

WEYERHAEUSER TIMBER COMPANY

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Merger Proposal
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Weyerhaeuser Timber Company (W.T. Co.) is giving consideration to the acquisition of Kieckhefer Container Company and Eddy Paper Corporation and their subsidiaries through exchange of shares in a tax-free merger or consolidation or through the purchase of all or substantially all of their assets.

There is no outstanding Preferred Stock or Funded Debt, other than intercompany debt, in the Kieckhefer Container - Eddy Paper group of companies. Intercompany relationships and outstanding shares of common stock are understood to be as follows:

29,889 shares outstanding

All owned by approximately 35 individuals or trusts in the Kieckhefer family, except for a relatively few shares held by key employees as to which K. C. has repurchase agreements.

181,415 shares outstanding (excluding 8,634 treasury shares)

26,000 shares (14.4%) owned by K. C.

119,000 shares (approx.) (65.6%) owned by various members of the Kieckhefer family

[illegible]

11,125 shares (approx.) (6.1%) owned otherwise publicly

Subsidiaries

North Carolina Pulp Company

owned 80% by K.C. and 20% by Eddy

Rochester Folding Box Company

100% owned by Eddy

Gereke - Allen Container Company

100% owned by Eddy

In the following discussion the figures of all of the above companies are consolidated and the combined or consolidated operations are referred to as "K.C. - Eddy". At October 31, 1956, the consolidated book net worth of K. C. - Eddy amounted to approximately \$111,550,000.

W.T. shares are actively traded in the over-the-counter market. Current quotations thereon (as of January 25, 1957) are approximately \$38 bid, \$39 asked. At a median price of \$38.50 this would indicate a total market value for the outstanding shares of about \$959,500,000.

Eddy shares are traded, though very inactively, on the Midwest Stock Exchange. On January 22, 1957, there were reported sales thereon of 10 shares at the price of \$251 per share. At \$251, this would indicate a total market value for Eddy's stock of about \$46,500,000.

K.C. shares are closely held and are not publicly quoted or traded.

We have been asked by W.T. to give them our opinion as to what would constitute a fair exchange offer of W.T. shares, or of W.T. Common Stock plus cash or new W.T. Preferred Stock, for K.C. - Eddy as an entirety.

K.C. - Eddy owns three pulp and paper mills as follows:

Plymouth, N. C. (paperboard mill) - present capacity	455,000 tons annually
Delair, N. J. (jute mill) - " "	80,000 " "
White Pigeon, Mich. (boxboard mill) - " "	60,000 " "
	<u>595,000</u>

These mills produced in 1956 an aggregate of 421,000 tons of paperboard and boxboard for K.C.-Eddy's corrugated shipping container and folding carton plants. Of the 421,000 tons production, about 80,000 tons (19%) was bleached board and about 341,000 tons (81%) was unbleached kraft or boxboard. A small amount of pulp is also produced and sold as such. About 400,000 acres of woodlands are owned in North Carolina which supply a portion of the pulpwood supply for the Plymouth, N. C. mill.

K.C.-Eddy also owns 17 corrugated shipping container plants and 13 folding carton plants throughout the United States, which together produced about 500,000 tons in 1956. Of this production, about 105,000 tons (21%) was from bleached board and 395,000 tons (79%) was from unbleached kraft and boxboard. Thus K.C.-Eddy in 1956 evidently purchased about 80,000 tons of paperboard and boxboard from outside sources.

We understand that the Plymouth mill was substantially expanded in 1955 and 1956. In connection with this expansion it was partially shut down in 1956, at a loss of about 57,000 tons potential production. Production from this mill for the year 1956 was about 325,000 tons (vs. about 275,000 tons in 1955). It is to be expected that production closer to its 455,000 tons present capacity should be reached in 1957 and, therefore, outside net purchases of board by K.C.-Eddy will probably be decreased in the near-term future.

K.C-Eddy's sales are substantially all in the paperboard field. W. T.'s sales are in a number of products. Breakdown of sales by the two companies by classifications was as follows for the periods indicated (in millions of dollars):

W. T. - Est. 1956		K.C.-Eddy - 1st 10 Mos. 1956	
Lumber	\$181 - 56%	Shipping Containers	\$ 65.6 - 64%
Plywood	17 - 5	Milk Cartons	24.7 - 24
Pulp & Paperboard	105 - 32	Folding Cartons	4.1 - 4
Other Products	24 - 7	Pulp & Other	7.8 - 8
	\$327 - 100%		\$102.2 - 100%

K.C. - Eddy's mill production and net sales for the past five years have been as follows (000's):

	Mill Production		Net Sales			
	Tons	Index	Tons	Index	\$	Index
1952	327	100	372	100	88,873	100
1953	351	107	418	112	99,791	112
1954	346	106	427	115	99,842	112
1955	373	114	493	132	114,929	129
1956	421	129	500	134	121,615	137

K.C. - Eddy's consolidated balance sheet figures as of Dec. 31, 1955 and Oct. 31, 1956 are shown on Exhibit 1 and its consolidated earnings figures for the years 1952 - 1955, incl., for the 10 months to Oct. 31, 1956 and as estimated for the full year 1956 are shown on Exhibit 2.

W.T.'s consolidated balance sheet figures as of Dec. 31, 1955 and Oct. 31, 1956 and consolidated earnings for the years 1952 - 1955, incl. and as estimated for the full year 1956 are shown on Exhibits 3 and 4, respectively.

There follows a tabulation showing summarized comparative sales and earnings figures for W.T. and K.C.-Eddy for the past 5 years and, where available to us, for the past 10 years (000's):

INCOME ACCOUNT ITEMS(1)								
K.C.-Eddy	Net Sales		Income Before Taxes		Income Before Taxes	Net Income		
	\$	Index	\$	Index	As % of Sales	After Taxes		
						\$	Index	
		1952-100		1952-100			1952-100	1947-100
1947						12,634	136.0	100.0
1948						10,136	109.1	80.2
1949						7,991	86.0	63.2
1950						11,815	127.2	93.5
1951						11,575	124.6	91.6
1952	88,873	100.0	24,816	100.0	27.9%	9,289	100.0	73.5
1953	99,791	112.3	25,305	102.0	25.4	9,325	100.4	73.8
1954	99,842	112.3	22,677	91.4	22.7	10,312	111.0	81.6
1955	114,929	129.3	27,122	109.3	23.6	13,122	141.3	103.9
1956 (Est.)	121,615	136.8	27,878	112.3	22.9	13,352	143.7	105.7
Averages:								
1952-1956	105,010	118.2	25,560	103.0	24.3	11,080	119.3	87.7
1955-1956	118,272	133.1	27,500	110.8	23.3	13,237	142.5	104.8
Weyerhaeuser Timber Co.								
1947	128,024	53.5	44,787	74.1	35.0	27,819	76.9	100.0
1948	132,659	55.4	45,572	75.4	34.3	28,886	79.8	103.8
1949	142,152	59.3	37,130	61.5	26.1	24,162	66.8	86.9
1950	157,762	65.9	49,964	82.7	31.7	31,968	88.4	114.9
1951	193,903	81.0	69,216	114.6	35.7	39,379	108.8	141.6
1952	239,525	100.0	60,415	100.0	25.2	36,176	100.0	130.0
1953	257,498	107.5	60,962	100.9	23.7	36,342	100.4	130.6
1954	262,497	109.6	59,210	98.0	22.6	35,510	98.2	127.6
1955	316,733	132.2	80,341	133.0	25.4	49,241	136.1	177.0
1956 (Est.)	326,791	136.4	78,932	130.6	24.2	52,437	144.9	188.5
Averages:								
1952-1956	280,609	117.2	67,972	112.5	24.2	41,941	115.9	150.8
1955-1956	321,762	134.3	79,637	131.8	24.8	50,839	140.5	182.7
Combined Weyerhaeuser Timber Co. - K. C. - Eddy								
1947						40,453	89.0	100.0
1948						39,022	85.8	96.5
1949						32,153	70.7	79.5
1950						43,783	96.3	108.2
1951						50,954	112.1	126.0
1952	328,398	100.0	85,231	100.0	26.0	45,465	100.0	112.4
1953	357,289	108.8	86,267	101.2	24.1	45,667	100.4	112.9
1954	362,339	110.3	81,887	96.1	22.6	45,822	100.8	113.3
1955	431,662	131.4	107,463	126.1	24.9	62,363	137.2	154.2
1956 (Est.)	448,406	136.5	106,810	125.3	23.8	65,789	144.7	162.6
Averages:								
1952-1956	385,619	117.4	93,531	109.7	23.9	53,021	116.6	131.1
1955-1956	440,034	134.0	107,137	125.7	24.3	64,076	140.9	158.4

(1) Sales and income figures for W.T. Co. have been adjusted to exclude results of operations of Wood Conversion Company, a 51% owned subsidiary, 1948-1953.

In the above figures, W.T. has deducted depletion on timber in the past five years in the following amounts:

	Gross	Net after Taxes
1952	\$2,815,000	\$2,636,000
1953	3,769,000	3,344,000
1954	2,666,000	2,501,000
1955	3,403,000	3,170,000
1956 (Est.)	6,165,000	5,225,000

Since W.T. has been operating its timberlands for some years on a perpetual sustained yield basis, it is questionable whether there has been any real depletion of timber supply and, therefore, whether the above depletion charges should not be added back to earnings in order to arrive at a truer earnings picture. If such depletion charges are added back to earnings, the adjusted earnings of W.T. for the past five years would compare with those of K.C. - Eddy as follows (dollar figures in 000's):

	Adjusted Income before Taxes		Adjusted Income before Taxes		Adjusted Net Income after Taxes	
	\$	Index	as % of Sales		\$	Index
<u>K.C. - Eddy</u>						
1952	\$ 24,816	100.0	27.9%		\$ 9,289	100.0
1953	25,305	102.0	25.4		9,325	100.4
1954	22,677	91.4	22.7		10,312	111.0
1955	27,122	109.3	23.6		13,122	141.3
1956 (Est.)	27,878	112.3	22.9		13,352	143.7
<u>Averages:</u>						
1952 - 1956	25,560	103.0	24.3		11,080	119.3
1955 - 1956	27,500	110.8	23.3		13,237	142.5
<u>W. T.</u>						
1952	63,230	100.0	26.4		38,812	100.0
1953	64,731	102.4	25.1		39,686	102.3
1954	61,876	97.9	23.6		38,011	97.9
1955	83,744	132.4	26.4		52,411	135.0
1956 (Est.)	85,097	134.6	26.0		57,662	148.6
<u>Averages:</u>						
1952 - 1956	71,736	113.5	25.6		45,316	116.8
1955 - 1956	84,421	133.5	26.2		55,036	141.8

	Adjusted Income before Taxes		Adjusted Income before Taxes		Adjusted Net Income after Taxes	
	\$	Index	as % of Sales		\$	Index
<u>Combined W.T. - K.C. - Eddy</u>						
1952	\$ 88,046	100.0	26.8%		\$48,101	100.0
1953	90,036	102.3	25.2		49,011	101.9
1954	84,553	96.0	23.3		48,323	100.5
1955	110,866	125.9	25.7		65,533	136.2
1956 (Est.)	112,975	128.3	25.2		71,014	147.6
<u>Averages:</u>						
1952 - 1956	97,296	110.5	25.2		56,396	117.2
1955 - 1956	111,921	127.1	25.4		68,273	141.9

On the basis of assets and book values, W.T. and K.C. - Eddy compare as follows (000's):

	W. T.		K. C. - Eddy		Total
	\$	% of Total	\$	% of Total	W. T. & K. C. - Eddy
<u>Net Current Assets</u>					
Dec. 31, 1955	\$90,758	69.4%	\$44,406*	30.6%	\$135,164
Oct. 31, 1956**	70,713	63.6	40,565*	36.4	111,278
<u>Net Fixed Assets</u>					
Dec. 31, 1955	\$241,857	81.1%	\$56,326	18.9%	\$298,183
Oct. 31, 1956**	281,644	80.8	66,970	19.2	348,614
<u>Net Worth</u>					
Dec. 31, 1955	\$344,108	76.9%	\$103,318	23.1	\$447,426
Oct. 31, 1956**	367,052	76.7	111,550	23.3	478,602

* Including K.C. - Eddy's construction fund in net current assets.

** W.T. figures as of Nov. 30, 1956

W.T. and K.C. - Eddy's reported earnings for the past five years have been in relation to sales and to net worth, comparatively, as follows:

% of Sales	Income before Taxes		Income before Excess Profits Taxes		Net Income	
	W. T.	K.C.-Eddy	W.T.	K.C.-Eddy	W.T.	K.C. - Eddy
1952	25.2%	27.9%	15.1%	12.7%	15.1%	10.5%
1953	23.7	25.4	14.1	11.4	14.1	9.3
1954	22.6	22.7	13.5	10.3	13.5	10.3
1955	25.4	23.6	15.5	11.4	15.5	11.4
1956 (Est.)	24.2	22.9	16.0	11.0	16.0	11.0
% Net Worth at Dec. 31, 1955						
1956 (Est.)	23.2%	27.0%	15.2%	12.9%	15.2%	12.9%

If W.T.'s earnings are adjusted to exclude its timber depletion charges, as indicated above, its earnings for the past five years in relation to sales and net worth may be restated in comparison with K.C. - Eddy as follows:

% of Sales	Income before Taxes		Income before Excess Profits Taxes		Net Income	
	W. T.	K.C.-Eddy	W.T.	K.C.-Eddy	W.T.	K.C. - Eddy
1952	26.4%	27.9%	16.2%	12.7%	16.2%	10.5%
1953	25.1	25.4	15.4	11.4	15.4	9.3
1954	23.6	22.7	14.5	10.3	14.5	10.3
1955	26.4	23.6	16.5	11.4	16.5	11.4
1956 (Est.)	26.0	22.9	17.7	11.0	17.7	11.0
% Net Worth at Dec. 31, 1955						
1956 (Est.)	24.7%	27%	16.8%	12.9%	16.8%	12.9%

The above figures indicate that over the past five years W.T.'s profit margins have been substantially higher than those for K.C. - Eddy, and that during especially the past two years W.T.'s profit margins have been improving vis-a-vis those for K.C. - Eddy. We believe that this, in itself, is justification for the market to value W.T. shares on a somewhat higher price x earnings

basis than it would value K.C. - Eddy.

Exhibits 7 and 7 B show earnings per share, common stock price ranges, and price x earnings ratios for W.T., for Eddy, and for a number of other manufacturers of paper, paperboard and related products. The data on such Exhibits clearly shows that over recent years the market has valued W.T.'s earnings at substantially higher price x earnings ratios than those for most of the paper and paperboard company stocks shown, as well as those for Eddy in particular. With certain particular exceptions in particular years, as shown thereon, the market appears to have valued W.T.'s earnings generally at about 1 1/2 times those of the other paper and paperboard companies shown, and at about 2 times those of Eddy.

We believe that this higher evaluation of W.T., as against paper and paperboard companies generally, is largely due to the following:

- 1.) W.T.'s vast timber reserves - giving it present fee ownership of most of its future raw material needs.
- 2.) The excellent hedge in W.T. against inflation, because of such outright ownership of its growing crop of timber.
- 3.) The management by W.T. of its timber on a perpetual yield basis so that, while depletion is deducted for both reporting and tax purposes, there is, in effect, no actual depletion.
- 4.) W.T.'s very low timber costs. These have been translated in the past, to some extent, into capital gain income and could (if the management wished so to operate) be reflected in larger amounts into capital gain income. If further inflation occurs, this will become an increasingly important source of income or potential income.
- 5.) W.T.'s expansion into various fields in addition to lumber, thereby

giving it more complete usage of its raw timber resources and a well-rounded integrated operation.

- 6.) W.T.'s consistent, and in recent years betterment in, sales, profit margins (both before and after taxes) and earnings per share vs. less steady profit margins and earnings per share by paperboard companies.

We believe, therefore, that the market evaluation of W.T. on a higher price x earnings basis than for paperboard manufacturers in general is merited.

The following indicates the statistical contribution to a merged company, percentage-wise, by W.T. and K.C. - Eddy in terms of present book net worth, 1956 net sales, and earnings by years for the past five years:

	% of Combined Total	
	W. T.	K. C. - Eddy
<u>Book Net Worth</u> (latest)	76.7%	23.3%
<u>Net Sales</u> (1956 Est.)	72.9	27.1
<u>Net before Income Taxes</u>		
1952	70.9 (71.8)	29.1 (28.2)
1953	70.7 (71.9)	29.3 (28.1)
1954	72.3 (73.2)	27.7 (26.8)
1955	74.8 (75.5)	25.2 (24.5)
Est. 1956	73.9 (75.3)	26.1 (24.7)
Ave. 1952/6	72.7 (73.7)	27.3 (26.3)
1954/6	73.8 (74.8)	26.2 (25.2)
1955/6	74.3 (75.4)	25.7 (24.6)
<u>Net Income</u>		
1952	79.6 (80.7)	20.4 (19.3)
1953	79.6 (81.0)	20.4 (19.0)
1954	77.5 (78.7)	22.5 (21.3)
1955	79.0 (80.0)	21.0 (20.0)
Est. 1956	79.7 (81.2)	20.3 (18.8)
Ave. 1952/6	79.1 (80.4)	20.9 (19.6)
1954/6	78.9 (80.1)	21.1 (19.9)
1955/6	79.3 (80.6)	20.7 (19.4)

Note: Figures in parentheses reflect adjustment of W.T.'s earnings to exclude depletion charges.

It is our opinion that, in attempting to determine relative values, earnings - and particularly future earnings, if determinable - should be given substantial consideration. Also - and particularly where two companies to be merged are in different fields - the relative industries, the relative positions of the companies in their respective industries, their relative efficiencies, their relative vulnerability to competition, and the market evaluation of their respective industries should be considered. The market prices of common stocks from time to time reflect all these factors as well as factors such as new developments, quality of management and new products. Market prices, therefore, must also be considered.

Exhibit 5, showing various possible exchange ratios, indicates the effect on K.C. - Eddy of such possible ratios of exchange on certain factors of value. As indicated thereon the number of new shares which might be issued by W.T. on the various assumed bases and the percent of the combined companies then to be owned by K.C. - Eddy stockholders would be as follows, as compared with K.C. - Eddy's statistical contribution of earnings, book net worth, and market value to the combined companies:

	4 - 1	4 1/4 - 1	4 1/2 - 1	4 3/4 - 1	5 - 1
Net W.T. shares to be issued	6,231,315	5,864,767	5,538,947	5,247,423	4,985,052
% total W.T. shares to be owned by K.C.-Eddy stockholders	20.0%	19.05%	18.18%	17.39%	16.67%
K.C.-Eddy contribution to combined companies					
Net Sales - 1955	- - - - -	- - - - -	- - - - -	- - - - -	- - - - -
- 1956 (Est.)	- - - - -	- - - - -	- - - - -	- - - - -	- - - - -
Net Income - 1955	- - - - -	- - - - -	- - - - -	- - - - -	- - - - -
- 1956 (Est.)	- - - - -	- - - - -	- - - - -	- - - - -	- - - - -
Net Inc. (Adjust.) - 1955	- - - - -	- - - - -	- - - - -	- - - - -	- - - - -
- 1956 (Est.)	- - - - -	- - - - -	- - - - -	- - - - -	- - - - -
Net Worth - - - - -	- - - - -	- - - - -	- - - - -	- - - - -	- - - - -
Stock Market Value (Est.)	- - - - -	- - - - -	- - - - -	- - - - -	- - - - -
K.C.-Eddy @ 12 times 1956 Est. Net	- - - - -	- - - - -	- - - - -	- - - - -	- - - - -
" " " 13	- - - - -	- - - - -	- - - - -	- - - - -	- - - - -
" " " 14	- - - - -	- - - - -	- - - - -	- - - - -	- - - - -
" " " 15	- - - - -	- - - - -	- - - - -	- - - - -	- - - - -
" " " 16	- - - - -	- - - - -	- - - - -	- - - - -	- - - - -
" " " 17	- - - - -	- - - - -	- - - - -	- - - - -	- - - - -
" " " 18	- - - - -	- - - - -	- - - - -	- - - - -	- - - - -

It appears that K.C. - Eddy is one of the leaders in the paperboard and paper milk carton fields, that it enjoys good management, and that through expansion or otherwise it should continue to be a leader in its fields and to have a good possibility of increased future earnings. However, in spite of its present strong position in the industry it would seem that K.C. - Eddy (with its entire reliance on the paperboard business) is in a very competitive business and might be particularly subject to competition, price decreases or the introduction of competing new processes or products.

An exchange of W.T. shares for K.C. - Eddy would provide a distinct advantage to the K.C. and Eddy stockholders in giving them an actively quoted and traded stock for shares now very inactively traded (Eddy) or with no quoted market (K.C.). Such inactive markets for their present shares might well prove a decided handicap to K.C. - Eddy stockholders in case of necessary sales of their shares for estate tax or other purposes. This advantage seems to us to represent a further reason why W. T. stock should sell on a higher price x earnings basis than either K.C. or Eddy shares.

Over the past 5 years it appears that W.T. has paid in dividends approximately 47.4% of its reported net earnings. During the same period dividends paid by Eddy represented approximately 61.5% and those paid by K.C. represented only 9.2% of their respective earnings. In our opinion this record of dividends is a further, though minor, reason why W.T. stock should be valued on a higher price x earnings basis than the K.C. segment of K.C. - Eddy. We understand that in any merger with K.C. - Eddy, W.T. would inherit any Federal taxes that might later be assessed against K.C. or Eddy, including possible taxes against K.C. under Section 102 of the Internal Revenue Act.

We have considered all of the various factors and figures discussed in this report (earnings, earnings trends, assets, dividends, price ranges for common stocks, etc., as well as the more intangible factors). In our consideration

we have given particular weight to the fact that, historically, the market has valued each dollar of W.T.'s earnings at a rate higher than it has generally valued earnings of paper and paperboard manufacturers.

Based on all of the above, we believe that in an exchange of shares between W.T. and K.C.-Eddy it would be equitable to give to K.C.-Eddy stockholders an aggregate of about 4,250,000 W.T. shares, or about 14.6% of the stock of the combined companies. At the current price of about \$38.50 per share for W.T. stock, this would represent a total purchase price of about \$163,600,000 and about 12 1/4 times K.C.-Eddy's 1956 estimated earnings. We believe that such an exchange would be just about "on the market".

This "ratio of exchange" represents our assessment of the relative values of the two companies, giving effect to the various factors mentioned, and which we would expect would approximate the values which the public market would place on them, regarded as separate entities operating independently. The effect of this assessment is to evaluate K.C.-Eddy in relation to the current market for Weyerhaeuser. Thus, although a total dollar valuation on K.C.-Eddy may be derived from the above, it is intended to be a valuation in terms of W.T. shares, which valuation would fluctuate in dollar aggregate up or down with the market price for W.T. shares.

It would be entirely appropriate for W.T. to pay some premium over a "market" exchange ratio, in order to acquire K.C.-Eddy. Premiums, sometimes very substantial, are frequently thought necessary in similar mergers.

Attached as Exhibit 6 are certain details as to "premiums" over market prices which have been paid to the acquired companies' stockholders in four recent paper or paperboard mergers. These mergers and the indicated "premiums" paid are as follows:

<u>Year</u>	<u>Acquiring Company</u>	<u>Acquired Company</u>	<u>Approximate Indicated Premium</u>
1955	Crown Zellerbach	Gaylord Container	40%
1956	International Paper	Long Bell Lumber	106
1956	Owens Illinois	National Container	41
1956	Continental Can	Robert Gair	24

Attached as Exhibit 6 B are figures as to indicated "premiums" that have been paid in a number of other mergers in recent years.

We believe that such "premiums" have represented the acquiring company's assessment of one or more of the following, or of other considerations inherent in the respective individual cases:

- 1.) The value of control. This, of course, is not represented in the day-to-day sales of a few hundred or a few thousand shares.
- 2.) The unique value of the acquired company to the acquiring company, hopefully to be reflected in improved future profits of one, or both, businesses and in the combined business over what might be expected for the two as separate entities.
- 3.) An assessment of bargaining necessity to reach a highly desirable end.

Our own evaluation of what such a "premium" might be in the instant case is in the range of 1,000,000 - 1,250,000 shares of W.T., or a premium of from about 23.5% - 29.4%. This represents the approximate additional values, over and above the market, which we believe might well attach to 100% control of K.C.-Eddy and to such business factors as we know of, or of which we have been advised.

It is entirely possible, of course, that the W. T. management may evaluate the above considerations on a higher basis than we have done, that they may attach greater significance than we have to K.C.-Eddy's estimate of its increased 1957 earnings, or that they may have additional knowledge which we do not have which would add potential further value to the acquisition of K.C.-Eddy. In such cases, we believe that a somewhat higher "premium" might be justified.

Pending completion between W.T. and K.C.-Eddy of merger terms (at least in principle), we have not set down any particular ideas as to payment by W.T. of a portion of the purchase price in cash, preferred stock or debt.

It is our understanding that payment of either debt or cash would result in taxable income to the recipient - to the extent of such debt or cash received; also that, if cash or debt is included to an extent of more than 20% of the entire purchase price, the whole transaction loses any tax-free basis that it might otherwise have. We also understand that payment of preferred stock in any amount would not endanger the tax-free status of the transaction, but that such preferred stock would become a specially classified kind of preferred under the Internal Revenue Act and that it could not be redeemed or repurchased by W.T. (within some considerable period of time) from the original recipient without the recipient at that time becoming subject to regular income tax on the proceeds; such preferred stock might be sold to third parties on only a capital gains tax basis.

With the above in mind and without talking with tax counsel in further detail, we believe that, to the extent that it might be worked out with the K.C.-Eddy people, W. T. might well do the following:

- 1.) Purchase for cash the 25,200 shares of Eddy stock now held in the Eddy and K.C. profit-sharing funds. It is understood that these profit-sharing funds are not subject to taxes.
- 2.) Pay cash to such other K.C.-Eddy shareholders as would care to receive cash instead of W.T. stock.
- 3.) Get options to purchase W.T. stock from as many K.C.-Eddy shareholders as will grant them. Thought might be given, as an inducement to granting such options, to payment by W.T. of cash in some small amount per share, to the grantors of the options. Such options might be either at a fixed price per share of W.T. or at, or in some relation to, the market at the time the option to purchase is exercised.

We believe that, if acceptable to the respective K.C.-Eddy holders, W.T. Preferred Stock might be substituted for cash in any or all of (1), (2) or (3) above.

We do not advise issuance by W.T. of any debt securities for these purposes, unless cash or Preferred Stock are unacceptable to the K.C.-Eddy shareholders.

All of the K.C.-Eddy figures herein, with minor exceptions in the case of certain published figures for Eddy, are based on information furnished to us by K.C.-Eddy through W.T. The W.T. figures used herein are based on published figures plus some additional figures furnished to us direct by W.T. Our figures as to other paper and paperboard companies have been taken in most cases from statistical manuals and other published sources. We have not had an opportunity to consult with the management of K.C.-Eddy or to visit any of K.C.-Eddy's plants. We have had two short visits (in connection with the matters dealt with herein) with certain officials of W.T.

MORGAN STANLEY & CO.

EXHIBIT 1

K. C.-EDDY

Summarized Consolidated Balance Sheets (000's)

	<u>12/31/55</u>	<u>10/31/56</u>
Cash & U. S. Gov't Securities	\$ 8,463	\$13,745
Receivables (Net)	8,544	10,147
Inventories	<u>13,553</u>	<u>14,567</u>
Total Current Assets	30,560	38,459
(Less) Current Liabilities	<u>5,514</u>	<u>6,759</u>
Net Current Assets	25,046	31,700
Property, Plant & Equipment	85,824	91,715
(Less) Deprec. Reserve	<u>33,545</u>	<u>36,936</u>
Net Property, Plant & Equip.	52,279	54,779
Timberlands (Less Reserve)	<u>4,047</u>	<u>12,191</u>
Net Fixed Assets	56,326	66,970
Investments in Affiliated Cos.	1,063	2,489
Construction Fund (cash -?)	19,360	8,865
Other Assets - Not Current	<u>1,523</u>	<u>1,526</u>
Net Worth	\$103,318	\$111,550

EXHIBIT 2K. C.-EDDYSummarized Consolidated Earnings (000's)

	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u> <u>(10 Mos.)</u>	<u>Est.</u> <u>1956</u>
Net Sales	\$88,873	\$99,791	\$99,842	\$114,929	\$102,198	\$121,615
Cost of Sales	60,780	70,859	72,489	83,531	73,903	88,924
Selling Expenses	2,421	2,836	3,374	3,369	2,902	3,560
Administrative Expenses	<u>1,074</u>	<u>1,132</u>	<u>1,524</u>	<u>1,460</u>	<u>1,294</u>	<u>1,703</u>
Total Operating Expenses	<u>\$64,275</u>	<u>\$74,827</u>	<u>\$77,387</u>	<u>\$ 88,360</u>	<u>\$ 78,099</u>	<u>\$ 94,187</u>
Operating Income	24,598	24,964	22,455	26,569	24,099	27,428
Other Income (net)	<u>218</u>	<u>341</u>	<u>222</u>	<u>553</u>	<u>178</u>	<u>450</u>
Net Before Taxes on Income	<u>\$24,816</u>	<u>\$25,305</u>	<u>\$22,677</u>	<u>\$ 27,122</u>	<u>\$ 24,277</u>	<u>\$ 27,878</u>
Federal and State Income Taxes	13,502	13,940	12,365	14,000	13,063	14,526
Federal Excess Profits Taxes	<u>2,025</u>	<u>2,040</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$15,527</u>	<u>\$15,980</u>	<u>\$12,365</u>	<u>\$ 14,000</u>	<u>\$ 13,063</u>	<u>\$ 14,526</u>
Net Income	<u>\$ 9,289</u>	<u>\$ 9,325</u>	<u>\$10,312</u>	<u>\$ 13,122</u>	<u>\$ 11,214</u>	<u>\$ 13,352</u>
 % of Net Sales:						
Net Before Taxes on Income	28.0%	25.3%	22.7%	23.6%	23.8%	22.9%
Net Before Excess Profits Taxes	12.7	11.4	10.3	11.4	11.0	11.0
Net Income	10.5	9.3	10.3	11.4	11.0	11.0

WEYERHAEUSER TIMBER COMPANY

Consolidated Balance Sheets

(000)

<u>Year Ending</u>	<u>December 31, 1952</u>	<u>December 31, 1953</u>	<u>December 31, 1954</u>	<u>December 31, 1955</u>	<u>October 31, 1956</u>
<u>Current Assets</u>					
Cash	\$ 17,393	\$ 15,523	\$ 15,244	\$ 14,912	(\$ 64,748
Marketable Securities, at Cost	26,950	35,374	52,033	60,163	(
Receivables, less Reserve	22,902	21,109	22,336	28,788	28,508
Inventories (see note)	<u>15,008</u>	<u>14,256</u>	<u>16,024</u>	<u>16,543</u>	<u>22,178</u>
Total Current Assets	\$ 82,253	\$ 86,263	\$105,636	\$120,405	\$115,434
Supply, Inventories, Prepaid Exp., etc.	5,942	5,118	5,542	5,363	(13,308
Tax Refund Claims, Other Receivables, etc.	6,218	5,584	5,292	6,130	(
Timber & Timberlands (at March 1, 1913 values)	76,706	73,848	71,951	82,541	83,704
Real Estate, Plants & Equip. (at cost)	\$229,246	\$237,149	\$252,368	\$274,944	\$321,847
less depreciation Reserve	<u>(79,420)</u>	<u>(85,060)</u>	<u>(99,038)</u>	<u>(115,628)</u>	<u>(130,033)</u>
	\$149,826	\$152,089	\$153,330	\$159,316	\$191,814
Total Assets	\$320,945	\$322,901	\$341,751	\$373,755	\$404,260
<u>Liabilities</u>					
<u>Current Liabilities</u>					
Accounts payable	\$ 13,421	\$ 8,572	\$ 9,630	\$ 14,230	\$ 11,885
Accrued Liabilities	10,801	12,017	11,938	14,569	18,549
Provision for Federal Income Taxes	32,977	33,813	35,757	43,348	37,173
less U.S. Govt. Sec. segregated therefor	<u>(32,800)</u>	<u>(33,600)</u>	<u>(34,800)</u>	<u>(42,500)</u>	<u>(37,190)</u> (3)
Total Current Liabilities	\$ 24,399	\$ 20,802	\$ 22,525	\$ 29,647	\$ 30,417
Long-Term Debt of Partially Owned Subsidiary	1,800	-	-	-	-
Equity of Minority Shareholders in Partially Owned Subsidiary	6,003	-	-	-	-
<u>Shareholders' Interest</u>					
Capital Stock	\$156,250	\$156,250	\$156,250	\$187,500	\$187,500
Increase in value of timber and timberlands resulting from March 1, 1913 revaluation	28,607	27,692(2)	26,826	25,771	24,859
Earned Surplus	105,377	120,784	138,528	132,678	163,590
Treasury Stock, at cost	<u>(1,491)</u>	<u>(2,628)</u>	<u>(2,378)</u>	<u>(1,842)</u>	<u>(2,106)</u>
Total Shareholders Interest	\$288,743	\$302,099	\$319,226	\$344,108	\$373,843
Total	\$320,945	\$322,901	\$341,750	\$373,755	\$404,260

Notes: (1) Logs, lumber, pulp and plywood at cost determined on last-in, first-out basis; other items at lower of cost or market.

(2) \$915,000 realized and transferred to earned surplus in 1953.

(3) As of November 30, 1956.

WEYERHAEUSER TIMBER COMPANYSummarized Consolidated Earnings (000's) (See Note)

	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>Estimated 1956</u>
Net Sales	\$260,001	\$276,796	\$262,497	\$316,733	\$326,791
Cost of Goods Sold and Expenses	179,138	193,035	183,008	210,817	N.A.
Depreciation and Depletion	14,288	17,964	18,099	22,491	24,996
Taxes other than Federal Income Taxes	<u>8,410</u>	<u>9,005</u>	<u>8,751</u>	<u>10,786</u>	<u>N.A.</u>
Total Operating Expenses	<u>201,836</u>	<u>220,004</u>	<u>209,858</u>	<u>244,094</u>	<u>236,544</u>
Operating Income	58,165	56,792	52,639	72,639	90,247
Other Income (Net) (1)	<u>3,941</u>	<u>6,059</u>	<u>6,571</u>	<u>7,702</u>	<u>(11,315)</u>
Net before Federal Income Taxes	62,106	62,851	59,210	80,341	78,932
Federal Income Taxes	<u>25,400</u>	<u>26,100</u>	<u>23,700</u>	<u>31,100</u>	<u>26,495</u>
Net Income	<u>\$ 36,706</u>	<u>\$ 36,751</u>	<u>\$ 35,510</u>	<u>\$ 49,241</u>	<u>\$ 52,437</u>
Net Income per share of Capital Stock (2)	1.47	1.48	1.43	1.98	2.10
<u>% of Net Sales</u>					
Net before Federal Income Taxes	23.9	22.7	22.6	25.4	24.2
Net Income	14.1	13.3	13.5	15.5	16.0

(1) Includes operating items.

(2) Adjusted for split in 1955.

Note: Figures are as reported. They include for the years 1952 and 1953 the results of operations of Wood Conversion Company (Distributed to stockholders in November 1953).

Effect of Various Exchange Ratio on Assets, Sales and Earnings
Applicable to K.C.-Eddy Ownership
(000 Omitted)

	K.C.-Eddy (Actual)	W.T. (Actual)	Combined Total (Pro-Forma)	Pro-Forma Amounts of Combined Enterprise Applicable to K.C.-Eddy Ownership Based on Various Exchange Ratios (Ratios Represent Aggregate Equities: W.T. to K.C.-Eddy)						
				3.75 to 1	4 to 1	4.25 to 1	4.50 to 1	4.75 to 1	5 to 1	5.25 to 1
<u>Book Values</u>										
Net Worth	\$111,550	\$367,052	\$478,602	\$100,758	\$95,720	\$91,162	\$87,019	\$83,235	\$79,767	\$76,576
Net Current Assets	31,700	70,713	102,413	21,561	20,483	19,507	18,621	17,811	17,069	16,386
Net Fixed Assets	66,970	281,644	348,614	73,392	69,723	66,403	63,384	60,629	58,102	55,778
<u>Net Sales</u>										
1952-1956 Average	105,010	280,609	385,619	81,183	77,124	73,451	70,113	67,064	64,270	61,699
1956 Estimated	121,615	326,791	448,406	94,401	89,681	85,411	81,528	77,984	74,734	71,745
<u>Net Income</u>										
1952-1956 Average	11,080	42,129	53,209	11,202	10,642	10,135	9,674	9,254	8,868	8,513
1956 Estimated	13,352	52,437	65,789	13,850	13,158	12,531	11,962	11,442	10,965	10,526
<u>Net Income Adjusted for Depletion</u>										
1952-1956 Average	11,080	45,504	56,584	11,911	11,317	10,779	10,287	9,840	9,433	9,053
1956 Estimated	13,352	57,662	71,014	14,950	14,203	13,526	12,912	12,350	11,836	11,362
<u>Dividends to K.C.-Eddy Ownership</u>										
1956 Total	2,981 (10 Mos.)			6,647	6,231	5,865	5,539	5,247	4,985	4,748
Shares Issued for K.C.-Eddy(1)				6,646,736	6,231,315	5,864,767	5,538,947	5,247,423	4,985,052	4,747,669
Total Shares to be Outstanding(1)				31,571,995	31,156,674	30,790,026	30,464,206	30,172,682	29,910,311	29,672,928
K.C.-Eddy Ownership as % of Combined Total				21.05%	20.0%	19.05%	18.18%	17.39%	16.67%	16.0%
Valuation of K.C.-Eddy Ownership Based on Price of 38 1/2 for W.T. Stock Issued (2)				\$255,899	\$239,906	\$225,794	\$213,249	\$202,026	\$191,925	\$182,785
Price(valuation)Times 1956 K.C.-Eddy Earnings				19.17	17.97	16.91	15.97	15.13	14.37	13.69

(1) Based on 24,925,259 shares of W.T.Co.outstanding (after deducting treasury stock) at November 30, 1956.

(2) At this price (1/21/57) W.T.Co.stock was selling at 18.3 times estimated 1956 earnings of \$2.10 per share.

**PREMIUMS OVER MARKET PRICES AND RELATIVE EARNINGS RATIOS
IN CERTAIN RECENT MERGERS INVOLVING PAPER OR PAPERBOARD COMPANIES**

	Merger of		Merger of		Merger of		Merger of	
	Continental Can Co.	Robert Gair Co.	Crown Zellerbach Corp.	Gaylord Container Corp.	Owens- Illinois Glass Co.	National Container Corp.	International Paper	Long-Bell Lumber Corp.
Date of Announcement	June 28, 1956		June 30, 1955		May 11, 1956 (2)		February 13, 1956	
Terms of Merger (Ratio)	0.8 sh.	1 sh.	2 sh.	3 sh.	1/4 sh.com.plus 1/5 sh.4% pfd.	1 sh.	.65085 sh. (4)	1 sh.
Latest 12 Mos. Earnings								
Date	6/30/56(1)	6/30/56 (1)	4/30/55	6/30/55(1)	6/30/56	6/30/56	12/31/55	12/31/55
Total Available to Common	31,909	8,715	33,130	7,116	25,981	9,234	82,185	1,613 (5)
Earnings per Share	4.12	2.92	3.00	2.83	4.25	2.43	7.54	2.72 (5)
MARKET PRICES PER SHARE:								
Date 4 Weeks Prior to Announcement	5/31/56		6/2/55		4/13/56		1/17/56	
High - Low	46 3/4-45 3/4	30 1/4-29 3/4	77 1/4-76 7/8	36 3/4-36 1/8	72 3/4-71 1/2	27-26 1/4	114 1/4-113 1/4	36 - 35 3/8
Eff. Exchange Price		37.40		51.50		38.19 (3)		74.36
Premium over Mkt. Price		23.6%		40.1%		41.4%		106.6%
Mkt.Price (High) Times Earnings	11.3	10.4	25.8	13.0	17.1	11.1	15.2	13.2 (5)
Exchange Price Times Earnings		12.8		18.2		15.7		27.3 (5)
Year to Date 2 weeks Prior to Announcement	To 6/14/56		To 6/16/55		To 4/27/56		To 1/31/56	
High - Low	50-39 1/4	34 1/2-28 5/8	79 1/2-55	42 1/4-32	80 -61 1/4	30 1/4-19 3/4	114 7/8-108	37 3/4-35
Date of High	5/9/56	3/14/56	6/7/55	6/15/55	3/9/56	4/26/56	1/3/56	1/9/56
Price Times Latest Earns.	12.1-9.5	11.8-9.8	26.5-18.3	14.9-11.3	18.8-14.4	12.4-8.1	15.2-14.3	13.9-12.9(5)
Date 2 Weeks Prior to Announcement	6/14/56		6/16/55		4/27/56		1/31/56	
High - Low	47-46 7/8	30 1/8-29 1/2	79 1/4-79	41 7/8-41 1/2	72 3/4-72 1/2	30 1/8-27 3/4	110 1/2-108	37 1/2-36 1/4
Eff. Exchange Price		37.60		52.83		38.19 (3)		71.92
Premium over Mkt. Price		24.8%		26.2%		26.8%		91.8%
Mkt.Price (High) Times Earnings	11.4	10.3	26.4	14.8	17.1	12.4	14.7	13.8 (5)
Exchange Price Times Earns.		12.9		18.7		15.7		26.4 (5)
Date of Announcement	6/28/56		6/30/55		5/11/56		2/13/56	
High - Low	48 1/4-47 3/4	36 3/8-34 3/4	83 -81 1/2	54 -52 3/8	76 -75 1/2	35 -34	109 1/2-109 1/4	44 - 37 1/4
Price (High) Times Earns.	11.7	12.4	27.7	19.1	17.9	14.4	14.5	16.2 (5)
Eff. Exchange Price (at high)		38.60		55.33		39.00 (3)		71.27
Date 2 Weeks After Announcement	7/12/56		7/14/55		5/25/56		2/27/56	
High - Low	47 3/8-47 1/4	35 5/8-34 1/2	77 1/2-76 7/8	49 7/8-49 5/8	72 -68 3/4	34 -33	117 7/8-116 1/2-	64 1/4-61 1/2

NOTES: (To Exhibit 6)

- (1) Composite figure not published in this form.
- (2) Announcement did not state exchange ratio.
- (3) Assumes value of preferred stock is par (100).
- (4) Relates only to Class A Common Shares which were listed on NYSE, and excludes a contingent interest in .03829 shares of Common Stock.
- (5) Earnings exclude excess of equity in consolidated net profits of the Lumber Company and subsidiaries over dividends received which equalled \$3,161,000 or \$5.32/Class A Share in 1955.

INDICATED PERCENT PREMIUM (DISCOUNT)
IN MARKET VALUE RESULTING FROM
CONVERSION RATIOS IN CERTAIN
RECENT MERGERS

	Merger of		Merger of		Merger of		Merger of	
	Union Carbide & Carbon Co.	Visking Corp.	Monsanto Chemical Co.	Lion Oil Co.	Sunray Oil Co.	Mid-Continent Petrol Corp.	W. R. Grace Co.	Davison Chem. Co.
Date of Announcement	September 18, 1956		July 21, 1955		March 11, 1955		April 22, 1954	
Terms of Merger	1 share Union Carbide for 2 1/2 shares Visking		1 1/2 shares Monsanto for 1 share Lion Oil		1 sh. 4 1/2% Pfd. \$25 par; 1/2 sh. 5 1/2% Second Pfd. \$30 par, 3 shs. Common of Surviving Corp. for 1 sh. Mid-Continent Common		1.4 shares of Grace for 1 share Davison	
Market Prices:								
Date 2 weeks prior to announcement	122 1/4-	38 3/4-	50 7/8-	55 7/8-	23 3/4-	101 3/4-	31 7/8-	43 -
	120 1/2	38 1/4	48 1/2	54 3/8	23 1/2	101 1/2	31 1/2	42 1/2
Date of Announcement	117 3/4-	45 1/4-	46 3/4-	64 1/4-	24 1/4-	107 -	32 -	44 5/8-
	114 3/4	41 5/8	44 7/8	59 5/8	23 3/4	105	31 3/8	43
% Premium on Common of Merged Company:								
Date 2 weeks prior to announcement								
Based on High Sales Prices	26.2%		36.6%		9.3%		3.8%	
Based on Low Sales Prices	26.0		33.8		8.9		3.8	
Date of Announcement								
Based on High Sales Prices	4.1%		9.1%		5.4%		0.4%	
Based on Low Sales Prices	10.3		12.9		6.0		2.2	

Merger of	
General	Consolidated
Dynamics	Vultee
Corp.	Aircraft

March 1, 1954

4/7 of 1 sh. of General
Dynamics for 1 share
Consolidated Vultee

39 1/4-	21 3/8-
39	21
43 3/4-	22 1/2-
42 1/2	21 3/4

4.9%
6.1

11.1%
11.7

Merger of	
Standard	Pan
Oil	American
(Ind.)	Petroleum

February 9, 1954

.777 sh. Standard for
1 sh. Pan American

76 1/4-	55 -
75 1/8	54 1/2
78 3/4-	57 -
78 1/8	55 1/4

7.7%
7.1

7.3%
9.9

Merger of	
Union Bag	Camp
& Paper	Mfg.
Corp.	Co.

