



Oregon SAF Meeting
April 25, 2012



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PRESENTATION OUTLINE

- **Trends in Timberland Ownership**
- **Why Invest in Timberland?**
- **History of The Campbell Group**
- **Keys to Success in the Future**





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HISTORICAL PERSPECTIVE

30 Years Ago

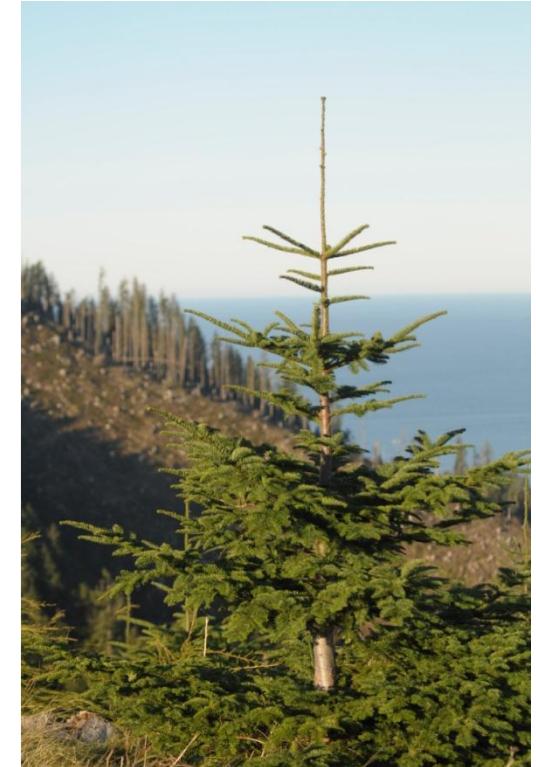
- Not a recognized asset class
- No effective investment vehicle in the asset for investors other than the public market or family operations

The Transformative Shift of Ownership

- Decades in the making
 - Positive attributes of the asset
 - Integrated FPCs – less efficient form of ownership
 - Difficult shift for prior owners
 - Timberland has produced positive results over the period 1987 forward

Past Decade – Timberland as an Investment

- More efficient forms of ownership
- Professional fiduciaries as managers
- Key portfolio attributes enhanced transformation
- Transformation of ownership which began as an idea in 1982 – slowly has taken place – some due to shareholder pressure
- Positive results achieved – expected to continue over long term



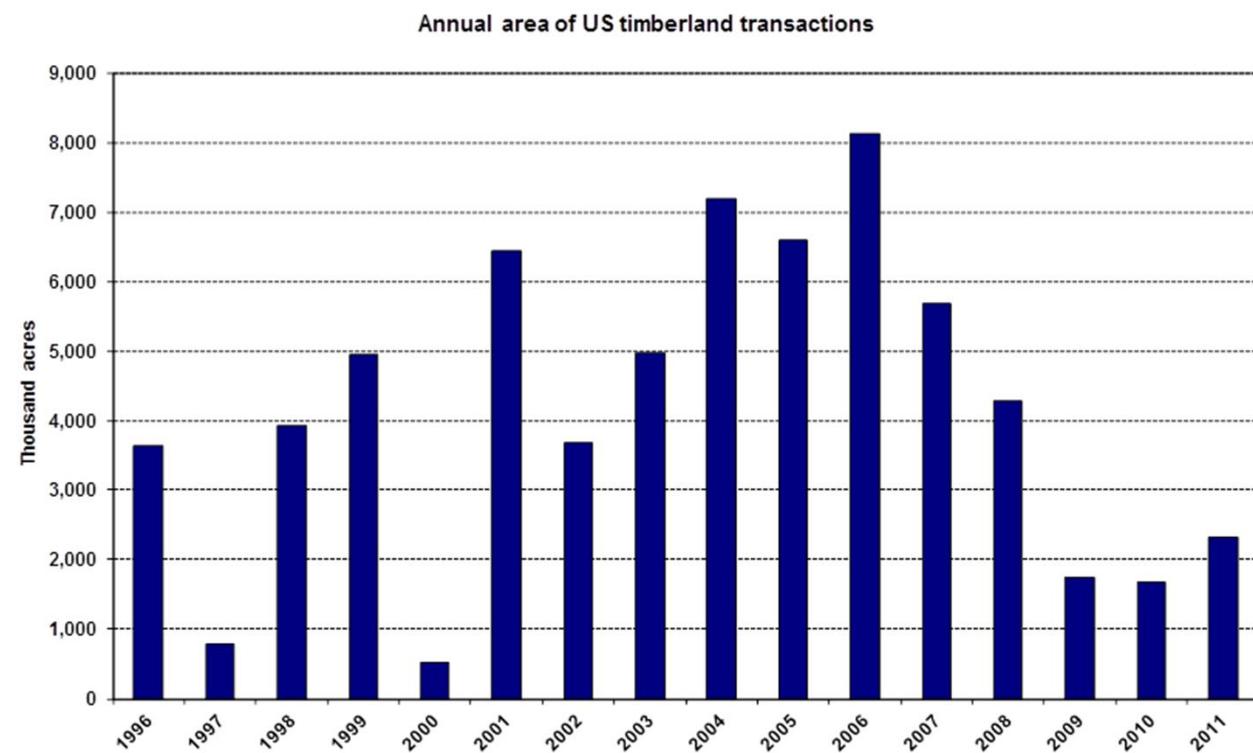


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U.S. TIMBERLAND INVESTMENT INDUSTRY

Transaction Activity

Since 1996, the rise in volume of timberland transactions has been significant. During this time, over 60 million acres have changed hands.



