Boise Cascade

Competing in eastern Oregon's challenging business environment

Tom Insko
Region Manager
Inland Region

Boise Cascade

Boise Cascade Inland

Boise Cascade Inland

Northeast Oregon Facilities

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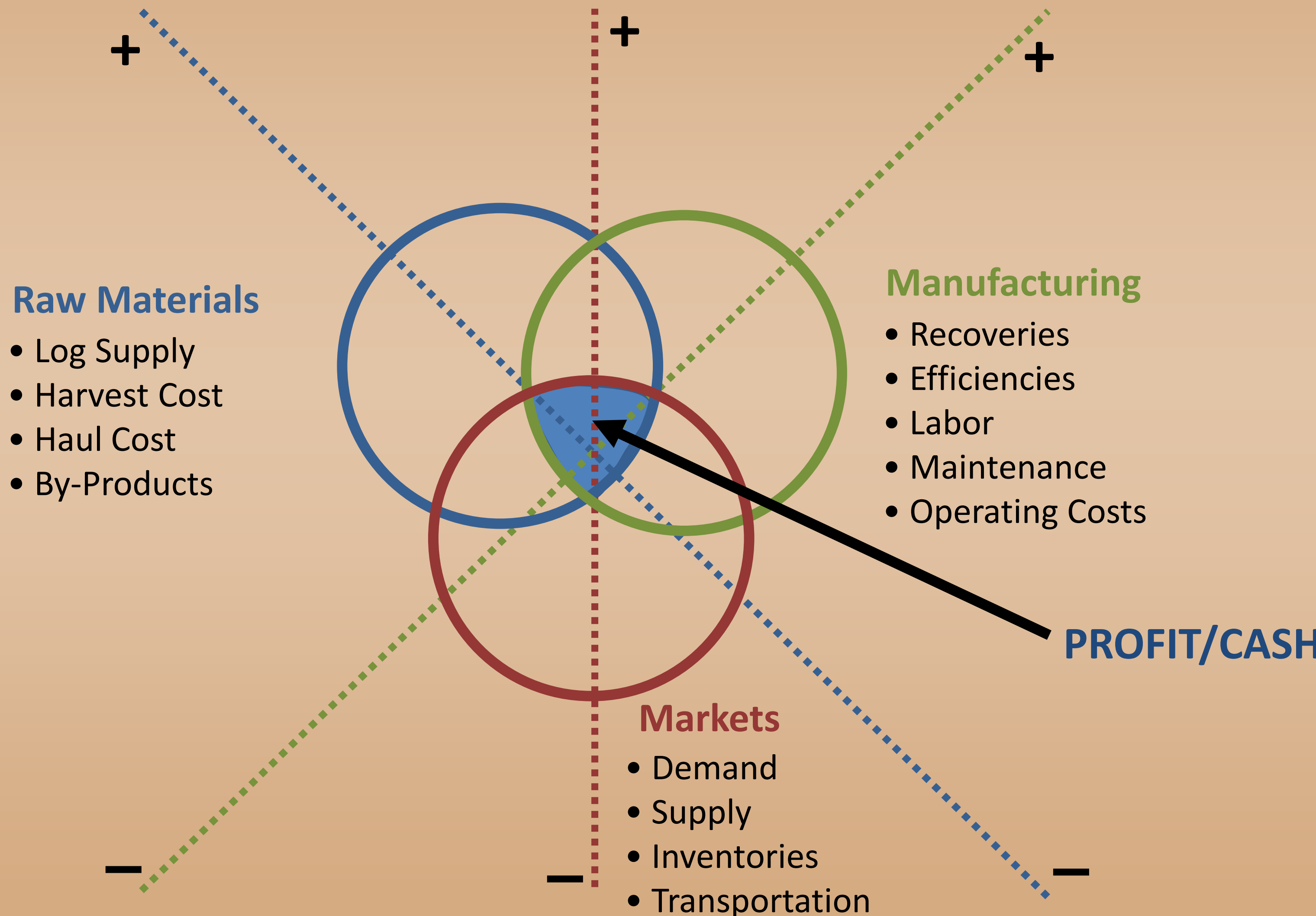
Business & Capital Decision Process