May 29, 1956

1.75 shs. Union Bag for
1 sh. Camp

42 7/8 Closing Price
46(Bid)
(Nominal Bid,
no asked)
--

63.1%
-

-
-

Comparison of Various Paper and Paper Products Companies

	1952		1953		1954		1955		1956		Close Jan. 21, 1957 (1956 Earnings.)
	High	Low	High	Low	High	Low	High	Low	High	Low	
<u>Weyerhaeuser Timber Company (O.C.)</u>											
Price Range	18 1/4	16 1/2	17 3/4	13 1/2	28	16 3/4	42 1/2	25 3/8	43	34 3/4	37 1/4-39 7/8
Reported Earnings	\$1.47		\$1.48			\$1.43	\$1.98		\$2.10(est.)		\$2.10(est.)
Price X Reported Earnings	12.4	11.2	12.0	9.1	19.6	11.7	21.5	12.8	20.5	16.5	18.3
Price X Prev. Yr. Rep. Earnings.	11.4	10.3	12.1	9.2	18.9	11.3	29.7	17.7	21.7	17.6	-
<u>Crown Zellerbach Corp. (NYSE)</u>											
Price Range	22 1/8	16 1/8	25 1/8	17 5/8	43 1/8	23 1/8	59 1/2	36 5/8	69 7/8	50 1/8	54 1/4
Reported Earnings	\$2.35		\$2.32			\$2.58	\$3.11		\$3.60(est.)		\$3.60(est.)
Price X Reported Earnings	9.4	6.9	10.8	7.6	16.7	9.0	19.1	11.8	19.4	13.9	15.1
Price X Prev. Yr. Rep. Earnings.	8.5	6.2	10.7	7.5	18.6	10.0	23.1	14.2	22.5	16.1	-
<u>International Paper Co. (NYSE)</u>											
Price Range	45 3/4	35	51 1/2	39 5/8	80 1/2	49 7/8	117 1/2	78 1/8	144 1/2	98 1/2	101 1/4
Reported Earnings	\$4.74		\$5.84			\$6.71	\$7.54		\$7.65(est.)		\$7.65(est.)
Price X Reported Earnings	9.7	7.4	8.8	6.8	12.0	7.4	15.6	10.4	18.9	12.9	13.2
Price X Prev. Yr. Rep. Earnings.	8.8	6.8	10.9	8.4	13.8	8.5	17.5	11.6	19.2	13.1	-
<u>West Virginia Pulp & Paper Corp. (NYSE)</u>											
Price Range	21	18	25 3/4	17 1/4	41 1/2	23 1/4	49	35	63	42 3/4	43 1/2
Reported Earnings	\$2.47		\$2.77			\$2.57	\$3.08		\$3.40(est.)		\$3.40(est.)
Price X Reported Earnings	8.5	7.3	9.3	6.2	16.1	9.0	15.9	11.4	18.5	12.6	12.8
Price X Prev. Yr. Rep. Earnings.	7.8	6.7	10.4	7.0	15.0	8.4	19.1	13.6	20.5	13.9	-
<u>Lily Tulip Cup Corp. (NYSE)</u>											
Price Range	24 3/4	16 1/4	25 7/8	19 1/2	52	25	66	46	64	49	51
Reported Earnings	\$1.99		\$2.29			\$3.03	\$3.40		\$4.00(est.)		\$4.00(est.)
Price X Reported Earnings	12.4	8.2	11.3	8.5	17.2	8.3	19.4	13.5	16.0	12.3	12.8
Price X Prev. Yr. Rep. Earnings.	11.0	7.3	13.0	9.8	22.7	10.9	21.8	15.2	18.8	14.4	-

	1952		1953		1954		1955		1956		Close Jan. 21, 1957 (1956 Earnings.)
	High	Low	High	Low	High	Low	High	Low	High	Low	
<u>Eddy Paper Corp. (O.C.)</u>											
Price Range	150	130	140	117	202	127 1/4	240	185	245	200	252
Reported Earnings		\$20.83		\$22.68		\$19.43		\$18.83		\$20.38(est.)	\$20.38(est.)
Price X Reported Earnings	7.2	6.2	6.2	5.2	10.4	6.5	12.7	9.8	12.0	9.8	12.4
Price X Prev. Yr. Rep. Earnings	5.4	4.6	6.7	5.6	8.9	5.6	12.4	9.5	13.0	10.7	-
<u>St. Regis Paper Co. (NYSE)</u>											
Price Range	21 1/4	16 3/4	23 5/8	17 1/4	41 5/8	20 1/8	49 3/4	33 5/8	60 3/8	40 5/8	43
Reported Earnings		\$2.32		\$2.91		\$2.62		\$2.95		\$3.50(est.)	\$3.50(est.)
Price X Reported Earnings	9.2	7.2	8.1	5.9	15.9	7.7	16.9	11.4	17.3	11.6	12.3
Price X Prev. Yr. Rep. Earnings	6.8	5.4	10.2	7.4	14.3	6.9	19.0	12.8	20.5	13.8	-
<u>Marathon Corp. (NYSE)</u>											
Price Range	30 1/2	22 1/2	25	16 3/4	30 1/2	19	35 3/8	28	48 1/4	29 3/4	29 3/4
Reported Earnings		\$2.18		\$1.55		\$2.01		\$2.51		\$2.53	\$2.53
Price X Reported Earnings	14.0	10.3	16.1	10.8	15.2	9.5	14.1	11.2	19.1	11.8	11.8
Price X Prev. Yr. Rep. Earnings	9.3	6.8	11.5	7.7	19.7	12.3	17.6	13.9	19.2	11.9	-
<u>Union Bag-Camp Paper Corp. (NYSE)</u>											
Price Range	16 5/8	14 1/2	16 1/2	12 3/4	25	14 1/2	37 5/8	23	47 1/2	31 3/8	34
Reported Earnings		\$2.08		\$1.86		\$2.03		\$2.68		\$3.00(est.)	\$3.00(est.)
Price X Reported Earnings	8.0	7.0	8.9	6.9	12.3	7.1	14.0	8.6	15.8	10.4	11.3
Price X Prev. Yr. Rep. Earnings	6.2	5.4	7.9	6.1	13.4	7.8	18.5	11.3	17.7	11.7	-
<u>Dixie Cup Co. (NYSE)</u>											
Price Range	39	29 1/2	41 3/4	31 1/4	61 1/4	40	64 3/4	47 1/4	60 1/2	49	50
Reported Earnings		\$3.02		\$3.55		\$4.05		\$4.39		\$4.65(est.)	\$4.65(est.)
Price X Reported Earnings	12.9	9.8	11.8	8.8	15.1	9.9	14.7	10.8	13.0	10.5	10.8
Price X Prev. Yr. Rep. Earnings	11.0	8.3	13.8	10.3	17.3	11.3	16.0	11.7	13.8	11.2	-
<u>Champion Paper & Fibre Co. (NYSE)</u>											
Price Range	15	11 1/8	17 1/4	13 1/4	30	16 1/2	32 3/4	25	45	29 1/2	36
Reported Earnings		\$1.91		\$2.07		\$2.21		\$2.87		\$3.35(est.)	\$3.35(est.)
Price X Reported Earnings	7.9	5.8	8.3	6.4	13.6	7.5	11.4	8.7	13.4	8.8	10.7
Price X Prev. Yr. Rep. Earnings	7.0	5.2	9.0	6.9	14.5	8.0	14.8	11.3	15.7	10.3	-

	1952		1953		1954		1955		1956		Close Jan. 21, 1957 (1956 Earnings.)
	High	Low	High	Low	High	Low	High	Low	High	Low	
<u>Container Corp. of America (NYSE)</u>											
Price Range	8 7/8	6 3/8	9	7 1/8	17 1/8	8 1/2	20	15 1/4	23 3/4	18 1/8	17 3/4
Reported Earnings	\$1.00		\$0.99		\$1.33		\$1.52		\$1.75(est.)		\$1.75 (est.)
Price X Reported Earnings	8.9	6.4	9.1	7.2	12.9	6.4	13.2	10.0	13.6	10.4	10.1
Price X Prev. Yr. Rep. Earnings.	7.5	5.4	9.0	7.1	17.3	8.6	15.0	11.5	15.6	11.9	-
<u>Sutherland Paper Co. (NYSE)</u>											
Price Range	26 1/4	22 1/4	32	25	50	30 1/2	58 3/4	41 3/4	52 1/2	35 1/2	36 1/2
Reported Earnings	\$2.74		\$3.25		\$3.81		\$3.30		\$3.65(est.)		\$3.65 (est.)
Price X Reported Earnings	9.6	8.1	9.8	7.7	13.1	8.0	17.8	12.7	14.4	9.7	10.0
Price X Prev. Yr. Rep. Earnings.	8.9	7.5	11.7	9.1	15.4	9.4	15.4	11.0	15.9	10.8	-
<u>Chesapeake Corp. of Virginia (NYSE)</u>											
Price Range	17 1/4	14	15 3/4	12 5/8	26 3/4	12 7/8	35 3/8	21 1/2	45 3/4	29 3/8	29 7/8
Reported Earnings	\$2.30		\$2.12		\$2.41		\$3.38		\$3.00(est.)		\$3.00 (est.)
Price X Reported Earnings	7.5	6.1	7.4	6.0	11.1	5.3	10.5	6.4	15.3	9.8	10.0
Price X Prev. Yr. Rep. Earnings.	4.0	3.3	6.8	5.5	12.6	6.1	14.7	8.9	13.5	8.7	-
<u>Mead Corp. (NYSE)</u>											
Price Range	13 1/8	10 1/2	14	10 1/4	28 1/8	13 3/8	35 7/8	26 3/8	41 1/2	31 3/4	34 7/8
Reported Earnings	\$2.31		\$2.10		\$2.22		\$3.15		\$3.50(est.)		\$3.50 (est.)
Price X Reported Earnings	5.7	4.5	6.7	4.9	12.7	6.0	11.4	8.4	11.9	9.1	10.0
Price X Prev. Yr. Rep. Earnings.	5.6	4.5	6.1	4.4	13.4	6.4	16.2	11.9	13.2	10.1	-
<u>United Board and Carton Corp. (NYSE)</u>											
Price Range	17 1/2	13	16 3/4	13 1/2	19 1/4	14	27	17 3/8	28 5/8	21 1/2	20 1/2-21
Reported Earnings	\$2.55		\$2.08		\$1.65		\$2.05		\$2.05		\$2.05 (est.)
Price X Reported Earnings	6.9	5.1	8.1	6.5	11.7	8.5	13.2	8.5	14.0	10.5	10.1
Price X Prev. Yr. Rep. Earnings.	6.4	4.8	6.6	5.3	9.3	6.7	16.4	10.5	14.0	10.5	-
<u>Minnesota & Ontario Paper Co. (NYSE)</u>											
Price Range	14	10 3/8	14 3/4	12 1/4	24 1/4	14 3/4	36 3/4	25 7/8	42 1/4	30 1/4	31 1/2
Reported Earnings	\$2.03		\$2.21		\$2.36		\$2.89		\$3.25(est.)		\$3.25 (est.)
Price X Reported Earnings	6.9	5.1	6.7	5.5	10.3	6.3	12.7	9.0	13.0	9.3	9.7
Price X Prev. Yr. Rep. Earnings.	6.6	4.9	7.3	6.0	11.0	6.7	15.6	11.0	14.6	10.5	-

Close
Jan. 21, 1957
(1956 Earnings.)

	1952		1953		1954		1955		1956		
	High	Low	High	Low	High	Low	High	Low	High	Low	
<u>Container Corp. of America (NYSE)</u>											
Price Range	8 7/8	6 3/8	9	7 1/8	17 1/8	8 1/2	20	15 1/4	23 3/4	18 1/8	17 3/4
Reported Earnings	\$1.00		\$0.99		\$1.33		\$1.52		\$1.75(est.)		\$1.75 (est.)
Price X Reported Earnings	8.9	6.4	9.1	7.2	12.9	6.4	13.2	10.0	13.6	10.4	10.1
Price X Prev. Yr. Rep. Earnings.	7.5	5.4	9.0	7.1	17.3	8.6	15.0	11.5	15.6	11.9	-
<u>Sutherland Paper Co. (NYSE)</u>											
Price Range	26 1/4	22 1/4	32	25	50	30 1/2	58 3/4	41 3/4	52 1/2	35 1/2	36 1/2
Reported Earnings	\$2.74		\$3.25		\$3.81		\$3.30		\$3.65(est.)		\$3.65 (est.)
Price X Reported Earnings	9.6	8.1	9.8	7.7	13.1	8.0	17.8	12.7	14.4	9.7	10.0
Price X Prev. Yr. Rep. Earnings.	8.9	7.5	11.7	9.1	15.4	9.4	15.4	11.0	15.9	10.8	-
<u>Chesapeake Corp. of Virginia (NYSE)</u>											
Price Range	17 1/4	14	15 3/4	12 5/8	26 3/4	12 7/8	35 3/8	21 1/2	45 3/4	29 3/8	29 7/8
Reported Earnings	\$2.30		\$2.12		\$2.41		\$3.38		\$3.00(est.)		\$3.00 (est.)
Price X Reported Earnings	7.5	6.1	7.4	6.0	11.1	5.3	10.5	6.4	15.3	9.8	10.0
Price X Prev. Yr. Rep. Earnings.	4.0	3.3	6.8	5.5	12.6	6.1	14.7	8.9	13.5	8.7	-
<u>Mead Corp. (NYSE)</u>											
Price Range	13 1/8	10 1/2	14	10 1/4	28 1/8	13 3/8	35 7/8	26 3/8	41 1/2	31 3/4	34 7/8
Reported Earnings	\$2.31		\$2.10		\$2.22		\$3.15		\$3.50(est.)		\$3.50 (est.)
Price X Reported Earnings	5.7	4.5	6.7	4.9	12.7	6.0	11.4	8.4	11.9	9.1	10.0
Price X Prev. Yr. Rep. Earnings.	5.6	4.5	6.1	4.4	13.4	6.4	16.2	11.9	13.2	10.1	-
<u>United Board and Carton Corp. (NYSE)</u>											
Price Range	17 1/2	13	16 3/4	13 1/2	19 1/4	14	27	17 3/8	28 5/8	21 1/2	20 1/2-21
Reported Earnings	\$2.55		\$2.08		\$1.65		\$2.05		\$2.05		\$2.05 (est.)
Price X Reported Earnings	6.9	5.1	8.1	6.5	11.7	8.5	13.2	8.5	14.0	10.5	10.1
Price X Prev. Yr. Rep. Earnings.	6.4	4.8	6.6	5.3	9.3	6.7	16.4	10.5	14.0	10.5	-
<u>Minnesota & Ontario Paper Co. (NYSE)</u>											
Price Range	14	10 3/8	14 3/4	12 1/4	24 1/4	14 3/4	36 3/4	25 7/8	42 1/4	30 1/4	31 1/2
Reported Earnings	\$2.03		\$2.21		\$2.36		\$2.89		\$3.25(est.)		\$3.25 (est.)
Price X Reported Earnings	6.9	5.1	6.7	5.5	10.3	6.3	12.7	9.0	13.0	9.3	9.7
Price X Prev. Yr. Rep. Earnings.	6.6	4.9	7.3	6.0	11.0	6.7	15.6	11.0	14.6	10.5	-

	1952		1953		1954		1955		1956		Close Jan. 21, 1957 (1956 Earnings.)
	High	Low	High	Low	High	Low	High	Low	High	Low	
<u>Central Fibre Products Co. (O.C.)</u>											
Price Range(Voting Common Only)	36	22	23 1/2	21 3/4	26	20 1/2	32 1/2	26 1/2	33 1/4	26 1/4	27 3/4-28 3/4
Reported Earnings		\$6.10		\$3.23		\$3.19		\$3.08		\$3.12(est.)	\$3.12(est.)
Price X Reported Earnings	5.9	3.6	7.3	6.7	8.2	6.4	10.6	8.6	10.7	8.4	8.9
Price X Prev. Yr. Rep. Earnings.	6.1	3.7	3.9	3.6	8.0	6.3	10.2	8.3	10.8	8.5	-
<u>Federal Paper Board (NYSE)</u>											
Price Range	-	-	21 1/8	15 1/2	36 3/4	20 1/2	40 1/2	29	36 7/8	29 3/4	34 1/4
Reported Earnings		\$3.37		\$3.01		\$4.01		\$3.55		\$4.60(est.)	\$4.60(est.)
Price X Reported Earnings	-	-	7.0	5.1	9.2	5.1	11.4	8.2	8.0	6.5	7.4
Price X Prev. Yr. Rep. Earnings.	-	-	6.3	4.6	12.2	6.8	10.1	7.2	10.4	8.4	-

Note: Per share earnings and price ranges adjusted where necessary to reflect splits and significant stock dividends during the period.

EXHIBIT 7B

Relationship of Price X Earnings Ratios of
Common Stocks of Weyerhaeuser Timber Company
and Eddy Paper Company
(See also Exhibit 7)

												Close Jan. 21, 1957 (1956 Earnings.)

RELATIONSHIP OF CURRENT MARKET
PRICES TO HISTORICAL PRICE RANGES

(See also Exhibit 7)

	Year		% Decline from High to Present*
	Low	High	
Weyerhaeuser Timber Company	1953	1956	10.5%
Crown Zellerbach Corp.	1952	1956	22.4
International Paper Co.	1952	1956	29.9
West Virginia Pulp & Paper Corp.	1953	1956	31.0
Lily Tulip Cup Corp.	1952	1955	22.7
Eddy Paper Corp.	1953	present	+2.9 over 1956 high
St. Regis Paper Co.	1952	1956	28.8
Marathon Corp.	1953	1956	38.3
Union Bag-Camp Paper Corp.	1953	1956	28.4
Dixie Cup Co.	1952	1955	22.8
Champion Paper & Fibre Co.	1952	1956	20.0
Container Corp. of America	1952	1956	25.3
Sutherland Paper Co.	1952	1955	37.9
Chesapeake Corp. of Virginia	1953	1956	34.7
Mead Corp.	1953	1956	16.0
United Board & Carton Corp.	1952	1956	28.4
Minnesota & Ontario Paper Co.	1952	1956	25.4
Central Fibre Products Co.	1954	1952	22.9
Federal Paper Board	1953	1955	15.4

* January 21, 1957

RELATIONSHIP OF CURRENT MARKET
PRICES TO HISTORICAL PRICE RANGES

(See also Exhibit 7)

	Year		% Decline from High to Present*
	Low	High	
Weyerhaeuser Timber Company	1953	1956	10.5%
Crown Zellerbach Corp.	1952	1956	22.4
International Paper Co.	1952	1956	29.9
West Virginia Pulp & Paper Corp.	1953	1956	31.0
Lily Tulip Cup Corp.	1952	1955	22.7
Eddy Paper Corp.	1953	present	+2.9 over 1956 high
St. Regis Paper Co.	1952	1956	28.8
Marathon Corp.	1953	1956	38.3
Union Bag-Camp Paper Corp.	1953	1956	28.4
Dixie Cup Co.	1952	1955	22.8
Champion Paper & Fibre Co.	1952	1956	20.0
Container Corp. of America	1952	1956	25.3
Sutherland Paper Co.	1952	1955	37.9
Chesapeake Corp. of Virginia	1953	1956	34.7
Mead Corp.	1953	1956	16.0
United Board & Carton Corp.	1952	1956	28.4
Minnesota & Ontario Paper Co.	1952	1956	25.4
Central Fibre Products Co.	1954	1952	22.9
Federal Paper Board	1953	1955	15.4

* January 21, 1957

WEYERHAEUSER TIMBER COMPANY

Tacoma, Washington

March 22, 1957

*To the Shareholders
of Weyerhaeuser Timber Company:*

The Directors of WEYERHAEUSER TIMBER COMPANY, KIECKHEFER CONTAINER COMPANY, and THE EDDY PAPER CORPORATION have approved an Agreement and Plan of Merger which, if also approved by the shareholders of the three companies, will result in the merger of the latter two companies into Weyerhaeuser Timber Company. The Plan of Merger provides that Weyerhaeuser Timber Company will continue as the surviving corporation under its present name.

You will find attached a Notice of Special Meeting of Shareholders to be held on April 22, 1957, to take action with respect to the proposed merger, and a Statement of Information describing the three companies and the Plan of Merger.

It is the basic policy of your Company so to manage its lands that they shall provide a continuous supply of wood for the future and to utilize the wood crop therefrom in the most efficient and complete manner practicable. Intensive reforestation and sound conservation practices are thereby made economically feasible.

Your Board of Directors has concluded that to carry out this policy, greater emphasis should be placed upon the manufacture of forest products other than lumber—particularly pulp and paperboard; and that in furtherance of this objective, the Company should engage in the conversion of these latter products into shipping containers, cartons, and other forms of packaging, the demand for which is likely to continue to increase for many years as a consequence of the country's mass production and distribution system. Your Directors believe the proposed merger would be an effective step towards attaining the objective of more complete utilization of your Company's wood crop.

Kieckhefer is engaged principally in the production of corrugated shipping containers, milk cartons, and bleached and unbleached paperboard. It operates nine converting plants producing corrugated shipping and solid fibre containers and ten converting plants producing milk cartons, located in various areas of the United States, and owns one small containerboard mill in New Jersey. North Carolina Pulp Company (wholly owned by Kieckhefer and Eddy) owns a kraft pulp and paperboard mill located in North Carolina and approximately 400,000 acres of timberlands located principally in that state.

Eddy is engaged in the production and sale of corrugated shipping containers, boxboard, and folding cartons, mainly in the midwest section of the United States. Eddy and its subsidiaries operate eight converting plants producing corrugated shipping containers and two converting plants producing folding cartons. In addition to its interest in North Carolina Pulp Company, it owns one small boxboard mill in Michigan. Eddy owns no timberlands.

Kieckhefer and Eddy, after many years of work and large expenditures, have developed facilities, experience, know-how, and customer good will which would require your Company many years to establish. They meet especially well the requirements of your Company for carrying out its policy of efficient crop utilization.

Your Directors recommend that you cast your vote in favor of the merger.

Very truly yours,

F. K. WEYERHAEUSER
President

WEYERHAEUSER TIMBER COMPANY

Tacoma Building
Tacoma, Washington

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS TO BE HELD

April 22, 1957

NOTICE IS HEREBY GIVEN that a special meeting of the shareholders of WEYERHAEUSER TIMBER COMPANY will be held at the office of the Corporation in the Tacoma Building, Tacoma, Washington, on April 22, 1957, at 11:00 o'clock A.M., Pacific Standard Time, for the following purposes:

1. To consider and act upon a plan of merger of Kieckhefer Container Company, a Delaware corporation, and The Eddy Paper Corporation, an Illinois corporation, into Weyerhaeuser Timber Company, a Washington corporation, including certain amendments of the Articles of Incorporation and By-Laws of the Corporation, as summarized in the Statement of Information accompanying this notice and as set forth in Exhibit A thereto; and
2. To transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

The Board of Directors has fixed the close of business on March 20, 1957 as the record date for the determination of the shareholders of the Corporation entitled to notice of and to vote at the special meeting or at any adjournment or adjournments thereof.

By order of the Board of Directors,

GEORGE S. LONG, JR.,
Secretary

Dated: March 22, 1957

The favorable vote of the holders of two-thirds of the outstanding shares of the Corporation is required for approval of the proposed merger. Accordingly, if you are unable to attend the meeting please complete, sign and date the accompanying proxy and mail it promptly in the enclosed envelope.

WEYERHAEUSER TIMBER COMPANY

STATEMENT OF INFORMATION, SPECIAL MEETING OF SHAREHOLDERS

April 22, 1957

This Statement is being sent to you in connection with the solicitation by the management of proxies to be voted at a special meeting of shareholders. The time and location of such meeting and the record date for the determination of shareholders entitled to notice of and to vote at such special meeting are set forth in the accompanying Notice of Special Meeting of Shareholders. At the meeting the shareholders will be asked to consider and act upon the proposed merger of Kieckhefer Container Company (Kieckhefer) and The Eddy Paper Corporation (Eddy) into Weyerhaeuser Timber Company (Weyerhaeuser), including certain amendments of the Articles of Incorporation and By-Laws of Weyerhaeuser hereinafter mentioned. A person giving a proxy may revoke it at any time prior to its exercise. Each of the common shares of Weyerhaeuser outstanding at the close of business on March 20, 1957 will be entitled to one vote.

PROPOSED MERGER

The respective boards of directors have approved a plan of merger of Kieckhefer and Eddy into Weyerhaeuser, with the latter to be the surviving corporation. The plan of merger is summarized herein and is set forth in the Joint Agreement and Plan of Merger, attached hereto as Exhibit A, which provides for the merger under the laws of Delaware, Illinois and Washington. Each of such companies has also entered into a Memorandum of Agreement, dated March 20, 1957, which is summarized herein and a copy of which is attached hereto as Exhibit B. Approval of the merger requires the affirmative vote of the holders of at least two-thirds of the common shares of each of the three companies.

Conversion of stock

Under the Joint Agreement and Plan of Merger Weyerhaeuser will increase the authorized number of its common shares to 31,000,000. On the effective date of the merger:

- (i) Each common share of Weyerhaeuser then outstanding or in its treasury shall continue unchanged as a common share of the surviving corporation.
- (ii) Each common share of Kieckhefer then outstanding shall be converted into 148 common shares of the surviving corporation.
- (iii) Each common share of Eddy then outstanding shall be converted into 10 common shares of the surviving corporation.

However, on the effective date of the merger each common share of any one of the merging companies then held by either of the other merging companies and each share of Eddy then held in Eddy's treasury shall be cancelled and retired, and no shares of the surviving corporation shall be issued in respect thereof.

Effectiveness of Merger and Exchange of Stock Certificates

The merger will become effective upon the filing and recording of the Joint Agreement and Plan of Merger with the proper authorities in the states of Delaware, Illinois and Washington. Holders of certificates for common stock of Kieckhefer and Eddy may thereafter exchange such certificates for certificates for the appropriate number of common shares of Weyerhaeuser. Dividends payable on common shares of Weyerhaeuser represented by common stock certificates of Kieckhefer or Eddy will be paid only upon the surrender of such certificates for exchange.

Capitalization of Kieckhefer, Eddy, Weyerhaeuser and the Surviving Corporation

The following table shows, as of December 31, 1956, the capitalization of each of the three companies and, pro forma, of Weyerhaeuser as the surviving corporation, giving effect to the merger:

	Outstanding	
	Before Merger	After Merger
Kieckhefer—		
Common stock, without par value; authorized 30,000 shares . . .	29,889 shares	None
Eddy—		
31½% Notes payable to Kieckhefer.....	\$6,900,000	None
Common stock, without par value; authorized 200,000 shares..	181,415 shares(1)	None
Weyerhaeuser—		
Common shares, par value \$7.50 per share; authorized 25,000,000 shares(4)	24,921,299 shares(2)	30,319,303 shares(2)(3)

- (1) Excluding 8,634 shares held by Eddy in its treasury. Of the 181,415 outstanding shares, 26,090 shares (14.4%) were owned by Kieckhefer.
- (2) Excluding 78,701 shares held by Weyerhaeuser in its treasury, of which 67,581 shares were reserved for sale upon exercise of stock options granted to certain of its officers and employees. The merger will have no effect upon the rights of holders of options.
- (3) Giving effect to the purchase by Weyerhaeuser of shares as set forth below under "Agreement Relating to Stock Purchases by Weyerhaeuser." Such shares are excluded from the total shares to be outstanding.
- (4) The Joint Agreement and Plan of Merger will increase the authorized common shares of Weyerhaeuser from 25,000,000 to 31,000,000.

Description of Common Shares of the Surviving Corporation

Holders of common shares of Weyerhaeuser, the surviving corporation, are entitled to: (a) dividends when and as declared by the Board of Directors, (b) one vote per share, and (c) equal pro rata rights in the event of liquidation. There are no preemptive or conversion rights, redemption or sinking fund provisions, or rights to cumulate votes for the election of directors. All issued and outstanding common shares are fully paid and non-assessable. The foregoing statement is subject to the Articles of Incorporation and By-Laws of Weyerhaeuser and to the applicable statutes and other law of the State of Washington.

Agreement Relating to Stock Purchases by Weyerhaeuser

Under an Agreement of Purchase and Sale, dated March 20, 1957, Weyerhaeuser has agreed to purchase from certain shareholders of Kieckhefer and Eddy and such shareholders have agreed to sell to Weyerhaeuser (1) an aggregate of 2,576 common shares of Kieckhefer at \$5,328 per share and 19,757 common shares of Eddy at \$360 per share, or (2) at the election of Weyerhaeuser, the 578,818 common shares of Weyerhaeuser into

which those shares of Kieckhefer and Eddy would be converted upon the effective date of the merger at \$36 per share. The selling shareholders and the number of shares which they have agreed to sell are as follows:

Selling shareholder	Common shares of		Equivalent in Weyerhaeuser common shares
	Kieckhefer	Eddy	
E. L. Walker, members of his family and trustees of trusts created for the benefit of members of his family	2,576	5,769	438,938
Trustees of the Kieckhefer Container Company and North Carolina Pulp Company Employees' Profit Sharing Plan.....	—	7,577	75,770
Trustees of The Eddy Paper Corporation and Rochester Folding Box Company Employees' Profit Sharing Plan.....	—	6,411	64,110
	2,576	19,757	578,818

Mr. E. L. Walker is a director and officer of Kieckhefer and a director and officer of Eddy. Certain directors and officers of Kieckhefer and of Eddy are trustees of and certain of them are among the beneficiaries under the respective Employees' Profit Sharing Plans of Kieckhefer and of Eddy named above as selling shareholders.

AMENDMENTS OF ARTICLES OF INCORPORATION AND BY-LAWS OF WEYERHAEUSER

The Articles of Incorporation of Weyerhaeuser will be amended by the Joint Agreement and Plan of Merger (1) to increase the number of authorized shares from 25,000,000 to 31,000,000, (2) to provide that Weyerhaeuser may purchase, hold and sell its own shares, and (3) to state the terms and conditions upon which the authorized and unissued shares of Weyerhaeuser may be issued, including provisions that such shares may be issued for such consideration in property as the Board of Directors shall determine, without first offering such shares to the shareholders, or for such consideration in cash or services as shall be determined by the shareholders or by the Board of Directors acting under authority hereafter conferred by the shareholders. These terms and conditions, which are identical to those formerly contained in the Articles of Incorporation when Weyerhaeuser had authorized but unissued shares, are set forth in Article Two of the Joint Agreement and Plan of Merger as part of Article III of the Articles of Incorporation of Weyerhaeuser, as amended.

The Joint Agreement and Plan of Merger also provides for an amendment to Article III, Section 1 of the By-Laws of Weyerhaeuser to increase the authorized number of directors from 13 to 15 and for including H. M. Kieckhefer and R. H. Kieckhefer as directors of the surviving corporation, together with the present directors of Weyerhaeuser.

COMPARATIVE FINANCIAL INFORMATION

Summaries of Consolidated Income

The following summaries of consolidated income of Kieckhefer Container Company, The Eddy Paper Corporation and Weyerhaeuser Timber Company, for the five years ended December 31, 1956, have been examined by Arthur Andersen & Co., independent public accountants, whose opinion with respect thereto appears elsewhere herein. The summaries of consolidated income should be read in conjunction with the financial statements and notes thereto included elsewhere herein. Unaudited pro-forma combined summaries of consolidated income of the three companies for the five years ended December 31, 1956, also follow.

SUMMARIES OF CONSOLIDATED INCOME
(000's Omitted)

	Year Ended December 31				
	1952	1953	1954	1955	1956
KIECKHEFER AND SUBSIDIARY—					
Gross sales, less discounts and allowances.....	\$ 54,299	\$ 64,836	\$ 65,629	\$ 78,212	\$ 86,520
Other income (net).....	742	703	907	1,250	1,536
Cost of sales and expenses.....	38,271	48,415	50,334	59,030	67,002
Provision for taxes on income.....	10,698	11,329	8,869	10,412	10,955
Minority interest.....	—	—	—	313	412
Net income.....	<u>6,072</u>	<u>5,795</u>	<u>7,333</u>	<u>9,707</u>	<u>9,687</u>
Per common share:					
Net income.....	\$ 205.96	\$ 196.53	\$ 248.69	\$ 324.78	\$ 324.11
Dividends.....	<u>24.00</u>	<u>24.00</u>	<u>24.00</u>	<u>24.00</u>	<u>27.00</u>
EDDY AND SUBSIDIARIES—					
Gross sales, less discounts and allowances.....	\$ 40,908	\$ 44,249	\$ 43,481	\$ 44,770	\$ 45,950
Other income (net).....	224	682	315	207	(39)
Cost of sales and expenses.....	32,651	36,208	36,889	37,862	37,825
Provision for taxes on income.....	4,952	4,880	3,615	3,700	4,220
Net income.....	<u>3,529</u>	<u>3,843</u>	<u>3,292</u>	<u>3,415</u>	<u>3,866</u>
Per common share:					
Net income.....	\$ 20.83	\$ 22.68	\$ 19.43	\$ 18.82	\$ 21.31
Dividends.....	<u>12.00</u>	<u>12.00</u>	<u>12.00</u>	<u>12.00</u>	<u>14.00</u>
WEYERHAEUSER AND SUBSIDIARIES*					
Gross sales, less discounts and allowances.....	\$239,536	\$257,516	\$262,497	\$316,733	\$324,129
Other income (net).....	5,044	6,682	6,571	7,702	7,405
Cost of sales and expenses.....	183,605	201,399	209,262	243,107	253,756
Provision for taxes on income.....	24,799	26,457	24,296	32,087	26,331
Net income.....	<u>36,176</u>	<u>36,342</u>	<u>35,510</u>	<u>49,241</u>	<u>51,447</u>
Per common share:**					
Net income.....	\$ 1.45	\$ 1.46	\$ 1.43	\$ 1.98	\$ 2.06
Dividends.....	<u>.625</u>	<u>.625</u>	<u>.75</u>	<u>1.00</u>	<u>1.00</u>

*Excluding 1952 and 1953 results of operations of Wood Conversion Company, a former subsidiary; Weyerhaeuser's interest in this company was distributed to its shareholders on November 30, 1953.
**Adjusted to give effect to the 4-for-1 stock split on December 30, 1955.

**UNAUDITED PRO FORMA COMBINED SUMMARIES OF CONSOLIDATED INCOME
OF MERGING COMPANIES***

	Year Ended December 31				
	1952	1953	1954	1955	1956
Gross sales, less discounts and allowances.....	\$329,318	\$353,295	\$359,357	\$425,787	\$435,069
Other income (net).....	5,072	7,129	6,855	8,221	7,912
Cost of sales and expenses.....	249,178	273,011	284,227	325,972	337,332
Provision for taxes on income.....	40,124	42,341	36,455	45,874	41,181
Net income.....	<u>45,088</u>	<u>45,072</u>	<u>45,530</u>	<u>62,162</u>	<u>64,468</u>
Net income per share (based on 30,319,303 shares)...	<u>\$1.49</u>	<u>\$1.49</u>	<u>\$1.50</u>	<u>\$2.05</u>	<u>\$2.13</u>

*Adjusted to eliminate intergroup sales, purchases, etc.

Market Prices of Common Shares of Weyerhaeuser and Eddy

The high and low sales prices (as reported by The Commercial and Financial Chronicle) of the common stock of Eddy on the Midwest Stock Exchange since January 1, 1955, and the range of the bid prices of the common shares of Weyerhaeuser in the over-the-counter market (as reported by The National Quotation Bureau Inc.) since January 1, 1955, are set forth below:

		Weyerhaeuser— Bid Prices (1)	Eddy	
			High	Low
1955	First Quarter.....	28 ⁵ / ₈ –25 ³ / ₈	210	185
	Second Quarter.....	32 –28 ¹ / ₄	208	196
	Third Quarter.....	37 ³ / ₈ –31 ¹ / ₄	240	201 ¹ / ₂
	Fourth Quarter.....	42 ⁵ / ₈ –32 ¹ / ₂	220	200
1956	First Quarter.....	43 –37 ³ / ₄	240	200
	Second Quarter.....	42 ¹ / ₄ –38 ¹ / ₄	245	220
	Third Quarter.....	42 ³ / ₄ –37 ¹ / ₂	243	237
	Fourth Quarter.....	38 ¹ / ₄ –34 ¹ / ₂	248 ¹ / ₂	234
1957	First Quarter (through March 13, 1957).....	38 ¹ / ₂ –34	350	246

(1) Adjusted to give effect to the 4-for-1 stock split on December 30, 1955.

As of March 13, 1957 the last sale price of the common stock of Eddy on the Midwest Stock Exchange (March 8) was \$315 a share and the reported bid price of the common shares of Weyerhaeuser in the over-the-counter market was 34³/₄.

The common stock of Kieckhefer is not publicly quoted or traded.

BUSINESS OF KIECKHEFER

Kieckhefer Container Company was incorporated under the laws of the State of Delaware on December 21, 1923, as successor to a business originally established about 1900. Principal executive offices are located at 7200 Westfield Avenue, Pennsauken, N. J.

Kieckhefer, together with its subsidiary North Carolina Pulp Company (owned 80% by Kieckhefer and 20% by Eddy and a wholly-owned subsidiary), is engaged principally in the production and sale of corrugated shipping containers, milk cartons, and bleached and unbleached paperboard. For the year 1956, sales of shipping containers accounted for approximately 50%, sales of milk cartons accounted for approximately 34%, and sales of paperboard (principally to Eddy) accounted for approximately 16% of Kieckhefer's total consolidated sales.

Production and Properties

A kraft pulp and paperboard mill, located at Plymouth, N. C., has a present annual productive capacity of approximately 450,000 tons of paperboard, having been substantially expanded in 1955 and 1956 through the installation of a new 700 tons per day linerboard machine and the removal of a smaller old machine.

Kieckhefer has a jute paperboard mill at Delair, N. J., with an annual productive capacity of approximately 80,000 tons, which supplements the paperboard production of the Plymouth mill.

Substantially all of the bleached board produced by the Plymouth mill, together with purchases of bleached board from others, is used by Kieckhefer in production of its milk cartons. Substantially all of the unbleached containerboard produced by the Plymouth and Delair mills, supplemented by purchases, is used by Kieckhefer or sold to Eddy for the production of shipping containers.

Figures of production, purchase, usage and sale of paperboard by Kieckhefer for the past five years were as follows (in tons):

	1952	1953	1954	1955	1956
Unbleached Containerboard					
Produced.....	218,448	242,874	234,968	256,929	295,794
Purchased.....	16,594	41,129	43,684	46,726	70,523
Total Produced and Purchased.....	<u>235,042</u>	<u>284,003</u>	<u>278,652</u>	<u>303,655</u>	<u>366,317</u>
Consumed.....	162,515	191,606	197,059	230,374	228,904
Sold to Eddy.....	48,683	59,523	51,219	61,213	106,878
Sold to Others.....	25,255	29,991	22,377	27,008	20,218
Total Consumed and Sold.....	<u>236,453</u>	<u>281,120</u>	<u>270,655</u>	<u>318,595</u>	<u>356,000</u>
Bleached Board					
Produced.....	63,481	60,951	63,598	66,599	72,612
Purchased.....	3,953	26,105	32,004	36,640	45,973
Total Produced and Purchased.....	<u>67,434</u>	<u>87,056</u>	<u>95,602</u>	<u>103,239</u>	<u>118,585</u>
Consumed.....	55,886	58,305	64,007	92,786	105,048
Sold to Eddy.....	7,560	12,881	16,363	569	—
Sold to Others.....	5,388	18,367	14,082	7,676	11,880
Total Consumed and Sold.....	<u>68,834</u>	<u>89,553</u>	<u>94,452</u>	<u>101,031</u>	<u>116,928</u>

Kieckhefer operates shipping container and milk carton plants throughout the United States, strategically located to serve markets where there is a large demand. Generally speaking, the shipping container plants are along the Eastern, Gulf and Pacific Coasts and the milk carton plants are located throughout the United States.

Kieckhefer owns and operates 9 converting plants producing corrugated and solid fibre shipping containers, with aggregate floor area of approximately 1,450,000 square feet, at the following locations: Westbrook, Me.; Baltimore, Md.; Delair, N.J.; Parkersburg, W.Va.; Tampa, Fla.; New Orleans, La.; Alameda and Colton, Calif.; and Yakima, Wash. These plants together in 1956 produced shipping containers representing about 2,850 million square feet of containerboard.

Kieckhefer also operates 10 converting plants producing milk cartons, with aggregate floor area of approximately 675,000 square feet, as follows: Camden, N.J.; Jacksonville, Fla.; Seymour, Ind.; Carpentersville, Ill. (under construction); Three Rivers, Mich.; Hastings, Neb.; Garland, Tex.; Salt Lake City, Utah; Whittier, Calif.; and Vancouver, Wash. All of these milk carton plants are owned by Kieckhefer, with the exception of the Three Rivers plant which is leased from Eddy and the Salt Lake City plant which is leased from others.

While most of the paperboard requirements for Kieckhefer's converting plants is obtained from the Plymouth and Delair mills, Kieckhefer purchases some paperboard from others (including Weyerhaeuser), particularly for its West Coast plants.

In addition to its manufacturing facilities Kieckhefer operates owned warehouses at McAllen and Houston, Tex. and at San Jose, Calif., and a leased warehouse at Los Angeles, Calif.

Sales offices for both the milk carton and shipping container divisions are maintained in each of such divisions' plants and, for the shipping container division, also at New York City and Buffalo, N.Y.; San Francisco and Los Angeles, Calif.; Seattle, Wash.; and Malden, Mass.

Approximately 406,000 acres of timberlands are owned in connection with the Plymouth kraft pulp and paperboard mill. Most of this acreage is in North Carolina with minor portions in Virginia and Maryland. Kieckhefer estimates that approximately 355,000 of such acres are covered principally with pine, 38,000 acres

are covered principally with hardwoods, and 13,000 acres are presently untimbered. Kieckhefer estimates that present annual growth on these lands amounts to approximately 418,000 cords. Most of the pulpwood requirements for the Plymouth mill are presently purchased from others and only a minor portion is harvested from owned timberlands.

Substantially all of Kieckhefer's milk carton production has been manufactured and sold under the name "Pure-Pak," pursuant to a non-exclusive license from Ex-Cell-O Corporation. Kieckhefer is one of four companies presently licensed to produce Pure-Pak milk cartons in the United States. Under its license arrangement, Kieckhefer pays a royalty of 2% of its net sales of Pure-Pak milk cartons. In addition, Kieckhefer presently pays to Ex-Cell-O an advertising allowance of 5¢ per 1,000 cartons for use in the promotion of Pure-Pak cartons.

Sales and Distribution

Consolidated sales (before deduction of sales discounts) of Kieckhefer for the past five years, by principal products, are summarized below (in thousands of dollars):

	Shipping Containers	Milk Cartons	Paperboard	Total
1952.....	\$31,965	\$13,541	\$ 9,340	\$54,846
1953.....	36,737	14,444	14,285	65,466
1954.....	37,030	16,696	12,559	66,285
1955.....	42,625	25,449	10,924	78,998
1956.....	43,678	29,434	14,206	87,318

Sales of both shipping containers and milk cartons are made direct to customers by Kieckhefer's own sales force of approximately 100 salesmen. In the case of milk cartons, customers are principally dairies. Shipping containers are sold principally to manufacturers and processors who use them to pack and ship their products. Kieckhefer estimates that it presently accounts for approximately 3% of the United States corrugated shipping container business. Although reliable figures are not available for the industry, Kieckhefer estimates that it may presently account for as much as 20% of the total United States milk carton business.

Recent Developments

During the five years 1952-1956, inclusive, Kieckhefer expended approximately \$42,600,000 for new plants and properties, including timberlands, and for the expansion and modernization of existing plants and facilities, the principal items of which follow:

Purchase of timberlands.....	\$10,900,000
Plant additions (including new paper machine) at Plymouth pulp and paperboard mill.....	17,400,000
Nine new converting plants.....	11,900,000

During the same five-year period Kieckhefer made retirements from its gross property account of approximately \$3,400,000.

Relationship with Eddy

For many years there has been a close relationship between Kieckhefer and Eddy. Kieckhefer owns 26,090 shares (14.4%) of Eddy's outstanding common stock and certain members of the Kieckhefer family also have substantial stockholdings in Eddy. Eddy is in the shipping container and folding carton businesses with plants located principally in the Midwest section of the United States. Kieckhefer and Eddy have, for many years, followed the practice of selling shipping containers for each other, on a commission basis, where orders or parts of orders received could be handled more economically by the other company. In 1954 Eddy purchased from North Carolina Pulp Company for \$17,000,000 cash, 1,000 shares (a 20% stock interest)

of North Carolina Pulp. These funds were used by North Carolina Pulp for expansion of the Plymouth mill. Eddy has a contract to buy from North Carolina Pulp a major portion of Eddy's requirements for paperboard, on a cost-plus basis.

In connection with Eddy's purchase of North Carolina Pulp shares, Kieckhefer loaned to Eddy \$11,000,000. At December 31, 1956, this loan had been reduced to \$6,900,000.

Directors and Officers

The following are the directors and officers of Kieckhefer:

J. W. Kieckhefer	Director; Chairman of Board
H. M. Kieckhefer	Director; President
J. A. Auchter	Director; Vice-President; Assistant Treasurer; Assistant Secretary
C. H. Carpenter	Director; Vice-President
S. B. Clark	Director; Vice-President
R. H. Kieckhefer	Director
W. F. Kieckhefer	Director; Treasurer; Secretary
E. L. Walker	Director; Vice-President
D. C. Will	Director; Vice-President
V. D. Donahue	Vice-President; Comptroller
L. G. Lea	Vice-President
J. W. Seeger	Vice-President

Shareholders

As of March 13, 1957 there were approximately 110 shareholders of Kieckhefer. The outstanding 29,889 shares of common stock are owned largely by various individual members of or trusts for members of the Kieckhefer family. Certain of the foregoing are holders of more than 10% of the outstanding common stock.

Employees

As of December 31, 1956 Kieckhefer and its subsidiary had a total of approximately 4,000 employees. Most of the plant employees are members of unions. Kieckhefer believes that its relations with its employees are generally satisfactory.

BUSINESS OF EDDY

The Eddy Paper Corporation was incorporated under the laws of the State of Illinois on November 14, 1922, as successor to Eddy Paper Company which had originally been established in 1906. Its principal executive offices are located at 919 N. Michigan Avenue, Chicago, Ill.

Eddy and its two wholly-owned subsidiaries, Rochester Folding Box Company and Gereke-Allen Carton Company, are engaged principally in the production and sale of corrugated shipping containers, boxboard, and folding cartons, principally in the north Midwest section of the United States. For the year 1956, sales of shipping containers accounted for approximately 75% of Eddy's total sales.

Production and Properties

Eddy owns a boxboard mill, located at White Pigeon, Mich., with an annual production capacity of approximately 60,000 tons. Production of this mill for the past five years has been as follows (in tons):

1952.....	45,445
1953.....	45,179
1954.....	48,991
1955.....	50,891
1956.....	53,786

Approximately 17% of the boxboard production of this mill is used in the folding carton plants of Eddy's subsidiaries and approximately 83% is sold to other manufacturers.

Eddy and its subsidiaries own and operate 8 converting plants producing corrugated shipping containers, with aggregate floor area of approximately 1,500,000 square feet, as follows: Rochester, N.Y.; Belleville and Rockford, Ill.; Three Rivers and Detroit, Mich.; Manitowoc, Wis.; Cedar Rapids, Iowa; and Austin, Minn. These plants now purchase their containerboard requirements largely from Kieckhefer and its subsidiary. These plants together in 1956 produced corrugated shipping containers representing approximately 2,100 million square feet of containerboard.

Eddy's subsidiaries operate 2 converting plants producing folding cartons, with aggregate floor area of approximately 185,000 square feet. The plant located at Rochester, N.Y. is owned and the one at St. Louis, Mo. is leased. These plants obtain substantially all of their boxboard requirements from the White Pigeon mill. In 1956 these plants together produced approximately 9,800 tons of cartons.

