



September 29, 2006

Paper & Forest Products

Sector Weighting:  
**Underweight**

## Spotlight On The Paper & Wood Stocks

September 25, 2006 - September 29, 2006

### This Week's Highlight:

- **International Paper Co.:** Executive Summary – What's Next In The Transformation Plan: Sale Of Wood Products To West Fraser?

### Also Included In This Issue:

- **Canfor Pulp Income Fund:** Executive Summary – Initiating Coverage At Sector Outperformer
- **Newsprint:** August Statistics – Falling Consumption Weighs on Operating Rate
- **Newsprint Prices Falling In Asia**
- **Printing & Writing Paper:** August Statistics
- **North American Valuations**

### Reports Published:

*International Paper Co.: What's Next In The Transformation Plan: Sale Of Wood Products To West Fraser?*

*Canfor Pulp Income Fund: Initiating Coverage On Our Preferred Pulp Play AsSector Outperformer*

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

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**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.**

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# Commodity Price Forecasts

## Exhibit 1. Commodity Price Summary

	Units	1995	2000	2003	2004	2005	2006E	2007E	Normalized	Current Price	Comments
NBSK Pulp (N.E.)	m. ton	\$880	\$680	\$525	\$617	\$611	\$665	\$680	\$665	\$715	Rising
Newsprint	m. ton	670	565	503	547	610	670	685	645	675	Flat
Uncoated Freesheet	sh. ton	990	755	628	676	727	820	800	725	850	Flat
Light Weight Coated	sh. ton	1,226	1,065	829	859	997	1,020	1,050	1,040	965	Falling
Linerboard	sh. ton	510	470	421	468	478	550	550	480	565	Flat
Lumber #2&Btr.	Mbf	250	295	278	394	353	325	320	325	254	Falling
OSB	Msf	245	205	380	369	319	245	200	220	162	Rising
Canadian Dollar	US\$	0.73	0.67	0.72	0.77	0.83	0.88	0.89	0.89	0.90	Flat

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

# International Paper Co.

## Executive Summary – What's Next In The Transformation Plan: Sale Of Wood Products To West Fraser?

(September 27, 2006)

On September 27, we published a 14-page report on International Paper Co. (IP-SP) entitled *What's Next In The Transformation Plan: Sale Of Wood Products To West Fraser?*

The four key objectives of the report are as follows:

1. To provide previously unpublished detail on IP's Wood Products business;
2. To assess the value of IP's Wood Products business;
3. To examine whether now is a good time to be selling (or buying) solidwood assets; and
4. To provide our views as to who are the potential buyers, and who will be the likely "winner."

During IP's second-quarter conference call on August 1, management stated that the sale of this business could be announced within the next 90 days. We think the "stars are aligning" for a sale of the Wood Products business at this time for three key reasons:

- The long-anticipated correction in the U.S. housing market is well under way. As a result, the offer price is likely falling closer to the range of bid prices.
- Before the end of this year, the Canadian lumber companies will be receiving more than \$4 billion in duty rebates as part of the Canada-U.S. Softwood Lumber Agreement. This is important, since the Canadian companies have some of the greatest strategic interest in acquiring the IP assets.
- Due to increasing concerns with the massive Mountain Pine Beetle infestation in the B.C. Interior and Alberta, the major solidwood companies in the region are realizing the need to diversify into other geographic regions. This concern is not just related to the significant reduction in harvest volumes expected in eight to 10 years. Regional producers are starting to also see decreases in wood quality in the interim, which are starting to both increase costs and negatively impact the product mix.

Some of the key highlights of the report are as follows:

Before year-end 2006, we expect IP to sell its Wood Products business for roughly \$900 million. IP has completed most of its Transformation Plan, and this divestiture would be the largest of the remaining asset sales. IP is the second-largest plywood producer and fourth-largest lumber producer in North America.

IP's Wood Products business generated EBITDA of roughly \$250 million in the peak year of 2004 and (\$29 million) in the trough year of 2002. In our view, this business has not been a priority of IP's senior management, and has largely been treated as a "cash cow."

The most likely buyers of IP's Wood Products business are the large solidwood companies in Western Canada or the large private companies like Koch. There is constant speculation in industry circles that IP has entered into exclusive negotiations with West Fraser Timber (WFT-SO) for this business.

