



March 31, 2008

Paper & Forest Products

Sector Weighting:  
**Underweight**

## Spotlight On The Paper & Wood Stocks

March 17, 2008 - March 28, 2008

### This Issue's Highlight:

- **International Paper Co.:** To Acquire Weyhaeuser's Containerboard Operations

### Also Included In This Issue:

- **Weyerhaeuser Co.:** Divests Containerboard Packaging And Recycling Business
- **Newsprint: February Statistics:** No Relief For Worsening Newsprint Conditions
- **Printing & Writing Statistics: February Statistics:** UWF Demand Slightly Increases
- **Pulp: February Statistics:** Global Markets Still Healthy
- **Industry Flashes**
- **North American Valuations**

*All figures in Canadian dollars, unless otherwise stated.*

08-88488 © 2008

CIBC World Markets does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report.

Investors should consider this report as only a single factor in making their investment decision.

**See "Important Disclosures" section at the end of this report for important required disclosures, including potential conflicts of interest.**

**See "Price Target Calculation" and "Key Risks to Price Target" sections at the end of this report, or at the end of each section hereof, where applicable.**

**Don Roberts**  
1 (613) 564-0827  
Don.Roberts@cibc.ca

**Herve Carreau, CFA**  
1 (514) 847-6420  
Herve.Carreau@cibc.ca

**Jonathan Lethbridge, CFA**  
1 (514) 847-6423  
Jonathan.Lethbridge@cibc.ca

# Commodity Price Forecasts

## Exhibit 1. Commodity Price Summary

	Units	2003	2004	2005	2006	2007E	2008E	2009E	Normalized	Current Price	Comments
NBSK Pulp (N.E.)	m. ton	\$525	\$617	\$611	\$681	\$800	\$850	\$820	\$745	\$880	Flat
Newsprint	m. ton	503	547	610	668	594	625	615	615	640	Rising
Uncoated Freesheet	sh. ton	628	676	727	823	818	830	820	760	880	Rising
Light Weight Coated	sh. ton	829	859	997	978	926	975	1,000	1,015	1,000	Flat
Linerboard	sh. ton	371	418	428	503	532	545	550	500	555	Flat
Lumber #2&Btr.	Mbf	278	394	353	296	251	275	330	375	205	Rising
OSB	Msf	380	369	319	218	161	160	190	225	142	Flat
Canadian Dollar	US\$	0.72	0.77	0.83	0.88	0.93	1.00	1.00	1.00	0.98	Falling

Source: Pulp & Paper Week, Random Lengths, MS Starquotes, CIBC World Markets Inc.

# International Paper Co.

## To Acquire Weyerhaeuser's Containerboard Operations

(March 17, 2008)

*All figures in U.S. dollars, unless otherwise stated.*

On March 17, IP (IP-SO) announced it has agreed to acquire Weyerhaeuser's (WY-SP) Containerboard, Packaging and Recycling business for \$6 billion in cash, subject to post-closing adjustments. The deal is expected to close early in Q3 following regulatory approval and receipt of financing.

The assets will more than double IP's containerboard capacity to over 11.3 million tons. As a result, IP will become the largest containerboard producer in North America with a 28% market share, surpassing current market leader Smurfit Stone (SSCC-NASDAQ) at 18%.

The operations, which were put under strategic review by Weyerhaeuser last May, generated \$670 million in EBITDA during 2007. This implies IP paid a multiple of 9x EBITDA before synergies, or 5.6x EBITDA, if IP achieves its full synergy target of \$400 million.

Overall, we think the transaction is a positive strategic move for IP. In addition, we think that the synergy targets are reasonable and will be achieved. Given our estimates, the transaction is neutral to our valuation and we maintain our Sector Outperformer rating and \$40 price target.

IP has identified \$400 million in annual costs savings from the acquisition. The company expects to achieve roughly 40% of this target within the first year. The remainder is expected to be fully realized by the end of the third year. The main elements making up the savings are as follows:

- Reduced overhead costs;
- Integration of manufacturing operations;
- Optimization of product mix; and
- Improved operational and supply chain efficiencies.

IP expects to generate half of the targeted savings from lower overhead and logistics savings. We think the synergies are reasonable given they will represent only 4.4% of the pro forma sales of IP's new packaging segment. Historically, mergers in the paper and forest products industry have generated synergies closer to 6%-7% of combined sales.

IP intends to finance the transaction with debt, made up of a \$2 billion five-year term loan and an 18-month bridge facility. IP indicated that its financing is fully committed and is being provided by five large U.S. financial institutions. As a result, the company's net debt to capital ratio is expected to increase from 39% as of Q4/07 to 57% following completion of the deal.

In 2007, Weyerhaeuser's Containerboard, Packaging and Recycling assets generated sales of \$5.2 billion and EBITDA of \$670 million. The segment comprises the following assets:

- Nine containerboard mills, located U.S. South, Midwest and Pacific Northwest, with the capacity to produce 6.3 million tpy of containerboard;
- 72 box plants capable of manufacturing 99.4 million Msf of corrugated boxes annually;
- 19 recycling facilities involved in the collection of 7 million tons of recovered fibre for Weyerhaeuser's mill system;
- 10 specialty packaging plants; and
- Four kraft plants with the capacity to produce 199,000 tpy of kraft paper.

One of our concerns is that Weyerhaeuser's containerboard assets have a high dependence on old corrugated containers (OCC) as a source of fibre. As a result, these assets are expected to be relatively more exposed to increasing recycled fibre costs over time. Generally speaking, those containerboard facilities in North America best positioned from a cost perspective will be those with below-average exposure to old OCC and with relatively more of their assets in the low-cost southeastern U.S.

