

2012 Year in Review 2013 Look Ahead



At the table, so you don't have to be.

“We are committed to promoting the growth, citizenship and global leadership of our member companies by providing exceptional **advocacy**,
promoting effective **standards**,
advancing meaningful **environmental programs**,
offering relevant **training** and **development** opportunities,
and serving as the preeminent **media resource** on
business and product trends in home furnishings.”

MISSION OF THE AMERICAN HOME FURNISHINGS ALLIANCE

“I don’t know how we could manage our compliance with product safety regulations so efficiently and effectively if we were not AHFA members. We do our part to support the organization, but what we get in return far exceeds our investment.”

Glenn Prillaman
President, CEO
Stanley Furniture Company

In 2012, perhaps more than any year in recent history, the American Home Furnishings Alliance provided an important voice in Washington for the thousands of companies that produce or import home furnishings for the U.S. market.

AHFA was an important resource for the Environmental Protection Agency on the federal formaldehyde rule, as well as on the latest revision of the Boiler MACT ("Boiler 3"). AHFA worked closely with the U.S. Consumer Product Safety Commission in 2012 as the agency moved closer to a federal upholstered furniture flammability standard. We also collaborated with CPSC on efforts to raise consumer awareness about the hazards of furniture tip-over accidents.

In addition, as all of Washington wrestled with the cost of regulation and its impact on manufacturing competitiveness, AHFA helped provide the Office of Management and Budget with critical information on the cost to our member companies of both existing and pending regulations.

Because standards in California often serve as de facto national standards, AHFA was also integrally involved in regulatory issues there in 2012. As on the national stage, it proved to be a seminal year for our industry in California. In one remarkable week, a *Chicago Tribune* investigative report on flame retardant chemicals brought down the California flammability standard that had dictated the way upholstered furniture was manufactured in America for more than 35 years. AHFA worked closely with California officials as they rushed to rewrite the standard.

Despite the growing number of critical issues in both Washington and California, the number of companies supporting AHFA's work at the beginning of 2012 remained down approximately 18 percent from 2009 levels. As a result, the Board of Directors launched a membership campaign in 2012, beginning with a comprehensive membership survey conducted in March. The results confirmed the key reasons why leading companies remain devoted AHFA members:

- AHFA's work representing the industry in Washington is seen as critical and effective.
- Information on regulatory affairs is considered timely and essential for successful compliance efforts.
- Educational events are deemed interesting and relevant, with high marks for quality speakers, appealing content and smooth planning and execution.

To communicate the value of these benefits to top membership prospects, Ashley Furniture stepped up to host breakfasts at the January Las Vegas and February Tupelo markets. These by-invitation events focused on the impact of regulatory burdens and the roll AHFA plays in representing our industry and working to minimize that burden. The efforts yielded five new members in the first quarter of 2012.

In late spring, AHFA launched a cross-media membership marketing effort again focused on communicating the importance of maintaining a strong advocate to represent home furnishings industry interests in Washington D.C. The effort included a customized mailing to 50 top prospects, inviting these executives to access a personalized website created just for them with regulatory updates relevant to their company. When the website pages were opened, a video of AHFA CEO Andy Counts greeted the executives by name and invited them to view testimonial videos from top industry executives on the site. Follow-up emails, mailings, telephone calls and market visits eventually yielded another three new members in 2012, plus two more in the first six weeks of 2013. Altogether these 10 new members represent nearly \$900 million in annual home furnishings sales. The International Casual Furnishings Association also launched a membership campaign in 2012 and added eight new outdoor furniture manufacturers to their ranks. In addition, 16 Supplier Division memberships were added in 2012, including six Specialized Furniture Carriers.

2012 YEAR IN REVIEW

January

- New Responsible Sourcing Manual introduced.
- Webinar: Law Labels Explained
- Joint Industry Fabric Committee Meeting
- All Las Vegas Market exhibitors included in a New Product Roundup distributed to media attending the market, as well as journalists unable to attend.



