

HEARTH, PATIO & BARBECUE ASSOCIATION

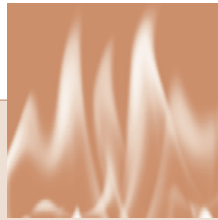
2008 ANNUAL REPORT

## About HPBA

The Hearth, Patio & Barbecue Association (HPBA) is an international trade association first established in 1980 to represent and promote the interests of the hearth products industry in North America. In 2002, the Hearth Products Association (HPA) merged with the Barbecue Industry Association (BIA) to form HPBA. The association includes manufacturers, retailers, distributors, manufacturers' representatives, service and installation firms and other companies and individuals — all having business interests in and related to the hearth, patio and barbecue products industries.

HPBA's members manufacture, import, distribute, sell, service and represent products that include factory-built fireplaces, gas logs, inserts and accessories; wood, pellet, coal, gas and electric stoves; barbecues, grills, smokers and accessories; and patio furniture and accessories.

[www.hpba.org](http://www.hpba.org)



## President's Message



Dear Members:

There's no denying that 2008 was a turbulent year for many of us and, unfortunately, 2009 may prove to be difficult as well. With that in mind, and determined to provide our members with the best possible service and programs available, we here at HPBA have responded by trimming budgets while sharpening our focus on programs that work for you in order to maintain the same service that you expect from your trade association.

But let's not let the bad news overshadow the good. In 2008, HPBA, in partnership with the Pellet Fuels Institute, was successful in ushering through a 30 percent (up to \$1,500) federal tax credit for consumers who purchase a

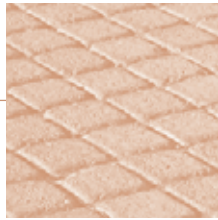
75 percent efficient wood or pellet stove and working alongside our affiliate staffs, we oversaw wood stove changeout programs in Vermont and Michigan. Our education program remains strong and many classes are now more accessible through an online format; our communications programs continue to spread the word on everything hearth, patio and barbecue and because of that, HPBA remains the "go to" source for reporters and writers from print, broadcast and radio nationally.

And while we recognize that the slow economy has taken a toll on our trade show, HPBExpo remains the preeminent indoor/outdoor product event of the year. This year, as in years past, our dealer members who attend Expo will find the best the industry has to offer for heating the home and entertaining outdoors. There's no better venue to find products for the new season to come.

The long-term prospects for our industry are good and I encourage you to plan for a busy future. We are operating in that vein and ask that you join with us as we continue our efforts to promote and protect our exciting industries.

Sincerely,

Jack H. Goldman  
President



# Membership

Despite the challenging economic times, membership in HPBA remained steady for 2008, with total membership at 2,817. Non-Manufacturer membership was a bright spot for HPBA, as membership soared to a new all-time high of 2,478. And, membership retention continues to be very strong at 83 percent, a sure indication that HPBA benefits and programs successfully meet industry needs.

### Retailers Respond

On September 29, HPBA released its third Retailer Member Satisfaction Survey. And again, HPBA found that nearly all — 97 percent — of the respondents were satisfied with their HPBA membership. Retailers selected 1) access to industry news and intelligence; 2) supporting the industry; and 3) education and training as the top three reasons to join HPBA.

