



February 20, 2006

Paper & Forest Products

Sector Weighting:
Underweight

Spotlight On The Paper & Wood Stocks

February 13, 2006 - February 17, 2006

This Week's Highlight:

- **Canfor Corporation:** Difficult Q4, As Expected – Spin-off Of Pulp Business Announced

Also Included In This Issue:

- **West Fraser Timber Co. Ltd.:** Q4 Results Impacted By The Strong Canadian Dollar
- **SFK Pulp Fund:** No Cash Generation In Q4
- **North American Valuations**

All figures in Canadian dollars, unless otherwise stated.

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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	2001	2002	2003	2004	2005	2006E	Normalized	Current Price	Comments
NBSK Pulp (N.E.)	m. ton	\$880	\$547	\$462	\$525	\$617	\$611	\$655	\$630	\$625	Rising
Newsprint	m. ton	670	585	465	503	547	610	650	605	650	Flat
Uncoated Freesheet	sh. ton	990	715	692	628	676	727	770	700	755	Rising
Light Weight Coated	sh. ton	1,226	1,017	867	829	859	997	1,060	1,015	995	Flat
Linerboard	sh. ton	510	444	427	421	468	478	490	450	515	Flat
Lumber #2&Btr.	Mbf	250	286	270	278	394	353	305	310	340	Rising
OSB	Msf	245	159	160	380	369	319	225	205	275	Rising
Canadian Dollar	US\$	0.73	0.65	0.64	0.72	0.77	0.83	0.82	0.79	0.86	Falling

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

Canfor Corporation

Difficult Q4, As Expected – Spin-off Of Pulp Business Announced

(February 16, 2006)

Late on February 15, Canfor (CFP-TSX, Sector Performer) reported a loss of \$0.09/share for Q4/05. This loss is exactly in line with our estimate. Canfor also announced that it intends to separate its pulp business into an income trust, of which 20% will be distributed to shareholders.

This result is lower than the loss of \$0.07/share reported in Q3/05 and lower than the profit of \$0.09/share posted in Q4/04.

Canfor's results weakened quarter over quarter due to lower lumber and oriented strand board (OSB) shipments and the negative effects of a stronger Canadian dollar, which more than offset an improvement in pulp and OSB prices. Lumber prices remained generally flat quarter over quarter.

Canfor has reduced its capital expenditures plan for 2006 from \$300 to \$180 million. As a result, we are increasing our 2006E EPS estimate from \$0.87 to \$0.88. We are also increasing our price target from \$16.00 to \$16.50 to reflect the spin-off of 20% of the pulp assets and the cash generated in Q4.

Q4 Results

The lower shipments reflect seasonal factors as well as production problems at some lumber and OSB operations.

On October 28, 2005, Canfor signed an agreement with the province of British Columbia, in which Canfor received \$57.0 million in compensation for the loss of 20% of its replaceable tenures under the province's Forestry Revitalization Plan, and a \$5.0 million advance payment against lost infrastructure and road construction costs. The effect of the timber take-back resulted in a reduction of approximately 2.4 million cubic metres to Canfor's existing allowable annual cut on its replaceable tenures. The implied price of \$23.75/m³ places a lower bound on the value of cutting rights in the B.C. Interior.

There are some concerns that stumpage fees on beetle-killed wood will increase in April 2006. The increased salvage harvesting in B.C. at low stumpage fees (\$0.25/m³) has reduced the B.C. government's revenue by roughly \$300 million per year. The provincial government is expected to increase stumpage fees on beetle-killed wood and reduce stumpage fees of green wood to recover this loss. It is too early for the company to provide an estimate on the impact, but we think it could be a negative for companies like Canfor and West Fraser (WFT-TSX, Sector Outperformer) that are harvesting significant volumes of beetle wood.

Canfor expects lumber demand during 2006 to remain relatively strong through the first half of the year. As a result, it expects lumber and panel prices to increase in the first quarter and gradually decline during the rest of the year as the full impact of rising mortgage rates and higher housing prices affects consumer spending and new home construction.

