The hardwood forest land owners are true organic farmers. Hardwood lumber doesn’t require pesticides or monoculture farms to grow our crop...only rain, sunshine and little help from Mother Nature. In these times of heightened environmental awareness, the hardwood industry has a good story to tell. According to the U.S. Forest Service, American hardwood forest growth has exceeded removal for more than fifty years. You cannot pick up a newspaper without realizing the green revolution is here. Sustainable forestry is vital in the war against greenhouse gases. Trees pull carbon out of the air, reducing carbon dioxide. In dealing with global warming, the first step is to do the numbers. Before the industrial revolution, the earth’s atmosphere contained approximately 280 parts/million of carbon dioxide. Today, it has reached a level of 380 and is increasing about 2 parts/million annually. Most people know that unchecked long-term global growth can be catastrophic. Sustainable, renewable forests can help cut global carbon emissions. Utilizing carbon credits proposed by the United Nation is based on the premise of securing the rainforests and sustainable timberland to offset pollution caused by industrialization.

As Greenpeace founder, Patrick Moore, has stated, we should be using more trees and replanting. Wood is without a doubt the most renewable material on our planet. “That is demonstrated by the net gain in U.S. hardwood volume even after forestry and mortality. Alternatively, using synthetic materials such as metals, plastics and others creates many sources of pollutants.” These non-renewable synthetic building materials as well as steel and cement are produced in real factories. This production requires large inputs of fossil fuels which inevitably results in higher carbon dioxide emissions. “So, for 70 percent of the wood used each year for energy and building, switching to substitutes nearly always results in increased carbon dioxide emissions which is contrary to climate change policy.” Therefore, the misguided policy of “use less wood” in building projects is anti-environmental because it would logically result in increased carbon dioxide emissions. The carbon footprint for lumber utilization is lower than any substitute product. Wood is nature’s renewable resource. Consider the environmental impact of a large coal powered plant. “If we grow trees and use wood as a substitute for coal, we are able to offset nearly 100% of the carbon dioxide emissions from the power plant. That is because sustainable use of wood results in a zero net release of carbon dioxide whereas coal combustion counts for the full 100%.”

Potentially in the end, global warming presents one of the greatest tests for mankind. Instead of fossil fuels, wood cellulose ethanol growth might be the new green fuel. Renewable and sustainable forests offer some promise for tomorrow’s technological breakthrough. Construction of the nation’s first commercial scale wood-based cellulosic ethanol plant is being constructed in Soperton, Georgia. An Atlanta based energy company, Biomass Gas and Electric Company (BG&E) has also announced plans to build the largest wood-fueled power generation plant in the U.S.

As good stewards, the forest products industry has a vested interest in “getting on board with green” and embracing the technological and consumer demand for green products. Trees are a good answer. Our companies are committed to the principles of conservation and the intelligent use of our natural resources.

Happy holidays and best wishes to you and your family.

Jim Howard

1 “Carbon’s New Math”, Bill McKibben, National Geographic, October 2007
2 Greenpeace Founder Patrick Moore, www.greenspirit.com
This past year, the distribution group decided that we were not going to miss the future. We made many tough decisions that involved a lot of change and hard work by all of the staff. Some of these decisions showed quick returns, while others will certainly pay off down the road.

The first, and probably the most challenging, was the implementation of the new software platform. After almost a year of researching and setting up the system, we decided to “go live” on November 13, 2006. We scrapped our initial decision to stagger the launch dates and brought all four centers up at once. After several days of asking ourselves why we did this, things started to fall in place and operations slowly started to come together. By providing improved efficiencies, reporting and overall information, the new system has been a great asset to all of the operations.

The next change was deciding to drop our plastic laminate line. After more than a decade of selling Nevamar HPL, we made the decision to move to Arborite. I am sure nobody will forget our weekend of taking out all of the old laminate and replacing it with thousands of sheets of the new Arborite line. Many months have passed since then and we have finally started to see the fruits of our labor with sales steadily increasing.

The end of March brought us yet another opportunity. This opportunity came in the form of a fifth distribution facility in Clarksville, Tennessee. After a month of operating without computers and then having to change phone numbers, Gene and his crew survived and are growing sales every month.