Note: Excludes REIT conversions
Source: TCG
[E01]



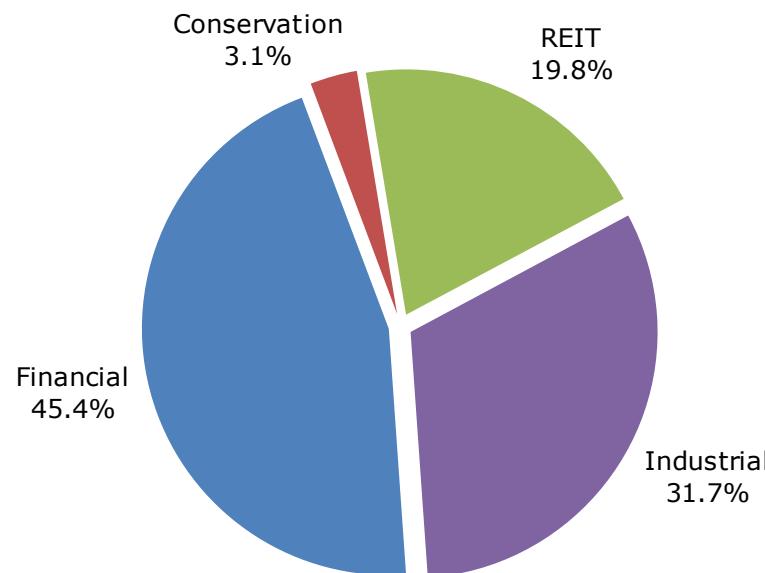
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U.S. TIMBERLAND INVESTMENT INDUSTRY

Major Operators

Consolidation continues/shift in ownership continues.

**Timberland Ownership 2010
(approximately 65 million acres)**



**Major Timberland Ownership U.S.
(000 Acres 2010)**

Plum Creek Timber Company Inc.	7,000
Weyerhaeuser Co.	6,200
Rayonier	2,100
Sierra Pacific	1,700
Potlatch	1,600
JD Irving	1,200
MeadWestvaco	775
Green Diamond	750
Roseburg	750
Huber	500
TIMOs (All) ⁽¹⁾	24,600

⁽¹⁾ DANA Ltd., 2010



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WHY INVEST IN TIMBERLAND?

- **Portfolio Diversification**
- **Regional Diversification of Products**
- **Inflation Hedge**
- **Biological Growth**



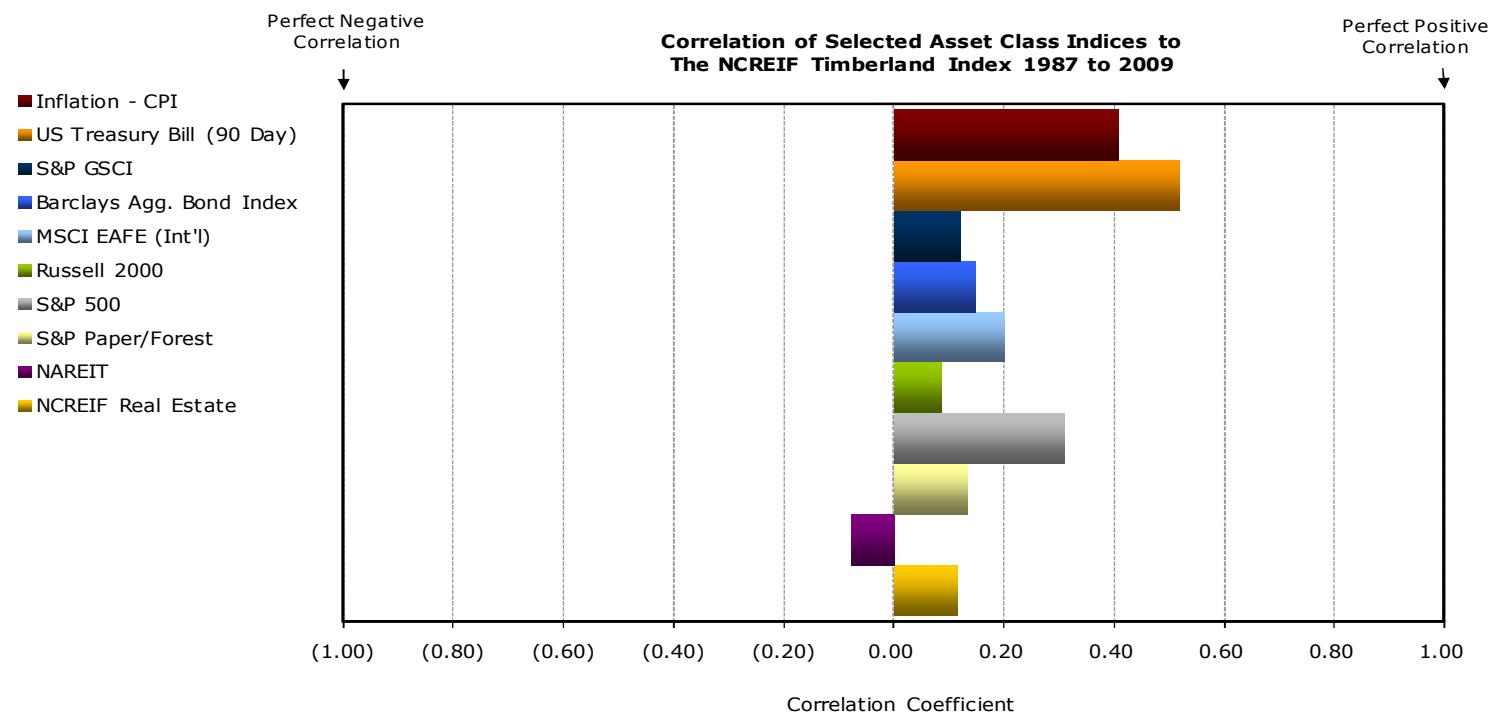


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WHY TIMBER?

Portfolio Diversification

Timberland has a low correlation with other major asset classes and is negatively correlated to real estate.



