

# CHARLOTTE

**PIPE AND FOUNDRY COMPANY**

March 4, 2011

TO: All Charlotte Pipe and Foundry Customers

SUBJECT: Plastic Pipe Price Increase – March 14, 2011

Due to the rapid increases in raw materials, we must increase our plastic pipe prices effective Monday, March 14, 2011. Attached is our new plastic pipe price sheet for PVC and ABS pipe in your market area. This new sheet supersedes all previous plastic pipe price sheets.

The need to raise our prices so quickly is the result of several factors which are beyond our control:

- The price of ethylene, a major raw material for the production of PVC resin, has increased steadily since October and is expected to increase further over the next few months. The combination of low ethylene inventories at the end of 2010, production disruptions due to power outages caused by freezing weather which lowered inventories further, and a fire which limited activities at an ethylene storage and distribution center have caused ethylene prices to increase and inventories to remain tight.
- Crude oil prices continue to rise. This has caused the spread between natural gas and oil prices to widen. While U.S. resin manufacturers mainly use natural gas to power their operations, much of the rest of the world relies on oil. This difference enables U.S. resin manufacturers to export PVC at a higher price than they can sell it for domestically and be competitive. As a result, export shipments are up and domestic PVC resin inventories are low.
- PVC resin manufacturers are operating at 90% capacity and have little room to expand.
- ABS compound prices have increased due to the skyrocketing cost of oil derivatives and to a shortage of butadiene. Oil and butadiene are primary raw material components of ABS.

These factors have caused our raw material costs to increase, and in some product lines, suppliers have limited and delayed the amount of raw material we receive.

We will accept pre-increase orders of no more than one-twenty fourth of your annual purchases from Charlotte Pipe. Pre-increase orders must be received in our office by the close of business on Friday 11, 2011. All such orders must be for immediate release and shipment.

Thank you for your business and the opportunity to serve you.

**CHARLOTTE PIPE AND FOUNDRY COMPANY**