Lastly, as a result of this acquisition, we decided it would be a good time to start branding ourselves under one name. In May of this year, we decided to brand all of the distribution centers under the name “Hardwoods Incorporated”.

All of these changes have been exciting and have brought the entire group closer together. I would like to thank everyone for the extra time, effort and commitment they have given the company over these last twelve months. As for the next year...time will tell.

EMPLOYEE RECOGNITION

Our company has been in existence for over fifty years and the primary reason for its success is employee loyalty. For the past several years, the company has recognized the employees who achieved the impressive milestones of five, ten, fifteen, twenty and twenty-five years’ service anniversaries. Congratulations to the following employees who reached these anniversary milestones during 2008:

<table>
<thead>
<tr>
<th>5 YEARS OF SERVICE</th>
<th>10 YEARS OF SERVICE</th>
<th>15 YEARS OF SERVICE</th>
</tr>
</thead>
<tbody>
<tr>
<td>AHC John Mitchell</td>
<td>HI ATLANTA Jason Mitchell</td>
<td>AHC Wesley Brown</td>
</tr>
<tr>
<td>HI NORTH GEORGIA Ernie Eliason</td>
<td>HHII Bruce Manalan</td>
<td>HI ATLANTA Terry Hudson</td>
</tr>
<tr>
<td>HI ALABAMA David Lamb</td>
<td>HHII Mark Gardner</td>
<td>HHI South Carolina</td>
</tr>
<tr>
<td>HI ATLANTA Donna Richardson</td>
<td>HHII TJ Hester</td>
<td>HHI Texas</td>
</tr>
<tr>
<td>WCM Jose Mendez</td>
<td>HHII Patricia Rosenberg</td>
<td>HHI New York</td>
</tr>
<tr>
<td>HI NORTH GEORGIA Ernest Eliason</td>
<td>HHII</td>
<td>HHI California</td>
</tr>
<tr>
<td>HI TRADING GEORGIA Martin Martinez</td>
<td>HHII</td>
<td>HHI Florida</td>
</tr>
<tr>
<td>HHII Robert Richardson</td>
<td>HHII</td>
<td>HHI Ohio</td>
</tr>
<tr>
<td>HHII Sotelo Nava</td>
<td>HHII</td>
<td>HHI Indiana</td>
</tr>
<tr>
<td>HHII Jose Antonio Sierra</td>
<td>HHII</td>
<td>HHI Missouri</td>
</tr>
</tbody>
</table>

In the words of John F. Kennedy, “Change is the law of life. And those who look only to the past or present are certain to miss the future.”
GETTING ON BOARD WITH GREEN

The “green” movement is touching every aspect of the wood and wood products industry. Other distributors and our customers are scrambling to figure out how it will impact their business. Some are still in denial and think that it is just another fad that will pass. We are convinced this is not the case and see the movement will only grow in importance. We feel that, as distributors, we are the environmental leaders through product training and the associations we have chosen to join, such as the Forest Stewardship Council, and by stocking the products most asked for by the consumer looking for environmentally friendly goods.

Hardwoods Incorporated has obtained Forest Stewardship Council (FSC) multi-site Chain of Custody (CoC) certification and, as of September 7, 2007, all five of our distribution centers can handle FSC certified products. This is our customers’ guarantee that we will provide them with the well managed forest products they have requested. Veneer companies like Flexible Materials and Brookside Veneer have elected to become FSC chain of custody certified, manufacturing products that we can pass on. Sierra Pine’s sustainable product line continues to grow, producing items from 100% recycled wood content with formaldehyde-free resin such as Medex, Medite II and Arreis that we stock and that will contribute to LEED certification. Columbia Forest Products is not only FSC chain of custody certified, but they have developed a soy protein-based glue with no formaldehyde emissions (called PureBond) that when used to manufacture their products automatically earns a LEED Indoor Environmental Quality credit.

We are committed to promoting the principles of conservation and to educating our customers and employees about environmental and forestry issues. The wave is heading this way. Let’s ride it while we have the edge.