If WFT did buy the IP assets, it would increase its lumber capacity by about 50% and roughly triple its plywood capacity. Given its strong balance sheet, WFT would not be compelled to issue new equity to finance the acquisition. We would view such a deal as good for both IP and WFT.

### Price Target Calculations

Based on a multiple of 7.25x our blended EBITDA estimate of \$2,450 million (25% of 2006E EBITDA of \$2,659 million and 75% of 2007E EBITDA of \$2,380 million), we have a price target of \$34 on International Paper. Our target multiple reflects a liquidity premium on average historical valuation in the sector.

### Key Risks To Price Targets

Potential risks to our price target include a weaker-than-expected U.S. economy, which would prevent pulp and paper prices from moving higher, a worse-than-expected correction in U.S. housing starts, and volatility in the Canadian/U.S. exchange rate.

## Canfor Pulp Income Fund

### Executive Summary – Initiating Coverage At Sector Outperformer

(September 28, 2006)

On September 28, we published a 37- page report on Canfor Pulp Income Fund (Canfor Pulp) (CFX.UN-SO) entitled *Initiating Coverage On Our Preferred Pulp Play As Sector Outperformer*.

With a lack of softwood pulp capacity additions and the closure of high-cost mills in North America, we expect an improving supply-demand balance for softwood market pulp and moderate softwood pulp prices over the next two years. At the same time, we expect weakening hardwood pulp prices, resulting from a wall of new capacity coming on stream, mostly in South America. In that context, Canfor Pulp, as a quasi-pure softwood pulp producer, is an income fund that could provide relatively stable cash flow for the medium term. The objectives of the full report are sixfold:

1. To offer a description of Canfor Pulp and its strategy;
2. To summarize our outlook for pulp prices;
3. To provide an analysis of the fund within a SWOT (Strength, Weaknesses, Opportunities, and Threats) framework;
4. To assess the distributable cash outlook for Canfor Pulp;
5. To estimate the value of the units within a 12- to 18-month horizon;
6. To conclude with our recommendation on Canfor Pulp.

Despite the strong Canadian dollar, Canfor's pulp mills have become below-average cost softwood kraft pulp operations on a global basis because of very low wood fiber prices and an increase in energy generation. This relatively low-cost position should allow the fund to generate cash at the bottom of the pulp cycle and mitigates the risk associated with the volatility in pulp prices.

In the meantime, moderate pulp prices are allowing the fund to generate a good level of distributable cash. In light of the current unit price, we believe that the expected distributions would provide an above-average return within our paper & forest products universe. Consequently, effective September 28, we are initiating coverage on Canfor Pulp with a Sector Outperformer recommendation and a 12- to 18-month price target of \$13.00. We emphasize that this rating is in the context of our Underweight weighting on the sector as a whole.

Given the current 90% payout ratio, we are looking for distributions of \$1.28/unit in 2007. Our financial forecasts are lower than the current distribution level of \$1.44/unit, but we do not think the current high pulp prices are sustainable.

So far this year, pulp prices have improved by US\$110/tonne, but we believe the current price of US\$715/tonne is very close to what we think is a peak for this cycle. We estimate the "trough cycle" price to be US\$640/tonne, which would allow the fund to generate roughly \$0.82/unit.

### **Price Target Calculation**

Our price target of \$13.00 reflects a target yield of 10% based on our 2007 distribution forecast.

### **Key Risks To Price Target**

Potential risks to our price target include: a weaker-than-expected global economy that would negatively impact pulp prices, continuing upward pressure on the Canadian dollar, and an increase in fiber prices in British Columbia.

## **Newsprint**

### **August Statistics – Falling Consumption Weighs On Operating Rate**

(September 25, 2006, updated September 29)

Newsprint statistics released by the Pulp and Paper Products Council (PPPC) on September 22 indicate that consumption by all U.S. users fell 7.7% in August. Declines in U.S. dailies, which fell by 7.8%, continue to lead the retrenchment.

Thus far in 2006, total consumption is down 6.1%. We estimate roughly 25% is due to declines in grammage, 45% to reductions in circulation, 20% to lower advertising lineage, and 10% to other factors such as conservation measures.