February

- Fifth Sustainability Summit, featuring Michael Lynch, managing director of NASCAR Green Innovation, held in Raleigh.
- Webinar: Opportunities in Furniture Exporting
- Joint Industry Leather Committee Meeting

March

- Manufacturing Renaissance Summit held in Starkville, Mississippi.
- Product safety survey conducted asking consumers with children where they put old TVs (more than a third of households report using a dresser in a bedroom)
- Board of Directors met in Washington, D.C. to establish a legislative and regulatory agenda for 2012 and beyond. Meetings held with key lawmakers to keep the industry visible on Capitol Hill.
- Webinar: Lead in Leather

April

- AHFA hosted the opening day press conference at the High Point Market, highlighting results of the March safety survey and generating widespread media attention to efforts by the industry to address furniture tip-over hazards.
- All High Point exhibitors included in a New Product Roundup distributed to media attending the market, as well as journalists unable to attend.
- Webinar: Prop 65 Update – Labeling for TDCPP and More

May

- Six \$2,000 scholarships awarded to children of AHFA member company employees.
- Joint Industry Fabric & Leather Standards Committee: CPSC Furniture Flammability Standard Update, Myrtle Beach, S.C.
- *Chicago Tribune* ran a five-part series on FR chemicals, and California Governor Jerry Brown demands TB 117 flammability standard be rewritten. AHFA began assisting California officials, providing research, testimony and plant tours.



June

- More than 60 golfers participated in the annual Supplier Division Golf Tournament, raising funds to support annual scholarships for children of AHFA member company employees.
- Annual Marketing Media held in Charlotte, N.C., with a focus on effective use of social media.

July

- Global Supply Chain Conference held in Myrtle Beach.
- AHFA began work on a new Regulatory Assessment Program.

- Andy Counts testified before a U.S. Senate subcommittee on a proposed federal furniture flammability standard.
- Counts and Bill Perdue, vice president of regulatory affairs, represented the industry in California during public workshops on proposed revisions to the TB 117 flammability standard.
- All Las Vegas Market exhibitors included in a New Product Roundup distributed to media attending the market, as well as journalists unable to attend.
- A successful ICFA Preview Show held in Chicago.



AHFA CEO Andy Counts testifies at Senate subcommittee hearing.

August

- AHFA completed the sale of its ownership interest in the International Woodworking Fair following the 2012 event in Atlanta.
- Ethan Allen completed EFEC registration at its five domestic manufacturing facilities and begins working on an implementation strategy for its 150 retail design centers.
- La-Z-Boy Mexico completed the first EFEC registration outside the U.S.
- Webinar: TB 117 Flammability Standard Update

September

- AHFA continued offering members guidance on Prop 65 labeling requirements in advance of the October 28 deadline for providing warning labels on products in California containing TDCPP.
- Webinar: Boiler MACT Update
- ICFA hosted the International Casual Furniture & Accessories Market in Chicago, along with the ICFA Awards Reception and the Annual Apollo Awards gala. AHFA's PR department sponsored the 11th Editor's Tour of the Casual Market.

October

- Gat Creek named the 2012 Sage Award winner for environmental excellence.
- All High Point exhibitors included in a New Product Roundup distributed to media attending the market, as well as journalists unable to attend.
- Beginning October 28, California businesses were required to provide a "clear and reasonable" warning if a product they sell contains the common flame retardant chemical TDCPP. AHFA offered labeling guidance to members through newsletter articles, member alerts and telephone consultations.



Paul Toms, Chairman/CEO, Hooker Furniture

November

- Paul Toms named AHFA's 2012 Distinguished Service Award recipient at the Annual Meeting in Miami, Florida.
- ICFA Board of Directors met in Scottsdale, Arizona, making key committee appointments for 2013 and developing tactical plans to grow the association and its membership in 2013.
- A study published in *Environmental Science & Technology* drew widespread media attention to the use of flame retardant chemicals in residential furniture. AHFA handled multiple media inquiries and equipped member companies with talking points for employees, retailers and consumers.

