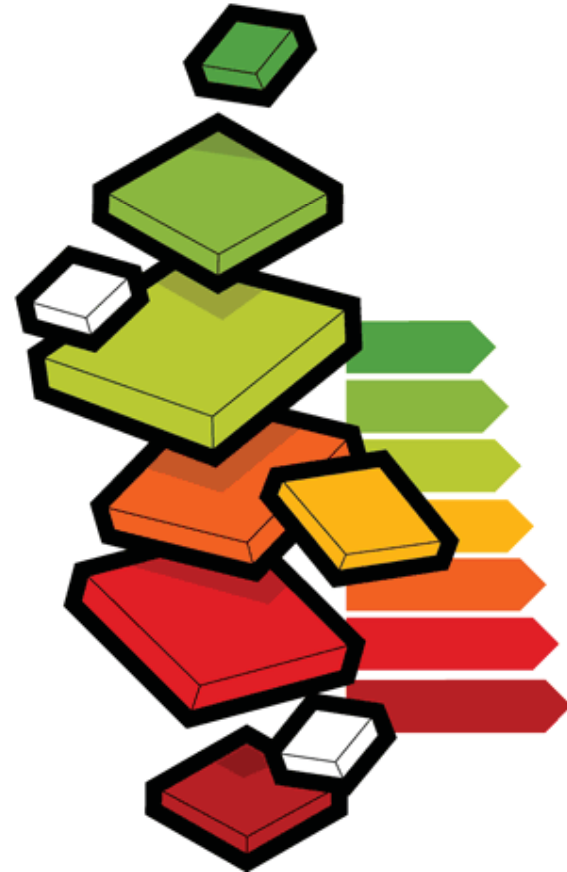


Information on CARB rule

Phase 1 and 2

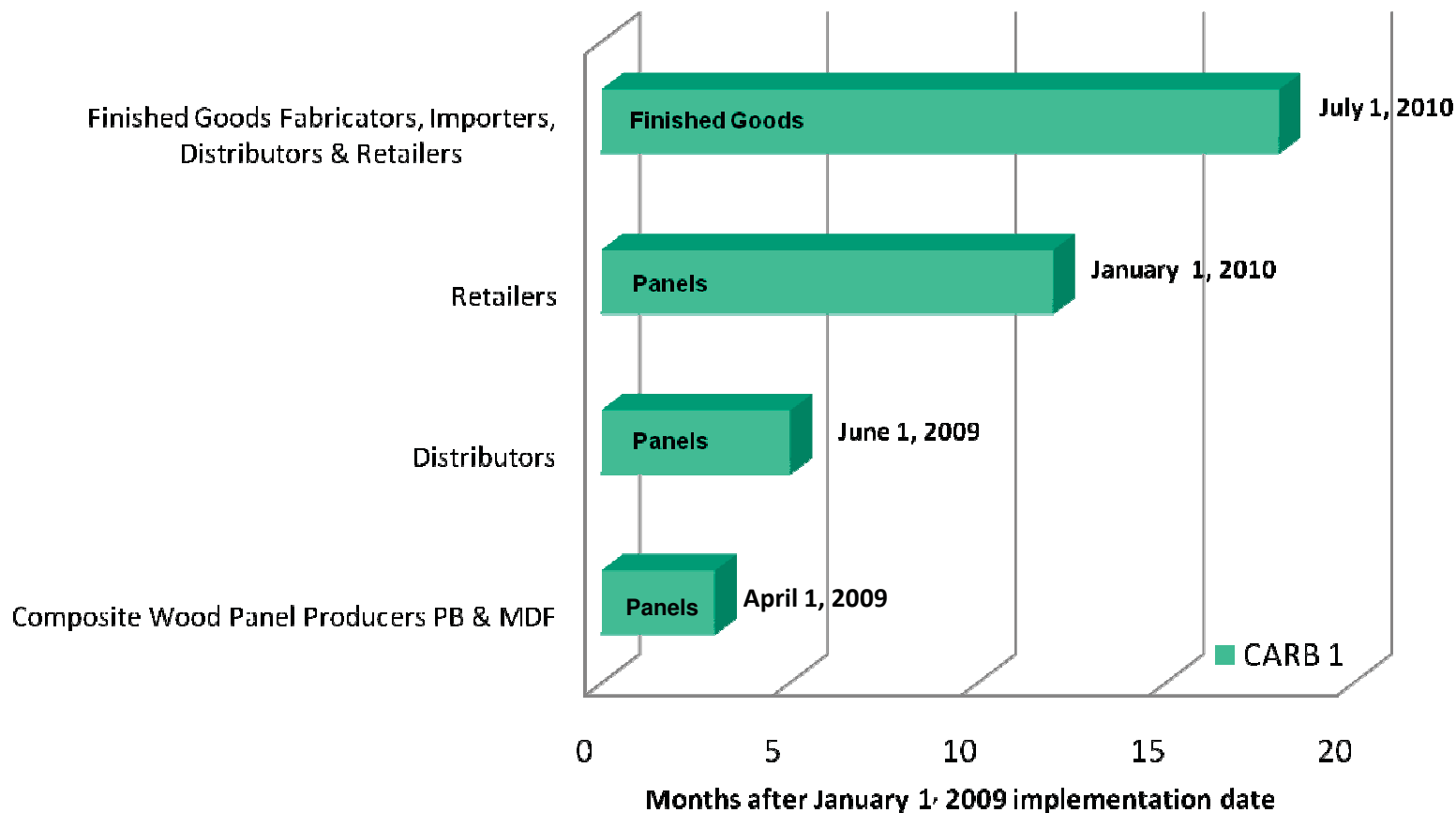


What does CARB mean?

- ✓ CARB stands for **California Air Resource Board**.
- ✓ CARB is regulating formaldehyde emissions from Composite Wood Panels sold and used in indoor applications within the State of California. Applications include furniture, kitchen cabinets, flooring and more.
- ✓ The CARB rule has become the de-facto standard for North America and is recognized around the world.
- ✓ The US Environmental Protection Agency (EPA) is developing a national standard that is based on the CARB rule for expected implementation in 2013.
- ✓ Given the supply chain network in place across the continent. It would be highly impractical and even more costly for producers to contend with more than one standard across North America.
- ✓ Composite Wood Panels are made from wood, wood chips, shavings from post-industrial and post-consumer fibre sources as well as resin.
- ✓ Composite Wood Panels includes Hardwood Plywood (HWPW), Particleboard (PB) and Medium Density Fibreboard (MDF)
- ✓ The CARB rule is being implemented in 2 phases:
 - Phase 1 emission ceiling requirements have been in effect since January 1, 2009.
 - Phase 2 emission ceiling requirements include the following:
 - January 1, 2010 for production of HWPV veneer core
 - January 1, 2011 for production of PB and MDF
 - January 1, 2012 for production of thin MDF (≤ 8 mm)
 - January 1, 2012 for production of HDPW composite core
- ✓ The CARB Phase 2 formaldehyde emissions are much lower than those for Phase 1. The new ceilings are .09 ppm for PB and .11 ppm for MDF. These ceilings are among the lowest levels anywhere in the world for composite wood panels.
- ✓ New resin formulations and technologies have been developed to accomplish this important reduction in emissions though not without added production costs.

