



August 17, 2011

Ref: Warranty Administration

Dear Valued State Industries Distributor:

State Industries has always striven to improve the quality of its products and services through innovative manufacturing and engineering along with the practical application of process improvements. Implementing improvements to products requires the analysis of data from failed components and complete units. Improving various processes requires the analysis of feedback from all affected customers, including distributors, contractors, service providers and end users.

For the past several months, we have been performing random quality audits of parts claims, labor claims and whole goods replacements in order to determine the level of Customer satisfaction with our products and services. We have identified several instances where the end user/homeowner information that is being provided on the filed claims is incorrect and/or incomplete. As you can appreciate, for this process to be successful and yield valid and meaningful data, the information provided on the various warranty claim forms must be accurate, complete, legible and submitted in a timely manner.

As we move forward, our intent is to increase these audits in order to provide earlier identification of component issues and/or unfavorable trends in product performance. The information gained will also help identify areas within our service network that may require changes and/or improvement.

We would request that you reinforce the importance of the accuracy of claims data within your organization and also with your customers when they are seeking reimbursement for parts and/or units being claimed under our warranty coverage.

Thank you in advance for your support of State Industries and your assistance in improving our business processes.

Regards,

A handwritten signature in blue ink, appearing to read "Peter", with a long horizontal flourish extending to the right.

Peter Martineau
VP - Customer Satisfaction
State Industries Water Heaters