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A LITTLE HUMOR

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2008 HOLIDAY SCHEDULE

<table>
<thead>
<tr>
<th>Holiday Date</th>
<th>Holiday Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuesday, January 1st</td>
<td>New Year’s Day</td>
</tr>
<tr>
<td>Monday, May 26th</td>
<td>Memorial Day</td>
</tr>
<tr>
<td>Friday, July 4th</td>
<td>Independence Day</td>
</tr>
<tr>
<td>Monday, September 1st</td>
<td>Labor Day</td>
</tr>
<tr>
<td>Thursday, November 27th</td>
<td>Thanksgiving Day</td>
</tr>
<tr>
<td>Friday, November 28th</td>
<td>Thanksgiving Holiday</td>
</tr>
<tr>
<td>Thursday, December 25th</td>
<td>Christmas Day</td>
</tr>
<tr>
<td>Friday, December 26th</td>
<td>Floating Holiday *</td>
</tr>
</tbody>
</table>

*The floating holiday will be designated each year by Company management. A yearly holiday schedule will be posted at each location.

To qualify for holiday pay, employees must:

- have been employed for thirty (30) days and must work at least thirty (30) hours per week
- work the last scheduled work day before and the next scheduled work day after the holiday
- work at least one other day of the work week in which the holiday occurs, unless your absence is with prior approval

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2007 AT A GLANCE

Patrick Altham, AHC Export
Patrick and his big catch during the Yard Sales Retreat at Isle of Palms, SC in October.

Brandon Walker, Don Van Dale
Huntersville Hardwoods
Brandon presents Don with a plaque at his retirement party in September.

Laura Thomas, White County Mouldings
Al Rankl, North Georgia Hardwood
Laura and Al volunteer at a Ferst Foundation event.

Mark Vann, Zack Rickman, Will Havlen, White County Mouldings
Mark, Zack and Will make cotton candy to raise funds for the Ferst Foundation.

Jim Howard, Dan Caldwell
Atlanta Hardwood Corporation
The “Tree Whisperers”

Patty Rosenberg
Atlanta Hardwood Corporation
Patty receives a surprise visit from the “Big Kahuna” in celebration of 20 years service to AHC.

Dedre Taylor
Hardwoods Incorporated Atlanta
Dedre lightens things up while preparing for Customer Appreciation Day in May.

Mikel Chatham
Hardwoods, Inc. of Alabama
Did someone say “lunch”?

Curtis Smith, Erik Naustdal
Hardwoods Incorporated Atlanta
Curtis and Erik take a break during Hardwoods Incorporated’s golf tournament.
ANNUAL OPEN ENROLLMENT AND MEDICAL HEALTH PLAN CHANGES:

Annual Open Enrollment will begin December 1st and end on December 20th. Open Enrollment is more than making benefit choices. It’s about planning your health and welfare needs, considering your personal situation and making educated choices that fit your needs and those of your family. Here are a few things to consider during Open Enrollment:

1. Be sure to read this article and any additional information you will receive over the next couple of weeks in relation to Company benefit options and changes to the medical health plan.
2. Consider joining or re-enrolling in the Flexible Spending Account.
3. Review your healthcare needs so you make smart benefit choices.
4. Attend the employee meeting at your location so you have an opportunity to ask questions.
5. If you plan on adding dependents to your insurance coverage, please make sure you have their social security numbers and dates of birth available at the enrollment meeting.

As the cost of health care coverage continues to rise, we are forced to consider health plans with better coverage while maintaining its affordability as we move into the future. We have elected to move our healthcare coverage to Humana since our previous carrier (United Healthcare) proposed a 24% increase. Humana’s national network of doctors are compatible with what we have had in the past. By using the Humana web link below, you can search for network physicians, hospitals, urgent care facilities and pharmacies. Once enrolled, you will be able to print ID cards, view prescription drug lists, mail order prescriptions and access account information such as EOB’s (Explanation of Benefits).

If you would like to use the Physician Finder, please follow these directions:

1. Go to Humana’s website at www.humana.com
2. Select “Members”.
3. On the right side under “Provider Search”, select the type of provider you want to search.
6. From there, follow the prompts by entering your specific search criteria.