Pulp Trust

The Pulp Income Trust is proposed to be completed through a plan of arrangement under which Canfor will distribute a 20% interest in the Pulp Income Trust to its shareholders and retain an 80% interest. The trust would include the Northwood pulp mill, Intercontinental pulp mill and Prince George pulp and paper mill, together with associated management and employees. Completion of the Pulp Income Trust is subject to a number of approvals, including approval by Canfor's shareholders and lenders and the Supreme Court of British Columbia, as well as receipt of a tax ruling confirming the expected treatment of the distribution of trust units as a return of capital to Canfor's shareholders. A special meeting of shareholders to approve the Pulp Income Trust is expected to occur in June 2006.

The Pulp Income Trust assets earned approximately \$60 million of EBITDA in 2005. The Pulp Income Trust's earnings going forward will be enhanced by lower fibre costs and the recently completed cogeneration project. In July 2005, the Pulp Income Trust's mills revised the contracted price it pays for fibre to reflect a price more consistent with prices available on the open market. The Pulp Income Trust's EBITDA would have been approximately \$135 million had the full benefit of the lower chip prices and the full benefit of the cogeneration project been realized in 2005.

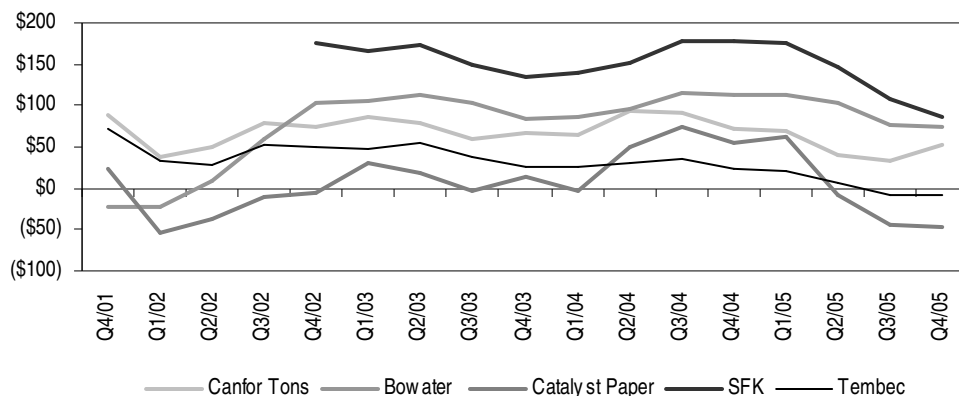
Annual maintenance capital expenditure requirements for the Pulp Income Trust are estimated to be approximately \$30 million. The Pulp Income Trust is expected to have total debt of approximately \$125 to \$150 million. The Pulp Income Trust's cash available for distribution in 2005 is estimated to have been approximately \$95 million, including the benefits of the lower chip pricing and the cogeneration project. The fund intends to distribute approximately 85% to 90% of its cash available for distribution to investors.

The Pulp Income Trust will have a long-term fibre supply agreement under which Canfor will continue to provide the Pulp Income Trust with residual wood chips. Over the short and medium term, Canfor anticipates that there will be ample fibre available as a result of increased harvesting due to efforts to control a mountain pine beetle infestation. However, in 10 to 15 years from now, we expect a significant decline in chip availability as the beetle-wood harvesting comes to an end.

We think that there are several reasons why the assets are being spun-off rather than sold through an IPO:

- Given the volatility of pulp prices and the sensitivity of these operations to the value of the Canadian dollar, we are not convinced that these pulp mills are well suited for an income trust structure.
- Canfor's balance sheet is already over-capitalized, and thus the company does not need the cash that an IPO would have generated.
- The weak track record of these operations in terms of profitability (see Exhibit 2). A sale would be easier once the company can show improved results as expected. It would be difficult to sell a trust just on the expectation of improved results. For 2005 as a whole, Canfor's pulp segment generated an average EBITDA margin of about 8% versus. This compares to roughly -7% for Catalyst, -2% for Tembec, 12% for SFK Pulp and Bowater, 18% for Metsa Botnia and 48% for Aracruz.

