



Market for Thermo-Treated Wood

Product:

The absence of chemicals makes thermo-treated wood a human and pet friendly, green alternative to chemically treated (pressure treated) wood, and it is superior to non-treated wood. The product, i) lasts 25 years in outdoor use; ii) has greater dimensional stability; iii) repels water; iv) equals or exceeds exotic woods in appearance and durability; and, v) has zero added chemicals. The applications for the product, both outdoor and indoor, are numerous: decks, siding, garden furniture, pool areas, boardwalks, landscape designs, flooring, manufacturing of bathtubs, wash-bowls, etc.

Target Market:

Thermo-treated wood is an ecologically pure replacement for pressure treated wood, a “real wood” replacement for plastic decking and furniture; a much less expensive, sustainable alternative for exotic woods in decks and outdoor furniture; and an improved, yet old, reliable product for both indoor and outdoor applications (floors, doors, windows, etc.) for general, commercial and residential construction.

The pressure treated wooden deck market in the U.S. is \$4 Billion per year, in Canada - \$1.5 Billion per year, and is continually recycling. It is estimated that 20 million decks in the U.S. are currently in need of replacement. The significant part of landscape design market is also pressure-treated wood. The US market of landscape design is **\$140 B per year**.

Increasing green and sustainability awareness, and the ban on chemically treated wood for general use in the EU in 2004, as well as the 2005 U.S. ban on its use for children’s playground equipment and waterfront area decks are leading to additional turnover. While some of the newer treated softwoods could be used to rebuild the majority of those decks, they still are treated with chemicals. Properly marketed thermo-treated hardwoods will take significant share in the mid to higher end deck markets. Our target markets are those suppliers and specifiers of products operating in the above categories; lumber distributors, furniture manufacturers, homebuilders, architects, interior designers, landscape and deck designers. Certification of our decking material is in process. We have received interest from, among others, Home Depot, Lowe’s, 84-Lumber, Lumber Liquidators, Ace Hardware, BlueLinks and Armstrong, and product testing is underway at two of these prospects.

Thermo-treated wood applications:

Regular Products: Decks, Siding, Flooring, Garden Furniture, Boardwalks, Highway acoustical barriers, Fences, Doors, Windows

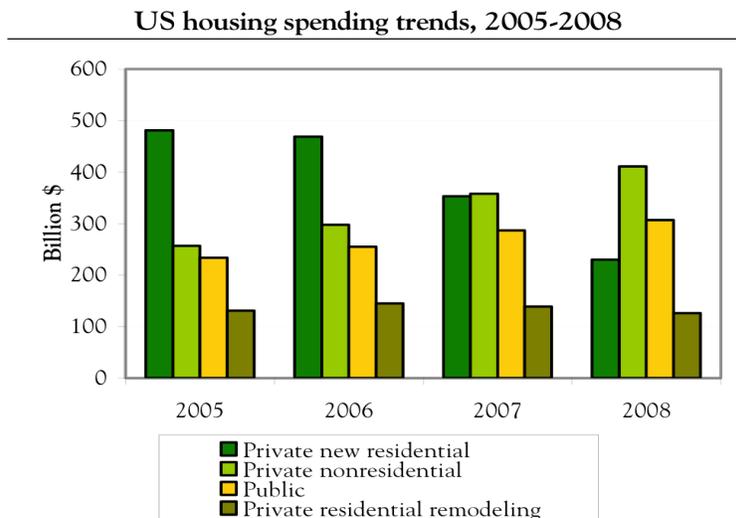
Unusual Products: Musical instruments, Swimming pool areas, Trim of yachts, Manufacturing of bathtubs, wash-bowls, Floors and facing tile of bathrooms

Special Westwood Products / Projects: Structural panels made with vertical siding, Wide plank parquet, Thermo-treated wood as an agricultural plant grow stimulator (special patent)

See pictures of thermo-treated wood products at our website: www.thermotreatedwood.com

General Economic Outlook:

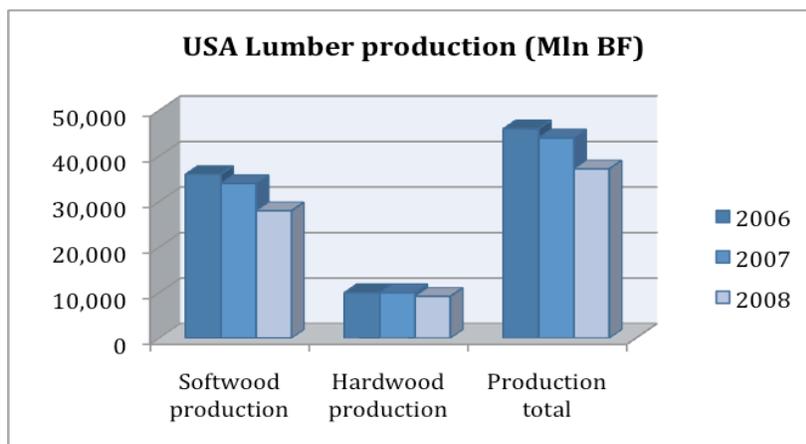
Following multi-year housing boom, the lumber and construction industry has undergone a severe contraction over the last few years. More recently, home sales have increased somewhat and according to the Bureau of Economic Analysis, home prices have actually increased 13% over last year. Uncertainty of a recovery remains, however, as the true impact of tax incentives and other government programs, or the lack thereof, is difficult to determine. One of the more encouraging signs for Westwood is that consumer spending for home improvement has increased substantially as homeowners are deciding to invest in existing properties rather than in new home construction. Remodeling and commercial (non-residential) projects look to have more stable market trends.



Industry Analysis:

1. There are 400 large Lumber Companies in the US.

Below are the figures for Lumber production in the US:



2. The construction industry (B2B customers) is an extremely large group of contractors that generate over \$490 billion dollars in 2008. There are over 710,000 businesses that specialize just in

managing specific construction projects. Additionally, the industry employs more than 1,110,000 people who are the potential customers for our products.

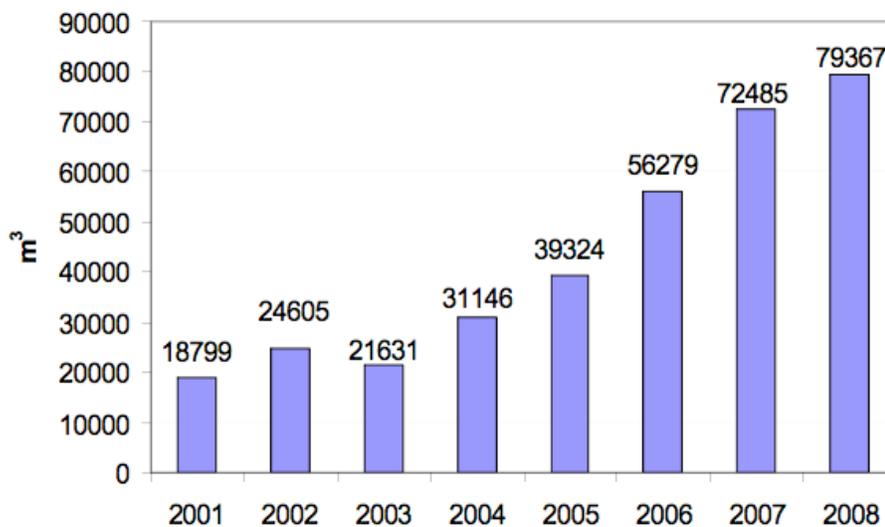
3. All homeowners (they are more than 130 MM) are the potential retail customers (or customers of B2B customers).

Global market trends and thermo-treatment market:

Based on European statistics, we believe at least 1% of hardwood used in the Eastern U.S. will be thermo-treated. **It would require 100 kilns to thermo-treat 1% of the hardwood used in the Eastern U.S. right now.**

Our fifth year production target to treat 18 MMBF represents only .25% of the 2008 U.S. hardwood market and does not include any penetration of the softwood deck market.