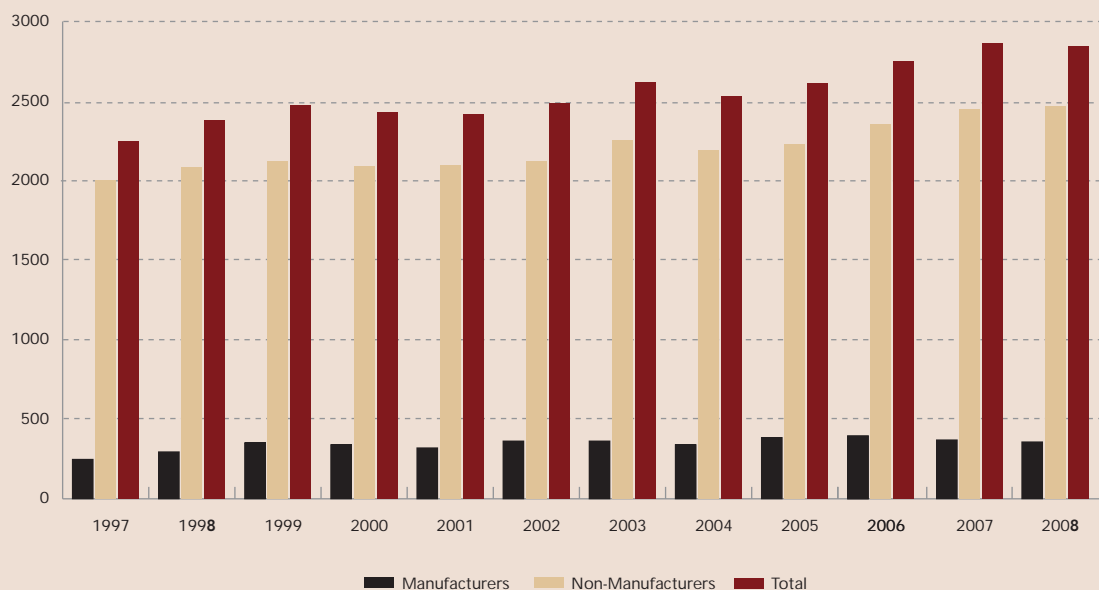
On the regulatory side, 96 percent of survey respondents believe HPBA government and regulatory affairs activities and HPBA participation in codes and standards organizations to be very important.

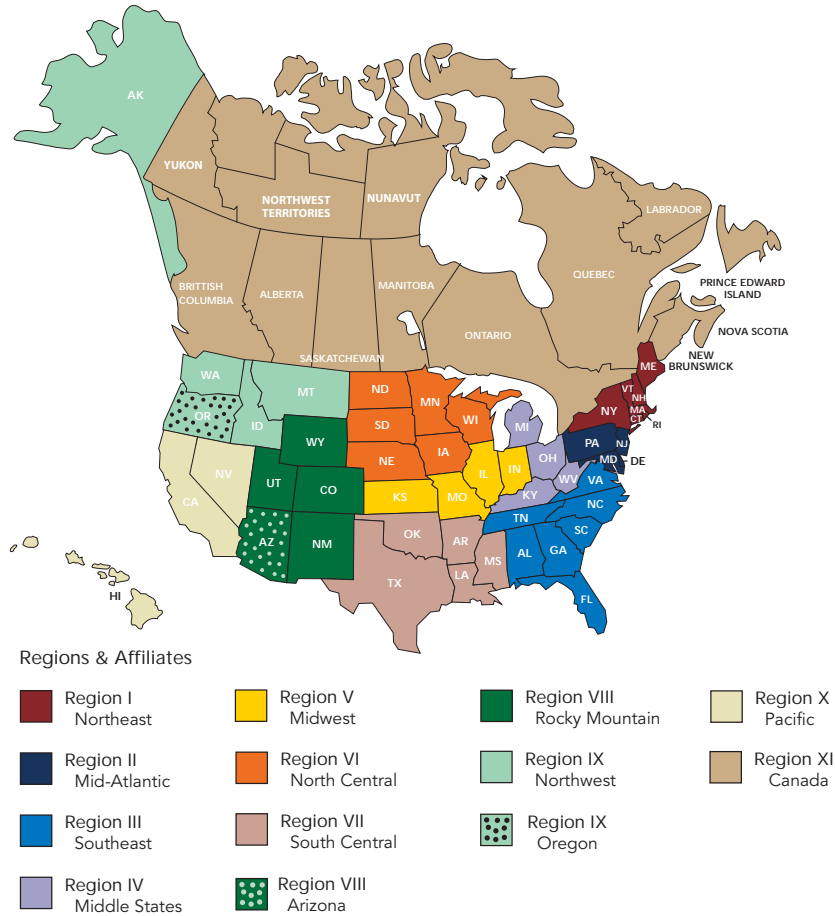
### Member Programs Continue to Shine in 2008

The General Liability Insurance Program continues to be a strong benefit program with our members and has made a significant difference in the cost of insurance for our retail fireplace installers. Through Stratus Insurance Services Inc./Security Group International Inc., HPBA retail members are eligible to get discounted “A” rated insurance with additional discounts if their staff includes NFI-certified fireplace installers.

