BALDOR ELECTRIC COMPANY
Corporate Governance Guidelines

Adopted by Baldor’s Board of Directors on April 16, 2005

Articles - Articles of Incorporation, as amended and/or restated, of Baldor Electric Company in effect at the time

Baldor - Baldor Electric Company and the affiliates of Baldor Electric Company unless otherwise noted

Board - Board of Directors of Baldor Electric Company

Bylaws - Bylaws, as amended, of Baldor Electric Company in effect at the time

CEO - Chief Executive Officer of Baldor Electric Company

Chairman of the Board - Chairman of the Board of Directors of Baldor Electric Company

Charters - Charters, or other governing documents, of the specified Committees of the Board of Directors of Baldor Electric Company

Committee - any specified Committee of the Board of Directors of Baldor Electric Company

Committee Chair - Chairman (or Presiding Director) of the specified Committee of the Board of Directors of Baldor Electric Company

Director - any member of the Board of Directors of Baldor Electric Company

Executives - the Chief Executive Officer, the Named Executive Officers, and the other Executive Officers of Baldor Electric Company as defined as “executive officer” for purposes of Form 10-K Report and Proxy Statement reporting and as defined as “officer” for purposes of Section 16 of the Exchange Act

Governing Documents - including, but not limited to, the Articles of Incorporation, as amended and/or restated, the Bylaws, as amended, and the Charters of specified Committees of the Board of Directors of Baldor Electric Company

Guidelines - corporate governance principles approved and adopted by the Board of Directors of Baldor Electric Company as indicated in this particular document

Nominee - a nominee to the Board of Directors of Baldor Electric Company

NYSE - New York Stock Exchange (or similar exchange on which Baldor’s stock is traded and regulated)

Regulatory Agencies - including, but not limited to, the NYSE, the SEC, the IRS, other similar governing and rule-making agencies, and the rules and regulations of the SOX

SEC - the Securities and Exchange Commission

SOX - the rules and regulations of the Sarbanes-Oxley Act of 2002