

James Hardie Building Products Inc.
Legal Department
231 S. LaSalle Street
20th Floor
Chicago, IL 60604

Telephone: (312) 777-1411
Main facsimile: (312) 419-2976

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by email and fax

RE: California Lumber Products Assessment

California Assembly Bill 1492 imposes a 1% tax on the sales price of certain lumber and wood composite products sold in California. The bill was very recently passed as an emergency regulation and it enables the California State Board of Forestry and Fire Protection to adopt regulations under which the California State Board of Equalization will administer the new tax.

Under this new regulation, taxable products include specific engineered wood products containing at least 10% wood fiber by volume. This tax (also known as the Lumber Products Assessment) is applicable to retailers on sales to end users or consumers beginning January 1, 2013.

Even though James Hardie fibercement products contain less than 10% wood fiber by weight, they do contain more than 10% wood fiber on a volume basis. While James Hardie is in no way providing tax law guidance or recommendations, James Hardie's opinion is that our fibercement products may currently be subject to the Lumber Products Assessment, and thus our retail and distribution channel partners doing business in California should seek appropriate guidance as to how this will affect their operations.

The emergency regulation provides for a process by which the State Board of Equalization may request Board of Forestry and Fire Protection review of a lumber product to determine whether or not that product should be subject to the assessment. James Hardie believes that there are strong arguments for exempting its fibercement products from the Lumber Products Assessment and is investigating options for obtaining an exemption. We will inform our channel partners as soon as we receive definitive guidance from the State of California on the exclusion of our products from the Lumber Products Assessment.

Should you have any additional questions or concerns regarding James Hardie fibercement products, please contact the Legal Department of James Hardie at (312) 777-1411.