



September 1, 2011

Dear **Valued** A. O. Smith Distributor:

As you are aware the costs of service parts and materials to build those parts from our vendors have seen significant increases this past year. We continually try to maximize our operating efficiency and economize wherever possible, however due to higher than expected inflation, we must increase our service parts' prices.

This letter is to inform you that we will be implementing an average 8% price increase on all A. O. Smith residential, commercial and specialty parts, effective October 1, 2011. New prices have been applied to individual parts categories based upon increases from our vendors and material cost. Every attempt has been made to reduce the impact of this increase, so the actual percentage increase does vary by item.

An updated service parts price book reflecting the new prices will be sent out prior to the effective date. In addition this year's book will have a number of additions including the parts for our new product launches from the past year.

Should you have any questions, please contact your local manufacturer's representative, your Regional Sales Manager or Chris Haas, Sales manager for Service Parts.

We appreciate your continued support and dedication to A. O. Smith brand of water heating products.

Sincerely,

A handwritten signature in black ink that reads "Eddie Goodwin".

Eddie Goodwin
President, APCOM