



“Grey Market,
buyer beware”

For end users

Unauthorized resellers

may cost you more than you think.

Lately, there has been a lot of discussion about grey market and whether purchasing from an “unauthorized” reseller is a bad thing. But do you really know the potential impact it can have on you as a customer if that “too good to be true” deal goes bad? The grey market can lure unsuspecting customers to purchase products with invalid warranties, products designed for use in other countries, products that may have been used or tampered with or contain counterfeit components, and finally, products which may even have been stolen. In the grey market, manufacturer branded products have been acquired without the manufacturer’s consent and support and as a result, the quality that a buyer normally associates with the manufacturer’s brand is an “illusion” which for some customers, has turned into a nightmare. There are many real and tangible reasons why you are paying less for the product and, in many ways, you do indeed “get what you pay for.”

To protect our customers and authorized distributors, Nortel Network has created an Anti-Grey Market Task Force dedicated to significantly reducing grey market activities.

What is grey marketing?

At Nortel Networks, grey market is defined as:

- New products being sold by unauthorized resellers. Unauthorized resellers are those that do not have a valid reseller agreement, or those who are selling products not covered by their agreements with the vendor.
- Products being sold by authorized resellers in violation of a distribution agreement, e.g., selling to unauthorized resellers, selling outside a reseller’s authorized territory or selling products to “customers” that are not end users.
- Purchase of products by authorized resellers from sources other than the vendor or an authorized distributor of the vendor.

Why should you care?

When buying “new or unused” product from unauthorized resellers, unsuspecting customers are buying grey market product. The grey market deals in manufacturer branded products at what initially appears to be a good deal. It is often only after the purchase that the customer learns the real impact and cost of their decision. Customers may find themselves possessing a product with an invalid manufacturer warranty, product for which upgrades may not be available, product which may not be supported by the manufacturer or product supported only after an extensive and costly recertification to validate quality.

Here are some real-life examples of customer experiences with the grey market:

- *A customer moving to new office space purchased a key system from an unauthorized reseller (“Grey Marketer”) who claimed to be a Nortel Networks authorized reseller and selling at a lower price due to lack of installation services. When the customer moved to the new location, one phone did not work. The customer returned it per the Grey Marketer’s instructions. In addition to the phone, after a few weeks the voice mail system was no longer working properly. The customer had to purchase a new voice mail part and pay to have it reinstalled. Eventually, the customer received a phone that was dirty and obviously used. After 6 months of continuous requests and threats of a lawsuit, the customer finally received the replacement phone. It was once more an old used phone that someone attempted to clean. The frustrated customer finally called Nortel Networks to seek direct assistance. Nortel Networks informed the customer that the Grey Marketer was not an authorized reseller, and did not have any business relationship with Nortel Networks. Assistance was offered through the authorized partner in the area. The customer called the Grey Marketer to request a refund of the difference between the new phone and the refurbished phone. The Grey Marketer continues to deny the customer’s requests.*

- *Customer bought new CallPilot* server on EBAY™ and upgraded to latest software release. The server went down with a bug check error. Customer called Nortel Networks to complain. Investigation documented that this server had an unsupported third NIC card in the system, the MPB board was in the wrong slot, an unsupported third party hard drive had been installed and the binding orders on the NIC cards were incorrect.*
- *Another customer bought some drives from the grey market. The products failed upon installation. The customer contacted Nortel Networks to investigate. Results of the investigation showed that products were used, had been modified and the product release listed on the product labels indicated a release that was not yet generally available. Since the customer needed the product urgently, replacements were purchased from an authorized reseller in the region.*
- *A customer bought line cards from an unauthorized reseller. The line cards weren't functioning properly and had very high failure rates. The customer complained to Nortel Networks and demanded an investigation which showed that these line cards were counterfeit. The customer ultimately purchased replacements at standard prices.*

It is you, our customer who tends to “bear the brunt” of the costs of grey marketing, but manufacturers and their distributors also suffer damage to their reputations, brand degradation and lost business.

Only through authorized channels can customers be assured of receiving quality product that is fully supported by Nortel Networks. Authorized channels have sales forces and technicians who are expertly trained on our products. They have made significant investments in their customer support programs and receive the full support of Nortel Networks.

What do you have to lose?

