Hardwood Market Report

Changes in Markets for North American Hardwoods
Longest up or down cycle is 5 years.
New Home Construction
Starts, Completed Units, and Building Permits

Source: US Census Bureau
Graph: HMR Executive
US New Home Supply Pipeline

Total Supply Feb. 1990: 1,197.7M Units
Total Supply Feb. 1992: 872.0M Units
Total Supply Feb. 2000: 1,253.4M Units
Total Supply Feb. 2006: 449.6M Units

Supply Peaked May 2006 at 1,981.1M Units
Total Supply Pipeline has Decreased 64.3% from Peak

Jan. 2010 S-F Const. and Total Supply Pipeline of New Housing in the US are the Lowest on Record.

Inventory of Single-Family Houses

Single-Family Units Under Construction

Multi-family Units Under Construction

Source: US Census Bureau
Graph: Hardwood Market Report

Total Supply Feb. 1996: 1,127.8M Units
Total Supply Feb. 1998: 314.9 Thousand Units
Total Supply Feb. 2000: 232.7 Thousand Units
Total Supply Feb. 2002: 533.1 Thousand Units
Total Supply Feb. 2003: 316.6 Thousand Units
Total Supply Feb. 2004: 631.8 Thousand Units
Total Supply Feb. 2005: 968.5 Thousand Units
Total Supply Feb. 2007: 449.6 Thousand Units
Total Supply Feb. 2009: 283.8 Thousand Units
Total Supply Feb. 2010: 189.7 Thousand Units

Single-Family Units Under Construction

Inventory of Single-Family Houses

January 2010 S-F Const. and Total Supply Pipeline of New Housing in the US are the Lowest on Record.
GDP Percent Change Based on Current US Dollars

Source: US Dept. of Commerce
Manufacturing Capacity Utilization

Average: 1972 - 2009
80.6%

Source: Federal Reserve
Graph: HMR Executive
Index values above 50 indicate expansion in the manufacturing sector of the economy.

Index values above 41.1 percent, over time, indicate expansion of the overall economy.

Source: The Institute of Supply Management
Graph: Hardwood Market Report
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<tbody>
<tr>
<td>Pallets</td>
<td>4.5</td>
<td>3.8</td>
<td>3.7</td>
<td>3.6</td>
<td>3.5</td>
<td>3.0</td>
<td>-14%</td>
<td>-33%</td>
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<tr>
<td>Furniture</td>
<td>2.6</td>
<td>1.2</td>
<td>1.1</td>
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<td>0.7</td>
<td>0.3</td>
<td>-57%</td>
<td>-88%</td>
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<td>1.3</td>
<td>1.2</td>
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<td>0.79</td>
<td>-21%</td>
<td>-34%</td>
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<td>0.4</td>
<td>-43%</td>
<td>-69%</td>
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<td>1.2</td>
<td>1.6</td>
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<td>1.2</td>
<td>0.7</td>
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<td>-42%</td>
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<td>1.5</td>
<td>1.4</td>
<td>1.3</td>
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<td>0.5</td>
<td>-38%</td>
<td>-64%</td>
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<td>Railway Ties</td>
<td>0.7</td>
<td>0.9</td>
<td>1.0</td>
<td>1.0</td>
<td>1.1</td>
<td>0.75</td>
<td>-32%</td>
<td>7%</td>
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<td>Board Road/Mat</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>0.2</td>
<td>0.05</td>
<td>N/A</td>
<td>N/A</td>
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<td>Total Estimated</td>
<td>12.9</td>
<td>11.6</td>
<td>11.2</td>
<td>10.4</td>
<td>9.2</td>
<td>6.5</td>
<td>-29%</td>
<td>-50%</td>
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<td>Consumption</td>
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<td></td>
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<td>2005</td>
<td>2006</td>
<td>2007</td>
<td>2008</td>
<td>2009</td>
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<td>3.8</td>
<td>3.7</td>
<td>3.6</td>
<td>3.5</td>
<td>3.0</td>
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- 33% 1999 to 2009
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<tr>
<td>Furniture</td>
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<td>1.1</td>
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<td>0.7</td>
<td>0.3</td>
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- 88% 1999 to 2009
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<td>Exports</td>
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<td>1.3</td>
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<td>0.79</td>
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- 34.2% 1999 to 2009
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<th>Year</th>
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<th>2007</th>
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<tr>
<td>Millwork</td>
<td>1.3</td>
<td>1.3</td>
<td>1.2</td>
<td>1.0</td>
<td>0.7</td>
<td>0.4</td>
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**Millwork**

- 69% 1999 to 2009

Billion Board Feet

1999 2005 2006 2007 2008 2009
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<thead>
<tr>
<th>Year</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
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<tbody>
<tr>
<td>Sales</td>
<td>1.2</td>
<td>1.6</td>
<td>1.5</td>
<td>1.3</td>
<td>1.2</td>
<td>0.7</td>
<td></td>
<td></td>
<td></td>
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</table>

Cabinets

Billion Board Feet
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<tr>
<th></th>
<th>1999</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
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<td>1.4</td>
<td>1.5</td>
<td>1.4</td>
<td>1.3</td>
<td>0.8</td>
<td>0.5</td>
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</tbody>
</table>

- 64% 1999 to 2009

Billion Board Feet
### Table: Railway Ties Sales

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
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<tbody>
<tr>
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<td>0.7</td>
<td>0.9</td>
<td>1.0</td>
<td>1.0</td>
<td>1.1</td>
<td>0.75</td>
</tr>
</tbody>
</table>

*Note: Sales are in Billion Board Feet.*

*Graph: Railway Ties Sales*

The sales of Railway Ties have increased by 7% from 1999 to 2009.
Percentage of Hardwood Consumption by Primary Market Sector - 1999

- Furniture: 20%
- Railways Ties: 5%
- Millwork: 10%
- Flooring: 11%
- Cabinets: 9%
- Exports: 9%
- Pallets: 36%
- Grade markets comprised 59% of consumption.
The image depicts a pie chart titled "Percentage of Hardwood Consumption by Primary Market Sector - 2009." The chart shows the following percentages for different market sectors:

- Railway: 12%
- Flooring: 8%
- Cabinets: 11%
- Millwork: 6%
- Export: 10%
- Furniture: 5%
- Pallets: 47%

Grade markets comprise 40% of consumption.

Data Collected from a Variety of Industry, Academic and Government Sources.
Estimated Annual Rates of Sawmill Production for Eastern US Hardwoods

- July 2009: 5.5B bd. ft.
- June 2009: 5.4B bd. ft.
- Feb. 2010: 5.05B bd. ft.
Challenges Ahead

- Access to working capital
Challenges Ahead

- Access to working capital
- High unemployment
Challenges Ahead

- Access to working capital
- High unemployment
- Government
  - Health care
  - Cap and trade
Opportunities

► Housing
Opportunities

► Housing
► The Economy
Opportunities

► Housing
► The Economy
► Limited Supplies and Low Inventories
Thank

You