Eddy purchased in 1955 for \$317,000 a 50% common stock interest in Ace Folding Box Corporation, of Middlebury, Ind., which is carried as an investment on its balance sheet. Ace's boxboard requirements are also furnished in large part from the White Pigeon mill.

Sales

Consolidated sales (before deduction of sales discounts) of Eddy for the past five years, by principal products, have been as follows (in thousands of dollars):

	Corrugated Shipping Containers	Folding Cartons	Boxboard	Milk Cartons	Total
1952.....	\$30,443	\$3,638	\$5,860	\$1,292	\$41,233
1953.....	32,052	4,131	5,565	2,861	44,609
1954.....	30,247	4,041	5,490	4,071	43,849
1955.....	34,699	4,373	6,035	—	45,107
1956.....	34,699	5,002	6,583	—	46,284

Sales are made by Eddy's and its subsidiaries' own sales forces of about 65 persons. Corrugated shipping containers are sold principally to manufacturers and processors who use them to pack and ship their products. Folding cartons are sold direct to customers chiefly for packaging and display of their retail products. Boxboard is sold to other carton manufacturers, including Ace. Eddy estimates that it accounts for about 2% of the corrugated shipping container business in the United States. It is a relatively minor factor in the folding carton and boxboard fields.

Recent Developments

During the five years 1952-1956, inclusive, Eddy spent approximately \$7,500,000 on expansion and improvement of its properties and plants, and during the same period made gross retirements from its property account of approximately \$2,600,000. The principal single property addition during this period was the construction in 1954 of a new corrugated shipping container plant at Austin, Minn.

Also during this period, Eddy acquired a 20% stock interest in North Carolina Pulp Company at a cost of \$17,000,000, as described above under "Business of Kieckhefer—Relationship with Eddy".

Officers and Directors

The following are the directors and officers of Eddy:

J. W. Kieckhefer	Director; Chairman of Board
W. F. Kieckhefer	Director; President
E. F. Gereke	Director; Vice President
Anthony Haines	Director; Vice-President
H. M. Kieckhefer	Director
George H. Kiefer	Director
Erwin K. Radke	Director; Vice-President
Nicholas Scharff	Director; Vice-President
Karl W. Schneider	Director; Vice-President
E. L. Walker	Director; Vice-President
Thomas E. Morriss	Vice-President
R. C. Meier	Treasurer; Secretary

Shareholders

As of March 13, 1957 Eddy's shareholders numbered approximately 1,000. Of Eddy's 181,415 shares of common stock outstanding, 26,090 shares (14.4%) are owned by Kieckhefer. A substantial amount of the remaining shares is owned by various members of or trusts for members of the Kieckhefer family and by the trustees of the Kieckhefer and Eddy employees' profit sharing plans mentioned above under "Proposed Merger-Agreement Relating to Stock Purchases by Weyerhaeuser," but no such individual holder owns beneficially more than 10% of Eddy's shares.

Employees

As of December 31, 1956, Eddy and its subsidiaries had a total of approximately 1,900 employees. Most of the plant employees are members of unions. Eddy believes that its relations with its employees are generally satisfactory.

BUSINESS OF WEYERHAEUSER

Weyerhaeuser Timber Company was incorporated under the laws of the State of Washington on January 18, 1900. Principal executive offices are located in the Tacoma Building, Tacoma, Wash.

Weyerhaeuser and its subsidiaries are engaged in the ownership and management of timberlands, the growing and harvesting of timber and its conversion into those products which will best utilize the economic value of the wood supply. Currently, this involves the manufacture, distribution and sale of lumber, plywood, pulp, paperboard, hardboard, and other wood fibre and bark products. Diversification of its products and expansion and integration of its manufacturing facilities have enabled Weyerhaeuser to increase the utilization of its timber resources. Continuing research is being carried on in the fields of forestry and product development.

Timber and Timberlands

Weyerhaeuser owns in fee in the States of Washington, Oregon and California approximately 2,695,000 acres of forest lands, of which approximately 2,111,000 acres are in the Douglas Fir region of western Washington and Oregon and 584,000 acres are in the Western Pine region (556,000 acres in south central Oregon east of the Cascades and 28,000 acres in northern California).

Late in 1956 Weyerhaeuser undertook a program of acquiring timberlands in Mississippi and Alabama to help support a pulp mill planned for construction in the future on a site near Columbus, Miss. Weyerhaeuser believes that the merger with Kieckhefer and Eddy may accelerate this program.

The determination of the amount of merchantable timber on Weyerhaeuser's lands is a continuing process. The definition of merchantable timber changes with improvement in utilization practices and is affected by existing economic conditions. Calculations based on the most recent data available indicate that the volume of merchantable timber is approximately 60 billion board feet (Scribner Log Scale). The Scribner Log Scale was designed to measure the volume of timber in terms of the quantity of commercial lumber a log will produce. Customarily, the number of board feet of lumber produced from a log exceeds its Scribner Log Scale measure. Further, the Scribner Log Scale gives no recognition of other wood supply not suitable for producing lumber but usable for production of wood chips for pulp and other products.

It is Weyerhaeuser's basic policy so to manage its lands that they shall provide a continuous supply of wood for the future. Continuing calculations are made to determine the quantity of timber which can be cut annually and still assure the sustained production of raw material. Based on current calculations and present utilization and reforestation practices, the quantity which can be cut annually is approximately 1.3 billion board feet (Scribner Log Scale). The quantity actually cut from year to year is also influenced by current economic conditions.

Weyerhaeuser anticipates that it will be necessary from time to time to adjust its annual cut to give effect to material changes in growth and yield experience, utilization, and casualty losses including fire and insect infestation.

There will be a material decrease in the age and size of the average tree harvested after the present mature timber supply has been depleted. However, Weyerhaeuser estimates that the physical volume of timber available annually at that time will be somewhat greater than the presently calculated annual cut.

Intermingled with and adjacent to Weyerhaeuser holdings are substantial quantities of timber publicly owned or privately owned by others, some of which will be offered for sale from time to time. It is the intention of Weyerhaeuser to purchase some of such timber as it becomes available, the quantity of which will not be significant in relation to its own timber supply.

Timberlands presently being acquired in Mississippi and Alabama have been heavily logged and some have been repeatedly burned. An intensive rehabilitation program will be started promptly to restore the lands to their maximum productivity.

Wood Supply

The following table shows the past five years' supply of logs and pulpwood made available to Weyerhaeuser's mills, including that produced from purchased timber:

	1952	1953	1954	1955	1956
Logs—(million board feet Scribner Log Scale)					
Produced					
From fee lands.....	925	932	937	1,116	1,208
From purchased timber.....	138	180	109	149	212
	1,063	1,112	1,046	1,265	1,420
Purchased logs (net).....	93	87	90	49	44
	1,156	1,199	1,136	1,314	1,464
Produced logs by species—					
Douglas Fir.....	638	689	642	743	786
Hemlock.....	215	210	193	246	333
Ponderosa Pine.....	88	96	102	105	102
Cedar.....	58	53	48	75	85
Other.....	64	64	61	96	114
	1,063	1,112	1,046	1,265	1,420
PULPWOOD—(thousand cords):					
Produced.....	52	45	120	193	213
Purchased.....	10	4	15	97	238
	62	49	135	290	451

Wood chips for Weyerhaeuser's pulp mills are produced in part from logs of a size, species or quality more suitable for this use than for lumber or plywood, in part from pulpwood and the remainder from residuals from Weyerhaeuser's saw mills and plywood plants. The quantity of wood chips produced in the past five years is shown below:

	1952	1953	1954	1955	1956
WOOD CHIPS—(thousand air dry tons):					
Produced from—					
Logs and pulpwood.....	631	746	881	829	882
Mill residuals.....	410	524	552	813	844
	1,041	1,270	1,433	1,642	1,726
Purchased (net).....	(80)	(58)	7	10	21
Total.....	961	1,212	1,440	1,652	1,747

Manufacturing

Weyerhaeuser has followed a policy of grouping its production facilities at manufacturing centers conveniently located in relation to the timberland furnishing the wood supply. There are 10 such centers located in the States of Washington and Oregon. The integration of mills producing lumber, plywood, pulp, paper-board and other products facilitates making the most economical utilization of the forest harvest.

Lumber—Lumber is produced in a wide variety of kinds and grades, emphasis being placed on quality of product, made possible in part by providing facilities for kiln drying and surfacing. Weyerhaeuser's lumber production is estimated to represent about 3% of the total for the United States. Weyerhaeuser's lumber production for the past five years is shown in the following table (expressed in thousand board feet):

1952.....	1,046,000
1953.....	1,117,000
1954.....	973,000
1955.....	1,193,000
1956.....	1,194,000

Plywood—Weyerhaeuser estimates that it accounts for approximately 2½% of the total United States production of Douglas fir plywood. Weyerhaeuser's plywood production for the past five years is shown in the following table (expressed in thousand square feet—¾" basis):

1952.....	80,000
1953.....	116,000
1954.....	104,000
1955.....	130,000
1956.....	134,000

Pulp and Paperboard—Weyerhaeuser estimates that it produces something less than 4% of the total United States supply (including net imports) of chemical and semi-chemical pulp.

Weyerhaeuser utilized in 1956 approximately 41% of its pulp in its own manufacture of bleached paper-board and unbleached containerboard, and sold the remaining approximately 59% to others. Weyerhaeuser's pulp and board production for the past five years is shown in the following table (expressed in tons):

	Sold as Pulp		Bleached Paperboard	Unbleached Containerboard	Total
	Sulphite	Kraft			
1952	201,996	91,942	6,899	87,083	387,920
1953	201,617	127,875	38,900	118,188	486,580
1954	210,027	187,500	56,136	123,470	577,133
1955	214,771	195,304	75,795	177,149	663,019
1956	222,317	206,440	82,295	208,318	719,370

Other Products—Weyerhaeuser manufactures a variety of other products, including hardboard, particle board, ply veneer, wood fibre and bark products, using principally residuals from its sawmills and plywood plants.

Sales and Distribution

Net sales of Weyerhaeuser for the past five years, classified by principal products, are summarized below (in millions of dollars):

	Lumber	Pulp and Paperboard	Plywood	Other	Total
1952*	\$156.8	\$ 54.6	\$10.0	\$18.1	\$239.5
1953*	156.5	69.3	14.2	17.5	257.5
1954	150.1	82.8	12.9	16.7	262.5
1955	180.5	96.9	18.3	21.0	316.7
1956	177.9	106.7	16.0	23.5	324.1

*Excluding sales of \$20.5 million in 1952 and \$19.3 million in 1953 by Wood Conversion Company, a former subsidiary Weyerhaeuser's interest in this company was distributed to its shareholders on November 30, 1953.

Sales of lumber and plywood include products purchased by Weyerhaeuser from others in order to supply a more complete line to customers. In 1956, products so purchased for resale represented approximately 24% of lumber and 22% of plywood sales. A substantial portion of these purchases was made from one company.

Weyerhaeuser Sales Company, a wholly-owned subsidiary, with headquarters in St. Paul, Minn., is Weyerhaeuser's principal distribution organization dealing in lumber, plywood and related products. Pulp, paperboard, and certain fibre and bark products are sold by separate sales departments.

Lumber and Plywood—Weyerhaeuser's lumber and plywood sales represent principally (1) direct shipment sales from its mills to customers, (2) sales from Weyerhaeuser's nine wholesale distributing yards, and (3) sales from Weyerhaeuser's 87 retail yards.

Lumber and plywood shipments in 1956, by major classes of customers, were approximately as follows:

	Lumber	Plywood
Retail Yards*	74.6%	54.8%
Wholesalers	9.2	32.4
Industrial	11.7	9.2
Other	4.5	3.6
	100.0%	100.0%

*Includes sales through Weyerhaeuser's own retail yards.

Pulp and Paperboard—No one customer accounted for as much as 10% of Weyerhaeuser's pulp sales in 1956. A small, but increasing, amount of pulp has been sold in the export market.

Kieckhefer purchased approximately 46% and two other companies together approximately 29% of Weyerhaeuser's 1956 bleached paperboard production. Kieckhefer purchased approximately 21% and one other company approximately 26% of Weyerhaeuser's 1956 unbleached containerboard production.

Transportation

Weyerhaeuser Steamship Company, a wholly-owned subsidiary, owns and operates eight Liberty ships as a common carrier in the intercoastal trade, carrying principally lumber eastbound and general cargo westbound. Columbia & Cowlitz Railway Company, another wholly-owned subsidiary, operates as a common carrier from a junction with main line railroads in Washington to a terminal near Weyerhaeuser's Longview, Wash. plant.

Properties

In addition to its timberlands described above, Weyerhaeuser has manufacturing and other properties as indicated below.

Manufacturing Plants

LUMBER—	No. of Mills	Capacity
		per 8-hour shift (thousand board feet)
Aberdeen, Wash.	1	160
Enumclaw, Wash.	1	340
Everett, Wash.	2	480
Longview, Wash.	3	950
Raymond, Wash.	1	150
Snoqualmie Falls, Wash.	2	350
Cottage Grove, Ore.	1	150
Klamath Falls, Ore.	1	350
North Bend, Ore.	1	360
Springfield, Ore.	1	310
		3,600

PLYWOOD—	Annual Capacity
	(Thousand Square feet—3/8" basis)
Longview, Wash.	75,000
Cottage Grove, Ore.	55,000
Springfield, Ore.	55,000
	185,000

PULP AND PAPERBOARD (daily capacities—tons)—

	Pulp		Bleached Paperboard	Unbleached Containerboard	Total
	Sulphite	Kraft			
Cosmopolis, Wash.	400	—	—	—	400
Everett, Wash.	310	340	—	—	650
Longview, Wash.	350	250	350	180	1,130
Springfield, Ore.	—	—	—	450	450
	1,060	590	350	630	2,630

SPECIAL PRODUCTS—

	Annual Capacity
Longview, Wash.—bark products	10,000 tons
Snoqualmie Falls, Wash.—fibre products	15,000 tons
Klamath Falls, Ore.—hardboard	80,000,000 sq. ft. (1/8" basis)
North Bend, Ore.—particle board	15,000,000 sq. ft. (3/4" basis)
Springfield, Ore.—ply-veneer	40,000,000 sq. ft. (1/8" basis)

A chemical plant for production of the major portion of Weyerhaeuser's requirements of chlorine and caustic soda is located on the plant site at Longview, Wash.

Distribution Properties

Weyerhaeuser's nine wholesale distributing yards are located at Baltimore, Md.; Newark and Freehold, N. J.; Portsmouth, R. I.; Philadelphia, Pa.; Boston, Mass.; St. Paul, Minn.; Louisville, Ky.; and Los Angeles, Calif. Six of such yards are owned in fee and three are located on leased land.

Weyerhaeuser's 87 retail yards are located in Iowa, Minnesota, Montana, North Dakota and South Dakota, some of which are on leased land.

Recent Developments

During the five years 1952-1956, inclusive, Weyerhaeuser expended approximately \$169,000,000 for new plants and facilities and for expansion and modernization of existing plants and facilities. Approximately 17% of such total represented facilities for lumber and plywood, 54% for pulp and paperboard, 19% for logging equipment and roads, and 10% for all other. During the same five year period, Weyerhaeuser made retirements from its gross property account of approximately \$21,000,000.

Principal plant expansion or acquisition during the five year period included the following:

Longview, Wash.—Substantial increase in kraft pulp production capacity, new bleached paperboard plant, new unbleached containerboard plant and new chemical plant.

Springfield, Ore.—New plywood and ply-veneer plants and expansion of unbleached containerboard capacity.

Raymond, Wash.—New lumber mill to replace old facilities.

Everett, Wash.—New kraft pulp mill.

Klamath Falls, Ore.—New hardboard plant.

Snoqualmie Falls, Wash.—New fibre products plant.

North Bend, Ore.—New particle board plant.

Cosmopolis, Wash.—New sulphite pulp mill.

Aberdeen, Wash.—Lumber mill purchased.

During the five years 1952-1956, inclusive, Weyerhaeuser expended approximately \$13,000,000 for the acquisition of timberlands.

In December, 1954, the R-W Paper Company was organized for the purpose of manufacturing and selling glassine and greaseproof papers. This company's mill was constructed at Longview, Wash., and is supplied with pulp from Weyerhaeuser's adjoining pulp mill. The mill, with initial annual capacity of 10,000 tons, commenced production in June 1956. The capital stock of the R-W Paper Company is owned 50% by Weyerhaeuser and 50% by Rhinelander Paper Company, a subsidiary of St. Regis Paper Company.

In January 1957, Weyerhaeuser purchased a lumber mill, plywood mill and related facilities at Cottage Grove, Ore. (the capacities of which are shown on page 15), together with approximately 55,000 acres of timberlands in that area, most of which is cutover land.

Directors and Officers

The following are the directors and executive officers of Weyerhaeuser:

Laird Bell	Director
Carleton Blunt	Director
*Norton Clapp	Director; Chairman of Board
Edmond M. Cook	Director
O. D. Fisher	Director
*Edmund Hayes	Director; Chairman of Executive Committee
*Chas. H. Ingram	Director; Executive Vice-President
Henry T. McKnight	Director
*John M. Musser	Director; Vice-President
F. W. Reimers	Director
C. D. Weyerhaeuser	Director
*F. K. Weyerhaeuser	Director; President
J. P. Weyerhaeuser III	Director
W. P. Gullander	Vice-President
Howard W. Morgan	Vice-President
Joseph E. Nolan	Vice-President; General Counsel
Robert W. Boyd	Controller
George S. Long, Jr.	Secretary
H. E. Nelson	Treasurer

*Member of Executive Committee.

The directors of the surviving corporation will be the directors of Weyerhaeuser and H. M. Kieckhefer and R. H. Kieckhefer.

Shareholders

As of March 13, 1957 there were approximately 7,500 shareholders of Weyerhaeuser. No one person holds of record or is known by Weyerhaeuser to own beneficially as much as 10% of Weyerhaeuser's common shares. Each director and executive officer is a beneficial holder of common shares and certain directors and officers, together with members of their immediate families, are beneficial and record holders of a substantial number of common shares.

Employees

As of December 31, 1956 Weyerhaeuser and subsidiaries had a total of approximately 14,500 employees. Most of the plant employees are members of unions. During 1954 an industry-wide strike resulted in a 9 to 12 week shutdown of most of Weyerhaeuser's logging, lumber and plywood operations. Weyerhaeuser believes that its relations with its employees are generally satisfactory.

RIGHT TO ABANDON MERGER

The Memorandum of Agreement (Exhibit B) provides that the merger may be terminated and abandoned, either before or after approval of the shareholders of one or more of the respective corporations has been obtained:

(a) by mutual consent of the respective boards of directors of the corporations.

(b) by the Board of Directors of any one of the corporations if, in the judgment of a majority of its directors, the merger becomes inadvisable or impracticable by reason of the failure to receive a ruling from the Commissioner of Internal Revenue that the merger and exchange of stock incident thereto will be tax-free as to the corporations and the stockholders who exchange.

(c) by the Board of Directors of Weyerhaeuser if, in the judgment of a majority of its directors, the merger becomes inadvisable or impracticable by reason of:

(i) the filing in accordance with the applicable law of the written objections or dissents to the merger by shareholders of Weyerhaeuser, Kieckhefer and Eddy, respectively, or any of them, holding in excess of 100,000 common shares of Weyerhaeuser, assuming in computing the holdings of shareholders of Kieckhefer and Eddy, respectively, that their holdings are equal to the number of shares which they otherwise would have been entitled to receive pursuant to the terms of the merger;

(ii) material title defects to a material amount of property of Kieckhefer or Eddy, and its subsidiary or subsidiaries;

(iii) the failure of Kieckhefer or Eddy to perform any agreement thereunder;

(iv) the inaccuracy or untruth of any material representation and warranty made therein by Kieckhefer or Eddy;

(v) any material adverse change since December 31, 1956 in the consolidated business or financial condition or properties of Kieckhefer or Eddy and its subsidiary or subsidiaries; or

(vi) The failure for any reason by any other party under the Agreement of Purchase and Sale mentioned above under "Proposed Merger—Agreement Relating to Stock Purchases by Weyerhaeuser" to sell his shares to Weyerhaeuser as provided therein or the failure of any other party to render full performance of his obligations thereunder.

(d) by the Board of Directors of either Kieckhefer or Eddy, if in the judgment of a majority of the directors of either board, the merger becomes inadvisable or impracticable by reason of:

(i) material title defects to a material amount of property of Weyerhaeuser and its subsidiaries;

- (ii) the failure of Weyerhaeuser to perform any agreement thereunder;
- (iii) the inaccuracy or untruth of any material representation and warranty made therein by Weyerhaeuser; or
- (iv) any material adverse change since December 31, 1956 in the consolidated business or financial condition or properties of Weyerhaeuser and its subsidiaries.

If the merger shall not become effective or is terminated or abandoned, each corporation has agreed to pay all of its own expenses incurred in connection with the proposed merger, the negotiations leading to the merger and any preparations made for effectuating the merger.

CERTAIN TAX CONSEQUENCES OF THE MERGER

In the opinion of counsel for the respective companies, the merger will not, under present Federal tax law, result in the realization of gain or loss by any of the three companies or by their stockholders who exchange or by the stockholders of Weyerhaeuser who retain their shares.

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AUDITORS' CERTIFICATE

We have examined the consolidated balance sheets as of December 31, 1956, and the related statements of consolidated income and surplus for the three years then ended, of:

Weyerhaeuser Timber Company and subsidiaries

Kieckhefer Container Company and subsidiary

The Eddy Paper Corporation and subsidiaries

Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheets and related statements of consolidated income and surplus present fairly the consolidated financial position of the respective companies as of December 31, 1956, and the consolidated results of their respective operations for the three years then ended, and all were prepared in conformity with generally accepted accounting principles consistently applied by each company during the periods under review.

We have also made similar examinations of the "Summaries of Consolidated Income" appearing elsewhere herein; in our opinion, these summaries present fairly the consolidated results of operations of the respective companies for the five years ended December 31, 1956, and were prepared in accordance with generally accepted accounting principles consistently applied by each company during the periods under review.

ARTHUR ANDERSEN & Co.

Chicago, Illinois,
February 23, 1957.

WEYERHAEUSER TIMBER COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET—DECEMBER 31, 1956

ASSETS

CURRENT ASSETS:

Cash.....		\$ 17,286,382
Marketable securities at cost.....		40,070,690
Receivables.....	\$ 23,492,358	
Less—Reserves for doubtful accounts.....	363,328	23,129,030
Inventories (Note 3)—		
Lumber and other finished products.....	\$ 11,168,428	
Logs.....	10,375,361	
Other raw materials.....	1,932,952	23,476,741
Total current assets.....		\$103,962,843

SUPPLY INVENTORIES, PREPAID EXPENSES, ETC.:

Materials and supplies, at average cost.....	\$ 4,319,455	
Miscellaneous prepayments and deferred charges.....	2,745,252	7,064,707

INVESTMENTS, TAX REFUND CLAIMS, ETC.:

Investments, at cost.....	\$ 2,362,998	
Claims for refund of Federal income and excess profits taxes.....	3,899,860	
Long-term receivables.....	769,894	7,032,752

TIMBER AND TIMBERLANDS, ETC., AT MARCH 1, 1913 values determined for Federal income tax purposes and approved by the U. S. Treasury Department, plus subsequent additions at cost (Notes 4 and 5).....

86,352,076

REAL ESTATE, PLANTS AND EQUIPMENT, AT COST (Notes 4 and 5):

Land.....	\$ 3,917,050	
Buildings and improvements.....	50,831,091	
Machinery and equipment.....	189,726,099	
Rail and truck roads.....	36,767,390	
Uncompleted construction.....	48,677,170	
	\$329,918,800	
Less—Reserves for depreciation and amortization.....	130,349,345	199,569,455
		<u>\$403,981,833</u>

Reference is made to the accompanying notes to financial statements which are an integral part of this consolidated balance sheet.

WEYERHAEUSER TIMBER COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET—DECEMBER 31, 1956

LIABILITIES

CURRENT LIABILITIES:

Accounts payable.....		\$ 17,837,659
Accrued liabilities.....		15,554,520
Provision for Federal income taxes.....	\$ 37,207,111	
Less—U. S. Government securities.....	36,700,000	507,111
Total current liabilities.....		\$ 33,899,290

CAPITAL STOCK AND SURPLUS:

Capital stock, par value \$7.50 per share, 25,000,000 shares authorized and issued (Note 9).....	\$187,500,000	
Increase in value of timber and timberlands resulting from March 1, 1913 revaluation—see accompanying statement.....	24,982,760	
Earned surplus (income retained in the business)—see accompanying statement.....	159,987,764	
Treasury stock, 78,701 shares, at cost (Note 7).....	(2,387,981)	370,082,543

\$403,981,833

Reference is made to the accompanying notes to financial statements which are an integral part of this consolidated balance sheet.

WEYERHAEUSER TIMBER COMPANY AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED INCOME

For the Three Years Ended December 31, 1956

	Year Ended December 31,		
	1954	1955	1956
SALES AND OTHER INCOME:			
Gross sales, less discounts and allowances.....	\$262,496,948	\$316,732,545	\$324,129,330
Other income (net)—			
Proceeds from sale of timber and timberlands.....	\$ 1,368,421	\$ 1,609,598	\$ 1,229,354
Transportation and terminal revenues (net).....	834,977	1,443,988	1,518,842
Interest income.....	798,686	1,286,678	2,562,732
Cash discounts received.....	1,374,767	1,529,007	1,431,883
Profit on sale of U.S. Government securities and commercial paper (Note 8).....	1,378,989	706,558	—
Miscellaneous income (net).....	815,435	1,126,256	661,886
	<u>\$ 6,571,275</u>	<u>\$ 7,702,085</u>	<u>\$ 7,404,697</u>
	<u>\$269,068,223</u>	<u>\$324,434,630</u>	<u>\$331,534,027</u>
COST OF SALES AND EXPENSES:			
Cost of sales and expenses, exclusive of depreciation, depletion, amortization and taxes as shown separately below—			
Cost of sales (Note 3).....	\$159,647,099	\$185,424,628	\$192,046,386
Selling and shipping expense.....	12,265,885	13,470,629	14,218,781
General and administrative expense.....	11,055,145	11,892,295	11,402,762
Depreciation, depletion and amortization (Notes 5 and 10)	18,098,974	22,490,522	24,310,461
Taxes other than taxes on income (Note 10).....	8,154,934	9,799,452	11,748,991
Provision for doubtful accounts.....	39,544	29,651	28,761
Total cost of sales and expenses.....	<u>\$209,261,581</u>	<u>\$243,107,177</u>	<u>\$253,756,142</u>
	<u>\$ 59,806,642</u>	<u>\$ 81,327,453</u>	<u>\$ 77,777,885</u>
PROVISION FOR TAXES ON INCOME:			
Federal—normal and surtax.....	\$ 23,700,000	\$ 31,100,000	\$ 25,600,000
State.....	596,287	986,423	731,282
	<u>\$ 24,296,287</u>	<u>\$ 32,086,423</u>	<u>\$ 26,331,282</u>
Net income.....	<u>\$ 35,510,355</u>	<u>\$ 49,241,030</u>	<u>\$ 51,446,603</u>

Reference is made to the accompanying notes to financial statements which are an integral part of these statements of consolidated income.

WEYERHAEUSER TIMBER COMPANY AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED SURPLUS

For the Three Years Ended December 31, 1956

	Year Ended December 31,		
	1954	1955	1956
EARNED SURPLUS (income retained in the business)			
Balance at beginning of year.....	\$120,784,292	\$138,528,433	\$132,677,686
Add:			
Net income from statements of consolidated income.....	35,510,355	49,241,030	51,446,603
Realization of March 1, 1913 increase in timber value, transferred to earned surplus (see statement below).....	866,795	1,054,252	788,625
	<u>\$157,161,442</u>	<u>\$188,823,715</u>	<u>\$184,912,914</u>
Deduct:			
Dividends paid (\$.75 per share in 1954, and \$1.00 per share in 1955 and 1956 on shares outstanding after giving effect to 4-for-1 split in 1955).....	\$ 18,633,009	\$ 24,896,029	\$ 24,925,150
Amount transferred to capital stock (approved by shareholders on December 22, 1955) (Note 9).....	—	31,250,000	—
	<u>\$ 18,633,009</u>	<u>\$ 56,146,029</u>	<u>\$ 24,925,150</u>
Balance at end of year.....	<u>\$138,528,433</u>	<u>\$132,677,686</u>	<u>\$159,987,764</u>
INCREASE IN VALUE OF TIMBER AND TIMBERLANDS RESULTING FROM MARCH 1, 1913 REVALUATION			
Balance at beginning of year.....	\$ 27,692,432	\$ 26,825,637	\$ 25,771,385
Deduct—Realization, through sales, of March 1, 1913 increase in timber value, transferred to earned surplus (see statement above).....	866,795	1,054,252	788,625
Balance at end of year.....	<u>\$ 26,825,637</u>	<u>\$ 25,771,385</u>	<u>\$ 24,982,760</u>

Reference is made to the accompanying notes to financial statements which are an integral part of these statements of consolidated surplus.

WEYERHAEUSER TIMBER COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

(1) PROPOSED MERGER OF KIECKHEFER CONTAINER COMPANY AND THE EDDY PAPER CORPORATION INTO WEYERHAEUSER TIMBER COMPANY:

Reference is made to the attached Joint Agreement and Plan of Merger approved by the Boards of Directors of the respective companies (Exhibit A) and to the comments on pages 2 and 3 relating to stock purchases by Weyerhaeuser.

(2) BASIS OF CONSOLIDATION:

The consolidated financial statements include the accounts of Weyerhaeuser Timber Company and all wholly owned subsidiaries.

Intercompany accounts, sales and profits have been eliminated in consolidation.

Investments in subsidiaries consolidated at December 31, 1956 were carried on the books at \$3,095,394 which was \$5,786,935 less than the company's equity in the underlying net assets of such subsidiaries. This difference represents the company's equity in undistributed earnings of such subsidiaries since acquisition and has been included in consolidated earned surplus.

(3) VALUATION OF INVENTORIES:

Inventories of logs, lumber, plywood and pulp at December 31, 1956 (\$16,266,104) were priced at cost, determined on the basis of last-in, first-out. Other products and raw materials were priced at the lower of average cost (determined on the basis of first-in, first-out) or market. These methods of pricing were adopted as of January 1, 1941, and have been used consistently since that date. Inventories used in determining cost of sales were as follows:

	Amount
At December 31, 1953.....	\$14,256,481
At December 31, 1954.....	16,023,930
At December 31, 1955.....	16,542,719
At December 31, 1956.....	<u>23,476,741</u>

(4) TIMBER, TIMBERLANDS, PLANT, PROPERTY AND EQUIPMENT:

The amounts at which timber, timberlands, plant, property and equipment are carried do not purport to represent replacement or realizable value.

(5) DEPRECIATION, AMORTIZATION AND DEPLETION POLICY:

Depreciation of plants and equipment, including main line railroads, has been provided generally at rates based upon the estimated service lives of the properties. Assets acquired prior to January 1, 1954 have been depreciated at straight line rates. Beginning that date capital investments in new plants and equipment have been depreciated on the sum of the years' digits or declining balance methods. It is not practicable to present all the rates used in computing the annual depreciation provisions; the effective annual rates for the principal classes of properties during the period under review were as follows:

WEYERHAEUSER TIMBER COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

	1954	1955	1956
Buildings and improvements—			
Lumber mills.....	4.0%	4.0%	4.1%
Pulp mills.....	3.0	3.4	3.5
Woods operations.....	5.8	7.7	7.7
Wholesale and retail yards.....	2.8	3.2	3.2
Other property.....	3.2	4.4	4.0
Machinery and equipment—			
Lumber mills.....	4.3	5.8	6.0
Pulp mills.....	5.6	6.6	6.9
Woods operations.....	11.7	12.1	12.0
Wholesale and retail yards.....	5.9	6.5	7.0
Other property.....	<u>11.6</u>	<u>11.4</u>	<u>11.0</u>

Amortization of logging railroads and truck roads has been determined on the basis of the estimated quantity of timber to be hauled over these roads.

Depletion of timber has been charged to operating costs as timber has been harvested, or lost as the result of fire, storm, insect infestation or other casualties. Depletion rates have been based on March 1, 1913 values plus subsequent additions at cost, related to the estimated total recoverable saw timber. Realization, through sales, of March 1, 1913 increase in timber value is recognized currently by a transfer of the applicable amount to earned surplus.

Maintenance and repairs, and minor replacements of property are charged to expense as the expenditures are made, except that extraordinary major repairs which extend the life of the property are charged to the reserve for depreciation. Betterments and replacements of major units of property are capitalized and the replaced items are retired. The cost of property sold or retired is removed from the plant accounts, the accumulated depreciation thereon is removed from the depreciation reserve, and the net gain or loss is carried to the income account.

(6) RETIREMENT PLANS:

The company and certain of its subsidiaries have established retirement plans for salaried and certain hourly employees, the costs of which are being contributed in full by the companies. Under the terms of the trust agreements, funds contributed by the companies to meet the purposes of the plans, together with the earnings thereon, are to be held, managed and invested by independent trustees. The companies have reserved the right to amend or terminate the plans at any time. Past service costs under these plans have been funded at December 31, 1956. Contributions to these plans during the period under review, included in cost of sales and expenses, were as follows:

	Current	Past Service
1954.....	\$1,133,751	\$ 68,375
1955.....	1,183,519	973,762
1956.....	<u>1,238,937</u>	<u>138,972</u>

The company has agreed to establish a retirement plan for hourly employees in the logging, lumber and plywood operations. This plan is scheduled to become effective June 1, 1957 and is an extension

WEYERHAEUSER TIMBER COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

of the noncontributory plan already applicable to other hourly rated employees. Past service cost is estimated at \$13,125,000 at the effective date of the plan. The cost for current service for the first year of the plan will approximate \$915,000.

(7) INCENTIVE STOCK OPTION PLAN:

On May 20, 1952 the Board of Directors adopted an incentive stock option plan under which plan, as amended, employees of the company or its wholly owned subsidiaries could be granted options to purchase not more than 300,000 shares (after adjustment for stock split—Note 9) of the capital stock of the company. Any options granted under the plan become exercisable after one year of continued employment following date of issuance and expire not later than ten years from date of issuance, or earlier in the event of death or termination of employment. The option price may not be less than 95% of the fair market value of the shares on the date the option is granted.

Pursuant to the plan, options to purchase 190,236 shares of capital stock at \$17.50 per share, 25,460 shares at \$24.50 per share, 9,064 shares at \$36.00 per share, and 19,620 shares at \$40.00 per share were granted to certain officers and employees on September 22, 1952, November 17, 1954, August 30, 1955, and June 13, 1956, respectively. All such options expire seven years from date of issuance, or earlier in the event of death or termination of employment. One of the September 22, 1952 options for 4,800 shares expired three months after termination of the optionee's employment. Other information pertaining to these options is summarized below:

Shares as to which options were outstanding at December 31, 1956:

Date Options Granted	Number of Shares	Option Price at Grant Date		Quoted Value at Grant Date	
		Per Share	Total	Per Share	Total
Sept. 22, 1952.....	22,164	\$17.50	\$ 387,870	\$17.50	\$ 387,870
Nov. 17, 1954.....	16,733	24.50	409,958	24.50	409,958
Aug. 30, 1955.....	9,064	36.00	326,304	36.00	326,304
June 13, 1956.....	19,620	40.00	784,800	40.00	784,800
	<u>67,581</u>		<u>\$1,908,932</u>		<u>\$1,908,932</u>

Shares as to which options became exercisable during the years 1954, 1955 and 1956:

Year	Date Options Granted	Number of Shares	Option Price at First Exercisable Date		Quoted Value at First Exercisable Date	
			Per Share	Total	Per Share	Total
1955	Nov. 17, 1954.....	25,460	\$24.50	\$ 623,770	\$42.00	\$1,069,320
1956	Aug. 30, 1955.....	9,064	36.00	326,304	40.00	362,560
		<u>34,524</u>		<u>\$ 950,074</u>		<u>\$1,431,880</u>

WEYERHAEUSER TIMBER COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

Shares as to which options were exercised during the years 1954, 1955 and 1956:

Year	Date Options Granted	Number of Shares	Option Price at Date of Exercise		Quoted Value at Date of Exercise	
			Per Share	Total	Per Share	Total
1954	Sept. 22, 1952.....	50,140	\$17.50	\$ 877,450	\$23.54	\$1,180,485
1955	Sept. 22, 1952.....	81,576	\$17.50	\$1,427,580	\$33.67	\$2,746,991
	Nov. 17, 1954.....	3,912	24.50	95,844	42.37	165,738
		<u>85,488</u>		<u>\$1,523,424</u>		<u>\$2,912,729</u>
1956	Sept. 22, 1952.....	31,556	\$17.50	\$ 552,230	\$39.93	\$1,260,170
	Nov. 17, 1954.....	4,815	24.50	117,967	40.64	195,698
		<u>36,371</u>		<u>\$ 670,197</u>		<u>\$1,455,868</u>
		<u>171,999</u>		<u>\$3,071,071</u>		<u>\$5,549,082</u>

All of the options exercised have been satisfied by the issuance of treasury stock and of the 78,701 shares held in the treasury at December 31, 1956, 67,581 are reserved for the options outstanding at that date. The gain or loss on disposition of treasury stock is credited or charged to income as each option is exercised, otherwise no charges have been made to income with respect to any of these options.

(8) SALE OF MARKETABLE SECURITIES:

The cost of marketable securities sold is determined on the basis of identified securities.

(9) CAPITAL STOCK:

Effective December 30, 1955 the company's 6,250,000 shares of capital stock having a par value of \$25 per share were changed into 25,000,000 shares each having a par value of \$7.50. In this connection \$31,250,000 was transferred from earned surplus to the capital stock account, making the total capital stock \$187,500,000.

(10) SUPPLEMENTARY INCOME ACCOUNT INFORMATION:

	Year Ended December 31,		
	1954	1955	1956
Charged directly to cost of sales and expenses:			
Maintenance and repairs.....	\$16,123,664	\$19,444,173	\$22,224,375
Depreciation, depletion and amortization.....	18,098,974	22,490,522	24,310,461
Taxes other than taxes on income—			
Real estate and personal property.....	\$ 4,471,087	\$ 5,139,874	\$ 5,253,086
Social security.....	1,680,173	2,004,492	2,332,205
Franchise.....	425,091	655,925	780,277
Miscellaneous.....	1,578,583	1,999,161	3,383,423
Total.....	\$ 8,154,934	\$ 9,799,452	\$11,748,991
Rents and royalties.....	\$ 547,823	\$ 619,302	\$ 661,578
Charged to other income accounts:			
Maintenance and repairs.....	\$ 1,083,463	\$ 1,161,928	\$ 1,258,186
Rents and royalties.....	415,270	433,808	448,904

No management or service contract fees were paid.

KIECKHEFER CONTAINER COMPANY AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET—DECEMBER 31, 1956

ASSETS

CURRENT ASSETS:

Cash.....	\$ 4,756,041	
Notes receivable from The Eddy Paper Corporation, current portion.....	1,100,000	
Receivables.....	\$ 7,831,704	
Less—Reserve for doubtful accounts and cash discounts.....	258,223	7,573,481
Inventories, at average cost or market, whichever lower (Note 3)—		
Work in process and finished goods.....	\$ 2,114,285	
Roll stock.....	5,912,413	
Raw materials.....	1,937,066	9,963,764
Total current assets.....		\$ 23,393,286

SUPPLY INVENTORIES, PREPAID EXPENSES, ETC.:

Materials and supplies, at average cost.....	\$ 1,187,503	
Miscellaneous prepayments and deferred charges.....	521,206	1,708,709

INVESTMENTS, ADVANCES, ETC.:

Investment, at cost—		
The Eddy Paper Corporation—		
Common stock, 26,090 shares (Note 1).....	\$ 805,491	
Notes receivable, due \$1,100,000 annually to 1960 and \$500,000 annually thereafter, less current portion above.....	5,800,000	
Miscellaneous physical property, less reserves.....	1,403,285	
Other.....	807,296	8,816,072

CONSTRUCTION FUND, for improvement and expansion programs as authorized by the Board of Directors (Note 4).....

15,000,000

TIMBERLANDS AND TIMBER RIGHTS, at cost (Notes 5 and 6).....

12,134,835

PLANT, PROPERTY AND EQUIPMENT, at cost (Notes 5 and 6):

Land.....	\$ 428,658	
Buildings and improvements.....	17,120,141	
Machinery and equipment, etc.....	51,142,597	
Uncompleted construction.....	1,476,643	
	\$70,168,039	
Less—Reserve for depreciation and amortization.....	27,256,549	42,911,490
		<u>\$103,964,392</u>

Reference is made to the accompanying notes to financial statements which are an integral part of this consolidated balance sheet.

KIECKHEFER CONTAINER COMPANY AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET—DECEMBER 31, 1956

LIABILITIES

CURRENT LIABILITIES:

Accounts payable.....	\$ 1,936,179	
Accrued liabilities.....	1,470,077	
Provision for Federal income taxes.....	\$11,812,431	
Less—U. S. Treasury Notes.....	11,812,431	—
Total current liabilities.....		\$ 3,406,256

MINORITY INTEREST IN COMMON STOCK AND SURPLUS OF SUBSIDIARY.....

7,051,903

CAPITAL STOCK AND SURPLUS:

Common stock, no par value—		
Authorized 30,000 shares, outstanding 29,889 shares, stated at.....	\$ 5,977,800	
Paid-in surplus—see accompanying statement.....	11,841,129	
Earned surplus (income retained in the business)—see accompanying statement	75,687,304	93,506,233

\$103,964,392

Reference is made to the accompanying notes to financial statements which are an integral part of this consolidated balance sheet.

KIECKHEFER CONTAINER COMPANY AND SUBSIDIARY

STATEMENTS OF CONSOLIDATED INCOME

For The Three Years Ended December 31, 1956

	Year Ended December 31		
	1954	1955	1956
SALES AND OTHER INCOME:			
Gross sales, less discounts and allowances (Note 8).....	\$65,628,913	\$78,212,044	\$86,520,628
Other income (net)—			
Dividends received on common stock of The Eddy Paper Corporation.....	\$ 313,080	\$ 313,080	\$ 365,260
Interest income (net).....	343,380	523,229	792,819
Cash discounts received.....	196,842	216,390	263,152
Net gain or (loss) on disposal of machinery and equipment, etc.....	(92,969)	134,271	138,197
Miscellaneous income (net).....	147,123	63,216	(22,959)
	<u>\$ 907,456</u>	<u>\$ 1,250,186</u>	<u>\$ 1,536,469</u>
	<u>\$66,536,369</u>	<u>\$79,462,230</u>	<u>\$88,057,097</u>
COST OF SALES AND EXPENSES:			
Cost of sales and expenses, exclusive of depreciation, depletion, amortization and taxes as shown separately below—			
Cost of sales (Note 3).....	\$43,503,932	\$51,561,255	\$58,685,285
Selling expense.....	1,941,769	1,984,873	2,098,744
General and administrative expense.....	1,182,857	1,037,207	1,124,585
Depreciation, depletion and amortization (Notes 6 and 9).....	2,992,323	3,533,387	4,130,449
Taxes other than taxes on income (Note 9).....	713,630	912,908	962,830
Total cost of sales and expenses.....	<u>\$50,334,511</u>	<u>\$59,029,630</u>	<u>\$67,001,893</u>
Income before taxes on income.....	<u>\$16,201,858</u>	<u>\$20,432,600</u>	<u>\$21,055,204</u>
PROVISION FOR TAXES ON INCOME:			
Federal—normal and surtax.....	\$ 8,560,000	\$10,100,000	\$10,540,000
State.....	308,868	312,426	415,336
	<u>\$ 8,868,868</u>	<u>\$10,412,426</u>	<u>\$10,955,336</u>
Income before deducting minority interest.....	<u>\$ 7,332,990</u>	<u>\$10,020,174</u>	<u>\$10,099,868</u>
MINORITY INTEREST IN NET INCOME OF SUBSIDIARY.....	—	312,678	412,422
Net income.....	<u>\$ 7,332,990</u>	<u>\$ 9,707,496</u>	<u>\$ 9,687,446</u>

Reference is made to the accompanying notes to financial statements which are an integral part of these statements of consolidated income.

KIECKHEFER CONTAINER COMPANY AND SUBSIDIARY

STATEMENTS OF CONSOLIDATED SURPLUS

For The Three Years Ended December 31, 1956

	Year Ended December 31		
	1954	1955	1956
EARNED SURPLUS (income retained in the business)			
Balance at beginning of year.....	\$51,184,121	\$57,809,447	\$66,806,861
Add—Net income from statements of consolidated income.....	7,332,990	9,707,496	9,687,446
	<u>\$58,517,111</u>	<u>\$67,516,943</u>	<u>\$76,494,307</u>
Deduct—Cash dividends on common stock, \$24 per share in 1954 and 1955 and \$27 per share in 1956.....	707,664	710,082	807,003
Balance at end of year.....	<u>\$57,809,447</u>	<u>\$66,806,861</u>	<u>\$75,687,304</u>
PAID-IN SURPLUS			
Balance at beginning of year.....	\$ 138,807	\$10,812,004	\$11,841,129
Add:			
Excess of sales price of 403 shares of the Company's common stock sold to certain officers and employees over stated value thereof.....	\$ —	\$ 1,029,125	\$ —
Excess of sales price of common stock (a 20% interest) of subsidiary sold by the subsidiary over par value thereof, less amount applicable to minority interest.....	10,673,197	—	—
	<u>\$10,673,197</u>	<u>\$ 1,029,125</u>	<u>\$ —</u>
Balance at end of year.....	<u>\$10,812,004</u>	<u>\$11,841,129</u>	<u>\$11,841,129</u>

Reference is made to the accompanying notes to financial statements which are an integral part of these statements of consolidated surplus.

KIECKHEFER CONTAINER COMPANY AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

(1) PROPOSED MERGER OF KIECKHEFER CONTAINER COMPANY AND THE EDDY PAPER CORPORATION INTO WEYERHAEUSER TIMBER COMPANY:

Reference is made to the attached Joint Agreement and Plan of Merger approved by the Boards of Directors of the respective companies (Exhibit A) and to the comments on pages 2 and 3 relating to stock purchases by Weyerhaeuser.

(2) BASIS OF CONSOLIDATION:

The consolidated financial statements include the accounts of the Company and North Carolina Pulp Company, an 80% owned subsidiary. On December 30, 1954, The Eddy Paper Corporation acquired from the subsidiary 20% of its presently outstanding common stock. Prior to such date, the Company owned all of the outstanding common stock of the subsidiary.

Intercompany accounts, sales and profits have been eliminated in consolidation.

