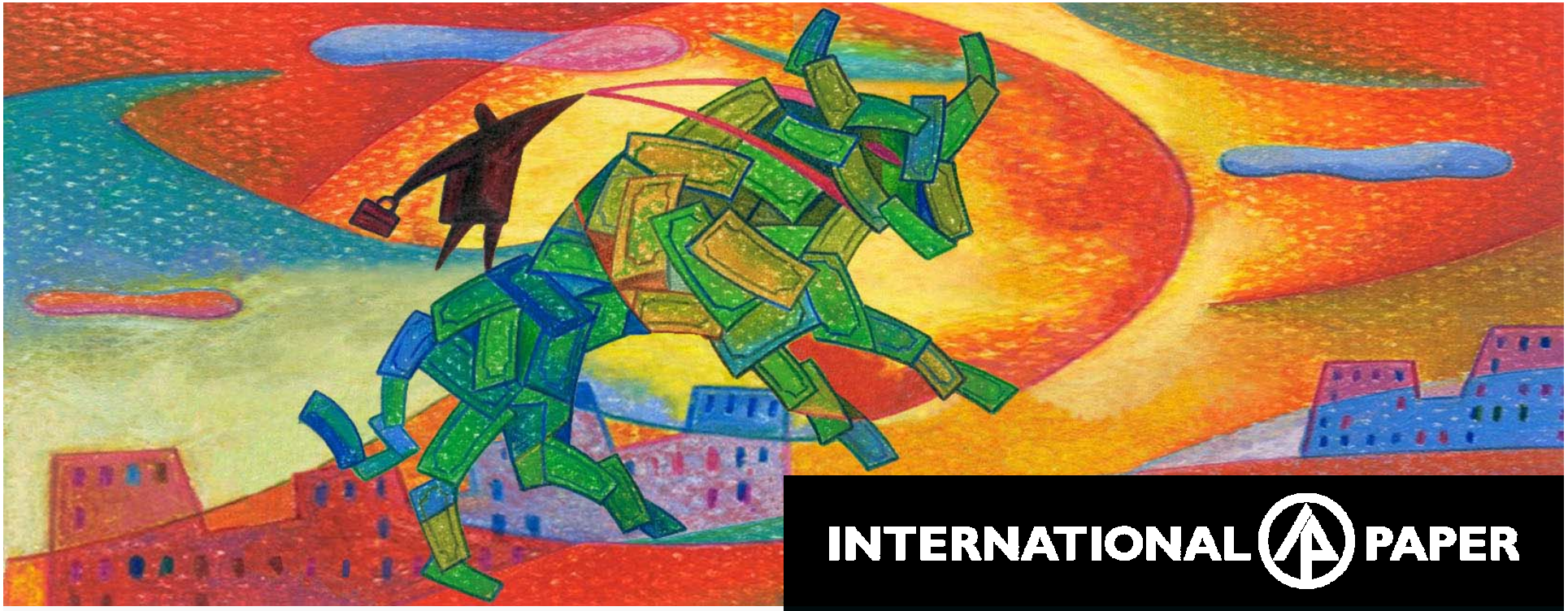

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# Forest Products

David Liebetreu

# The New Forest Resources Business
## *Procurement & Real Estate*

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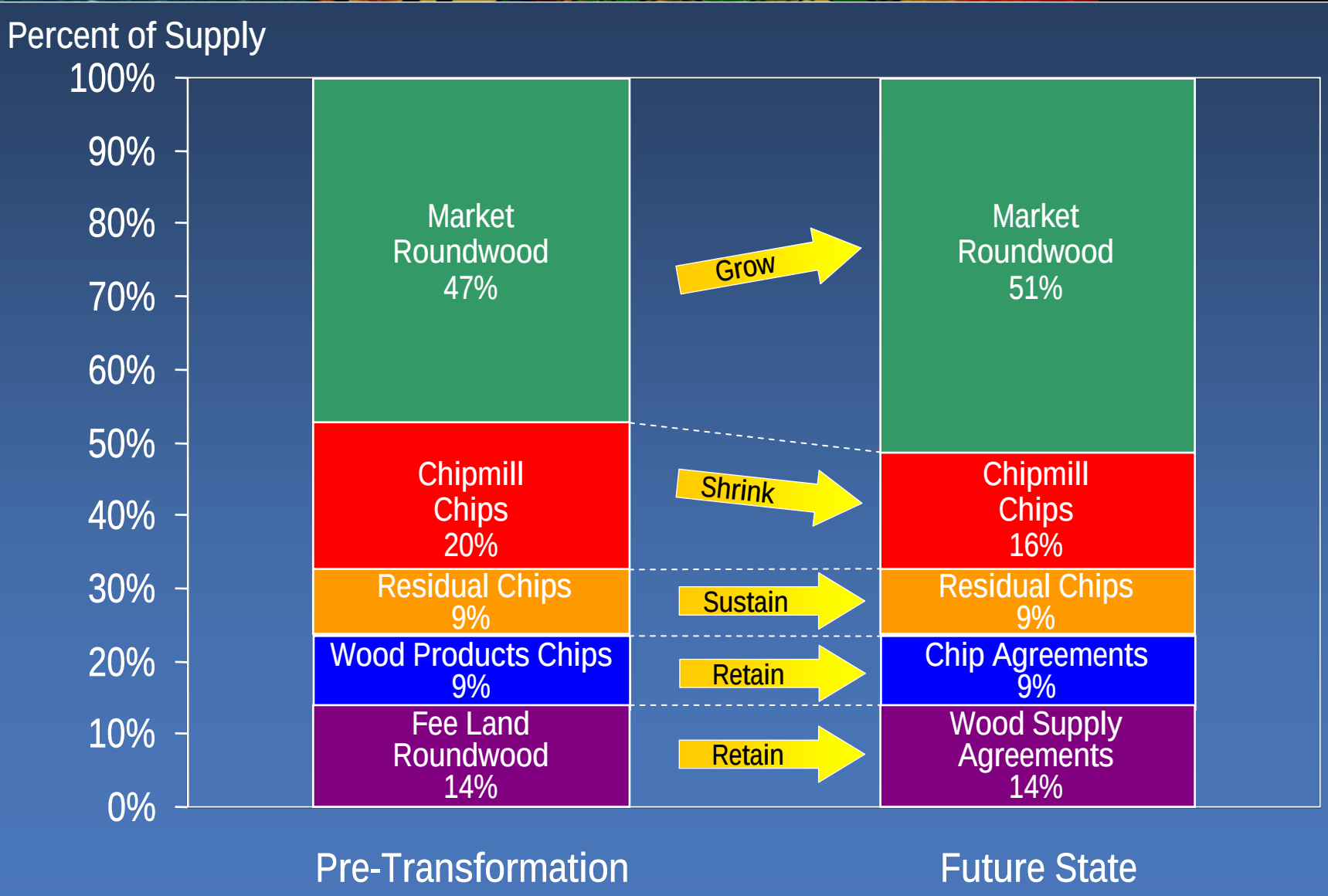
| From: | | To: |
|---|---|---|
| Integrated Supply Chain | → | Non Integrated, no fee |
| Fee Base Central to Procurement Strategy | → | Long Term Wood Supply Agreements |
| Integrated Residual Chip Supplies | → | Long Term Chip Contracts; Internal Production |
| Earnings from Harvest, Recreation and Tract Sales | → | Real Estate as Central Focus |
| ~6.5 MM Acres | → | ~500M Acres |

# Fiber Procurement



# U.S. Mills Wood Cost

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## Mill Chipping, Inventories & Supply Agreements Help Offset Synergy Losses