ICFA

Following a November 2011 Annual Membership Meeting full of decision-making, the International Casual Furnishings Association entered 2012 poised for membership growth in all categories, including manufacturers, retailers, suppliers and sales representatives.

Manufacturer/importer memberships were extended to international companies in 2012, once again widening the umbrella for ICFA participation. In addition to eight new manufacturer members, ICFA added 12 sales representatives and three supplier members in 2012.

While celebrating a 17 percent membership growth in the retail category over the past year, the Board initiated a retail membership campaign for 2012, which yielded 10 new members.

Other successful 2012 events and programs included:

- A Casual Living Industry Conference in Sarasota, Florida, sponsored by *Casual Living* magazine, ICFA and several member companies.
- A full online educational calendar, including consumer financing and sales training webinars for retail members and economic/credit outlook and sales growth webinars for manufacturing executives.
- A successful Preview Show at the Chicago Merchandise Mart in July, followed by an event-filled Casual Market in September that was highlighted by an awards reception at the Ballroom of the School of the Art Institute of Chicago and the Apollo Awards gala dinner at the Field Museum.
- Recognition of the first outdoor furnishings retailer to have its entire sales team complete the ICFA Sales Training Certificate Program. The retailer, Patios Plus of Rancho Mirage, Calif., has challenged their fellow ICFA retail members to follow suit.



ICFA closed 2012 with a November Board of Directors and membership meeting in Scottsdale attended by more than 40 members and their guests. The board set the stage for a successful 2013, appointing committees to review changes to the Design Excellence Competition, continue developing education programs for retail members and continue expanding ICFA's broad array of value-added services.

SUPPLIERS DIVISION

Members of AHFA's Suppliers Division provide valuable support and resources to the Alliance even as its members benefit from quality business relationships facilitated by their participation.

Supplier Division members supported all of AHFA's 2012 educational programs with their attendance, sponsorship dollars and participation as speakers. The Sustainability Summit, Manufacturing Summit, Supply Chain Conference and Annual Marketing Meeting all were bolstered by Supplier Division backing.

Supplier Division members also provided webinars focusing on a variety of specialized topics, from law labels to exporting.

More than a dozen supplier member companies participated in the Division's annual golf tournament in June, both as golfers and as event sponsors. The event raises money for six \$2,000 college scholarships presented every year to children of AHFA member-company employees.

Within the Suppliers Division, the Specialized Furniture Carriers group gained momentum in 2012, adding 12 members to its ranks. The group now represents more than three dozen companies dedicated to the handling and transporting of furniture.

Finally, Supplier Division members enjoyed unparalleled opportunities for industry networking by attending the Annual Meeting and CEO Conference in November, the premier industry gathering for the industry's top executives.

Despite the political frenzy surrounding the presidential election and the accompanying legislative gridlock on Capitol Hill, 2012 proved to be one of the busiest years for AHFA's advocacy efforts in recent history. After seven trips to Washington, D.C., and three to California, AHFA had made significant progress on key issues – including one that will impact every piece of upholstered furniture sold in the United States.

This recap of last year's key issues makes it clear there will be no reprieve in 2013. We'll work diligently to keep you informed throughout the year.

TB 117-2013

An exhaustive, four-part investigative series, "Playing With Fire," published in the *Chicago Tribune* in May 2012 prompted California Governor Jerry Brown to demand a rewrite of the state's 37-year-old flammability standard, Technical Bulletin 117. AHFA drafted testimony presented on behalf of a coalition of industry associations as part of a July public workshop in California. AHFA staff also worked behind the scenes throughout the second half of the year to inform and assist the Bureau Chief in charge of revising the standard.

AHFA's 2013 Agenda: AHFA hosted Bureau Chief Tonya Blood on several plant tours in February and provided a forum for her to present the revised TB 117 to upholstery makers. Largely based on ASTM E-1353-08a, which closely parallels the UFAC smolder standard, the new TB 117-2013 is expected to be adopted this fall with a likely compliance date of July 2014. At the 2013 Sustainability Summit in Charlotte in February, the Bureau Chief publicly acknowledged AHFA's assistance in helping to formulate TB 117-2013.

