

MARKETING BULLETIN

April, 2005

To: Firestone Licensed Contractors
Firestone Sales Representatives
Firestone Distributors

Subject: Inner Circle of Quality Award Criteria Revised

Announcing Important Changes To Firestone's Inner Circle of Quality Program

Because it has become one of the most recognized programs in the roofing industry, Firestone is committed to the long-term success of both the Inner Circle of Quality program as well as the outstanding Firestone contractors who have earned this award over the past twelve years. Based on feedback about the program from key stakeholders in the roofing industry, Firestone has identified several opportunities to improve both the program and its impact on roof system performance. As a result, Firestone is pleased to announce a significant upgrade to the Inner Circle of Quality program.

Background: Roof Performance and the Firestone Inner Circle of Quality

Prior to the development of the Inner Circle of Quality, roofing quality typically was measured using roof inspection ratings conducted shortly after the roof was installed. Recognizing that roofs must also perform over time to provide true quality, Firestone analyzed the performance of roof installations with a minimum of five years of in-service performance. This analysis indicated that roofs installed by some contractors had significantly fewer leak calls and repair costs than other roofs.

Using this measure of long-term roof performance, Firestone identified those contractors whose repair costs were less than half the average for all contractors and established the Inner Circle of Quality Award to recognize their performance. In the first year of the program in 1992, 30 contractors received the Firestone Inner Circle of Quality Award, or what now is commonly called the "Q" Award. For the next decade, Firestone maintained the same repair cost criterion, and by 2002, over 100 Firestone contractors met this standard and received a "Q" Award. And since the inception of the Inner Circle of Quality, "Q" Award recipients have installed over 1 billion square feet of high-quality Firestone roofing systems throughout North America.

In addition to identifying the "best of the best" in roofing performance, the Inner Circle of Quality has raised the bar for the entire industry. While the first group of 30 "Q" Award recipients limited their total repair costs to less than half the average for all Firestone contractors, by 2002 the average for *all* Firestone contractors was rapidly approaching the original "Q" level. In a little over a decade, performance levels were effectively raised to a level originally considered achievable only by a select few.

Firestone
BUILDING PRODUCTS COMPANY

The Inner Circle of Quality: New Opportunities for Industry Impact

While the story of the Inner Circle of Quality attests to its unmatched contribution to roofing quality, this record also helps identify new opportunities to even further improve the impact of this vital industry program. Given the success of the past twelve years, one opportunity is very clear: the “bar” can and should be raised – not because the standard is too low, but because as an industry we can achieve even more. A higher criterion for the “Q” Award will only help facilitate this ongoing upward movement in roofing quality.

In addition to raising the performance criterion for the Inner Circle of Quality, Firestone has identified a new and simpler measure to gauge this performance. Over the same decade that the Inner Circle of Quality was making a positive contribution to roofing quality, the roofing industry has also made significant improvements in safety. Although improvements in safety may be attributed to many different factors, it is interesting to note that the most common measure of safety – the IR or Incidence Rate – has helped make safety a more measurable and more achievable goal. And beyond just the roofing community, IR safety measures are commonly understood by other important stakeholders, including building owners and designers. That means that a quality measure that is similar to the safety IR measure may have much more positive impact, both within and beyond the roofing contracting and manufacturing community.

Such a new incident-based measure of roofing quality is actually imbedded within Firestone’s original repair cost measure. Extensive analysis of Firestone warranty data indicates that the dollar cost of repairs is closely correlated with the number of actual repair incidents. As a consequence, the original repair cost criterion for the “Q” Award can easily be re-stated as a simple incidence rating. Using a measurement based on warranty repair incidences per million square feet under warranty, Firestone contractors achieved a Quality Incidence Rating (or QIR) of less than 3 incidents per million square feet in 2004. In addition, 2004 Inner Circle Award of Quality winners averaged less than 2 incidents per million square feet.

This new QIR offers a simple but effective tool to promote roofing quality. For the past ten years, Firestone has provided its contractors with an annual report documenting each repair incident, which has allowed both contractors and other stakeholders to become familiar with the concept. And by simply dividing this annual number of repair incidents by the millions of square feet of Firestone roofing systems now in service, we can arrive at a very simple number that tends to vary from less than 1 to a maximum of 6 for almost all current Firestone contractors. In addition to its simplicity, this new QIR measure also presents a very compelling case about the overall quality of Firestone roofs. Given an average annual warranty repair incidence of less than 3 per million square feet, very few industry stakeholders can question the commitment to quality shared by Firestone and Firestone licensed contractors.