* Delivered cost to retained U.S. P&P mills

# Segmentation of Forestlands
## *6.5 Million Acres*

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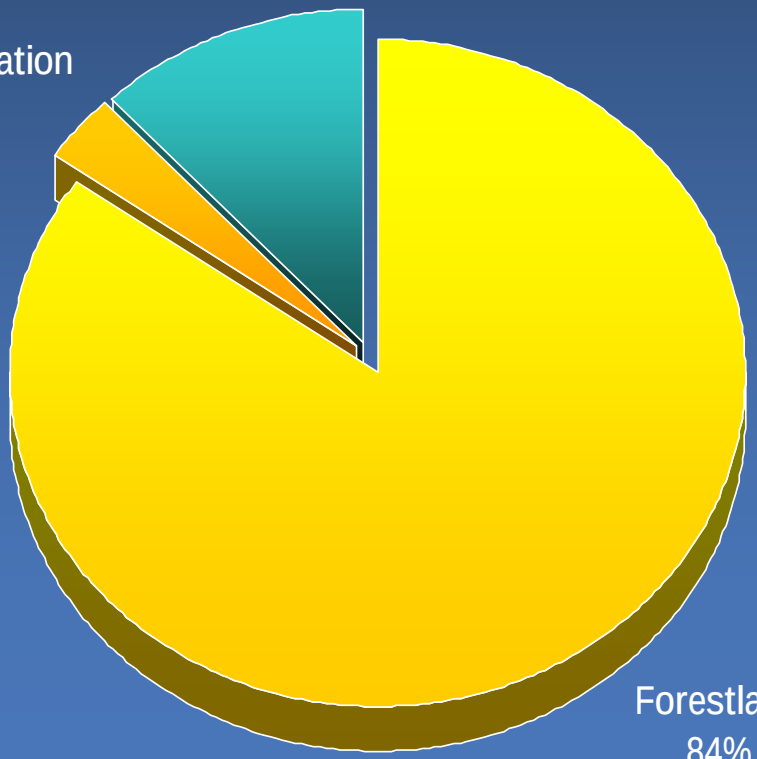
- Forestland holdings segmented to maximize shareholder value




Value Portfolio
1.0 MM acres

Core Sale Package
5.5 MM acres

# Real Estate Portfolio
## *Well Positioned in Southeast*

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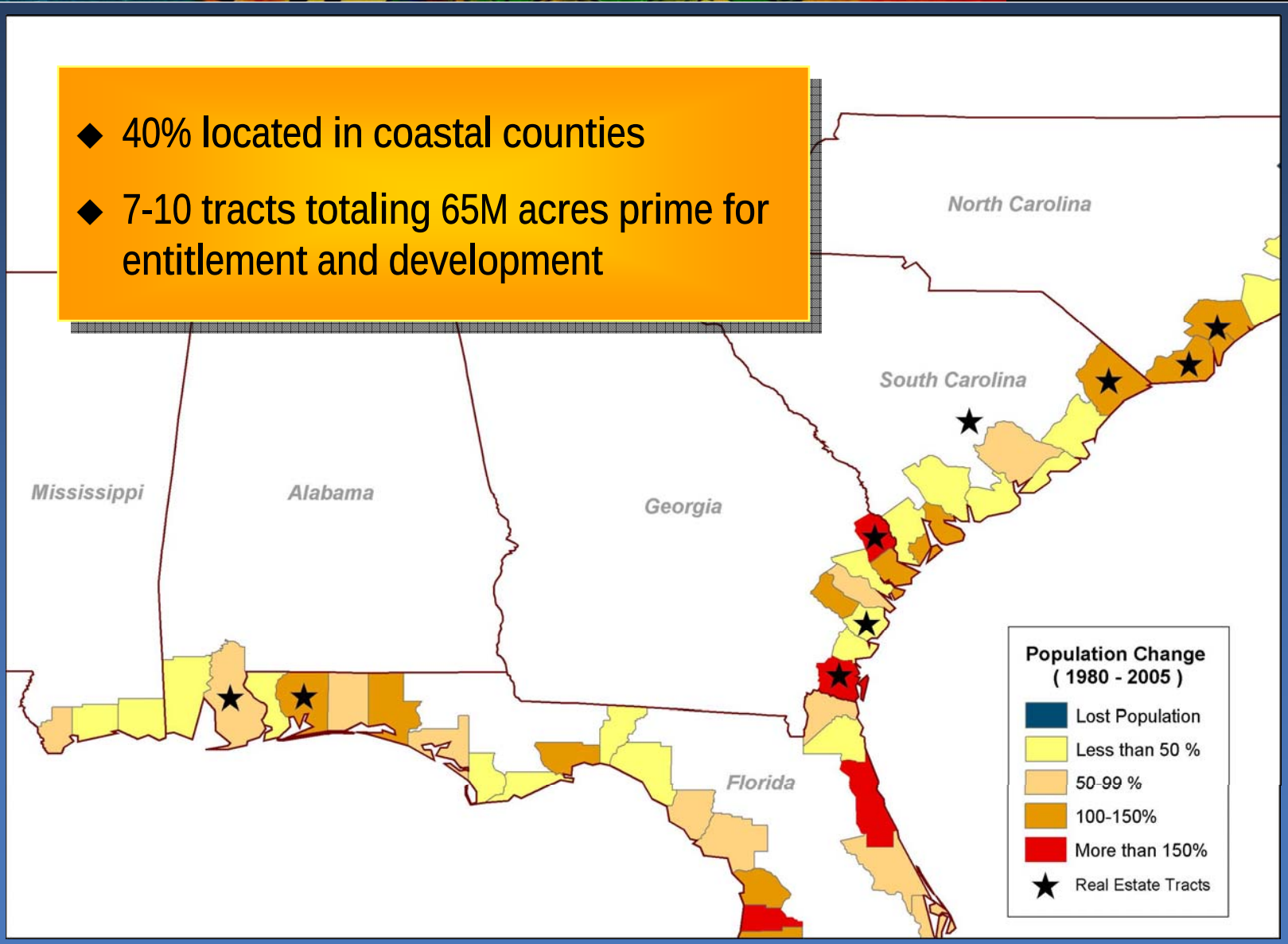
- 40% located in coastal counties
- 7-10 tracts totaling 65M acres prime for entitlement and development