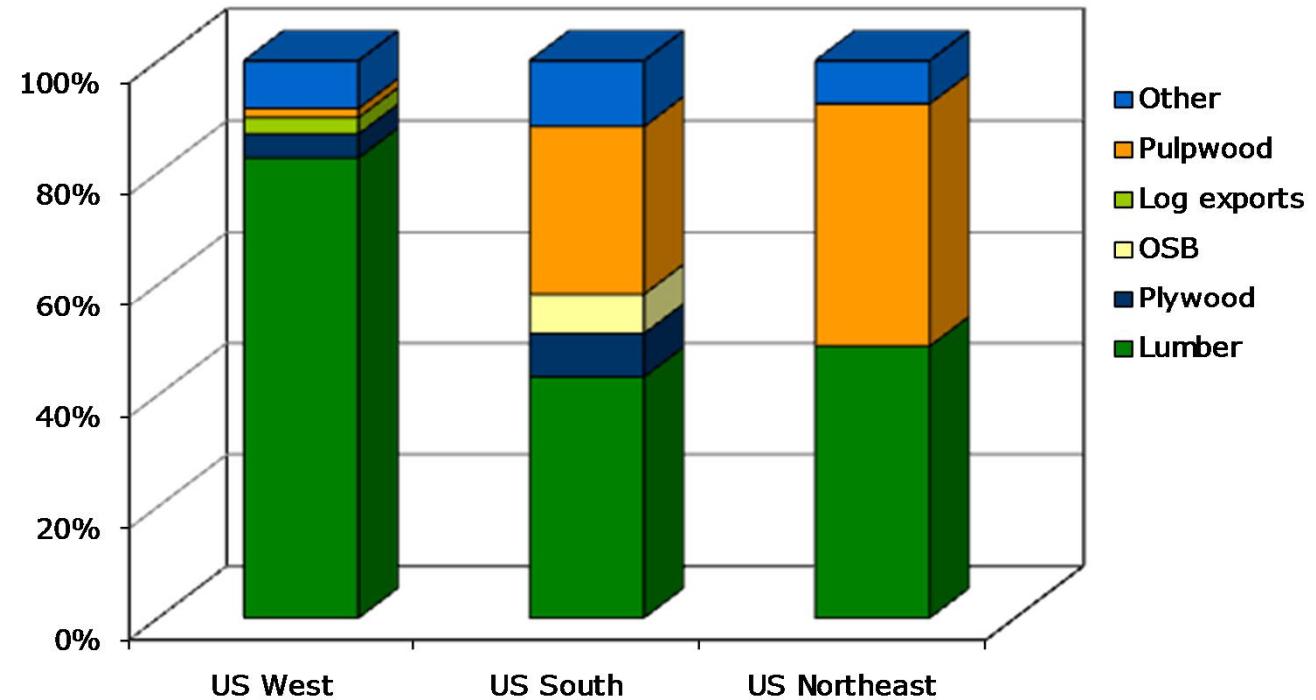


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WHY TIMBER?

Regional Product Diversification

Within the U.S. timberland regions, an investor can also achieve product diversification.



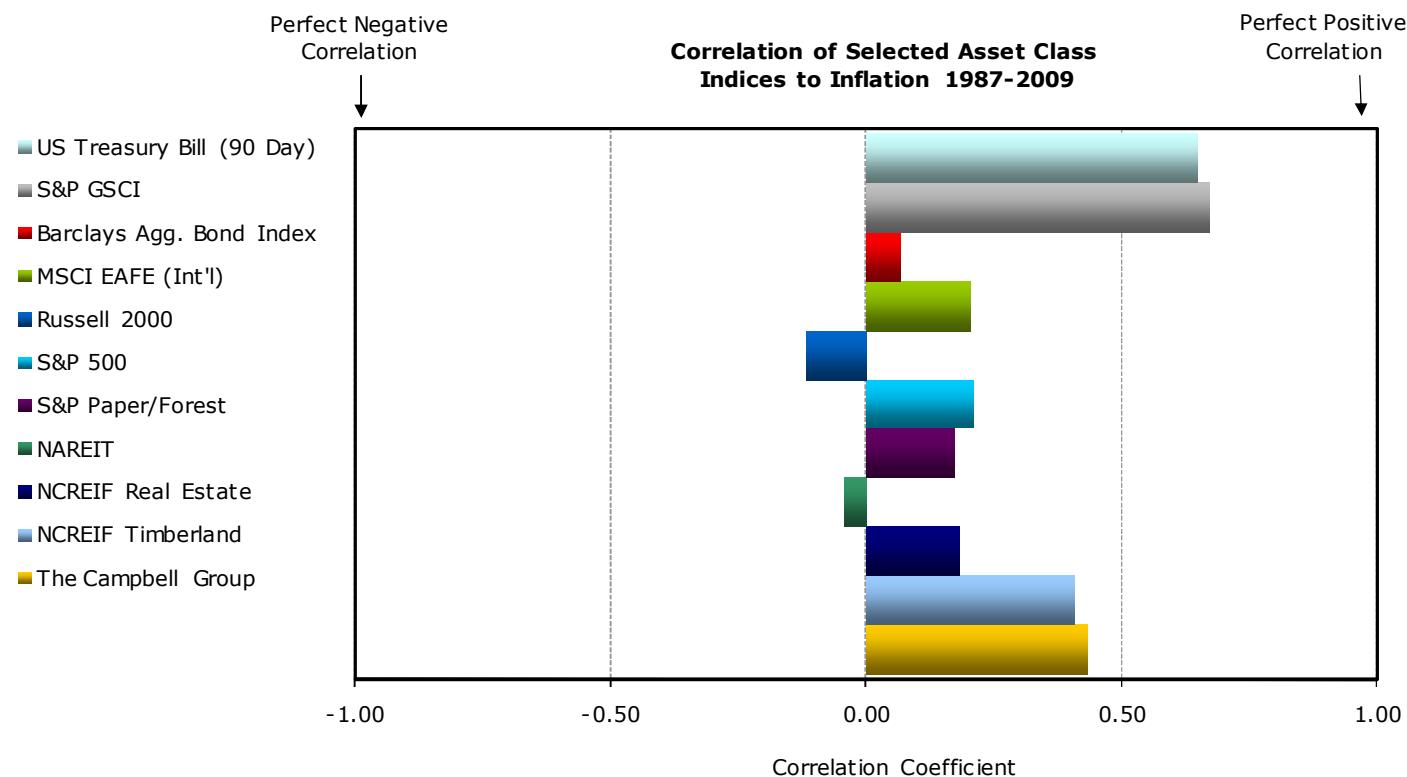


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WHY TIMBER?

Inflation Hedge

Positively correlated to the rate of inflation, which creates a hedge for the portfolio.





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WHY TIMBER?