This month's data is consistent with the weakening newspaper circulation figures reported by major publishers. During August, daily newspaper circulations at McClatchy (MNI-NYSE) and Gannett (GCI-NYSE) were down 3.9% and 2.0%, respectively.

The three companies we cover with the greatest leverage to changes in newsprint prices are Catalyst Paper (CTL-R) and Abitibi-Consolidated (A-SP) in Canada and Bowater (BOW-SP) in the U.S.

It is worth noting that 1.2 percentage points of the year-over-year decline in newsprint consumption registered this month is due to declines in the weight of newsprint. Average grammage has dropped from 47.3 g/m<sup>2</sup> in August 2005 to 46.8 g/m<sup>2</sup> currently. Observers should note that the weight of newsprint has little impact on the supply/demand balance since it results in an equal reduction in both consumption and capacity.

During August, North American mill stocks decreased by 21,000 tonnes to 331,000 tonnes, which is roughly 11% below the historical five-year average. On the consumer side, inventories held by all U.S. users fell by two days, to 40 days, following a one-day upward revision to last month's supplies. This level is equivalent to the four-year average.

The North American operating rate was 94% in August, similar to levels at this time last year. Despite all the newsprint capacity reductions over the past year, we anticipate that falling demand will continue to put pressure on operating rates going forward. Year to date, the operating rate stands at 95%.

We have now experienced 40 consecutive months of declining newsprint consumption in North America, which underscores the ongoing need to reduce capacity in order to balance the market. Unfortunately, it is difficult to be very optimistic regarding future closures.

On September 28, Nova Scotia's Utility and Review Board announced a compromise decision in which it approved a two-part real-time pricing rate based on the cost of service. Despite the fact that it offered only modest price breaks to Stora (SEO-NYSE) and Bowater for allowing their load to be interruptible before that of other, smaller industrial users, Stora subsequently announced that it will be restarting its paper mill in Port Hawsbury. (It could not be determined immediately what percentage reduction Stora and Bowater would see, but the base energy rate in the province is C\$55/Mwh). The mill will bring back roughly 185,000 Tpy of newsprint (1.5% of North American capacity) and 390,000 Tpy of super-calendered paper.

Even if Bowater were to go ahead and shutter both its 245,000-Tpy mill in Liverpool (NS) and 230,000-Tpy mill in Dalhousie (NB), it would still only reduce North American newsprint capacity by about 3.5% – still not enough to stabilize the industry operating rate given the decline in consumption. Note that we also do not think Bowater's large mill in Thunder Bay will remain down permanently. Given the mill's key role in the regional economy, our bet is that it would be resuscitated with assistance from the Ontario Government if Bowater were to "pull the pin."

The quoted benchmark newsprint price is currently around US\$675/tonne. Major suppliers had announced a US\$40/tonne price increase to be effective August 1. We were expecting US\$25/tonne of the August price increase to be implemented over the fall months. However, with Abitibi's recent announcement to scale back the increase to US\$20/tonne, we now think that only US\$10/tonne will go through. Thus far, none of the August price increase appears to be in place. We think newsprint prices have essentially hit their cyclical peak.

## Newsprint Prices Falling In Asia

(September 29, 2006)

On September 28, we spoke with Malayala Manorama, one of the largest publishers in India, and confirmed that Norske Skog (Pan Asia Paper) (NSG-OL) has just announced a \$35/tonne reduction in its newsprint price in Asia. It will fall to \$670/tonne for the duration of the fourth quarter.

This puts Norske's prices in India – the second-largest importer of newsprint in the world – back to their level in October 2005.

Other producers in S.E. Asia (e.g., Kondopoga & PT Aspex) have also reduced their newsprint prices by the same amount (to \$665/tonne and \$630/tonne, respectively). We expect further price declines next year.

The price declines are in response to increased competition from the Chinese mills (e.g., Huatai, Nanping, Chenming) that have recently started up. This is at a time when the growth in Chinese demand is slowing to around 5% in 2006 from 10% last year, and Chinese capacity is expected to increase by 23% in 2006 and a further 17% in 2007.

The Chinese mills have apparently already captured about 80,000 tonnes from Pan Asia's customers, and are mulling over reducing their own prices from \$630/tonne to \$600/tonne.

