Wood-Plastic Composite & Plastic Lumber

US Industry Study with Forecasts for 2013 & 2018

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The advantages of wood-plastic and plastic lumber include long lifespans, minimal maintenance, resistance to insects and the elements, and their perception as environmentally friendly.

US demand to rise 9.2% annually through 2013

Demand for wood-plastic composite and plastic lumber is projected to advance 9.2 percent per year to $5.3 billion in 2013. Gains will be driven by continued consumer acceptance of these products as replacements for more traditional materials, such as natural wood. Composite and plastic lumber will increasingly be desired due to their long lifespans, minimal maintenance requirements, resistance to degradation caused by insect attack and exposure to the elements, and ability to be cut and hewn like natural wood. Moreover, the increasing perception of these materials as environmentally friendly products, due to their incorporation of recycled materials, will further promote demand. Gains will also be boosted by the rebound of residential construction from the low levels experienced in 2008. Rising housing completions will promote demand in the new residential construction market, while increasing residential improvement and repair expenditures will lead to growth in demand for composite and plastic lumber decking, fencing, and landscaping and outdoor products.

Decking, fencing to offer best growth opportunities

Among the major applications, decking and fencing are forecast to see above-average gains, primarily due to rising interest in using alternative materials in place of natural wood lumber. Molding and trim will remain a key market for composite and plastic lumber, but will see below-average growth, as plastic lumber has already attained substantial market penetration. Demand for composite and plastic lumber in landscape and outdoor products, windows and doors, and other applications will be promoted by continued consumer recognition of the performance properties of the materials, as well as by their image as ecologically friendly products.

Wood-plastic composite lumber to outpace plastic

Wood-plastic composite lumber will post more rapid gains than plastic lumber, advancing 10.5 percent annually to $2.4 billion in 2013. Gains will be driven by ongoing consumer interest in wood-plastic material as a substitute for wood in decking, landscaping and outdoor products, and fencing. Moreover, as decks will continue to be seen as a highly desirable addition to the home, more homeowners will install them, further promoting demand advances for composite lumber. Growth in demand for plastic lumber is forecast to rise 8.2 percent per year to $2.9 billion in 2013. Demand for plastic lumber will be promoted by continued acceptance of the material as a replacement for wood in fencing, landscaping and outdoor products, and molding and trim.

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MARKETS

Multifamily -- Wood-plastic composite and plastic lumber demand in multifamily housing is forecast to expand 10.0 percent annually to $550 million in 2013. The use of composite and plastic lumber as a substitute for less durable materials that require more maintenance over time will add new demand for both composite and plastic lumber. Owners of apartments and condominiums that are subject to a heavy degree of wear and tear will add new demand for composite and plastic trim made from plastic lumber, as it is virtually impervious to damage. In addition, site superintendents will opt for composite or plastic lumber for the site's furniture and playground equipment due to its resistance to rotting, degradation and splintering. In new construction applications, builders of high-end condominiums and apartments will select composite and plastic lumber not only for the materials’ performance qualities, but for their reputation as environmentally friendly materials, so they can market their buildings as “green” to ecologically conscious residents.

Multifamily housing accounted for 16 percent of total residential composite and plastic lumber demand in 2008. The overall size of the multifamily composite and plastic lumber market is limited by a number of factors, including lower levels of new construction and a relatively small housing stock in comparison to single-family homes. Additionally, multifamily housing demand is restrained by the relatively low incidence of decks and fences in these types of residences. However, many builders and property owners will install such amenities as decks, outdoor living spaces, children’s play areas, and porches and patios in an attempt to attract tenants. These structures will often be built out of composite or plastic lumber to reduce long-term maintenance and repair costs.

Wood-plastic composite lumber demand is forecast to see faster growth through 2013 than plastic lumber. Composites will continue to benefit from their long product life and lower maintenance requirements, which are attractive characteristics to builders, homeowners and property managers alike. Growing acceptance of composite materials by builders...
Fiber Composites LLC
181 Random Drive
New London, NC  28127
704-463-7120
http://www.fibercomposites.com

Annual Sales:  $150 million (verified by company, 7/09)
Employment:  230 (verified by company, 7/09)
Key Products:  composite decking, railing and fencing

Fiber Composites is a leading US manufacturer of wood fiber-plastic composite decking and railing products.  The Company is privately held.  In January 2009, Fiber Composites acquired Sensibuilt Building Solutions (Bloomfield, Connecticut), a producer of decking and siding based on new generation polyvinyl chloride (PVC) technology.  Following the transaction, Pegasus Capital Advisors LP (Cos Cob, Connecticut), which held a majority interest in Sensibuilt Building Solutions, acquired a minority position in Fiber Composites.

The Company is active in the US composite and plastic lumber industry through the manufacture and marketing of composite decking, railing and fencing for residential and commercial applications.  These products are manufactured using a composite of PVC and high-density polyethylene (HDPE) materials.  Fiber Composites markets its products, which can be used in the construction of decks, docks, porches, balconies and verandas, among other outdoor spaces, under the FIBERON brand name.  In October 2007, the Company completed the acquisition of the WEATHERBEST line of wood-plastic composite decking, as well as a 175,000-square-foot production facility in Meridian, Idaho, from Louisiana-Pacific Corporation.  Beginning in 2008,

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#TABLE V-10

##NONRESIDENTIAL BUILDING MARKET FOR WOOD-PLASTIC COMPOSITE & PLASTIC LUMBER

(million dollars)

<table>
<thead>
<tr>
<th>Item</th>
<th>1998</th>
<th>2003</th>
<th>2008</th>
<th>2013</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonres Bldg Construction (bil $)</td>
<td>261</td>
<td>274</td>
<td>458</td>
<td>479</td>
<td>640</td>
</tr>
<tr>
<td>$ lumber/000$ construction</td>
<td>1.0</td>
<td>1.5</td>
<td>1.7</td>
<td>2.0</td>
<td>2.2</td>
</tr>
<tr>
<td>Nonres Bldg WPC &amp; Plastic Lumber</td>
<td>270</td>
<td>400</td>
<td>794</td>
<td>965</td>
<td>1410</td>
</tr>
<tr>
<td>By Material:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wood-Plastic Composite</td>
<td>49</td>
<td>112</td>
<td>242</td>
<td>320</td>
<td>500</td>
</tr>
<tr>
<td>Plastic</td>
<td>221</td>
<td>288</td>
<td>552</td>
<td>645</td>
<td>910</td>
</tr>
<tr>
<td>By Use:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New</td>
<td>159</td>
<td>207</td>
<td>417</td>
<td>470</td>
<td>680</td>
</tr>
<tr>
<td>Improvement &amp; Repair</td>
<td>111</td>
<td>193</td>
<td>377</td>
<td>495</td>
<td>730</td>
</tr>
<tr>
<td>% nonresidential</td>
<td>77.7</td>
<td>71.7</td>
<td>70.7</td>
<td>71.3</td>
<td>74.3</td>
</tr>
<tr>
<td>WPC &amp; Plastic Lumber Demand</td>
<td>1173</td>
<td>2183</td>
<td>3414</td>
<td>5300</td>
<td>8150</td>
</tr>
</tbody>
</table>

“Demand for composite decking in value terms is expected to rise 10.3 percent annually to $1.9 billion in 2013.  Value gains will outpace volume gains, as advances will be derived from the development of composite lumber railing systems and accessories, which are typically more costly than deck boards.  Technological developments that create composite decking materials that more closely resemble natural woods, especially tropical hardwoods, will also encourage value gains.”

--Section IV, pg. 89
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**Company** _________________________________________

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