On the positive side, we note that a key strength of Weyerhaeuser's containerboard system is its high degree of forward integration. Despite being the second-largest manufacturer of corrugated boxes in the U.S., it has an enviable integration level of roughly 85%. This compares to 70% for IP. Following the deal, IP expects the combined integration level to be approximately 80%.

## Containerboard Market

The North American containerboard market remains tight, with the operating rate averaging a healthy 97% in 2007. This strong operating rate reflects the closure of roughly 6 million tons of capacity since 2000 (15% of the North American capacity) and strong exports. We expect that U.S. demand for containerboard will remain stagnant over the next two years because of the slowing U.S. economy. The good news is that total inventories in box plants and mills are hovering around 2.5 million tons in the beginning of 2008, which reflects a balanced market.

Due to low inventories, strong operating rates and cost pressure, transaction linerboard transaction prices in the U.S. are currently \$555/ton. Although this is the highest price on record, margins are not close to historical peaks because of high energy, chemical, fibre and wastepaper costs.

We think that containerboard prices will remain around the current level over the forecast period because of healthy containerboard exports, which account for almost 20% of production. The weak U.S. dollar is resulting in a more competitive U.S. containerboard sector and a more attractive export market.

In terms of our specific forecasts, we expect transaction prices to strengthen from an average of \$532/ton in 2007 to \$545/ton in 2008 and \$550/ton in 2009.

In terms of IP's earnings forecast, we are adjusting our 2008 and 2009 EPS estimates to reflect the transaction, assuming a closing date of July 31. As a result, our 2008 EPS estimate falls from \$2.49 to \$2.38. In 2009, IP benefits from a full year of the acquisition and we assume the company achieves roughly \$230 million in synergy benefits. This causes our EPS estimate to increase from \$2.38 to \$2.43.

**Exhibit 2. Income Statement (\$ mlns., except per share)**

	2007	2008E	2009E
<b>Sales</b>	\$21,890	\$22,605	\$22,848
<b>Cost of Sales</b>	\$19,113	\$19,269	\$19,100
<b>EBITDA</b>	\$2,777	\$3,336	\$3,747
Depreciation	\$1,086	\$1,300	\$1,517
<b>Operating Profit</b>	\$1,691	\$2,036	\$2,230
Other Expenses (Gains)	\$0	\$1	\$1
Financial Expenses	\$297	\$491	\$645
<b>Earnings Before Income Taxes</b>	\$1,394	\$1,544	\$1,584
Income Taxes	\$415	\$541	\$555
Minority Interest	(\$5)	(\$3)	(\$3)
<b>Net Earnings</b>	\$974	\$1,001	\$1,027
<b>Net Earnings Per Common Share</b>	\$2.81	\$2.37	\$2.43
<b>EPS Before Unusual Items (FD)</b>	\$2.23	\$2.38	\$2.43

Source: Company reports and CIBC World Markets Inc.

**Price Target Calculation**

Our 12- to 18-month price target of \$40 is based on a multiple of 7.25x applied to our blended pro forma EBITDA estimate (75% of 2008E and 25% of 2009E) to arrive at our forecasted total enterprise value (TEV) of \$27.6 billion. To isolate our market cap target, we add to the TEV expected operating free cash flow of \$750 million over the next 12 months and deduct pro forma net debt of \$11.7 billion and minority interest of \$228 million. This results in a target market capitalization of approximately \$16.5 billion, or approximately \$40/share. Our target multiple is at a premium to the average historical valuation in U.S. paper & forest products sector due to the company's higher liquidity.

**Key Risks To Price Target**

Potential risks to our price target include a weaker-than-expected U.S. economy, continuing increase in input costs and failure to implement the company's expensive supply chain management initiatives.

**Weyerhaeuser Co.****Divests Containerboard, Packaging And Recycling Business**

(March 18, 2008)

*All figures in U.S. dollars, unless otherwise stated.*

On March 17, Weyerhaeuser announced it has agreed to sell its Containerboard, Packaging and Recycling business to IP for \$6 billion in cash, subject to post-closing adjustments. The deal is expected to close in early Q3, following regulatory approval and receipt of financing.

The sale includes all nine of Weyerhaeuser's containerboard mills, representing 6.3 million tons of capacity, 72 box plants, 19 recycling facilities and 14 other paper and packaging facilities. The operations generated \$670 million in EBITDA during 2007, which implies a multiple of 9x EBITDA.

Management will apply the proceeds of the sale towards debt repayment. Overall, the divestiture represents another step towards management's efforts to refocus the company on its timberland, wood products and housing development businesses.

In order to reflect the sale and the company's stronger balance sheet, we are increasing our 2008 EPS estimate from \$1.74 to \$1.76 and our 2009 EPS estimate from \$2.88 to \$3.15. Given the attractive valuation, we are also increasing our price target to \$63 (previously \$62). We maintain our Sector Performer rating.

### Exhibit 3. Income Statement (\$ mlns., except per share)

	2007	2008E	2009E
Sales	\$16,308.0	\$13,892.8	\$11,164.5
Cost of Sales	\$14,430.0	\$12,209.6	\$9,474.5
EBITDA	\$1,878.0	\$1,624.9	\$1,625.0
Depreciation	\$923.0	\$760.3	\$625.1
Operating Profit	\$955.0	\$864.6	\$999.9
Other Expenses (Gains)	(\$305.0)	\$0.0	\$0.0
Financial Expenses	\$474.0	\$306.0	(\$9.0)
Earnings Before Income Taxes	\$786.0	\$558.6	\$1,009.0
Income Taxes	(\$42.0)	\$189.9	\$343.1
Minority Interest	\$0.0	\$0.0	\$0.0
Net Earnings	\$828.0	\$368.7	\$665.9
Net Earnings Per Share (Fully Diluted)	\$3.76	\$1.75	\$3.15
EPS Before Unusuals	\$1.65	\$1.76	\$3.15

Source: Company reports and CIBC World Markets Inc.

