SLIDES: Changes in Timberland Ownership

Peter R. Stein

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CHANGES IN TIMBERLAND OWNERSHIP

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Hanover, New Hampshire  03755
E-mail: peterstein@lymetimber.com
• Cerberus Capital Management (NYC-based investment bank) acquires 5 mills plus 907,000 acres from MeadWestvaco (lands located in Michigan, Ohio and Kentucky).

• Harvard Management Company (Harvard University’s Endowment) has 10.2% of its $23,000,000,000 endowment invested in timberland (both U.S. and offshore).

• Crown-Pacific, formerly a publicly traded limited partnership, is now Cascade Timberlands (composed of banks and insurance companies who provided loans to Crown-Pacific) and owns 522,000 acres in Washington and Oregon.

• All of International Paper’s lands in Maine and New Hampshire, 1.2 million acres, were acquired by GMO.
Working Forests Fast Becoming Financial Assets
Instead of Production Resources

Forest Product and Paper Companies

Investment-Oriented Landowners

Forest Dispositions

Estimate 25+ Million Acres Sold Since 1985

This is Creating Both Challenges and Opportunities for Working Forests
Forest Ownership Climate

1970
- Employee Retirement Income Security Act Becomes Law

1975
- Clean Water and Air Act Compliance Squeezes Forest Industry

1980
- First Institutional Investments Made in Forestland

1985
- Institutional Investors Begin to Invest in Stocks and Alternative Asset Classes - Including Commercial Real Estate and Venture Capital

1990
- Spotted Owl Supply Shock Occurs Sending Timberland Values Skyward

1995
- CalPERS Makes Initial Allocation to Forestland - Eventually Grows to 1.2 Million Acres Worth $2.2 Billion

2000
- Large Scale Conservation Easements Become Popularized Among TIMOs
- Plum Creek Timber Becomes Public REIT

2005
- Approx. 6 TIMOs Operating in Market
- Number of TIMOs Grows to Approx. 25 - TIMOs and REITs Manage approx. 25 Million Acres
Forest Ownership Climate

TIMO/REIT Financial Dynamics

- Intensive Management (Harvesting/Silviculture)
- HBU Sales
- Conservation Easements/Land Sales
- Recreational Leases

Generate Timber and Non-timber Revenue

Timberland's
Historic
Total
Return
Range

12.0%

6.0%

0%
## Forest Ownership Climate

<table>
<thead>
<tr>
<th>Do Not Own Working Forests</th>
<th>Still Own Working Forests</th>
<th>New Investment Focused Owners</th>
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</thead>
<tbody>
<tr>
<td>Georgia-Pacific</td>
<td>International Paper</td>
<td>TIMOs</td>
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<tr>
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<td>Potlatch</td>
<td>Hancock Timber Resource Group</td>
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<td>Diamond International</td>
<td>Longview Fibre</td>
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<td>Scott Paper</td>
<td>Sierra Pacific</td>
<td>PruTimber</td>
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<td>RMK Timberland Investments</td>
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<td>Champion International</td>
<td>Seneca</td>
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<td>Union Camp</td>
<td>Simpson</td>
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<td>Forest Systems</td>
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<td>Public REITS</td>
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<td>St. Regis</td>
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<td>Plum Creek Timber</td>
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<tr>
<td>Willamette Industries</td>
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<td>Rayonier</td>
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</table>

*TIMOs*
# Forest Ownership Climate

## Major Owners of Working Forests

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<tr>
<th>#</th>
<th>Owner</th>
<th>Acres (Million)</th>
<th>Acres</th>
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<tr>
<td>1</td>
<td>Plum Creek Timber</td>
<td>7.8</td>
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<tr>
<td>2</td>
<td>International Paper</td>
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<td>3</td>
<td>Weyerhaeuser</td>
<td>6.4</td>
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<td>2.6</td>
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<td>5</td>
<td>Temple-Inland</td>
<td>2.1</td>
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<tr>
<td>6</td>
<td>Rayonier</td>
<td>2.1</td>
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<tr>
<td>7</td>
<td>GMO Renewable Resources</td>
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<td>8</td>
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<td>1.5</td>
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<td>9</td>
<td>Potlatch</td>
<td>1.5</td>
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<td>10</td>
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<td>12</td>
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<tr>
<td>13</td>
<td>MeadWestvaco</td>
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<td>14</td>
<td>Sierra Pacific Industries</td>
<td>1.2M</td>
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<td>RMK Timberland</td>
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<tr>
<td>16</td>
<td>Molpus Woodlands</td>
<td>910,000</td>
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<tr>
<td>17</td>
<td>The Campbell Group</td>
<td>875,000</td>
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<td>18</td>
<td>Green Diamond Resource Company</td>
<td>875,000</td>
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<td>19</td>
<td>Roseburg Forest Products</td>
<td>800,000</td>
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<td>20</td>
<td>Gulf States Paper</td>
<td>800,000</td>
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<td>21</td>
<td>Wagner Forest management</td>
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<td>Longview Fibre</td>
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<td>Crown Pacific</td>
<td>522,000</td>
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<td>25</td>
<td>TimberVest</td>
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<td>26</td>
<td>Deltic Timber</td>
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</tbody>
</table>

Legend:
- **Integrated Industrial Owners**
- **Investment-Oriented Owners/Managers**
Forest Ownership Climate

Estimated Market Activity in 2003

Buyers
- The Forestland Group
- Wagner Forest Management
- Molpus Woodlands
- Private
- Conservation Groups
- RMK Timberland
- The Campbell Group
- Fountains Forestry
- Hancock Timber Resource Group
- Lyme Timber Company
- Plum Creek Timber

Sellers
- Louisiana Pacific
- MeadWestvaco
- Weyerhaeuser
- Bishop Trust
- Hancock Timber Resource Group
- International Paper
- Stora Enso
- Plum Creek Timber
- The Campbell Group

Source: Timberland Markets Report
Forest Ownership Climate

Estimated Market Activity in 2004

Buyers
- Forest Capital Partners
- GMO Renewable Resources
- Private
- Forest Investment Associates
- The Forestland Group
- Virginia Forest Investments
- Conservation Groups
- RMK Timberland
- Plum Creek Timber
- Lyme Timber
- TimberVest
- Hancock Timber Resource Group

Sellers
- Boise Corporation
- International Paper
- Hancock Timber Resource Group
- Weyerhaeuser
- Plum Creek Timber
- Southern Timber Ventures
- Fountains Forestry/Davis
- Domtar
- MeadWestvaco
- Molpus Woodlands

Source: Timberland Markets Report

California Forest Futures 2005
OWNERSHIP ENTITIES

Traditional
- Family (NIPF)
- Publicly traded forest products company (Weyerhaeuser)

New Financial Owners
- TIMOs
- REITs
- Private equity
- Conservation ngos
• **Good news:** TIMOs understand working forest conservation easements (WFCEs)

• **Bad news:** very limited appetite for charitable dispositions (gifts/bargain-sales)
• **Good news:** focus on realizing capital events in the short to medium term (willing sellers).

• **Bad news:** understanding of HBU values and capacity to monetize those values (no worries about their mills running out of fiber) or reputational risk.
Timberland Sales - Acres vs. % of GTV
ME, NH, VT, and NY Sales
1990 to 2005
500 to 100,000 Acres

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Credit/Acknowledgement

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