Coverage enhancements include professional liability, installation and premium financing. Mem-

HPBA Membership Totals





bers are insured for bodily injury and property damage; products and completed operations; personal injury; and medical expenses.

Since its inception, members have seen the savings and value created by the HPBA Preferred Shipping and Freight programs. Hundreds of members are taking advantage of these programs to help them achieve a better bottom line. During the last six years, enrollment in FedEx has jumped to 330 members from 141 members, and Roadway is up 88 percent, while Yellow Freight is up 75 percent.

HPBA has negotiated national group discounts on credit card processing and other important payment services. This popular program has nearly

tripled and HPBA members are saving money with the Solveras Payment Systems. This year, 168 HPBA member companies processed approximately 102,000 transactions for \$45 million dollars in credit card sales through Solveras.

Office Depot is the latest addition to HPBA's preferred business and member programs that provides discounts to HPBA members. Office Depot is one of the world's largest sellers of office products and an industry leader in every distribution channel, including stores, direct mail, contract delivery, the Internet and business-to-business electronic commerce.



## HPBExpo 2008

In 2008, HPBExpo turned up the heat in steamy Atlanta, Georgia, proving once again, it's the premiere venue for all things hearth, patio and barbecue. With 11,286 attendees, the show ranked third highest in numbers compared to Atlanta in 2005 and Salt Lake in 2006. The outdoor burn area bested prior years with 82,600 square feet of exhibit space, a growth of 11% from the previous year.

### Accolades Abound

For the second year in a row, HPBExpo recognized its Top 50 exhibiting companies for their contributions to the show's Fastest 50 ranking by *Tradeshow Week* magazine. Ranking was based on square footage for the past three years (2006, 2007, 2008) and each company had to be an exhibitor for all three years to qualify. The Top 50 were recognized with signage at HPBExpo, a special badge designation and invited to the Chairman's Reception.

### Hotlanta Sizzled

Consistency counts, and once again HPBExpo earned a net revenue of over \$3 million, making it one of the top 200 largest trade shows. Coming in at the 131st spot, HPBExpo attracted 452 exhibiting companies that booked 1,288 indoor booths and 826 outdoor booths, putting it 45 booths ahead of budget. Of those, 90 were first-time exhibitors. Both indoor and outdoor booths were visited by 2,139 buying entities looking for the ideal product.

### New Products Pavilion

Back by popular demand, the New Product Pavilion showcased 42 products from each industry segment. A follow-up survey found that 71% of attendees toured the display and 81% of exhibitors would like it to continue at future Expos.

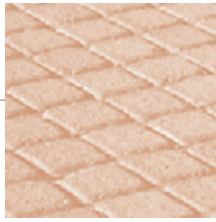
### A Challenge Met

The annual Vesta Awards sponsored by *Hearth & Home* magazine remains the Academy Awards of hearth, patio and barbecue innovation and design. And, this year was especially exciting when the ICC/RSF Renaissance Rumford 1000 became the first hearth product to meet the Vesta Challenge: Low-Emission Wood-Burning Fireplace. In addition to honors in 23 categories, this year's Best in Show winners were: The ICC/RSF Renaissance Rumford 1000 for the Daniel J. Melcon Award, and the Fuego North American Fuego 02 for Outdoor Room.

### HPBExpo Research

HPBA surveys both the exhibitors and attendees of HPBExpo annually to better understand the dynamics associated with this event to insure that we are meeting the needs and desires of both populations. In 2008, we found that 87 percent of attendees came to see new products and 80 percent planned to expand their product line based on items previewed at the show. And, not only did 86 percent say the show met or exceeded their expectations, 87 percent believe the total cost to attend was a good business investment.





## Government Affairs

During 2008, the HPBA Government Affairs Department responded to many legislative, regulatory, grassroots and education tasks and challenges, yielding substantial legislative successes.

### Federal Legislation

The first major legislative victory occurred late in 2008, when a joint-effort by both PFI and HPBA secured passage of a modest tax credit for the purchase of wood or pellet stoves in 2009. That was quickly followed in early 2009 with the passage of the massive Economic Stimulus package that greatly expanded the credit to 30 percent (up to \$1500) for the purchase in 2009 and 2010 of a 75 percent efficient wood or pellet-burning stove. This was a huge legislative victory for all segments of the HPBA membership. Guidelines for this tax credit (such as which stoves qualify) are being determined by the U.S. Department of the Treasury's Internal Revenue Service.