The Company's equity in the net assets of the subsidiary was \$25,607,614 in excess of the Company's investment therein at December 31, 1956. Of this amount \$14,934,417, representing undistributed earnings since date of acquisition, has been included in earned surplus in the consolidated balance sheet, and \$10,673,197, representing the Company's equity in paid-in surplus of the subsidiary, has been reflected as paid-in surplus in that statement.

(3) INVENTORIES:

The opening and closing inventories used in determining cost of sales during the three years ended December 31, 1956, were—

December 31—	
1953	\$7,090,943
1954	8,166,859
1955	8,021,711
1956	<u>9,963,764</u>

(4) CONSTRUCTION FUND:

Construction fund for improvement and expansion programs authorized by the Board of Directors represents cash of \$3,206,977 and U. S. Treasury Notes of \$11,793,023.

(5) TIMBERLANDS, TIMBER RIGHTS, PLANT, PROPERTY AND EQUIPMENT:

The amounts at which timberlands, timber rights, plant, property and equipment are carried do not purport to represent replacement or realizable value.

(6) DEPRECIATION, AMORTIZATION AND DEPLETION POLICY:

Depreciation of plant, property and equipment has been provided generally at rates based upon the estimated service lives of the properties. Assets acquired prior to January 1, 1954, have been depreciated at straight line rates and those acquired subsequent to that date on the sum of the years' digits method. It is not practicable to present all of the individual rates used in computing the annual depreciation provisions; the effective annual rates during the period under review for the principal classes of properties were as follows—

KIECKHEFER CONTAINER COMPANY AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

	1954	1955	1956
Buildings and improvements—			
Pulp mill.....	4.3%	4.5%	4.9%
Milk carton plants.....	2.6	3.0	3.3
Container plants.....	2.7	2.8	3.0
Machinery and equipment, etc.—			
Pulp mill.....	6.8	7.2	7.6
Milk carton plants.....	9.0*	10.5*	9.7
Container plants.....	<u>6.6</u>	<u>7.1</u>	<u>7.1</u>

*Excludes special provision for obsolescence of 3.9% and 2% in the years 1954 and 1955, respectively.

Depletion of timberlands and timber rights is computed on the basis of estimated total recoverable timber at time of purchase without giving consideration to regrowth.

Maintenance and repairs and minor replacements of property are charged to expense as the expenditures are made. Betterments and replacements of major units of property are capitalized and the replaced items are retired. The cost of property sold or retired is removed from the asset accounts, the accumulated depreciation thereon is removed from the depreciation reserve and the net gain or loss is carried to the income account.

(7) RETIREMENT PLANS:

The Company and its subsidiary have established separate retirement plans for certain hourly employees, effective August 1, 1956, and December 1, 1951, respectively. Both plans provide for regular contributions, through payroll deductions, by the participating employees, with the balance of funds needed to meet the purposes of the plans to be contributed by the companies. Under the terms of trust agreements, all funds contributed under the plans, together with earnings thereon, are to be held, managed and invested by independent trustees. The companies have reserved the right to amend or terminate the plans at any time. The Company intends to fund past-service costs under its plan over a ten-year period, commencing August 1, 1956, and estimated past-service costs of \$553,984 had not been funded at December 31, 1956. All past-service costs of the subsidiary's plan have been funded. Contributions to these plans during the period under review, included in cost of sales and expenses, were as follows—

	Current	Past Service
1954.....	\$ 33,510	\$ —
1955.....	38,366	—
1956.....	61,301	24,086
	<u>\$133,177</u>	<u>\$24,086</u>

(8) SALES OF THE SUBSIDIARY:

All of the sales of the Company's subsidiary for the years ended December 31, 1954 and 1955, and the three months ended March 31, 1956, were made to the Company under a cost-plus contract. Subsequent to April 1, 1956, the subsidiary sold approximately 20% of its paperboard output on a similar cost-plus basis to The Eddy Paper Corporation.

KIECKHEFER CONTAINER COMPANY AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

(9) SUPPLEMENTARY INCOME ACCOUNT INFORMATION:

	Year Ended December 31		
	1954	1955	1956
Charged directly to cost of sales and other income accounts—			
Maintenance and repairs.....	\$2,815,770	\$3,428,856	\$4,358,352
Depreciation, depletion and amortization.....	2,992,323	3,533,387	4,130,449
Taxes other than taxes on income—			
Real estate.....	\$ 188,982	\$ 276,881	\$ 285,382
Social security.....	375,096	422,116	440,316
Franchise.....	86,645	150,161	179,645
Other.....	62,907	63,750	57,487
	<u>\$ 713,630</u>	<u>\$ 912,908</u>	<u>\$ 962,830</u>
Management and service contract fees.....		None paid	
Rents.....		Not significant	
Royalties.....	\$ 333,155	\$ 508,041	\$ 588,846
Provision for doubtful accounts.....	160,021	41,237	35,613
Charged to plant, property and equipment—depreciation.....	<u>—</u>	<u>7,382</u>	<u>7,491</u>

(10) PROFIT-SHARING PLAN:

Kieckhefer Container Company and its subsidiary have established a profit sharing plan for employees and officers who are compensated on a monthly salary basis. Under the plan, all contributions are made by the companies to a Trust which is administered by a committee. The companies have reserved the right to amend or terminate the plan at any time; however, all contributions, together with the earnings thereon, at the date the plan is terminated remain the interest of the participants and do not revert back to the companies. Contributions during the period under review, charged to income, were as follows:

1954.....	\$288,964
1955.....	333,418
1956.....	<u>367,613</u>

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THE EDDY PAPER CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET—DECEMBER 31, 1956

ASSETS

CURRENT ASSETS:

Cash.....		\$ 4,152,534
Marketable securities at cost.....		1,800,000
Receivables.....	\$ 3,234,224	
Less—Reserves for doubtful accounts.....	127,512	3,106,712
Inventories (Note 3)—		
Work in process.....	\$ 1,244,738	
Paperboard, waste paper and pulp.....	3,072,990	4,317,728
Total current assets.....		<u>\$13,376,974</u>

SUPPLY INVENTORIES AND PREPAID EXPENSES:

Supplies, at average cost.....	\$ 555,080	
Prepaid expenses.....	139,256	694,336

INVESTMENTS, ADVANCES, ETC.:

Investment in North Carolina Pulp Company (Note 4).....	\$17,000,000	
Investment in and advances to Ace Folding Box Corporation exclusive of advances of \$53,000 included in current assets (Note 5).....	820,655	
Other.....	246,423	18,067,078

PLANT AND EQUIPMENT (Notes 6 and 7):

	<u>Cost</u>	<u>Reserves</u>	<u>Net</u>	
Land.....	\$ 137,047	\$ —	\$ 137,047	
Buildings.....	8,085,663	3,108,360	4,977,303	
Machinery and equipment, etc.....	14,353,780	7,600,000	6,753,780	
	<u>\$22,576,490</u>	<u>\$10,708,360</u>	<u>\$11,868,130</u>	11,868,130
				<u>\$44,006,518</u>

Reference is made to the accompanying notes to financial statements which are an integral part of this consolidated balance sheet.

THE EDDY PAPER CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET—DECEMBER 31, 1956

LIABILITIES

CURRENT LIABILITIES:

Current maturities of notes payable to Kieckhefer Container Company (Note 4).....		\$ 1,100,000
Accounts payable.....		1,683,496
Accrued liabilities.....		929,398
Provision for Federal income taxes.....	\$3,909,409	
Less—U. S. Government securities.....	600,000	3,309,409
Total current liabilities.....		<u>\$ 7,022,303</u>

NOTES PAYABLE TO KIECKHEFER CONTAINER COMPANY, 3½%, unsecured, due \$1,100,000 annually to 1960 and \$500,000 annually thereafter, less current maturities above (Note 4)..... 5,800,000

CAPITAL STOCK AND SURPLUS:

Capital stock, no par value, 200,000 shares authorized, 190,049 shares issued.	\$ 4,772,830	
Paid-in surplus—see accompanying statement.....	3,907,658	
Earned surplus (income retained in the business)—see accompanying statement	22,703,095	
Treasury stock, 8,634 shares, at cost.....	(199,368)	31,184,215
		<u>\$44,006,518</u>

Reference is made to the accompanying notes to financial statements which are an integral part of this consolidated balance sheet.

THE EDDY PAPER CORPORATION AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED INCOME

For The Three Years Ended December 31, 1956

	Year Ended December 31		
	1954	1955	1956
SALES AND OTHER INCOME:			
Gross sales, less discounts and allowances.....	\$43,481,628	\$44,770,024	\$45,949,920
Other income or (deductions) net—			
Cash discounts received.....	\$ 213,550	\$ 219,049	\$ 145,308
Interest income.....	95,117	29,150	108,725
Interest expense.....	(3,081)	(104,715)	(269,453)
Profit or (loss) on disposal of plant and equipment.....	(5,869)	44,349	(7,266)
Miscellaneous income (net).....	15,186	19,254	(15,944)
	<u>\$ 314,903</u>	<u>\$ 207,087</u>	<u>\$ (38,630)</u>
	<u>\$43,796,531</u>	<u>\$44,977,111</u>	<u>\$45,911,290</u>
COST OF SALES AND EXPENSES:			
Cost of sales and expenses, exclusive of depreciation and taxes as shown separately below—			
Cost of sales (Note 3).....	\$31,986,874	\$32,843,432	\$32,503,339
Selling and shipping expenses.....	2,824,926	2,723,965	2,823,306
General and administrative expenses.....	749,947	786,862	822,857
Depreciation (Notes 7 and 10).....	915,915	1,045,212	1,207,202
Taxes other than taxes on income (Note 10).....	401,392	444,953	453,825
Provision for doubtful accounts.....	10,332	17,500	15,000
Total cost of sales and expenses.....	<u>\$36,889,386</u>	<u>\$37,861,924</u>	<u>\$37,825,529</u>
	<u>\$ 6,907,145</u>	<u>\$ 7,115,187</u>	<u>\$ 8,085,761</u>
PROVISION FOR TAXES ON INCOME:			
Federal—normal and surtax.....	\$ 3,535,000	\$ 3,619,000	\$ 4,142,000
State.....	80,000	81,000	78,000
	<u>\$ 3,615,000</u>	<u>\$ 3,700,000</u>	<u>\$ 4,220,000</u>
Net income.....	<u>\$ 3,292,145</u>	<u>\$ 3,415,187</u>	<u>\$ 3,865,761</u>

Reference is made to the accompanying notes to financial statements which are an integral part of these statements of consolidated income.

THE EDDY PAPER CORPORATION AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED SURPLUS

For the Three Years Ended December 31, 1956

	EARNED SURPLUS (Income Retained in the Business)		
	Year Ended December 31		
	1954	1955	1956
Balance at beginning of year.....	\$18,792,746	\$20,052,235	\$21,376,766
Add—Net income from statements of consolidated income.....	3,292,145	3,415,187	3,865,761
Deduct—Cash dividends paid (\$12 per share in 1954 and 1955, and \$14 per share in 1956).....	(2,032,656)	(2,090,656)	(2,539,432)
Balance at end of year.....	<u>\$20,052,235</u>	<u>\$21,376,766</u>	<u>\$22,703,095</u>

PAID-IN SURPLUS

The balance of paid-in surplus at January 1, 1954, was \$1,484,450. In 1955, \$2,423,208 was added, representing the excess of proceeds of sale over cost of 12,000 shares of treasury stock. The balance of paid-in surplus at December 31, 1955 and 1956, was \$3,907,658, as shown in the accompanying consolidated balance sheet as of the latter date.

Reference is made to the accompanying notes to financial statements which are an integral part of these statements of consolidated surplus.

THE EDDY PAPER CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

(1) PROPOSED MERGER OF KIECKHEFER CONTAINER COMPANY AND THE EDDY PAPER CORPORATION INTO WEYERHAEUSER TIMBER COMPANY:

Reference is made to the attached Joint Agreement and Plan of Merger approved by the Boards of Directors of the respective companies (Exhibit A) and to the comments on pages 2 and 3 relating to stock purchases by Weyerhaeuser.

(2) BASIS OF CONSOLIDATION:

The consolidated financial statements include, on a consistent basis, the accounts of The Eddy Paper Corporation and both of its wholly owned subsidiaries.

Intercompany accounts, sales and profits have been eliminated in consolidation.

At December 31, 1956, the net assets of the wholly owned subsidiaries were \$4,244,014 in excess of Eddy's investment therein. Of this excess, \$4,133,223 representing accumulated earnings of the subsidiaries since acquisition is included in consolidated earned surplus, and \$110,791 representing excess of net assets of a subsidiary at date of acquisition over stated value of parent's stock issued therefor is included in consolidated paid-in surplus.

(3) VALUATION OF INVENTORIES:

The work-in-process inventories were priced at average cost or market, whichever was lower.

The inventories of paperboard, waste paper and pulp were priced at last-in, first-out cost, which was not in excess of market.

Inventories used in determining consolidated cost of goods sold were as follows:

	December 31			
	1953	1954	1955	1956
Work in process.....	\$ 833,388	\$1,067,670	\$ 922,349	\$1,244,738
Paperboard, waste paper and pulp.....	3,146,813	3,059,736	3,192,615	3,072,990
	<u>\$3,980,201</u>	<u>\$4,127,406</u>	<u>\$4,114,964</u>	<u>\$4,317,728</u>

(4) INVESTMENT IN NORTH CAROLINA PULP COMPANY:

The investment in 20% of the capital stock of North Carolina Pulp Company, a subsidiary of Kieckhefer Container Company, was made in 1954 and was based on estimated replacement costs of the increased capacity needed to supply additional paperboard under a long-term contract to The Eddy Paper Corporation. These estimated costs are substantially greater than the underlying book values of North Carolina Pulp Company, which are reflected on its books on a historical cost basis. The equity of the Company and its subsidiaries in the net income of North Carolina Pulp Company was \$412,422 in 1956 and \$312,678 in 1955. The company had no equity in the net income of North Carolina Pulp Company in 1954. No dividends have been received from that company.

In connection with the purchase of this investment, the Company borrowed from Kieckhefer Container Company on unsecured notes payable.

(5) INVESTMENT IN ACE FOLDING BOX CORPORATION:

Eddy's investment in Ace Folding Box Corporation represents a 50% equity in the voting stock of that company. No separate financial statements are submitted for it because Eddy's investment therein is

THE EDDY PAPER CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

not significant in respect of the assets represented or the sales or the net profit or loss of the Ace Folding Box Corporation.

(6) PLANT AND EQUIPMENT:

The amounts at which plant and equipment are carried do not purport to represent replacement or realizable values.

(7) DEPRECIATION AND AMORTIZATION POLICY:

Depreciation of plant and equipment has been provided generally at rates based upon the estimated service lives of the properties. Assets acquired prior to January 1, 1954, have been depreciated at straight line rates. Additions since that date have been depreciated on the declining balance method. It is not practicable to present all the rates used by the Company and subsidiaries in computing the annual depreciation provisions; the effective annual rates for the principal classes of properties during the period under review were as follows:

	1954	1955	1956
Buildings—			
Paper mill.....	3.0%	3.1%	4.7%
Other.....	3.7	4.0	4.1
Machinery, equipment, etc.—			
Paper mill.....	8.1	8.0	8.5
Other.....	<u>9.1</u>	<u>9.8</u>	<u>9.8</u>

Maintenance and repairs are charged to costs as incurred. The costs of renewals and betterments of major units of plant and equipment are capitalized when incurred. When assets are sold or retired, the cost and accumulated depreciation are removed from the plant and equipment and related reserve accounts, and the net gain or loss is credited or charged to income.

(8) PROFIT-SHARING PLAN:

The Eddy Paper Corporation and The Rochester Folding Box Co., a subsidiary, have established a profit-sharing plan for employees and officers who are compensated on a monthly salary basis. Under the plan, all contributions are made by the companies to a Trust which is administered by a committee. The companies have reserved the right to amend or terminate the plan at any time; however, all contributions, together with the earnings thereon, at the date the plan is terminated remain the interest of the participants and do not revert back to the companies. Contributions during the period under review, charged to income, were as follows:

1954.....	\$197,939
1955.....	212,868
1956.....	<u>219,277</u>

THE EDDY PAPER CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

(9) RETIREMENT PLANS:

Gereke-Allen Carton Company, a subsidiary, has established a pension trust for all regular employees. All contributions are made by the Company to pay full annual premiums for annuity and/or insurance contracts which underwrite the pensions. The Company has reserved the right to amend or terminate the plan at any time. There is no past-service liability under the plan. Contributions during the period under review, charged to income, were as follows:

1954.....	\$15,028
1955.....	19,367
1956.....	<u>23,258</u>

In 1956, The Eddy Paper Corporation executed a collective bargaining agreement covering hourly rated employees at its three plants in the State of Michigan which provides, among other things, for the payment of specified pensions and other benefits to employees who retire during the term of the agreement which expires in 1958. There is no requirement for funding amounts due under the plan and the Company has not set aside funds for past and future service costs. The liability to retired employees at December 31, 1956, was recorded at that date. Provisions of \$268,642 were charged to income in 1956. The Company has not provided for the active employees' past service costs, which under the plan, if continued, were estimated to be approximately \$800,000 at December 31, 1956.

(10) SUPPLEMENTARY INCOME ACCOUNT INFORMATION:

	Year Ended December 31		
	1954	1955	1956
Charged directly to cost of sales and expenses—			
Maintenance and repairs.....	\$971,603	\$ 859,241	\$ 948,238
Depreciation.....	915,915	1,045,212	1,207,202
Taxes other than taxes on income—			
Real estate and personal property.....	\$205,863	\$ 234,164	\$ 233,199
Social security.....	177,540	172,377	188,875
Other.....	17,989	38,412	31,751
	<u>\$401,392</u>	<u>\$ 444,953</u>	<u>\$ 453,825</u>
Rents.....	<u>\$ 91,601</u>	<u>\$ 70,304</u>	<u>\$ 88,852</u>
Charged to other income or (deductions) accounts—			
Depreciation.....	\$ 23,564	\$ 65,186	\$ 60,151
Taxes other than taxes on income—			
Real estate and personal property.....	\$ 6,884	\$ 28,198	\$ 30,603
Social security.....	2,038	789	730
	<u>\$ 8,922</u>	<u>\$ 28,987</u>	<u>\$ 31,333</u>

WEYERHAEUSER TIMBER COMPANY

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET—DECEMBER 31, 1956

(After giving effect to the proposed merger with Kieckhefer Container Company and The Eddy Paper Corporation, as outlined in the attached Joint Agreement and Plan of Merger (Exhibit A), and to the proposed purchase of common shares listed in the table on page 3.)

(000 Omitted)

ASSETS

Current assets—		
Cash.....		\$ 26,382
Marketable securities at cost.....		21,033
Receivables, less reserve.....		32,107
Inventories.....		<u>37,377</u>
Total current assets.....		\$116,899
Supply inventories, prepaid expenses, etc.....		9,468
Tax refund claims, other receivables, etc.....		10,310
Construction fund (cash and U. S. Treasury notes).....		15,000
Timber and timberlands, etc.....		98,487
Real estate, plants and equipment at cost.....	\$422,663	
Less—Reserves for depreciation and amortization.....	168,314	254,349
		<u>\$504,513</u>

LIABILITIES

Current liabilities—		
Accounts payable.....		\$ 20,268
Accrued liabilities.....		17,872
Provision for Federal income taxes.....	\$ 52,929	
Less—U. S. Government securities segregated therefor.....	49,112	3,817
Total current liabilities.....		<u>\$ 41,957</u>
Capital stock and surplus—		
Capital stock, issued 30,398,004, par value \$7.50 per share.....		\$227,985
Increase in value of timber and timberlands resulting from March 1, 1913, revaluation.....		24,982
Earned surplus (income retained in the business).....		211,977
Treasury stock at cost, 78,701 shares (67,581 shares reserved for stock options).....		(2,388)
Total shareholders' interest.....		<u>\$462,556</u>
		<u>\$504,513</u>

RIGHTS OF OBJECTING SHAREHOLDERS

Any shareholder of Weyerhaeuser who objects to the merger may obtain payment of the value of his shares in lieu of participating in the merger, provided he complies with the requirements of the applicable provisions of the Uniform Business Corporation Act of Washington, R.C.W. 23.16.140 and 23.16.160. Such shareholder must file with Weyerhaeuser his written objection to the merger demanding payment for his shares within twenty days after Weyerhaeuser has mailed to him the notice of meeting accompanying this statement, and his shares must not be voted in favor of the merger. If, within thirty days after the effective date of the merger, Weyerhaeuser and the shareholder cannot agree upon the value of his shares at the time the merger was approved by the shareholders, either may petition the Superior Court of Pierce County, Washington within four months thereafter for the appointment of an appraiser to determine the value of all shares owned by objecting shareholders. An objecting shareholder will also receive six percent interest on the value of his shares from the date the merger was approved by the shareholders until payment.

A vote against the merger or a direction in a proxy to vote against the merger will not, in the opinion of counsel, constitute the objection in writing required by the statute.

Any objecting shareholders of Kieckhefer and Eddy will have rights of appraisal and payment by Weyerhaeuser for their shares under Delaware and Illinois statutes, respectively.

Weyerhaeuser shares for which a proxy in the accompanying form is properly signed and returned will be voted in accordance with any choice specified therein and where no choice is specified will be voted in favor of the merger (including the amendments of the Articles of Incorporation and By-Laws of Weyerhaeuser provided for in the Joint Agreement and Plan of Merger), unless the merger shall have been abandoned before the meeting. The management is not aware of any other matters that will come before the meeting. If any other matter should be presented, the proxies will be voted as to such matters in the discretion of the person or persons voting them.

Officers, directors and regular employees of Weyerhaeuser may solicit proxies from its stockholders by telephone, telegraph and personal interviews as well as by mail and Weyerhaeuser will bear the cost of such solicitation.

By order of the Board of Directors

GEORGE S. LONG, JR.,

Secretary

Dated: March 22, 1957

JOINT AGREEMENT AND PLAN OF MERGER

OF

KIECKHEFER CONTAINER COMPANY

AND

THE EDDY PAPER CORPORATION

WITH AND INTO

WEYERHAEUSER TIMBER COMPANY

WEYERHAEUSER TIMBER COMPANY

continuing as the surviving corporation

JOINT AGREEMENT AND PLAN OF MERGER entered into this 20th day of March, 1957 (hereinafter called "this agreement"), by and between WEYERHAEUSER TIMBER COMPANY, a corporation of the State of Washington (hereinafter sometimes called "Weyerhaeuser"), KIECKHEFER CONTAINER COMPANY, a corporation of the State of Delaware (hereinafter sometimes called "Kieckhefer"), and THE EDDY PAPER CORPORATION, a corporation of the State of Illinois (hereinafter sometimes called "Eddy"), and their respective boards of directors (which three corporations are hereinafter sometimes called the "constituent corporations"),

WITNESSETH:

The authorized shares of Weyerhaeuser consist of 25,000,000 common shares of the par value of \$7.50 each, of which, at the date hereof, 24,932,072 shares were outstanding and 67,928 shares were held in the treasury of Weyerhaeuser.

The authorized shares of Kieckhefer consist of 30,000 shares of common stock without par value, of which 29,889 shares were outstanding at the date hereof.

The authorized shares of Eddy consist of 200,000 shares of common stock without par value, of which 181,415 shares were outstanding at the date hereof, including 26,090 shares held by Kieckhefer, and 8,634 shares were held in the treasury of Eddy.

Kieckhefer and Eddy respectively have authority to carry on businesses for the conduct of which a corporation might be organized under the Uniform Business Corporation Act of the State of Washington.

The constituent corporations and their respective boards of directors deem it to be advisable and for the best interests of each of said corporations and its shareholders that Kieckhefer and Eddy be merged with and into Weyerhaeuser as authorized by and pursuant to the respective laws of the States of Delaware, Illinois and Washington (said merger being hereinafter referred to as "the merger").

Now, THEREFORE, in consideration of the premises and the mutual agreements and provisions herein contained, and in order to prescribe the terms and conditions of the merger, the mode of carrying the same into effect and the manner and basis of converting or otherwise dealing with the shares of each of the constituent corporations, and to state such other provisions with respect to the merger as are deemed necessary or desirable, the parties hereto AGREE as follows:

ARTICLE ONE

Kieckhefer Container Company and The Eddy Paper Corporation shall be merged with and into Weyerhaeuser Timber Company to form a single corporation on the effective date of the merger as hereinafter defined. Weyerhaeuser Timber Company shall continue in existence as the corporation surviving the merger and as such is hereinafter sometimes called the "surviving corporation." The name of the surviving corporation shall continue to be

"WEYERHAEUSER TIMBER COMPANY"

and it shall continue to be governed by the laws of the State of Washington.

ARTICLE TWO

The articles of incorporation of Weyerhaeuser as heretofore amended shall upon the effective date of the merger be and they hereby are further amended as follows: (1) Article III shall be changed to increase the number of authorized shares from 25,000,000 to 31,000,000 and to add the last four paragraphs of said article as they appear below; and (2) Article II shall be changed to add the following: "to purchase, hold, sell and transfer its own shares". Said articles of incorporation as so amended shall read as follows:

ARTICLE I.

The name of this corporation shall be "Weyerhaeuser Timber Company."

ARTICLE II.

The object for which this corporation is formed is and shall be dealing in lands, timber, and all the products of timber, and buying and selling the same; carrying on and conducting a general logging, lumbering and manufacturing business; erecting, buying and selling saw mills, shingle mills, planing mills, and all other mills and factories; establishing, operating, buying and selling lumber yards; clearing out and improvement of rivers and streams in the State of Washington; driving, catching, booming, sorting, rafting, brailing, towing, holding and delivering logs, lumber and other timber products; constructing, operating and maintaining telegraphs and telephones in the State of Washington; building, operating, buying and selling ships, barges, steamboats and other water craft; manufacturing, mining, milling, wharfing and docking; mechanical, mercantile, improvement and building purposes; building, equipping and running railroads; building, equipping and managing water flumes for the transportation of wood and lumber; constructing canals and irrigating canals; to purchase, subscribe for, deal in and hold the stock of other corporations to such an extent as hereafter may be permitted or allowed by the laws of the State of Washington, or of any other state in which said corporation may do business; to purchase, hold, sell, and transfer its own shares; and to mortgage, bond, or incumber any or all of its property, real and personal, to such sums and amounts, and at such times and upon such terms as the corporation may find necessary or deem expedient; acquiring, owning and operating mines, mills and reduction works, and mining and milling gold and silver and other minerals; and carrying on every other species of trade and business, except banking and building associations.

ARTICLE III.

The authorized number of shares of this corporation shall be 31,000,000 shares having a par value of \$7.50 per share.

The whole or any part of the authorized but unissued shares of this corporation may be issued from time to time for such consideration in property, tangible or intangible, real or personal, the fair valuation of which to the corporation shall be not less than the aggregate par value of shares issued therefor, as the Board of Directors shall determine, without any further action on the part of the shareholders of this corporation. The value placed upon such consideration by the Board of Directors shall be conclusive.

The whole or any part of the authorized but unissued shares of this corporation may be issued from time to time for such consideration in cash or necessary services actually rendered to the corporation as the shareholders shall determine at any annual or special meeting duly called and held for that purpose or as the Board of Directors shall determine acting under authority hereafter conferred by the shareholders.

Each share so issued for which the full consideration fixed as aforesaid shall have been paid or delivered shall be fully paid and non-assessable, and the holder of such share shall not be liable for any further payments therefor.

The Board of Directors may from time to time authorize the issuance of shares of this corporation, whether now or hereafter authorized, in consideration of property, tangible or intangible, real or personal, without first offering such shares to the shareholders of this corporation.

ARTICLE IV.

The time of the existence of this corporation shall be perpetual.

ARTICLE V.

The number of directors of this corporation shall be the number designated by the By-Laws, not less than nine (9) and not more than fifteen (15).

ARTICLE VI.

The principal place of business of this corporation shall be located in the City of Tacoma, County of Pierce in the State of Washington.

The articles of incorporation of Weyerhaeuser, as so amended, shall continue to be the articles of incorporation of the surviving corporation, until further amended as provided by law, and the surviving corporation reserves the right to effect further amendments thereof in the manner now or hereafter prescribed by the laws of the State of Washington.

ARTICLE THREE

The by-laws of Weyerhaeuser in effect immediately prior to the effective date of the merger shall continue in effect as the by-laws of the surviving corporation, unless and until amended or repealed in the manner provided by law and said by-laws, except that Article III, Section 1 of said by-laws shall upon the effective date of the merger be and it hereby is amended to increase the number of directors from thirteen (13) to fifteen (15).

ARTICLE FOUR

Initially the board of directors of the surviving corporation shall consist of the persons who are directors of Weyerhaeuser immediately prior to the effective date of the merger and Herbert M. Kieckhefer and Robert H. Kieckhefer; and they shall hold office until the annual meeting of shareholders next succeeding the effective date of the merger or until the election and qualification of their respective successors.

ARTICLE FIVE

The manner and basis of converting or otherwise dealing with the shares of each of the constituent corporations are as follows:

(a) Each share of Weyerhaeuser which is issued and outstanding or in the treasury of Weyerhaeuser immediately prior to the effective date of the merger (except shares, if any, then held by either of the other constituent corporations) shall continue to be one fully paid and non-assessable share of the par value of \$7.50 of the surviving corporation.

(b) Each share of common stock of Kieckhefer which is issued and outstanding immediately prior to the effective date of the merger (except shares, if any, then held by either of the other constituent corporations), and all rights in respect thereof, shall be converted, by virtue of the merger and on the effective date thereof and without any action on the part of the holder thereof, into 148 fully paid and non-assessable shares of the par value of \$7.50 each of the surviving corporation.

(c) Each share of common stock of Eddy which is issued and outstanding immediately prior to the effective date of the merger (except shares, if any, then held by either of the other constituent corporations), and all rights in respect thereof, shall be converted, by virtue of the merger and on the effective date thereof and without any action on the part of the holder thereof, into ten fully paid and non-assessable shares of the par value of \$7.50 each of the surviving corporation.

(d) On the effective date of the merger each share of common stock of Kieckhefer or of Eddy which is held in the treasury of such corporation immediately prior to such effective date and each share of any one of the constituent corporations which is held immediately prior to such effective date by either of the other constituent corporations shall be cancelled and retired, and no shares of the surviving corporation shall be issued in respect thereof.

(e) After the effective date of the merger the holders of certificates representing shares of Kieckhefer or Eddy which shall have been converted as aforesaid, except holders who shall have objected to the merger and demanded the fair value of their shares as provided by law, shall be entitled to receive, against the surrender of their certificates for exchange and in full satisfaction of all rights evidenced thereby, certificates representing the number of shares of the par value of \$7.50 each of the surviving corporation into which the shares evidenced by the surrendered certificates shall have been converted as aforesaid. Until so surrendered, each certificate representing shares of common stock of Kieckhefer or Eddy which shall have been converted into shares of the surviving corporation shall be deemed for all corporate purposes to evidence ownership of the number of shares of the surviving corporation into which the same shall have been converted as set forth above; provided, however, that until the holder of such certificate shall have surrendered the same for exchange as aforesaid, no dividend payable to holders of record of shares of the surviving corporation as of any date subsequent to the effective date of the merger shall be paid to such holder with respect to the shares of the surviving corporation represented by such certificate, but upon surrender of such certificate for exchange as aforesaid there shall be paid to the person in whose name a certificate or certificates for shares of the surviving corporation are issued therefor the amount of dividends which shall have theretofore become payable with respect to the number of shares of the surviving corporation represented by the certificate or certificates so issued.

ARTICLE SIX

On the effective date of the merger,

(a) the constituent corporations shall become one corporation, which shall be Weyerhaeuser Timber Company, the surviving corporation, and the separate existence of Kieckhefer and Eddy shall cease, except in so far as continued by statute;

(b) the surviving corporation shall thereupon and thereafter possess all the rights, privileges, immunities, powers and franchises, as well of a public as of a private nature, of each of the constituent corporations; and all property, real, personal and mixed, of each of the constituent corporations, and all debts due on whatever account to any of them, including subscriptions, if any, for shares, and all other things in action belonging to any of the constituent corporations shall be taken and be deemed to be transferred to and vested in, or shall continue to be vested in, the surviving corporation, without further act or deed, and shall be thereafter as effectually the property of the surviving corporation as they were of the constituent corporations, respectively; and the title to any real estate, or any interest therein, vested in any of the constituent corporations, shall not revert or be in any way impaired by reason of the merger;

(c) the surviving corporation shall thenceforth be responsible for all the liabilities and obligations of each of the constituent corporations in the same manner as if the surviving corporation had itself incurred such liabilities and obligations, but the liabilities of the constituent corporations or of their shareholders, directors or officers shall not be affected, nor shall the rights of the creditors thereof, or of any person dealing with any of the constituent corporations, or any liens upon the property thereof (limited in lien to the property subject thereto immediately prior to the effective date of the merger) be impaired by the merger, and any claim existing or action or proceeding pending by or against any of the constituent corporations may be prosecuted to judgment as if the merger had not taken place, or the surviving corporation may be proceeded against or substituted in its place, all as provided in the respective laws of the States of Washington, Delaware and Illinois.

Kieckhefer and Eddy each agrees that if at any time the surviving corporation shall consider that any further assignments or assurances are necessary or desirable to vest or confirm the vesting in the surviving corporation of title to any property, rights, privileges or franchises of either Kieckhefer or Eddy, it will execute and deliver all such deeds and other instruments and will take all such other action as the surviving corporation may request for such purpose and otherwise to carry out the intent and purposes of the merger.

ARTICLE SEVEN

On the effective date of the merger,

(a) the assets and liabilities of Kieckhefer and Eddy shall be taken up on the books of the surviving corporation at the amounts at which they shall be carried at that time on the books of those companies, subject to such adjustments or eliminations as may be made in accordance with generally accepted accounting principles;

(b) the earned surplus and capital surplus of the surviving corporation shall be the sums of the earned surpluses and capital surpluses, respectively, of the constituent corporations on such date, subject in each case to such charges, adjustments and eliminations as may be made in accordance with the following subparagraph (c) or in accordance with generally accepted accounting principles; and

(c) the stated capital of the surviving corporation shall be the sum of the par value of all shares of its common stock then issued, and the amount by which such stated capital shall exceed the aggregate stated capital of the constituent corporations immediately prior to the effective date of the merger shall be charged to the capital surplus of the surviving corporation and, to the extent that such capital surplus is not adequate for the purpose, to the earned surplus of the surviving corporation.

ARTICLE EIGHT

1. The surviving corporation hereby agrees that it may be served with process in the State of Delaware in any proceeding for enforcement of any obligation of Kieckhefer or in any proceeding for the enforcement of any obligation of the surviving corporation arising from the merger, including any proceeding to enforce the right of any stockholder of Kieckhefer as determined in appraisal proceedings pursuant to the provisions of Section 262 of the General Corporation Law of the State of Delaware, and hereby irrevocably appoints the Secretary of State of the State of Delaware as its agent to accept service of process in any such proceeding. The address to which a copy of such process shall be mailed by said Secretary of State is Weyerhaeuser Timber Company, Tacoma 1, Washington.

2. The surviving corporation hereby agrees that it may be served with process in the State of Illinois in any proceeding for the enforcement of any obligation of Eddy and in any proceeding for the enforcement of the rights of a dissenting shareholder of Eddy against the surviving corporation, and hereby irrevocably appoints the Secretary of State of the State of Illinois as the agent of the surviving corporation to accept service of process in any such proceeding.

3. The surviving corporation hereby further agrees that it will promptly pay to the dissenting shareholders, if any, of Kieckhefer and Eddy, respectively, the amounts to which they shall be entitled under the provisions of the General Corporation Law of the State of Delaware in the case of shareholders of Kieckhefer or under the provisions of The Business Corporation Act of the State of Illinois in the case of shareholders of Eddy.

ARTICLE NINE

This agreement shall be submitted to the shareholders of each of the constituent corporations at meetings separately called for the purpose, and the merger shall become effective upon the approval of this agreement and the merger herein provided for by the requisite vote of the shareholders of each of said corporations and the execution, filing, issuance, and recording of such documents as may be required under the respective laws of the States of Delaware, Illinois and Washington. The term "effective date of the merger," as used in this agreement, means the point of time at which the last act required to make the merger effective under the respective laws of said states shall have been performed.

ARTICLE TEN

Anything herein or elsewhere to the contrary notwithstanding, this agreement and the merger herein provided for may be terminated and abandoned at any time before it becomes effective as provided in Article Nine, without action by shareholders of any constituent corporation, (a) by mutual consent of the boards of directors of all of the constituent corporations or (b) by action of the board of directors of any one of the constituent corporations taken in accordance with any agreement between the constituent corporations in existence at the time of such action.

ARTICLE ELEVEN

For the convenience of the parties and to facilitate the filing and recording of this agreement, any number of counterparts may be executed, and each such executed counterpart shall be deemed to be an original instrument.

IN WITNESS WHEREOF, the undersigned directors, being a majority of the board of directors of each of the constituent corporations and having voted in favor of entering into the foregoing merger agreement at directors' meetings of the respective constituent corporations duly called and regularly held for that purpose, have signed their names hereto and have caused the respective corporate seals of the constituent corporations to be affixed hereto, on the 20th day of March, 1957.

Constituting a majority of the board of directors of Weyerhaeuser Timber Company

[CORPORATE SEAL]

Constituting a majority of the board of directors of Kieckhefer Container Company

[CORPORATE SEAL]

Constituting a majority of the board of directors of The Eddy Paper Corporation

[CORPORATE SEAL]

I, GEORGE S. LONG, JR., Secretary of WEYERHAEUSER TIMBER COMPANY, hereby certify as such Secretary and under the seal of that corporation that the foregoing Joint Agreement and Plan of Merger, after having been first duly signed by a majority of the directors of each of the constituent corporations, was duly submitted to the shareholders of WEYERHAEUSER TIMBER COMPANY at a special meeting of said shareholders called separately by the board of directors for the purpose of considering and taking action upon said Joint Agreement and Plan of Merger, which meeting was regularly held on the 22nd day of April, 1957, pursuant to notice duly given to each shareholder as provided in the by-laws and the laws of the State of Washington, and the holders of more than two-thirds of the total issued and outstanding shares of said corporation being duly represented thereat, a vote was taken for the adoption or rejection of said Joint Agreement and Plan of Merger, and the holders of more than two-thirds of the voting power of all shareholders of said corporation voted in favor of the adoption of said Joint Agreement and Plan of Merger.

IN WITNESS WHEREOF, I have hereunto set my hand as Secretary and affixed the corporate seal of WEYERHAEUSER TIMBER COMPANY this day of April, 1957.

[CORPORATE SEAL]

Secretary of WEYERHAEUSER TIMBER COMPANY

I, W. F. KIECKHEFER, Secretary of KIECKHEFER CONTAINER COMPANY, hereby certify as such Secretary and under the seal of that corporation that the foregoing Joint Agreement and Plan of Merger, after having been first duly signed by a majority of the directors of each of the constituent corporations, was duly submitted to the shareholders of KIECKHEFER CONTAINER COMPANY at a special meeting of said shareholders called separately by the board of directors for the purpose of considering and taking action upon said Joint Agreement and Plan of Merger, which meeting was regularly held on the 24th day of April, 1957, pursuant to notice duly given to each shareholder, and the holders of more than two-thirds of the total issued and outstanding shares of said corporation being duly represented thereat, a vote was taken by ballot for the adoption or rejection of said Joint Agreement and Plan of Merger, and the holders of more than two-thirds of the total number of shares of its stock (being more than two-thirds of the voting power of all shareholders of said corporation) voted by ballot in favor of the adoption of said Joint Agreement and Plan of Merger.

IN WITNESS WHEREOF, I have hereunto set my hand as Secretary and affixed the corporate seal of KIECKHEFER CONTAINER COMPANY this day of April, 1957.

[CORPORATE SEAL]

Secretary of KIECKHEFER CONTAINER COMPANY

I, R. C. MEIER, Secretary of THE EDDY PAPER CORPORATION, hereby certify as such Secretary and under the seal of that corporation that the foregoing Joint Agreement and Plan of Merger, after having been first duly signed by a majority of the directors of each of the constituent corporations, was duly submitted to the shareholders of THE EDDY PAPER CORPORATION at a special meeting of said shareholders called separately by the board of directors for the purpose of considering and taking action upon said Joint Agreement and Plan of Merger, which meeting was regularly held on the 23rd day of April, 1957, pursuant to notice duly given to each shareholder, and the holders of more than two-thirds of the total issued and outstanding shares of said corporation being duly represented thereat, a vote was taken for the adoption or rejection of said Joint Agreement and Plan of Merger, and the holders of more than two-thirds of the outstanding shares entitled to vote at such meeting (being more than two-thirds of the voting power of all shareholders of said corporation) voted in favor of the adoption of said Joint Agreement and Plan of Merger.

IN WITNESS WHEREOF, I have hereunto set my hand as Secretary and affixed the corporate seal of THE EDDY PAPER CORPORATION this day of April, 1957.

Secretary of THE EDDY PAPER CORPORATION

[CORPORATE SEAL]

IN WITNESS WHEREOF, each of the constituent corporations has caused its President and Secretary to sign their names hereto and to affix its corporate seal hereto, as of the date of the foregoing certification by its Secretary.

WEYERHAEUSER TIMBER COMPANY

By _____
President

CORPORATE SEAL]

By _____
Secretary

KIECKHEFER CONTAINER COMPANY

By _____
President

[CORPORATE SEAL]

By _____
Secretary

THE EDDY PAPER CORPORATION

By _____
President

[CORPORATE SEAL]

By _____
Secretary

STATE OF WASHINGTON }
COUNTY OF PIERCE } ss.

On this _____ day of April, 1957 before me, _____, a notary public in and for the county and state aforesaid, personally appeared _____, to me known to be the President of WEYERHAEUSER TIMBER COMPANY, a corporation of the State of Washington, the corporation that executed the foregoing instrument and acknowledged said instrument to be the free and voluntary act, deed and agreement of said corporation, for the use and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument and that the seal affixed thereto is the corporate seal of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year aforesaid.

Notary Public in and for the
State of Washington, residing at Tacoma

STATE OF _____ }
COUNTY OF _____ } ss.

BE IT REMEMBERED, that on this _____ day of April, 1957, personally came before me, a Notary Public in and for the county and state aforesaid, H. M. KIECKHEFER, President of KIECKHEFER CONTAINER COMPANY, a corporation of the State of Delaware, the corporation described in and which executed the foregoing instrument, known to me personally to be such, and acknowledged the said instrument to be his act and deed and the act and deed of said corporation, and that the signatures of the said President and of the Secretary of said corporation to the foregoing instrument are in the handwriting of said President and Secretary, respectively, and that the seal affixed to said instrument is the corporate seal of said corporation, and that his act of sealing, executing, acknowledging and delivering the said instrument was duly authorized by the board of directors of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year aforesaid.

Notary Public

STATE OF _____ }
COUNTY OF _____ } ss.

I, _____, a Notary Public in and for the county and state aforesaid, do hereby certify that on the _____ day of April, 1957, personally appeared before me W. F. KIECKHEFER who declared that he is the President of THE EDDY PAPER CORPORATION, a corporation of the State of Illinois, one of the corporations executing the foregoing instrument, and being first duly sworn by me acknowledged that he signed the foregoing instrument in the capacity therein set forth and declared that the statements therein contained are true.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year aforesaid.

Notary Public

MEMORANDUM OF AGREEMENT

made March 20, 1957

with respect to merger

of

KIECKHEFER CONTAINER COMPANY

and

THE EDDY PAPER CORPORATION

with and into

WEYERHAEUSER TIMBER COMPANY

The boards of directors of WEYERHAEUSER TIMBER COMPANY (hereinafter called "Weyerhaeuser"), KIECKHEFER CONTAINER COMPANY (hereinafter called "Kieckhefer") and THE EDDY PAPER CORPORATION (hereinafter called "Eddy"), have approved a plan for the merger of Kieckhefer and Eddy into Weyerhaeuser pursuant to the respective laws of the States of Delaware, Illinois and Washington which is set forth in the form of Joint Agreement and Plan of Merger attached hereto and made a part hereof.

Weyerhaeuser, Kieckhefer and Eddy wish to set forth herein certain further agreements relating to the merger, as follows:

1. Weyerhaeuser, Kieckhefer and Eddy each agrees duly to call a special meeting of its shareholders, to be held not later than April 25, 1957, to consider and act upon the merger.

2. Weyerhaeuser, Kieckhefer and Eddy each represents and warrants that the audited consolidated financial statements for the years 1952-1956, inclusive, which it has heretofore submitted to the other parties fairly present the financial position of itself and its subsidiaries and the results of their operations at the dates and for the periods designated therein, and were prepared in conformity with generally accepted accounting principles applied on a consistent basis throughout the periods involved. Each represents and warrants further that:

(a) Since December 31, 1956 neither it nor any of its subsidiaries (i) has entered into any transaction or incurred any obligation out of the ordinary course of business other than the acquisition by Weyerhaeuser of certain assets from W. A. Woodard Lumber Co. and others in connection therewith, or (ii) has had any adverse change in its business or financial condition or properties, which is material to it and its subsidiaries on a consolidated basis.

(b) Neither it nor any of its subsidiaries has any liabilities (in excess of balance sheet provisions therefor), contingent or otherwise, which are material to it and its subsidiaries on a consolidated basis.

(c) There is no litigation, proceeding or investigation pending or threatened against it or any of its subsidiaries which could result in any material adverse change in the properties, business, financial condition or prospects of it and its subsidiaries on a consolidated basis.

(d) Neither it nor any of its subsidiaries is obligated to purchase any of its shares of stock except that under the terms of an Agreement of Purchase and Sale dated March 20, 1957 between Weyerhaeuser and certain shareholders of Kieckhefer and Eddy, respectively (hereinafter called the "Agreement of Purchase and Sale"), Weyerhaeuser is obligated to purchase, subject to the merger's becoming effective, certain shares of Kieckhefer and of Eddy or, at Weyerhaeuser's election, the number of shares of Weyerhaeuser into which said shares of Kieckhefer and Eddy will be converted by the merger.

3. Kieckhefer and Eddy each agrees that without the prior approval of Weyerhaeuser it and its subsidiaries will not authorize additional capital expenditures prior to the effective date of the merger which when added to capital expenditures authorized since February 6, 1957 will exceed the following amounts respectively:

Kieckhefer and subsidiary	\$5,000,000
Eddy and subsidiaries	2,000,000

4. Weyerhaeuser represents and warrants that it is a corporation duly organized and existing in good standing under the laws of the State of Washington; that its authorized shares of stock consist of 25,000,000 shares of the par value of \$7.50 per share, of which 24,932,072 shares are outstanding and 67,928 shares are held in its treasury; that all of such treasury shares are reserved for sale under existing stock options; that all of such issued shares are legally issued, fully paid and non-assessable; and that there are no outstanding warrants or rights to acquire its shares except pursuant to its existing stock option plan.