### Price Target Calculation

Our 12- to 18-month price target of \$63 (prior \$62) is based on a multiple of 7.25x applied to our blended EBITDA estimate (75% of our 2008 and 25% of our 2009 estimate) for Weyerhaeuser's non-timberland operations. Combined with the expected TEV of Weyerhaeuser's timberland assets, we arrive at our forecast TEV of \$15.3 billion. To isolate our market capitalization, we add expected free cash flow of \$318 million over the next 12 to 18 months and subtract pro forma net debt of \$2.3 billion. This results in an equity value of \$13.4 billion, or roughly \$63 per share. Our target multiple is at a premium to the average historical valuation in the U.S. due to the company's higher liquidity.

### Key Risks To Price Target

Potential risks to our price target include a weaker-than-expected economy, which would prevent pulp & paper prices from moving higher and a larger-than-expected correction in U.S. housing starts, which would result in low building materials prices.

## Newsprint: February Statistics

### No Relief For Worsening Newsprint Conditions

(March 27, 2008)

Newsprint statistics released by the Pulp and Paper Products Council (PPPC) on March 25 indicate that consumption by all U.S. users fell 7.6% in February. Consumption by U.S. dailies fell by 11.8%. Another round of capacity reductions will likely be required in 2009 if this rate of decline is sustained. Otherwise, the Q1 price increase of US\$60/tonne has been fully implemented and producers are now starting to work on the next US\$60/tonne increase in Q2.

The 7.6% decline in consumption in February is better than the 2007 overall consumption rate decline of 10.5%. We think a growing proportion of the declines is due to more severe reductions in advertising lineage, shrinking circulation, and conservation measures.

Lineage stats for January 2008 have been reported by the U.S. newspaper publishers The McClatchy Company (MNI-NYSE) and Media General (MEG-NYSE). The respective declines are -8.8% and -12.7%.

The three companies we cover with the greatest leverage to changes in newsprint prices are Tembec (TMB-SU), Catalyst (CTL-SU) and AbitibiBowater (ABH-R).

The number of help-wanted ads in U.S. newspapers slipped in February as economic weakness has slowed job growth.

The Conference Board said its gauge measuring help-wanted ad volume slipped to 21 from 22 in January, which was revised up from the original 21. The index was 30 a year earlier.

The research firm surveys help-wanted ad volume in 51 newspapers across the U.S. each month.

## Printing & Writing Paper: February Statistics

### UWF Demand Slightly Increases

(March 27, 2008)

On March 27, the PPPC released its North American printing & writing paper statistics for February. Overall demand was up 3.9% compared to a year ago. This is a positive development, especially as it related to uncoated groundwood (UGW) and uncoated freesheet paper (UFS).

Prices increased by US\$30/ton in March to US\$880/ton as producers are pushing a US\$60/ton price hike. Prices are increasing as a result of the strong operating rate resulting from substantial mill closures by IP and Domtar (UFS-SO).

Uncoated woodfree (UWF), the most important grade in terms of market size, increased by 2.7%. In the 12 months of 2007, UWF demand fell 5.5%. The UWF operating rate (shipments to capacity) was 98% in February, which was higher than the rate of 94% achieved a year ago.

Demand for UGW increased by 12.0%, while demand for coated freesheet (CFS), a less relevant grade for our coverage universe, fell by 3.2%. Coated groundwood (CGW) demand increased by 5.7%.

In our coverage universe, focusing on companies highly leveraged to printing & writing papers, the changes in paper demand during February are most negative for Domtar and IP due to their focus on UWF paper.

#### Exhibit 4. North American Newsprint & P&W Paper Demand Data (000 tonnes)

Grade	January-February 2008	January-February 2007	% Change
CFS	884,000	947,000	-6.7%
CGW	912,000	862,000	5.8%
UWF	1,972,000	1,961,000	0.6%
UGW	997,000	922,000	8.1%
<b>P&amp;W Sub-total</b>	<b>4,765,000</b>	<b>4,692,000</b>	<b>1.6%</b>
Newsprint	1,415,000	1,476,000	-4.1%
<b>Total</b>	<b>6,180,000</b>	<b>6,168,000</b>	<b>0.2%</b>

  

Grade	Feb-08	Feb-07	% Change
CFS	436,000	450,000	-3.2%
CGW	439,000	415,000	5.7%
UWF	957,000	932,000	2.7%
UGW	482,000	430,000	12.0%
<b>P&amp;W Sub-total</b>	<b>2,314,000</b>	<b>2,227,000</b>	<b>3.9%</b>
Newsprint	670,000	687,000	-2.5%
<b>Total</b>	<b>2,984,000</b>	<b>2,914,000</b>	<b>2.4%</b>

Source: PPC and CIBC World Markets Inc.

## Pulp: February Statistics

### Global Markets Still Healthy

(March 25, 2008)

Data released by the Pulp and Paper Products Council (PPPC) on March 25 show that global inventories of chemical paper-grade market pulp remained flat at 34 days of supply in February. We tend to associate a level below 32 days of supply with a tightening market.

Global shipments increased 8.5% versus year-ago levels, made up of a 21.4% increase in hardwood and a 1.2% increase in softwood shipments. The global operating rate fell to 94% (90% year to date) compared to 95% a year ago. Demand grew the most in China and Western Europe.

NBSK contract prices in Europe are currently at US\$880/t, following the full implementation of a December US\$30/t price increase. European consumer statistics for February still indicate a healthy but rising level of pulp inventory supply, currently at 27 days, in the largest consuming market.