Huatai Paper (600308-SS) is expected to hit the export market with about 150,000 Tpy in 2007, although the Chinese government is rationing power consumption, which may slow newsprint exports.

These developments support our view that newsprint prices in North America have peaked. Even if meaningful volumes of Chinese newsprint do not make it to North America, we will see other shipments "back-up" into North America and Europe. Unfortunately, North American producers are already exporting more to Europe in face of the contracting demand in North America (and better than expected growth on the Continent).

The combination of (1) contracting newsprint consumption in North America, (2) slowing demand in China, and (3) increasing Chinese capacity, underscore the need for further capacity reductions in North America.

We continue to have Sector Performer recommendations on Abitibi and Bowater, but in the context of an Underweight weighting on the sector as a whole.

# Printing & Writing Paper

## August Statistics

**Exhibit 2. North American P&W Paper Demand Data (000 tonnes)**

Grade	Aug-06	Aug-05	% Change
CFS	517,000	504,000	2.5%
CGW	567,000	537,000	5.6%
UFS	1,055,000	1,081,000	(2.4%)
UGW	517,000	514,000	0.7%
Total	2,656,000	2,636,000	0.8%

Grade	January-August 2006	January-August 2005	% Change
CFS	3,876,000	3,660,000	5.9%
CGW	3,919,000	3,957,000	(0.9%)
UFS	8,270,000	8,390,000	(1.4%)
UGW	3,988,000	4,055,000	(1.7%)
Total	20,053,000	20,062,000	(0.0%)

Source: Pulp And Paper Products Council and CIBC World Markets Inc.



# North American Valuations

(September 29, 2006)

## Exhibit 3. North American Companies' P/E And TEV/EBITDA Valuation

	Mkt Cap. (\$ mlns.)	Float (mlns.)	Price 09-29-06	P/E			TEV/EBITDA				EBITDA				Price/ Tangible BV
				2005	2006E	2007E	2005	2006E	2007E	Normalized	2005	2006E	2007E	Normalized	
<b>U.S. (US\$)</b>															
Bowater	1,193	1,143	20.78	n.m.	n.m.	28.9	7.7	7.5	6.3	8.0	458	475	566	441	3.36
International Paper	16,662	16,599	34.20	31.7	25.1	25.9	10.7	9.9	11.5	12.9	2,571	2,781	2,380	2,122	5.14
Louisiana-Pacific	1,959	1,944	18.60	5.4	10.1	18.8	1.5	2.7	3.7	3.0	641	369	266	331	1.05
Mercer International	319	319	9.62	n.m.	9.2	n.m.	15.8	9.8	8.2	8.7	68	110	132	124	1.68
Weyerhaeuser	15,296	14,770	61.64	14.5	14.6	15.5	9.9	7.1	7.5	7.8	2,388	3,294	3,122	3,034	2.11
Average	7,086	6,955		17.2	14.7	22.3	9.1	7.4	7.4	8.1					2.67
<b>Canada (C\$)</b>															
Abitibi-Consolidated	1,206	1,083	2.74	n.m.	n.m.	n.m.	7.7	7.5	6.6	8.3	649	662	755	598	1.04
Canfor	1,595	974	11.19	17.8	n.m.	26.0	8.0	9.9	8.3	8.2	297	241	287	292	0.79
Cascades	993	625	12.29	n.m.	31.5	22.8	8.7	7.5	7.4	7.1	256	298	302	315	1.24
Domtar	1,573	1,327	6.80	n.m.	n.m.	n.m.	10.6	9.0	7.1	8.1	358	420	531	468	1.10
Fraser Papers* (US\$)	201	109	6.80	n.m.	n.m.	n.m.	24.2	15.8	10.8	8.1	7	11	16	21	0.51
Interfor	318	303	6.55	34.5	14.2	16.0	4.6	3.9	3.9	3.8	72	86	86	88	0.83
Norbord* (US\$)	1,180	653	8.25	4.4	7.5	11.9	3.0	4.5	6.2	5.5	497	331	242	273	2.42
Catalyst Paper	682	682	3.18	-	-	-	-	-	-	-	-	-	-	-	0.66
Tembec	120	97	1.40	n.m.	n.m.	n.m.	204.9	24.6	26.7	46.1	9	75	69	40	0.19
West Fraser	1,567	1,206	36.65	19.3	20.1	19.2	4.9	5.6	5.9	5.8	480	419	396	407	0.92
Average	944	706		19.0	18.3	19.2	30.7	9.8	9.2	11.2					0.97
<b>Income Trusts (C\$)</b>															
Canfor Pulp Income Fund	826	156	11.59								133	139	145	129	
PRT Regeneration Fund	98	97	10.20								10	12	12	12	
SFK Pulp Fund	258	257	4.35								31	44	78	76	
TimberWest	1,104	1,104	14.24								78	98	91	91	
Average	445	440													