AHFA hosted California Bureau Chief Tonya Blood on several plant tours in February, including Hickory Chair, where President Jay Reardon had the opportunity to explain the complexities of producing high end, special order upholstery. Following the day of plant tours, which also included a Hickory Springs foam plant, Blood participated in AHFA's Sustainability Summit in Charlotte, answering questions on the revised TB 117 flammability standard.



CALIFORNIA PROP 65

As of October 28, 2012, upholstered furniture sold in California must carry a Prop 65 warning label if it contains foam with the flame retardant TDCPP. Prop 65 requires that consumers be given a “clear and reasonable” warning prior to purchase if a product contains TDCPP – or any of the other 850+ chemicals on the Prop 65 list. AHFA began providing guidance on Prop 65 labeling for TDCPP in March of 2012, offering newsletter articles, webinars and member alerts in addition to answering members’ individual questions. At the close of the year, when more than 50 companies had received notices of violations, AHFA began assembling data to help in negotiating settlements.



AHFA's 2013 agenda: Additions are being made to AHFA's Prop 65 compliance toolbox, which already includes suggestions for labeling, sample notification letters manufacturers can use to inform retail partners of their responsibilities under the law, a fact sheet that can be shared with consumers and a list of attorneys who specialize in negotiating settlements.

FEDERAL FLAMMABILITY STANDARD

AHFA CEO Andy counts testified before a Senate Subcommittee in July, continuing AHFA's long-time advocacy for a federal flammability standard based on the UFAC smolder standard. Despite the speed with which the flammability issue moved to the front burner in 2012, both in Washington and California, AHFA was ready with decades of research and the expertise to present persuasive testimony. CPSC Chairwoman Inez Tenenbaum has made the flammability standard one of her top priorities. Her term ends in October 2013, so AHFA expects a significant push for a federal standard this year.

AHFA's 2013 Agenda: AHFA will continue working with CPSC staff to achieve the long-anticipated federal flammability standard in 2013, and will continue fighting state proposals.



CPSC Chairwoman Inez Tenenbaum brought samples of materials used in upholstered furniture fire tests to a Senate subcommittee hearing on flame retardant chemicals in Washington, D.C. in July 2012. She has made passage of a federal flammability standard one of her top priorities.

FORMALDEHYDE

The California Air Resources Board (CARB) continues to consider a wide range of updates and changes to its formaldehyde emissions rule. Among the 2012 proposals was a regulatory concept for “laminated products.” Meanwhile, the Environmental Protection Agency (EPA) sent a federal formaldehyde rule to the OMB in early May – eight months behind schedule – and it’s been hung up there ever since. CARB is intent on “harmonizing” its control measures with those adopted by the EPA, so the OMB’s delays have pushed CARB’s timeline for completing its proposed revisions into mid-2013.

AHFA's 2013 agenda: In addition to simply keeping track of the delays, AHFA remains engaged as a key stakeholder in the rulemaking for both the California and the federal standards. As the primary advocate for the residential furniture industry on both rules, AHFA pledges to remain the most reliable and timely source of information on formaldehyde rule updates.

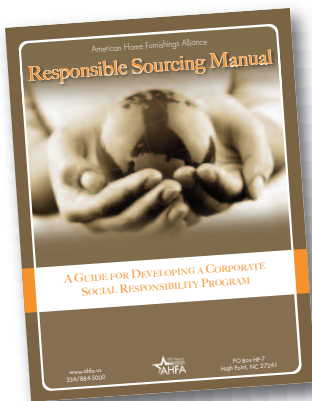
BOILER RULE

In 2012, AHFA completed “stack testing” to augment the EPA’s data on pollutants contained in the latest revision of the Boiler MACT (“Boiler 3”). Results of the testing were mixed. Affected companies need controls and best practices to meet the CO, HCl and particulate emission requirements. The most important change in the revised rule was the addition of a sub-category for dry wood biomass fuel – something for which AHFA spent 20 years advocating. The rule now clearly states that resonated wood is not a solid waste and can be burned for energy recovery purposes.