The companies we cover with the highest leverage to pulp prices are Tembec, Catalyst, Mercer International (MERC-SO) and AbitibiBowater.

Also, Mercer International is the first producer to reveal plans to raise its NBSK pulp prices next month. The company aims to push levels up by \$40/tonne to \$920/tonne in Europe from April 1. The all-time high in pulp prices is \$1,000/tonne back in 1995. Prices stayed at that level only two months. However, the euro and Canadian dollar were much lower at the time. Mercer International has also recently revealed plans to raise its NBSK pulp prices next month by US\$40/tonne.

## Industry Flashes

**Cascades Inc. (March 17, 2008):** The acquisition of Weyerhaeuser's containerboard unit by IP is a positive development for Cascades (CAS-SO). If approved by the U.S. Department of Justice, the deal would increase the consolidation of the containerboard sector. The market share of the top five producers would increase from 66% to 71%.

**Cascades Inc. (March 24, 2008):** North American containerboard producers failed to push through their announced US\$50/ton price increase in March because of weak demand. Box demand was down 3.7% in February and 2.2% year to date as a result of the slowing economy. However, the operating rate remains strong at 97%, reflecting strong export demand from the weak U.S. dollar. Flat containerboard prices in an environment where fibre, chemical and energy costs are going up mean that margins are generally contracting.

**Uncoated Woodfree Paper (March 24, 2008):** Prices increased by US\$30/ton in March to US\$880/ton as producers are pushing a US\$60/ton price hike. Despite soft demand, prices are increasing as a result of the strong operating rate resulting from substantial mill closures by IP and Domtar.

# North American Valuations

(March 28, 2008)

## Exhibit 5. North American Companies' P/E And TEV

	Mkt. Cap. (\$ mlns.)	Float (\$ mlns.)	Price 03/31/08	P/E			TEV/EBITDA				EBITDA (\$ mlns.)				Price/ Tangible BV
				2007	2008E	2009E	2007	2008E	2009E	Normalized	2006	2007	2008E	Normalized	
<b>U.S. (US\$)</b>															
AbitibiBowater	739	708	12.85												0.25
Domtar	3,355	3,120	6.51	22.4	16.0	13.7	6.9	5.7	5.6	6.7	814	979	1,003	836	1.07
International Paper	11,430	11,380	26.97	12.1	11.3	11.1	8.4	7.0	6.2	6.8	2,777	3,336	3,747	3,433	2.28
Louisiana-Pacific	932	925	8.95	NM	NM	NM	(1.5)	(1.9)	951.4	1.0	-190	-153	0	297	0.53
Mercer International*	240	240	7.14	9.4	23.0	29.6	8.1	7.5	8.0	9.5	121	131	122	103	1.10
Weyerhaeuser	13,501	12,955	63.94	38.8	36.3	20.3	8.4	9.7	9.7	8.2	1,878	1,625	1,625	1,927	2.34
<b>Average</b>	<b>5,033</b>	<b>4,888</b>		<b>20.7</b>	<b>21.7</b>	<b>18.7</b>	<b>29.0</b>	<b>6.4</b>	<b>164.8</b>	<b>6.7</b>					<b>1.26</b>
<b>Canada (C\$)</b>															
Canfor	1,138	632	7.98	NM	NM	NM	(41.8)	(12.4)	14.7	5.4	-43	-145	122	333	0.57
Cascades	756	528	7.62	34.6	23.8	13.6	6.8	6.8	6.4	6.1	347	345	365	387	0.94
Fraser Papers* (US\$)	122	36	2.43	NM	NM	NM	(4.0)	7.0	7.2	9.6	-37	21	20	15	0.37
Interfor	268	255	5.70	NM	NM	NM	14.0	12.5	5.0	4.3	25	28	71	82	0.65
Norbord* (US\$)	733	456	4.99	NM	NM	22.7	30.5	40.8	7.0	5.7	42	31	183	226	1.69
Catalyst Paper	208	208	0.97	NM	NM	NM	9.8	5.8	5.5	5.7	103	173	183	176	0.21
Tembec	330	275	3.30	NM	NM	NM	18.3	6.3	6.2	6.4	33	97	98	95	0.45
West Fraser	1,448	1,114	33.83	NM	NM	23.0	14.3	11.9	5.4	4.5	150	180	394	471	0.73
<b>Average</b>	<b>625</b>	<b>438</b>		<b>34.6</b>	<b>23.8</b>	<b>19.8</b>	<b>6.0</b>	<b>9.8</b>	<b>7.2</b>	<b>6</b>					<b>0.70</b>
<b>Income Trusts (C\$)</b>															
Acadian Timber Income Fund	168	168	10.15				-	12.1	12.4	12.3	20	19	19	19	
Canfor Pulp Income Fund	641	122	9.00				3.9	5.2	4.9	5.1	189	145	152	147	
PRT Regeneration Fund	44	43	4.54				5.7	1.2	0.9	5.2	10	48	66	11	
SFK Pulp Fund	181	181	2.00				5.4	4.7	0.0	7.0	62	71	72	48	
Supremex Income Fund	177	177	5.66				5.8	6.2	6.3	5.4	47	44	43	50	
TimberWest	996.5	996.5	12.82				11.8	17.0	9.7	9.0	104	72	126	136	
<b>Average</b>	<b>368</b>	<b>281</b>					<b>6.5</b>	<b>7.7</b>	<b>5.7</b>						

\* Fraser Papers and Norbord report in U.S. dollars and trade on the TSX. Data, including price, dividend, market cap and float, are in Canadian dollars; all other figures are in U.S. dollars.

\* Mercer reports in euros and trades on NASDAQ. Data, including price, market cap and float, are in U.S. dollars; all other figures are in euros.

Source: Company reports and CIBC World Markets Inc.

