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**To: C&I Authorized Distributors**

**Re: Gray Market / Counterfeit Awareness**

I am writing to discuss a concern around GE electrical products that are acquired from sources other than GE. The past twelve months have certainly proven to be one of the most challenging and difficult periods faced by our country and the electrical industry. Based on various economic forecasts, we anticipate that 2010 will offer similar challenges. Because of these pressures, we are now seeing some GE electrical distributors procuring circuit breakers and other electrical products from sources other than GE -- with no assurances that the products they are reselling to their customers are new and genuine GE products.

**Purchasing from sources other than GE raises at least three immediate concerns:**

- (1) If your firm purchases what appear to be GE brand products from a source other than GE, then you have no assurance that the products are actually new and genuine. You cannot directly or implicitly represent to your customers that you purchased the products from GE. In addition, to the extent that any of these products are counterfeits, the sale of such goods creates trademark liability issues whether you are aware of that or not.
- (2) If your firm purchases and resells GE brand products (whether genuine or not) that were obtained from a source other than GE, then such products cannot be returned to GE for warranty or any other reasons. Your firm is limited to recourse with the source. While GE stands behind the products it sells to you, GE cannot stand behind products you purchase from other sources.
- (3) If your firm purchases and resells GE brand products that were obtained from a source other than GE, then this has a considerable negative financial impact on GE. This impacts you, because reduced GE profitability means less funds available to GE to invest in new products and fewer resources to support your organization's growth.

GE is taking the following actions to maintain its competitiveness in light of these issues. First, we are going to begin serializing breakers and creating databases that will allow us to track products we sell. This costly change greatly improves our ability to identify counterfeit products and trace any quality assurance concerns. Also, this change helps us ensure that GE products sold at special prices intended to meet a competitive situation for a specific project, segment, or end-user are used solely for that project, segment, or end-user. Second, we are updating language used on our special pricing authorizations to further confirm that such prices are good only for purchases that meet the special pricing authorization requirements. GE will seek reimbursement (i.e., list price less SPA price) for any other purchases that do not actually meet the SPA requirements. Third, we have developed a new OEM agreement that is more explicit in providing that direct-served OEM customers can only sell products as part of their OEM product or as replacement parts for OEM product they have sold, so they are expressly prohibited from distributing the products separate from their OEM products.

Please help us address this issue by only reselling GE products that you have purchased directly from GE. I know your customers will appreciate it, and it's just good business.

Thank you for your time and consideration.

Gary Arnott