



[Set up slide - refer to slide 21 "Hold our position in the West"]

Intent is to determine extent of over capacity based on log supply projections and which facilities are best positioned - we used net margin as the indicator (cost is not appropriate because of the variation in lumber realizations)

1. Net margins - > NWH
2. Estimated margins of competitors based on sourcing, operating and marketing knowledge of competitors.
3. Competitor margins have dropped below this level in 1999.

EXHIBIT

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