Implementation Schedule for CARB 1

Inventory Sell-Through Implementation schedule for CARB 1 0 = January 1, 2009

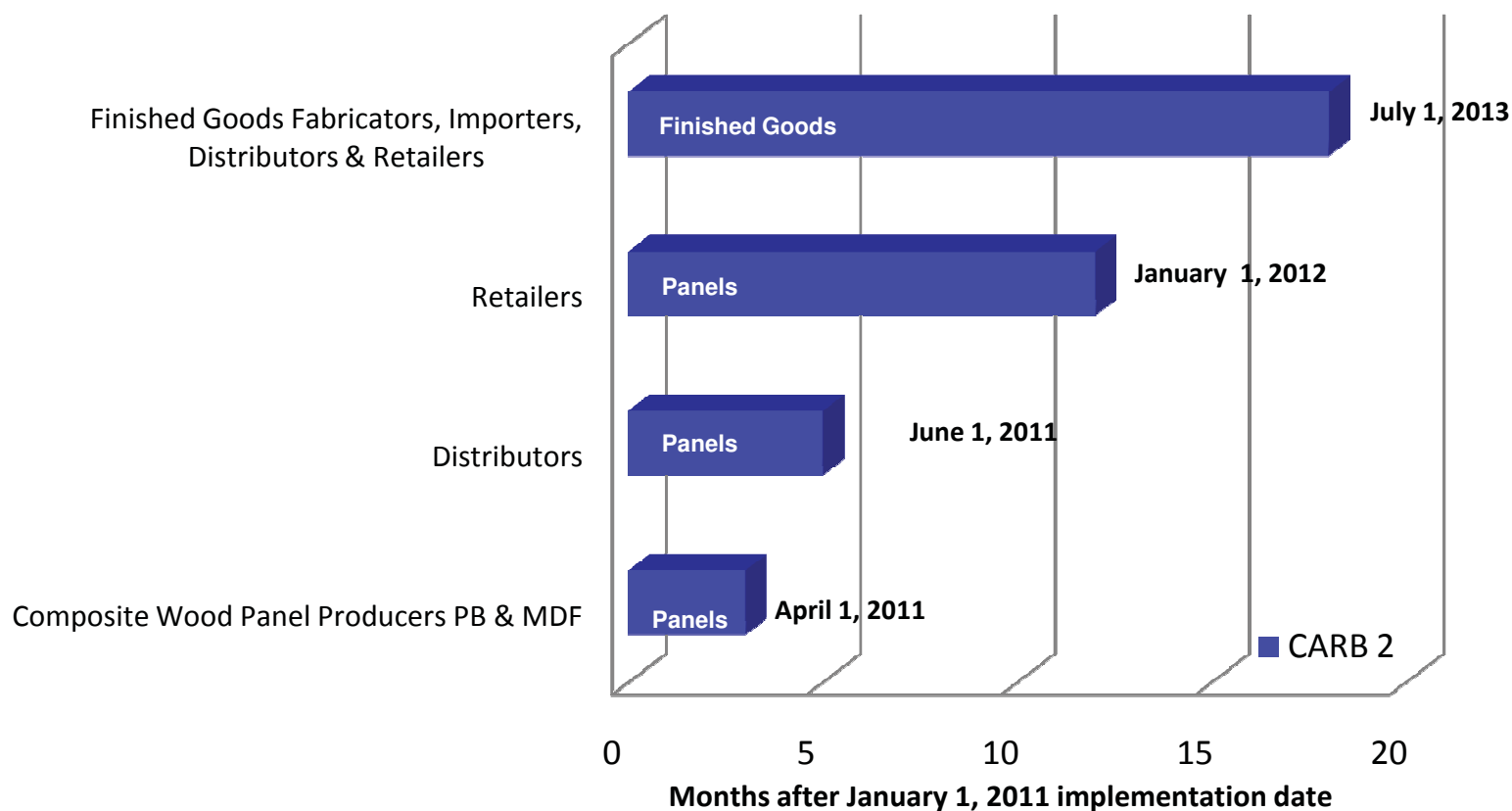


- The dates reflect the limit by which the supply chain can no longer sell non-certified CARB 1 product.
- As of this date in October 2010, all levels of the supply chain have switched to CARB 1.
- This graph is primarily intended for historical reference to better understand the context of CARB 2.

Implementation Schedule for CARB 2

Inventory Sell-Through Implementation schedule for CARB 2

0 = January 1, 2011



- ❑ The dates reflect the limit by which the levels of supply chain can no longer sell non-certified CARB 2 product.
- ❑ To comply with CARB 2, panel producers must be producing to CARB 2 maximum emission levels by January 1, 2011 latest.

Information Sources on CARB

Here are two leading sources of for more detailed information on CARB

- ✓ California Air Resource Board: www.arb.ca.gov
- ✓ Composite Panel Association: www.CARBrule.org and www.pbmdf.com

Please feel free to consult these web sites