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

Source: CIBC World Markets Equity Research

## Exhibit 4. Summary Spreadsheet

Stock Rec.	Symbol	Company	Fiscal Year	Price 09-29-06	52-week		Ind. Div.	Yield	Shares O/S (mlns)	Mkt Cap. (\$mlns)	Float (\$mlns)	Net Debt/ Capital	Fiscal Yr. EPS			P/E Multiples				ROE			Total Implied Return <sup>1</sup>	12-mo. Target Price	
					High	Low							2005	2006E	2007E	2005	2006E	2007E	BVPS	P/B	2005	2006E			2007E
<b>U.S. (US\$)</b>																									
Sector Performer	BOW	Bowater	Dec.31	20.78	31.99	19.61	0.80	3.8%	57.4	1,193	1,143	65%	(0.69)	(0.44)	0.72	n.m.	n.m.	28.9	20.02	1.0	(3%)	(4%)	15%	14.5%	23.00
Sector Performer	IP	International Paper	Dec.31	34.20	37.98	26.97	1.00	2.9%	487.2	16,662	16,599	59%	1.08	1.36	1.32	31.7	25.1	25.9	14.58	2.3	5%	13%	2%	2.3%	34.00
Sector Performer	LPX	Louisiana-Pacific	Dec.31	18.60	29.75	18.05	0.40	2.2%	105.3	1,959	1,944	(83%)	3.42	1.85	0.99	5.4	10.1	18.8	20.25	0.9	20%	20%	37%	36.6%	25.00
Sector Performer	MERC	Mercer International	Dec.31	9.62	9.90	6.78	0.00	0.0%	33.2	319	319	81%	(3.75)	0.82	(0.06)	n.m.	9.2	n.m.	5.72	1.7	(53%)	31%	(6%)	(6.4%)	9.00
Sector Performer	WY	Weyerhaeuser	Dec.31	61.64	75.48	54.25	2.00	3.2%	248.1	15,296	14,770	46%	4.24	4.23	3.98	14.5	14.6	15.5	38.28	1.6	13%	24%	9%	8.7%	65.00
		Group Average						2.4%				37%				17.2	14.7	22.3		1.5	-3.5%	17.0%	11%	11.1%	
<b>Canada (C\$)</b>																									
Sector Performer	A	Abitibi	Dec.31	2.74	5.13	2.57	0.10	3.6%	440.0	1,206	1,083	59%	(0.40)	(0.29)	(0.02)	n.m.	n.m.	n.m.	5.59	0.5	(7%)	(11%)	13%	13.1%	3.00
Sector Performer	CFP	Canfor	Dec.31	11.19	15.20	10.50	0.00	0.0%	142.5	1,595	974	22%	0.63	0.10	0.43	17.8	n.m.	26.0	14.72	0.8	5%	1%	(2%)	(1.7%)	11.00
Sector Performer	CAS	Cascades	Dec.31	12.29	12.85	7.35	0.16	1.3%	80.8	993	625	57%	0.07	0.39	0.54	n.m.	31.5	22.8	11.56	1.1	1%	6%	(5%)	(5.1%)	11.50
Sector Underperformer	DTC	Domtar	Dec.31	6.80	8.76	4.70	0.00	0.0%	231.3	1,573	1,327	58%	(0.37)	(0.09)	0.14	n.m.	n.m.	n.m.	6.58	1.0	(3%)	(2%)	(4%)	(4.4%)	6.50
Sector Underperformer	FPS	Fraser Papers <sup>2</sup>	Dec.31	6.80	10.39	6.75	0.00	0.0%	29.5	201	109	6%	(0.80)	(0.94)	(0.39)	n.m.	n.m.	n.m.	11.86	0.6	(5%)	(12%)	(12%)	(11.8%)	6.00
Sector Outperformer	IFP.A	Int'l Forest Prod.	Dec.31	6.55	8.11	6.01	0.00	0.0%	48.6	318	303	3%	0.19	0.46	0.41	34.5	14.2	16.0	8.17	0.8	2%	11%	30%	29.8%	8.50
Sector Performer	NBD	Norbord <sup>3</sup>	Dec.31	8.25	12.89	8.04	0.40	4.8%	143.0	1,180	653	50%	1.67	0.99	0.62	4.4	7.5	11.9	3.06	2.4	32%	33%	26%	26.1%	10.00
Restricted	CTL	Catalyst Paper	Dec.31	3.18	3.48	2.40	0.00	0.0%	214.6	682	682	43%	-	-	-	-	-	-	4.84	0.7	-	-	-	-	-
Sector Underperformer	TBC	Tembec <sup>3</sup>	Sep.30	1.40	2.70	0.79	0.00	0.0%	85.6	120	97	72%	(3.87)	(3.36)	(2.82)	n.m.	n.m.	n.m.	7.50	0.2	(45%)	(99%)	(82%)	(82.1%)	0.25
Sector Outperformer	WFT	West Fraser	Dec.31	36.65	46.30	34.85	0.56	1.5%	42.8	1,567	1,206	28%	1.90	1.82	1.91	19.3	20.1	19.2	45.93	0.8	4%	8%	30%	29.8%	47.00
		Group Average						1.1%				40%				19.0	18.3	19.2		0.9	(2%)	(7%)	(1%)	(0.7%)	
<b>Income Trusts (C\$)</b>																									
													<b>Distributable Cash</b>			<b>Yield</b>									
Sector Outperformer	CFX.UN	Canfor Pulp Income Fund	Dec.31	11.59	12.25	9.50			71.3	826		17%	\$0.00	\$0.78	\$1.42	0.0%	6.7%	12.3%						24.0%	13.00
Sector Performer	PRT.UN	PRT Regeneration Fund	Dec.31	10.20	11.94	9.49			9.6	98		16%	\$0.97	\$1.01	\$0.99	9.5%	9.9%	9.7%						17.7%	11.00
Sector Performer	SFK.UN	SFK Pulp Fund	Dec.31	4.35	5.35	2.85			59.3	258		17%	\$0.25	\$0.24	\$0.56	5.7%	5.5%	12.9%						14.9%	4.50
Sector Performer	TWF.UN	TimberWest	Dec.31	14.24	16.00	12.10			77.5	1,104		17%	0.96	1.31	1.26	6.7%	9.2%	8.8%						14.7%	15.00
		Group Average										16.7%				7.3%	8.2%	10.5%						15.8%	

