

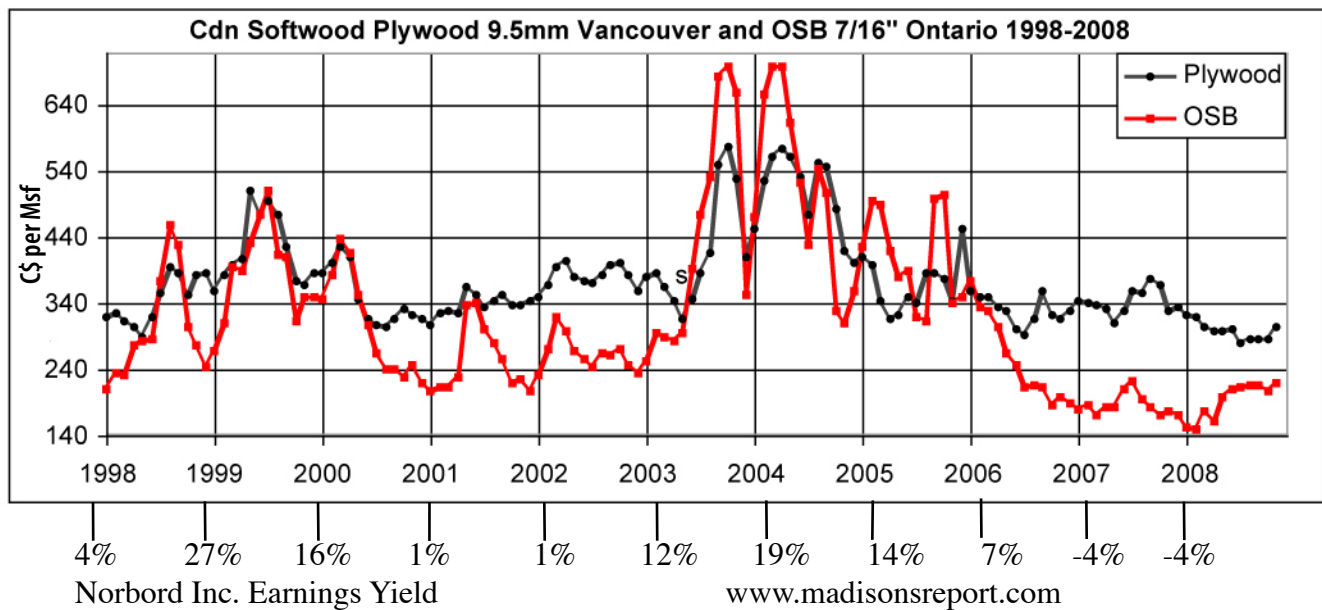


November 14, 2008

Norbord Inc. has been the darling of stock market investors in the wood products industry for many years, largely because the company consistently paid a quarterly dividend of \$0.10 per share since 1990. In addition, a special dividend of \$1.00 per share was paid annually from 2004 to 2007. This week Norbord is generating a lot of interest in the news due to canceling such dividend payments. Citing difficult market conditions, Norbord suspended its 10-cent a share quarterly dividend November 11, 2008 to save \$56 million a year, resulting in investors selling off stock. Norbord shares immediately dropped 72 cents, or 40 per cent, to \$1.06 on the Toronto Stock Exchange.

Noranda Forest Inc. was listed publicly on the TSX in 1987, going on to quickly acquire an oriented strand board plant in the UK and sawmills and panel plants in central Canada. In 1993 the company sold its 49 per cent ownership of MacMillian Bloedel, initially bought by Noranda Mines Ltd. of Toronto for \$626 million in 1981, for \$594 million. Noranda Forest Inc. constructed new OSB plants in Mississippi and Quebec, and - after a joint venture with Glunz AG - became the largest panel producer in the UK. In 1998 the company name was changed to Nexfor Inc. Between 1999 and 2002 Nexfor took 100 per cent control of its UK panel business, opened new OSB plants in South Carolina and Alabama, and acquired plants in New Brunswick, Georgia and two in Texas.

