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October 11, 2012

Dear Tempstar Dealer:

You may be aware that the federal government has proposed a law that will dictate the future regional efficiency standards and requirements for gas furnaces as well as for air conditioning units in the very near future.

This proposed federal law was developed on July 2, 2012, by the Department of Energy. The law in its most basic, condensed version says the following. "Beginning May 1, 2013, every non-weatherized gas furnace installed in the north will be required to meet a minimum 90 percent AFUE. Similarly, as of January 1, 2015, every split air conditioner installed in the south will be required to meet a minimum 14 SEER..." Obviously the part that we are most interested and concerned about is the first part which basically means that an 80 percent gas furnace can no longer be INSTALLED after April 30, 2013. If you're caught installing one after that date the proposed fines are \$200 for the first occurrence and a graduated amount for every subsequent occurrence.

We have held off writing to you on this proposed law due to the fact that our associations, HARDI as well as AHRI, have been fighting this proposal and attempting to delay it until January of 2015 to allow more time for our industry to prepare for it, more time to fight the Department of Energy to have it based on a manufacture date instead of an install date, etc. Unfortunately we just came back from our national HARDI meeting and so far the fight has been fruitless. The Department of Energy has not responded to our industry request and therefore our guidance is that we need to begin to prepare for this law now and assume that it will take place May 1.

YOUR ACTION FOR TODAY:

There's not a lot you "have to do" today to prepare for this law. You are still allowed to install 80 percent furnaces at this point and you will be until April 30, 2013. Probably the biggest action item for you is to identify any "difficult to vent" 90 percent applications, meaning there are some applications, maybe in multi-story buildings, where venting a series of 90+ furnaces will be cost prohibitive. You want to identify those applications now and make contact with those building owners to sell furnaces to them now before the law changes and they are forced to spend thousands and thousands of dollars tearing into walls or chases to vent new 90's.

In conclusion, what I've reported to you is proposed federal law and if unchanged it will take place May 1, 2013, in the northern states, which include all of our territory, Ohio, Pennsylvania, Michigan and West Virginia. We will continue to monitor this proposed law and advise you of any changes.

One final point – We will continue to purchase the very, very popular 80 percent gas furnaces throughout the rest of this year and into the first couple months of next year. We will, however, be very, very careful on the future purchasing of the less popular 80 percent units, i.e., 2-stage 80's or variable-speed 80's, as we will not be able to sell them if we still have any left over in stock come May 1. So please work with your salesman or branch manager on our inventory availability, especially as we approach the first of next year.

Thank you and have a great fall and winter season.

Sincerely yours,
ROBERTSON HEATING SUPPLY

A handwritten signature in black ink, appearing to read "Scott Robertson", with a stylized flourish at the end.

Scott Robertson, President

SR/llb