## Exhibit 6. Summary Spreadsheet

Stock Rec.	Symbol	Company	Fiscal Year	52-week Price		Ind. Div.	Yield	Shares O/S (mlns.)	Mkt. Cap. (\$ mlns.)	Float (\$ mlns.)	Net Debt/Capital	Fiscal Year EPS			P/E Multiples			ROE			Total Implied Return <sup>1</sup>	12-mo. Price Target			
				03/31/08	High							Low	2007	2008E	2009E	2007	2008E	2009E	BVPS	P/B			2007	2008E	2009E
<b>U.S. (US\$)</b>																									
R	ABH	AbitibiBowater	Dec.31	12.85	37.45	14.99	0.80	6.2%	57.5	739	708	64%						51.57	0.2						
SO	UFS	Domtar	Dec.31	6.51	11.52	5.94	0.00	0.0%	515.4	3,355	3,120	41%	0.29	0.41	0.48	22.4	16.0	13.7	6.25	1.0	3%	4%	4%	38.2%	9.00
SO	IP	International Paper	Dec.31	26.97	41.57	26.59	1.00	3.7%	423.8	11,430	11,380	57%	2.23	2.38	2.43	12.1	11.3	11.1	20.46	1.3	10%	10%	10%	52.0%	40.00
SO	LPX	Louisiana-Pacific	Dec.31	8.95	21.57	8.39	0.40	4.5%	104.1	932	925	(47%)	(1.12)	(1.54)	(0.43)	NM	NM	NM	19.39	0.5	(6%)	(9%)	(3%)	83.2%	16.00
SO	MERC	Mercer International <sup>4</sup>	Dec.31	7.14	13.38	6.70	0.00	0.0%	33.7	240	240	75%	0.56	0.23	0.18	9.4	23.0	29.6	6.50	1.1	8%	3%	2%	54.1%	11.00
SP	WY	Weyerhaeuser	Dec.31	63.94	84.29	58.27	2.00	3.1%	211.1	13,501	12,955	22%	1.65	1.76	3.15	38.8	36.3	20.3	37.80	1.7	5%	5%	9%	1.7%	63.00
<b>Group Average</b>								<b>2.9%</b>				<b>35.4%</b>				<b>20.7</b>	<b>21.7</b>	<b>18.7</b>		<b>1.0</b>	<b>-1.1%</b>	<b>-4.5%</b>	<b>-0.5%</b>	<b>40.7%</b>	
<b>Canada (C\$)</b>																									
SU	CFP	Canfor	Dec.31	7.98	13.98	7.46	0.00	0.0%	142.6	1,138	632	4%	(1.47)	(1.83)	(0.56)	NM	NM	NM	14.42	0.6	(12%)	(17%)	(6%)	(12.3%)	7.00
SO	CAS	Cascades	Dec.31	7.62	13.05	6.96	0.16	2.1%	99.2	756	528	58%	0.22	0.32	0.56	34.6	23.8	13.6	11.66	0.7	2%	2%	4%	33.3%	10.00
SU	FPS	Fraser Papers <sup>2,3</sup>	Dec.31	2.43	6.50	2.26	0.00	0.0%	50.2	122	36	7%	(2.48)	(0.21)	(0.09)	NM	NM	NM	6.62	0.4	(17%)	(2%)	(1%)	(17.7%)	2.00
SP	IFP.A	Int'l Forest Prod.	Dec.31	5.70	9.84	4.77	0.00	0.0%	47.1	268	255	16%	(0.27)	(0.35)	0.01	NM	NM	NM	9.09	0.6	(2%)	(4%)	0%	(3.5%)	5.50
SP	NBD	Norbord <sup>2,3</sup>	Dec.31	4.99	9.64	4.50	0.40	8.0%	146.8	733	456	56%	(0.31)	(0.40)	0.22	NM	NM	22.7	2.96	1.7	(5%)	(8%)	5%	48.3%	7.00
SU	CTL	Catalyst Paper	Dec.31	0.97	3.80	0.80	0.00	0.0%	214.7	208	208	45%	(0.42)	(0.23)	(0.14)	NM	NM	NM	4.58	0.2	(11%)	(6%)	(4%)	(12.4%)	0.85
SU	TMB	Tembec <sup>3</sup>	Sep.30	3.30	0.00	0.00	0.00	0.0%	100.0	330	275	27%	(3.33)	(0.92)	(0.52)	NM	NM	NM	7.26	0.5	(118%)	(131%)	2731%	(9.1%)	3.00
SP	WFT	West Fraser	Dec.31	33.83	45.00	26.51	0.56	1.7%	42.8	1,448	1,114	24%	(2.00)	(2.21)	1.47	NM	NM	23.0	52.31	0.6	(4%)	(5%)	3%	2.2%	34.00
<b>Group Average</b>								<b>1.5%</b>				<b>30%</b>				<b>34.6</b>	<b>23.8</b>	<b>19.8</b>		<b>0.7</b>	<b>(21%)</b>	<b>(21%)</b>	<b>342%</b>	<b>3.6%</b>	
<b>Income Trusts (C\$)</b>																									
SP	ADN.UN	Acadian Timber IF	Dec.31	10.15	12.70	9.30			16.6	168		37%	\$0.94	\$0.85	\$0.87	9.5%	8.4%	8.6%						17.8%	11.00
SO	CFX.UN	Canfor Pulp Income Fund	Dec.31	9.00	16.45	8.28			71.3	641		15%	\$1.96	\$1.55	\$1.66	21.8%	17.2%	18.4%						55.1%	12.00
SP	PRT.UN	PRT Regeneration Fund	Dec.31	4.54	9.93	4.33			9.6	44		16%	\$0.78	\$0.28	\$0.46	17.2%	6.2%	10.1%						43.8%	5.75
SP	SFK.UN	SFK Pulp Fund	Dec.31	2.00	5.42	1.69			90.5	181		18%	\$0.33	\$0.38	\$0.40	16.5%	19.1%	20.0%						29.0%	2.25
SP	SXP.UN	Supremex Income Fund	Dec.31	5.66	9.98	5.00			31.3	177		26%	\$1.22	\$1.20	\$1.15	21.6%	21.2%	20.3%						45.2%	7.00
SP	TWF.UN	TimberWest	Dec.31	12.82	19.65	12.22			77.7	997		48%	\$1.16	\$0.68	\$1.31	9.0%	5.3%	10.2%						18.3%	14.00
<b>Group Average</b>												<b>26.8%</b>				<b>15.9%</b>	<b>12.9%</b>	<b>14.6%</b>						<b>34.9%</b>	