5. Kieckhefer represents and warrants that it is a corporation duly organized and existing in good standing under the laws of the State of Delaware; that its authorized shares of stock consist of 30,000 shares of common stock without par value; that 29,889 shares of such stock are outstanding and no shares of such stock are held in its treasury; that all of said outstanding shares are legally issued, fully paid and non-assessable; and that there are no outstanding warrants or rights to acquire its stock.

6. Eddy represents and warrants that it is a corporation duly organized and existing in good standing under the laws of the State of Illinois; that its authorized shares of stock consist of 200,000 shares of common stock without par value; that 181,415 shares of such stock are outstanding, including 26,090 shares held by Kieckhefer, and that 8,634 shares are held in Eddy's treasury; that all of such issued shares are legally issued, fully paid and non-assessable; and that there are no outstanding warrants or rights to acquire its stock.

7. Weyerhaeuser, Kieckhefer and Eddy each agrees that prior to the effective date of the merger:

(a) it will not reclassify its stock or issue or sell any shares of its stock or rights to acquire its stock (except as Weyerhaeuser may issue additional options or sell shares upon the exercise of options heretofore granted pursuant to its existing stock option plan);

(b) it will not make any capital distribution and will not declare or pay any dividends except cash dividends on a proportional basis from January 1, 1957 to the effective date of the merger at the following annual rates per share, respectively: Weyerhaeuser, \$1.00; Kieckhefer, \$36.00; Eddy, \$14.00;

(c) neither it nor any of its subsidiaries will enter into any transaction or incur any obligation out of the ordinary course of business without the prior consent of the other two parties;

(d) it will not purchase or sell any shares of its own stock or the stock of either other party, except that Weyerhaeuser may purchase or sell its own shares pursuant to its stock option plan and may purchase its own shares or shares of Kieckhefer and Eddy under the Agreement of Purchase and Sale; and

(e) it will not sell or permit to be sold any stock of its subsidiary or subsidiaries.

8. Kieckhefer and Eddy each represents and warrants that all contracts and licenses of material importance to its business or the business of any of its subsidiaries are or prior to the effective date of the merger will be assignable to Weyerhaeuser.

9. Kieckhefer and Eddy each agrees it will execute and deliver to Weyerhaeuser at any time concurrently with or after the effective date of the merger any deed, assignment, conveyance or other assurance of title which Weyerhaeuser may request to assure or confirm its title to any property, rights, privileges or franchises to be vested in Weyerhaeuser by virtue of the merger, and will take any further action Weyerhaeuser may request for such purpose or otherwise to carry out the intent and purposes of the merger.

10. Weyerhaeuser, Kieckhefer and Eddy shall each have the right to make any investigations it deems desirable for the purpose of ascertaining the truth and accuracy of any representation and warranty made herein or in the audited consolidated financial statements that have been previously interchanged by the parties or for the purpose of ascertaining whether all agreements made herein by the other parties hereto have been performed.

11. Weyerhaeuser, Kieckhefer and Eddy agree that anything herein to the contrary notwithstanding the merger may be terminated and abandoned, either before or after approval by the shareholders of one or more of the respective corporations has been obtained, as follows:

(a) by mutual consent of the respective boards of directors of the parties hereto; or

(b) by the board of directors of any one of the parties hereto if, in the judgment of a majority of its directors, the merger becomes inadvisable or impracticable by reason of the failure to receive a ruling or rulings from the Commissioner of Internal Revenue that the merger and exchange of stock incident thereto will be tax-free as to the corporations and the stockholders who exchange; or

(c) by the board of directors of Weyerhaeuser if, in the judgment of a majority of its directors, the merger becomes inadvisable or impracticable by reason of:

(i) the filing in accordance with the applicable law of the written objections or dissents to the merger by shareholders of Weyerhaeuser, Kieckhefer and Eddy, respectively, or any of them, holding in excess of 100,000 common shares of Weyerhaeuser, assuming in computing the holdings of shareholders of Kieckhefer and Eddy, respectively, that their holdings are equal to the number of shares which they otherwise would have been entitled to receive pursuant to the terms of the merger;

(ii) material title defects to a material amount of property of Kieckhefer or Eddy, and its subsidiary or subsidiaries;

(iii) the failure of Kieckhefer or Eddy to perform any agreement hereunder;

(iv) the inaccuracy or untruth in any material respect of any representation and warranty made herein by Kieckhefer or Eddy;

(v) any material adverse change since December 31, 1956 in the consolidated business or financial condition or properties of Kieckhefer or Eddy, and its subsidiary or subsidiaries; or

(vi) the failure to render full performance of their respective obligations by every other party to the Agreement of Purchase and Sale, or the failure for any reason by any other such party to sell his shares to Weyerhaeuser as provided therein; or

(d) by the board of directors of either Kieckhefer or Eddy, if in the judgment of a majority of the directors of either board, the merger becomes inadvisable or impracticable by reason of:

(i) material title defects to a material amount of property of Weyerhaeuser and its subsidiaries;

(ii) the failure of Weyerhaeuser to perform any agreement hereunder;

(iii) the inaccuracy or untruth in any material respect of any representation and warranty made herein by Weyerhaeuser; or

(iv) any material adverse change since December 31, 1956 in the consolidated business or financial condition or properties of Weyerhaeuser and its subsidiaries.

12. Weyerhaeuser, Kieckhefer and Eddy each agrees on the day prior to the effective date of the merger to interchange certificates stating that (a) it has complied with all of its agreements herein contained and (b) that all the representations and warranties made by it herein are true and correct as if made as of that date (except as to the numbers of outstanding shares, treasury shares and stock options of Weyerhaeuser, and except for any other changes contemplated by this agreement), and setting forth any material changes in its business or financial condition and the business or financial condition of its subsidiary or subsidiaries since December 31, 1956.

13. Weyerhaeuser, Kieckhefer and Eddy agree that any special meetings of shareholders referred to in paragraph 1 hereof may be adjourned from time to time, prior or subsequent to the taking of action upon the merger, to a later date or dates and that, for any of the reasons set forth in paragraph 11 hereof, the board of directors of any of such corporations may postpone the execution or filing of the Joint Agreement and Plan of Merger or the Articles of Merger in the appropriate State offices; provided that no such adjournment or postponement shall affect any right to terminate or abandon the merger.

14. If the merger shall not become effective or is terminated or abandoned, each party agrees to pay all of its own expenses incurred in connection with the merger, the negotiations leading to the merger and any preparations made for effectuating the merger.

15. This agreement shall no longer bind any party unless the merger shall become effective prior to July 1, 1957, unless extended by mutual agreement.

16. When the merger becomes effective the respective representations and warranties of the parties hereto shall terminate and be of no further force or effect.

IN WITNESS WHEREOF, this agreement has been executed by the parties hereto by their duly authorized officers on the aforesaid date.

WEYERHAEUSER TIMBER COMPANY

By _____
(Vice) President

KIECKHEFER CONTAINER COMPANY

By _____
(Vice) President

THE EDDY PAPER CORPORATION

By _____
(Vice) President

January 16, 1957

Outstanding Eddy Paper Company: 181,415 shares less 26,090 shares owned by Kieckhefer Container Company, leaving 155,125 shares which are offered at 10 to 1.

Kieckhefer Container Company has 29,889 shares offered at 148 to 1, equivalent to 1,553,250 shares of Weyerhaeuser Timber Company for Eddy Paper Company stock and 4,423,572 shares for Kieckhefer Container stock, or a total of 5,976,822 shares.

They believe major stockholders would convert to cash 12 to 20 million dollars worth of shares. Also that they could turn over the Eddy Paper Company stock in the profit-sharing fund for cash to be reinvested. There are 15,200 shares of Eddy stock in the Kieckhefer fund and 10,000 shares in the Eddy Paper Company fund.

Major stockholders would give first refusal or preference to Weyerhaeuser on any stock that they wish to sell for the next 5 years. Expense of the merger would be borne by the two companies and not passed to the stockholders. In calculating the value of this offer Kieckhefer used a figure of \$36 per share for Weyerhaeuser stock.

For reference purposes it may be well to recall that the earnings ratio without adding in any of our depletion was 3.93 to 1; 4.11 when we added in depletion on fee timber; and 4.32 when we added in depletion on fee and purchased timber. The ratio here proposed is 4.18.

<u>Ratio</u>	<u>Shares</u>	<u>\$ @ 36 (000 omit)</u>
3.93 to 1	6,350	228,600
4.11	6,080	
4.18	5,977	215,165
4.32	5,700	207,684

HWM
mhh

January 16, 1957

ESTIMATED VALUE

Replacement Value - Plant and Equip. ^{K.} \$ 160,000
Less Book Value 54,779

Add Net Shareholder Interest \$ 105,221
111,551

Add Timber Values Excess of Book \$ 216,772
24,000

\$ 240,772

Intangibles: Good Will, Know-how, Development Cost ?

195⁷ Earnings x 15 \$ 242,000

HWM
mhh

1/11/57

KCCo
Merger based on relative income
with WTCO income including
restoration of depletion charges

(amounts in thousands)

WTCO est. 1956 income	\$ 52 437
Add: depletion of timber	<u>5 225</u>
Net income	<u>\$ 57 662</u>
Ratio to KCCO est. 1956 income	\$ 13 352
Of WTCO	432%
Earnings per share - combined	
companies - basis 30 mil. shares	\$ 2.37
5 mil. shares \$2.37 per share	\$ 11 850
KCCO 1956 est. earnings	<u>13 352</u>
Deficiency	<u>\$ 1 502</u>
Funds required to produce \$1,502	
@ 14 times earnings	\$ 21 028
Plus 1/3 for taxes	<u>7 009</u>
	<u>\$ 28 037</u>

HWMorgan
ms

AGREEMENT OF PURCHASE AND SALE

THIS AGREEMENT made as of the 20th day of March, 1957 by and between the persons named in Section 1 hereof (hereinafter called the "selling shareholders") and WEYERHAEUSER TIMBER COMPANY, a corporation of the State of Washington (hereinafter called "Weyerhaeuser"),

WITNESSETH:

KIECKHEFER CONTAINER COMPANY, a corporation of the State of Delaware (hereinafter called "Kieckhefer"), THE EDDY PAPER CORPORATION, a corporation of the State of Illinois (hereinafter called "Eddy") and Weyerhaeuser, and their respective boards of directors, propose to enter into an agreement providing for the merger of Kieckhefer and Eddy with and into Weyerhaeuser (hereinafter called the "merger"). Weyerhaeuser desires to purchase from the selling shareholders, and the selling shareholders desire to sell to Weyerhaeuser, the shares of stock described in Section 1 hereof upon the terms and conditions herein set forth.

Now, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the parties hereto agree as follows:

1. (a) Subject to all the terms and conditions set forth in this agreement, each selling shareholder severally agrees to sell to Weyerhaeuser, and Weyerhaeuser agrees to purchase from such selling shareholder, the number of shares of common stock of Kieckhefer or Eddy, or both, set forth below opposite the name of such selling shareholder or, at the election of Weyerhaeuser, the number of shares of Weyerhaeuser into which said shares of Kieckhefer or Eddy, or both, will be converted upon the "effective date of the merger", as that term is defined in the merger agreement, at the price of \$5,328 per share of Kieckhefer, \$360 per share of Eddy or \$36 per share of Weyerhaeuser, whichever price is applicable:

<u>Selling Shareholder</u>	<u>Number of Shares of Common Stock of</u>		<u>Equivalent in Weyerhaeuser Shares</u>
	<u>Kieckhefer</u>	<u>Eddy</u>	
J. W. Kieckhefer, H. M. Kieckhefer and C. H. Carpenter, Trustees of the Employees' Profit Sharing Plan of Kieckhefer Container Company and North Carolina Pulp Company U/T/A dated 11/24/41, as amended.		7,577	75,770
J. W. Kieckhefer, Anthony Haines and Erwin K. Radke, Trustees of the Employees' Profit Sharing Plan of The Eddy Paper Corporation and Rochester Folding Box Company U/T/A dated 10/17/41, as amended.		6,411	64,110
Joanne Bokram.	18	15	2,814
Katharine A. Smart.	18	15	2,814
Susan Dotson.	18	15	2,814
*Katharine A. Smart, Trustee for Jay Hooker U/T/A dated 12/16/43.	18	15	2,814
Elizabeth M. Peters, Katharine A. Smart and Virginia L. Whitacre, Trustees under the last will and Testament of Mabelle C. Walker, Dec'd.	18	15	2,814
Katharine A. Smart and Virginia L. Whitacre, Trustees for Virginia L. Whitacre, et al U/T/A dated 12/16/43.	120	102	18,780
Katharine A. Smart and Virginia L. Whitacre, Trustees for Katharine A. Smart, et al U/T/A dated 12/16/43.	120	102	18,780
Katharine A. Smart and Virginia L. Whitacre, Trustees for Elizabeth M. Peters, et al U/T/A dated 12/16/43.	120	102	18,780
*Elizabeth M. Peters, Trustee for Marilyn Peters U/T/A dated 12/16/43. ...	18	15	2,814
Elizabeth M. Peters.	18	15	2,814
Joseph E. Peters.	18	15	2,814
Virginia L. Whitacre.	18	15	2,814
*Virginia L. Whitacre, Trustee for Terry Lou Whitacre U/T/A dated 12/16/43	18	15	2,814
*Virginia L. Whitacre, Trustee for Lynn Whitacre U/T/A dated 12/16/43. ...	18	15	2,814
*Virginia L. Whitacre, Trustee for Janet Whitacre U/T/A dated 12/16/43. ...	18	15	2,814
Constance M. Walker.		14	140
Emery L. Walker.	2,000	5,269	348,690
	2,576	19,757	578,818

*If during the life of this agreement a guardian is appointed for the beneficiary under this trust and the described shares held by the trustee are transferred to the guardian, such guardian may by an instrument in writing delivered to Weyerhaeuser and the Agent hereinafter appointed agree to adopt and become bound by all of the obligations and undertakings of the trustee for such beneficiary under this agreement, whereupon the trustee and the trust shall be relieved from any further obligation or liability hereunder and the term "selling shareholders" shall be deemed to include such guardian.

The shares which Weyerhaeuser will purchase under this agreement, whether shares of Kieckhefer and Eddy or of Weyerhaeuser, are hereinafter sometimes collectively referred to as the "Stock", and the number of shares of Weyerhaeuser into which the above described shares of Kieckhefer and Eddy will be converted upon the effective date of the merger, if not sold to Weyerhaeuser prior thereto, are hereinafter sometimes referred to as "the equivalent in Weyerhaeuser shares".

(b) The several obligations of the selling shareholders, other than the trustees of the Employees' Profit Sharing Plan of Kieckhefer Container Company and North Carolina Pulp Company and other than the trustees of the Employees' Profit Sharing Plan of The Eddy Paper Corporation and Rochester Folding Box Company, to sell their shares to Weyerhaeuser pursuant to this agreement shall be subject to the condition that within the time provided in paragraph 4(a) below the Agent named in paragraph 2 below shall have deposited with Continental Illinois National Bank and Trust Company of Chicago, as escrowee hereunder (hereinafter called the "escrowee"), a photostatic copy of a ruling from the Commissioner of Internal Revenue that the sale of shares hereunder by Emery L. Walker is entitled to capital gain treatment, accompanied by an opinion of Messrs. Whyte, Hirschboeck, Minahan, Harding & Harland, Milwaukee, Wisconsin, that such ruling satisfies the condition stated in this subparagraph; provided, however, that such selling shareholders may elect to waive such condition by depositing with the escrowee within the aforesaid time a notice or notices in writing to that effect. Emery L. Walker agrees with Weyerhaeuser that he will make or cause to be made reasonable efforts to obtain the required ruling.

(c) Weyerhaeuser's obligation to purchase shares hereunder from each selling shareholder shall be subject to the accuracy in all material respects of the several representations and warranties of the selling shareholders hereunder and to the further condition that the several purchases of shares hereunder from all of the selling shareholders, respectively, shall be consummated concurrently; provided, however, that Weyerhaeuser may at its election waive this condition, as well as any other condition to its obligations hereunder, by notice in writing to that effect delivered to the escrowee.

2. On or prior to the date of adoption of the merger agreement by the shareholders of Kieckhefer or the date of adoption thereof by the shareholders of Eddy, whichever is the later date, Weyerhaeuser shall notify the firm of Whyte, Hirschboeck, Minahan, Harding & Harland, attention of Malcolm K. Whyte (which firm is hereby designated as the agent of the selling shareholders for the purpose of receiving all notices which may be given to them by Weyerhaeuser pursuant to this agreement and which is herein referred to as the "Agent") in writing of its election to buy shares of Kieckhefer and Eddy, respectively, or the equivalent in Weyerhaeuser shares. Delivery of and payment for the Stock shall be deemed to have been made, and title thereto shall be deemed to have passed to Weyerhaeuser, immediately prior to the effective date of the merger if Weyerhaeuser elects to purchase shares of Kieckhefer and Eddy, respectively, or immediately after the effective date of the merger if Weyerhaeuser elects to purchase the equivalent in Weyerhaeuser shares. In no event shall the purchase and sale of shares of Kieckhefer and Eddy be consummated unless the merger becomes effective prior to July 1, 1957.

3. (a) Each of the selling shareholders (except those before whose names an asterisk appears in paragraph 1(a) above) severally represents and warrants to Weyerhaeuser that:

(i) such selling shareholder has a valid marketable title to the shares of Kieckhefer or Eddy, or both, which he has agreed to sell to Weyerhaeuser, free and clear of any lien, encumbrance or claim of others; all of said shares have been validly issued and are fully paid and non-assessable; such shareholder has, and on the effective date of the merger such selling shareholder or his successor or legal representative will have, full legal right and power and all authority required by law to enter into this agreement and to sell and transfer said shares, and the equivalent in Weyerhaeuser shares if Weyerhaeuser elects to purchase the same, on the terms and conditions herein stated; and

(ii) delivery of said shares or the equivalent in Weyerhaeuser shares to Weyerhaeuser in accordance with this agreement will vest title thereto in Weyerhaeuser, free and clear of any lien, encumbrance or claim of others, and the shares so delivered to Weyerhaeuser will be validly issued, fully paid and non-assessable in the hands of Weyerhaeuser.

(b) Each trustee before whose name an asterisk appears in paragraph 1(a) above severally represents and warrants to Weyerhaeuser that he has a valid title to the shares of Kieckhefer or Eddy, or both, set opposite his name in said paragraph 1(a), free and clear of any lien, encumbrance or claim of others.

(c) In the event any trustee before whose name an asterisk appears in paragraph 1(a) above shall seek in good faith the appointment of a guardian for the beneficiary for whom he is acting as trustee and a guardian is not appointed, or if a guardian is appointed but the shares listed opposite the name of such trustee are not transferred to the guardian, and thereafter Whyte, Hirschboeck, Minahan, Harding & Harland shall deliver to the escrowee their opinion that such trustee does not have the legal right and power and all authority required by law to sell and transfer said shares in accordance with this agreement, the trustee shall have no further liability or obligation to Weyerhaeuser hereunder and the term "selling shareholders", as used herein, shall not be deemed to include such trustee.

4. (a) On or prior to April 15, 1957, or such later date on or prior to the effective date of the merger as Weyerhaeuser may approve in a notice in writing to the escrowee, each of the selling shareholders shall deposit with the escrowee the following:

(i) the certificates evidencing the shares of Kieckhefer or Eddy, or both, which such selling shareholder has agreed to sell to Weyerhaeuser hereunder; and

(ii) such stock powers as may be necessary to transfer said shares to Weyerhaeuser, duly executed by the registered holder of said certificates and with signature guaranteed by a member firm of the New York or Midwest Stock Exchange, or by a bank located in or having a correspondent in the City of Chicago, and in the case of selling shareholders who are acting in a fiduciary capacity, such documents, certifications and other papers as may be reasonably required to evidence their respective authority to enter into and perform this agreement.

The escrowee may rely, as to the adequacy of the deposits made under paragraph (a) (ii) above by selling shareholders who are acting in a fiduciary capacity, upon the opinions provided for in subparagraph (c) below or upon a separate opinion of Messrs. Bell, Boyd, Marshall & Lloyd.

(b) Not later than the opening of business on the day on which the merger becomes effective, Weyerhaeuser shall deposit with the escrowee the entire purchase price of the Stock. Immediately after the merger becomes effective, Weyerhaeuser shall notify the escrowee and the Agent in writing to that effect.

(c) When the escrowee shall have received (i) all the deposits required by subparagraph (a), (ii) the funds and the notice required by subparagraph (b), (iii) opinions in the forms attached hereto dated the day on which the merger becomes effective and signed by Messrs. Whyte, Hirschboeck, Minahan, Harding & Harland and Messrs. Bell, Boyd, Marshall & Lloyd, and (iv) either the copy of ruling and opinion referred to in paragraph 1(b) hereof or written notice or notices of waiver of said requirement from all of the selling shareholders entitled to the benefit of the condition that such ruling be obtained, it shall deliver the certificates and stock powers deposited by the selling shareholders as aforesaid to Weyerhaeuser or as directed in its order signed by its President or any one of its Vice Presidents and shall forthwith deliver to or mail by registered mail to each of the selling shareholders the escrowee's check payable to the order of such selling shareholder representing the purchase price for the shares sold by such selling shareholder, less an amount sufficient to satisfy such selling shareholder's obligation to pay all federal and other taxes imposed on the transfer of said shares to Weyerhaeuser. The escrowee shall cause to be paid all transfer taxes imposed on the transfer of shares pursuant to this agreement.

(d) Unless the escrowee shall have received the aforesaid deposits, funds, notice, opinions and ruling or waivers in respect of such ruling within the time provided in subparagraph 4(a), but in any event not later than June 30, 1957, and except as provided otherwise in subparagraph (e) below, all deposits (including funds) made with the escrowee shall be returned to the persons who shall have made such deposits.

(e) The foregoing provisions are subject to the further conditions that if the merger shall have become effective prior to July 1, 1957, Weyerhaeuser may at its option (i) elect to consummate the purchase of shares from selling shareholders who are not in default hereunder even though they constitute less than all of the selling shareholders, or (ii) if the ruling referred to in subparagraph 1(b) above is not available, and less than all of the shareholders who are entitled to the condition relating to said ruling waive the failure to obtain the same, elect to consummate the purchase of shares from the remaining selling shareholders, or (iii) elect to consummate the purchase of shares hereunder notwithstanding the unavailability of either or both of the legal opinions referred to in subparagraph 4(c) above. Notice of any such election by Weyerhaeuser shall be

given by Weyerhaeuser on or prior to the day on which the merger becomes effective to the escrowee and the Agent, and thereupon the escrowee (i) shall make delivery to Weyerhaeuser of all deposits made by the selling shareholders from whom the purchases of shares hereunder are to be consummated; (ii) shall make payment to such selling shareholders of the purchase price for their respective shares, less the amount to be withheld for transfer taxes as stated in subparagraph 4(c) above; (iii) shall return to Weyerhaeuser the purchase price deposited by it hereunder and applicable to the shares the purchase of which is not to be consummated hereunder; (iv) shall return to any selling shareholder who is not obligated to sell his shares hereunder because of the failure of the condition stated in paragraph 1(b) all deposits theretofore made by such selling shareholder; and (v) shall hold the deposits, if any, made by each selling shareholder who is in default hereunder subject to disposition in accordance with a joint order signed by such selling shareholder and Weyerhaeuser or, in the absence of such joint order, in accordance with the order of a court of competent jurisdiction. No such election by Weyerhaeuser nor any action by the escrowee shall prejudice any claim which Weyerhaeuser may have under this agreement against any defaulting shareholder.

5. The representations and warranties of the selling shareholders shall survive the delivery of and payment for the Stock.

6. The reasonable fee and out-of-pocket expenses of the escrowee shall be paid by Weyerhaeuser.

7. All of the selling shareholders need not sign the same copy of this agreement provided two or more copies collectively are signed by each of them and by Weyerhaeuser, in which event such copies together shall constitute one counterpart of this agreement. Any number of counterparts may be executed, each of which shall be deemed to be an original instrument. The escrowee need not sign all of the copies of this agreement provided counterparts hereof signed by the escrowee are delivered to Weyerhaeuser and the Agent. The escrowee may rely upon the certification by Weyerhaeuser or the Agent that this agreement has been signed by all of the selling shareholders.

IN WITNESS WHEREOF, the selling shareholders and Weyerhaeuser have executed this agreement as of the day and year first above written.

J. W. Kieckhefer

H. M. Kieckhefer

C. H. Carpenter

Trustees of the Employees' Profit
Sharing Plan of Kieckhefer Con-
tainer Company and North
Carolina Pulp Company U/T/A
dated 11/24/41, as amended

J. W. Kieckhefer

Anthony Haines

Erwin K. Radke

Trustees of the Employees' Profit
Sharing Plan of The Eddy Paper
Corporation and Rochester Fold-
ing Box Company U/T/A dated
10/17/41, as amended

Joanne Bokram

Katharine A. Smart

Susan Dotson

Katharine A. Smart
Trustee for Jay Hooker U/T/A
dated 12/16/43

Elizabeth M. Peters

Katharine A. Smart

Virginia L. Whitacre

Trustees under the last will and
Testament of Mabelle C. Walker,
Dec'd

Katharine A. Smart

Virginia L. Whitacre
Trustees for Virginia L. Whitacre,
et al U/T/A dated 12/16/43

Katharine A. Smart

Virginia L. Whitacre
Trustees for Katharine A. Smart,
et al U/T/A dated 12/16/43

Katharine A. Smart

Virginia L. Whitacre
Trustees for Elizabeth M. Peters,
et al U/T/A dated 12/16/43

Elizabeth M. Peters
Trustee for Marilyn Peters
U/T/A dated 12/16/43

Elizabeth M. Peters

Joseph E. Peters

Virginia L. Whitacre

Virginia L. Whitacre
Trustee for Terry Lou Whitacre
U/T/A dated 12/16/43

Virginia L. Whitacre
Trustee for Lynn Whitacre
U/T/A dated 12/16/43

Virginia L. Whitacre
Trustee for Janet Whitacre
U/T/A dated 12/16/43

Constance M. Walker

Emery L. Walker

Selling Shareholders

WEYERHAEUSER TIMBER COMPANY

By _____
Vice President

Continental Illinois National Bank and Trust Company of Chicago, as escrowee, hereby accepts the escrow provided for in the foregoing agreement and hereby agrees to perform all of its obligations as escrowee under said agreement.

Executed March , 1957.

CONTINENTAL ILLINOIS NATIONAL BANK
AND TRUST COMPANY OF CHICAGO

By _____

(Form of Legal Opinion)

, 1957

Weyerhaeuser Timber Company
Tacoma 1, Washington

Dear Sirs:

We have represented certain shareholders of Kieckhefer Container Company (hereinafter called "Kieckhefer") and certain shareholders of The Eddy Paper Corporation (hereinafter called "Eddy") who are selling to you on the date of this opinion, pursuant to an Agreement of Purchase and Sale dated March 20, 1957 (hereinafter called the "Purchase Agreement"), an aggregate of 2,576 shares of common stock of Kieckhefer and 19,757 shares of common stock of Eddy, or the number of shares of Weyerhaeuser Timber Company (hereinafter called "Weyerhaeuser") into which said shares of Kieckhefer and Eddy will be converted pursuant to the merger of Kieckhefer and Eddy into Weyerhaeuser which is expected to become effective today. In this connection we have examined such records, documents and other papers as we deemed it necessary to examine for the purpose of this opinion.

It is our opinion that:

1. The Purchase Agreement has been duly authorized, executed and delivered by each of the selling shareholders and is a valid and enforceable agreement of each of them in accordance with its terms.
2. All of the shares of Kieckhefer and of Eddy which the selling shareholders have agreed to sell to Weyerhaeuser have been validly authorized and issued and are fully paid and non-assessable.
3. Each of the selling shareholders has a valid marketable title to the shares of Kieckhefer or Eddy, or both, which are to be sold by such selling shareholder to Weyerhaeuser under the Purchase Agreement, and full power and authority to sell and transfer said shares, as well as the equivalent thereof in Weyerhaeuser shares, in accordance with the Purchase Agreement; and delivery to Weyerhaeuser of said shares or the equivalent thereof in Weyerhaeuser shares against payment of the agreed consideration therefor in accordance with the terms of the Purchase Agreement will pass title to said shares or the equivalent thereof in Weyerhaeuser shares to Weyerhaeuser free and clear of liens, encumbrances or claims of others.
4. The performance of the Purchase Agreement and the consummation of the transactions therein contemplated will not result in a breach of any of the provisions of, or constitute a default under, any agreement or instrument by which, to our knowledge, any selling shareholder is bound or any order, rule or regulation of any court or other governmental authority applicable to any selling shareholder.

Yours very truly,

Whyte, Hirschboeck, Minahan, Harding & Harland

(Form of Legal Opinion)

, 1957

Weyerhaeuser Timber Company
Tacoma 1, Washington

Dear Sirs:

We have represented you in connection with an Agreement of Purchase and Sale dated March 20, 1957 (hereinafter called the "Purchase Agreement") between you and certain shareholders of Kieckhefer Container Company (hereinafter called "Kieckhefer") and certain shareholders of The Eddy Paper Corporation (hereinafter called "Eddy") pursuant to which those shareholders are selling to you on the date of this opinion an aggregate of 2,576 shares of common stock of Kieckhefer and 19,757 shares of common stock of Eddy, or the number of shares of Weyerhaeuser Timber Company (hereinafter called "Weyerhaeuser") into which said shares of Kieckhefer and Eddy will be converted pursuant to the merger of Kieckhefer and Eddy into Weyerhaeuser which is expected to become effective today. In this connection we have examined such records, documents and other papers as we deemed it necessary to examine for the purpose of this opinion.

It is our opinion that:

1. The Purchase Agreement has been duly authorized, executed and delivered by each of the selling shareholders and is a valid and enforceable agreement of each of them in accordance with its terms.
2. All of the shares of Kieckhefer and of Eddy which the selling shareholders have agreed to sell to Weyerhaeuser have been validly authorized and issued and are fully paid and non-assessable.
3. Each of the selling shareholders has full power and authority to sell and transfer said shares, as well as the equivalent thereof in Weyerhaeuser shares, in accordance with the Purchase Agreement; and delivery to Weyerhaeuser of said shares or the equivalent thereof in Weyerhaeuser shares against payment of the agreed consideration therefor in accordance with the terms of the Purchase Agreement will pass title to said shares or the equivalent thereof in Weyerhaeuser shares to Weyerhaeuser free and clear of liens, encumbrances or claims of others.

Yours very truly,

Bell, Boyd, Marshall & Lloyd

ARTICLES OF MERGER

OF

KIECKHEFER CONTAINER COMPANY

AND

THE EDDY PAPER CORPORATION

WITH AND INTO

WEYERHAEUSER TIMBER COMPANY

ARTICLES OF MERGER
OF DOMESTIC AND FOREIGN
CORPORATIONS

Date Paid
Filing Fee \$
Clerk

To CHARLES F. CARPENTIER, Secretary of State,

The undersigned corporations, pursuant to Section 69a of "The Business Corporation Act" of the State of Illinois, hereby execute the following articles of merger:

ARTICLE ONE

The names of the corporations proposing to merge and the names of the States under the laws of which such corporations are organized, are as follows:

Name of Corporation	State of Incorporation
The Eddy Paper Corporation	Illinois
Kieckhefer Container Company	Delaware
Weyerhaeuser Timber Company	Washington

ARTICLE TWO

The laws of Delaware and Washington, the States under which such foreign corporations are organized, permit such merger.

ARTICLE THREE

The name of the surviving corporation shall be Weyerhaeuser Timber Company and it shall be governed by the laws of the State of Washington.

ARTICLE FOUR

The plan of merger is as follows:

JOINT AGREEMENT AND PLAN OF MERGER

OF

KIECKHEFER CONTAINER COMPANY

AND

THE EDDY PAPER CORPORATION

WITH AND INTO

WEYERHAEUSER TIMBER COMPANY

WEYERHAEUSER TIMBER COMPANY

continuing as the surviving corporation

JOINT AGREEMENT AND PLAN OF MERGER entered into this 20th day of March, 1957 (hereinafter called "this agreement"), by and between **WEYERHAEUSER TIMBER COMPANY**, a corporation of the State of Washington (hereinafter sometimes called "Weyerhaeuser"), **KIECKHEFER CONTAINER COMPANY**, a corporation of the State of Delaware (hereinafter sometimes called "Kieckhefer"), and **THE EDDY PAPER CORPORATION**, a corporation of the State of Illinois (hereinafter sometimes called "Eddy"), and their respective boards of directors (which three corporations are hereinafter sometimes called the "constituent corporations"),

WITNESSETH:

The authorized shares of Weyerhaeuser consist of 25,000,000 common shares of the par value of \$7.50 each, of which, at the date hereof, 24,932,072 shares were outstanding and 67,928 shares were held in the treasury of Weyerhaeuser.

The authorized shares of Kieckhefer consist of 30,000 shares of common stock without par value, of which 29,889 shares were outstanding at the date hereof.

The authorized shares of Eddy consist of 200,000 shares of common stock without par value, of which 181,415 shares were outstanding at the date hereof, including 26,090 shares held by Kieckhefer, and 8,634 shares were held in the treasury of Eddy.

Kieckhefer and Eddy respectively have authority to carry on businesses for the conduct of which a corporation might be organized under the Uniform Business Corporation Act of the State of Washington.

The constituent corporations and their respective boards of directors deem it to be advisable and for the best interests of each of said corporations and its shareholders that Kieckhefer and Eddy be merged with and into Weyerhaeuser as authorized by and pursuant to the respective laws of the States of Delaware, Illinois and Washington (said merger being hereinafter referred to as "the merger").

Now, **THEREFORE**, in consideration of the premises and the mutual agreements and provisions herein contained, and in order to prescribe the terms and conditions of the merger, the mode of carrying the same into effect and the manner and basis of converting or otherwise dealing with the shares of each of the constituent corporations, and to state such other provisions with respect to the merger as are deemed necessary or desirable, the parties hereto **AGREE** as follows:

ARTICLE ONE

Kieckhefer Container Company and The Eddy Paper Corporation shall be merged with and into Weyerhaeuser Timber Company to form a single corporation on the effective date of the merger as hereinafter defined. Weyerhaeuser Timber Company shall continue in existence as the corporation surviving the merger and as such is hereinafter sometimes called the "surviving corporation." The name of the surviving corporation shall continue to be

"WEYERHAEUSER TIMBER COMPANY"

and it shall continue to be governed by the laws of the State of Washington.

ARTICLE TWO

The articles of incorporation of Weyerhaeuser as heretofore amended shall upon the effective date of the merger be and they hereby are further amended as follows: (1) Article III shall be changed to increase the number of authorized shares from 25,000,000 to 31,000,000 and to add the last four paragraphs of said article as they appear below; and (2) Article II shall be changed to add the following: "to purchase, hold, sell and transfer its own shares". Said articles of incorporation as so amended shall read as follows:

ARTICLE I.

The name of this corporation shall be "Weyerhaeuser Timber Company."

ARTICLE II.

The object for which this corporation is formed is and shall be dealing in lands, timber, and all the products of timber, and buying and selling the same; carrying on and conducting a general logging, lumbering and manufacturing business; erecting, buying and selling saw mills, shingle mills, planing mills, and all other mills and factories; establishing, operating, buying and selling lumber yards; clearing out and improvement of rivers and streams in the State of Washington; driving, catching, booming, sorting, rafting, brailing, towing, holding and delivering logs, lumber and other timber products; constructing, operating and maintaining telegraphs and telephones in the State of Washington; building, operating, buying and selling ships, barges, steamboats and other water craft; manufacturing, mining, milling, wharfing and docking; mechanical, mercantile, improvement and building purposes; building, equipping and running railroads; building, equipping and managing water flumes for the transportation of wood and lumber; constructing canals and irrigating canals; to purchase, subscribe for, deal in and hold the stock of other corporations to such an extent as hereafter may be permitted or allowed by the laws of the State of Washington, or of any other state in which said corporation may do business; to purchase, hold, sell, and transfer its own shares; and to mortgage, bond, or incumber any or all of its property, real and personal, to such sums and amounts, and at such times and upon such terms as the corporation may find necessary or deem expedient; acquiring, owning and operating mines, mills and reduction works, and mining and milling gold and silver and other minerals; and carrying on every other species of trade and business, except banking and building associations.

ARTICLE III.

The authorized number of shares of this corporation shall be 31,000,000 shares having a par value of \$7.50 per share.

The whole or any part of the authorized but unissued shares of this corporation may be issued from time to time for such consideration in property, tangible or intangible, real or personal, the fair valuation of which to the corporation shall be not less than the aggregate par value of shares issued therefor, as the Board of Directors shall determine, without any further action on the part of the shareholders of this corporation. The value placed upon such consideration by the Board of Directors shall be conclusive.

The whole or any part of the authorized but unissued shares of this corporation may be issued from time to time for such consideration in cash or necessary services actually rendered to the corporation as the shareholders shall determine at any annual or special meeting duly called and held for that purpose or as the Board of Directors shall determine acting under authority hereafter conferred by the shareholders.

Each share so issued for which the full consideration fixed as aforesaid shall have been paid or delivered shall be fully paid and non-assessable, and the holder of such share shall not be liable for any further payments therefor.

The Board of Directors may from time to time authorize the issuance of shares of this corporation, whether now or hereafter authorized, in consideration of property, tangible or intangible, real or personal, without first offering such shares to the shareholders of this corporation.

ARTICLE IV.

The time of the existence of this corporation shall be perpetual.

ARTICLE V.

The number of directors of this corporation shall be the number designated by the By-Laws, not less than nine (9) and not more than fifteen (15).

ARTICLE VI.

The principal place of business of this corporation shall be located in the City of Tacoma, County of Pierce in the State of Washington.

The articles of incorporation of Weyerhaeuser, as so amended, shall continue to be the articles of incorporation of the surviving corporation, until further amended as provided by law, and the surviving corporation reserves the right to effect further amendments thereof in the manner now or hereafter prescribed by the laws of the State of Washington.

ARTICLE THREE

The by-laws of Weyerhaeuser in effect immediately prior to the effective date of the merger shall continue in effect as the by-laws of the surviving corporation, unless and until amended or repealed in the manner provided by law and said by-laws, except that Article III, Section 1 of said by-laws shall upon the effective date of the merger be and it hereby is amended to increase the number of directors from thirteen (13) to fifteen (15).

ARTICLE FOUR

Initially the board of directors of the surviving corporation shall consist of the persons who are directors of Weyerhaeuser immediately prior to the effective date of the merger and Herbert M. Kieckhefer and Robert H. Kieckhefer; and they shall hold office until the annual meeting of shareholders next succeeding the effective date of the merger or until the election and qualification of their respective successors.

ARTICLE FIVE

The manner and basis of converting or otherwise dealing with the shares of each of the constituent corporations are as follows:

(a) Each share of Weyerhaeuser which is issued and outstanding or in the treasury of Weyerhaeuser immediately prior to the effective date of the merger (except shares, if any, then held by either of the other constituent corporations) shall continue to be one fully paid and non-assessable share of the par value of \$7.50 of the surviving corporation.

(b) Each share of common stock of Kieckhefer which is issued and outstanding immediately prior to the effective date of the merger (except shares, if any, then held by either of the other constituent corporations), and all rights in respect thereof, shall be converted, by virtue of the merger and on the effective date thereof and without any action on the part of the holder thereof, into 148 fully paid and non-assessable shares of the par value of \$7.50 each of the surviving corporation.

(c) Each share of common stock of Eddy which is issued and outstanding immediately prior to the effective date of the merger (except shares, if any, then held by either of the other constituent corporations), and all rights in respect thereof, shall be converted, by virtue of the merger and on the effective date thereof and without any action on the part of the holder thereof, into ten fully paid and non-assessable shares of the par value of \$7.50 each of the surviving corporation.

(d) On the effective date of the merger each share of common stock of Kieckhefer or of Eddy which is held in the treasury of such corporation immediately prior to such effective date and each share of any one of the constituent corporations which is held immediately prior to such effective date by either of the other constituent corporations shall be cancelled and retired, and no shares of the surviving corporation shall be issued in respect thereof.

(e) After the effective date of the merger the holders of certificates representing shares of Kieckhefer or Eddy which shall have been converted as aforesaid, except holders who shall have objected to the merger and demanded the fair value of their shares as provided by law, shall be entitled to receive, against the surrender of their certificates for exchange and in full satisfaction of all rights evidenced thereby, certificates representing the number of shares of the par value of \$7.50 each of the surviving corporation into which the shares evidenced by the surrendered certificates shall have been converted as aforesaid. Until so surrendered, each certificate representing shares of common stock of Kieckhefer or Eddy which shall have been converted into shares of the surviving corporation shall be deemed for all corporate purposes to evidence ownership of the number of shares of the surviving corporation into which the same shall have been converted as set forth above; provided, however, that until the holder of such certificate shall have surrendered the same for exchange as aforesaid, no dividend payable to holders of record of shares of the surviving corporation as of any date subsequent to the effective date of the merger shall be paid to such holder with respect to the shares of the surviving corporation represented by such certificate, but upon surrender of such certificate for exchange as aforesaid there shall be paid to the person in whose name a certificate or certificates for shares of the surviving corporation are issued therefor the amount of dividends which shall have theretofore become payable with respect to the number of shares of the surviving corporation represented by the certificate or certificates so issued.

ARTICLE SIX

On the effective date of the merger,

(a) the constituent corporations shall become one corporation, which shall be Weyerhaeuser Timber Company, the surviving corporation, and the separate existence of Kieckhefer and Eddy shall cease, except in so far as continued by statute;

(b) the surviving corporation shall thereupon and thereafter possess all the rights, privileges, immunities, powers and franchises, as well of a public as of a private nature, of each of the constituent corporations; and all property, real, personal and mixed, of each of the constituent corporations, and all debts due on whatever account to any of them, including subscriptions, if any, for shares, and all other things in action belonging to any of the constituent corporations shall be taken and be deemed to be transferred to and vested in, or shall continue to be vested in, the surviving corporation, without further act or deed, and shall be thereafter as effectually the property of the surviving corporation as they were of the constituent corporations, respectively; and the title to any real estate, or any interest therein, vested in any of the constituent corporations, shall not revert or be in any way impaired by reason of the merger;

(c) the surviving corporation shall thenceforth be responsible for all the liabilities and obligations of each of the constituent corporations in the same manner as if the surviving corporation had itself incurred such liabilities and obligations, but the liabilities of the constituent corporations or of their shareholders, directors or officers shall not be affected, nor shall the rights of the creditors thereof, or of any person dealing with any of the constituent corporations, or any liens upon the property thereof (limited in lien to the property subject thereto immediately prior to the effective date of the merger) be impaired by the merger, and any claim existing or action or proceeding pending by or against any of the constituent corporations may be prosecuted to judgment as if the merger had not taken place, or the surviving corporation may be proceeded against or substituted in its place, all as provided in the respective laws of the States of Washington, Delaware and Illinois.

Kieckhefer and Eddy each agrees that if at any time the surviving corporation shall consider that any further assignments or assurances are necessary or desirable to vest or confirm the vesting in the surviving corporation of title to any property, rights, privileges or franchises of either Kieckhefer or Eddy, it will execute and deliver all such deeds and other instruments and will take all such other action as the surviving corporation may request for such purpose and otherwise to carry out the intent and purposes of the merger.

ARTICLE SEVEN

On the effective date of the merger,

(a) the assets and liabilities of Kieckhefer and Eddy shall be taken up on the books of the surviving corporation at the amounts at which they shall be carried at that time on the books of those companies, subject to such adjustments or eliminations as may be made in accordance with generally accepted accounting principles;

(b) the earned surplus and capital surplus of the surviving corporation shall be the sums of the earned surpluses and capital surpluses, respectively, of the constituent corporations on such date, subject in each case to such charges, adjustments and eliminations as may be made in accordance with the following subparagraph (c) or in accordance with generally accepted accounting principles; and

(c) the stated capital of the surviving corporation shall be the sum of the par value of all shares of its common stock then issued, and the amount by which such stated capital shall exceed the aggregate stated capital of the constituent corporations immediately prior to the effective date of the merger shall be charged to the capital surplus of the surviving corporation and, to the extent that such capital surplus is not adequate for the purpose, to the earned surplus of the surviving corporation.

ARTICLE EIGHT

1. The surviving corporation hereby agrees that it may be served with process in the State of Delaware in any proceeding for enforcement of any obligation of Kieckhefer or in any proceeding for the enforcement of any obligation of the surviving corporation arising from the merger, including any proceeding to enforce the right of any stockholder of Kieckhefer as determined in appraisal proceedings pursuant to the provisions of Section 262 of the General Corporation Law of the State of Delaware, and hereby irrevocably appoints the Secretary of State of the State of Delaware as its agent to accept service of process in any such proceeding. The address to which a copy of such process shall be mailed by said Secretary of State is Weyerhaeuser Timber Company, Tacoma 1, Washington.

2. The surviving corporation hereby agrees that it may be served with process in the State of Illinois in any proceeding for the enforcement of any obligation of Eddy and in any proceeding for the enforcement of the rights of a dissenting shareholder of Eddy against the surviving corporation, and hereby irrevocably appoints the Secretary of State of the State of Illinois as the agent of the surviving corporation to accept service of process in any such proceeding.

3. The surviving corporation hereby further agrees that it will promptly pay to the dissenting shareholders, if any, of Kieckhefer and Eddy, respectively, the amounts to which they shall be entitled under the provisions of the General Corporation Law of the State of Delaware in the case of shareholders of Kieckhefer or under the provisions of The Business Corporation Act of the State of Illinois in the case of shareholders of Eddy.

ARTICLE NINE

This agreement shall be submitted to the shareholders of each of the constituent corporations at meetings separately called for the purpose, and the merger shall become effective upon the approval of this agreement and the merger herein provided for by the requisite vote of the shareholders of each of said corporations and the execution, filing, issuance, and recording of such documents as may be required under the respective laws of the States of Delaware, Illinois and Washington. The term "effective date of the merger," as used in this agreement, means the point of time at which the last act required to make the merger effective under the respective laws of said states shall have been performed.

ARTICLE TEN

Anything herein or elsewhere to the contrary notwithstanding, this agreement and the merger herein provided for may be terminated and abandoned at any time before it becomes effective as provided in Article Nine, without action by shareholders of any constituent corporation, (a) by mutual consent of the boards of directors of all of the constituent corporations or (b) by action of the board of directors of any one of the constituent corporations taken in accordance with any agreement between the constituent corporations in existence at the time of such action.

ARTICLE ELEVEN

For the convenience of the parties and to facilitate the filing and recording of this agreement, any number of counterparts may be executed, and each such executed counterpart shall be deemed to be an original instrument.