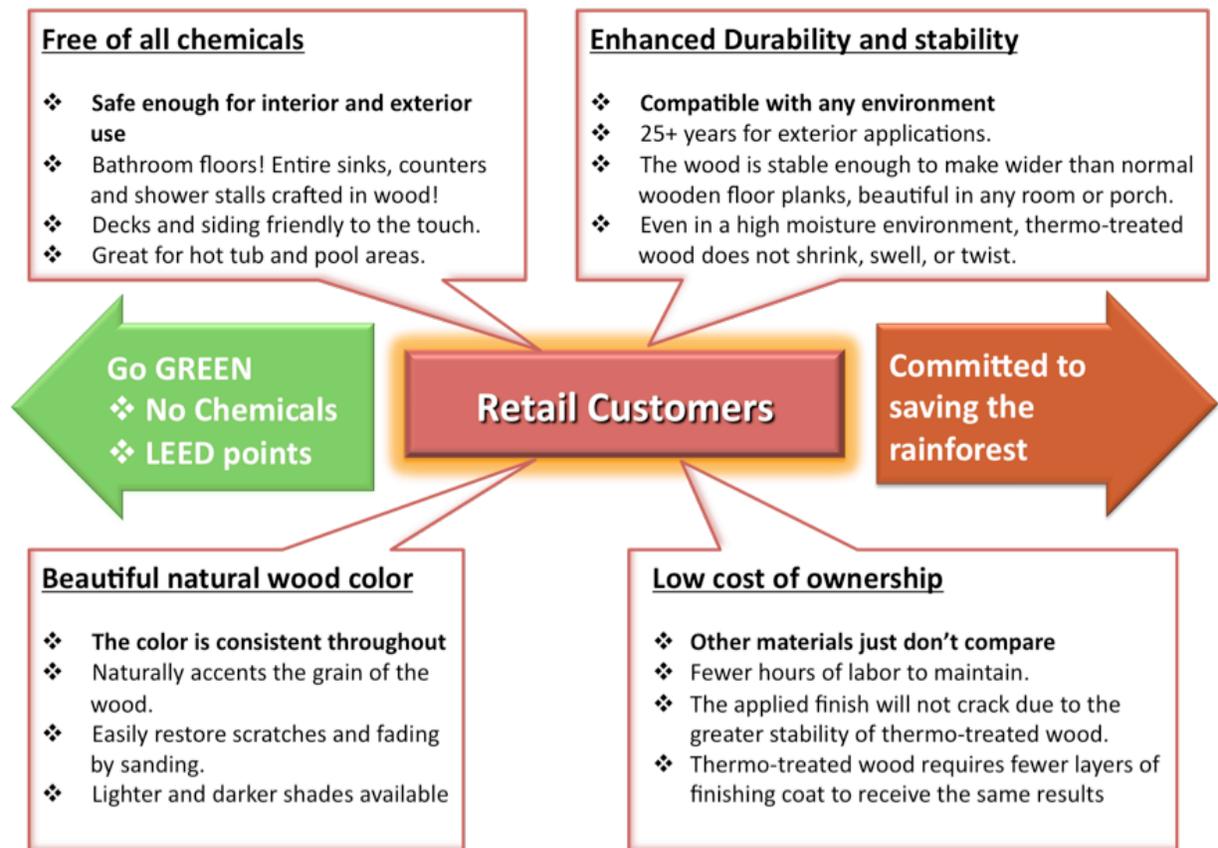
So, over the next several years, we do not believe that Global Market trends will impede market penetration of thermo-treated products. As the evidence of this thesis, see the trend of the European market of thermo-treated wood: the market (of €300 MM total in Europe) is continuing grow 20-30% a year even in the “crisis” time:



Thermo-treatment production growth in Finland

Westwood feels that by providing this eye-catching, “Green” product, the business will be able to reap significant profits with, at least for the foreseeable future, little impact from the general direction of the economic markets. We’ll find our customer, who will be interested in having this great product in his home.

Why Homeowners will buy thermo-treated wood and products.