Besides the danger of an unsatisfactory business relationship with a Grey Marketer, you are also exposed to other risks associated with the grey market product. For example:

- Grey Marketer’s terms and conditions reflect the fact that there is value in who you deal with. In other words – **YOUR WARRANTY (IF ANY) IS WITH THE GREY MARKETER NOT WITH THE MANUFACTURER.**
- Although some grey marketers offer warranty periods, they usually do not have resources or in many cases the capability to meet such warranty commitments.
- Software Right To Use (RTU) licenses are non-transferable by non-authorized parties. Nortel Networks software may only be licensed by Nortel Networks or its authorized channels, which leaves the customer liable for various types of intellectual property rights infringement.
- Performance issues with the unknown and not properly tested equipment. Such products are not covered by a Nortel Networks warranty, and are not entitled to receive repair and replacement services and other type of customer support, including software upgrades.
- Some equipment may be stolen, and software provided may be illegal.
- Additional costs which will drive the total cost above the authorized Channel Partner’s price.

Some of the differences between the authorized distribution channel and grey marketer from an end-user perspective are as follows:

A Grey Marketer cannot (among other things):

- legally procure products and services from Nortel Networks or resell to end users;
- validly license any Nortel Networks software RTU;

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- extend any Nortel Networks factory warranties to end users;
- obtain technical support services from Nortel Networks;
- receive support, warranty, and repair from Nortel Networks;
- obtain Nortel Networks software upgrades to license to end users;
- convey any Nortel Networks Support Commitment Letters to end users;
- obtain access to Nortel Networks engineering, system configuration and pricing tools;
- obtain access to Nortel Networks sales, technical, installation, and maintenance training courses;
- participate in Nortel Networks sponsored marketing programs and product events;
- affiliate themselves with Nortel Networks; or,
- use Nortel Networks logos and trademarks.

How Nortel Networks is fighting back?

At Nortel Networks, we have an ongoing commitment to ensure the integrity of our products in the marketplace. We have implemented numerous anti-grey market initiatives, and here are a few examples:

- Our Anti Grey Market Task Force actively investigates and monitors grey market activities and allegations.
- We are monitoring all merchandise orders with product or volume mix that might signal grey market activity due to a similarity or match of such order with a grey market “profile.” We have implemented new serialization processes to further assist with the tracking of such sales.
- We are evolving our warranty and support service entitlement process using the serialization system, which will enable us to, among other benefits, deny support on any grey market equipment.
- We continue to evolve our global pricing model addressing regional market inequities.
- We continue to aggressively pursue grey marketers who misrepresent their affiliation with Nortel Networks or use the Nortel Networks logo or trademarks without authorization.
- We are also working to deter grey market through product and systems development.

How you can protect yourself from grey marketers?

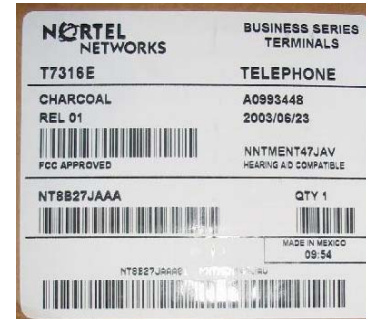
It is not uncommon for grey marketers to misrepresent themselves as authorized distribution channels and use Nortel Networks trademarks and logos to hide the fact that customers are procuring grey market product. As an initial step to any purchase of a new Nortel Networks branded product, you should verify the status of the reseller. By confirming the reseller status, for example at the following website <http://www38.nortelnetworks.com/nn/locator>, you can protect yourself from the risks you may not be ready to take.

As potential or existing Nortel Networks customer, you are the first line of defense against grey marketers. By recognizing grey marketers and their tactics, you can better protect yourself from paying a high price for your Nortel Networks product in lost service, warranties, and upgrades.

- Purchase only from authorized Nortel Networks distributors. Ask the distributor if they are authorized before purchasing any Nortel Networks product. If you are unsure, be due diligent and contact Nortel Network directly.

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- Beware of deals that seem too good to be true.
- Inspect the product to ensure that it features an original intact Nortel Networks barcode label with original serial number. If this label is damaged, altered, or missing, this may be a grey market product.



Help us put an end to grey marketing.

Nortel Networks values every effort you make to help us deal with the grey market. All our customers are welcomed to report details of suspected grey market activity to our designated e-mailbox greymkt@nortelnetworks.com.

At Nortel Networks, we realize that the only way to meet the high product and service standards our customers have to come to expect is through the significant reduction of grey market activity. So, before you purchase any Nortel Networks product, take a closer look to make sure you're dealing with an authorized distributor. You have a lot to lose by buying from anyone else.

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