Exhibit 2. EBITDA Per Tonne Of Pulp (LTM)



Source: Company reports and CIBC World Markets Inc.

Strategically, we think it makes sense for Canfor to focus on building materials. Arguably, the two most important long-run strategic challenges facing Canfor are: 1) how to diversify its solid wood business outside of B.C. before the "beetle-wood" runs out; and 2) how to exit the market pulp business. We agree that the proposed transaction is one of the best ways to exit the business. The eventual full exit from the pulp business would also improve the company's free cash flow given the capital intensity of pulp operations.

Although the profitability of the pulp business will remain volatile, we think the proposed spin-off is positive for shareholders as well. Despite its current difficulty and the suspension of its distributions, SFK Pulp Fund (SFK.UN-TSX, Sector Underperformer) is still trading at a premium relative to Canfor (a full one multiple point on a normalized basis). Because of the tax advantage, Canfor's pulp EBITDA will likely be valued at a higher multiple under a trust structure than within its own entity.

Exhibit 3 summarizes the impact on the company's valuation of the spin-off. Using SFK's valuation, we estimate the value the pulp trust at roughly \$1.5 billion. The spin-off of 20% of the trust will create roughly \$300 million, but would reduce the value of the remaining assets by roughly \$265 million, resulting in an incremental value of \$38 million, or \$0.27/share. As a result of this incremental value and the cash generated in the quarter, we are increasing our price target on Canfor from \$16.00 to \$16.50.

Exhibit 3. Pro Forma Valuation

	2005A	2006E	Normalized	Average
EBITDA Current Structure:				
Canfor	\$238	\$207	\$311	
Pulp	65	170	162	
Total	302	378	473	
EBITDA Pro Forma:				
Canfor	167	137	241	
Pulp Trust	135	241	232	
Total	302	378	473	
Pulp Trust Pro Forma Distributable Cash	95	201	192	
Pulp Trust Pro Forma Distribution (90% of Dist. Cash)	86	181	173	
SFK's Valuation:				
Yield (Value/Distributable Cash)	6%	11%	11%	
TEV/EBITDA	10.1	6.8	6.4	
Canfor Pulp Trust Value:				
Based On Yield	1,379	1,597	1,589	1,522
Based On TEV Multiple	1,364	1,636	1,487	1,495
Average Value	1,371	1,617	1,538	1,509
20% Of Average Value	274	323	308	302
Lost EBITDA At Canfor	27	48	46	41
Canfor's Current Valuation (TEV To Normalized EBITDA)	8.31	6.65	5.31	
Decline In Canfor's Value Due To Loss Of 20% Of Pulp EBITDA	224	320	247	264
Net Incremental Value Of A 20% Spin-off	50	3	61	38
Net Incremental Value Per Share	0.35	0.02	0.43	0.27
Net Incremental Value Of A 100% Spin-off	250	16	305	190
Net Incremental Value Per Share Of A 100% Spin-off	1.75	0.11	2.14	1.33

Source: Company reports and CIBC World Markets Inc.

We estimate that a spin-off of 100% of the trust would have created roughly \$1.30/share in value. However, this would have made Canfor a much smaller and less liquid play as the company would have been split in half. The smaller size could result in a lower multiple on Canfor's remaining operations, offsetting some of the incremental value. (On the other hand, we think the eventual removal of the pulp assets provides management with more options for growing the solidwood business.)

Canfor's pulp operations have been historically less profitable than SFK. However, given the rising chip prices in Eastern Canada and the declining chip prices in Western Canada, the gap has been narrowing. Based on the pro forma EBITDA of \$135 million, the EBITDA margin of Canfor's pulp mills would have been more than 15% in 2005, which is superior to SFK's 12%. The proposed pulp trust would also carry less operational risk, as it would be composed of three mills.