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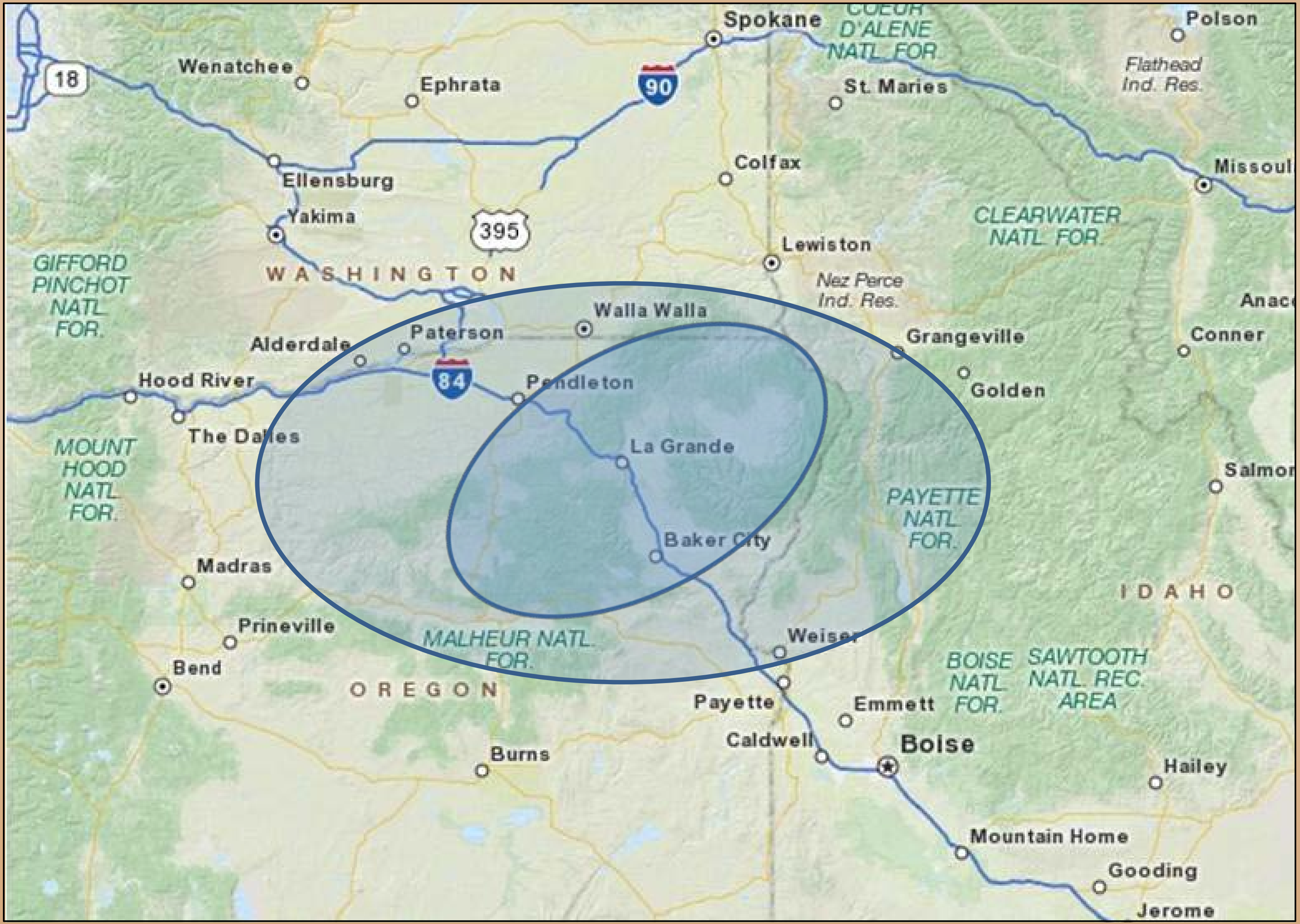
Log Supply

Design Manufacturing to Fit the Forest and its Needs



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Market Development

How to be successful through the cycle

How can we sell what we make?

Design the Product

Make the Product

Sell the Product

How can we create value with what we make?