Another legislative measure for 2008 was the introduction of the Clean Stove Act, H.R. 4244 and S. 2576. If passed, this legislation would have authorized a \$500 federal tax credit for consumers who remove their old, polluting conventional wood stoves and replace them with a new technology pellet or EPA-certified wood stove.

### Green Issues

This year saw a continued national focus on "Green." HPBA continued its work with the National Association of Home Builders (NAHB) on its Green Building Standard (GBS) and with the U.S. Green Building Council's LEED Residential Program.

### Government Affairs Academy

The third HPBA Government Affairs Academy was held in Kansas City, MO. Participants spent an intense four days training for media interviews, legislative lobbying and testimony. The success of this

program has already been realized by the impact attendees have on their area lawmakers.

### Thermal Biomass Global Warming Impact Study

Work began on an effort to quantify the impact (both benefits and detriments) of biomass heating as it relates to global warming.

### EPA Update

HPBA continued work with EPA on its Voluntary Programs for manufactured (Low Mass) fireplaces and negotiated an Outdoor Hydronic Heater Phase 2 Voluntary Program for cleaner units.

The EPA announced a review of its wood stove certification program, the New Source Performance Standard for Wood Heaters. This review may set the parameters for all wood-burning hearth products for the next twenty years; HPBA began to prepare for this recertification.

### Codes & Standards

HPBA worked with CSA (Canadian Standards Association-U.S.) to finalize a new Outdoor Open Flame Decorative Appliance (OOFDA) Standard, and joined the CSA-Canada B415 Committee in conjunction with our Canadian Affiliates. The revised hearth pad standard, UL 1618, nears finalization.

### Wood Stove Changeout Program

In January, HPBA sponsored a celebration of the initial results of the Libby Changeout program with a press event at U.S. EPA Headquarters in Washington, D.C. Residents from Libby and Robert Meyers, the Assistant Administrator for Air, hailed the successful wood stove changeout program undertaken by HPBA member companies.

HPBA and its affiliates continue to plan and execute changeouts in both the U.S. and Canada.



## Communications

Amid skyrocketing oil prices and a financial market in turmoil, the HPBA Communications Team worked diligently to showcase hearth, barbecue and outdoor living products as the answer to a nervous consumer looking to beat the high cost of home heating and dining out. We found that in survey after survey, consumers did indeed choose to heat their homes with energy efficient fireplaces and stoves and preferred to grill out at home, rather than to pay the price for restaurant dining — and the media replayed our story across a broad spectrum of outlets.

### Over The Wire

Newspapers and websites sizzled with stories on grills, fireplaces and outdoor living while news and radio shows crackled with the latest in grilling techniques and zone heating. In 2008, HPBA news produced 621 million media impressions, up 18.5% over 2007, including a *Good Morning America* segment on home heating featuring *Wall Street Journal* reporter Wendy Bounds. This piece followed her *Wall Street Journal* feature article on the benefits of wood and pellet heat. Our news played on ABC's *Business Week Weekend* and was found in the *New York Times*, *USA Today*, the Associated Press and over the Internet.

### National Barbecue Month 2008

The final numbers are in and the National Barbecue Month 2008 media campaign resulted in over 600 print, online and broadcast hits (compared to 300 in 2007) totaling over 120 million impressions. As usual, we fielded reporter calls from news media around the country including the *Chicago Tribune*, *St. Louis Post-Dispatch* and *USA Today*, among others.

Our combined fall and Thanksgiving barbecue campaigns, of which we partnered with the National Turkey Federation, garnered an impressive 195 million impressions, jumping 300% over last year's total of 113 million, reflecting the popularity of our "Stay At Home to Cook Out" theme. In addition to publications and broadcast outlets, HPBA grilling stories appeared on websites such as About.com, Forbes.com and GrillMaestro.com.