Biological Growth

Timberland is unique as the biological growth component offers investors the opportunity for reliable asset appreciation. Over 50% of the investment return comes from natural biological growth.



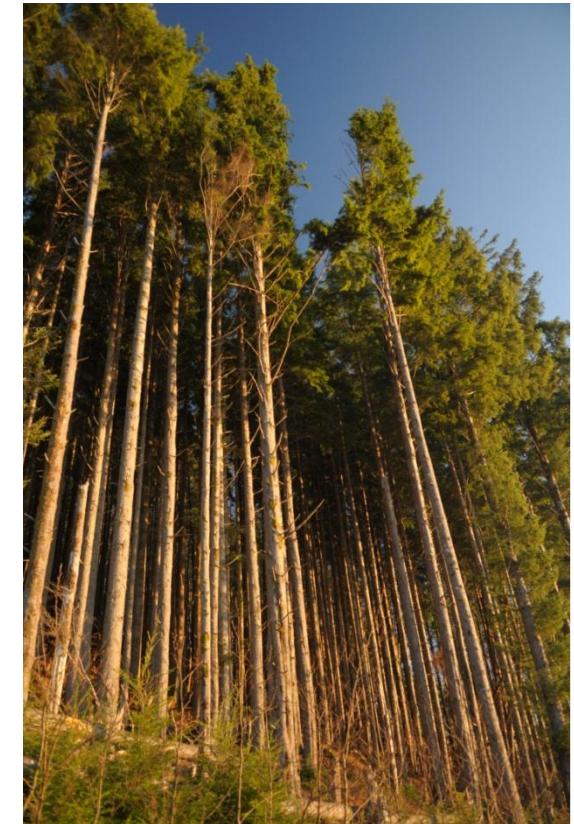


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OUR VIEW OF THE FUTURE

Timberland is a tremendous long-term asset.

- Supply factors – the U.S. is a consumer of wood
- Domestic demand exceeds domestic supply
- Household formation – the U.S. is a growing nation
- Upside due to current position in the cycle

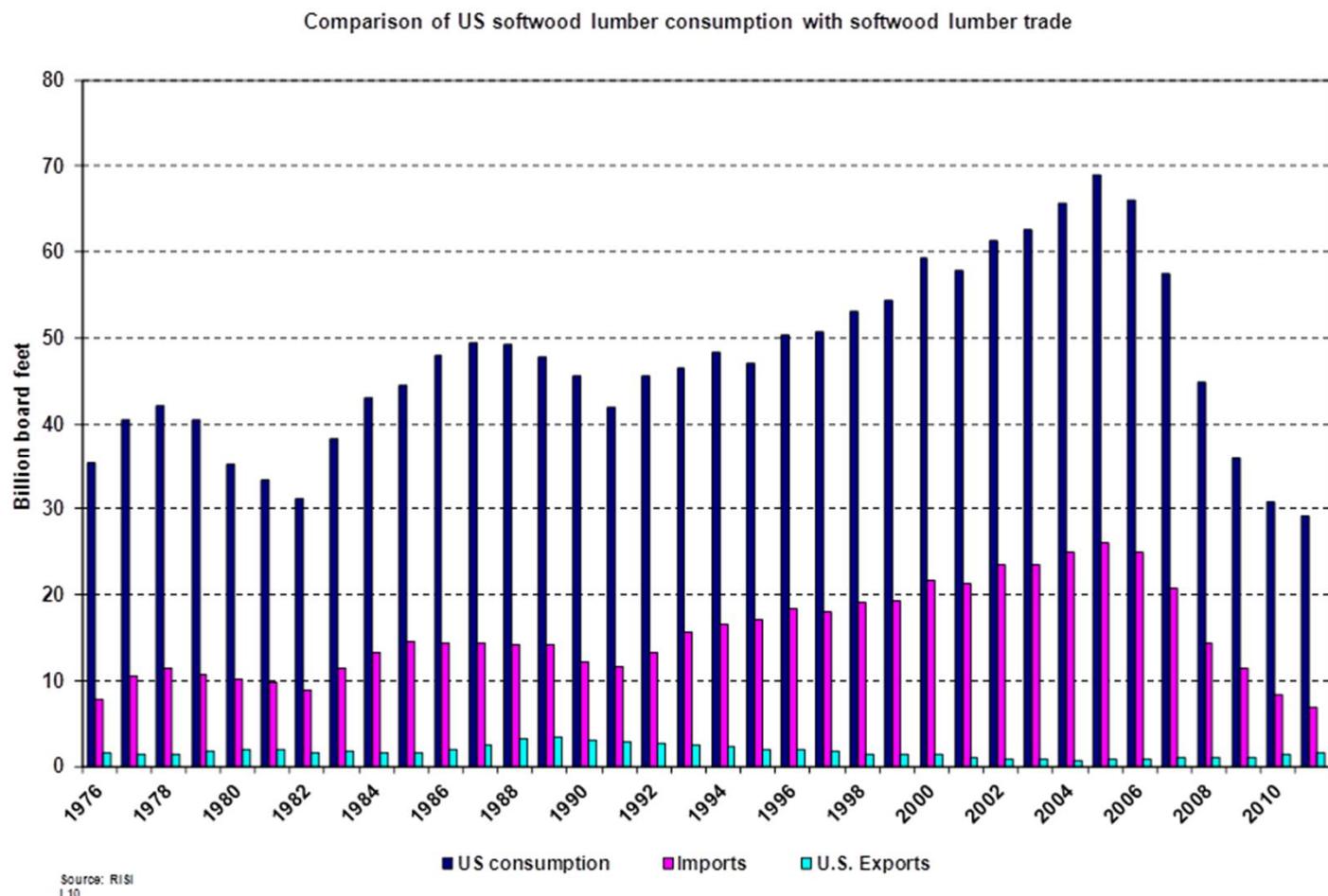




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SUPPLY FACTORS

The U.S. softwood lumber market is domestic, with imports of approximately 30-35% required to meet demand.