Price Target Calculation

Based on a multiple of 5.50x our blended EBITDA estimate (25% of 2006E EBITDA and 75% of normalized EBITDA), we have a price target of \$16.50 on Canfor. Our target multiple reflects historical valuation. The Canadian paper & forest products stocks have traded at an average TEV to normalized EBITDA multiple of 5.0x.

Key Risks To Price Target

Potential risks to our price target include a slower than expected recovery of the U.S. economy, which would prevent pulp and paper prices from moving higher, and the volatility in the Canadian/U.S. exchange rate.

West Fraser Timber Co. Ltd.

Q4 Results Impacted By The Strong Canadian Dollar

(February 17, 2006)

On February 16, West Fraser reported a profit before unusual items of \$0.11/share for Q4. This small profit is in line with our estimate of \$0.08/share.

This result is better than the loss of \$0.23/share posted in the previous quarter but lower than the profit of \$0.35/share recorded in the year-ago quarter. The loss of the previous quarter reflects a \$5-million write-down in pulp inventories and a FX loss on US\$ assets.

Despite the stronger Canadian dollar, operating earnings improved quarter over quarter because of reduced lumber duties for part of the quarter and lower lumber conversion costs resulting from increased production efficiencies. Lumber prices were basically flat during the period.

Our 2006 EPS estimate remains at \$2.72.

In addition, the following unusual items were recorded in the quarter:

- A gain of \$3 million or \$0.07 per share related to share option compensation;
- An expense of \$3 million or \$0.07 per share for costs related to the previously-announced indefinite shutdown of a 50% owned sawmill in Red Earth, Alberta; and
- A gain of \$4 million or \$0.09 per share related to the recognition of prior years' scientific research and experimental development tax credits.

West Fraser continues to make progress integrating the acquired Weldwood operations. The company projected achieving pre-tax synergies at an annual rate of \$80 million by the end of the third year after the transaction closed. As at December 31, 2005, West Fraser has achieved almost \$70 million of the targeted synergies on a going forward basis, with the remainder of the target expected to be realized by the end of 2006.

Segmented results were as follows:

- EBITDA in the lumber division for the quarter was \$66 million or 14% of sales compared to \$52 million or 10% of sales in the preceding quarter. The increase in EBITDA margin compared to the previous quarter was due primarily to reduced duties for part of the quarter and lower conversion costs resulting from increased production efficiencies, which offset the negative impact of the higher Canadian dollar.
- Panel operations generated EBITDA of \$13 million or 10% of sales in the quarter compared to \$14 million or 11% of sales in the previous quarter. Plywood results improved due to modest price increases, while LVL results were affected by maintenance downtime in the quarter. MDF results reflect lower selling prices in the quarter.

- The pulp and paper operations continued to record unsatisfactory results. In the current period, EBITDA of \$10 million or 4% of sales for the quarter compared to EBITDA of \$8 million or 3% of sales in the last quarter. The recognition of the benefit of tax credits added \$5 million to EBITDA in the quarter, which was partially offset by lower Canadian dollar product prices at the Kitimat linerboard and kraft paper mill compared to the third quarter.

There are some concerns that stumpage fees on beetle-killed wood will increase in April 2006. The increased salvage harvesting in B.C. at low stumpage fees (\$0.25/m³) has reduced B.C. Government's revenue by roughly \$300 million per year. The provincial government is expected to increase stumpage fees on beetle-killed wood and reduce stumpage fees of green wood to recover this loss. It is too early for the company to provide an estimate on the impact, but we think it could be a negative for companies like West Fraser and Canfor that are harvesting significant volumes of beetle wood.

Although not discussed on the quarterly conference call management continues to cautiously explore growth opportunities in the United States. Our understanding is that West Fraser (along with International Forest Products (IFP.SV.A-TSX, Sector Performer) and Tolko Industries) bid for the New South assets which Canfor purchased in Q1/06. We expect management to continue to take a disciplined approach to both external and internal growth.