IN WITNESS WHEREOF, the undersigned directors, being a majority of the board of directors of each of the constituent corporations and having voted in favor of entering into the foregoing merger agreement at directors' meetings of the respective constituent corporations duly called and regularly held for that purpose, have signed their names hereto and have caused the respective corporate seals of the constituent corporations to be affixed hereto, on the 20th day of March, 1957.

LAIRD BELL

JOHN M. MUSSER

C. D. WEYERHAEUSER

EDMOND M. COOK

O. D. FISHER

CARLETON BLUNT

F. K. WEYERHAEUSER

F. W. REIMERS

CHAS. H. INGRAM

HENRY T. MCKNIGHT

EDMUND HAYES

NORTON CLAPP

Constituting a majority of the board of directors of Weyerhaeuser Timber Company

{ Weyerhaeuser Timber Company
CORPORATE SEAL
STATE OF WASHINGTON }

J. W. KIECKHEFER

S. B. CLARK

H. M. KIECKHEFER

ROBERT H. KIECKHEFER

J. A. AUCHTER

C. H. CARPENTER

DANIEL C. WILL, JR.

Constituting a majority of the board of directors of Kieckhefer Container Company

{ KIECKHEFER CONTAINER COMPANY
CORPORATE SEAL
DELAWARE }

J. W. KIECKHEFER

E. F. GEREKE

WALTER F. KIECKHEFER

ERWIN K. RADKE

K. W. SCHNEIDER

ANTHONY HAINES

H. M. KIECKHEFER

NICHOLAS SCHARFF

Constituting a majority of the board of directors of The Eddy Paper Corporation

{ THE EDDY PAPER CORPORATION
CORPORATE SEAL
ILLINOIS }

I, GEORGE S. LONG, JR., Secretary of WEYERHAEUSER TIMBER COMPANY, hereby certify as such Secretary and under the seal of that corporation that the foregoing Joint Agreement and Plan of Merger, after having been first duly signed by a majority of the directors of each of the constituent corporations, was duly submitted to the shareholders of WEYERHAEUSER TIMBER COMPANY at a special meeting of said shareholders called separately by the board of directors for the purpose of considering and taking action upon said Joint Agreement and Plan of Merger, which meeting was regularly held on the 22 day of April, 1957, pursuant to notice duly given to each shareholder as provided in the by-laws and the laws of the State of Washington, and the holders of more than two-thirds of the total issued and outstanding shares of said corporation being duly represented thereat, a vote was taken for the adoption or rejection of said Joint Agreement and Plan of Merger, and the holders of more than two-thirds of the voting power of all shareholders of said corporation voted in favor of the adoption of said Joint Agreement and Plan of Merger.

IN WITNESS WHEREOF, I have hereunto set my hand as Secretary and affixed the corporate seal of WEYERHAEUSER TIMBER COMPANY this 22 day of April, 1957.

GEORGE S. LONG, JR.

Secretary of WEYERHAEUSER TIMBER COMPANY

{ WEYERHAEUSER TIMBER COMPANY
CORPORATE SEAL
STATE OF WASHINGTON }

I, J. A. AUCHTER, Secretary of KIECKHEFER CONTAINER COMPANY, hereby certify as such Secretary and under the seal of that corporation that the foregoing Joint Agreement and Plan of Merger, after having been first duly signed by a majority of the directors of each of the constituent corporations, was duly submitted to the shareholders of KIECKHEFER CONTAINER COMPANY at a special meeting of said shareholders called separately by the board of directors for the purpose of considering and taking action upon said Joint Agreement and Plan of Merger, which meeting was regularly held on the 24 day of April, 1957, pursuant to notice duly given to each shareholder, and the holders of more than two-thirds of the total issued and outstanding shares of said corporation being duly represented thereat, a vote was taken by ballot for the adoption or rejection of said Joint Agreement and Plan of Merger, and the holders of more than two-thirds of the total number of shares of its stock (being more than two-thirds of the voting power of all shareholders of said corporation) voted by ballot in favor of the adoption of said Joint Agreement and Plan of Merger.

IN WITNESS WHEREOF, I have hereunto set my hand as Secretary and affixed the corporate seal of KIECKHEFER CONTAINER COMPANY this 24 day of April, 1957.

J. A. AUCHTER

Secretary of KIECKHEFER CONTAINER COMPANY

{ KIECKHEFER CONTAINER COMPANY
CORPORATE SEAL
DELAWARE }

I, R. C. MEIER, Secretary of THE EDDY PAPER CORPORATION, hereby certify as such Secretary and under the seal of that corporation that the foregoing Joint Agreement and Plan of Merger, after having been first duly signed by a majority of the directors of each of the constituent corporations, was duly submitted to the shareholders of THE EDDY PAPER CORPORATION at a special meeting of said shareholders called separately by the board of directors for the purpose of considering and taking action upon said Joint Agreement and Plan of Merger, which meeting was regularly held on the 23rd day of April, 1957, pursuant to notice duly given to each shareholder, and the holders of more than two-thirds of the total issued and outstanding shares of said corporation being duly represented thereat, a vote was taken for the adoption or rejection of said Joint Agreement and Plan of Merger, and the holders of more than two-thirds of the outstanding shares entitled to vote at such meeting (being more than two-thirds of the voting power of all shareholders of said corporation) voted in favor of the adoption of said Joint Agreement and Plan of Merger.

IN WITNESS WHEREOF, I have hereunto set my hand as Secretary and affixed the corporate seal of THE EDDY PAPER CORPORATION this 23rd day of April, 1957.

R. C. MEIER

Secretary of THE EDDY PAPER CORPORATION

{ THE EDDY PAPER CORPORATION }
CORPORATE SEAL
ILLINOIS }

IN WITNESS WHEREOF, each of the constituent corporations has caused its President and Secretary to sign their names hereto and to affix its corporate seal hereto, as of the date of the foregoing certification by its Secretary.

WEYERHAEUSER TIMBER COMPANY

By F. K. WEYERHAEUSER
President

{ WEYERHAEUSER TIMBER COMPANY
CORPORATE SEAL
STATE OF WASHINGTON }

By GEORGE S. LONG, JR.
Secretary

KIECKHEFER CONTAINER COMPANY

By H. M. KIECKHEFER
President

{ KIECKHEFER CONTAINER COMPANY
CORPORATE SEAL
DELAWARE }

By J. A. AUCHTER
Secretary

THE EDDY PAPER CORPORATION

By WALTER F. KIECKHEFER
President

{ THE EDDY PAPER CORPORATION
CORPORATE SEAL
ILLINOIS }

By R. C. MEIER
Secretary

STATE OF WASHINGTON }
COUNTY OF PIERCE } ss.

On this 22nd day of April, 1957 before me, EDITH ASKEW, a notary public in and for the county and state aforesaid, personally appeared F. K. WEYERHAEUSER, to me known to be the President of WEYERHAEUSER TIMBER COMPANY, a corporation of the State of Washington, the corporation that executed the foregoing instrument and acknowledged said instrument to be the free and voluntary act, deed and agreement of said corporation, for the use and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument and that the seal affixed thereto is the corporate seal of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year aforesaid.

EDITH ASKEW

*Notary Public in and for the
State of Washington, residing at Tacoma*

{ EDITH ASKEW
NOTARY PUBLIC
COMMISSION EXPIRES JAN. 29, 1959
STATE OF WASHINGTON }

STATE OF NEW JERSEY }
COUNTY OF CAMDEN } ss.

BE IT REMEMBERED, that on this 24 day of April, 1957, personally came before me, a Notary Public in and for the county and state aforesaid, H. M. KIECKHEFER, President of KIECKHEFER CONTAINER COMPANY, a corporation of the State of Delaware, the corporation described in and which executed the foregoing instrument, known to me personally to be such, and acknowledged the said instrument to be his act and deed and the act and deed of said corporation, and that the signatures of the said President and of the Secretary of said corporation to the foregoing instrument are in the handwriting of said President and Secretary, respectively, and that the seal affixed to said instrument is the corporate seal of said corporation, and that his act of sealing, executing, acknowledging and delivering the said instrument was duly authorized by the board of directors of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year aforesaid.

MABEL M. LUDY

Notary Public of New Jersey

MY COMMISSION EXPIRES MAY 24, 1959

{ MABEL M. LUDY
NOTARY PUBLIC
STATE OF NEW JERSEY }

STATE OF WISCONSIN }
COUNTY OF MILWAUKEE } ss.

I, GRACE KLINGER, a Notary Public in and for the county and state aforesaid, do hereby certify that on the 25 day of April, 1957, personally appeared before me W. F. KIECKHEFER who declared that he is the President of THE EDDY PAPER CORPORATION, a corporation of the State of Illinois, one of the corporations executing the foregoing instrument, and being first duly sworn by me acknowledged that he signed the foregoing instrument in the capacity therein set forth and declared that the statements therein contained are true.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year aforesaid.

GRACE KLINGER

*GRACE KLINGER, Notary Public
MILWAUKEE COUNTY, WISCONSIN*

MY COMMISSION EXPIRES OCT. 4, 1959

{ GRACE KLINGER
NOTARY PUBLIC
MILWAUKEE CO. WIS. }

ARTICLE FIVE

As to each corporation, the number of shares outstanding, the number of shares entitled to vote, and the number and designation of the shares of any class entitled to vote as a class, are:

Name of Corporation	Total Number of Shares Outstanding	Total Number of Shares Entitled to Vote	Designation of Class Entitled to Vote as a Class (if any)	Number of Shares of Such Class (if any)
The Eddy Paper Corporation	181,415	181,415	No class vote	—
Kieckhefer Container Company	29,889	29,889	No class vote	—
Weyerhaeuser Timber Company	24,932,072	24,932,072	No class vote	—

ARTICLE SIX

As to each corporation, the number of shares voted for and against the plan, respectively, and the number of shares of any class entitled to vote as a class voted for and against the plan, are:

Name of Corporation	Total Shares Voted for	Total Shares Voted Against	Class	Shares Voted for	Shares Voted Against
The Eddy Paper Corporation	135,115	none	No class vote	—	—
Kieckhefer Container Company	29,826	none	No class vote	—	—
Weyerhaeuser Timber Company	22,227,211	41,479	No class vote	—	—

ARTICLE SEVEN

All provisions of the laws of the State of Illinois and the States of Delaware and Washington applicable to the proposed merger have been complied with.

ARTICLE EIGHT

It is agreed that, upon and after the issuance of a certificate of merger by the Secretary of State of the State of Illinois:

1. The surviving corporation may be served with process in the State of Illinois in any proceeding for the enforcement of any obligation of any corporation organized under the laws of the State of Illinois which is a party to the merger, and in any proceeding for the enforcement of the rights of a dissenting shareholder of any such corporation organized under the laws of the State of Illinois against the surviving corporation;

2. The Secretary of State of the State of Illinois shall be and hereby is irrevocably appointed as the agent of the surviving corporation to accept service of process in any such proceeding; and

3. The surviving corporation will promptly pay to the dissenting shareholders of any corporation organized under the laws of the State of Illinois which is a party to the merger the amount, if any, to which they shall be entitled under the provisions of "The Business Corporation Act" of the State of Illinois with respect to the rights of dissenting shareholders.

IN WITNESS WHEREOF each of the undersigned corporations has caused these articles of merger to be executed in its name by its president or vice president and its corporate seal to be hereunto affixed, attested by its secretary or assistant secretary, on the date appearing opposite its name

April 25, 1957

THE EDDY PAPER CORPORATION

By WALTER F. KIECKHEFER
Its President

{ THE EDDY PAPER CORPORATION
CORPORATE SEAL
ILLINOIS }

ATTEST:

R. C. MEIER

Its Secretary

April 24, 1957

KIECKHEFER CONTAINER COMPANY

By H. M. KIECKHEFER
Its President

{ KIECKHEFER CONTAINER COMPANY
CORPORATE SEAL
DELAWARE }

ATTEST:

J. A. AUCHTER

Its Secretary

April 22, 1957

WEYERHAEUSER TIMBER COMPANY

By F. K. WEYERHAEUSER
Its President

{ WEYERHAEUSER TIMBER COMPANY
CORPORATE SEAL
STATE OF WASHINGTON }

ATTEST:

GEORGE S. LONG, JR.

Its Secretary

STATE OF WISCONSIN }
COUNTY OF MILWAUKEE } ss.

I, GRACE KLINGER, a Notary Public, do hereby certify that on the 25th day of April, A.D. 1957, personally appeared before me WALTER F. KIECKHEFER who declares that he is the President of THE EDDY PAPER CORPORATION, one of the corporations executing the foregoing documents, and being first duly sworn, acknowledged that he signed the foregoing articles of merger in the capacity therein set forth and declared that the statements therein contained are true.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year before written.

GRACE KLINGER

Grace Klinger, Notary Public
Milwaukee County, Wisconsin
My Commission Expires Oct. 4, 1959 { GRACE KLINGER }
NOTARY PUBLIC }
MILWAUKEE Co. Wis. }

STATE OF NEW JERSEY }
COUNTY OF CAMDEN } ss.

I, MABEL M. LUDY, a Notary Public, do hereby certify that on the 24th day of April, A. D. 1957, personally appeared before me H. M. KIECKHEFER, who declares that he is the President of KIECKHEFER CONTAINER COMPANY, one of the corporations executing the foregoing documents, and being first duly sworn, acknowledged that he signed the foregoing articles of merger in the capacity therein set forth and declared that the statements therein contained are true.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year before written.

MABEL M. LUDY

Notary Public of New Jersey
My Commission Expires May 24, 1959 { MABEL M. LUDY }
NOTARY PUBLIC }
STATE OF NEW JERSEY }

STATE OF WASHINGTON }
COUNTY OF PIERCE } ss.

I, EDITH ASKEW, a Notary Public, do hereby certify that on the 22nd day of April, A.D. 1957, personally appeared before me F. K. WEYERHAEUSER, who declares that he is the President of WEYERHAEUSER TIMBER COMPANY, one of the corporations executing the foregoing documents, and being first duly sworn, acknowledged that he signed the foregoing articles of merger in the capacity therein set forth and declared that the statements therein contained are true.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year before written.

EDITH ASKEW

Notary Public { EDITH ASKEW }
NOTARY PUBLIC }
COMMISSION EXPIRES }
JAN. 29, 1959 }
STATE OF WASHINGTON }

88441,
3-18-57

PROXY SOLICITED BY THE MANAGEMENT

OF

WEYERHAEUSER TIMBER COMPANY

The undersigned shareholder of Weyerhaeuser Timber Company hereby appoints F. K. Weyerhaeuser, Norton Clapp and Chas. H. Ingram, and each of them, as proxies to represent the undersigned at the special meeting of shareholders of the Corporation to be held at the office of the Corporation in the Tacoma Building, Tacoma, Washington, at 11 A.M. Pacific Standard Time on April 22, 1957, and at any adjournment thereof, and to vote the number of shares the undersigned would be entitled to vote if personally present:

1. FOR ☐ AGAINST ☐ the adoption of the Joint Agreement and Plan of Merger of Kieckhefer Container Company, a Delaware corporation, and The Eddy Paper Corporation, an Illinois corporation, with and into Weyerhaeuser Timber Company (including certain amendments of the Articles of Incorporation and By-Laws of Weyerhaeuser Timber Company), which is set forth and described in the Statement of Information which accompanied the notice of the meeting; and

2. In the transaction of such other business as may properly come before the meeting.

It is understood that this proxy will be voted in accordance with the instructions given above, but that if no instructions are given it will be voted for the adoption of the Joint Agreement and Plan of Merger. Discretionary authority is conferred upon the proxies to vote on such other matters as may properly come before the meeting.

Each of the proxies shall have the power of substitution. The majority (or, if only one, then that one) of the proxies, or their substitutes, who shall be present and acting at the meeting, shall have all the powers conferred hereby. The undersigned hereby revokes any prior appointment of a proxy to act for the undersigned at such meeting.

Dated _____, 1957.

Signature of Shareholder

When signing as Attorney, Executor, Trustee, Corporate Officer, etc., give full title as such. If stock is held jointly, each joint owner must sign.

(Return envelope enclosed)

8829.
3-18-57

WEYERHAEUSER TIMBER COMPANY

Tacoma, Washington

March 22, 1957

*To the Shareholders
of Weyerhaeuser Timber Company:*

The Directors of WEYERHAEUSER TIMBER COMPANY, KIECKHEFER CONTAINER COMPANY, and THE EDDY PAPER CORPORATION have approved an Agreement and Plan of Merger which, if also approved by the shareholders of the three companies, will result in the merger of the latter two companies into Weyerhaeuser Timber Company. The Plan of Merger provides that Weyerhaeuser Timber Company will continue as the surviving corporation under its present name.

You will find attached a Notice of Special Meeting of Shareholders to be held on April 22, 1957, to take action with respect to the proposed merger, and a Statement of Information describing the three companies and the Plan of Merger.

It is the basic policy of your Company so to manage its lands that they shall provide a continuous supply of wood for the future and to utilize the wood crop therefrom in the most efficient and complete manner practicable. Intensive reforestation and sound conservation practices are thereby made economically feasible.

Your Board of Directors has concluded that to carry out this policy, greater emphasis should be placed upon the manufacture of forest products other than lumber—particularly pulp and paperboard; and that in furtherance of this objective, the Company should engage in the conversion of these latter products into shipping containers, cartons, and other forms of packaging, the demand for which is likely to continue to increase for many years as a consequence of the country's mass production and distribution system. Your Directors believe the proposed merger would be an effective step towards attaining the objective of more complete utilization of your Company's wood crop.

Kieckhefer is engaged principally in the production of corrugated shipping containers, milk cartons, and bleached and unbleached paperboard. It operates nine converting plants producing corrugated shipping and solid fibre containers and ten converting plants producing milk cartons, located in various areas of the United States, and owns one small containerboard mill in New Jersey. North Carolina Pulp Company (wholly owned by Kieckhefer and Eddy) owns a kraft pulp and paperboard mill located in North Carolina and approximately 400,000 acres of timberlands located principally in that state.

Eddy is engaged in the production and sale of corrugated shipping containers, boxboard, and folding cartons, mainly in the midwest section of the United States. Eddy and its subsidiaries operate eight converting plants producing corrugated shipping containers and two converting plants producing folding cartons. In addition to its interest in North Carolina Pulp Company, it owns one small boxboard mill in Michigan. Eddy owns no timberlands.

Kieckhefer and Eddy, after many years of work and large expenditures, have developed facilities, experience, know-how, and customer good will which would require your Company many years to establish. They meet especially well the requirements of your Company for carrying out its policy of efficient crop utilization.

Your Directors recommend that you cast your vote in favor of the merger.

Very truly yours,

F. K. WEYERHAEUSER
President

WEYERHAEUSER TIMBER COMPANY

Tacoma Building
Tacoma, Washington

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS TO BE HELD

April 22, 1957

NOTICE IS HEREBY GIVEN that a special meeting of the shareholders of WEYERHAEUSER TIMBER COMPANY will be held at the office of the Corporation in the Tacoma Building, Tacoma, Washington, on April 22, 1957, at 11:00 o'clock A.M., Pacific Standard Time, for the following purposes:

1. To consider and act upon a plan of merger of Kieckhefer Container Company, a Delaware corporation, and The Eddy Paper Corporation, an Illinois corporation, into Weyerhaeuser Timber Company, a Washington corporation, including certain amendments of the Articles of Incorporation and By-Laws of the Corporation, as summarized in the Statement of Information accompanying this notice and as set forth in Exhibit A thereto; and
2. To transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

The Board of Directors has fixed the close of business on March 20, 1957 as the record date for the determination of the shareholders of the Corporation entitled to notice of and to vote at the special meeting or at any adjournment or adjournments thereof.

By order of the Board of Directors,

GEORGE S. LONG, JR.,
Secretary

Dated: March 22, 1957

The favorable vote of the holders of two-thirds of the outstanding shares of the Corporation is required for approval of the proposed merger. Accordingly, if you are unable to attend the meeting please complete, sign and date the accompanying proxy and mail it promptly in the enclosed envelope.

WEYERHAEUSER TIMBER COMPANY

STATEMENT OF INFORMATION, SPECIAL MEETING OF SHAREHOLDERS

April 22, 1957

This Statement is being sent to you in connection with the solicitation by the management of proxies to be voted at a special meeting of shareholders. The time and location of such meeting and the record date for the determination of shareholders entitled to notice of and to vote at such special meeting are set forth in the accompanying Notice of Special Meeting of Shareholders. At the meeting the shareholders will be asked to consider and act upon the proposed merger of Kieckhefer Container Company (Kieckhefer) and The Eddy Paper Corporation (Eddy) into Weyerhaeuser Timber Company (Weyerhaeuser), including certain amendments of the Articles of Incorporation and By-Laws of Weyerhaeuser hereinafter mentioned. A person giving a proxy may revoke it at any time prior to its exercise. Each of the common shares of Weyerhaeuser outstanding at the close of business on March 20, 1957 will be entitled to one vote.

PROPOSED MERGER

The respective boards of directors have approved a plan of merger of Kieckhefer and Eddy into Weyerhaeuser, with the latter to be the surviving corporation. The plan of merger is summarized herein and is set forth in the Joint Agreement and Plan of Merger, attached hereto as Exhibit A, which provides for the merger under the laws of Delaware, Illinois and Washington. Each of such companies has also entered into a Memorandum of Agreement, dated March 20, 1957, which is summarized herein and a copy of which is attached hereto as Exhibit B. Approval of the merger requires the affirmative vote of the holders of at least two-thirds of the common shares of each of the three companies.

Conversion of stock

Under the Joint Agreement and Plan of Merger Weyerhaeuser will increase the authorized number of its common shares to 31,000,000. On the effective date of the merger:

- (i) Each common share of Weyerhaeuser then outstanding or in its treasury shall continue unchanged as a common share of the surviving corporation.
- (ii) Each common share of Kieckhefer then outstanding shall be converted into 148 common shares of the surviving corporation.
- (iii) Each common share of Eddy then outstanding shall be converted into 10 common shares of the surviving corporation.

However, on the effective date of the merger each common share of any one of the merging companies then held by either of the other merging companies and each share of Eddy then held in Eddy's treasury shall be cancelled and retired, and no shares of the surviving corporation shall be issued in respect thereof.

Effectiveness of Merger and Exchange of Stock Certificates

The merger will become effective upon the filing and recording of the Joint Agreement and Plan of Merger with the proper authorities in the states of Delaware, Illinois and Washington. Holders of certificates for common stock of Kieckhefer and Eddy may thereafter exchange such certificates for certificates for the appropriate number of common shares of Weyerhaeuser. Dividends payable on common shares of Weyerhaeuser represented by common stock certificates of Kieckhefer or Eddy will be paid only upon the surrender of such certificates for exchange.

Capitalization of Kieckhefer, Eddy, Weyerhaeuser and the Surviving Corporation

The following table shows, as of December 31, 1956, the capitalization of each of the three companies and, pro forma, of Weyerhaeuser as the surviving corporation, giving effect to the merger:

	Outstanding	
	Before Merger	After Merger
Kieckhefer—		
Common stock, without par value; authorized 30,000 shares . . .	29,889 shares	None
Eddy—		
3½% Notes payable to Kieckhefer.....	\$6,900,000	None
Common stock, without par value; authorized 200,000 shares. .	181,415 shares(1)	None
Weyerhaeuser—		
Common shares, par value \$7.50 per share; authorized 25,000,000 shares(4)	24,921,299 shares(2)	30,319,303 shares(2)(3)

- (1) Excluding 8,634 shares held by Eddy in its treasury. Of the 181,415 outstanding shares, 26,090 shares (14.4%) were owned by Kieckhefer.
- (2) Excluding 78,701 shares held by Weyerhaeuser in its treasury, of which 67,581 shares were reserved for sale upon exercise of stock options granted to certain of its officers and employees. The merger will have no effect upon the rights of holders of options.
- (3) Giving effect to the purchase by Weyerhaeuser of shares as set forth below under "Agreement Relating to Stock Purchases by Weyerhaeuser." Such shares are excluded from the total shares to be outstanding.
- (4) The Joint Agreement and Plan of Merger will increase the authorized common shares of Weyerhaeuser from 25,000,000 to 31,000,000.

Description of Common Shares of the Surviving Corporation

Holders of common shares of Weyerhaeuser, the surviving corporation, are entitled to: (a) dividends when and as declared by the Board of Directors, (b) one vote per share, and (c) equal pro rata rights in the event of liquidation. There are no preemptive or conversion rights, redemption or sinking fund provisions, or rights to cumulate votes for the election of directors. All issued and outstanding common shares are fully paid and non-assessable. The foregoing statement is subject to the Articles of Incorporation and By-Laws of Weyerhaeuser and to the applicable statutes and other law of the State of Washington.

Agreement Relating to Stock Purchases by Weyerhaeuser

Under an Agreement of Purchase and Sale, dated March 20, 1957, Weyerhaeuser has agreed to purchase from certain shareholders of Kieckhefer and Eddy and such shareholders have agreed to sell to Weyerhaeuser (1) an aggregate of 2,576 common shares of Kieckhefer at \$5,328 per share and 19,757 common shares of Eddy at \$360 per share, or (2) at the election of Weyerhaeuser, the 578,818 common shares of Weyerhaeuser into

which those shares of Kieckhefer and Eddy would be converted upon the effective date of the merger at \$36 per share. The selling shareholders and the number of shares which they have agreed to sell are as follows:

<u>Selling shareholder</u>	<u>Common shares of</u>		<u>Equivalent in Weyerhaeuser common shares</u>
	<u>Kieckhefer</u>	<u>Eddy</u>	
E. L. Walker, members of his family and trustees of trusts created for the benefit of members of his family.....	2,576	5,769	438,938
Trustees of the Kieckhefer Container Company and North Carolina Pulp Company Employees' Profit Sharing Plan.....	—	7,577	75,770
Trustees of The Eddy Paper Corporation and Rochester Folding Box Company Employees' Profit Sharing Plan.....	—	6,411	64,110
	<u>2,576</u>	<u>19,757</u>	<u>578,818</u>

Mr. E. L. Walker is a director and officer of Kieckhefer and a director and officer of Eddy. Certain directors and officers of Kieckhefer and of Eddy are trustees of and certain of them are among the beneficiaries under the respective Employees' Profit Sharing Plans of Kieckhefer and of Eddy named above as selling shareholders.

AMENDMENTS OF ARTICLES OF INCORPORATION AND BY-LAWS OF WEYERHAEUSER

The Articles of Incorporation of Weyerhaeuser will be amended by the Joint Agreement and Plan of Merger (1) to increase the number of authorized shares from 25,000,000 to 31,000,000, (2) to provide that Weyerhaeuser may purchase, hold and sell its own shares, and (3) to state the terms and conditions upon which the authorized and unissued shares of Weyerhaeuser may be issued, including provisions that such shares may be issued for such consideration in property as the Board of Directors shall determine, without first offering such shares to the shareholders, or for such consideration in cash or services as shall be determined by the shareholders or by the Board of Directors acting under authority hereafter conferred by the shareholders. These terms and conditions, which are identical to those formerly contained in the Articles of Incorporation when Weyerhaeuser had authorized but unissued shares, are set forth in Article Two of the Joint Agreement and Plan of Merger as part of Article III of the Articles of Incorporation of Weyerhaeuser, as amended.

The Joint Agreement and Plan of Merger also provides for an amendment to Article III, Section 1 of the By-Laws of Weyerhaeuser to increase the authorized number of directors from 13 to 15 and for including H. M. Kieckhefer and R. H. Kieckhefer as directors of the surviving corporation, together with the present directors of Weyerhaeuser.

COMPARATIVE FINANCIAL INFORMATION

Summaries of Consolidated Income

The following summaries of consolidated income of Kieckhefer Container Company, The Eddy Paper Corporation and Weyerhaeuser Timber Company, for the five years ended December 31, 1956, have been examined by Arthur Andersen & Co., independent public accountants, whose opinion with respect thereto appears elsewhere herein. The summaries of consolidated income should be read in conjunction with the financial statements and notes thereto included elsewhere herein. Unaudited pro-forma combined summaries of consolidated income of the three companies for the five years ended December 31, 1956, also follow.

SUMMARIES OF CONSOLIDATED INCOME

(000's Omitted)

	Year Ended December 31				
	1952	1953	1954	1955	1956
KIECKHEFER AND SUBSIDIARY—					
Gross sales, less discounts and allowances.....	\$ 54,299	\$ 64,836	\$ 65,629	\$ 78,212	\$ 86,520
Other income (net).....	742	703	907	1,250	1,536
Cost of sales and expenses.....	38,271	48,415	50,334	59,030	67,002
Provision for taxes on income.....	10,698	11,329	8,869	10,412	10,955
Minority interest.....	—	—	—	313	412
Net income.....	<u>6,072</u>	<u>5,795</u>	<u>7,333</u>	<u>9,707</u>	<u>9,687</u>
Per common share:					
Net income.....	\$ 205.96	\$ 196.53	\$ 248.69	\$ 324.78	\$ 324.11
Dividends.....	<u>24.00</u>	<u>24.00</u>	<u>24.00</u>	<u>24.00</u>	<u>27.00</u>
EDDY AND SUBSIDIARIES—					
Gross sales, less discounts and allowances.....	\$ 40,908	\$ 44,249	\$ 43,481	\$ 44,770	\$ 45,950
Other income (net).....	224	682	315	207	(39)
Cost of sales and expenses.....	32,651	36,208	36,889	37,862	37,825
Provision for taxes on income.....	4,952	4,880	3,615	3,700	4,220
Net income.....	<u>3,529</u>	<u>3,843</u>	<u>3,292</u>	<u>3,415</u>	<u>3,866</u>
Per common share:					
Net income.....	\$ 20.83	\$ 22.68	\$ 19.43	\$ 18.82	\$ 21.31
Dividends.....	<u>12.00</u>	<u>12.00</u>	<u>12.00</u>	<u>12.00</u>	<u>14.00</u>
WEYERHAEUSER AND SUBSIDIARIES*					
Gross sales, less discounts and allowances.....	\$239,536	\$257,516	\$262,497	\$316,733	\$324,129
Other income (net).....	5,044	6,682	6,571	7,702	7,405
Cost of sales and expenses.....	183,605	201,399	209,262	243,107	253,756
Provision for taxes on income.....	24,799	26,457	24,296	32,087	26,331
Net income.....	<u>36,176</u>	<u>36,342</u>	<u>35,510</u>	<u>49,241</u>	<u>51,447</u>
Per common share:**					
Net income.....	\$ 1.45	\$ 1.46	\$ 1.43	\$ 1.98	\$ 2.06
Dividends.....	<u>.625</u>	<u>.625</u>	<u>.75</u>	<u>1.00</u>	<u>1.00</u>

*Excluding 1952 and 1953 results of operations of Wood Conversion Company, a former subsidiary; Weyerhaeuser's interest in this company was distributed to its shareholders on November 30, 1953.

**Adjusted to give effect to the 4-for-1 stock split on December 30, 1955.

UNAUDITED PRO FORMA COMBINED SUMMARIES OF CONSOLIDATED INCOME OF MERGING COMPANIES*

	Year Ended December 31				
	1952	1953	1954	1955	1956
Gross sales, less discounts and allowances.....	\$329,318	\$353,295	\$359,357	\$425,787	\$435,069
Other income (net).....	5,072	7,129	6,855	8,221	7,912
Cost of sales and expenses.....	249,178	273,011	284,227	325,972	337,332
Provision for taxes on income.....	40,124	42,341	36,455	45,874	41,181
Net income.....	<u>45,088</u>	<u>45,072</u>	<u>45,530</u>	<u>62,162</u>	<u>64,468</u>
Net income per share (based on 30,319,303 shares)..	<u>\$1.49</u>	<u>\$1.49</u>	<u>\$1.50</u>	<u>\$2.05</u>	<u>\$2.13</u>

*Adjusted to eliminate intergroup sales, purchases, etc.

Market Prices of Common Shares of Weyerhaeuser and Eddy

The high and low sales prices (as reported by The Commercial and Financial Chronicle) of the common stock of Eddy on the Midwest Stock Exchange since January 1, 1955, and the range of the bid prices of the common shares of Weyerhaeuser in the over-the-counter market (as reported by The National Quotation Bureau Inc.) since January 1, 1955, are set forth below:

		Weyerhaeuser— Bid Prices (1)	Eddy	
			High	Low
1955	First Quarter.....	28 ⁵ / ₈ –25 ³ / ₈	210	185
	Second Quarter.....	32 –28 ¹ / ₄	208	196
	Third Quarter.....	37 ³ / ₈ –31 ¹ / ₄	240	201 ¹ / ₂
	Fourth Quarter.....	42 ⁵ / ₈ –32 ¹ / ₂	220	200
1956	First Quarter.....	43 –37 ³ / ₄	240	200
	Second Quarter.....	42 ¹ / ₄ –38 ¹ / ₄	245	220
	Third Quarter.....	42 ³ / ₄ –37 ¹ / ₂	243	237
	Fourth Quarter.....	38 ¹ / ₄ –34 ¹ / ₂	248 ¹ / ₂	234
1957	First Quarter (through March 13, 1957).....	38 ¹ / ₂ –34	350	246

(1) Adjusted to give effect to the 4-for-1 stock split on December 30, 1955.

As of March 13, 1957 the last sale price of the common stock of Eddy on the Midwest Stock Exchange (March 8) was \$315 a share and the reported bid price of the common shares of Weyerhaeuser in the over-the-counter market was 34³/₄.

The common stock of Kieckhefer is not publicly quoted or traded.

BUSINESS OF KIECKHEFER

Kieckhefer Container Company was incorporated under the laws of the State of Delaware on December 21, 1923, as successor to a business originally established about 1900. Principal executive offices are located at 7200 Westfield Avenue, Pennsauken, N. J.

Kieckhefer, together with its subsidiary North Carolina Pulp Company (owned 80% by Kieckhefer and 20% by Eddy and a wholly-owned subsidiary), is engaged principally in the production and sale of corrugated shipping containers, milk cartons, and bleached and unbleached paperboard. For the year 1956, sales of shipping containers accounted for approximately 50%, sales of milk cartons accounted for approximately 34%, and sales of paperboard (principally to Eddy) accounted for approximately 16% of Kieckhefer's total consolidated sales.

Production and Properties

A kraft pulp and paperboard mill, located at Plymouth, N. C., has a present annual productive capacity of approximately 450,000 tons of paperboard, having been substantially expanded in 1955 and 1956 through the installation of a new 700 tons per day linerboard machine and the removal of a smaller old machine.

Kieckhefer has a jute paperboard mill at Delair, N. J., with an annual productive capacity of approximately 80,000 tons, which supplements the paperboard production of the Plymouth mill.

Substantially all of the bleached board produced by the Plymouth mill, together with purchases of bleached board from others, is used by Kieckhefer in production of its milk cartons. Substantially all of the unbleached containerboard produced by the Plymouth and Delair mills, supplemented by purchases, is used by Kieckhefer or sold to Eddy for the production of shipping containers.

Figures of production, purchase, usage and sale of paperboard by Kieckhefer for the past five years were as follows (in tons):

	1952	1953	1954	1955	1956
Unbleached Containerboard					
Produced.....	218,448	242,874	234,968	256,929	295,794
Purchased.....	16,594	41,129	43,684	46,726	70,523
Total Produced and Purchased.....	<u>235,042</u>	<u>284,003</u>	<u>278,652</u>	<u>303,655</u>	<u>366,317</u>
Consumed.....	162,515	191,606	197,059	230,374	228,904
Sold to Eddy.....	48,683	59,523	51,219	61,213	106,878
Sold to Others.....	25,255	29,991	22,377	27,008	20,218
Total Consumed and Sold.....	<u>236,453</u>	<u>281,120</u>	<u>270,655</u>	<u>318,595</u>	<u>356,000</u>
Bleached Board					
Produced.....	63,481	60,951	63,598	66,599	72,612
Purchased.....	3,953	26,105	32,004	36,640	45,973
Total Produced and Purchased.....	<u>67,434</u>	<u>87,056</u>	<u>95,602</u>	<u>103,239</u>	<u>118,585</u>
Consumed.....	55,886	58,305	64,007	92,786	105,048
Sold to Eddy.....	7,560	12,881	16,363	569	—
Sold to Others.....	5,388	18,367	14,082	7,676	11,880
Total Consumed and Sold.....	<u>68,834</u>	<u>89,553</u>	<u>94,452</u>	<u>101,031</u>	<u>116,928</u>

Kieckhefer operates shipping container and milk carton plants throughout the United States, strategically located to serve markets where there is a large demand. Generally speaking, the shipping container plants are along the Eastern, Gulf and Pacific Coasts and the milk carton plants are located throughout the United States.

Kieckhefer owns and operates 9 converting plants producing corrugated and solid fibre shipping containers, with aggregate floor area of approximately 1,450,000 square feet, at the following locations: Westbrook, Me.; Baltimore, Md.; Delair, N.J.; Parkersburg, W.Va.; Tampa, Fla.; New Orleans, La.; Alameda and Colton, Calif.; and Yakima, Wash. These plants together in 1956 produced shipping containers representing about 2,850 million square feet of containerboard.

Kieckhefer also operates 10 converting plants producing milk cartons, with aggregate floor area of approximately 675,000 square feet, as follows: Camden, N.J.; Jacksonville, Fla.; Seymour, Ind.; Carpentersville, Ill. (under construction); Three Rivers, Mich.; Hastings, Neb.; Garland, Tex.; Salt Lake City, Utah; Whittier, Calif.; and Vancouver, Wash. All of these milk carton plants are owned by Kieckhefer, with the exception of the Three Rivers plant which is leased from Eddy and the Salt Lake City plant which is leased from others.

While most of the paperboard requirements for Kieckhefer's converting plants is obtained from the Plymouth and Delair mills, Kieckhefer purchases some paperboard from others (including Weyerhaeuser), particularly for its West Coast plants.

In addition to its manufacturing facilities Kieckhefer operates owned warehouses at McAllen and Houston, Tex. and at San Jose, Calif., and a leased warehouse at Los Angeles, Calif.

Sales offices for both the milk carton and shipping container divisions are maintained in each of such divisions' plants and, for the shipping container division, also at New York City and Buffalo, N.Y.; San Francisco and Los Angeles, Calif.; Seattle, Wash.; and Malden, Mass.

Approximately 406,000 acres of timberlands are owned in connection with the Plymouth kraft pulp and paperboard mill. Most of this acreage is in North Carolina with minor portions in Virginia and Maryland. Kieckhefer estimates that approximately 355,000 of such acres are covered principally with pine, 38,000 acres

are covered principally with hardwoods, and 13,000 acres are presently untimbered. Kieckhefer estimates that present annual growth on these lands amounts to approximately 418,000 cords. Most of the pulpwood requirements for the Plymouth mill are presently purchased from others and only a minor portion is harvested from owned timberlands.

Substantially all of Kieckhefer's milk carton production has been manufactured and sold under the name "Pure-Pak," pursuant to a non-exclusive license from Ex-Cell-O Corporation. Kieckhefer is one of four companies presently licensed to produce Pure-Pak milk cartons in the United States. Under its license arrangement, Kieckhefer pays a royalty of 2% of its net sales of Pure-Pak milk cartons. In addition, Kieckhefer presently pays to Ex-Cell-O an advertising allowance of 5¢ per 1,000 cartons for use in the promotion of Pure-Pak cartons.

Sales and Distribution

Consolidated sales (before deduction of sales discounts) of Kieckhefer for the past five years, by principal products, are summarized below (in thousands of dollars):

	Shipping Containers	Milk Cartons	Paperboard	Total
1952.....	\$31,965	\$13,541	\$ 9,340	\$54,846
1953.....	36,737	14,444	14,285	65,466
1954.....	37,030	16,696	12,559	66,285
1955.....	42,625	25,449	10,924	78,998
1956.....	43,678	29,434	14,206	87,318

Sales of both shipping containers and milk cartons are made direct to customers by Kieckhefer's own sales force of approximately 100 salesmen. In the case of milk cartons, customers are principally dairies. Shipping containers are sold principally to manufacturers and processors who use them to pack and ship their products. Kieckhefer estimates that it presently accounts for approximately 3% of the United States corrugated shipping container business. Although reliable figures are not available for the industry, Kieckhefer estimates that it may presently account for as much as 20% of the total United States milk carton business.

Recent Developments

During the five years 1952-1956, inclusive, Kieckhefer expended approximately \$42,600,000 for new plants and properties, including timberlands, and for the expansion and modernization of existing plants and facilities, the principal items of which follow:

Purchase of timberlands.....	\$10,900,000
Plant additions (including new paper machine) at Plymouth pulp and paperboard mill.....	17,400,000
Nine new converting plants.....	11,900,000

During the same five-year period Kieckhefer made retirements from its gross property account of approximately \$3,400,000.

Relationship with Eddy

For many years there has been a close relationship between Kieckhefer and Eddy. Kieckhefer owns 26,090 shares (14.4%) of Eddy's outstanding common stock and certain members of the Kieckhefer family also have substantial stockholdings in Eddy. Eddy is in the shipping container and folding carton businesses with plants located principally in the Midwest section of the United States. Kieckhefer and Eddy have, for many years, followed the practice of selling shipping containers for each other, on a commission basis, where orders or parts of orders received could be handled more economically by the other company. In 1954 Eddy purchased from North Carolina Pulp Company for \$17,000,000 cash, 1,000 shares (a 20% stock interest)

of North Carolina Pulp. These funds were used by North Carolina Pulp for expansion of the Plymouth mill. Eddy has a contract to buy from North Carolina Pulp a major portion of Eddy's requirements for paperboard, on a cost-plus basis.

In connection with Eddy's purchase of North Carolina Pulp shares, Kieckhefer loaned to Eddy \$11,000,000. At December 31, 1956, this loan had been reduced to \$6,900,000.

Directors and Officers

The following are the directors and officers of Kieckhefer:

J. W. Kieckhefer	Director; Chairman of Board
H. M. Kieckhefer	Director; President
J. A. Auchter	Director; Vice-President; Assistant Treasurer; Assistant Secretary
C. H. Carpenter	Director; Vice-President
S. B. Clark	Director; Vice-President
R. H. Kieckhefer	Director
W. F. Kieckhefer	Director; Treasurer; Secretary
E. L. Walker	Director; Vice-President
D. C. Will	Director; Vice-President
V. D. Donahue	Vice-President; Comptroller
L. G. Lea	Vice-President
J. W. Seeger	Vice-President

Shareholders

As of March 13, 1957 there were approximately 110 shareholders of Kieckhefer. The outstanding 29,889 shares of common stock are owned largely by various individual members of or trusts for members of the Kieckhefer family. Certain of the foregoing are holders of more than 10% of the outstanding common stock.

Employees

As of December 31, 1956 Kieckhefer and its subsidiary had a total of approximately 4,000 employees. Most of the plant employees are members of unions. Kieckhefer believes that its relations with its employees are generally satisfactory.

BUSINESS OF EDDY

The Eddy Paper Corporation was incorporated under the laws of the State of Illinois on November 14, 1922, as successor to Eddy Paper Company which had originally been established in 1906. Its principal executive offices are located at 919 N. Michigan Avenue, Chicago, Ill.

Eddy and its two wholly-owned subsidiaries, Rochester Folding Box Company and Gereke-Allen Carton Company, are engaged principally in the production and sale of corrugated shipping containers, boxboard, and folding cartons, principally in the north Midwest section of the United States. For the year 1956, sales of shipping containers accounted for approximately 75% of Eddy's total sales.

Production and Properties

Eddy owns a boxboard mill, located at White Pigeon, Mich., with an annual production capacity of approximately 60,000 tons. Production of this mill for the past five years has been as follows (in tons):

1952.....	45,445
1953.....	45,179
1954.....	48,991
1955.....	50,891
1956.....	53,786

Approximately 17% of the boxboard production of this mill is used in the folding carton plants of Eddy's subsidiaries and approximately 83% is sold to other manufacturers.

Eddy and its subsidiaries own and operate 8 converting plants producing corrugated shipping containers, with aggregate floor area of approximately 1,500,000 square feet, as follows: Rochester, N.Y.; Belleville and Rockford, Ill.; Three Rivers and Detroit, Mich.; Manitowoc, Wis.; Cedar Rapids, Iowa; and Austin, Minn. These plants now purchase their containerboard requirements largely from Kieckhefer and its subsidiary. These plants together in 1956 produced corrugated shipping containers representing approximately 2,100 million square feet of containerboard.

Eddy's subsidiaries operate 2 converting plants producing folding cartons, with aggregate floor area of approximately 185,000 square feet. The plant located at Rochester, N.Y. is owned and the one at St. Louis, Mo. is leased. These plants obtain substantially all of their boxboard requirements from the White Pigeon mill. In 1956 these plants together produced approximately 9,800 tons of cartons.

Eddy purchased in 1955 for \$317,000 a 50% common stock interest in Ace Folding Box Corporation, of Middlebury, Ind., which is carried as an investment on its balance sheet. Ace's boxboard requirements are also furnished in large part from the White Pigeon mill.

Sales

Consolidated sales (before deduction of sales discounts) of Eddy for the past five years, by principal products, have been as follows (in thousands of dollars):

	<u>Corrugated Shipping Containers</u>	<u>Folding Cartons</u>	<u>Boxboard</u>	<u>Milk Cartons</u>	<u>Total</u>
1952.....	\$30,443	\$3,638	\$5,860	\$1,292	\$41,233
1953.....	32,052	4,131	5,565	2,861	44,609
1954.....	30,247	4,041	5,490	4,071	43,849
1955.....	34,699	4,373	6,035	—	45,107
1956.....	34,699	5,002	6,583	—	46,284

Sales are made by Eddy's and its subsidiaries' own sales forces of about 65 persons. Corrugated shipping containers are sold principally to manufacturers and processors who use them to pack and ship their products. Folding cartons are sold direct to customers chiefly for packaging and display of their retail products. Boxboard is sold to other carton manufacturers, including Ace. Eddy estimates that it accounts for about 2% of the corrugated shipping container business in the United States. It is a relatively minor factor in the folding carton and boxboard fields.

Recent Developments

During the five years 1952-1956, inclusive, Eddy spent approximately \$7,500,000 on expansion and improvement of its properties and plants, and during the same period made gross retirements from its property account of approximately \$2,600,000. The principal single property addition during this period was the construction in 1954 of a new corrugated shipping container plant at Austin, Minn.

Also during this period, Eddy acquired a 20% stock interest in North Carolina Pulp Company at a cost of \$17,000,000, as described above under "Business of Kieckhefer—Relationship with Eddy".