AHFA's 2013 agenda: Like the formaldehyde rules, the boiler rule seems to be a never-ending saga of delays, missed deadlines and shifting targets for compliance activities. In October, EPA issued a “no action assurance letter” indicating that it would not take any compliance or enforcement action related to required tune-ups of boilers affected by the existing boiler rule until it finishes its debate over the proposed new rule.



Regulatory issues in Washington, D.C., and California kept AHFA's Vice President of Regulatory Affairs, Bill Perdue, traveling from East Coast to West Coast throughout 2012. In addition, he provided regulatory updates at both Board of Directors meetings, the Manufacturing Summit and the Sustainability Summit.



SUPPLY CHAIN TRANSPARENCY

California’s Supply Chain Transparency Act went into effect in January, requiring companies with global sales over \$100 million to make public disclosures of their efforts to ensure their supply chain is free of human trafficking. AHFA provided the first and most comprehensive explanation of this new rule and its impact on the home furnishings industry and, in January, released a **Responsible Sourcing Manual** to help companies establish comprehensive corporate social responsibility programs. In August, U.S. financial regulators adopted new rules related to the Dodd-Frank bill that require public companies to disclose whether they use any “conflict minerals” – that is, minerals from the Democratic Republic of Congo and adjoining countries, where brutal militias have benefited from the trade of these minerals. However, in October, the U.S. Chamber of Commerce, the National Association of Manufacturers and the Business Roundtable challenged the controversial rule in the U.S. Court of Appeals of the District of Columbia. Their petition requests that the rule be modified or set aside in whole or in part.

AHFA's 2013 agenda: AHFA continues to provide the most reliable information on supply chain transparency legislation, including both the California rule and the “conflict minerals” rule. Because it is uncertain whether the conflicts mineral rule will be set aside or stayed while the challenge is pending,



Despite AHFA's efforts to help develop meaningful safety standards, non-compliant products like this bunk bed, advertised online, remain in the marketplace. Among AHFA's product safety goals for 2013 is to step up consumer education to promote member company products that comply with all voluntary safety standards.

AHFA recommends that public companies that may be impacted by the rule continue taking steps to comply, including examining supply-chain policies, drafting supplier contractual provisions and examining risk factor disclosures. To help provide general guidance on these and other supply chain transparency measures, AHFA introduced a Responsible Sourcing Manual in 2012 and plans relevant updates for 2013.

PRODUCT SAFETY

AHFA is the industry's primary representative at the table with ASTM International and the Consumer Product Safety Commission on several initiatives impacting a wide range of residential furnishings. A proposed 2013 revision to the Furniture Tip Over Standard deals with the certification of tip restraints and the "operational length" of drawers in the testing protocol. The changes have been submitted to a vote of the Furniture Safety Committee. A new provision in the bunk bed standard to cover head and neck entrapment was requested by the CPSC and finalized during the November Furniture Safety subcommittee meeting. Finally, a new standard for horizontal glass used in furniture was finalized at the April Furniture Safety subcommittee meeting.

AHFA's 2013 agenda: AHFA will continue to chair ASTM's Furniture Safety subcommittee in 2013, regularly calling on representatives from member companies to assist in rulemaking and the establishment of testing criteria. Stepped up consumer education to promote member company products that comply with all voluntary safety standards is also planned.

"Many regulatory issues are extremely complex and take years, even decades, to resolve. AHFA conducts research, writes testimony and advocates for effective, common sense solutions for our industry. Who else can do that work on our behalf?"

Bob Duncan
President/CEO
American Leather

Creating **value.**

In a 2012 membership survey, executives were asked what aspect of their AHFA membership creates the most value. "Information on government regulations" and "networking" tied for the most mentions, each cited by nearly a third of respondents.