IMPORTANT REMINDERS

W2’s will be mailed to your home address by the end of January. Here are some important reminders:

- Be sure to verify all of your personal information on your pay stub.
- Notify the payroll department immediately of any address changes.
- Get in the habit of saving all of your pay stubs, and more importantly, your last one of the year.

Now is the time of year to make changes to your 401K deferral percentages. All changes must be made no later than December 20th. Changes can be made as follows:

- Log on to AUL’s website and select “My Profile”, “Change Deferral Elections” and follow the prompts. www.ereirement.aul.com
- Fax your request to Kelly Johnson at 404.799.2088

Please note that we will not accept verbal requests.
There are two medical insurance plan options available under Humana’s National POS OpenAccess network.

Both plans provide the following:

- No referrals required
- More doctors and providers (you can go to any physician who is contracted with Humana, regardless of the plans they accept)
- Nationwide coverage (great for when you travel)
- All enrolled members receive personalized information and access via the web at www.myhumana.com
- All enrolled members will receive quarterly personalized newsletters containing individual plan usage data, medical cost saving ideas and wellness tips.

<table>
<thead>
<tr>
<th>BENEFIT</th>
<th>BASE PLAN</th>
<th>PREMIUM PLAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Employee Portion 100% Paid by Company)</td>
<td>(Employee Portion 87% Paid by Company)</td>
<td></td>
</tr>
<tr>
<td>Primary Physician Office Visit Copay</td>
<td>$40</td>
<td>$25</td>
</tr>
<tr>
<td>Specialist Physician Office Visit Copay</td>
<td>$40</td>
<td>$25</td>
</tr>
<tr>
<td>Allergy Injection Copay</td>
<td>$5</td>
<td>$5</td>
</tr>
<tr>
<td>Deductible - Single: In-network</td>
<td>$2,000</td>
<td>$1,000</td>
</tr>
<tr>
<td>Deductible - Family: In-network</td>
<td>$6,000</td>
<td>$2,000</td>
</tr>
<tr>
<td>Deductible - Single: Non-network</td>
<td>$6,000</td>
<td>$3,000</td>
</tr>
<tr>
<td>Deductible - Family: Non-network</td>
<td>$18,000</td>
<td>$6,000</td>
</tr>
<tr>
<td>Coinsurance: Network/Non-network</td>
<td>80% / 60%</td>
<td>80% / 60%</td>
</tr>
<tr>
<td>Out of pocket limit - Single: In-network</td>
<td>$4,000</td>
<td>$2,000</td>
</tr>
<tr>
<td>Out of pocket limit - Family: In-network</td>
<td>$12,000</td>
<td>$4,000</td>
</tr>
<tr>
<td>Out of pocket limit - Single: Non-network</td>
<td>$12,000</td>
<td>$6,000</td>
</tr>
<tr>
<td>Out of pocket limit - Single: Non-network</td>
<td>$36,000</td>
<td>$12,000</td>
</tr>
<tr>
<td>Emergency Room Copay</td>
<td>$150</td>
<td>$100</td>
</tr>
<tr>
<td>Rx Copays</td>
<td>$15 / $30 / $50</td>
<td>$10 / $25 / $40</td>
</tr>
<tr>
<td>Mail Order Rx Copays</td>
<td>3x</td>
<td>3x</td>
</tr>
<tr>
<td>Lifetime Maximum Benefit</td>
<td>Unlimited</td>
<td>Unlimited</td>
</tr>
<tr>
<td>Vision Services</td>
<td>100% after $15 Copay</td>
<td>100% after $15 Copay</td>
</tr>
<tr>
<td></td>
<td>Includes Vision Discount Program</td>
<td>Includes Vision Discount Program</td>
</tr>
</tbody>
</table>
Here are a few money-saving tips for out-of-pocket medical expenses:

Seek Urgent Care Centers When You Need After Hours Care
Unless you have a serious or life-threatening condition, urgent care centers can be a better option than a trip to the emergency room. Here are some of the benefits an urgent care facility can provide:

• Your wait will probably be shorter.
• Urgent care centers are often open evenings and weekends.
• You don’t need an appointment.
• Your cost is usually lower than it would be at an emergency room.