Price Target Calculation

Our price target of \$59.00 on West Fraser is based on a 5.5x multiple on our target EBITDA estimate (25% of 2006 EBITDA and 75% of normalized EBITDA). The Canadian paper & forest products stocks have traded at an average TEV to normalized EBITDA multiple of 5.0x. However, we think this average multiple is too low as it reflects the depressed industry conditions of the last five years rather than a full cycle. Our calculation suggests that a multiple of 5.5x on West Fraser would provide investors with a reasonable return over a cycle.

Key Risks To Price Target

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

SFK Pulp Fund

No Cash Generation In Q4

(February 17, 2006)

On February 16, SFK Pulp Fund reported distributable cash of -\$0.03/unit for its Q4. This result is worse than our estimate of \$0.00/unit as shipments were below our expectations. The fund suspended its distributions on November 16.

The distributable cash level was lower than the \$0.05/unit posted in the previous quarter. In the same quarter a year ago, distributable cash also amounted to \$0.05/unit.

Despite higher pulp prices, results are down quarter over quarter due to the stronger Canadian dollar and the fact that the semi-annual maintenance shutdown was taken in Q4. During the quarter, pulp prices increased from US\$588/tonne to US\$598/tonne, but prices were down in Canadian dollar terms.

Although results are below target, we are increasing our 2006E distributable cash per unit estimate from \$0.51 to \$0.56 as the company expects some savings in fiber and labor costs this year. Consequently, our price target is raised from \$3.50 to \$4.00.

The distributable cash of the quarter is lower than the \$0.0225/unit declared distributions of the quarter. Consequently, the company's cash reserve decreased to \$6.5 million. With a cash reserve of \$6.5 million, SFK Pulp suspended distributions to its unitholders with the objective of restoring a cash reserve of approximately \$10.0 million, the level established by the board as part of SFK Pulp's distribution policy. This deficit is roughly \$0.06/unit. The company's policy is to keep a total reserve of approximately \$10.0 million, so that \$8.0 million can be set aside in support of SFK Pulp's long-term investment strategy and \$2.0 million can be available to reduce the impact of any negative fluctuations in future cash flows.

Under current market conditions (Canadian dollar at US\$0.86 and pulp prices at US\$605), we estimate that SFK is not generating any cash. As a result, we don't expect distributions to resume in the next few months.

The operational performance of the mill continued to be very good in 2005. SFK achieved another year of excellent productivity and efficiency with a new pulp production record of 356,501 tonnes (353,564 tonnes in 2004). Productivity reached 1,036 tonnes per day, up 11 tonnes per day when compared to 2004.

Cost of sales increased to \$644 per tonne in the fourth quarter of 2005, from \$583 in the corresponding period of 2004. This increase is mainly attributable to higher wood fibre costs (resulting from higher market prices and the amendment to the fibre supply agreement) and higher pulp transportation costs. Other cost increases such as energy and chemicals were offset by a better mill productivity. With respect to chip prices, they are up 8% year over year in 2005 to roughly \$140/tonne. This represents an increase of \$20/tonne in manufacturing costs (3%).

On August 1, 2005, SFK Pulp announced that it entered into an amendment to its wood fibre supply agreement with Abitibi-Consolidated (A-TSX, Sector Outperformer). This amendment was negotiated between SFK Pulp and Abitibi following the announcement by the Quebec government of a 20% reduction of wood volumes harvested on public land effective from April 1, 2005 to March 31, 2008. The amendment provides for an annual fibre supply at a price \$20/tonne below the market price of 603,000 tonnes instead of the original 740,000 tonnes.

The amendment also contemplates that SFK shall benefit from any increase awarded to Abitibi by the Quebec government of the wood volumes harvested on public land. As Abitibi was recently awarded such additional volumes, the latter will deliver 103,700 additional tonnes of wood fibre to SFK Pulp in 2006. After 2006, wood fibre deliveries from Abitibi will return to 603,000 tonnes, unless Abitibi is awarded additional volumes by the Québec government. The amendment initially resulted in an increase of approximately \$2.7 million of fibre costs (excluding transportation costs) on an annualized basis in 2005. However, with 103,700 additional tonnes of wood fibre deliveries in 2006, SFK Pulp estimates its fibre costs (excluding transportation costs) should decrease by approximately \$2.1 million in 2006.