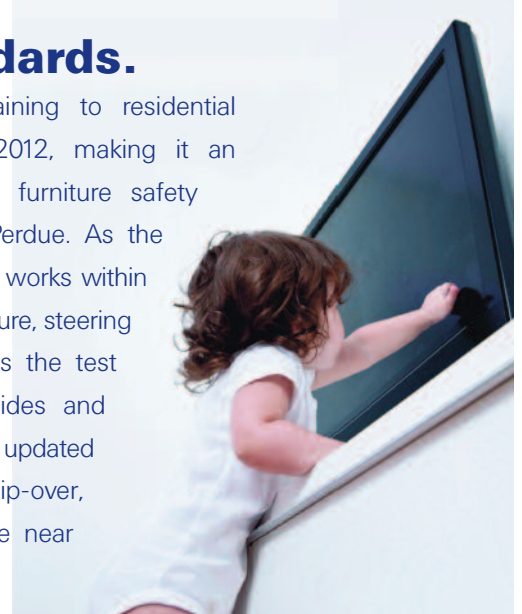
Providing exceptional **advocacy.**

"Today's regulatory road is full of hairpin turns, and AHFA works on our behalf to help us negotiate every blind curve and twisted detour."

Ralph Scozzafava
Furniture Brands International

Advancing effective **standards.**

Nearly every safety standard pertaining to residential furnishings was under review in 2012, making it an unprecedented year for the ASTM furniture safety committee, chaired by AHFA's Bill Perdue. As the industry's top technical expert, Perdue works within ASTM's advanced electronic infrastructure, steering the furniture committee as it delivers the test methods, product specifications, guides and practices for our industry. By year's end, updated voluntary standards for furniture tip-over, horizontal glass and bunk beds were near completion.



A preeminent **media resource.**

From the *New York Times* to the *San Francisco Chronicle*, AHFA fielded hundreds of calls from writers, bloggers and editors in 2012, supplying everything from industry employment statistics and product photos to consumer research and "insider tips" on what trends to follow at the markets in High Point.



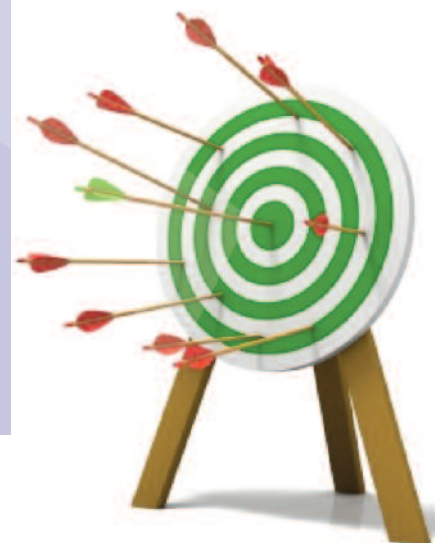
Orchestrating relevant **education and training.**

In today's regulatory environment, member companies frequently don't know what they don't know – until an AHFA webinar, newsletter article or member alert sheds needed light on the subject. Complex issues for which AHFA provided some illumination in 2012 included CPSIA lead limits for leather, complying with "made in America" labeling laws, California Prop 65 labeling, California's Transparency in Supply Chains Act, responding to "reports of harm" on the CPSC public database and complying with the FTC's new "Green Guides" for marketing eco-friendly products.

Developing meaningful **environmental programs.**



Launched in 1999, AHFA's EFEC environmental management program has become the most widely-followed roadmap for environmental improvement in the home furnishings industry. With Ethan Allen's installation of the program at five domestic facilities in 2012, EFEC is now in place at 73 different U.S. home furnishings facilities, including manufacturing plants, warehouses and corporate headquarters buildings, in 12 states and Mexico. Another milestone for the program was reached in 2012 when Ethan Allen developed a framework for implementing EFEC at all of its corporately-owned retail stores.





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