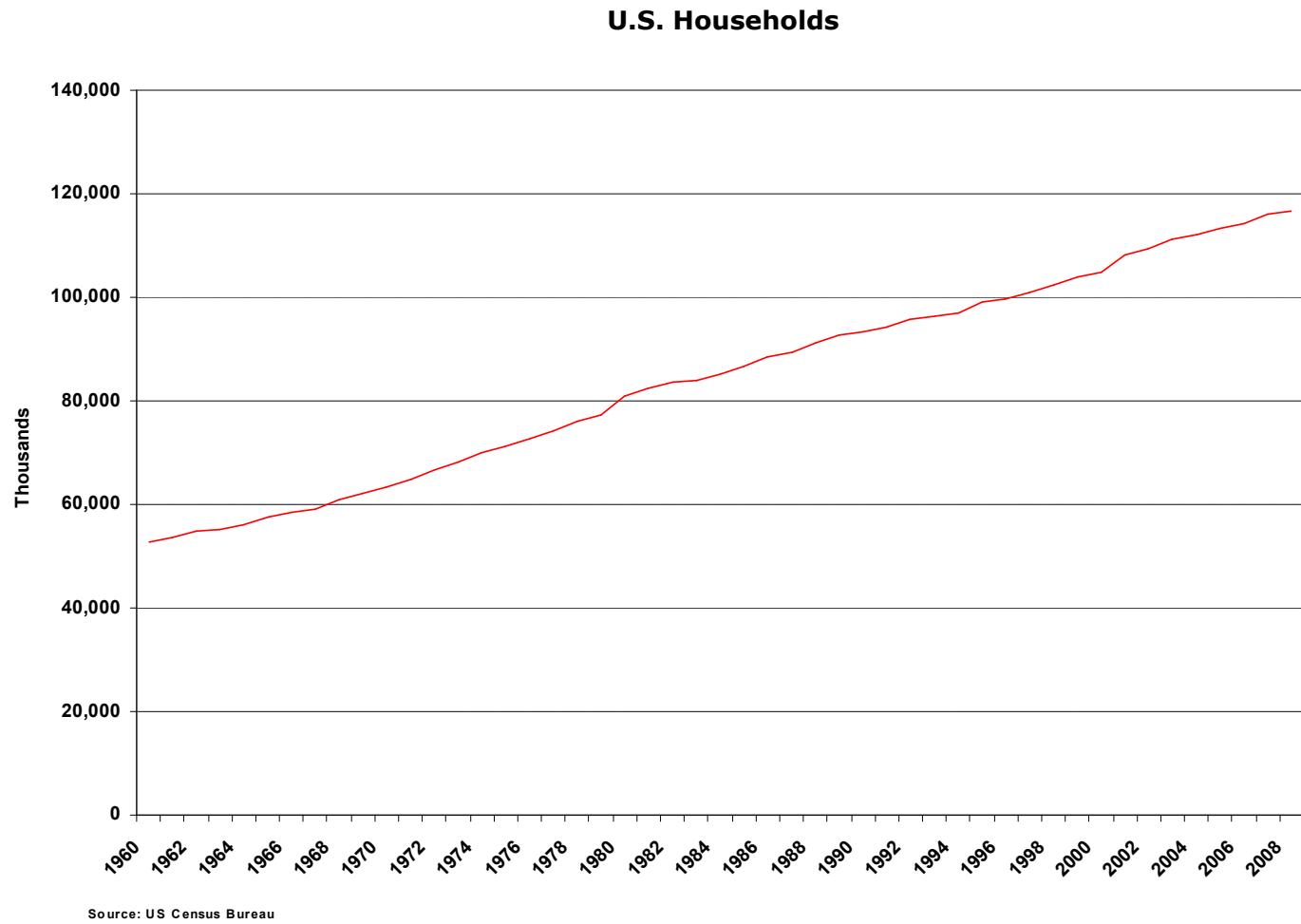


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DEMAND FACTORS

There are several positive demographic trends relating to wood consumption and timberland investment. The first of these trends is increasing household formations.