<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 C\$, all other figures are in US\$.

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

Source: CIBC World Markets Equity Research



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International Forest Products Limited (2g, 12) (IFP.A-TSX, C\$6.55, Sector Outperformer)  
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Louisiana-Pacific Corp. (LPX-NYSE, US\$18.69, Sector Performer)  
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<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.
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R	Restricted	CIBC World Markets is restricted*** from rating the stock.
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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.

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Sector Performer (Hold/Neutral)	399	49.8%	Sector Performer (Hold/Neutral)	194	48.6%
Sector Underperformer (Sell)	63	7.9%	Sector Underperformer (Sell)	27	42.9%
Restricted	15	1.9%	Restricted	12	80.0%

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

(as of 29 Sep 2006)	Count	Percent	Inv. Banking Relationships	Count	Percent
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Sector Performer (Hold/Neutral)	9	56.3%	Sector Performer (Hold/Neutral)	6	66.7%
Sector Underperformer (Sell)	3	18.8%	Sector Underperformer (Sell)	2	66.7%
Restricted	1	6.3%	Restricted	1	100.0%

Paper & Forest Products Sector includes the following tickers: A, BOW, CAS, CFP, CFX.UN, CTL, DTC, FPS, IFP.A, IP, LPX, MERC, NBD, TBC, WFT, WY.

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