SFK estimated that its current fibre supply contracts will secure 100% of its fibre requirements in 2006, 90% in 2007 and 80% thereafter. The company will continue seeking additional alternatives on the market in order to further solidify its long-term fibre supply.

SFK also expects cost savings of \$1 million in 2006 resulting from a workforce reorganization. In total, manufacturing costs are expected to be down \$3.1 million, or \$0.05/unit.

Although the fibre amendment and the subsequent agreements remove some of the uncertainty with respect to the company's fibre supply, we are still concerned by the impact that the 20% reduction in the Quebec wood supply will have on chip prices on the market this year. The uncertainty related the wood supply reduction in the province is one of the reasons why we have a Sector Underperformer rating on the units. For the time being, we assume a \$10/tonne increase in chip prices in 2006. In our November report on the fibre supply in Quebec, we estimated the chip deficit in Quebec at 1 million tonnes. Domtar's (DTC-TSX, Sector Outperformer) pulp mill in Northern Quebec that is presently on lock out consumes 585,000 tonnes on chips per year. Labor negotiations at that mill are not going well and the company is looking for a major reduction in labor costs (a reduction of roughly 100 in the workforce). It appears that this mill will not start any time soon. An extended shutdown could result in lower-than-expected chip prices. In the longer term, we expect that the closure of high-cost pulp and paper capacity, resulting from unsustainably high chip prices, will bring the market more into balance and remove some of the heat on chip prices.

NBSK contract prices in Europe currently stand at US\$605/tonne, up from US\$585/tonne in September. These improvements have been more or less offset by the recent strength in the Canadian dollar. Producers are now trying to raise prices to US\$620/tonne on the heels of improving demand and lower inventories.

Price Target Calculation

Our price target reflects a target yield of 14% based on our 2006 distributable cash forecasts.

Key Risks To Price Target

Potential risks to our price target include a weaker-than-expected global economy that would prevent pulp prices from moving higher, higher chip prices, continuing upward pressure on the Canadian dollar and higher interest rate which would make yield products less attractive.

North American Valuations

(February 20, 2006)

Exhibit 4. North American Companies' P/E And TEV/EBITDA Valuation

	Mkt. Cap. (\$ mlns.)	Float (mlns.)	Price	P/E			TEV/EBITDA				EBITDA				Price/ Tangible BV
				2004	2005E	2006E	2004	2005E	2006E	Normalized	2004	2005E	2006E	Normalized	
U.S. (US\$)															
Bowater	1,564	1,498	27.24	NM	NM	19.6	11.1	8.9	6.2	6.0	368	458	658	675	3.60
International Paper	16,266	16,224	33.47	23.5	31.0	18.6	8.5	9.8	7.7	7.1	3,183	2,770	3,490	3,832	5.00
Louisiana-Pacific	2,977	2,913	28.14	6.5	8.2	22.9	2.1	3.1	6.4	5.7	942	652	314	352	1.68
Weyerhaeuser	17,165	16,595	70.00	14.0	16.5	16.5	6.6	8.3	7.4	7.3	3,745	2,968	3,345	3,394	2.52
Average	9,493	9,307		14.7	18.6	19.4	7.1	7.5	6.9	6.5					3.20
Canada (C\$)															
Abitibi-Consolidated	1,826	1,826	4.15	NM	NM	27.7	7.5	8.7	6.0	6.1	745	640	939	915	1.65
Canfor	1,971	1,133	13.83	4.8	22.0	15.7	3.7	8.5	6.7	5.3	684	301	382	477	0.96
Cascades	837	525	10.45	NM	NM	22.2	8.0	7.5	7.0	5.2	254	273	290	391	0.94
Domtar	1,417	1,002	6.16	NM	NM	17.6	8.4	16.3	5.8	5.7	435	224	629	645	0.96
Fraser Papers* (US\$)	212	121	7.20	NM	NM	NM	6.9	(86.0)	4.1	3.1	25	(2)	42	56	0.41
Interfor	335	318	6.88	14.3	36.2	11.7	5.6	6.2	4.2	4.1	75	68	100	103	0.90
Norbord* (US\$)	1,790	1,001	12.36	5.0	6.4	13.0	2.9	3.7	6.3	6.8	633	497	294	270	2.99
Catalyst Paper	708	500	3.30	NM	NM	NM	15.2	9.7	6.0	5.6	103	161	260	280	0.69
Tembec	104	92	1.22	NM	NM	NM	11.3	479.9	7.2	5.5	170	4	267	352	0.13
West Fraser	1,780	1,194	41.66	8.9	21.9	15.3	6.0	5.6	6.2	4.8	424	455	415	527	1.12
Average	1,098	771		8.3	21.6	17.6	7.6	46.0	5.9	5.2					1.08
Income Trusts (C\$)															
PRT Regeneration Fund	76	76	10.02								7	9	12	9	
SFK Pulp Fund	260	259	4.38								63	35	52	55	
TimberWest	622	622	13.99								113	81	94	97	
Average	323	319													

