



Via Facsimile

July 6, 2005

Dear Dealer:

I am pleased to announce two major events that signal our entry into an era of unprecedented potential to revolutionize the way the world grills. The first is one many of you already know: TEC has developed a great new flare-proof grilling system that combines our patented radiant glass emitter system with a new, patent-pending, all-metal infra-red burner to generate 100% infra-red energy, with nearly absolute uniformity and in the widest temperature range ever achieved in a grill. This new design has the potential to change the upscale grill landscape dramatically over the next several years. We hope it will lead thousands to ask, "Who would want an open ceramic infra-red grill, or a hybrid, if they could buy a next-generation TEC?" The design is so good that it won the Vesta Awards for "Best Gas Barbecue" and "Best in Show for all Outdoor Room Products" at this year's Hearth, Patio and Barbecue Association show in Atlanta! We expect to convert our entire product line to this new platform, with some exciting styling changes, this fall.

The second major event, made possible by TEC's new breakthrough designs, will extend the reach of TEC's infra-red grilling approaches to many tens of thousands of households who might previously have found it unaffordable: TEC has formed a relationship with Char-Broil, makers of the world's best-selling brand of gas grills, in which we will cooperate to take elements of TEC's patented systems to mass retail. I have attached a copy of Char-Broil's press release describing this event.

TEC will continue to sell ultra-quality TEC Infra-red Grills targeted to more discerning upscale consumers who traditionally purchase through specialty retail channels. Char-broil will not be permitted to sell product in specialty retail stores, they will be limited to mass channels. Mass channels will, by definition, include Expo Design Centers and The Great Indoors. This means that, once Char-Broil has product available to offer them, TEC will no longer be able to sell its current or future ultra-quality models to them. Char-Broil's first new product will not surface in stores until the 2007 season, and they will work with TEC to ensure that placement of grills with TEC technology is not lost at those stores during the transition. Otherwise, Char-Broil's general plans for the technology include the following:

- Substantial effort and investment to publicize the superiority of infra-red grilling, particularly TEC's latest approach. In particular Char-Broil plans to promote infra-red grilling on its web site and drive consumers to go see the best infra-red technology by sending consumers to the TEC web site.
- Introduction, beginning in 2007, of a new line of TEC brand grills, manufactured in their Far Eastern facilities, using materials and assembly approaches consistent with mass retail targeted pricing. They will likely use thinner gauges of metal, and different grades and finishes of metal, than TEC has or will use. They will also tend to use other components that are less expensive than those TEC would use.
- Introduction of Char-broil brand grills below \$700 that include some, but probably not all, aspects of the new design.

Char-Broil is still studying potential product offerings and will be doing so for some time. However, we are confident of two things: they believe this partnership will bring about the most significant change in the grilling industry since gas grills were introduced, and they are committed, as we are, to the two companies working together to protect the viability of the current, more upscale TEC Infra-red brand. Both sides intend to ensure there is a clear difference between the mass retail product offerings and the grills TEC sells through specialty retail stores like yours. More importantly Char-Broil feels strongly that continued selling of the ultra high-end TEC system through specialty retailers is important so that, in their promotions, they can point to it as the best infra-red technology. This will strengthen demand for the elements of the technology they make available to the mass channels, where many consumers cannot afford the ultimate TEC grill.



We are very proud of this association that has developed between TEC and Char-Broil. This is a natural and logical relationship that we believe will lead the grill industry where it would inevitably go, but in the most beneficial fashion. With the superiority of infra-red grilling over conventional grilling, we have long believed that it was only a matter of time before someone took it to the mainstream consumer population. TEC (and Char-Broil) would be foolish to let another company with outdated technology claim this market. With this partnership, the best infra-red grilling technology will be put in the hands of the company that is most capable of effectively marketing it to consumers on a large-scale basis. TEC could not accomplish that feat on its own in the foreseeable future, but we have concluded we must see to it that someone does. In summary, the technology is too good to keep out of the mainstream—it should be the future in grilling, and Char-Broil is the company that can make that reality.

I know there are specialty retailers who will lament that we are “selling out” the technology that makes us unique in the specialty channel. We believe it is important to note that none of the other brands of grills sold so successfully through specialty retail over the years ever contained technology that differed from that found in the very cheapest grills sold at discount stores. The quality, styling and features of the upscale grills, the unique design and installation options available to showcase those grills in the home, and the outstanding sales and service provided by fine specialty retailers are, and will continue to be, the roots of specialty retail success in high-end gas grill sales to upscale, discerning consumers. We do not believe this market of consumers who want the best will go away. To the contrary, in our case we expect the added credibility and national recognition that TEC Infra-red will gain at the hands of the world’s largest grill company to help the TEC brand flourish in specialty retail as never before.

One of the most exciting aspects of this effort is that Char-Broil intends to make major investments in building consumer awareness of the superiority of infra-red grilling and in building the TEC brand. We are highly optimistic that this effort will benefit all who have a stake in the outcome for either business, for the following principal reasons:

- As Char-Broil expands its product offerings to include TEC’s superior grilling approaches, their superiority as the world’s leading grill company will be further solidified.
- Consumers will benefit from the education and availability of grilling approaches that are widely regarded as superior by those relatively few “in the know,” yet previously unknown to roughly 90% of all consumers.
- As Char-Broil educates consumers on the benefits of infra-red grills, and as it builds the TEC brand in mass retail venues, specialty retailers like you will find they have a much easier time than before selling TEC’s upscale grills.

We look forward to the road ahead with great anticipation and hope you will join us for the ride. We are grateful for the relationships we have built with all of you over the years, we value your business deeply, and we look forward to sharing a bright future.

Please feel free to call me if I can ever be of help to you along the way.

Best regards,

David H. O’Kelly  
President--Consumer and Commercial Products  
THERMAL ENGINEERING CORPORATION

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