### PR Heat & NewsCast

The HPBA Communications e-newsletter *PR Heat* kept our members up-to-speed on our programs and promotions. This report continues to be popular with our membership and will continue to provide our quarterly news in the future. Planning began in late 2008 to bring our members current on HPBA news stories from around the nation through a weekly electronic report, the *HPBA NewsCast*.

### Website Redux

With over 705,000 hits for the year and unique web visitors are up 40% from 2007, [www.hpba.org](http://www.hpba.org) remains the primary source for everything hearth, patio, and barbecue.

HPBA authored articles that have appeared in *Hearth & Home*, *Casual Living* and outside publications can be downloaded from the HPBA website.

This year we also supplied editorial content for the National Association of Remodeling Industry (NARI) website and continue to work with them to provide up-to-date content on our products.



## HPBA Statistics

The ongoing collection of statistical data on the industry provides valuable information to HPBA member firms. Not only is this information an important tool to members as they manage and operate their businesses, it provides HPBA with the data it needs to promote the industry.

### HPBA Quarterly Industry Survey

For a decade, HPBA has collected and collated hearth shipment and sales data on the industry. Considered the most accurate statistical information on the industry, this survey will continue into the future as we develop new ways to improve the data collection process and speed up the distribution of the results.

### HPBA Consumer Research

The HPBA consumer research reports alternate each year between hearth and barbecue/outdoor living. This year HPBA's annual consumer research effort focused on cordwood fireplace owners, gas fireplace owners, and freestanding stove owners. The purpose of the report — *HPBA's 2008 Hearth Consumer Research: Fireplace and Freestanding Stove Lifestyle, Usage, and Attitude Study* — is to better understand how U.S. consumers relate to, and interact with hearth products. HPBA and member firms can use this research to improve their advertising, marketing and product development strategies as well as promote the industry to consumers, the media and other interested parties.

### HPBA Annual Barbecue Industry Statistics

As the bellwether on the barbecue industry, this report annually tracks the amount of grills shipped and charcoal produced in North America. Furthermore, grill shipment estimates are categorized by type, i.e., charcoal grills, gas grills, and outdoor electric grills. In 2008, almost 16.7 million grills were shipped.

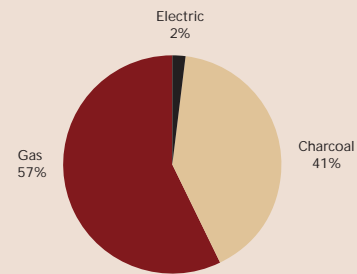
### Manufacturers' Rep Quarterly Survey

The results of this report are released only to those manufacturers' representative members who respond to the questionnaire. Participants use this data to better understand industry activities and economies.

### Housing & Remodeling Economic Trends

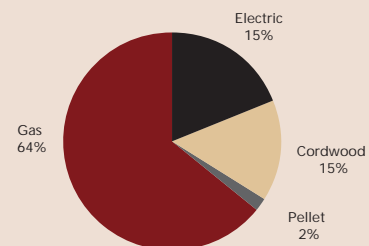
Each year, HPBA attends builder/ remodeling trend meetings and compiles a report for distribution to manufacturer members. The report is typically published in *Hearth & Home* magazine. This biannual report assists members to better understand the housing, economic and remodeling trends, and is distributed during the spring and fall.

2008 Barbecue and Grill Unit Shipments

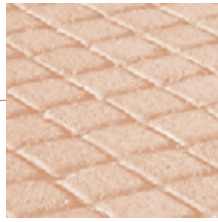


Total Shipments in 2008

2008 Hearth Industry Appliance Shipments



Total Appliance Shipments in 2008



## Education

The HPB Education Foundation (HPBEF) continues to make strides in its programs to deliver the best industry education available in live classrooms and via a progressive online technologically-savvy format.

### HPBExpo Education

As in years past, HPBEF developed and delivered an exciting program of educational seminars during the annual conference. In Atlanta, forty seminars were created for specific tracks that guided exposition attendees to subjects relating to Business Management, Sales and Marketing, Technical and Safety, and Outdoor Living. Nearly 70 CEUs were offered with 1,023 attendees purchasing education passports.

### Products and Services

By offering a variety of education products and services, HPBEF supports retailers, manufacturers, distributors, sales representatives and installers in the hearth, patio and barbecue industries. From workbooks and computer-based learning to modular installer training systems, HPBEF provides all the right tools for success.