The New Inner Circle of Quality: Taking Roofing Quality to the Next Level

Using this new, simplified rating system, Firestone is pleased to announce a new roofing quality program based on the Quality Incidence Rating. Each year, this QIR measure will be computed using the total number of warrantable repair incidents occurring on Firestone roofs divided into the total square footage of Firestone roofs under warranty:

$$\text{Quality Incidence Rating (QIR)} = \frac{\text{Number of Warrantable Repair Incidents}}{\text{Total Square Feet Under Warranty}}$$

This QIR measure will be computed for all Firestone contractors who have installed at least 1 million square feet of Firestone roofs currently under warranty, and Firestone will recognize those contractors who achieve the highest levels of roofing quality based on QIR. The first level of this program will be the Partner in Quality Award. This award will be presented to all Firestone contractors who meet the following criteria for the year ending prior to the award:

1. Install at least 4 warranted Firestone roofs in each of the past five years.
2. Maintain at least 2 million square feet of Firestone roofs under warranty.
3. Achieve an annual QIR of 2.0 or less.

Contractors receiving this level of quality achievement will be recognized with a commemorative plaque, along with national and local press coverage provided by Firestone's public relations agency.

The second level of this program will be the Inner Circle of Quality Award. This award will be presented to all Firestone contractors who meet the following criteria for the year ending prior to the award:

1. Achieve Master Contractor Status.
2. Install at least 4 warranted Firestone roofs in each of the past five years.
3. Maintain at least 2 million square feet of Firestone roofs under warranty.
4. Achieve an annual QIR of 2.0 or less.

Contractors receiving this level of quality achievement will be recognized at Firestone's annual Master Contractor Event and will receive extensive national and local publicity promoting the achievement. In addition, Inner Circle of Quality award recipients will be eligible to participate in Firestone's Inner Circle Insurance program, which offers general liability and workman's compensation coverage to selected contractors with outstanding quality and safety records. (Note: Insurance coverage subject to underwriting guidelines.)

Quality Incidence Rating (QIR): New Web-Based Reporting System

In order to allow Firestone contractors to keep up-to-date on the status of their Quality Incidence Rating, Firestone will develop a secure web page that will provide QIR updates on a weekly basis. In addition to computing past and current QIR ratings, the web page will also provide a detailed listing of all reported repair incidents that are included in the QIR rating. In order to allow this program to coordinate with the current Master Contractor program, the final QIR for each year will be computed based on the year-to-date QIR as of the last week of November. A sample screen for this web site is attached for your review. It is anticipated that the new web site will be available to Firestone contractors beginning May 1, 2005.

The Firestone Quality Incidence Rating: Sample Web-Site Page

License No. 0000

Building Contractor Co., Inc.

Warrantable Repair Incidents: 2005

Repair Date	Repair Type	FBPCO	Project Name	Repair Description	Count
2/12/05	Emergency	Q100000	XYZ Distributing	Seam Repair	1
4/27/05	Emergency	Q100000	Women's Hospital	Seam Repair	1
5/14/05	Emergency	Q100000	Crescent Middle School	Flashing Repair	1
7/12/05	Emergency	Q100000	Smith Machine Tool	Base Tie-In Repair	1
8/16/05	Emergency	Q100000	XYZ Distributing	Seam Repair	1
YTD					5

Annual QIR Summary: 2005

Historical QIR: (Reference)

<p>Total Sq. Ft. Under Warranty:</p> <p>2004 Ending 4,272,500</p> <p>2005 -424,000</p> <p>Out of Warranty Newly Warranted +226,000</p> <p>2005 YTD 4,074,500</p>	<p>Warrantable Repairs:</p> <p>2004 Actual Incidents 10</p> <p>2004 QIR 2.34</p> <p>2005 YTD Incidents 5</p>	<p>Program Year QIR:</p> <p>2001 3.02</p> <p>2002 2.78</p> <p>2003 2.52</p> <p>2004 2.34</p> <p>2005 YTD: 1.23</p>
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2005 YTD QIR

1.23