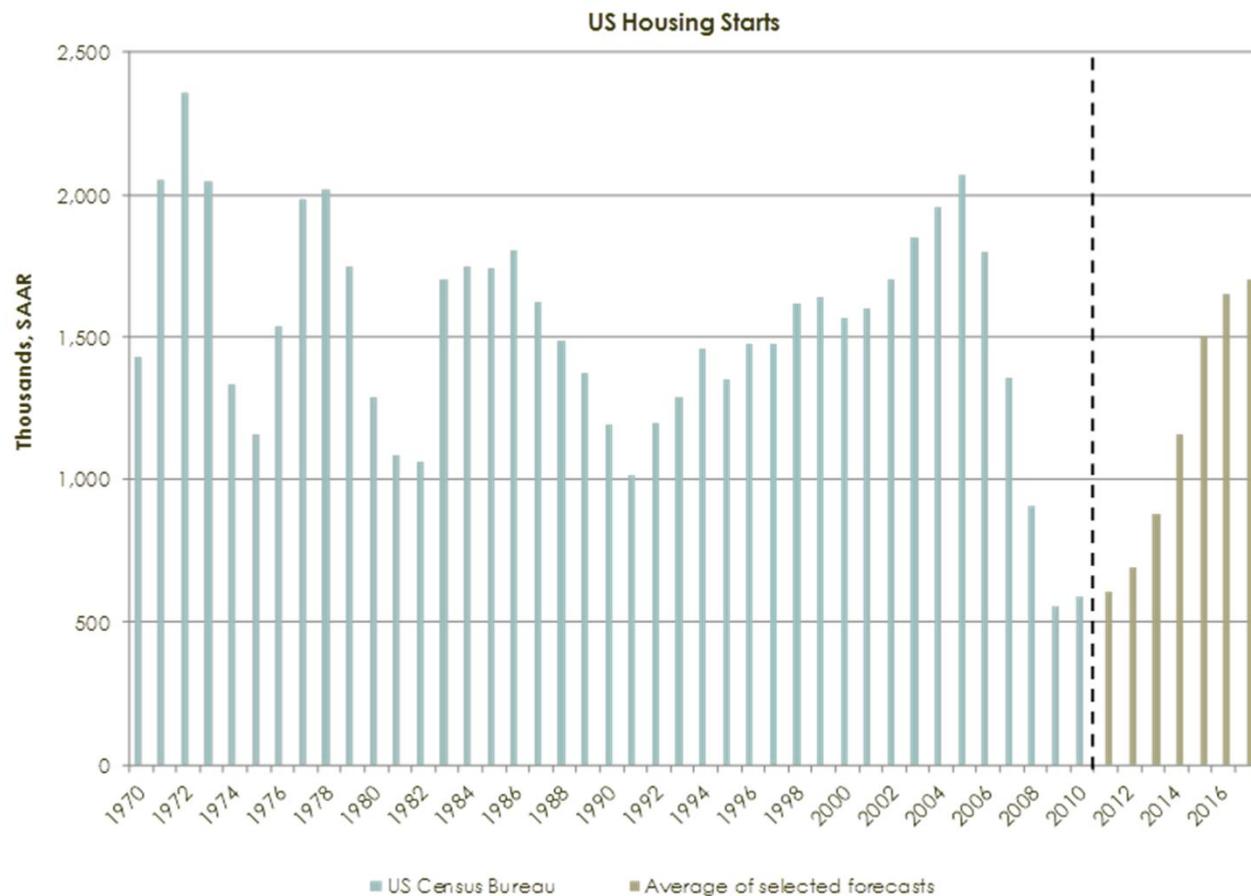




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HOUSING

One of the Numerous Drivers of Timberland Return is Cyclical



Sources: US Census Bureau, CVA, RISI, FEA, Consensus Economics, NAHB, NAR.
E03

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TIMBERLAND AS AN INVESTMENT

Summary

Portfolio Diversification and Returns

- Renewable resource - biology increases return
- Strong diversification characteristics
- Inflation hedge
- Long-term results are positive - exceeding most asset classes

Product Diversification - risk management

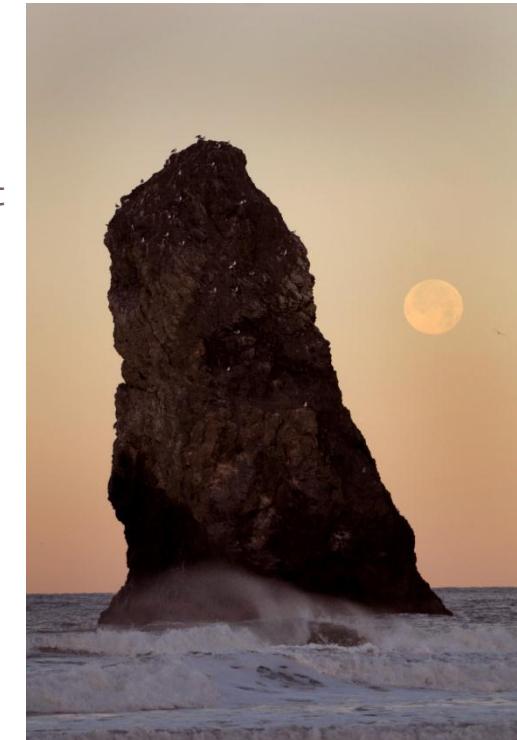
- Species and market diversity within each investment
- Diverse land uses and revenue sources
- Manageable physical risks

Demand Exceeds Supply - limited land base, increasing use

- U.S. cannot supply its domestic needs without import support - Canadian supply reducing

Positive Outlook

- Favorable supply/demand dynamic - strong wood use in U.S. - growing worldwide demand
- Housing formation/population trends
- Biological growth
- Market opportunities
- Long-term asset





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COMPANY OVERVIEW

Overview

- Founded in 1981
- Over \$5 billion in timberland assets under management*
- More than 3 million acres under management
- Employ approximately 300 staff members in 14 states

Commitment

- To timberland
- To our employees
- To communities in which we live

Experience

- Executive management team experience – average of 27 years
- Forestry management team experience – average of 25 years

Client Representation - over 45 clients:

- Institutional and individual investors
 - Public and Corporate Pension Plans
 - Endowments and Foundations
 - Family Offices and Individuals