The Gas Hearth Systems Reference Manual and the Woodburning Hearth Systems Reference Manuals were updated in 2008 to coincide with the updated NFI exams. The Pellet Hearth Systems Reference Manual has been updated in conjunction with the 2009 NFI Pellet Certification Exam.

HE@RTH Online Training began offering computer-based learning sessions in May of 2007. In 2008, more than 300 students took to their keyboards for cost effective education that required no transportation or accommodations. More than 16 topics are offered online and taught by a live trainer who can answer questions and interact with students during the broadcast.

FITS, the Fireplace Installer Training System continues to help companies educate installers with

in-house training modules. Components of FITS include a Company Support Package and an Installer Kit. FITS — Gas Fireplaces Level 1 offers a comprehensive fireplace installer training system perfect for installing retailers and distributors with new and intermediate installers.

### Partnerships

HPBEF works closely with HPBA affiliates to provide training materials and presenters for affiliate annual meetings. In 2008, nine companies became HE@RTH Online Training Sponsors and 31 manufacturers supported our certification efforts by becoming NFI Advocates. Eighteen manufacturers became FITS partners by agreeing to offer co-op dollars for their customers' purchase of the Fireplace Installer Training System.

### Certification

The National Fireplace Institute® completed an update of the Gas and Woodburning Certification Exams. The Pellet Certification Exam is currently being updated for 2009.

Since 2002, over 10,000 certification exams have been offered. For 2008, nearly 1,100 professionals took a specialists exam while 270 renewed their certification credentials with continuing education units (CEUs).

### Government Relations

NFI remains watchful for state and local jurisdictions that do not recognize licensing requirements that meet the rigorous standards for certification under the National Fireplace Institute. NFI cares deeply about safety, quality and professionalism, and proudly certifies hearth professionals across the country who have decided to raise the bar and become NFI Certified.

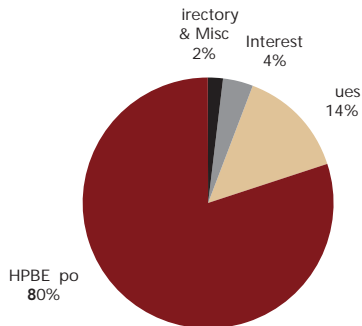
# Financial (Pre-Audit)

In 2008, the HPBA financials remained strong. Although falling slightly short of budget, the gross revenues totaled nearly \$6.9 million. Expenses were under budget by 6% and 52% of HPBA expenses went for programs (Government Affairs; Communications; Statistics Research, etc.) and Affiliate support. An additional 37% of expenses went for producing HPBExpo and 11% for administrative overhead.

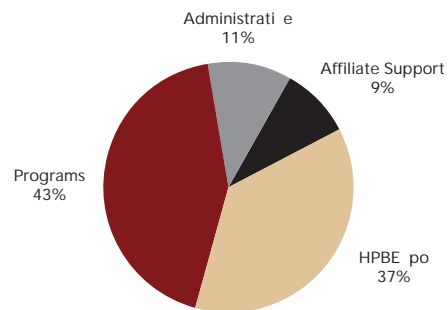
Revenues	Actual	Budget
Dues	929,587	1,012,925
HPBExpo	5,503,169	5,484,800
Meetings & Misc	166,153	152,000
Interest	278,634	255,000
<b>TOTAL</b>	<b><u>6,877,543</u></b>	<b><u>6,904,725</u></b>

Revenues	Actual	Budget
HPBExpo	2,390,215	2,571,562
Programs		
Govt Rel & Tech	959,690	1,076,962
PR & Comm	906,485	929,871
Education & Cert	362,701	398,529
Memb Services	320,964	330,252
Research & Stat	186,954	205,044
Meetings & Misc	2,868	7,550
	<u>2,739,662</u>	<u>2,948,208</u>
Administrative	735,705	757,981
Affiliate Support	599,935	597,988
<b>TOTAL</b>	<b><u>6,465,517</u></b>	<b><u>6,875,739</u></b>
Net Revenue (loss)	412,026	28,986

HPBA Re enues 2008



HPBA E penses 2008





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