Officers and Directors

The following are the directors and officers of Eddy:

J. W. Kieckhefer	Director; Chairman of Board
W. F. Kieckhefer	Director; President
E. F. Gereke	Director; Vice President
Anthony Haines	Director; Vice-President
H. M. Kieckhefer	Director
George H. Kiefer	Director
Erwin K. Radke	Director; Vice-President
Nicholas Scharff	Director; Vice-President
Karl W. Schneider	Director; Vice-President
E. L. Walker	Director; Vice-President
Thomas E. Morriss	Vice-President
R. C. Meier	Treasurer; Secretary

Shareholders

As of March 13, 1957 Eddy's shareholders numbered approximately 1,000. Of Eddy's 181,415 shares of common stock outstanding, 26,090 shares (14.4%) are owned by Kieckhefer. A substantial amount of the remaining shares is owned by various members of or trusts for members of the Kieckhefer family and by the trustees of the Kieckhefer and Eddy employees' profit sharing plans mentioned above under "Proposed Merger-Agreement Relating to Stock Purchases by Weyerhaeuser," but no such individual holder owns beneficially more than 10% of Eddy's shares.

Employees

As of December 31, 1956, Eddy and its subsidiaries had a total of approximately 1,900 employees. Most of the plant employees are members of unions. Eddy believes that its relations with its employees are generally satisfactory.

BUSINESS OF WEYERHAEUSER

Weyerhaeuser Timber Company was incorporated under the laws of the State of Washington on January 18, 1900. Principal executive offices are located in the Tacoma Building, Tacoma, Wash.

Weyerhaeuser and its subsidiaries are engaged in the ownership and management of timberlands, the growing and harvesting of timber and its conversion into those products which will best utilize the economic value of the wood supply. Currently, this involves the manufacture, distribution and sale of lumber, plywood, pulp, paperboard, hardboard, and other wood fibre and bark products. Diversification of its products and expansion and integration of its manufacturing facilities have enabled Weyerhaeuser to increase the utilization of its timber resources. Continuing research is being carried on in the fields of forestry and product development.

Timber and Timberlands

Weyerhaeuser owns in fee in the States of Washington, Oregon and California approximately 2,695,000 acres of forest lands, of which approximately 2,111,000 acres are in the Douglas Fir region of western Washington and Oregon and 584,000 acres are in the Western Pine region (556,000 acres in south central Oregon east of the Cascades and 28,000 acres in northern California).

Late in 1956 Weyerhaeuser undertook a program of acquiring timberlands in Mississippi and Alabama to help support a pulp mill planned for construction in the future on a site near Columbus, Miss. Weyerhaeuser believes that the merger with Kieckhefer and Eddy may accelerate this program.

The determination of the amount of merchantable timber on Weyerhaeuser's lands is a continuing process. The definition of merchantable timber changes with improvement in utilization practices and is affected by existing economic conditions. Calculations based on the most recent data available indicate that the volume of merchantable timber is approximately 60 billion board feet (Scribner Log Scale). The Scribner Log Scale was designed to measure the volume of timber in terms of the quantity of commercial lumber a log will produce. Customarily, the number of board feet of lumber produced from a log exceeds its Scribner Log Scale measure. Further, the Scribner Log Scale gives no recognition of other wood supply not suitable for producing lumber but usable for production of wood chips for pulp and other products.

It is Weyerhaeuser's basic policy so to manage its lands that they shall provide a continuous supply of wood for the future. Continuing calculations are made to determine the quantity of timber which can be cut annually and still assure the sustained production of raw material. Based on current calculations and present utilization and reforestation practices, the quantity which can be cut annually is approximately 1.3 billion board feet (Scribner Log Scale). The quantity actually cut from year to year is also influenced by current economic conditions.

Weyerhaeuser anticipates that it will be necessary from time to time to adjust its annual cut to give effect to material changes in growth and yield experience, utilization, and casualty losses including fire and insect infestation.

There will be a material decrease in the age and size of the average tree harvested after the present mature timber supply has been depleted. However, Weyerhaeuser estimates that the physical volume of timber available annually at that time will be somewhat greater than the presently calculated annual cut.

Intermingled with and adjacent to Weyerhaeuser holdings are substantial quantities of timber publicly owned or privately owned by others, some of which will be offered for sale from time to time. It is the intention of Weyerhaeuser to purchase some of such timber as it becomes available, the quantity of which will not be significant in relation to its own timber supply.

Timberlands presently being acquired in Mississippi and Alabama have been heavily logged and some have been repeatedly burned. An intensive rehabilitation program will be started promptly to restore the lands to their maximum productivity.

Wood Supply

The following table shows the past five years' supply of logs and pulpwood made available to Weyerhaeuser's mills, including that produced from purchased timber:

	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>
Logs—(million board feet Scribner Log Scale)					
Produced					
From fee lands.....	925	932	937	1,116	1,208
From purchased timber.....	138	180	109	149	212
	<u>1,063</u>	<u>1,112</u>	<u>1,046</u>	<u>1,265</u>	<u>1,420</u>
Purchased logs (net).....	93	87	90	49	44
	<u>1,156</u>	<u>1,199</u>	<u>1,136</u>	<u>1,314</u>	<u>1,464</u>
Produced logs by species—					
Douglas Fir.....	638	689	642	743	786
Hemlock.....	215	210	193	246	333
Ponderosa Pine.....	88	96	102	105	102
Cedar.....	58	53	48	75	85
Other.....	64	64	61	96	114
	<u>1,063</u>	<u>1,112</u>	<u>1,046</u>	<u>1,265</u>	<u>1,420</u>
PULPWOOD—(thousand cords):					
Produced.....	52	45	120	193	213
Purchased.....	10	4	15	97	238
	<u>62</u>	<u>49</u>	<u>135</u>	<u>290</u>	<u>451</u>

Wood chips for Weyerhaeuser's pulp mills are produced in part from logs of a size, species or quality more suitable for this use than for lumber or plywood, in part from pulpwood and the remainder from residuals from Weyerhaeuser's saw mills and plywood plants. The quantity of wood chips produced in the past five years is shown below:

	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>
WOOD CHIPS—(thousand air dry tons):					
Produced from—					
Logs and pulpwood.....	631	746	881	829	882
Mill residuals.....	410	524	552	813	844
	<u>1,041</u>	<u>1,270</u>	<u>1,433</u>	<u>1,642</u>	<u>1,726</u>
Purchased (net).....	(80)	(58)	7	10	21
Total.....	<u>961</u>	<u>1,212</u>	<u>1,440</u>	<u>1,652</u>	<u>1,747</u>

Manufacturing

Weyerhaeuser has followed a policy of grouping its production facilities at manufacturing centers conveniently located in relation to the timberland furnishing the wood supply. There are 10 such centers located in the States of Washington and Oregon. The integration of mills producing lumber, plywood, pulp, paper-board and other products facilitates making the most economical utilization of the forest harvest.

Lumber—Lumber is produced in a wide variety of kinds and grades, emphasis being placed on quality of product, made possible in part by providing facilities for kiln drying and surfacing. Weyerhaeuser's lumber production is estimated to represent about 3% of the total for the United States. Weyerhaeuser's lumber production for the past five years is shown in the following table (expressed in thousand board feet):

1952.....	1,046,000
1953.....	1,117,000
1954.....	973,000
1955.....	1,193,000
1956.....	1,194,000

Plywood—Weyerhaeuser estimates that it accounts for approximately 2½% of the total United States production of Douglas fir plywood. Weyerhaeuser's plywood production for the past five years is shown in the following table (expressed in thousand square feet—¾" basis):

1952.....	80,000
1953.....	116,000
1954.....	104,000
1955.....	130,000
1956.....	134,000

Pulp and Paperboard—Weyerhaeuser estimates that it produces something less than 4% of the total United States supply (including net imports) of chemical and semi-chemical pulp.

Weyerhaeuser utilized in 1956 approximately 41% of its pulp in its own manufacture of bleached paperboard and unbleached containerboard, and sold the remaining approximately 59% to others. Weyerhaeuser's pulp and board production for the past five years is shown in the following table (expressed in tons):

	Sold as Pulp		Bleached Paperboard	Unbleached Containerboard	Total
	Sulphite	Kraft			
1952	201,996	91,942	6,899	87,083	387,920
1953	201,617	127,875	38,900	118,188	486,580
1954	210,027	187,500	56,136	123,470	577,133
1955	214,771	195,304	75,795	177,149	663,019
1956	222,317	206,440	82,295	208,318	719,370

Other Products—Weyerhaeuser manufactures a variety of other products, including hardboard, particle board, ply veneer, wood fibre and bark products, using principally residuals from its sawmills and plywood plants.

Sales and Distribution

Net sales of Weyerhaeuser for the past five years, classified by principal products, are summarized below (in millions of dollars):

	<u>Lumber</u>	<u>Pulp and Paperboard</u>	<u>Plywood</u>	<u>Other</u>	<u>Total</u>
1952*.....	\$156.8	\$ 54.6	\$10.0	\$18.1	\$239.5
1953*.....	156.5	69.3	14.2	17.5	257.5
1954.....	150.1	82.8	12.9	16.7	262.5
1955.....	180.5	96.9	18.3	21.0	316.7
1956.....	177.9	106.7	16.0	23.5	324.1

*Excluding sales of \$20.5 million in 1952 and \$19.3 million in 1953 by Wood Conversion Company, a former subsidiary Weyerhaeuser's interest in this company was distributed to its shareholders on November 30, 1953.

Sales of lumber and plywood include products purchased by Weyerhaeuser from others in order to supply a more complete line to customers. In 1956, products so purchased for resale represented approximately 24% of lumber and 22% of plywood sales. A substantial portion of these purchases was made from one company.

Weyerhaeuser Sales Company, a wholly-owned subsidiary, with headquarters in St. Paul, Minn., is Weyerhaeuser's principal distribution organization dealing in lumber, plywood and related products. Pulp, paperboard, and certain fibre and bark products are sold by separate sales departments.

Lumber and Plywood—Weyerhaeuser's lumber and plywood sales represent principally (1) direct shipment sales from its mills to customers, (2) sales from Weyerhaeuser's nine wholesale distributing yards, and (3) sales from Weyerhaeuser's 87 retail yards.

Lumber and plywood shipments in 1956, by major classes of customers, were approximately as follows:

	<u>Lumber</u>	<u>Plywood</u>
Retail Yards*.....	74.6%	54.8%
Wholesalers.....	9.2	32.4
Industrial.....	11.7	9.2
Other.....	4.5	3.6
	<u>100.0%</u>	<u>100.0%</u>

*Includes sales through Weyerhaeuser's own retail yards.

Pulp and Paperboard—No one customer accounted for as much as 10% of Weyerhaeuser's pulp sales in 1956. A small, but increasing, amount of pulp has been sold in the export market.

Kieckhefer purchased approximately 46% and two other companies together approximately 29% of Weyerhaeuser's 1956 bleached paperboard production. Kieckhefer purchased approximately 21% and one other company approximately 26% of Weyerhaeuser's 1956 unbleached containerboard production.

Transportation

Weyerhaeuser Steamship Company, a wholly-owned subsidiary, owns and operates eight Liberty ships as a common carrier in the intercoastal trade, carrying principally lumber eastbound and general cargo westbound. Columbia & Cowlitz Railway Company, another wholly-owned subsidiary, operates as a common carrier from a junction with main line railroads in Washington to a terminal near Weyerhaeuser's Longview, Wash. plant.

Properties

In addition to its timberlands described above, Weyerhaeuser has manufacturing and other properties as indicated below.

Manufacturing Plants

LUMBER—	No. of Mills	Capacity per 8-hour shift (thousand board feet)
Aberdeen, Wash.	1	160
Enumclaw, Wash.	1	340
Everett, Wash.	2	480
Longview, Wash.	3	950
Raymond, Wash.	1	150
Snoqualmie Falls, Wash.	2	350
Cottage Grove, Ore.	1	150
Klamath Falls, Ore.	1	350
North Bend, Ore.	1	360
Springfield, Ore.	1	310
		<u>3,600</u>

PLYWOOD—	Annual Capacity (Thousand Square feet— $\frac{3}{8}$ " basis)
Longview, Wash.....	75,000
Cottage Grove, Ore.....	55,000
Springfield, Ore.....	55,000
	<u>185,000</u>

PULP AND PAPERBOARD (daily capacities—tons)—

	Pulp		Bleached Paperboard	Unbleached Containerboard	Total
	Sulphite	Kraft			
Cosmopolis, Wash.....	400	—	—	—	400
Everett, Wash.....	310	340	—	—	650
Longview, Wash.....	350	250	350	180	1,130
Springfield, Ore.....	—	—	—	450	450
	<u>1,060</u>	<u>590</u>	<u>350</u>	<u>630</u>	<u>2,630</u>

SPECIAL PRODUCTS—

	Annual Capacity
Longview, Wash.—bark products.....	10,000 tons
Snoqualmie Falls, Wash.—fibre products.....	15,000 tons
Klamath Falls, Ore.—hardboard.....	80,000,000 sq. ft. ($\frac{1}{8}$ " basis)
North Bend, Ore.—particle board.....	15,000,000 sq. ft. ($\frac{3}{4}$ " basis)
Springfield, Ore.—ply-veneer.....	40,000,000 sq. ft. ($\frac{1}{8}$ " basis)

A chemical plant for production of the major portion of Weyerhaeuser's requirements of chlorine and caustic soda is located on the plant site at Longview, Wash.

Distribution Properties

Weyerhaeuser's nine wholesale distributing yards are located at Baltimore, Md.; Newark and Freehold, N. J.; Portsmouth, R. I.; Philadelphia, Pa.; Boston, Mass.; St. Paul, Minn.; Louisville, Ky.; and Los Angeles, Calif. Six of such yards are owned in fee and three are located on leased land.

Weyerhaeuser's 87 retail yards are located in Iowa, Minnesota, Montana, North Dakota and South Dakota, some of which are on leased land.

Recent Developments

During the five years 1952-1956, inclusive, Weyerhaeuser expended approximately \$169,000,000 for new plants and facilities and for expansion and modernization of existing plants and facilities. Approximately 17% of such total represented facilities for lumber and plywood, 54% for pulp and paperboard, 19% for logging equipment and roads, and 10% for all other. During the same five year period, Weyerhaeuser made retirements from its gross property account of approximately \$21,000,000.

Principal plant expansion or acquisition during the five year period included the following:

Longview, Wash.—Substantial increase in kraft pulp production capacity, new bleached paperboard plant, new unbleached containerboard plant and new chemical plant.

Springfield, Ore.—New plywood and ply-veneer plants and expansion of unbleached containerboard capacity.

Raymond, Wash.—New lumber mill to replace old facilities.

Everett, Wash.—New kraft pulp mill.

Klamath Falls, Ore.—New hardboard plant.

Snoqualmie Falls, Wash.—New fibre products plant.

North Bend, Ore.—New particle board plant.

Cosmopolis, Wash.—New sulphite pulp mill.

Aberdeen, Wash.—Lumber mill purchased.

During the five years 1952-1956, inclusive, Weyerhaeuser expended approximately \$13,000,000 for the acquisition of timberlands.

In December, 1954, the R-W Paper Company was organized for the purpose of manufacturing and selling glassine and greaseproof papers. This company's mill was constructed at Longview, Wash., and is supplied with pulp from Weyerhaeuser's adjoining pulp mill. The mill, with initial annual capacity of 10,000 tons, commenced production in June 1956. The capital stock of the R-W Paper Company is owned 50% by Weyerhaeuser and 50% by Rhinelander Paper Company, a subsidiary of St. Regis Paper Company.

In January 1957, Weyerhaeuser purchased a lumber mill, plywood mill and related facilities at Cottage Grove, Ore. (the capacities of which are shown on page 15), together with approximately 55,000 acres of timberlands in that area, most of which is cutover land.

Directors and Officers

The following are the directors and executive officers of Weyerhaeuser:

Laird Bell	Director
Carleton Blunt	Director
*Norton Clapp	Director; Chairman of Board
Edmond M. Cook	Director
O. D. Fisher	Director
*Edmund Hayes	Director; Chairman of Executive Committee
*Chas. H. Ingram	Director; Executive Vice-President
Henry T. McKnight	Director
*John M. Musser	Director; Vice-President
F. W. Reimers	Director
C. D. Weyerhaeuser	Director
*F. K. Weyerhaeuser	Director; President
J. P. Weyerhaeuser III	Director
W. P. Gullander	Vice-President
Howard W. Morgan	Vice-President
Joseph E. Nolan	Vice-President; General Counsel
Robert W. Boyd	Controller
George S. Long, Jr.	Secretary
H. E. Nelson	Treasurer

*Member of Executive Committee.

The directors of the surviving corporation will be the directors of Weyerhaeuser and H. M. Kieckhefer and R. H. Kieckhefer.

Shareholders

As of March 13, 1957 there were approximately 7,500 shareholders of Weyerhaeuser. No one person holds of record or is known by Weyerhaeuser to own beneficially as much as 10% of Weyerhaeuser's common shares. Each director and executive officer is a beneficial holder of common shares and certain directors and officers, together with members of their immediate families, are beneficial and record holders of a substantial number of common shares.

Employees

As of December 31, 1956 Weyerhaeuser and subsidiaries had a total of approximately 14,500 employees. Most of the plant employees are members of unions. During 1954 an industry-wide strike resulted in a 9 to 12 week shutdown of most of Weyerhaeuser's logging, lumber and plywood operations. Weyerhaeuser believes that its relations with its employees are generally satisfactory.

RIGHT TO ABANDON MERGER

The Memorandum of Agreement (Exhibit B) provides that the merger may be terminated and abandoned, either before or after approval of the shareholders of one or more of the respective corporations has been obtained:

(a) by mutual consent of the respective boards of directors of the corporations.

(b) by the Board of Directors of any one of the corporations if, in the judgment of a majority of its directors, the merger becomes inadvisable or impracticable by reason of the failure to receive a ruling from the Commissioner of Internal Revenue that the merger and exchange of stock incident thereto will be tax-free as to the corporations and the stockholders who exchange.

(c) by the Board of Directors of Weyerhaeuser if, in the judgment of a majority of its directors, the merger becomes inadvisable or impracticable by reason of:

(i) the filing in accordance with the applicable law of the written objections or dissents to the merger by shareholders of Weyerhaeuser, Kieckhefer and Eddy, respectively, or any of them, holding in excess of 100,000 common shares of Weyerhaeuser, assuming in computing the holdings of shareholders of Kieckhefer and Eddy, respectively, that their holdings are equal to the number of shares which they otherwise would have been entitled to receive pursuant to the terms of the merger;

(ii) material title defects to a material amount of property of Kieckhefer or Eddy, and its subsidiary or subsidiaries;

(iii) the failure of Kieckhefer or Eddy to perform any agreement thereunder;

(iv) the inaccuracy or untruth of any material representation and warranty made therein by Kieckhefer or Eddy;

(v) any material adverse change since December 31, 1956 in the consolidated business or financial condition or properties of Kieckhefer or Eddy and its subsidiary or subsidiaries; or

(vi) The failure for any reason by any other party under the Agreement of Purchase and Sale mentioned above under "Proposed Merger—Agreement Relating to Stock Purchases by Weyerhaeuser" to sell his shares to Weyerhaeuser as provided therein or the failure of any other party to render full performance of his obligations thereunder.

(d) by the Board of Directors of either Kieckhefer or Eddy, if in the judgment of a majority of the directors of either board, the merger becomes inadvisable or impracticable by reason of:

(i) material title defects to a material amount of property of Weyerhaeuser and its subsidiaries;

- (ii) the failure of Weyerhaeuser to perform any agreement thereunder;
- (iii) the inaccuracy or untruth of any material representation and warranty made therein by Weyerhaeuser; or
- (iv) any material adverse change since December 31, 1956 in the consolidated business or financial condition or properties of Weyerhaeuser and its subsidiaries.

If the merger shall not become effective or is terminated or abandoned, each corporation has agreed to pay all of its own expenses incurred in connection with the proposed merger, the negotiations leading to the merger and any preparations made for effectuating the merger.

CERTAIN TAX CONSEQUENCES OF THE MERGER

In the opinion of counsel for the respective companies, the merger will not, under present Federal tax law, result in the realization of gain or loss by any of the three companies or by their stockholders who exchange or by the stockholders of Weyerhaeuser who retain their shares.

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AUDITORS' CERTIFICATE

We have examined the consolidated balance sheets as of December 31, 1956, and the related statements of consolidated income and surplus for the three years then ended, of:

Weyerhaeuser Timber Company and subsidiaries

Kieckhefer Container Company and subsidiary

The Eddy Paper Corporation and subsidiaries

Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheets and related statements of consolidated income and surplus present fairly the consolidated financial position of the respective companies as of December 31, 1956, and the consolidated results of their respective operations for the three years then ended, and all were prepared in conformity with generally accepted accounting principles consistently applied by each company during the periods under review.

We have also made similar examinations of the "Summaries of Consolidated Income" appearing elsewhere herein; in our opinion, these summaries present fairly the consolidated results of operations of the respective companies for the five years ended December 31, 1956, and were prepared in accordance with generally accepted accounting principles consistently applied by each company during the periods under review.

ARTHUR ANDERSEN & Co.

Chicago, Illinois,
February 23, 1957.

WEYERHAEUSER TIMBER COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET—DECEMBER 31, 1956

ASSETS

CURRENT ASSETS:

Cash.....		\$ 17,286,382
Marketable securities at cost.....		40,070,690
Receivables.....	\$ 23,492,358	
Less—Reserves for doubtful accounts.....	363,328	23,129,030
Inventories (Note 3)—		
Lumber and other finished products.....	\$ 11,168,428	
Logs.....	10,375,361	
Other raw materials.....	1,932,952	23,476,741
Total current assets.....		\$103,962,843

SUPPLY INVENTORIES, PREPAID EXPENSES, ETC.:

Materials and supplies, at average cost.....	\$ 4,319,455	
Miscellaneous prepayments and deferred charges.....	2,745,252	7,064,707

INVESTMENTS, TAX REFUND CLAIMS, ETC.:

Investments, at cost.....	\$ 2,362,998	
Claims for refund of Federal income and excess profits taxes.....	3,899,860	
Long-term receivables.....	769,894	7,032,752

TIMBER AND TIMBERLANDS, ETC., AT MARCH 1, 1913 values determined for Federal income tax purposes and approved by the U. S. Treasury Department, plus subsequent additions at cost (Notes 4 and 5).....

86,352,076

REAL ESTATE, PLANTS AND EQUIPMENT, AT COST (Notes 4 and 5):

Land.....	\$ 3,917,050	
Buildings and improvements.....	50,831,091	
Machinery and equipment.....	189,726,099	
Rail and truck roads.....	36,767,390	
Uncompleted construction.....	48,677,170	
	\$329,918,800	
Less—Reserves for depreciation and amortization.....	130,349,345	199,569,455
		<u>\$403,981,833</u>

Reference is made to the accompanying notes to financial statements which are an integral part of this consolidated balance sheet.

WEYERHAEUSER TIMBER COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET—DECEMBER 31, 1956

LIABILITIES

CURRENT LIABILITIES:

Accounts payable.....	\$ 17,837,659	
Accrued liabilities.....		15,554,520
Provision for Federal income taxes.....	\$ 37,207,111	
Less—U. S. Government securities.....	36,700,000	507,111
Total current liabilities.....		\$ 33,899,290

CAPITAL STOCK AND SURPLUS:

Capital stock, par value \$7.50 per share, 25,000,000 shares authorized and issued (Note 9)	\$187,500,000	
Increase in value of timber and timberlands resulting from March 1, 1913 revaluation—see accompanying statement.....	24,982,760	
Earned surplus (income retained in the business)—see accompanying statement.....	159,987,764	
Treasury stock, 78,701 shares, at cost (Note 7).....	(2,387,981)	370,082,543

\$403,981,833

Reference is made to the accompanying notes to financial statements which are an integral part of this consolidated balance sheet.

WEYERHAEUSER TIMBER COMPANY AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED INCOME

For the Three Years Ended December 31, 1956

	Year Ended December 31,		
	1954	1955	1956
SALES AND OTHER INCOME:			
Gross sales, less discounts and allowances.....	\$262,496,948	\$316,732,545	\$324,129,330
Other income (net)—			
Proceeds from sale of timber and timberlands.....	\$ 1,368,421	\$ 1,609,598	\$ 1,229,354
Transportation and terminal revenues (net).....	834,977	1,443,988	1,518,842
Interest income.....	798,686	1,286,678	2,562,732
Cash discounts received.....	1,374,767	1,529,007	1,431,883
Profit on sale of U.S. Government securities and commercial paper (Note 8).....	1,378,989	706,558	—
Miscellaneous income (net).....	815,435	1,126,256	661,886
	<u>\$ 6,571,275</u>	<u>\$ 7,702,085</u>	<u>\$ 7,404,697</u>
	<u>\$269,068,223</u>	<u>\$324,434,630</u>	<u>\$331,534,027</u>
COST OF SALES AND EXPENSES:			
Cost of sales and expenses, exclusive of depreciation, depletion, amortization and taxes as shown separately below—			
Cost of sales (Note 3).....	\$159,647,099	\$185,424,628	\$192,046,386
Selling and shipping expense.....	12,265,885	13,470,629	14,218,781
General and administrative expense.....	11,055,145	11,892,295	11,402,762
Depreciation, depletion and amortization (Notes 5 and 10)	18,098,974	22,490,522	24,310,461
Taxes other than taxes on income (Note 10).....	8,154,934	9,799,452	11,748,991
Provision for doubtful accounts.....	39,544	29,651	28,761
Total cost of sales and expenses.....	<u>\$209,261,581</u>	<u>\$243,107,177</u>	<u>\$253,756,142</u>
	<u>\$ 59,806,642</u>	<u>\$ 81,327,453</u>	<u>\$ 77,777,885</u>
PROVISION FOR TAXES ON INCOME:			
Federal—normal and surtax.....	\$ 23,700,000	\$ 31,100,000	\$ 25,600,000
State.....	596,287	986,423	731,282
	<u>\$ 24,296,287</u>	<u>\$ 32,086,423</u>	<u>\$ 26,331,282</u>
Net income.....	<u>\$ 35,510,355</u>	<u>\$ 49,241,030</u>	<u>\$ 51,446,603</u>

Reference is made to the accompanying notes to financial statements which are an integral part of these statements of consolidated income.

WEYERHAEUSER TIMBER COMPANY AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED SURPLUS

For the Three Years Ended December 31, 1956

	Year Ended December 31,		
	1954	1955	1956
EARNED SURPLUS (income retained in the business)			
Balance at beginning of year.....	\$120,784,292	\$138,528,433	\$132,677,686
Add:			
Net income from statements of consolidated income.....	35,510,355	49,241,030	51,446,603
Realization of March 1, 1913 increase in timber value, transferred to earned surplus (see statement below).....	866,795	1,054,252	788,625
	<u>\$157,161,442</u>	<u>\$188,823,715</u>	<u>\$184,912,914</u>
Deduct:			
Dividends paid (\$.75 per share in 1954, and \$1.00 per share in 1955 and 1956 on shares outstanding after giving effect to 4-for-1 split in 1955).....	\$ 18,633,009	\$ 24,896,029	\$ 24,925,150
Amount transferred to capital stock (approved by shareholders on December 22, 1955) (Note 9).....	—	31,250,000	—
	<u>\$ 18,633,009</u>	<u>\$ 56,146,029</u>	<u>\$ 24,925,150</u>
Balance at end of year.....	<u>\$138,528,433</u>	<u>\$132,677,686</u>	<u>\$159,987,764</u>

**INCREASE IN VALUE OF TIMBER AND TIMBERLANDS
RESULTING FROM MARCH 1, 1913 REVALUATION**

Balance at beginning of year.....	\$ 27,692,432	\$ 26,825,637	\$ 25,771,385
Deduct—Realization, through sales, of March 1, 1913 increase in timber value, transferred to earned surplus (see statement above).....	866,795	1,054,252	788,625
Balance at end of year.....	<u>\$ 26,825,637</u>	<u>\$ 25,771,385</u>	<u>\$ 24,982,760</u>

Reference is made to the accompanying notes to financial statements which are an integral part of these statements of consolidated surplus.

WEYERHAEUSER TIMBER COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

(1) PROPOSED MERGER OF KIECKHEFER CONTAINER COMPANY AND THE EDDY PAPER CORPORATION INTO WEYERHAEUSER TIMBER COMPANY:

Reference is made to the attached Joint Agreement and Plan of Merger approved by the Boards of Directors of the respective companies (Exhibit A) and to the comments on pages 2 and 3 relating to stock purchases by Weyerhaeuser.

(2) BASIS OF CONSOLIDATION:

The consolidated financial statements include the accounts of Weyerhaeuser Timber Company and all wholly owned subsidiaries.

Intercompany accounts, sales and profits have been eliminated in consolidation.

Investments in subsidiaries consolidated at December 31, 1956 were carried on the books at \$3,095,394 which was \$5,786,935 less than the company's equity in the underlying net assets of such subsidiaries. This difference represents the company's equity in undistributed earnings of such subsidiaries since acquisition and has been included in consolidated earned surplus.

(3) VALUATION OF INVENTORIES:

Inventories of logs, lumber, plywood and pulp at December 31, 1956 (\$16,266,104) were priced at cost, determined on the basis of last-in, first-out. Other products and raw materials were priced at the lower of average cost (determined on the basis of first-in, first-out) or market. These methods of pricing were adopted as of January 1, 1941, and have been used consistently since that date. Inventories used in determining cost of sales were as follows:

	<u>Amount</u>
At December 31, 1953	\$14,256,481
At December 31, 1954	16,023,930
At December 31, 1955	16,542,719
At December 31, 1956	<u>23,476,741</u>

(4) TIMBER, TIMBERLANDS, PLANT, PROPERTY AND EQUIPMENT:

The amounts at which timber, timberlands, plant, property and equipment are carried do not purport to represent replacement or realizable value.

(5) DEPRECIATION, AMORTIZATION AND DEPLETION POLICY:

Depreciation of plants and equipment, including main line railroads, has been provided generally at rates based upon the estimated service lives of the properties. Assets acquired prior to January 1, 1954 have been depreciated at straight line rates. Beginning that date capital investments in new plants and equipment have been depreciated on the sum of the years' digits or declining balance methods. It is not practicable to present all the rates used in computing the annual depreciation provisions; the effective annual rates for the principal classes of properties during the period under review were as follows:

WEYERHAEUSER TIMBER COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

	<u>1954</u>	<u>1955</u>	<u>1956</u>
Buildings and improvements—			
Lumber mills.....	4.0%	4.0%	4.1%
Pulp mills.....	3.0	3.4	3.5
Woods operations.....	5.8	7.7	7.7
Wholesale and retail yards.....	2.8	3.2	3.2
Other property.....	3.2	4.4	4.0
Machinery and equipment—			
Lumber mills.....	4.3	5.8	6.0
Pulp mills.....	5.6	6.6	6.9
Woods operations.....	11.7	12.1	12.0
Wholesale and retail yards.....	5.9	6.5	7.0
Other property.....	<u>11.6</u>	<u>11.4</u>	<u>11.0</u>

Amortization of logging railroads and truck roads has been determined on the basis of the estimated quantity of timber to be hauled over these roads.

Depletion of timber has been charged to operating costs as timber has been harvested, or lost as the result of fire, storm, insect infestation or other casualties. Depletion rates have been based on March 1, 1913 values plus subsequent additions at cost, related to the estimated total recoverable saw timber. Realization, through sales, of March 1, 1913 increase in timber value is recognized currently by a transfer of the applicable amount to earned surplus.

Maintenance and repairs, and minor replacements of property are charged to expense as the expenditures are made, except that extraordinary major repairs which extend the life of the property are charged to the reserve for depreciation. Betterments and replacements of major units of property are capitalized and the replaced items are retired. The cost of property sold or retired is removed from the plant accounts, the accumulated depreciation thereon is removed from the depreciation reserve, and the net gain or loss is carried to the income account.

(6) RETIREMENT PLANS:

The company and certain of its subsidiaries have established retirement plans for salaried and certain hourly employees, the costs of which are being contributed in full by the companies. Under the terms of the trust agreements, funds contributed by the companies to meet the purposes of the plans, together with the earnings thereon, are to be held, managed and invested by independent trustees. The companies have reserved the right to amend or terminate the plans at any time. Past service costs under these plans have been funded at December 31, 1956. Contributions to these plans during the period under review, included in cost of sales and expenses, were as follows:

	<u>Current</u>	<u>Past Service</u>
1954.....	\$1,133,751	\$ 68,375
1955.....	1,183,519	973,762
1956.....	<u>1,238,937</u>	<u>138,972</u>

The company has agreed to establish a retirement plan for hourly employees in the logging, lumber and plywood operations. This plan is scheduled to become effective June 1, 1957 and is an extension

WEYERHAEUSER TIMBER COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

of the noncontributory plan already applicable to other hourly rated employees. Past service cost is estimated at \$13,125,000 at the effective date of the plan. The cost for current service for the first year of the plan will approximate \$915,000.

(7) INCENTIVE STOCK OPTION PLAN:

On May 20, 1952 the Board of Directors adopted an incentive stock option plan under which plan, as amended, employees of the company or its wholly owned subsidiaries could be granted options to purchase not more than 300,000 shares (after adjustment for stock split—Note 9) of the capital stock of the company. Any options granted under the plan become exercisable after one year of continued employment following date of issuance and expire not later than ten years from date of issuance, or earlier in the event of death or termination of employment. The option price may not be less than 95% of the fair market value of the shares on the date the option is granted.

Pursuant to the plan, options to purchase 190,236 shares of capital stock at \$17.50 per share, 25,460 shares at \$24.50 per share, 9,064 shares at \$36.00 per share, and 19,620 shares at \$40.00 per share were granted to certain officers and employees on September 22, 1952, November 17, 1954, August 30, 1955, and June 13, 1956, respectively. All such options expire seven years from date of issuance, or earlier in the event of death or termination of employment. One of the September 22, 1952 options for 4,800 shares expired three months after termination of the optionee's employment. Other information pertaining to these options is summarized below:

Shares as to which options were outstanding at December 31, 1956:

	Date Options Granted	Number of Shares	Option Price at Grant Date		Quoted Value at Grant Date	
			Per Share	Total	Per Share	Total
Sept. 22, 1952.....		22,164	\$17.50	\$ 387,870	\$17.50	\$ 387,870
Nov. 17, 1954.....		16,733	24.50	409,958	24.50	409,958
Aug. 30, 1955.....		9,064	36.00	326,304	36.00	326,304
June 13, 1956.....		19,620	40.00	784,800	40.00	784,800
		<u>67,581</u>		<u>\$1,908,932</u>		<u>\$1,908,932</u>

Shares as to which options became exercisable during the years 1954, 1955 and 1956:

Year	Date Options Granted	Number of Shares	Option Price at First Exercisable Date		Quoted Value at First Exercisable Date	
			Per Share	Total	Per Share	Total
1955	Nov. 17, 1954.....	25,460	\$24.50	\$ 623,770	\$42.00	\$1,069,320
1956	Aug. 30, 1955.....	9,064	36.00	326,304	40.00	362,560
		<u>34,524</u>		<u>\$ 950,074</u>		<u>\$1,431,880</u>

WEYERHAEUSER TIMBER COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

Shares as to which options were exercised during the years 1954, 1955 and 1956:

Year	Date Options Granted	Number of Shares	Option Price at Date of Exercise		Quoted Value at Date of Exercise	
			Per Share	Total	Per Share	Total
1954	Sept. 22, 1952.....	50,140	\$17.50	\$ 877,450	\$23.54	\$1,180,485
1955	Sept. 22, 1952.....	81,576	\$17.50	\$1,427,580	\$33.67	\$2,746,991
	Nov. 17, 1954.....	3,912	24.50	95,844	42.37	165,738
		85,488		\$1,523,424		\$2,912,729
1956	Sept. 22, 1952.....	31,556	\$17.50	\$ 552,230	\$39.93	\$1,260,170
	Nov. 17, 1954.....	4,815	24.50	117,967	40.64	195,698
		36,371		\$ 670,197		\$1,455,868
		171,999		\$3,071,071		\$5,549,082

All of the options exercised have been satisfied by the issuance of treasury stock and of the 78,701 shares held in the treasury at December 31, 1956, 67,581 are reserved for the options outstanding at that date. The gain or loss on disposition of treasury stock is credited or charged to income as each option is exercised, otherwise no charges have been made to income with respect to any of these options.

(8) SALE OF MARKETABLE SECURITIES:

The cost of marketable securities sold is determined on the basis of identified securities.

(9) CAPITAL STOCK:

Effective December 30, 1955 the company's 6,250,000 shares of capital stock having a par value of \$25 per share were changed into 25,000,000 shares each having a par value of \$7.50. In this connection \$31,250,000 was transferred from earned surplus to the capital stock account, making the total capital stock \$187,500,000.

(10) SUPPLEMENTARY INCOME ACCOUNT INFORMATION:

	Year Ended December 31,		
	1954	1955	1956
Charged directly to cost of sales and expenses:			
Maintenance and repairs.....	\$16,123,664	\$19,444,173	\$22,224,375
Depreciation, depletion and amortization.....	18,098,974	22,490,522	24,310,461
Taxes other than taxes on income—			
Real estate and personal property.....	\$ 4,471,087	\$ 5,139,874	\$ 5,253,086
Social security.....	1,680,173	2,004,492	2,332,205
Franchise.....	425,091	655,925	780,277
Miscellaneous.....	1,578,583	1,999,161	3,383,423
Total.....	\$ 8,154,934	\$ 9,799,452	\$11,748,991
Rents and royalties.....	\$ 547,823	\$ 619,302	\$ 661,578
Charged to other income accounts:			
Maintenance and repairs.....	\$ 1,083,463	\$ 1,161,928	\$ 1,258,186
Rents and royalties.....	415,270	433,808	448,904

No management or service contract fees were paid.

KIECKHEFER CONTAINER COMPANY AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET—DECEMBER 31, 1956

ASSETS

CURRENT ASSETS:

Cash.....		\$ 4,756,041
Notes receivable from The Eddy Paper Corporation, current portion.....		1,100,000
Receivables.....	\$ 7,831,704	
Less—Reserve for doubtful accounts and cash discounts.....	258,223	7,573,481
Inventories, at average cost or market, whichever lower (Note 3)—		
Work in process and finished goods.....	\$ 2,114,285	
Roll stock.....	5,912,413	
Raw materials.....	1,937,066	9,963,764
Total current assets.....		\$ 23,393,286

SUPPLY INVENTORIES, PREPAID EXPENSES, ETC.:

Materials and supplies, at average cost.....	\$ 1,187,503	
Miscellaneous prepayments and deferred charges.....	521,206	1,708,709

INVESTMENTS, ADVANCES, ETC.:

Investment, at cost—		
The Eddy Paper Corporation—		
Common stock, 26,090 shares (Note 1).....	\$ 805,491	
Notes receivable, due \$1,100,000 annually to 1960 and \$500,000 annually thereafter, less current portion above.....	5,800,000	
Miscellaneous physical property, less reserves.....	1,403,285	
Other.....	807,296	8,816,072

CONSTRUCTION FUND, for improvement and expansion programs as authorized by the Board of Directors (Note 4).....

15,000,000

TIMBERLANDS AND TIMBER RIGHTS, at cost (Notes 5 and 6).....

12,134,835

PLANT, PROPERTY AND EQUIPMENT, at cost (Notes 5 and 6):

Land.....	\$ 428,658	
Buildings and improvements.....	17,120,141	
Machinery and equipment, etc.....	51,142,597	
Uncompleted construction.....	1,476,643	
	\$70,168,039	
Less—Reserve for depreciation and amortization.....	27,256,549	42,911,490
		<u>\$103,964,392</u>

Reference is made to the accompanying notes to financial statements which are an integral part of this consolidated balance sheet.

KIECKHEFER CONTAINER COMPANY AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET—DECEMBER 31, 1956

LIABILITIES

CURRENT LIABILITIES:

Accounts payable.....		\$ 1,936,179
Accrued liabilities.....		1,470,077
Provision for Federal income taxes.....	\$11,812,431	
Less—U. S. Treasury Notes.....	11,812,431	—
Total current liabilities.....		\$ 3,406,256

MINORITY INTEREST IN COMMON STOCK AND SURPLUS OF SUBSIDIARY.....	7,051,903
--	-----------

CAPITAL STOCK AND SURPLUS:

Common stock, no par value—		
Authorized 30,000 shares, outstanding 29,889 shares, stated at.....	\$ 5,977,800	
Paid-in surplus—see accompanying statement.....	11,841,129	
Earned surplus (income retained in the business)—see accompanying statement	75,687,304	93,506,233

\$103,964,392

Reference is made to the accompanying notes to financial statements which are an integral part of this consolidated balance sheet.

KIECKHEFER CONTAINER COMPANY AND SUBSIDIARY

STATEMENTS OF CONSOLIDATED INCOME

For The Three Years Ended December 31, 1956

	Year Ended December 31		
	1954	1955	1956
SALES AND OTHER INCOME:			
Gross sales, less discounts and allowances (Note 8)	\$65,628,913	\$78,212,044	\$86,520,628
Other income (net)—			
Dividends received on common stock of The Eddy Paper Corporation	\$ 313,080	\$ 313,080	\$ 365,260
Interest income (net)	343,380	523,229	792,819
Cash discounts received	196,842	216,390	263,152
Net gain or (loss) on disposal of machinery and equipment, etc.	(92,969)	134,271	138,197
Miscellaneous income (net)	147,123	63,216	(22,959)
	<u>\$ 907,456</u>	<u>\$ 1,250,186</u>	<u>\$ 1,536,469</u>
	<u>\$66,536,369</u>	<u>\$79,462,230</u>	<u>\$88,057,097</u>
COST OF SALES AND EXPENSES:			
Cost of sales and expenses, exclusive of depreciation, depletion, amortization and taxes as shown separately below—			
Cost of sales (Note 3)	\$43,503,932	\$51,561,255	\$58,685,285
Selling expense	1,941,769	1,984,873	2,098,744
General and administrative expense	1,182,857	1,037,207	1,124,585
Depreciation, depletion and amortization (Notes 6 and 9)	2,992,323	3,533,387	4,130,449
Taxes other than taxes on income (Note 9)	713,630	912,908	962,830
Total cost of sales and expenses	<u>\$50,334,511</u>	<u>\$59,029,630</u>	<u>\$67,001,893</u>
Income before taxes on income	<u>\$16,201,858</u>	<u>\$20,432,600</u>	<u>\$21,055,204</u>
PROVISION FOR TAXES ON INCOME:			
Federal—normal and surtax	\$ 8,560,000	\$10,100,000	\$10,540,000
State	308,868	312,426	415,336
	<u>\$ 8,868,868</u>	<u>\$10,412,426</u>	<u>\$10,955,336</u>
Income before deducting minority interest	<u>\$ 7,332,990</u>	<u>\$10,020,174</u>	<u>\$10,099,868</u>
MINORITY INTEREST IN NET INCOME OF SUBSIDIARY			
	—	312,678	412,422
Net income	<u>\$ 7,332,990</u>	<u>\$ 9,707,496</u>	<u>\$ 9,687,446</u>

Reference is made to the accompanying notes to financial statements which are an integral part of these statements of consolidated income.

KIECKHEFER CONTAINER COMPANY AND SUBSIDIARY

STATEMENTS OF CONSOLIDATED SURPLUS

For The Three Years Ended December 31, 1956

	Year Ended December 31		
	1954	1955	1956
EARNED SURPLUS (income retained in the business)			
Balance at beginning of year.....	\$51,184,121	\$57,809,447	\$66,806,861
Add—Net income from statements of consolidated income.....	7,332,990	9,707,496	9,687,446
	<u>\$58,517,111</u>	<u>\$67,516,943</u>	<u>\$76,494,307</u>
Deduct—Cash dividends on common stock, \$24 per share in 1954 and 1955 and \$27 per share in 1956.....	707,664	710,082	807,003
	<u>\$57,809,447</u>	<u>\$66,806,861</u>	<u>\$75,687,304</u>

PAID-IN SURPLUS

Balance at beginning of year.....	\$ 138,807	\$10,812,004	\$11,841,129
Add:			
Excess of sales price of 403 shares of the Company's common stock sold to certain officers and employees over stated value thereof.....	\$ —	\$ 1,029,125	\$ —
Excess of sales price of common stock (a 20% interest) of subsidiary sold by the subsidiary over par value thereof, less amount applicable to minority interest.....	10,673,197	—	—
	<u>\$10,673,197</u>	<u>\$ 1,029,125</u>	<u>\$ —</u>
Balance at end of year.....	<u>\$10,812,004</u>	<u>\$11,841,129</u>	<u>\$11,841,129</u>

Reference is made to the accompanying notes to financial statements which are an integral part of these statements of consolidated surplus.

KIECKHEFER CONTAINER COMPANY AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

(1) PROPOSED MERGER OF KIECKHEFER CONTAINER COMPANY AND THE EDDY PAPER CORPORATION INTO WEYERHAEUSER TIMBER COMPANY:

Reference is made to the attached Joint Agreement and Plan of Merger approved by the Boards of Directors of the respective companies (Exhibit A) and to the comments on pages 2 and 3 relating to stock purchases by Weyerhaeuser.

(2) BASIS OF CONSOLIDATION:

The consolidated financial statements include the accounts of the Company and North Carolina Pulp Company, an 80% owned subsidiary. On December 30, 1954, The Eddy Paper Corporation acquired from the subsidiary 20% of its presently outstanding common stock. Prior to such date, the Company owned all of the outstanding common stock of the subsidiary.

Intercompany accounts, sales and profits have been eliminated in consolidation.

The Company's equity in the net assets of the subsidiary was \$25,607,614 in excess of the Company's investment therein at December 31, 1956. Of this amount \$14,934,417, representing undistributed earnings since date of acquisition, has been included in earned surplus in the consolidated balance sheet, and \$10,673,197, representing the Company's equity in paid-in surplus of the subsidiary, has been reflected as paid-in surplus in that statement.

(3) INVENTORIES:

The opening and closing inventories used in determining cost of sales during the three years ended December 31, 1956, were—

December 31—

1953	.....	\$7,090,943
1954	.....	8,166,859
1955	.....	8,021,711
1956	.....	<u>9,963,764</u>

(4) CONSTRUCTION FUND:

Construction fund for improvement and expansion programs authorized by the Board of Directors represents cash of \$3,206,977 and U. S. Treasury Notes of \$11,793,023.

(5) TIMBERLANDS, TIMBER RIGHTS, PLANT, PROPERTY AND EQUIPMENT:

The amounts at which timberlands, timber rights, plant, property and equipment are carried do not purport to represent replacement or realizable value.

