



April 11, 2013

Dear *Valued* A. O. Smith Reps:

It's hard to believe that we are already through the first quarter of 2013! Looking back I realized it has been almost 6 years since we launched our online co-op program. Since that time we have processed more than 22,000 claims in an average of 6 days or less! We sure have come a long way! We wanted to highlight some of the changes you will see regarding co-op rep discretionary expenses and claim allowances as we go forward.

We believe the overall quality of our products has improved and the gas valve issue we once faced is in the past. If you recall, we initiated "customer accommodation funds" to combat the issues associated with quality, labor and parts claims in the field. With quality issues sliding in scale, we have eliminated the customer accommodation bucket as added funds to your rep discretionary account in 2013. Legitimate claims for warranty, labor and parts expenses should be channeled through our warranty department for appropriate payment, reimbursement and tracking purposes. Effective immediately we have removed those descriptions from the co-op pull down menu options. Any claims submitted for warranty, parts, labor or freight expense will no longer be processed through our co-op program.

We feel we have developed a valuable marketing resource in our online co-op program for manufacturer representatives and our wholesale customers alike. These annual funds allow you to participate in co-op marketing activities that drive brand loyalty, increase share and build long-lasting relationships with our customers.

Should you have any questions, please feel free to contact your local Regional Sales Manager, Regional Vice President or me.

As always, we appreciate your continued support and dedication to the A. O. Smith brand.

Sincerely,

A handwritten signature in black ink that reads "James Margoni".

James R. Margoni
Senior Vice President, Wholesale Sales