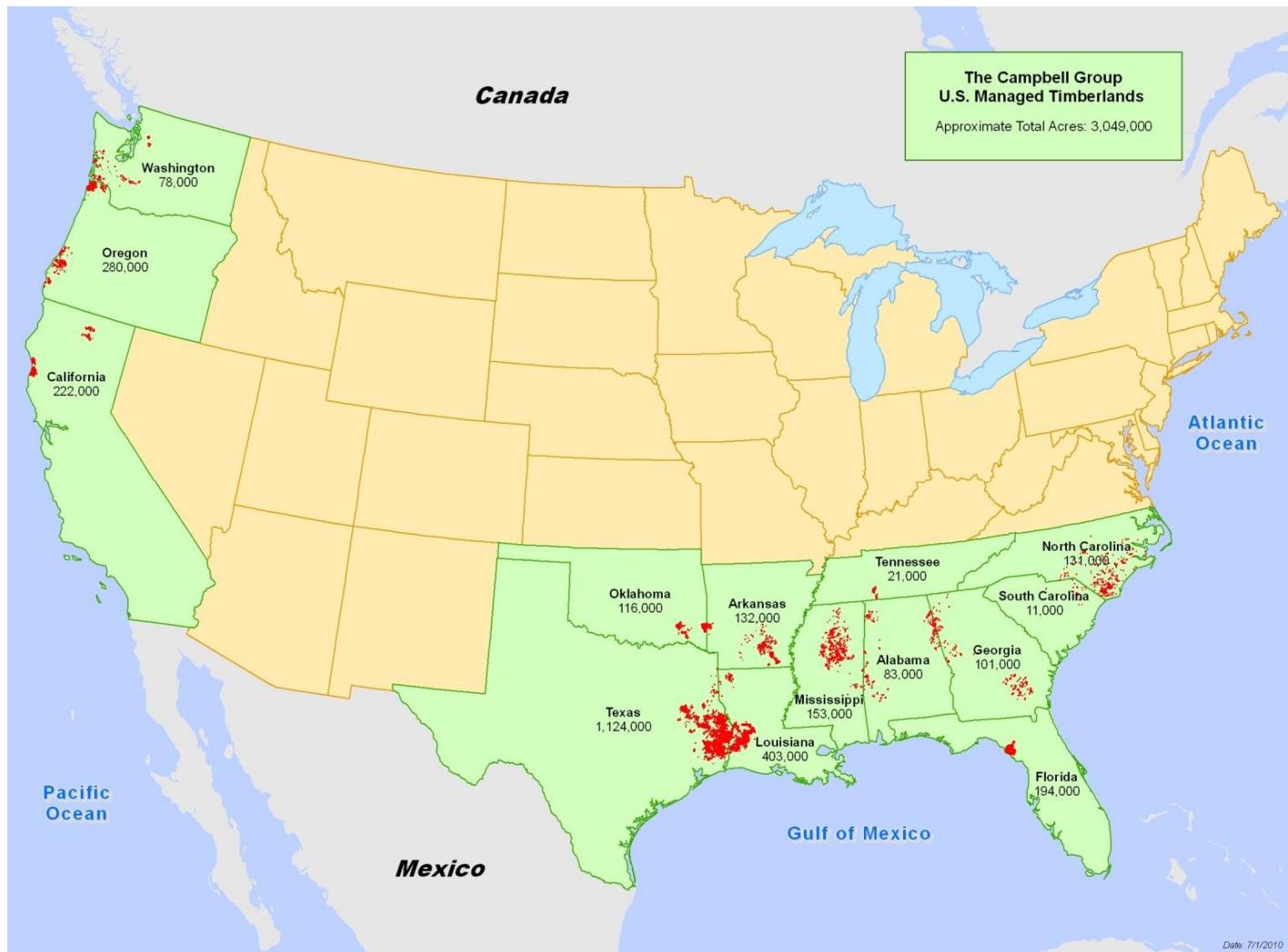


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THE CAMPBELL GROUP

U.S. Timberland Portfolio





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THE CAMPBELL GROUP STRATEGIC APPROACH AND DIFFERENTIATION

Large Transactions Provide Opportunity for Greater Return

- Premium above core rate
- Management/operating efficiencies
- Seek transactions which set us apart

Disciplined Approach to Investing

- Careful and deliberate
- In-house capacity to analyze significant deals (size, number, complexity)
- Transaction structuring expertise

Vertically Integrated

- Management of the forest by our employees
- Lower cost, increased accountability, and increased service to our clients
- Capacity to transition and establish operations on forests of any size

Core Values

- Integrity
- Service
- Quality
- Growth
- Fun

Competitive Fee Structure and Client Involvement

Value Added Approach



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FOREST MANAGEMENT

Value-Added Approach

Strategy

- Committed solely to timberland and timberland resources
- Vertical integration – employ dedicated on-site forestry professionals

Stewardship

- Company-wide forestland certification
- Sound relationship with regulators and environmental constituencies
- Prudent environmental management strategies
- Stewardship awards
- Willing to negotiate sale of sensitive lands to environmental groups and explore potential conservation easements

Silviculture

- Replant immediately after harvest with superior seedlings, allow for natural regeneration where economics are favorable.
- Plant species most economically suited to the characteristics of the property

Log Marketing

- Competitive bid process; consistently seek to secure the highest market values for timber products
- Balance domestic and export demands

Optimize All Potential Income Sources

- Lease income – rock quarries, cell towers, etc.
- Emerging energy markets (pellets/biofuels)
- Seek carbon credit programs





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KEYS TO SUCCESS IN THE FUTURE

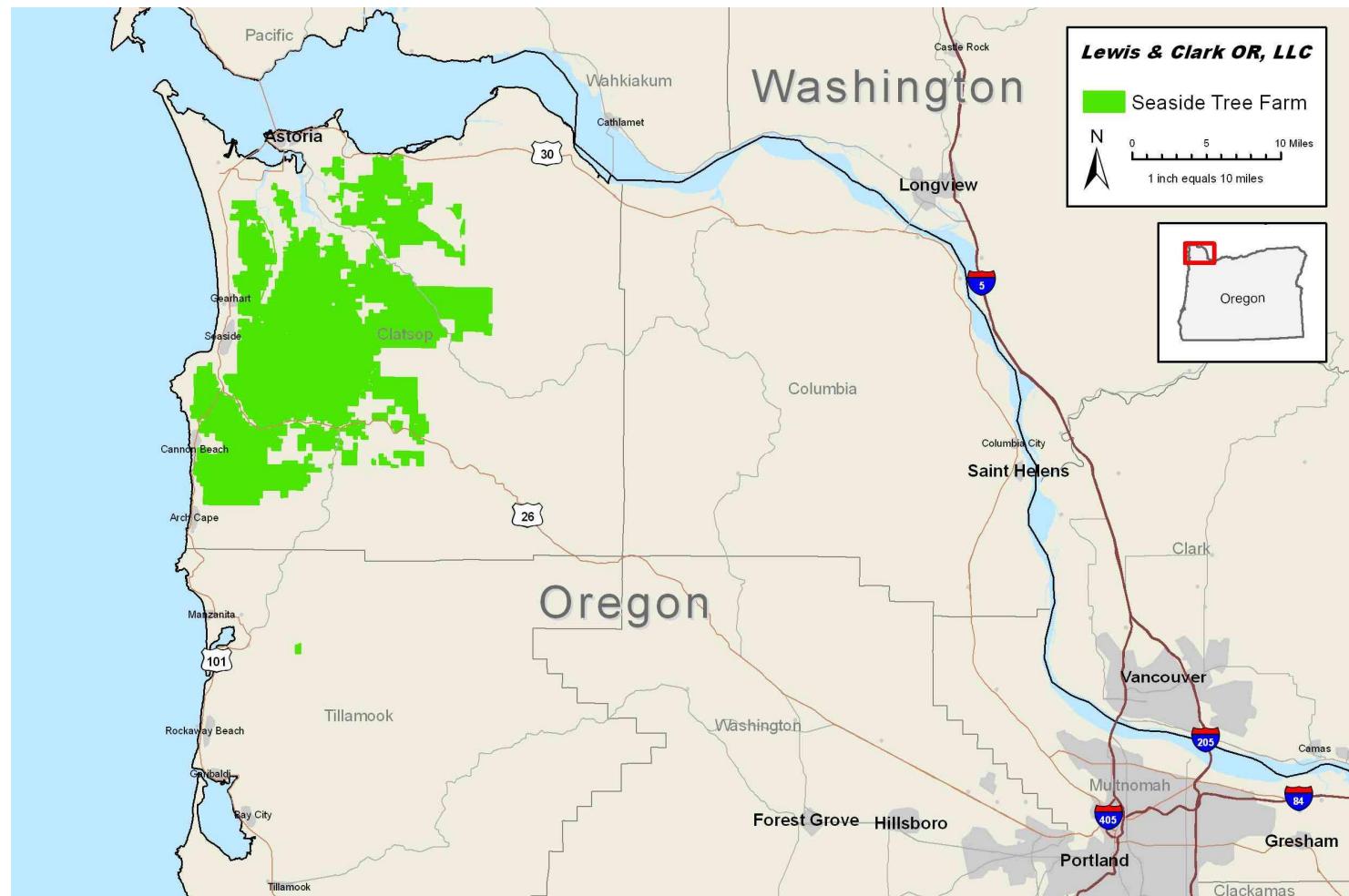
- **Building and Maintaining External Relationships**
- **Log Merchandising and Sales**
- **Landscape Scale Planning**
- **Monitoring and Research**
- **Environmental Enhancement**
- **Third-Party Forest Certification**
- **Community Interaction**