<sup>1</sup> Return calculations exclude applicable costs, including interest and commissions.

<sup>2</sup> Reports in U.S. dollars and trades on the TSX. Data, including price, dividend, market cap., float and target, are in Canadian dollars; all other figures are in U.S. dollars.

<sup>3</sup> EPS estimates are on a calendar-year basis.

<sup>4</sup> Mercer reports in euros and trades on NASDAQ. Data, including price, market cap and float, are in U.S. dollars; all other figures are in euros.

Source: Company reports and CIBC World Markets Inc.

## IMPORTANT DISCLOSURES:

**Analyst Certification:** Each CIBC World Markets research analyst named on the front page of this research report, or at the beginning of any subsection hereof, hereby certifies that (i) the recommendations and opinions expressed herein accurately reflect such research analyst's personal views about the company and securities that are the subject of this report and all other companies and securities mentioned in this report that are covered by such research analyst and (ii) no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by such research analyst in this report.

**Potential Conflicts of Interest:** Equity research analysts employed by CIBC World Markets are compensated from revenues generated by various CIBC World Markets businesses, including the CIBC World Markets Investment Banking Department within the Corporate and Leveraged Finance Division. Research analysts do not receive compensation based upon revenues from specific investment banking transactions. CIBC World Markets generally prohibits any research analyst and any member of his or her household from executing trades in the securities of a company that such research analyst covers. Additionally, CIBC World Markets generally prohibits any research analyst from serving as an officer, director or advisory board member of a company that such analyst covers.

In addition to 1% ownership positions in covered companies that are required to be specifically disclosed in this report, CIBC World Markets may have a long position of less than 1% or a short position or deal as principal in the securities discussed herein, related securities or in options, futures or other derivative instruments based thereon.

Recipients of this report are advised that any or all of the foregoing arrangements, as well as more specific disclosures set forth below, may at times give rise to potential conflicts of interest.

## **Important Disclosure Footnotes for Companies Mentioned in this Report that Are Covered by CIBC World Markets:**

### **Stock Prices as of 03/31/2008:**

AbitibiBowater Inc. (2a, 2e, 2f, 2g, 9) (ABH-NYSE, US\$13.17, Restricted)  
Acadian Timber Income Fund (2g) (ADN.UN-TSX, C\$10.02, Sector Performer)  
Canfor Corporation (2a, 2e, 2g) (CFP-TSX, C\$7.96, Sector Underperformer)  
Canfor Pulp Income Fund (2g) (CFX.UN-TSX, C\$9.12, Sector Outperformer)  
Cascades Inc. (2g, 7) (CAS-TSX, C\$7.74, Sector Outperformer)  
Catalyst Paper Corporation (2g) (CTL-TSX, C\$0.93, Sector Underperformer)  
Domtar Inc. (2a, 2e, 2g, 9) (UFS-NYSE, US\$6.80, Sector Outperformer)  
Fraser Papers (2g) (FPS-TSX, C\$2.84, Sector Underperformer)  
International Forest Products Limited (2g, 12) (IFP.A-TSX, C\$5.78, Sector Performer)  
International Paper Co. (2g) (IP-NYSE, US\$26.94, Sector Outperformer)  
Louisiana-Pacific Corp. (2g) (LPX-NYSE, US\$9.10, Sector Outperformer)  
Mercer International Inc. (2a, 2e, 2g) (MERC-NASDAQ, US\$6.92, Sector Outperformer)  
Norbord Inc (2g, 7) (NBD-TSX, C\$4.96, Sector Performer)  
PRT Forest Regeneration Income Fund (2a, 2e, 2g, 7) (PRT.UN-TSX, C\$4.57, Sector Performer)  
SFK Pulp Fund (2g) (SFK.UN-TSX, C\$2.05, Sector Performer)  
Supremex Income Fund (2g) (SXP.UN-TSX, C\$5.75, Sector Performer)  
Tembec Inc. (2g) (TMB-TSX, C\$3.50, Sector Underperformer)  
TimberWest Forest Corp. (2g, 7) (TWF.UN-TSX, C\$12.73, Sector Performer)  
West Fraser Timber Co. Ltd. (2g) (WFT-TSX, C\$34.45, Sector Performer)  
Weyerhaeuser Co. (2a, 2e, 2g) (WY-NYSE, US\$64.81, Sector Performer)

## **Companies Mentioned in this Report that Are Not Covered by CIBC World Markets:**

### **Stock Prices as of 03/31/2008:**

McClatchy Co. (MNI-NYSE, US\$10.60, Not Rated)  
Media General (MEG-NYSE, US\$14.08, Not Rated)  
Smurfit Stone Container Corp. (SSCC-NASDAQ, US\$7.70, Not Rated)

**Important disclosure footnotes that correspond to the footnotes in this table may be found in the "Key to Important Disclosure Footnotes" section of this report.**