Choose the Value

Provide the Value

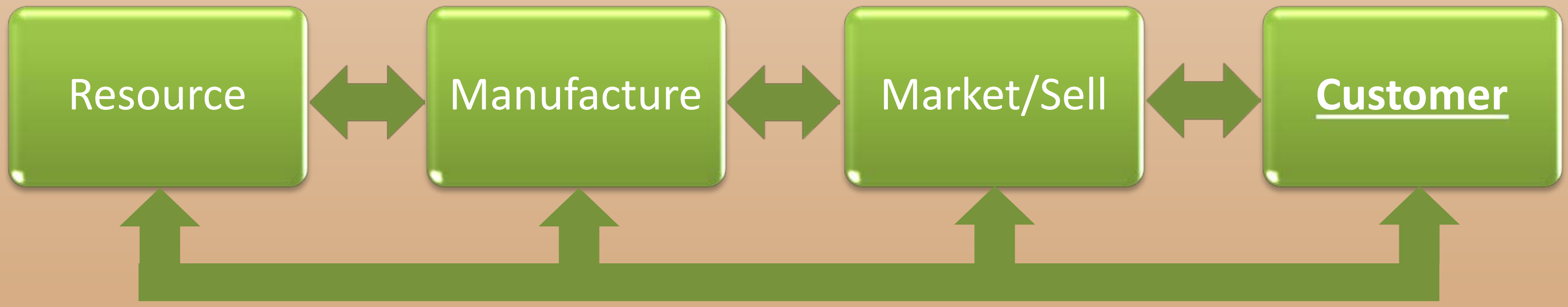
Communicate the Value

Market Development

Systems Approach

Traditional Commodity Approach

Whole Systems Approach



Customer Relations

Responsive, Resourceful, and Innovative

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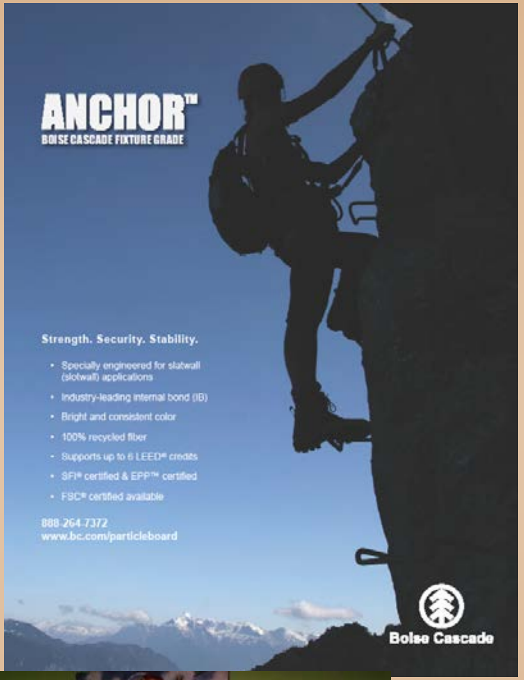

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Integrative Business Model

Fiber: Utilization and Value Optimization

RAW MATERIAL
- Sawtimber