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CASE STUDY – LEWIS & CLARK TIMBERLANDS





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LEWIS AND CLARK PROPERTY HIGHLIGHTS

- **141,000 acres of high quality timberlands**
- **Located in markets with multiple mills and mill types**
 - Pulp wood chips
 - Lumber (softwood & hardwood)
 - Domestic and Export
- **Diverse, valuable timber species**
- **Predominately whitewoods (64%)**
- **Excellent management history**
- **Typical harvest rotation averages 45 years**
- **Alternative sources of income**
 - Cell towers
 - Mineral income (rock pits)
- **12 Campbell Group staff in local office**
- **Third-party contractors**
 - Timber Harvest ~ 180 jobs
 - Roads Construction & Maintenance ~ 40 jobs
 - Forest Management ~ 50 jobs





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External Relationships





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LOG SALES AND MERCHANDISING

- **Manage diverse needs of the customer base**
 - 13 Entities - Domestic and Export
- **Maximize total value of each and every tree harvested**
- **Reputation for delivering the right product at the right time**
- **Quality control and log accounting**

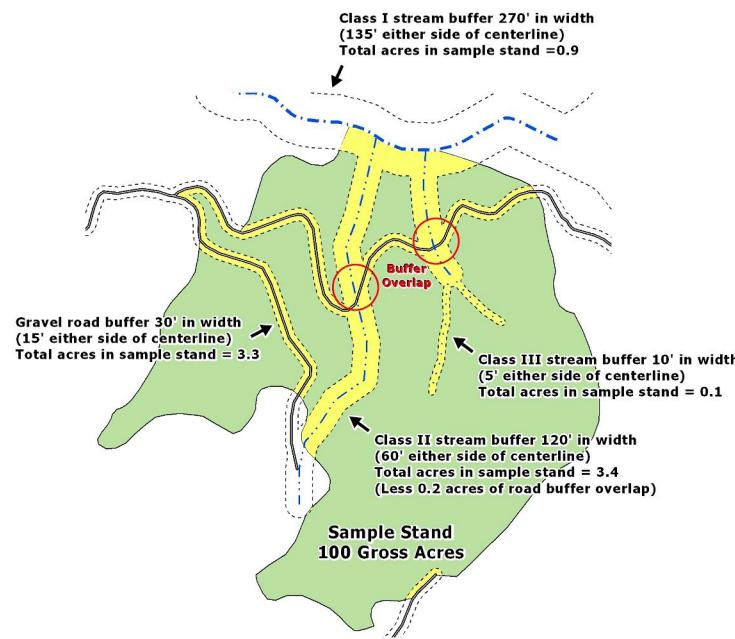




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LANDSCAPE SCALE PLANNING

Harvest Scheduling



Infrastructure Management





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MONITORING AND RESEARCH

- **SMC – Stand Management Cooperative (University of Washington)**
- **CIPS – Center for Intensified Plantation Silviculture (OSU)**
- **NWTIC – Northwest Tree Improvement Cooperative (OSU)**
- **HEMTIC – Hemlock Tree Improvement Cooperative (OSU)**
- **Trask – Doug-fir Tree Improvement Cooperative (OSU)**





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ENVIRONMENTAL ENHANCEMENT

- **Circle Creek Cooperative Restoration Project**
 - U.S. Fish and Wildlife Service
 - Oregon Watershed Enhancement Board
 - Oregon Department of Fish and Wildlife
 - North Coast Land Conservancy
 - Nacanicum Watershed Council
 - Trout Unlimited
- **Decommissioned approximately one mile of legacy stream-side road**
- **Removed five fish barriers, installed three new fish passable culverts**
- **New upland road construction**
- **Restored and enhanced stream habitat for aquatic species**
- **Completed project under budget in 2010.**



Before Treatment



After Treatment



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FOREST CERTIFICATION

- **Third-Party Certification is meaningful and Important to Investors**
- **2011 SFI Audit Results**
 - Recommended for Certification
 - Zero Non-Conformances
 - Notable Practices
 - Fish Passage Projects
 - Visual Impact Assessment Tool





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COMMUNITY INTERACTION

- **Property is open to the public for non-motorized recreation**
- **Established a “Hunter Hotline” for deer and elk enthusiasts**
- **Youth Education Tours**
- **Grow the Good Campaign**
 - Supported 16 local organizations in 2011





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SUMMARY

- **Ownership patterns have and will continue to evolve over time.**
- **Future outlook is promising for well-managed forest investments.**
- **The Campbell Group is a professional organization with high standards and a demonstrated track record of performance.**
- **Management practices on the Lewis & Clark property are setting a standard for future investments, providing a sustainable source of employment, ecosystem services, and recreational opportunities for local residents.**





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THANK YOU

