



TO: All B&L Customers
RE: 1st Quarter 2011
FROM: Don Tomeny

12/27/10

First, I'd like to thank all of our customers for allowing us to service all or part of your businesses in 2010. With the entire economy being down this year has certainly been a challenge for all of us and, hopefully, 2011 will bring a gradual improvement in the overall business climate.

The following is a general update on what we know and what we think will affect our market in the first quarter of next year.

RESIDENTIAL ROOFING - As of this writing we do not see any pricing changes in the first quarter of 2011 on shingles or related asphalt products. The roofing manufacturers are all very concerned about the drop in the shingle market in 2010 (around 25% in squares for New York State) and are not predicting increased sales volumes for the 1st half of 2011. They would all like to keep the market as stable as possible so it doesn't appear that a price increase announcement is in the cards at least in a January/February time frame. It, also, doesn't appear as if any of them are planning to build huge inventories over the winter and will, instead, make shingles to fill orders as they receive them. With crude oil rising to over \$90 /barrel they are also concerned that asphalt will increase (I do not know if it has already gone up) but none of them appear to be interested in running their plants at high rates to try to beat any future asphalt increases. This lack of inventory will make it impossible for distributors to negotiate better pricing for large winter buy orders simply for the fact that the manufacturers will have nothing to ship.

On the bright side, with the re-roofing market shrinking in 2009 and 2010 I think there is a possibility for a pickup in that business come April-May for several reasons. First, many people have the money to pay for a new roof but have been afraid to spend it with the nonsense going on in Washington and the national news programs continually reporting on how bad things are. Second, if the economy starts to improve (the stock market is already making some significant gains and big corporations are doing fine) and with the tax increases on hold, the positive news will relieve some of this fear and cause people to address the pent up demand for shingles. The same logic applies to the new housing market as, with historically low mortgage interest rates, this is a perfect time to build a house. Because of the weak demand for shingles in 2010, many distributors are going to be very conservative on how much inventory they order over this winter but we are going to be bringing in a significant amount of shingles for, if there is a decent increase in demand come April, we do not want to be caught short. If the manufacturers are not building large inventories that could easily happen and, if there is a major hail storm in the early Spring, there will almost certainly be a shortage of shingles at the start of the 2011 season.

I have been told that one of the largest shingle manufacturers is considering a price increase in the April – May time frame but we have no firm confirmation of that.

What the above information means is that pricing in the residential shingle market should be stable at least through the 1st quarter and, probably into April/May. Further, availability – at least at B&L – should not be an issue no matter what the market does.

VINYL SIDING - Raw PVC has been increasing in price and this may be a factor in vinyl siding as we go into the 1st quarter of 2011.

While no vinyl siding supplier has formally announced an increase to us as of this writing, we have received notices of price increases on vinyl windows and pvc decking & railing (see below) so it would not be surprising to see the siding companies announce an increase in January or February. Should that happen, we would probably receive adequate notice to place orders prior to the increase date which would allow us to keep our current pricing until at least end April 2011.

PVC DECKING & RAILING - We have received notice of an increase of 6-8% on PVC Decking and Railing effective to us 1/1/2011. Since we have a good stock of these products at current costs we will not raise our pricing on 2010 products until April 1, 2011 at that 6-8% amount.

WINDOWS/DOORS

There are several price increases that have already been formally announced.

Plygem/Great Lakes : 3% increase on vinyl windows effective with orders placed
January 21, 2011
4% increase on all aluminum, wood and wood clad windows
effective January 21, 2011.

Kolbe & Kolbe: 5% increase announced for January 28, 2011 on wood and vinyl.

Marvin (Jamestown/Erie branches only): No notice as of 12/27/10 but they do historically increase in the 1st quarter.

Viwinco: 4-5% effective January 17, 2011

VWD: No notice as of 12/27/10

ALUMINUM PRODUCTS (ROOF EDGING-TRIM COIL-GUTTER PRODUCTS)

All of our suppliers raised their pricing to distribution 6-8% earlier this month. We will be raising our pricing 6-8% on March 15, 2011 to reflect this change.

Thank you, again, for your past business and we will be doing our best to keep you informed of any changes in our product lines as we enter the new year in what we are all hoping will be an improved business climate.

Very truly yours,
B&L WHOLESALE SUPPLY INC.

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