# Real Estate Portfolio
## *Segmentation*

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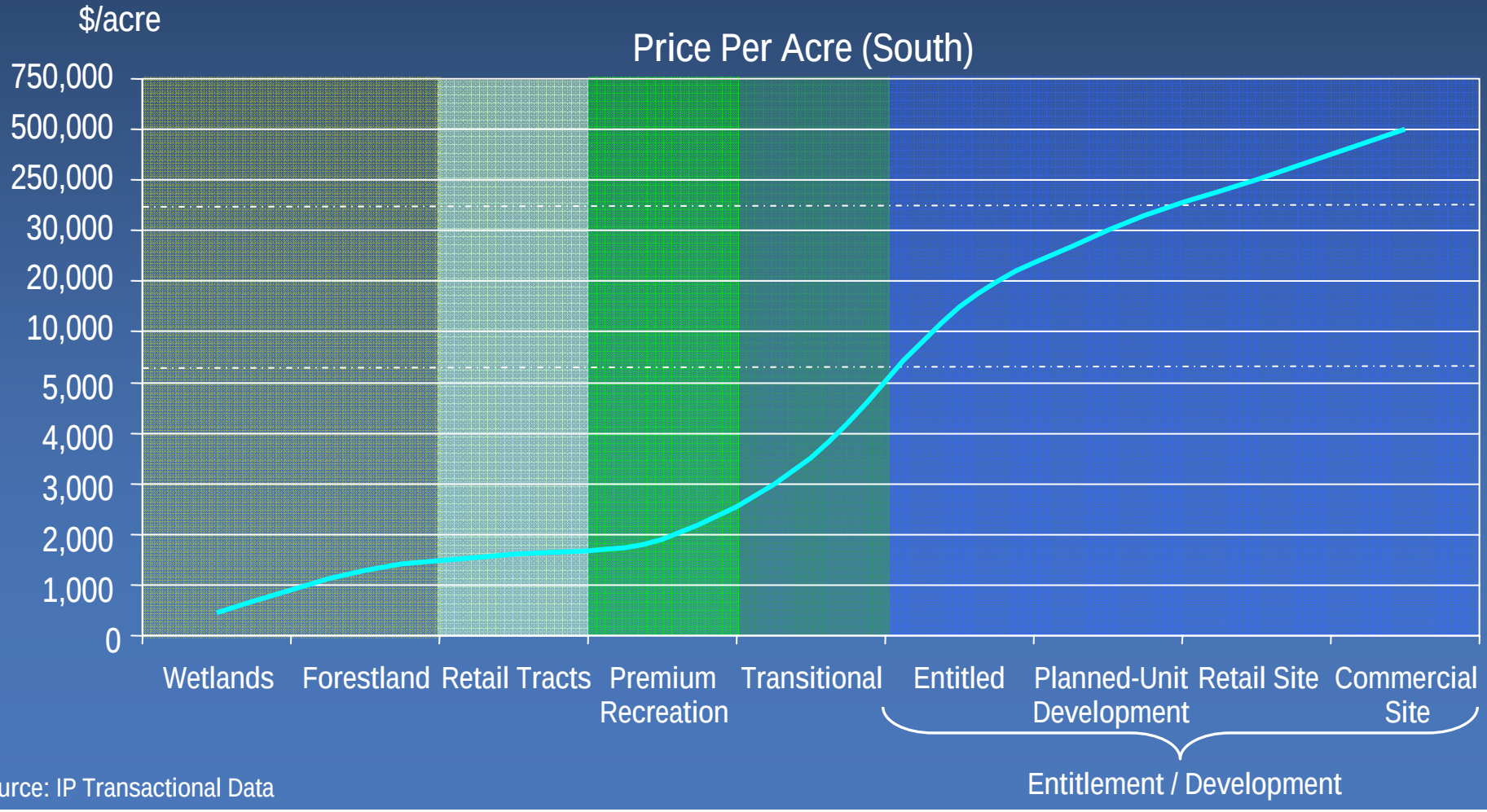
| Segment | Description | Inventory (acres) |
|---|---|---|
| Entitlement / Development | Large, suitable for development | 65M |
| Transitional | In path of urban growth | 110M |
| Premium Recreation | Offer superior hunting & fishing | 100M |
| Retail | Small scattered tracts | 125M |
| Other | Long term leases and partnerships | 100M |
| Total | | 500M |