Marketing points and benefits for B2B customers to sell thermo-treated products:



Pricing - Thermo-Treated Wood Decks Price V.S. other decks in the market:

Cost to purchase decks:

	deck boards \$ per Sq. Ft.	deck installed \$ per Sq. Ft.	Last, years	Maintance, years
Pressure treated pine	2	15-20	15	2
Cedar	6	25	20	2
Composite material	5	18-22	10-20	
Vynl	10	22	25-30	
Ipe	6	25	40	2
PureWood (tt Pine) - Stellac	6	25	25	3
Thermo-treated Poplar - Westwood	5	25	25-50	3
Thermo-treated Ash - Weswood	6	25	25-50	3

Cost of ownership of pressure-treated deck V.S. thermo-treated deck:

	years of ownership					
	1	2	4	6	8	10
Pressure-treated softwood deck	2	4.5	7	9.5	12	14.5 (34.5)
Thermo-treated hardwood deck	5	5	7	7	9	9

After the first maintenance of pressure-treated deck (the second year of ownership), the cost of ownership will be **THE SAME** as for thermo-treated deck. After ten years of ownership the cost of replaced pressure-treated deck will be in 4 (four) times more!

Thermo-treated Hardwood V.S. Thermo-treated Softwood:

Product	Durability	Stability	"Green"	Appearance	Price	Total
Thermo-treated softwood	●●	●	●●●	●	●●●	+10
Thermo-treated hardwood	●●●	●●●	●●●	●●●	●●	+14

Westwood processing fee pricing policy

The processing prices in the US were developed by Westwood, being a pioneer of the US thermo-treatment industry (\$800 per 1,000 BF treated). These prices are now supported by the main Westwood competitors as: Stellac, Jartek and Perdure.

The world prices for thermo-treatment service are:

- In Europe - between 300 and 500 Euro per m3 (\$1,000 – 1,700 / 1,000 BF)
- In Russia – 400-500 \$/m3 (\$900-1,200 / 1,000 BF)
- In Canada – 300-500 CAD/m3 (\$600-950 / 1,000 BF)
- In USA (WESTWOOD and competitors) - \$800 / 1,000 BF

Westwood products' competition with the other outdoor products

Compared with **chemical treatment**, it is more expensive to do **thermo-treatment**. BUT in view of the final products, the direct comparison of thermo-treated Oak, for example, with pressure-treated Pine is not correct. This is a completely different product in terms of appearance and quality and is more properly compared with **exotic woods**.

As for the price point, the thermo-treated wood is at the same level with Ipe, but five (5) times cheaper than Teak. But in general, the thermo-treated wood has much better properties (dimensional stability, as an example) than exotic wood. Also, in most cases the thermo-treated wood has a better-looking wood structure (grain) compared with the exotic wood.

Thermo-treated wood V.S. other outdoor products:

<p>Compared with non-treated wood:</p> <ul style="list-style-type: none"> • Weather Durability • Increased Stability • Exotic appearance (color & grain structure) • 2 to 4 times less expensive than exotic species <p>Compared with chemically-treated wood (softwood):</p> <ul style="list-style-type: none"> • NO CHEMICALS!!! • Greater Stability • Easier and less expensive to maintain • Hardwood is a better finishing material than softwood • Exotic appearance • Safe for the environment, friendly to people 	<p>Compared with composite materials:</p> <ul style="list-style-type: none"> • 100% Natural Wood Material • Safer for the environment • Natural brown color with detailed grain structure • Competitively priced <p>Compared with exotic woods:</p> <ul style="list-style-type: none"> • 2 to 4 times cheaper than most exotic species • Equal and sometimes greater stability • Supports local and domestic economy • SAVE THE RAINFOREST!!! <p>Compared with cedar:</p> <ul style="list-style-type: none"> • Cedar is softwood • Hardwoods shows better grain structure • Greater Stability
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Product	Durability	Stability	"Green"	Appearance	Price	Total
Pressure-treated softwood	●●	○○○	○○○	○○○	●●●	-4
Cedar	●	○○	●●●	○	●	0
Tropical wood	●●	○○	●●●	●●	○	+4
Composite wood	●●	●●●	●	○	●●	+7
<i>Thermo-treated Product</i>	●●●	●●●	●●●	●●●	●●	+14

Westwood technology's competition with the European thermo-treatment technologies

Thermo-treatment processes all have in common the treatment of sawn wood at elevated temperatures in the range between 160 °C and 260 °C (320 – 450 °F) in an oxygen-free environment. The main differences between the processes are to be seen in the process conditions (process steps, steam or nitrogen, wet or dry process, use of oils, steering schedules etc.) and published in several patents. Westwood is the latest world technology of a new generation introducing the 3-D heat control, which is important to treat hardwoods and get a predictable treatment result.