* Fraser Papers and Norbord report in US\$ 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 5. Summary Spreadsheet

Stock Rec.	Symbol	Company	Fiscal Year	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 ¹	12-mo. Price Target		
				Price	High	Low							2004	2005E	2006E	2004	2005E	2006E	BVPS	P/B	2004			2005E	2006E
U.S. (US\$)																									
SO	BOW	Bowater	Dec.31	26.85	42.05	24.73	0.80	3.0%	57.4	1,541	1,498	66%	(1.27)	(0.69)	1.39	NA	NA	19.3	21.18	1.3	(5%)	(3%)	11%	33.3%	35.00
SP	IP	International Paper	Dec.31	33.71	40.07	26.97	1.00	3.0%	486.0	16,383	16,224	55%	1.43	1.08	1.80	23.6	31.2	18.7	17.07	2.0	7%	5%	17%	9.8%	36.00
SP	LPX	Louisiana-Pacific	Dec.31	27.86	29.75	22.09	0.40	1.4%	105.8	2,948	2,913	(91%)	4.33	3.42	1.23	6.4	8.1	22.7	19.31	1.4	33%	20%	13%	9.1%	30.00
SU	WY	Weyerhaeuser	Dec.31	70.15	71.85	60.62	2.00	2.9%	245.2	17,202	16,595	44%	5.00	4.24	4.24	14.0	16.5	16.5	39.96	1.8	16%	13%	24%	(1.6%)	67.00
Group Average								2.6%				26%				14.7	18.6	19.3		1.6	12.7%	8.8%	16.5%	12.6%	
Canada (C\$)																									
SO	A	Abitibi	Dec.31	4.15	6.83	3.46	0.10	2.4%	440.0	1,826	1,826	60%	(0.39)	(0.40)	0.15	NA	NA	27.7	5.46	0.8	(7%)	(7%)	6%	34.9%	5.50
SP	CFP	Canfor	Dec.31	13.63	18.50	11.26	0.00	0.0%	142.5	1,942	1,133	22%	2.88	0.63	0.88	4.7	21.6	15.5	14.36	0.9	25%	5%	13%	21.1%	16.50
SO	CAS	Cascades	Dec.31	10.30	13.95	7.35	0.16	1.6%	80.1	825	525	54%	0.20	(0.02)	0.47	51.5	NA	21.9	12.60	0.8	2%	(0%)	7%	18.1%	12.00
SO	DTC	Domtar	Dec.31	6.18	12.00	4.70	0.00	0.0%	230.0	1,421	1,002	58%	(0.14)	(0.37)	0.35	NA	NA	17.7	6.84	0.9	(1%)	(3%)	6%	45.6%	9.00
SP	FPS	Fraser Papers ²	Dec.31	7.30	15.24	7.20	0.00	0.0%	29.5	215	121	4%	(0.63)	(0.80)	(0.21)	NA	NA	NA	15.11	0.5	(4%)	(5%)	(3%)	37.0%	10.00
SP	IFP.A	Int'l Forest Prod.	Dec.31	6.96	7.94	6.12	0.00	0.0%	48.7	339	318	18%	0.48	0.19	0.59	14.5	36.6	11.8	7.94	0.9	6%	2%	14%	7.8%	7.50
SU	NBD	Norbord ³	Dec.31	12.46	13.90	9.82	0.40	3.2%	144.8	1,804	1,001	35%	2.14	1.67	0.83	5.1	6.5	13.1	3.60	3.0	57%	32%	28%	(4.5%)	11.50
SU	CTL	Catalyst Paper	Dec.31	3.30	4.26	2.40	0.00	0.0%	214.6	708	500	46%	(0.35)	(0.22)	0.04	NA	NA	82.5	4.75	0.7	(8%)	(5%)	2%	(9.1%)	3.00
