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.
Forest Ownership Climate

Working Forests Fast Becoming Financial Assets Instead of Production Resources

Forest Product and Paper Companies

Forest Dispositions

Estimate 25+ Million Acres Sold Since 1985

Investment-Oriented Landowners

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
- 2005: Plum Creek Timber Becomes Public REIT

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
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>
<td>Louisiana Pacific</td>
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<td>Stone Container Corporation</td>
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<td>Crown Zellerbach</td>
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<td>St. Regis</td>
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<td>Rayonier</td>
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<td>Willamette Industries</td>
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California Forest Futures 2005
## Forest Ownership Climate

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<th>#</th>
<th>Company</th>
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<td>The Campbell Group</td>
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<td>Green Diamond Resource Company</td>
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<td>Roseburg Forest Products</td>
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</table>

*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
- 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

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

Source: Timberland Markets Report
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.
Credit/Acknowledgement

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