# Land Value Continuum

- Entitlement / development of strategic properties creates step change in value




Source: IP Transactional Data

# Real Estate Portfolio Tract Selection

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- Multiple attributes evaluated prior to selection for entitlement / development
  - Sewer
  - Developable acres (% wetlands)
  - Paved road frontage
  - Distance to interstate
  - Housing unit growth
  - Persons per square mile



# Gulf Coast Example
## *Bromley, Ala*

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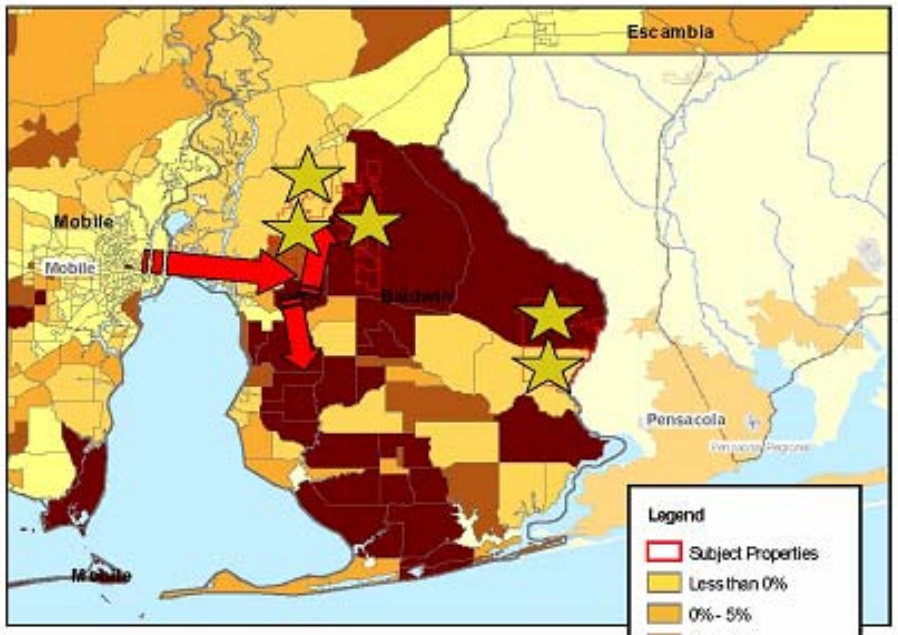
Properties in Direction of Growth As Mobile Decentralizes



