

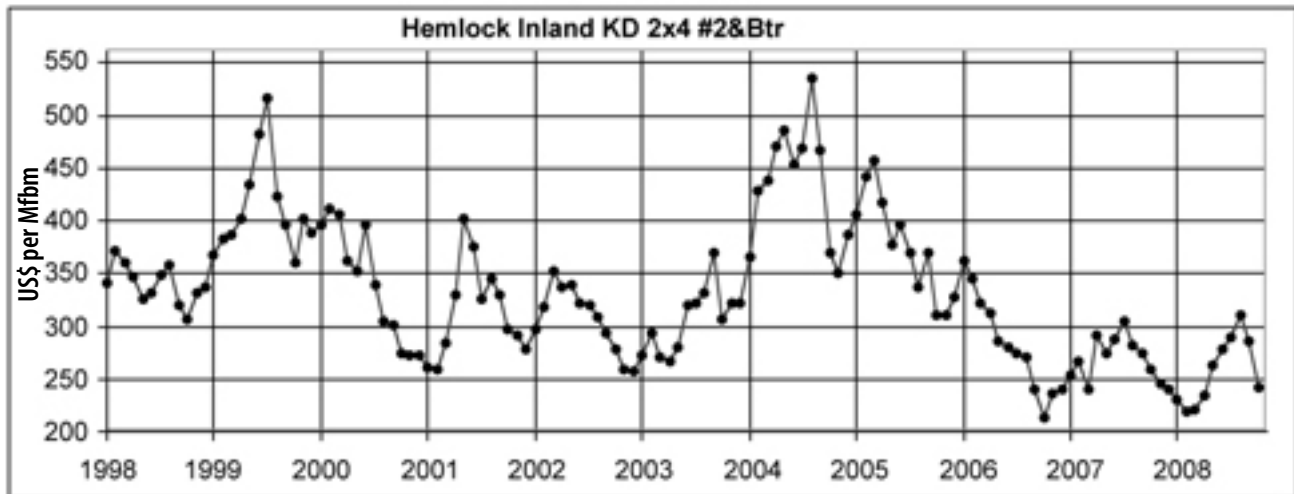


October 30, 2008

Weyerhaeuser is one of the largest pulp and paper companies in the world and is the world's largest private owner, second largest in the US, of softwood timberland. Frederick Weyerhaeuser, a German immigrant, and a few knowledgeable investors started Weyerhaeuser Company more than 100 years ago with 900,000 acres of timberland, three employees and a small office in Tacoma, WA. In its first decade, Weyerhaeuser concentrated on buying land, but a growing country needed lumber. To meet the demand, the company constructed the nation's first all-electric lumber mill in Everett, WA, and built the Snoqualmie Falls lumber mill in the nearby Cascade Mountains.

Construction of the Panama Canal allowed cheaper transport of goods between the coastal regions of North America, prompting Weyerhaeuser to buy four surplus World War I merchant ships to transport lumber from the northwest to the east coast. In later years, the company purchased additional ships and created the Weyerhaeuser Steamship Company. Starting in the 1910s, Weyerhaeuser explored using wood leftovers to create new products. In 1931, the purchase of a pulp mill in Longview, WA brought Weyerhaeuser into the pulp and paper industry and allowed the company to utilize its vast holdings of Hemlock.

**Hemlock Inland KD 2x4 #2&Btr 1998-2008**



3% 4% 8% 3% 2% 2% 9% 5% 3% 5% -2%

Weyerhaeuser Corp. Earnings Yield www.madisonsreport.com

After the Second World War the company expanded into the southern United States. Weyerhaeuser first purchased 90,000 acres of timberland in Mississippi and Alabama. In 1957, the company added 460,000 acres of timberland in North Carolina, Virginia and Maryland, and manufacturing facilities in 19 states, bringing the company into the packaging, milk carton and folding-box businesses. Beginning in 1960 the company began acquiring licensing rights in Canadian forestlands, and in 1965 the Weyerhaeuser engaged in a joint venture to build a bleached kraft pulp mill in Kamloops, BC.

When the company was listed on the New York Stock Exchange in 1963, it signified a major shift from being a self-financed enterprise to becoming a publicly financed world producer. In 1990, Weyerhaeuser consolidated its interests so that company management could focus on the business of timberland management and production of wood products. Currently the company owns or manages 21.5 million acres

of timberland, and employs approximately 41,000 people with offices or operations in 18 countries. Weyerhaeuser Canada manufactures a majority of the company's oriented strand board product, a third of its softwood lumber, and a large portion of its pulp from the 23 million acres currently under license.

By 2000, Weyerhaeuser was running like a well-oiled forest industry machine, with a strong focus on pulp, paper and packaging, timberland management, wood products and real estate interest. The significant purchase of BC's MacMillan Bloedel for \$3.6 billion in mid-1999 was complete, with the new assets absorbed into Weyerhaeuser's ongoing operations. In 2002, Weyerhaeuser succeeded in a two year long hostile takeover bid for Willamette Industries, Inc. of Portland, OR, acquiring all outstanding shares for \$55.50 each, a US\$6.1 billion value. In 2004, Weyerhaeuser kept growing by acquiring various operations, including timberlands, in Australia, Brazil, Uruguay and New Zealand.

2005 saw Toronto's Brascan Corp. pay \$1.4 billion for Weyerhaeuser's 258,000 hectares of private Vancouver Island forest lands, rights to 3.6 million cubic metres a year of coastal timber, five sawmills, two remanufacturing plants and \$200 million in working capital. Western Forest Products (formerly Doman Industries), in which Brascan had an 8.9 per cent stake, knocked \$25 to \$35 million off operating costs by rationalizing sawmills after acquiring Weyerhaeuser's mills and Crown tenures from Brascan.

A 4Q 2005 loss of US\$211 million for the company's pulp and paper division returned the ongoing strategy of consolidation to the forefront. Weyerhaeuser's fine paper operations merged with Domtar Inc. in a US\$3.3 billion cash-and-stock deal, which included a US\$1.35-billion payment in cash to Weyerhaeuser.

2008 brought difficult times for the company, which was forced to close its Kamloops sawmill in February due to declining harvests as a result of the mountain pine beetle epidemic. Since 2002, Weyerhaeuser dropped from having from 11,000 Canadian employees to 2,000. Interfor acquired 356,000 cubic metres a year of Weyerhaeuser's timber license - almost half of the 756,000 cubic metres West Fraser acquired. In May the company announced it was putting its Westwood Shipping Line and four regional short line railroads up for sale in order to allow managers to remain focussed on the core company business of wood products and real estate.

Meanwhile Weyerhaeuser continues a long standing tradition of research and development of new products. On September 30, 2008, the company signed a memorandum of understanding with Vancouver, BC's, Lignol Energy Corporation "to explore the development of commercial applications of biochemical outputs from Lignol's proprietary biorefining technology". A Lignol company statement explains, "Lignol and Weyerhaeuser share a vision of developing markets and manufacturing plants that utilize technology for converting abundant cellulose-based, non-food biomass into economical and environmentally sustainable cellulose fiber and biochemicals."

A widely publicized strength test of western Hemlock against earthquake shock in September 2008 has greatly increased Japanese and Chinese interest in the species. Weyerhaeuser has been actively promoting and selling Hemlock commodities into Asia, going so far as to meet, and even exceed, Japanese grading standards for hardwood lumber. Such allegiance to its founders' philosophy of strong environmental standards and development of new technologies will continue to serve Weyerhaeuser's financial condition well.

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