## Key to Important Disclosure Footnotes:

- 1 CIBC World Markets Corp. makes a market in the securities of this company.
- 2a This company is a client for which a CIBC World Markets company has performed investment banking services in the past 12 months.
- 2b CIBC World Markets Corp. has managed or co-managed a public offering of securities for this company in the past 12 months.
- 2c CIBC World Markets Inc. has managed or co-managed a public offering of securities for this company in the past 12 months.
- 2d CIBC World Markets Corp. has received compensation for investment banking services from this company in the past 12 months.
- 2e CIBC World Markets Inc. has received compensation for investment banking services from this company in the past 12 months.
- 2f CIBC World Markets Corp. expects to receive or intends to seek compensation for investment banking services from this company in the next 3 months.
- 2g CIBC World Markets Inc. expects to receive or intends to seek compensation for investment banking services from this company in the next 3 months.
- 3a This company is a client for which a CIBC World Markets company has performed non-investment banking, securities-related services in the past 12 months.
- 3b CIBC World Markets Corp. has received compensation for non-investment banking, securities-related services from this company in the past 12 months.
- 3c CIBC World Markets Inc. has received compensation for non-investment banking, securities-related services from this company in the past 12 months.
- 4a This company is a client for which a CIBC World Markets company has performed non-investment banking, non-securities-related services in the past 12 months.
- 4b CIBC World Markets Corp. has received compensation for non-investment banking, non-securities-related services from this company in the past 12 months.
- 4c CIBC World Markets Inc. has received compensation for non-investment banking, non-securities-related services from this company in the past 12 months.
- 5a The CIBC World Markets Corp. analyst(s) who covers this company also has a long position in its common equity securities.
- 5b A member of the household of a CIBC World Markets Corp. research analyst who covers this company has a long position in the common equity securities of this company.
- 6a The CIBC World Markets Inc. fundamental analyst(s) who covers this company also has a long position in its common equity securities.
- 6b A member of the household of a CIBC World Markets Inc. fundamental research analyst who covers this company has a long position in the common equity securities of this company.
- 7 CIBC World Markets Corp., CIBC World Markets Inc., and their affiliates, in the aggregate, beneficially own 1% or more of a class of equity securities issued by this company.
- 8 A partner, director or officer of CIBC World Markets Inc. or any analyst involved in the preparation of this research report has provided services to this company for remuneration in the past 12 months.
- 9 A senior executive member or director of Canadian Imperial Bank of Commerce ("CIBC"), the parent company to CIBC World Markets Inc. and CIBC World Markets Corp., or a member of his/her household is an officer, director or advisory board member of this company or one of its subsidiaries.
- 10 Canadian Imperial Bank of Commerce ("CIBC"), the parent company to CIBC World Markets Inc. and CIBC World Markets Corp., has a significant credit relationship with this company.
- 11 The equity securities of this company are restricted voting shares.
- 12 The equity securities of this company are subordinate voting shares.
- 13 The equity securities of this company are non-voting shares.
- 14 The equity securities of this company are limited voting shares.

## CIBC World Markets Price Chart

For price and performance information charts required under NYSE and NASD rules, please visit CIBC on the web at <http://www.cibcwm.com/research/sec2711> or write to CIBC World Markets Corp., 300 Madison Avenue, 7th Floor, New York, NY 10017-6204, Attn: Research Disclosure Chart Request.

## CIBC World Markets' Stock Rating System

Abbreviation	Rating	Description
<b>Stock Ratings</b>		
SO	Sector Outperformer	Stock is expected to outperform the sector during the next 12-18 months.
SP	Sector Performer	Stock is expected to perform in line with the sector during the next 12-18 months.
SU	Sector Underperformer	Stock is expected to underperform the sector during the next 12-18 months.
NR	Not Rated	CIBC World Markets does not maintain an investment recommendation on the stock.
R	Restricted	CIBC World Markets is restricted*** from rating the stock.
<b>Sector Weightings**</b>		
O	Overweight	Sector is expected to outperform the broader market averages.
M	Market Weight	Sector is expected to equal the performance of the broader market averages.
U	Underweight	Sector is expected to underperform the broader market averages.
NA	None	Sector rating is not applicable.

\*\*Broader market averages refer to the S&P 500 in the U.S. and the S&P/TSX Composite in Canada.

"Speculative" indicates that an investment in this security involves a high amount of risk due to volatility and/or liquidity issues.

\*\*\*Restricted due to a potential conflict of interest.

### Ratings Distribution\*: CIBC World Markets' Coverage Universe

(as of 31 Mar 2008)	Count	Percent	Inv. Banking Relationships	Count	Percent
Sector Outperformer (Buy)	147	43.2%	Sector Outperformer (Buy)	123	83.7%
Sector Performer (Hold/Neutral)	161	47.4%	Sector Performer (Hold/Neutral)	127	78.9%
Sector Underperformer (Sell)	23	6.8%	Sector Underperformer (Sell)	15	65.2%
Restricted	8	2.4%	Restricted	7	87.5%

### Ratings Distribution: Paper & Forest Products Coverage Universe

(as of 31 Mar 2008)	Count	Percent	Inv. Banking Relationships	Count	Percent
Sector Outperformer (Buy)	6	30.0%	Sector Outperformer (Buy)	6	100.0%
Sector Performer (Hold/Neutral)	9	45.0%	Sector Performer (Hold/Neutral)	9	100.0%
Sector Underperformer (Sell)	4	20.0%	Sector Underperformer (Sell)	4	100.0%
Restricted	1	5.0%	Restricted	1	100.0%

Paper & Forest Products Sector includes the following tickers: ABH, ADN.UN, CAS, CFP, CFX.UN, CTL, FPS, IFP.A, IP, LPX, MERC, NBD, PRT.UN, SFK.UN, SXP.UN, TMB, TWF.UN, UFS, WFT, WY.