Plato-Process (PLATO BV - The Netherlands) uses increased pressure (superatmospheric pressure). The process time is depending on the wood species used, the thickness, shape of wood etc., and uses a thermolysis step (4-5 hours) followed by an intermediate drying step (3-5 days) and a final curing step (14-16 hours). In some cases, a conditioning step (2-3 days) is needed.

Retification Process (NOW New Option Wood - France) starts with relatively dry wood (approx. 12 %) and heats up the material up to 200 °C – 240 °C in a nitrogen atmosphere (below 2 % oxygen).

Bois Perdure (BCI-MBS - France and Canada) process starts with fresh wood, subsequently a fast drying process and heating up to 200°C – 240°C under steam atmosphere. The wood is heated under steam atmosphere (steam generated from the water of the wood).

OHT – Process (Menz Holz - Germany) is performed in a closed process vessel. Hot oil is pumped from the stock vessel into the process vessel where the hot oil is kept at high temperatures circulating around the wood. Before unloading the process vessel the hot oil is pumped back into the stock vessel.

ThermoWood process (Stora, Finnforest, Stellac, Jartec - Finland) has been developed at the Finnish Research Center VTT. Today the process is licensed to the members of the Finnish ThermoWood Association. The ThermoWood process can be divided into three main phases: 1) the kiln temperature is raised at a rapid speed using heat and steam to a level of around 100°C; 2) once the high temperature kiln drying has taken place the temperature inside the kiln is increased to a level between 185°C and 230°C; and 3) to lower the temperature using water spray systems and then adding moisture and conditioning takes place to bring the wood moisture content to a useable level over 4%.

Westwood (Westwood Corp. - USA) process automatically adjusts to the specie, size, initial moisture content, chemical composition and geometry of the original timber, allowing a predictable result, which is especially important to treat hardwoods. In 2007 the heat wave control was improved to 3-D Technology (the other European technologies use the principles of convection dry kilns, which is 1-D linear technology). The Westwood process takes 12-16 hours and has the best energy cost efficiency and equipment cost in the market

Below, are the **technical data about the main treatment technologies**, including those mentioned above who have a presence in the US:

Technology	Softwood treatment	Hardwood treatment	Length of the treatment cycle	Yearly theoretical capacity	One load capacity	Cost to treat 1 BF	Equipment Price	US Presence
Plato (The Netherlands)	Yes	No	10-13 Days	32 MBF	1,000,000 BF	45 ¢	\$19-23 Mln	No
Retification (France)	Yes	Yes	8-12 Hours	1.5 MBF	3,500 BF	55 ¢	\$1.0 Mln	No
Bois Perdure (France)	Yes	No	24-36 Hours	2.8 MBF	4,000 BF	35 ¢	\$0.8 Mln	Yes
OHT (Germany)	Yes	Yes	24-36 Hours	1.2 MBF	3,700 BF	35 ¢	\$0.8 Mln	No
ThermoWood (Finland)	Yes	No	36-72 Hours	2.8 MBF	8,000 BF	35 ¢	\$3 Mln	Yes
<i>Westwood (USA)</i>	Yes	Yes	11-16 Hours	3.5 MBF	5,500 BF	11 ¢	\$0.55 Mln	Yes

Compare technologies:

Technology	Hardwood treatment	Yearly capacity	Treatment cost	Equipment cost / Capacity	Time of installation	Total
Plato (The Netherlands)	○	●●●	○	○	○○○	-3
Retification (France)	●	●	○	○	●	+1
Bois Perdure (France)	●	●●	●	●	●	+6
OHT (Germany)	●●●	●	●	○	○	+3
ThermoWood (Finland)	○	●●●	●	○	○○	0
<i>Westwood (USA)</i>	●●●	●●	●●●	●●	●●●	+13