- Nonsaw/Pulpwood
- Biomass

PRIMARY PRODUCTS
- Log Sales
- Whole log chips
- Veneer
- Plywood
- Green Lumber
- Studs
- Industrial Pine
- Pine Boards

CUSTOMERS

RESIDUALS
- Peeler Cores
- Sawdust
- Residual Chips
- Plytrim
- Shavings
- Bark
- Hog Fuel
- Log Yard Fines

RESIDUAL PRODUCTS
- Steam/Energy
- Particleboard
- Paper
- Landscape Materials
- Bedding
- Shipping Materials
- Soil Amendment

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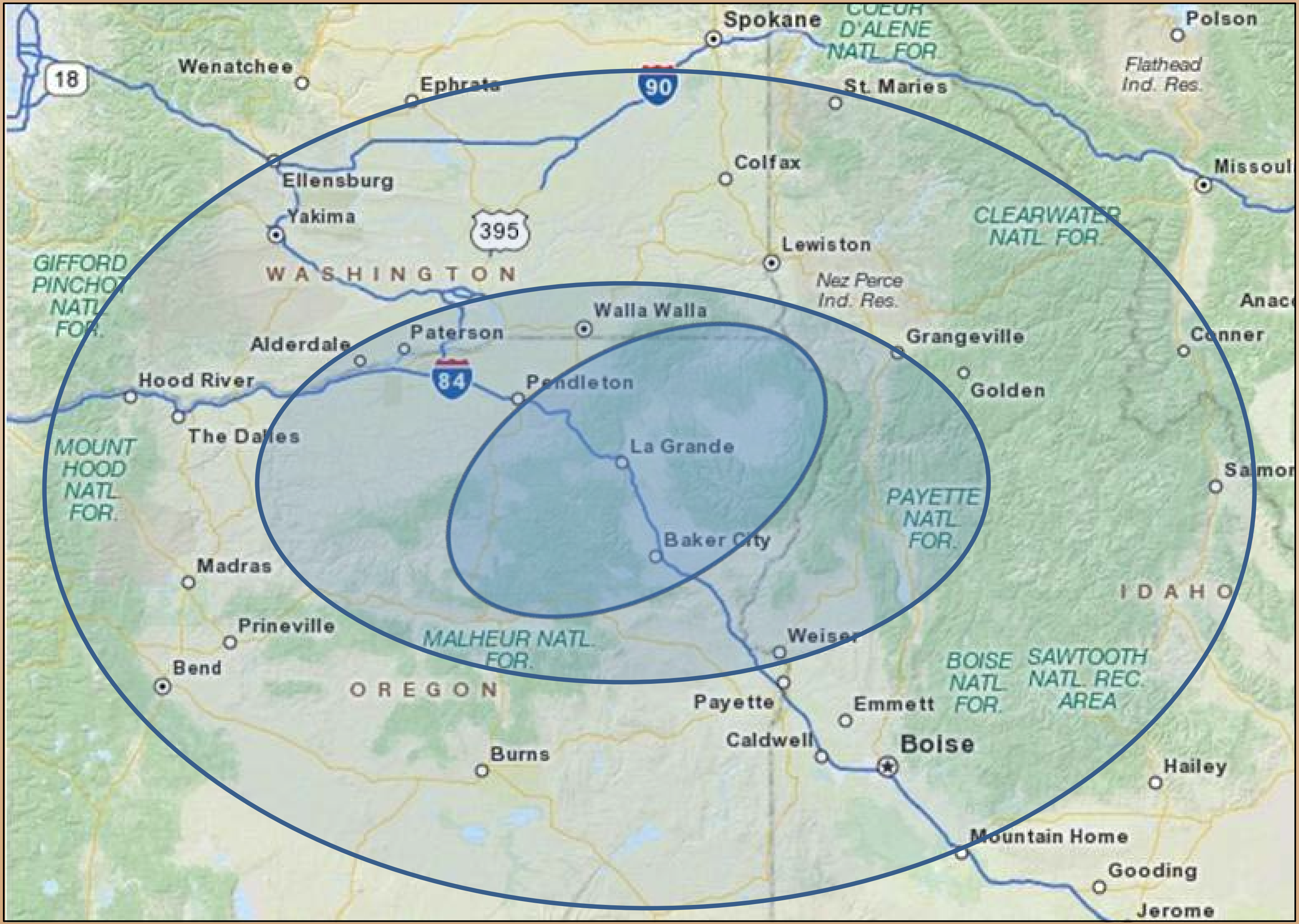
How Do We Survive?