\*Although the investment recommendations within the three-tiered, relative stock rating system utilized by CIBC World Markets do not correlate to buy, hold and sell recommendations, for the purposes of complying with NYSE and NASD rules, CIBC World Markets has assigned buy ratings to securities rated Sector Outperformer, hold ratings to securities rated Sector Performer, and sell ratings to securities rated Sector Underperformer without taking into consideration the analyst's sector weighting.

Important disclosures required by IDA Policy 11, including potential conflicts of interest information, our system for rating investment opportunities and our dissemination policy can be obtained by visiting CIBC World Markets on the web at <http://research.cibcwm.com/res/Policies/Policies.html> or by writing to CIBC World Markets Inc., BCE Place, 161 Bay Street, 4th Floor, Toronto, Ontario M5J 2S8, Attention: Research Disclosures Request.

## Legal Disclaimer

This report is issued and approved for distribution by (i) in Canada, CIBC World Markets Inc., a member of the Investment Dealers Association ("IDA"), the Toronto Stock Exchange, the TSX Venture Exchange and CIPF, (ii) in the United Kingdom, CIBC World Markets plc, which is regulated by the Financial Services Authority ("FSA"), and (iii) in Australia, CIBC World Markets Australia Limited, a member of the Australian Stock Exchange and regulated by the ASIC (collectively, "CIBC World Markets"). This report is distributed in the United States by CIBC World Markets Inc. and has not been reviewed or approved by CIBC World Markets Corp., a member of the New York Stock Exchange ("NYSE"), NASD and SIPC. This report is intended for distribution in the United States only to Major Institutional Investors (as such term is defined in SEC 15a-6 and Section 15 of the Securities Exchange Act of 1934, as amended) and is not intended for the use of any person or entity that is not a major institutional investor. Major Institutional Investors receiving this report should effect transactions in securities discussed in the report through CIBC World Markets Corp. This report is provided, for informational purposes only, to institutional investor and retail clients of CIBC World Markets in Canada, and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such offer or solicitation would be prohibited. This document and any of the products and information contained herein are not intended for the use of private investors in the United Kingdom. Such investors will not be able to enter into agreements or purchase products mentioned herein from CIBC World Markets plc. The comments and views expressed in this document are meant for the general interests of clients of CIBC World Markets Australia Limited.

The securities mentioned in this report may not be suitable for all types of investors. This report does not take into account the investment objectives, financial situation or specific needs of any particular client of CIBC World Markets. Recipients should consider this report as only a single factor in making an investment decision and should not rely solely on investment recommendations contained herein, if any, as a substitution for the exercise of independent judgment of the merits and risks of investments. The analyst writing the report is not a person or company with actual, implied or apparent authority to act on behalf of any issuer mentioned in the report. Before making an investment decision with respect to any security recommended in this report, the recipient should consider whether such recommendation is appropriate given the recipient's particular investment needs, objectives and financial circumstances. CIBC World Markets suggests that, prior to acting on any of the recommendations herein, Canadian retail clients of CIBC World Markets contact one of our client advisers in your jurisdiction to discuss your particular circumstances. Non-client recipients of this report who are not institutional investor clients of CIBC World Markets should consult with an independent financial advisor prior to making any investment decision based on this report or for any necessary explanation of its contents. CIBC World Markets will not treat non-client recipients as its clients by virtue of their receiving this report.

Past performance is not a guarantee of future results, and no representation or warranty, express or implied, is made regarding future performance of any security mentioned in this report. The price of the securities mentioned in this report and the income they produce may fluctuate and/or be adversely affected by exchange rates, and investors may realize losses on investments in such securities, including the loss of investment principal. CIBC World Markets accepts no liability for any loss arising from the use of information contained in this report, except to the extent that liability may arise under specific statutes or regulations applicable to CIBC World Markets.

Information, opinions and statistical data contained in this report were obtained or derived from sources believed to be reliable, but CIBC World Markets does not represent that any such information, opinion or statistical data is accurate or complete (with the exception of information contained in the Important Disclosures section of this report provided by CIBC World Markets or individual research analysts), and they should not be relied upon as such. All estimates, opinions and recommendations expressed herein constitute judgments as of the date of this report and are subject to change without notice.

Nothing in this report constitutes legal, accounting or tax advice. Since the levels and bases of taxation can change, any reference in this report to the impact of taxation should not be construed as offering tax advice on the tax consequences of investments. As with any investment having potential tax implications, clients should consult with their own independent tax adviser. This report may provide addresses of, or contain hyperlinks to, Internet web sites. CIBC World Markets has not reviewed the linked Internet web site of any third party and takes no responsibility for the contents thereof. Each such address or hyperlink is provided solely for the recipient's convenience and information, and the content of linked third-party web sites is not in any way incorporated into this document. Recipients who choose to access such third-party web sites or follow such hyperlinks do so at their own risk. Although each company issuing this report is a wholly owned subsidiary of Canadian Imperial Bank of Commerce ("CIBC"), each is solely responsible for its contractual obligations and commitments, and any securities products offered or recommended to or purchased or sold in any client accounts (i) will not be insured by the Federal Deposit Insurance Corporation ("FDIC"), the Canada Deposit Insurance Corporation or other similar deposit insurance, (ii) will not be deposits or other obligations of CIBC, (iii) will not be endorsed or guaranteed by CIBC, and (iv) will be subject to investment risks, including possible loss of the principal invested. The CIBC trademark is used under license.

© 2008 CIBC World Markets Inc. All rights reserved. Unauthorized use, distribution, duplication or disclosure without the prior written permission of CIBC World Markets is prohibited by law and may result in prosecution.