SU	TBC	Tembec ³	Sep.30	1.30	7.40	0.79	0.00	0.0%	85.6	111	92	68%	(1.98)	(3.87)	(0.70)	NA	NA	NA	9.53	0.1	(17%)	(45%)	(21%)	(23.1%)	1.00
SO	WFT	West Fraser	Dec.31	41.19	54.87	37.31	0.56	1.4%	42.7	1,760	1,194	29%	4.67	1.90	2.72	8.8	21.7	15.1	43.61	0.9	10%	4%	11%	44.6%	59.00
Group Average								0.9%				39%				16.9	21.6	25.7		1.0	6%	(2%)	6%	17.2%	
Income Trusts (C\$)																									
													Distributable Cash			Yield									
SU	PRT.UN	PRT Regeneration Fund	Dec.31	10.15	11.57	9.08			7.6	77		21%	\$0.82	\$0.88	\$1.01	8.1%	8.7%	10.0%					13.4%	10.50	
SU	SFK.UN	SFK Pulp Fund ⁴	Dec.31	4.50	7.64	2.85			59.3	267		16%	\$0.83	\$0.25	\$0.56	18.4%	5.6%	12.4%					0.0%	4.00	
SU	TWF.UN	TimberWest	Dec.31	13.90	16.25	12.10			44.5	618		20%	1.28	0.96	1.08	9.2%	6.9%	7.8%					3.2%	13.00	
Group Average											18.9%				11.9%	7.0%	10.1%						5.5%		

¹ Return calculations exclude applicable costs, including interest and commissions.

² Reports in US\$ and trades on the TSX. Data including price, dividend, market cap., float and target are in C\$, all other figures are in US\$.

³ EPS estimates are on a calendar year basis.

⁴ Distributable cash for 2002 and 2003 as a whole reflects Abitibi subordination.

Source: Company reports and CIBC World Markets Inc.

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Cascades Inc. (2a, 2e, 2g, 4a, 4b, 7, C16) (CAS-TSX, C\$10.35, Sector Outperformer)
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International Forest Products Limited (2g, 12) (IFP.SV.A-TSX, C\$6.88, Sector Performer)
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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 Underperformer (Sell)	105	12.9%	Sector Underperformer (Sell)	49	46.7%
Restricted	10	1.2%	Restricted	10	100.0%

Ratings Distribution: Paper & Forest Products Coverage Universe

(as of 20 Feb 2006)	Count	Percent	Inv. Banking Relationships	Count	Percent
Sector Outperformer (Buy)	5	33.3%	Sector Outperformer (Buy)	4	80.0%
Sector Performer (Hold/Neutral)	5	33.3%	Sector Performer (Hold/Neutral)	2	40.0%
Sector Underperformer (Sell)	5	33.3%	Sector Underperformer (Sell)	4	80.0%
Restricted	0	0.0%	Restricted	0	0.0%

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