- Poor economy and product demand
  - Housing depression
  - Over capacity
- Supply issues
  - Raw material availability
  - Transportation cost escalation
- Financing collapse
  - Customer credit
  - Cashflow

"We can complain because rose bushes have thorns, or rejoice because thorn bushes have roses." — Abraham Lincoln

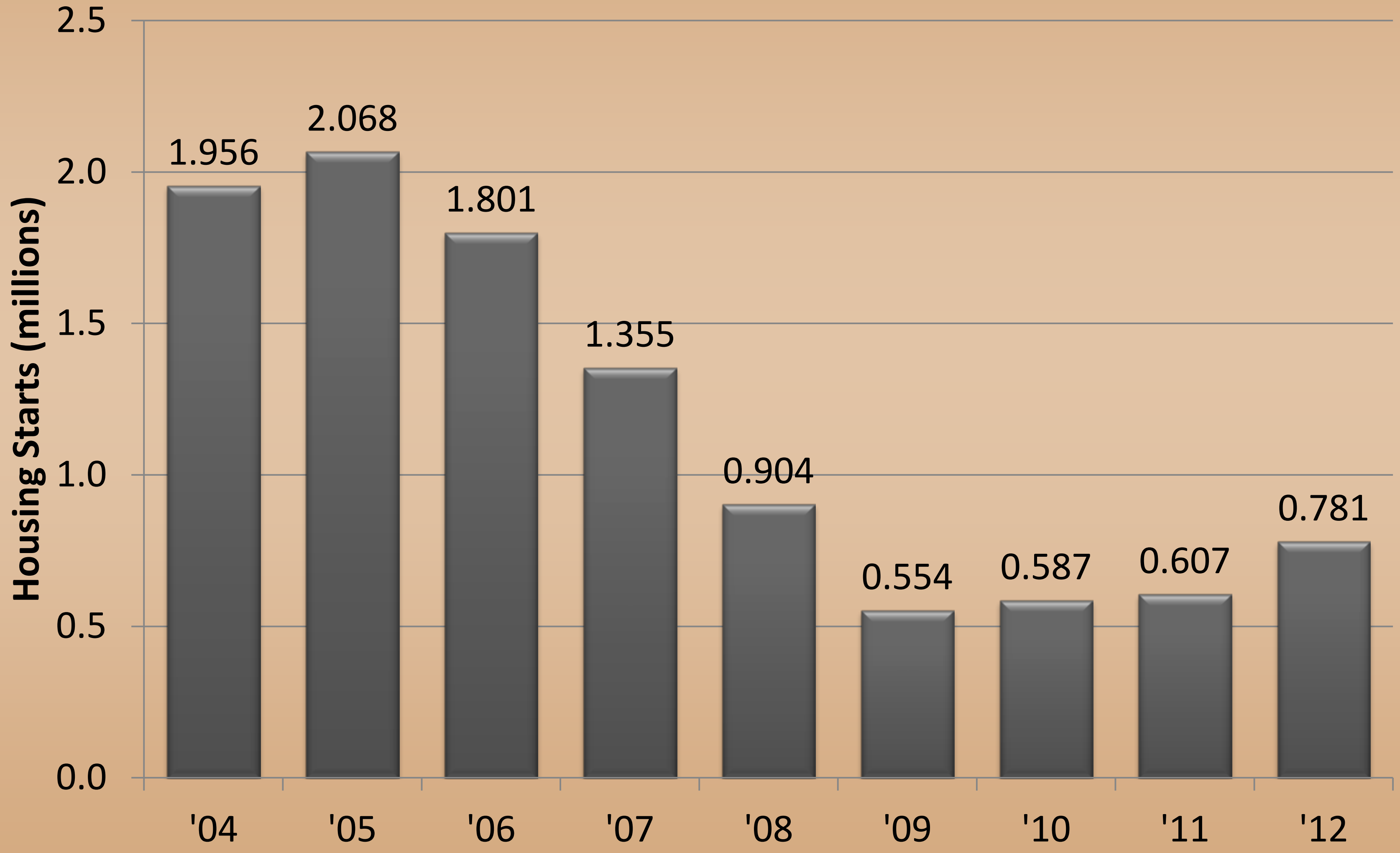
Log Supply - Procurement

Operating Circle ≈ 500 miles



Housing Starts

Actual 2004 – 2012 Housing Starts



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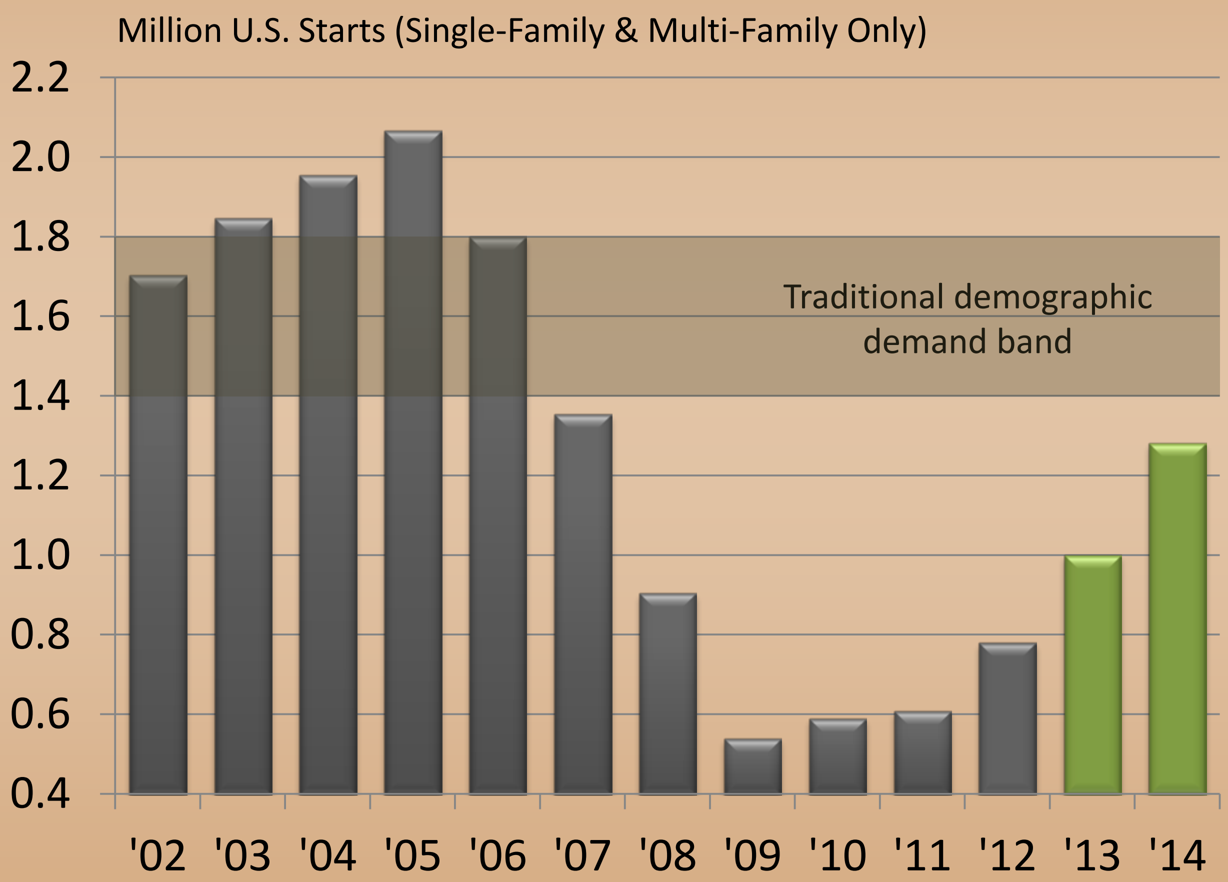
What Now?

- Demand is returning
- Maintained a highly capable organization
- But we have some huge challenges
  - Raw material supply
  - Infrastructure
    - Transportation
    - Logging
  - People
    - Leaders
    - Skilled trades

Outlook

Market – U.S. Housing Starts History and Forecast



APA Forecast:

	U.S.	Canada
2004 =	1.96	--
2005 =	2.07	.225
2006 =	1.80	.227
2007 =	1.36	.228
2008 =	.91	.214
2009 =	.54	.180
2010 =	.59	.195
2011 =	.61	.193
2012 =	.78	.215
2013 =	1.00	.185
2014 =	1.20	.175

*Add about 50,000 to 60,000 manufactured homes to get total housing production in the U.S.