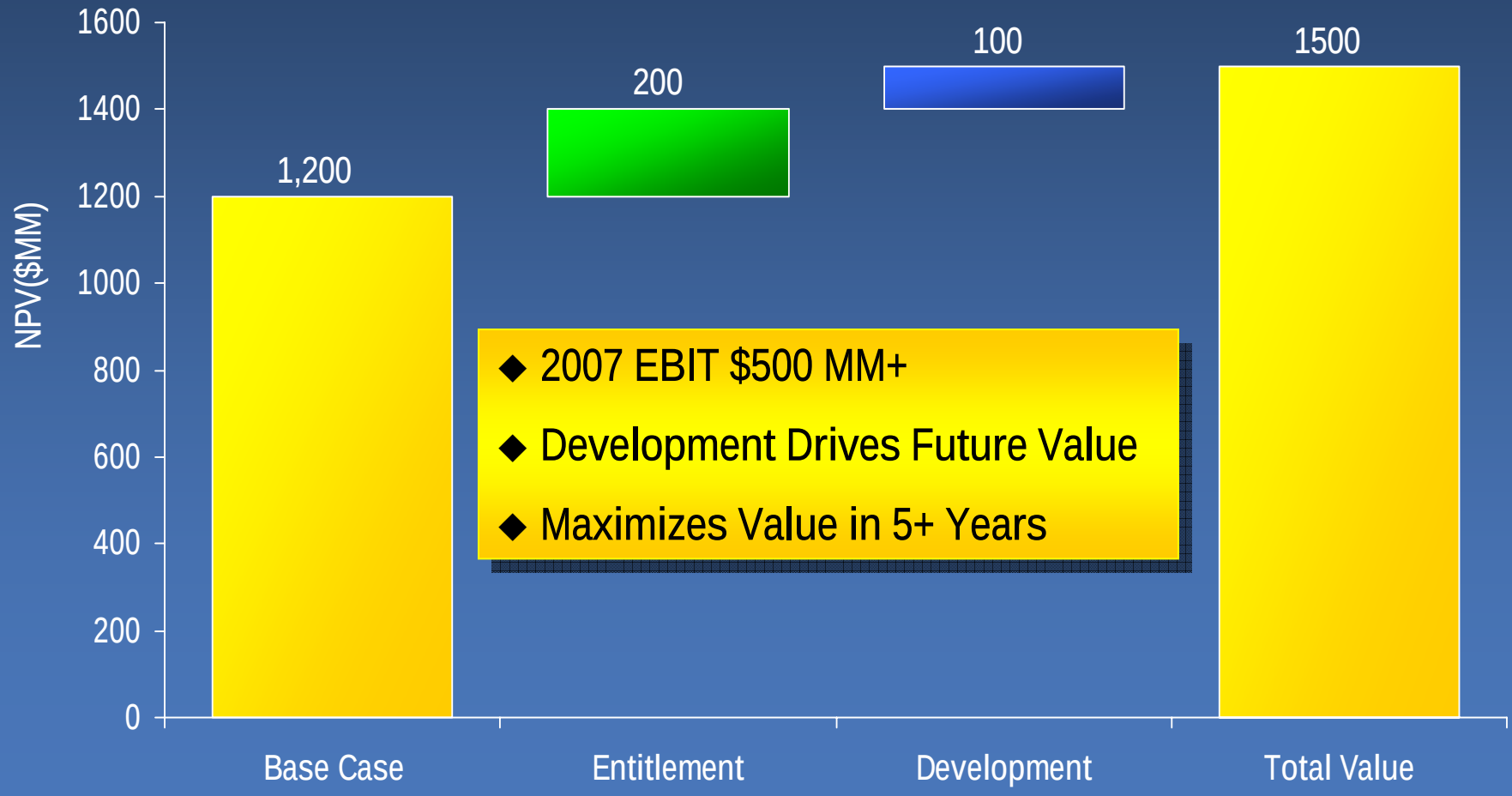

2006 – 2011 Household Growth by Block Group

- Metro area contains 65,000 households
- Moderate job and household growth
- Local economy fueled by construction, manufacturing, hospitality and service industries
- Majority of employers in Mobile, Ala with commuters seeking housing
- Homebuyers seek affordability, schools and hurricane refuge – 50 miles from coast

Source: Robert Charles Lessor & Co., LLC

# Opportunity Exists for Value Creation

- Entitlement / development of select tracts creates $300MM in additional value
- Third Party Reviews validated internal value assessments




- 2007 EBIT $500 MM+
- Development Drives Future Value
- Maximizes Value in 5+ Years

# Forest Resources Business

## 2007 Priorities

Real estate business:

- Primary sales focus, high value tracts – EBIT $500 MM+
- Position portfolio to maximize shareholder value
- Initiate entitlement process

Fiber procurement:

- Maximize inventory leverage
- Reduce infrastructure costs, internalize chips
- Reduce supply chain costs

# A Stronger, More Valuable IP