Choose Generic vs. Brand Name Prescriptions Whenever Possible

• Factors such as cost, patent and the number of drugs in a specific category determine if a drug is classified as generic or brand name.
• Many brand-name drugs are available in a generic equivalent.
• The main difference in generic drugs is that they are referred to by their chemical name rather than their brand name.
• Generic drugs normally cost less because the manufacturer doesn’t have to recover the development and marketing costs for the drug.

Enroll in the Company Sponsored Flexible Spending Account
The company has set up medical and dependent care savings plans for all employees of the company. This benefit allows employees to contribute up to $3,000 per year for medical expenses and up to $5,000 per year for dependent care expenses. The money contributed toward these expenses is deducted from employees’ income each pay period on a pre-tax basis, and can then be used as a reimbursement mechanism for both health care and dependent care costs.

A flexible spending account is a tax-advantaged financial account that allows an enrolled employee to set aside a portion of his or her earnings to pay for medically qualified expenses and dependent care. Money deducted from an employee’s pay into a FSA is not subject to payroll taxes, resulting in a substantial payroll tax savings.

The most common types of medical expenses that qualify are items not paid for by insurance; this usually means deductibles, copayments and coinsurance for the employee’s health plan. It may also include expenses not covered by the health plan, such as dental services and vision items (contacts, eyeglasses, etc) in addition to over-the-counter drugs and medical supplies.

You don’t have to wait until the end of the year to submit claims. Any medical receipts for the current calendar year can be submitted for reimbursement at any time during the year. The claims submission and reimbursement process is easy. All claims received by Guardian by Tuesday afternoon will be processed on Friday of the same week. Receipts can be submitted at any time by fax or mail (the fax # and address are located at the bottom of the reimbursement form). The checks are processed by Guardian and mailed directly to your home address. It should only take a few business days to receive your check. The check stub will show you a summary of your account.

JUST FOR LAUGHS

Hospital regulations require a wheelchair for patients being discharged. However, while working as a student nurse, I found one elderly gentleman already dressed and sitting on the bed with a suitcase at his feet – who insisted he didn’t need my help to leave the hospital. After a chat about rules being rules, he reluctantly let me wheel him to the elevator. On the way down I asked if his wife was meeting him. “I don’t know,” he said. “She’s still upstairs in the bathroom changing out of her hospital gown.”

- Anonymous -
Many years ago, I was in the woodworking machinery business and I met the personnel director for a large furniture company in Lenoir, NC. In those days, Lenoir was a booming furniture center and most people had worked in one or more of its factories. I asked him how he selected applicants to work in the production areas of his company. To my surprise, he told me he looked at the applicant’s hands. If he or she were missing fingers, he would consider them over applicants having all 10 fingers. He believed that missing fingers indicated the person did not fear machines, therefore being a more productive employee. I offered the argument that maybe it was lack of awareness or common sense rather than fearing machinery. My argument was dismissed, and the personnel director has since retired, as well as, the furniture industry in the United States.

So years later, I return to the argument of “fear” versus “awareness”. When working around machines and equipment, one should not fear it, but respect it. Approach your work with common sense. Saws cut! Pinch points will pinch! Unstable loads may fall! And forklifts win every time! Always check your surroundings and anticipate what could go wrong. If you feel unsafe, discuss it with your supervisor. Our company is committed to providing all employees with PPE (personal protection equipment such as gloves, safety glasses, hearing protection, etc.). If the work area presents hazards, again, discuss it with your supervisor. Over the years, we have corrected many problems and remain committed to do the same in the future. Do not be afraid to ask questions or ask for more training if you feel unsafe doing a task. Again, use common sense and do not try something that may put yourself or fellow employees in a dangerous situation.

In my job, I get to visit most of our locations and review safety procedures and practices. Over the past two years, the number of accidents has not changed much. Most of these accidents are injuries to hands, fingers, arms and legs, so always use PPE! Before extending your hand or arm, think about using a tool or some device not attached to your body! I feel certain that just a little awareness and common sense could reduce our accidents by 50% annually. That is only 5% per finger… correct? So let’s make that our goal in 2008!