Eastern Oregon Forests and Industry

Blue Mountain National Forests(Wallowa-Whitman, Umatilla, Malheur)

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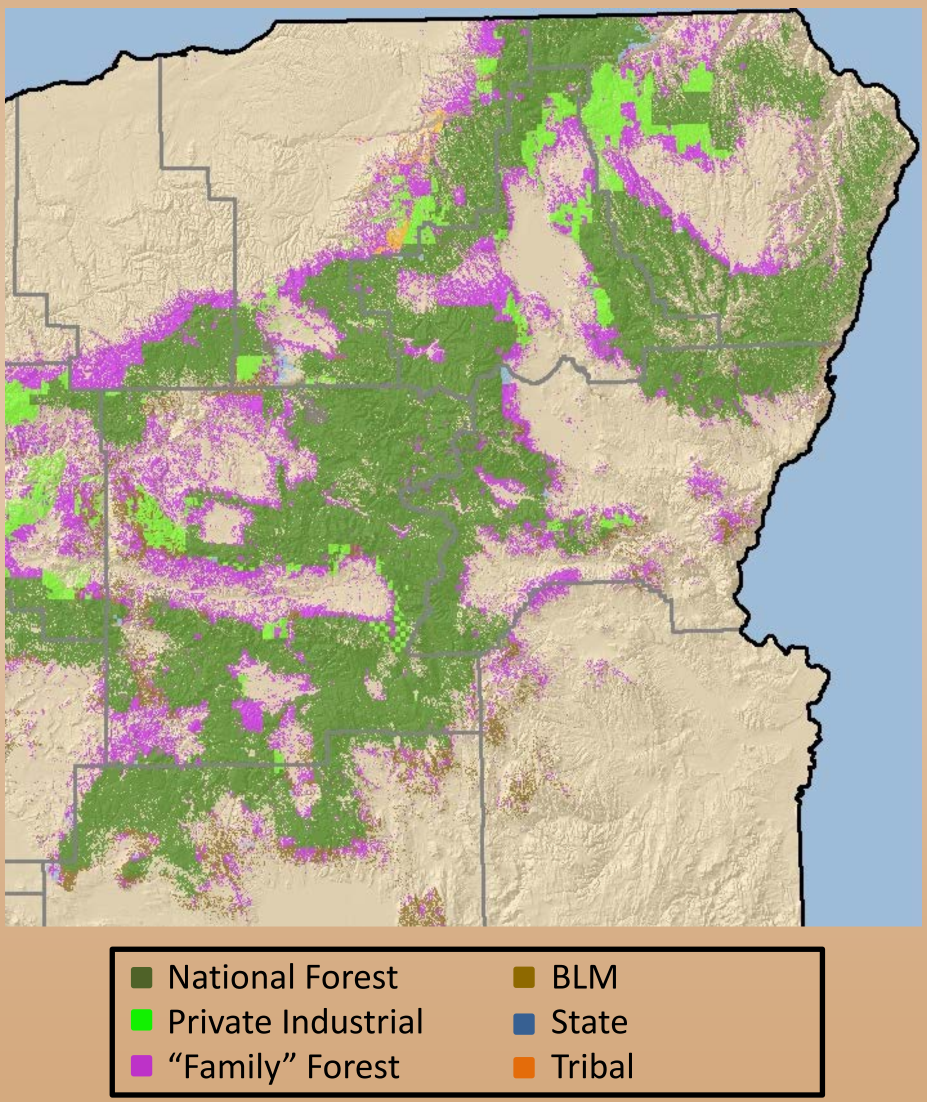
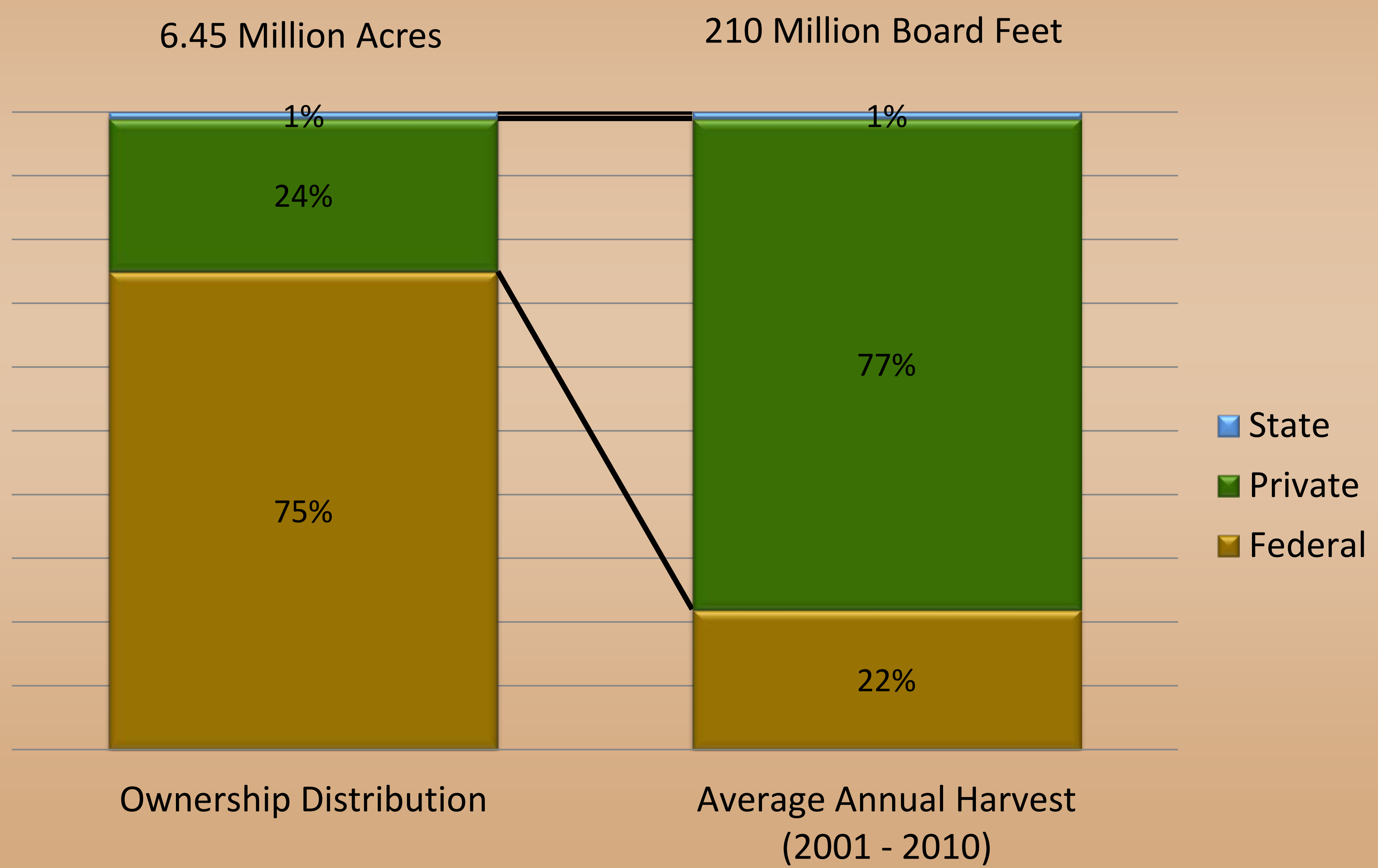