### Cdn Softwood Plywood 9.5 mm Vancouver and Oriented Strand Board 7/16" Ontario 1998-2008



2004 was exciting for the company, when it took on its current name of Norbord Inc., as well as expanding into Belgium in that year. In an effort to maintain focus on its panel and particleboard business, the new Norbord distributed its paper and timberlands business to shareholders. Owners of Nexfor stock were now in possession of the same holdings with the new Norbord, plus 20 per cent of that amount of shares in Fraser Papers Inc. Norbord staunchly continued the \$0.10 quarterly dividend payment perviously carried out by Nexfor. Fraser Papers was established as a stand-alone company on the June 30, 2004. That company, based in Toronto, went on to operate 12 paper machines in New Brunswick, Maine and New Hampshire in addition to a market hardwood kraft pulp mill in Quebec and four lumbermill operations in New Brunswick and Maine.

In September 2004, Norbord paid 50 million Euro (US\$60 million) for an OSB and particleboard facility in Genk, Belgium. With that the company became the second largest producer of OSB in both Europe and America. Also in September, Brascan Corp, which turned its lumber interests to the west coast of Canada the following year by acquiring assets of both Weyerhaeuser and Doman Industries, sold 43 per cent of its stake in Norbord. In a \$127.5 million deal, Brascan sold 10 million shares of Norbord to a syndicate led by TD Securities and RBC Capital Markets for \$12.75 per share.

Despite a drop in panel prices Norbord continued to make strong financial showings, in April 2005 announcing quarterly profits of US\$84 million, or \$0.55 per share. With that news company shares gained more than 4 per cent on the stock market. Plans for more acquisitions and expansions were also announced. In 2006 the company began production on a second OSB line at Cordele, GA. The main reason universally cited for Norbord's continued profit margin despite steadily declining panel prices was increased production. Due to its size, efficiency and very low production costs, Norbord was able to consistently out-produce, and therefore out-sell, its competition.

The strategy worked for a couple of more years, but the long term decline of US home building eventually began to take its toll on company financial statements. Norbord posted negative earning, and negative earnings per share, for the first time in 2007. The extended home building slump in the US subsequently forced Norbord to sell its Juniper I-Joist assets in New Brunswick that year, and in 2008 to close its particleboard line at Genk, Belgium.

The bad news just kept coming in 2008, first with the settlement in May of an anti-trust lawsuit launched in the US in 2002. Norbord and eight other OSB producers were accused of violating US and state antitrust laws by agreeing to fix prices and reduce OSB supply from June 1, 2002 to the present. The company said it would make two payments of \$15 million each, with the first due July 25 and the second on October 24, plus \$2.2 million into an escrow account for indirect purchasers of OSB. Despite "vigorously contesting the plaintiffs' allegations and vehemently denying that it violated US Antitrust or any other laws," Norbord decided to make the payments to "limit the risks and costs associated with a prolonged trial."

In October the dismal outlook for US home building coupled with the sudden unavailability of both corporate and consumer credit caused the company to announce that "in this environment, we continue to focus on containing costs, servicing our excellent customer base and optimizing the performance of our mills so that we are well positioned when markets recover." Now posting losses in each quarterly report, Norbord was not only putting a stop to its rampant expansion plans, but was actively curtailing production.

On November 11, 2008 Norbord announced it will raise \$240 million in a rights offering that will see the company issue to each eligible shareholder one right for each common share held. The cash raised from this rights offering will be used to knock back debt, and the financing is being backstopped by Brookfield Asset Management, Norbord's largest shareholder. Existing owners will have an opportunity to buy units consisting of an additional share, and a warrant to purchase another share. If the new equity arrives as planned, Norbord's banks will extend \$205-million of credit lines through to 2011. When the market closed on Thursday, November 13, Norbord shares had plunged to \$0.90.

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