- Blue Mountain National Forests
  - 75% of commercial forest lands in 8 county region
  - 22% of harvest
- Excessive reliance on private forests in region
- Expanding procurement circle for industry
  - Transportation cost escalation
  - Lower efficiencies

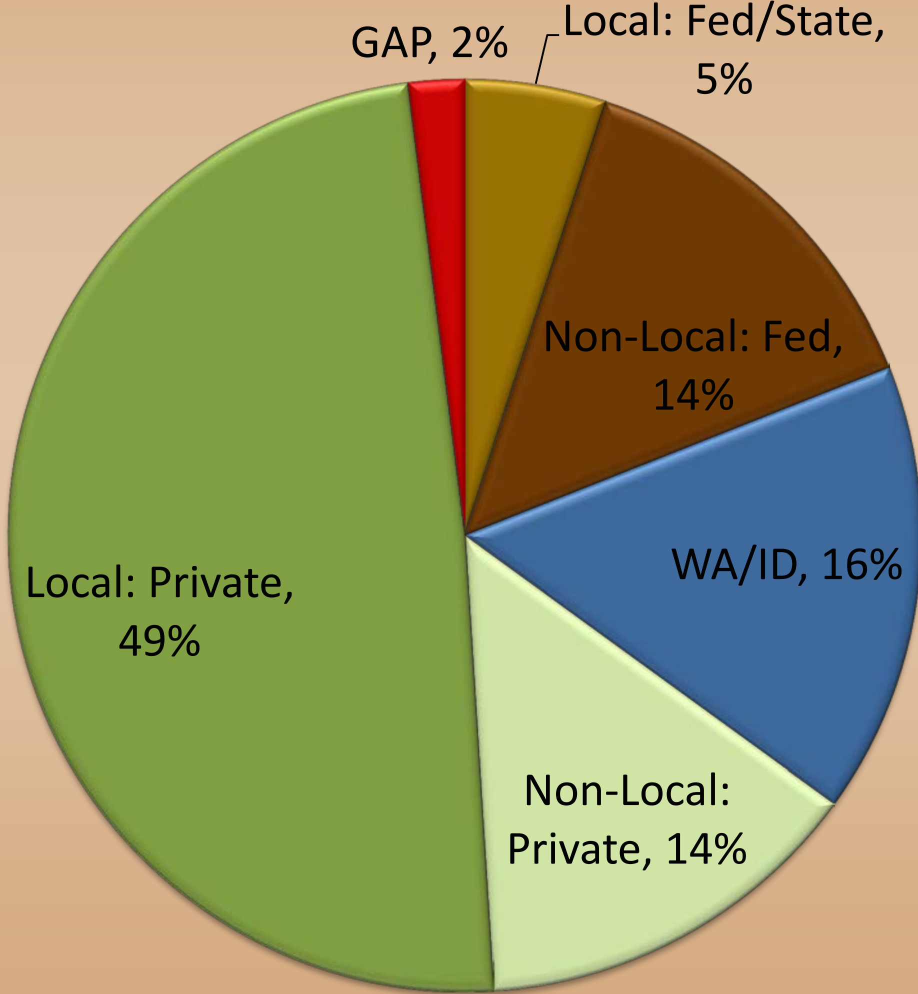
Eastern Oregon Forestland

Ownership and Sawtimber Harvest Distribution



Log Sourcing

Distribution for Northeast Oregon – 2012



Log Sourcing

Forecast Distribution for Northeast Oregon – 2015

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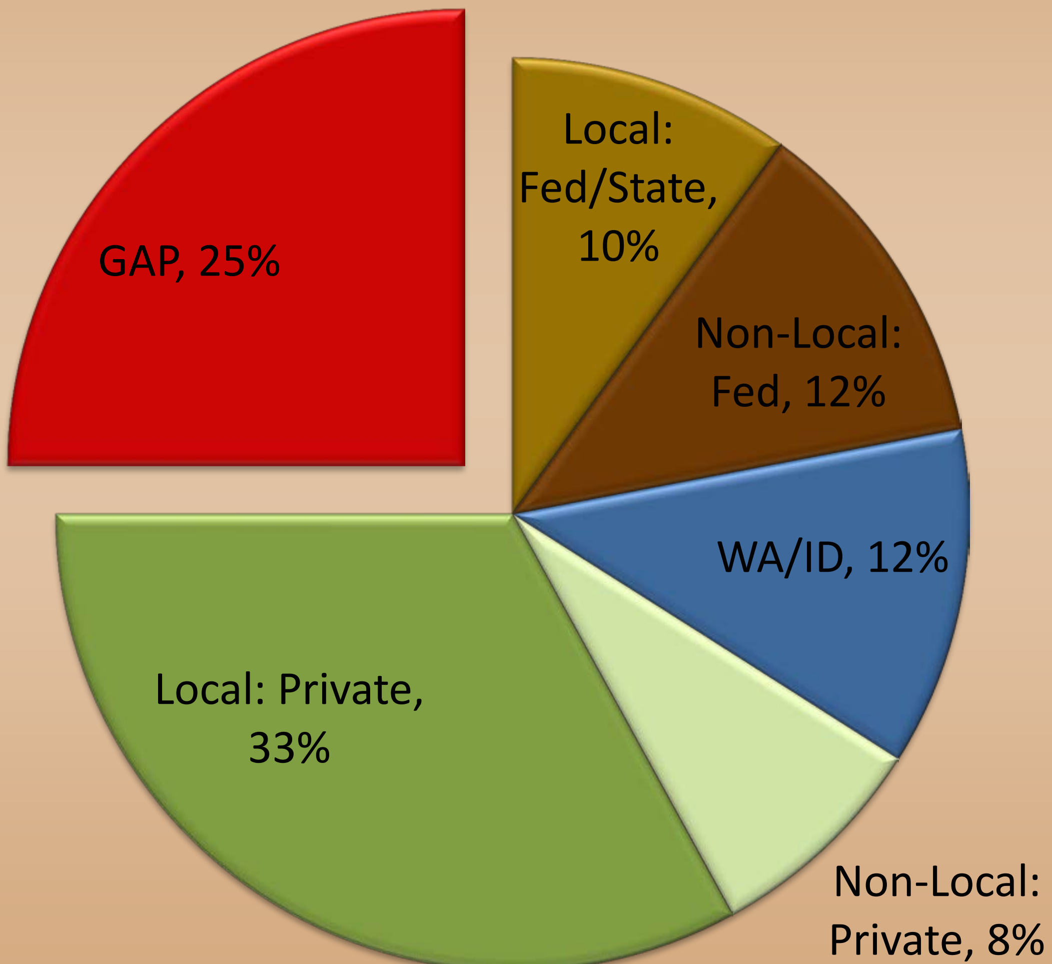

Blue Mountain National Forests

What is happening on the land?