(6) DEPRECIATION, AMORTIZATION AND DEPLETION POLICY:

Depreciation of plant, property and equipment has been provided generally at rates based upon the estimated service lives of the properties. Assets acquired prior to January 1, 1954, have been depreciated at straight line rates and those acquired subsequent to that date on the sum of the years' digits method. It is not practicable to present all of the individual rates used in computing the annual depreciation provisions; the effective annual rates during the period under review for the principal classes of properties were as follows—

KIECKHEFER CONTAINER COMPANY AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

	<u>1954</u>	<u>1955</u>	<u>1956</u>
Buildings and improvements—			
Pulp mill.....	4.3%	4.5%	4.9%
Milk carton plants.....	2.6	3.0	3.3
Container plants.....	2.7	2.8	3.0
Machinery and equipment, etc.—			
Pulp mill.....	6.8	7.2	7.6
Milk carton plants.....	9.0*	10.5*	9.7
Container plants.....	<u>6.6</u>	<u>7.1</u>	<u>7.1</u>

*Excludes special provision for obsolescence of 3.9% and 2% in the years 1954 and 1955, respectively.

Depletion of timberlands and timber rights is computed on the basis of estimated total recoverable timber at time of purchase without giving consideration to regrowth.

Maintenance and repairs and minor replacements of property are charged to expense as the expenditures are made. Betterments and replacements of major units of property are capitalized and the replaced items are retired. The cost of property sold or retired is removed from the asset accounts, the accumulated depreciation thereon is removed from the depreciation reserve and the net gain or loss is carried to the income account.

(7) RETIREMENT PLANS:

The Company and its subsidiary have established separate retirement plans for certain hourly employees, effective August 1, 1956, and December 1, 1951, respectively. Both plans provide for regular contributions, through payroll deductions, by the participating employees, with the balance of funds needed to meet the purposes of the plans to be contributed by the companies. Under the terms of trust agreements, all funds contributed under the plans, together with earnings thereon, are to be held, managed and invested by independent trustees. The companies have reserved the right to amend or terminate the plans at any time. The Company intends to fund past-service costs under its plan over a ten-year period, commencing August 1, 1956, and estimated past-service costs of \$553,984 had not been funded at December 31, 1956. All past-service costs of the subsidiary's plan have been funded. Contributions to these plans during the period under review, included in cost of sales and expenses, were as follows—

	<u>Current</u>	<u>Past Service</u>
1954.....	\$ 33,510	\$ —
1955.....	38,366	—
1956.....	61,301	24,086
	<u>\$133,177</u>	<u>\$24,086</u>

(8) SALES OF THE SUBSIDIARY:

All of the sales of the Company's subsidiary for the years ended December 31, 1954 and 1955, and the three months ended March 31, 1956, were made to the Company under a cost-plus contract. Subsequent to April 1, 1956, the subsidiary sold approximately 20% of its paperboard output on a similar cost-plus basis to The Eddy Paper Corporation.

KIECKHEFER CONTAINER COMPANY AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

(9) SUPPLEMENTARY INCOME ACCOUNT INFORMATION:

	Year Ended December 31		
	1954	1955	1956
Charged directly to cost of sales and other income accounts—			
Maintenance and repairs.....	\$2,815,770	\$3,428,856	\$4,358,352
Depreciation, depletion and amortization.....	2,992,323	3,533,387	4,130,449
Taxes other than taxes on income—			
Real estate.....	\$ 188,982	\$ 276,881	\$ 285,382
Social security.....	375,096	422,116	440,316
Franchise.....	86,645	150,161	179,645
Other.....	62,907	63,750	57,487
	<u>\$ 713,630</u>	<u>\$ 912,908</u>	<u>\$ 962,830</u>
Management and service contract fees.....		None paid	
Rents.....		Not significant	
Royalties.....	\$ 333,155	\$ 508,041	\$ 588,846
Provision for doubtful accounts.....	160,021	41,237	35,613
Charged to plant, property and equipment—depreciation.....	<u>—</u>	<u>7,382</u>	<u>7,491</u>

(10) PROFIT-SHARING PLAN:

Kieckhefer Container Company and its subsidiary have established a profit sharing plan for employees and officers who are compensated on a monthly salary basis. Under the plan, all contributions are made by the companies to a Trust which is administered by a committee. The companies have reserved the right to amend or terminate the plan at any time; however, all contributions, together with the earnings thereon, at the date the plan is terminated remain the interest of the participants and do not revert back to the companies. Contributions during the period under review, charged to income, were as follows:

1954.....	\$288,964
1955.....	333,418
1956.....	<u>367,613</u>

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THE EDDY PAPER CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET—DECEMBER 31, 1956

ASSETS

CURRENT ASSETS:

Cash.....		\$ 4,152,534
Marketable securities at cost.....		1,800,000
Receivables.....	\$ 3,234,224	
Less—Reserves for doubtful accounts.....	127,512	3,106,712
Inventories (Note 3)—		
Work in process.....	\$ 1,244,738	
Paperboard, waste paper and pulp.....	3,072,990	4,317,728
Total current assets.....		<u>\$13,376,974</u>

SUPPLY INVENTORIES AND PREPAID EXPENSES:

Supplies, at average cost.....	\$ 555,080	
Prepaid expenses.....	139,256	694,336

INVESTMENTS, ADVANCES, ETC.:

Investment in North Carolina Pulp Company (Note 4).....	\$17,000,000	
Investment in and advances to Ace Folding Box Corporation exclusive of advances of \$53,000 included in current assets (Note 5).....	820,655	
Other.....	246,423	18,067,078

PLANT AND EQUIPMENT (Notes 6 and 7):

	<u>Cost</u>	<u>Reserves</u>	<u>Net</u>	
Land.....	\$ 137,047	\$ —	\$ 137,047	
Buildings.....	8,085,663	3,108,360	4,977,303	
Machinery and equipment, etc.....	14,353,780	7,600,000	6,753,780	
	<u>\$22,576,490</u>	<u>\$10,708,360</u>	<u>\$11,868,130</u>	11,868,130
				<u>\$44,006,518</u>

Reference is made to the accompanying notes to financial statements which are an integral part of this consolidated balance sheet.

THE EDDY PAPER CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET—DECEMBER 31, 1956

LIABILITIES

CURRENT LIABILITIES:

Current maturities of notes payable to Kieckhefer Container Company (Note 4)		\$ 1,100,000
Accounts payable.....		1,683,496
Accrued liabilities.....		929,398
Provision for Federal income taxes.....	\$3,909,409	
Less—U. S. Government securities.....	600,000	3,309,409
Total current liabilities.....		<u>\$ 7,022,303</u>

NOTES PAYABLE TO KIECKHEFER CONTAINER COMPANY, 3½%, unsecured, due \$1,100,000 annually to 1960 and \$500,000 annually thereafter, less current maturities above (Note 4).....	5,800,000
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CAPITAL STOCK AND SURPLUS:

Capital stock, no par value, 200,000 shares authorized, 190,049 shares issued.	\$ 4,772,830	
Paid-in surplus—see accompanying statement.....	3,907,658	
Earned surplus (income retained in the business)—see accompanying statement	22,703,095	
Treasury stock, 8,634 shares, at cost.....	(199,368)	31,184,215
		<u><u>\$44,006,518</u></u>

Reference is made to the accompanying notes to financial statements which are an integral part of this consolidated balance sheet.

THE EDDY PAPER CORPORATION AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED INCOME

For The Three Years Ended December 31, 1956

	Year Ended December 31		
	1954	1955	1956
SALES AND OTHER INCOME:			
Gross sales, less discounts and allowances.....	\$43,481,628	\$44,770,024	\$45,949,920
Other income or (deductions) net—			
Cash discounts received.....	\$ 213,550	\$ 219,049	\$ 145,308
Interest income.....	95,117	29,150	108,725
Interest expense.....	(3,081)	(104,715)	(269,453)
Profit or (loss) on disposal of plant and equipment.....	(5,869)	44,349	(7,266)
Miscellaneous income (net).....	15,186	19,254	(15,944)
	<u>\$ 314,903</u>	<u>\$ 207,087</u>	<u>\$ (38,630)</u>
	<u>\$43,796,531</u>	<u>\$44,977,111</u>	<u>\$45,911,290</u>
COST OF SALES AND EXPENSES:			
Cost of sales and expenses, exclusive of depreciation and taxes as shown separately below—			
Cost of sales (Note 3).....	\$31,986,874	\$32,843,432	\$32,503,339
Selling and shipping expenses.....	2,824,926	2,723,965	2,823,306
General and administrative expenses.....	749,947	786,862	822,857
Depreciation (Notes 7 and 10).....	915,915	1,045,212	1,207,202
Taxes other than taxes on income (Note 10).....	401,392	444,953	453,825
Provision for doubtful accounts.....	10,332	17,500	15,000
Total cost of sales and expenses.....	<u>\$36,889,386</u>	<u>\$37,861,924</u>	<u>\$37,825,529</u>
	<u>\$ 6,907,145</u>	<u>\$ 7,115,187</u>	<u>\$ 8,085,761</u>
PROVISION FOR TAXES ON INCOME:			
Federal—normal and surtax.....	\$ 3,535,000	\$ 3,619,000	\$ 4,142,000
State.....	80,000	81,000	78,000
	<u>\$ 3,615,000</u>	<u>\$ 3,700,000</u>	<u>\$ 4,220,000</u>
Net income.....	<u>\$ 3,292,145</u>	<u>\$ 3,415,187</u>	<u>\$ 3,865,761</u>

Reference is made to the accompanying notes to financial statements which are an integral part of these statements of consolidated income.

THE EDDY PAPER CORPORATION AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED SURPLUS

For the Three Years Ended December 31, 1956

EARNED SURPLUS (Income Retained in the Business)

	Year Ended December 31		
	1954	1955	1956
Balance at beginning of year.....	\$18,792,746	\$20,052,235	\$21,376,766
Add—Net income from statements of consolidated income.....	3,292,145	3,415,187	3,865,761
Deduct—Cash dividends paid (\$12 per share in 1954 and 1955, and \$14 per share in 1956).....	(2,032,656)	(2,090,656)	(2,539,432)
Balance at end of year.....	<u>\$20,052,235</u>	<u>\$21,376,766</u>	<u>\$22,703,095</u>

PAID-IN SURPLUS

The balance of paid-in surplus at January 1, 1954, was \$1,484,450. In 1955, \$2,423,208 was added, representing the excess of proceeds of sale over cost of 12,000 shares of treasury stock. The balance of paid-in surplus at December 31, 1955 and 1956, was \$3,907,658, as shown in the accompanying consolidated balance sheet as of the latter date.

Reference is made to the accompanying notes to financial statements which are an integral part of these statements of consolidated surplus.

THE EDDY PAPER CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

(1) PROPOSED MERGER OF KIECKHEFER CONTAINER COMPANY AND THE EDDY PAPER CORPORATION INTO WEYERHAEUSER TIMBER COMPANY:

Reference is made to the attached Joint Agreement and Plan of Merger approved by the Boards of Directors of the respective companies (Exhibit A) and to the comments on pages 2 and 3 relating to stock purchases by Weyerhaeuser.

(2) BASIS OF CONSOLIDATION:

The consolidated financial statements include, on a consistent basis, the accounts of The Eddy Paper Corporation and both of its wholly owned subsidiaries.

Intercompany accounts, sales and profits have been eliminated in consolidation.

At December 31, 1956, the net assets of the wholly owned subsidiaries were \$4,244,014 in excess of Eddy's investment therein. Of this excess, \$4,133,223 representing accumulated earnings of the subsidiaries since acquisition is included in consolidated earned surplus, and \$110,791 representing excess of net assets of a subsidiary at date of acquisition over stated value of parent's stock issued therefor is included in consolidated paid-in surplus.

(3) VALUATION OF INVENTORIES:

The work-in-process inventories were priced at average cost or market, whichever was lower.

The inventories of paperboard, waste paper and pulp were priced at last-in, first-out cost, which was not in excess of market.

Inventories used in determining consolidated cost of goods sold were as follows:

	December 31			
	1953	1954	1955	1956
Work in process.....	\$ 833,388	\$1,067,670	\$ 922,349	\$1,244,738
Paperboard, waste paper and pulp.....	3,146,813	3,059,736	3,192,615	3,072,990
	<u>\$3,980,201</u>	<u>\$4,127,406</u>	<u>\$4,114,964</u>	<u>\$4,317,728</u>

(4) INVESTMENT IN NORTH CAROLINA PULP COMPANY:

The investment in 20% of the capital stock of North Carolina Pulp Company, a subsidiary of Kieckhefer Container Company, was made in 1954 and was based on estimated replacement costs of the increased capacity needed to supply additional paperboard under a long-term contract to The Eddy Paper Corporation. These estimated costs are substantially greater than the underlying book values of North Carolina Pulp Company, which are reflected on its books on a historical cost basis. The equity of the Company and its subsidiaries in the net income of North Carolina Pulp Company was \$412,422 in 1956 and \$312,678 in 1955. The company had no equity in the net income of North Carolina Pulp Company in 1954. No dividends have been received from that company.

In connection with the purchase of this investment, the Company borrowed from Kieckhefer Container Company on unsecured notes payable.

(5) INVESTMENT IN ACE FOLDING BOX CORPORATION:

Eddy's investment in Ace Folding Box Corporation represents a 50% equity in the voting stock of that company. No separate financial statements are submitted for it because Eddy's investment therein is

THE EDDY PAPER CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

not significant in respect of the assets represented or the sales or the net profit or loss of the Ace Folding Box Corporation.

(6) PLANT AND EQUIPMENT:

The amounts at which plant and equipment are carried do not purport to represent replacement or realizable values.

(7) DEPRECIATION AND AMORTIZATION POLICY:

Depreciation of plant and equipment has been provided generally at rates based upon the estimated service lives of the properties. Assets acquired prior to January 1, 1954, have been depreciated at straight line rates. Additions since that date have been depreciated on the declining balance method. It is not practicable to present all the rates used by the Company and subsidiaries in computing the annual depreciation provisions; the effective annual rates for the principal classes of properties during the period under review were as follows:

	1954	1955	1956
Buildings—			
Paper mill.....	3.0%	3.1%	4.7%
Other.....	3.7	4.0	4.1
Machinery, equipment, etc.—			
Paper mill.....	8.1	8.0	8.5
Other.....	9.1	9.8	9.8

Maintenance and repairs are charged to costs as incurred. The costs of renewals and betterments of major units of plant and equipment are capitalized when incurred. When assets are sold or retired, the cost and accumulated depreciation are removed from the plant and equipment and related reserve accounts, and the net gain or loss is credited or charged to income.

(8) PROFIT-SHARING PLAN:

The Eddy Paper Corporation and The Rochester Folding Box Co., a subsidiary, have established a profit-sharing plan for employees and officers who are compensated on a monthly salary basis. Under the plan, all contributions are made by the companies to a Trust which is administered by a committee. The companies have reserved the right to amend or terminate the plan at any time; however, all contributions, together with the earnings thereon, at the date the plan is terminated remain the interest of the participants and do not revert back to the companies. Contributions during the period under review, charged to income, were as follows:

1954.....	\$197,939
1955.....	212,868
1956.....	<u>219,277</u>

THE EDDY PAPER CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

(9) RETIREMENT PLANS:

Gereke-Allen Carton Company, a subsidiary, has established a pension trust for all regular employees. All contributions are made by the Company to pay full annual premiums for annuity and/or insurance contracts which underwrite the pensions. The Company has reserved the right to amend or terminate the plan at any time. There is no past-service liability under the plan. Contributions during the period under review, charged to income, were as follows:

1954.....	\$15,028
1955.....	19,367
1956.....	<u>23,258</u>

In 1956, The Eddy Paper Corporation executed a collective bargaining agreement covering hourly rated employees at its three plants in the State of Michigan which provides, among other things, for the payment of specified pensions and other benefits to employees who retire during the term of the agreement which expires in 1958. There is no requirement for funding amounts due under the plan and the Company has not set aside funds for past and future service costs. The liability to retired employees at December 31, 1956, was recorded at that date. Provisions of \$268,642 were charged to income in 1956. The Company has not provided for the active employees' past service costs, which under the plan, if continued, were estimated to be approximately \$800,000 at December 31, 1956.

(10) SUPPLEMENTARY INCOME ACCOUNT INFORMATION:

	Year Ended December 31		
	1954	1955	1956
Charged directly to cost of sales and expenses—			
Maintenance and repairs.....	\$971,603	\$ 859,241	\$ 948,238
Depreciation.....	<u>915,915</u>	<u>1,045,212</u>	<u>1,207,202</u>
Taxes other than taxes on income—			
Real estate and personal property.....	\$205,863	\$ 234,164	\$ 233,199
Social security.....	177,540	172,377	188,875
Other.....	17,989	38,412	31,751
	<u>\$401,392</u>	<u>\$ 444,953</u>	<u>\$ 453,825</u>
Rents.....	<u>\$ 91,601</u>	<u>\$ 70,304</u>	<u>\$ 88,852</u>
Charged to other income or (deductions) accounts—			
Depreciation.....	\$ 23,564	\$ 65,186	\$ 60,151
Taxes other than taxes on income—			
Real estate and personal property.....	\$ 6,884	\$ 28,198	\$ 30,603
Social security.....	2,038	789	730
	<u>\$ 8,922</u>	<u>\$ 28,987</u>	<u>\$ 31,333</u>

WEYERHAEUSER TIMBER COMPANY

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET—DECEMBER 31, 1956

(After giving effect to the proposed merger with Kieckhefer Container Company and The Eddy Paper Corporation, as outlined in the attached Joint Agreement and Plan of Merger (Exhibit A), and to the proposed purchase of common shares listed in the table on page 3.)

(000 Omitted)

ASSETS

Current assets—

Cash.....	\$ 26,382
Marketable securities at cost.....	21,033
Receivables, less reserve.....	32,107
Inventories.....	37,377
Total current assets.....	\$116,899

Supply inventories, prepaid expenses, etc.....	9,468
Tax refund claims, other receivables, etc.....	10,310
Construction fund (cash and U. S. Treasury notes).....	15,000
Timber and timberlands, etc.....	98,487
Real estate, plants and equipment at cost.....	\$422,663
Less—Reserves for depreciation and amortization.....	168,314
	<u>254,349</u>
	<u>\$504,513</u>

LIABILITIES

Current liabilities—

Accounts payable.....	\$ 20,268
Accrued liabilities.....	17,872
Provision for Federal income taxes.....	\$ 52,929
Less—U. S. Government securities segregated therefor.....	49,112
	<u>3,817</u>
Total current liabilities.....	<u>\$ 41,957</u>

Capital stock and surplus—

Capital stock, issued 30,398,004, par value \$7.50 per share.....	\$227,985
Increase in value of timber and timberlands resulting from March 1, 1913, revaluation.....	24,982
Earned surplus (income retained in the business).....	211,977
Treasury stock at cost, 78,701 shares (67,581 shares reserved for stock options).....	(2,388)
Total shareholders' interest.....	<u>\$462,556</u>
	<u>\$504,513</u>

RIGHTS OF OBJECTING SHAREHOLDERS

Any shareholder of Weyerhaeuser who objects to the merger may obtain payment of the value of his shares in lieu of participating in the merger, provided he complies with the requirements of the applicable provisions of the Uniform Business Corporation Act of Washington, R.C.W. 23.16.140 and 23.16.160. Such shareholder must file with Weyerhaeuser his written objection to the merger demanding payment for his shares within twenty days after Weyerhaeuser has mailed to him the notice of meeting accompanying this statement, and his shares must not be voted in favor of the merger. If, within thirty days after the effective date of the merger, Weyerhaeuser and the shareholder cannot agree upon the value of his shares at the time the merger was approved by the shareholders, either may petition the Superior Court of Pierce County, Washington within four months thereafter for the appointment of an appraiser to determine the value of all shares owned by objecting shareholders. An objecting shareholder will also receive six percent interest on the value of his shares from the date the merger was approved by the shareholders until payment.

A vote against the merger or a direction in a proxy to vote against the merger will not, in the opinion of counsel, constitute the objection in writing required by the statute.

Any objecting shareholders of Kieckhefer and Eddy will have rights of appraisal and payment by Weyerhaeuser for their shares under Delaware and Illinois statutes, respectively.

Weyerhaeuser shares for which a proxy in the accompanying form is properly signed and returned will be voted in accordance with any choice specified therein and where no choice is specified will be voted in favor of the merger (including the amendments of the Articles of Incorporation and By-Laws of Weyerhaeuser provided for in the Joint Agreement and Plan of Merger), unless the merger shall have been abandoned before the meeting. The management is not aware of any other matters that will come before the meeting. If any other matter should be presented, the proxies will be voted as to such matters in the discretion of the person or persons voting them.

Officers, directors and regular employees of Weyerhaeuser may solicit proxies from its stockholders by telephone, telegraph and personal interviews as well as by mail and Weyerhaeuser will bear the cost of such solicitation.

By order of the Board of Directors

GEORGE S. LONG, JR.,
Secretary

Dated: March 22, 1957

JOINT AGREEMENT AND PLAN OF MERGER

OF

KIECKHEFER CONTAINER COMPANY

AND

THE EDDY PAPER CORPORATION

WITH AND INTO

WEYERHAEUSER TIMBER COMPANY

WEYERHAEUSER TIMBER COMPANY

continuing as the surviving corporation

JOINT AGREEMENT AND PLAN OF MERGER entered into this 20th day of March, 1957 (hereinafter called "this agreement"), by and between **WEYERHAEUSER TIMBER COMPANY**, a corporation of the State of Washington (hereinafter sometimes called "Weyerhaeuser"), **KIECKHEFER CONTAINER COMPANY**, a corporation of the State of Delaware (hereinafter sometimes called "Kieckhefer"), and **THE EDDY PAPER CORPORATION**, a corporation of the State of Illinois (hereinafter sometimes called "Eddy"), and their respective boards of directors (which three corporations are hereinafter sometimes called the "constituent corporations"),

WITNESSETH:

The authorized shares of Weyerhaeuser consist of 25,000,000 common shares of the par value of \$7.50 each, of which, at the date hereof, 24,932,072 shares were outstanding and 67,928 shares were held in the treasury of Weyerhaeuser.

The authorized shares of Kieckhefer consist of 30,000 shares of common stock without par value, of which 29,889 shares were outstanding at the date hereof.

The authorized shares of Eddy consist of 200,000 shares of common stock without par value, of which 181,415 shares were outstanding at the date hereof, including 26,090 shares held by Kieckhefer, and 8,634 shares were held in the treasury of Eddy.

Kieckhefer and Eddy respectively have authority to carry on businesses for the conduct of which a corporation might be organized under the Uniform Business Corporation Act of the State of Washington.

The constituent corporations and their respective boards of directors deem it to be advisable and for the best interests of each of said corporations and its shareholders that Kieckhefer and Eddy be merged with and into Weyerhaeuser as authorized by and pursuant to the respective laws of the States of Delaware, Illinois and Washington (said merger being hereinafter referred to as "the merger").

Now, THEREFORE, in consideration of the premises and the mutual agreements and provisions herein contained, and in order to prescribe the terms and conditions of the merger, the mode of carrying the same into effect and the manner and basis of converting or otherwise dealing with the shares of each of the constituent corporations, and to state such other provisions with respect to the merger as are deemed necessary or desirable, the parties hereto AGREE as follows:

ARTICLE ONE

Kieckhefer Container Company and The Eddy Paper Corporation shall be merged with and into Weyerhaeuser Timber Company to form a single corporation on the effective date of the merger as hereinafter defined. Weyerhaeuser Timber Company shall continue in existence as the corporation surviving the merger and as such is hereinafter sometimes called the "surviving corporation." The name of the surviving corporation shall continue to be

"WEYERHAEUSER TIMBER COMPANY"

and it shall continue to be governed by the laws of the State of Washington.

ARTICLE TWO

The articles of incorporation of Weyerhaeuser as heretofore amended shall upon the effective date of the merger be and they hereby are further amended as follows: (1) Article III shall be changed to increase the number of authorized shares from 25,000,000 to 31,000,000 and to add the last four paragraphs of said article as they appear below; and (2) Article II shall be changed to add the following: "to purchase, hold, sell and transfer its own shares". Said articles of incorporation as so amended shall read as follows:

ARTICLE I.

The name of this corporation shall be "Weyerhaeuser Timber Company."

ARTICLE II.

The object for which this corporation is formed is and shall be dealing in lands, timber, and all the products of timber, and buying and selling the same; carrying on and conducting a general logging, lumbering and manufacturing business; erecting, buying and selling saw mills, shingle mills, planing mills, and all other mills and factories; establishing, operating, buying and selling lumber yards; clearing out and improvement of rivers and streams in the State of Washington; driving, catching, booming, sorting, rafting, brailing, towing, holding and delivering logs, lumber and other timber products; constructing, operating and maintaining telegraphs and telephones in the State of Washington; building, operating, buying and selling ships, barges, steamboats and other water craft; manufacturing, mining, milling, wharfing and docking; mechanical, mercantile, improvement and building purposes; building, equipping and running railroads; building, equipping and managing water flumes for the transportation of wood and lumber; constructing canals and irrigating canals; to purchase, subscribe for, deal in and hold the stock of other corporations to such an extent as hereafter may be permitted or allowed by the laws of the State of Washington, or of any other state in which said corporation may do business; to purchase, hold, sell, and transfer its own shares; and to mortgage, bond, or incumber any or all of its property, real and personal, to such sums and amounts, and at such times and upon such terms as the corporation may find necessary or deem expedient; acquiring, owning and operating mines, mills and reduction works, and mining and milling gold and silver and other minerals; and carrying on every other species of trade and business, except banking and building associations.

ARTICLE III.

The authorized number of shares of this corporation shall be 31,000,000 shares having a par value of \$7.50 per share.

The whole or any part of the authorized but unissued shares of this corporation may be issued from time to time for such consideration in property, tangible or intangible, real or personal, the fair valuation of which to the corporation shall be not less than the aggregate par value of shares issued therefor, as the Board of Directors shall determine, without any further action on the part of the shareholders of this corporation. The value placed upon such consideration by the Board of Directors shall be conclusive.

The whole or any part of the authorized but unissued shares of this corporation may be issued from time to time for such consideration in cash or necessary services actually rendered to the corporation as the shareholders shall determine at any annual or special meeting duly called and held for that purpose or as the Board of Directors shall determine acting under authority hereafter conferred by the shareholders.

Each share so issued for which the full consideration fixed as aforesaid shall have been paid or delivered shall be fully paid and non-assessable, and the holder of such share shall not be liable for any further payments therefor.

The Board of Directors may from time to time authorize the issuance of shares of this corporation, whether now or hereafter authorized, in consideration of property, tangible or intangible, real or personal, without first offering such shares to the shareholders of this corporation.

ARTICLE IV.

The time of the existence of this corporation shall be perpetual.

ARTICLE V.

The number of directors of this corporation shall be the number designated by the By-Laws, not less than nine (9) and not more than fifteen (15).

ARTICLE VI.

The principal place of business of this corporation shall be located in the City of Tacoma, County of Pierce in the State of Washington.

The articles of incorporation of Weyerhaeuser, as so amended, shall continue to be the articles of incorporation of the surviving corporation, until further amended as provided by law, and the surviving corporation reserves the right to effect further amendments thereof in the manner now or hereafter prescribed by the laws of the State of Washington.

ARTICLE THREE

The by-laws of Weyerhaeuser in effect immediately prior to the effective date of the merger shall continue in effect as the by-laws of the surviving corporation, unless and until amended or repealed in the manner provided by law and said by-laws, except that Article III, Section 1 of said by-laws shall upon the effective date of the merger be and it hereby is amended to increase the number of directors from thirteen (13) to fifteen (15).

ARTICLE FOUR

Initially the board of directors of the surviving corporation shall consist of the persons who are directors of Weyerhaeuser immediately prior to the effective date of the merger and Herbert M. Kieckhefer and Robert H. Kieckhefer; and they shall hold office until the annual meeting of shareholders next succeeding the effective date of the merger or until the election and qualification of their respective successors.

ARTICLE FIVE

The manner and basis of converting or otherwise dealing with the shares of each of the constituent corporations are as follows:

(a) Each share of Weyerhaeuser which is issued and outstanding or in the treasury of Weyerhaeuser immediately prior to the effective date of the merger (except shares, if any, then held by either of the other constituent corporations) shall continue to be one fully paid and non-assessable share of the par value of \$7.50 of the surviving corporation.

(b) Each share of common stock of Kieckhefer which is issued and outstanding immediately prior to the effective date of the merger (except shares, if any, then held by either of the other constituent corporations), and all rights in respect thereof, shall be converted, by virtue of the merger and on the effective date thereof and without any action on the part of the holder thereof, into 148 fully paid and non-assessable shares of the par value of \$7.50 each of the surviving corporation.

(c) Each share of common stock of Eddy which is issued and outstanding immediately prior to the effective date of the merger (except shares, if any, then held by either of the other constituent corporations), and all rights in respect thereof, shall be converted, by virtue of the merger and on the effective date thereof and without any action on the part of the holder thereof, into ten fully paid and non-assessable shares of the par value of \$7.50 each of the surviving corporation.

(d) On the effective date of the merger each share of common stock of Kieckhefer or of Eddy which is held in the treasury of such corporation immediately prior to such effective date and each share of any one of the constituent corporations which is held immediately prior to such effective date by either of the other constituent corporations shall be cancelled and retired, and no shares of the surviving corporation shall be issued in respect thereof.

(e) After the effective date of the merger the holders of certificates representing shares of Kieckhefer or Eddy which shall have been converted as aforesaid, except holders who shall have objected to the merger and demanded the fair value of their shares as provided by law, shall be entitled to receive, against the surrender of their certificates for exchange and in full satisfaction of all rights evidenced thereby, certificates representing the number of shares of the par value of \$7.50 each of the surviving corporation into which the shares evidenced by the surrendered certificates shall have been converted as aforesaid. Until so surrendered, each certificate representing shares of common stock of Kieckhefer or Eddy which shall have been converted into shares of the surviving corporation shall be deemed for all corporate purposes to evidence ownership of the number of shares of the surviving corporation into which the same shall have been converted as set forth above; provided, however, that until the holder of such certificate shall have surrendered the same for exchange as aforesaid, no dividend payable to holders of record of shares of the surviving corporation as of any date subsequent to the effective date of the merger shall be paid to such holder with respect to the shares of the surviving corporation represented by such certificate, but upon surrender of such certificate for exchange as aforesaid there shall be paid to the person in whose name a certificate or certificates for shares of the surviving corporation are issued therefor the amount of dividends which shall have theretofore become payable with respect to the number of shares of the surviving corporation represented by the certificate or certificates so issued.

ARTICLE SIX

On the effective date of the merger,

(a) the constituent corporations shall become one corporation, which shall be Weyerhaeuser Timber Company, the surviving corporation, and the separate existence of Kieckhefer and Eddy shall cease, except in so far as continued by statute;

(b) the surviving corporation shall thereupon and thereafter possess all the rights, privileges, immunities, powers and franchises, as well of a public as of a private nature, of each of the constituent corporations; and all property, real, personal and mixed, of each of the constituent corporations, and all debts due on whatever account to any of them, including subscriptions, if any, for shares, and all other things in action belonging to any of the constituent corporations shall be taken and be deemed to be transferred to and vested in, or shall continue to be vested in, the surviving corporation, without further act or deed, and shall be thereafter as effectually the property of the surviving corporation as they were of the constituent corporations, respectively; and the title to any real estate, or any interest therein, vested in any of the constituent corporations, shall not revert or be in any way impaired by reason of the merger;

(c) the surviving corporation shall thenceforth be responsible for all the liabilities and obligations of each of the constituent corporations in the same manner as if the surviving corporation had itself incurred such liabilities and obligations, but the liabilities of the constituent corporations or of their shareholders, directors or officers shall not be affected, nor shall the rights of the creditors thereof, or of any person dealing with any of the constituent corporations, or any liens upon the property thereof (limited in lien to the property subject thereto immediately prior to the effective date of the merger) be impaired by the merger, and any claim existing or action or proceeding pending by or against any of the constituent corporations may be prosecuted to judgment as if the merger had not taken place, or the surviving corporation may be proceeded against or substituted in its place, all as provided in the respective laws of the States of Washington, Delaware and Illinois.

Kieckhefer and Eddy each agrees that if at any time the surviving corporation shall consider that any further assignments or assurances are necessary or desirable to vest or confirm the vesting in the surviving corporation of title to any property, rights, privileges or franchises of either Kieckhefer or Eddy, it will execute and deliver all such deeds and other instruments and will take all such other action as the surviving corporation may request for such purpose and otherwise to carry out the intent and purposes of the merger.

ARTICLE SEVEN

On the effective date of the merger,

(a) the assets and liabilities of Kieckhefer and Eddy shall be taken up on the books of the surviving corporation at the amounts at which they shall be carried at that time on the books of those companies, subject to such adjustments or eliminations as may be made in accordance with generally accepted accounting principles;

(b) the earned surplus and capital surplus of the surviving corporation shall be the sums of the earned surpluses and capital surpluses, respectively, of the constituent corporations on such date, subject in each case to such charges, adjustments and eliminations as may be made in accordance with the following subparagraph (c) or in accordance with generally accepted accounting principles; and

(c) the stated capital of the surviving corporation shall be the sum of the par value of all shares of its common stock then issued, and the amount by which such stated capital shall exceed the aggregate stated capital of the constituent corporations immediately prior to the effective date of the merger shall be charged to the capital surplus of the surviving corporation and, to the extent that such capital surplus is not adequate for the purpose, to the earned surplus of the surviving corporation.

ARTICLE EIGHT

1. The surviving corporation hereby agrees that it may be served with process in the State of Delaware in any proceeding for enforcement of any obligation of Kieckhefer or in any proceeding for the enforcement of any obligation of the surviving corporation arising from the merger, including any proceeding to enforce the right of any stockholder of Kieckhefer as determined in appraisal proceedings pursuant to the provisions of Section 262 of the General Corporation Law of the State of Delaware, and hereby irrevocably appoints the Secretary of State of the State of Delaware as its agent to accept service of process in any such proceeding. The address to which a copy of such process shall be mailed by said Secretary of State is Weyerhaeuser Timber Company, Tacoma 1, Washington.

2. The surviving corporation hereby agrees that it may be served with process in the State of Illinois in any proceeding for the enforcement of any obligation of Eddy and in any proceeding for the enforcement of the rights of a dissenting shareholder of Eddy against the surviving corporation, and hereby irrevocably appoints the Secretary of State of the State of Illinois as the agent of the surviving corporation to accept service of process in any such proceeding.

3. The surviving corporation hereby further agrees that it will promptly pay to the dissenting shareholders, if any, of Kieckhefer and Eddy, respectively, the amounts to which they shall be entitled under the provisions of the General Corporation Law of the State of Delaware in the case of shareholders of Kieckhefer or under the provisions of The Business Corporation Act of the State of Illinois in the case of shareholders of Eddy.

ARTICLE NINE

This agreement shall be submitted to the shareholders of each of the constituent corporations at meetings separately called for the purpose, and the merger shall become effective upon the approval of this agreement and the merger herein provided for by the requisite vote of the shareholders of each of said corporations and the execution, filing, issuance, and recording of such documents as may be required under the respective laws of the States of Delaware, Illinois and Washington. The term "effective date of the merger," as used in this agreement, means the point of time at which the last act required to make the merger effective under the respective laws of said states shall have been performed.

ARTICLE TEN

Anything herein or elsewhere to the contrary notwithstanding, this agreement and the merger herein provided for may be terminated and abandoned at any time before it becomes effective as provided in Article Nine, without action by shareholders of any constituent corporation, (a) by mutual consent of the boards of directors of all of the constituent corporations or (b) by action of the board of directors of any one of the constituent corporations taken in accordance with any agreement between the constituent corporations in existence at the time of such action.

ARTICLE ELEVEN

For the convenience of the parties and to facilitate the filing and recording of this agreement, any number of counterparts may be executed, and each such executed counterpart shall be deemed to be an original instrument.

IN WITNESS WHEREOF, the undersigned directors, being a majority of the board of directors of each of the constituent corporations and having voted in favor of entering into the foregoing merger agreement at directors' meetings of the respective constituent corporations duly called and regularly held for that purpose, have signed their names hereto and have caused the respective corporate seals of the constituent corporations to be affixed hereto, on the 20th day of March, 1957.

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Constituting a majority of the board of directors of Weyerhaeuser Timber Company

[CORPORATE SEAL]

Constituting a majority of the board of directors of Kieckhefer Container Company

[CORPORATE SEAL]

Constituting a majority of the board of directors of The Eddy Paper Corporation

[CORPORATE SEAL]

I, GEORGE S. LONG, JR., Secretary of WEYERHAEUSER TIMBER COMPANY, hereby certify as such Secretary and under the seal of that corporation that the foregoing Joint Agreement and Plan of Merger, after having been first duly signed by a majority of the directors of each of the constituent corporations, was duly submitted to the shareholders of WEYERHAEUSER TIMBER COMPANY at a special meeting of said shareholders called separately by the board of directors for the purpose of considering and taking action upon said Joint Agreement and Plan of Merger, which meeting was regularly held on the 22nd day of April, 1957, pursuant to notice duly given to each shareholder as provided in the by-laws and the laws of the State of Washington, and the holders of more than two-thirds of the total issued and outstanding shares of said corporation being duly represented thereat, a vote was taken for the adoption or rejection of said Joint Agreement and Plan of Merger, and the holders of more than two-thirds of the voting power of all shareholders of said corporation voted in favor of the adoption of said Joint Agreement and Plan of Merger.

IN WITNESS WHEREOF, I have hereunto set my hand as Secretary and affixed the corporate seal of WEYERHAEUSER TIMBER COMPANY this day of April, 1957.

[CORPORATE SEAL]

Secretary of WEYERHAEUSER TIMBER COMPANY

I, W. F. KIECKHEFER, Secretary of KIECKHEFER CONTAINER COMPANY, hereby certify as such Secretary and under the seal of that corporation that the foregoing Joint Agreement and Plan of Merger, after having been first duly signed by a majority of the directors of each of the constituent corporations, was duly submitted to the shareholders of KIECKHEFER CONTAINER COMPANY at a special meeting of said shareholders called separately by the board of directors for the purpose of considering and taking action upon said Joint Agreement and Plan of Merger, which meeting was regularly held on the 24th day of April, 1957, pursuant to notice duly given to each shareholder, and the holders of more than two-thirds of the total issued and outstanding shares of said corporation being duly represented thereat, a vote was taken by ballot for the adoption or rejection of said Joint Agreement and Plan of Merger, and the holders of more than two-thirds of the total number of shares of its stock (being more than two-thirds of the voting power of all shareholders of said corporation) voted by ballot in favor of the adoption of said Joint Agreement and Plan of Merger.

IN WITNESS WHEREOF, I have hereunto set my hand as Secretary and affixed the corporate seal of KIECKHEFER CONTAINER COMPANY this day of April, 1957.

[CORPORATE SEAL]

Secretary of KIECKHEFER CONTAINER COMPANY

I, R. C. MEIER, Secretary of THE EDDY PAPER CORPORATION, hereby certify as such Secretary and under the seal of that corporation that the foregoing Joint Agreement and Plan of Merger, after having been first duly signed by a majority of the directors of each of the constituent corporations, was duly submitted to the shareholders of THE EDDY PAPER CORPORATION at a special meeting of said shareholders called separately by the board of directors for the purpose of considering and taking action upon said Joint Agreement and Plan of Merger, which meeting was regularly held on the 23rd day of April, 1957, pursuant to notice duly given to each shareholder, and the holders of more than two-thirds of the total issued and outstanding shares of said corporation being duly represented thereat, a vote was taken for the adoption or rejection of said Joint Agreement and Plan of Merger, and the holders of more than two-thirds of the outstanding shares entitled to vote at such meeting (being more than two-thirds of the voting power of all shareholders of said corporation) voted in favor of the adoption of said Joint Agreement and Plan of Merger.

IN WITNESS WHEREOF, I have hereunto set my hand as Secretary and affixed the corporate seal of THE EDDY PAPER CORPORATION this day of April, 1957.

Secretary of THE EDDY PAPER CORPORATION

[CORPORATE SEAL]

IN WITNESS WHEREOF, each of the constituent corporations has caused its President and Secretary to sign their names hereto and to affix its corporate seal hereto, as of the date of the foregoing certification by its Secretary.

WEYERHAEUSER TIMBER COMPANY

By _____
President

[CORPORATE SEAL]

By _____
Secretary

KIECKHEFER CONTAINER COMPANY

By _____
President

[CORPORATE SEAL]

By _____
Secretary

THE EDDY PAPER CORPORATION

By _____
President

[CORPORATE SEAL]

By _____
Secretary

STATE OF WASHINGTON }
COUNTY OF PIERCE } ss.

On this day of April, 1957 before me, , a notary public in
and for the county and state aforesaid, personally appeared , to me known
to be the President of WEYERHAEUSER TIMBER COMPANY, a corporation of the State of Washington, the
corporation that executed the foregoing instrument and acknowledged said instrument to be the free and
voluntary act, deed and agreement of said corporation, for the use and purposes therein mentioned, and on oath
stated that he was authorized to execute said instrument and that the seal affixed thereto is the corporate
seal of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year aforesaid.

*Notary Public in and for the
State of Washington, residing at Tacoma*

STATE OF }
COUNTY OF } ss.

BE IT REMEMBERED, that on this day of April, 1957, personally came before me, a Notary Public in
and for the county and state aforesaid, H. M. KIECKHEFER, President of KIECKHEFER CONTAINER COMPANY,
a corporation of the State of Delaware, the corporation described in and which executed the foregoing instru-
ment, known to me personally to be such, and acknowledged the said instrument to be his act and deed and
the act and deed of said corporation, and that the signatures of the said President and of the Secretary of said
corporation to the foregoing instrument are in the handwriting of said President and Secretary, respectively,
and that the seal affixed to said instrument is the corporate seal of said corporation, and that his act of sealing,
executing, acknowledging and delivering the said instrument was duly authorized by the board of directors
of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year aforesaid.

Notary Public

STATE OF }
COUNTY OF } ss.

I, , a Notary Public in and for the county and state aforesaid, do hereby certify
that on the day of April, 1957, personally appeared before me W. F. KIECKHEFER who declared that he is
the President of THE EDDY PAPER CORPORATION, a corporation of the State of Illinois, one of the corporations
executing the foregoing instrument, and being first duly sworn by me acknowledged that he signed the foregoing
instrument in the capacity therein set forth and declared that the statements therein contained are true.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year aforesaid.

Notary Public

MEMORANDUM OF AGREEMENT

made March 20, 1957

with respect to merger

of

KIECKHEFER CONTAINER COMPANY

and

THE EDDY PAPER CORPORATION

with and into

WEYERHAEUSER TIMBER COMPANY

The boards of directors of WEYERHAEUSER TIMBER COMPANY (hereinafter called "Weyerhaeuser"), KIECKHEFER CONTAINER COMPANY (hereinafter called "Kieckhefer") and THE EDDY PAPER CORPORATION (hereinafter called "Eddy"), have approved a plan for the merger of Kieckhefer and Eddy into Weyerhaeuser pursuant to the respective laws of the States of Delaware, Illinois and Washington which is set forth in the form of Joint Agreement and Plan of Merger attached hereto and made a part hereof.

Weyerhaeuser, Kieckhefer and Eddy wish to set forth herein certain further agreements relating to the merger, as follows:

1. Weyerhaeuser, Kieckhefer and Eddy each agrees duly to call a special meeting of its shareholders, to be held not later than April 25, 1957, to consider and act upon the merger.

2. Weyerhaeuser, Kieckhefer and Eddy each represents and warrants that the audited consolidated financial statements for the years 1952-1956, inclusive, which it has heretofore submitted to the other parties fairly present the financial position of itself and its subsidiaries and the results of their operations at the dates and for the periods designated therein, and were prepared in conformity with generally accepted accounting principles applied on a consistent basis throughout the periods involved. Each represents and warrants further that:

(a) Since December 31, 1956 neither it nor any of its subsidiaries (i) has entered into any transaction or incurred any obligation out of the ordinary course of business other than the acquisition by Weyerhaeuser of certain assets from W. A. Woodard Lumber Co. and others in connection therewith, or (ii) has had any adverse change in its business or financial condition or properties, which is material to it and its subsidiaries on a consolidated basis.

(b) Neither it nor any of its subsidiaries has any liabilities (in excess of balance sheet provisions therefor), contingent or otherwise, which are material to it and its subsidiaries on a consolidated basis.

(c) There is no litigation, proceeding or investigation pending or threatened against it or any of its subsidiaries which could result in any material adverse change in the properties, business, financial condition or prospects of it and its subsidiaries on a consolidated basis.

(d) Neither it nor any of its subsidiaries is obligated to purchase any of its shares of stock except that under the terms of an Agreement of Purchase and Sale dated March 20, 1957 between Weyerhaeuser and certain shareholders of Kieckhefer and Eddy, respectively (hereinafter called the "Agreement of Purchase and Sale"), Weyerhaeuser is obligated to purchase, subject to the merger's becoming effective, certain shares of Kieckhefer and of Eddy or, at Weyerhaeuser's election, the number of shares of Weyerhaeuser into which said shares of Kieckhefer and Eddy will be converted by the merger.

3. Kieckhefer and Eddy each agrees that without the prior approval of Weyerhaeuser it and its subsidiaries will not authorize additional capital expenditures prior to the effective date of the merger which when added to capital expenditures authorized since February 6, 1957 will exceed the following amounts respectively:

Kieckhefer and subsidiary	\$5,000,000
Eddy and subsidiaries	2,000,000

4. Weyerhaeuser represents and warrants that it is a corporation duly organized and existing in good standing under the laws of the State of Washington; that its authorized shares of stock consist of 25,000,000 shares of the par value of \$7.50 per share, of which 24,932,072 shares are outstanding and 67,928 shares are held in its treasury; that all of such treasury shares are reserved for sale under existing stock options; that all of such issued shares are legally issued, fully paid and non-assessable; and that there are no outstanding warrants or rights to acquire its shares except pursuant to its existing stock option plan.

5. Kieckhefer represents and warrants that it is a corporation duly organized and existing in good standing under the laws of the State of Delaware; that its authorized shares of stock consist of 30,000 shares of common stock without par value; that 29,889 shares of such stock are outstanding and no shares of such stock are held in its treasury; that all of said outstanding shares are legally issued, fully paid and non-assessable; and that there are no outstanding warrants or rights to acquire its stock.

6. Eddy represents and warrants that it is a corporation duly organized and existing in good standing under the laws of the State of Illinois; that its authorized shares of stock consist of 200,000 shares of common stock without par value; that 181,415 shares of such stock are outstanding, including 26,090 shares held by Kieckhefer, and that 8,634 shares are held in Eddy's treasury; that all of such issued shares are legally issued, fully paid and non-assessable; and that there are no outstanding warrants or rights to acquire its stock.

7. Weyerhaeuser, Kieckhefer and Eddy each agrees that prior to the effective date of the merger:

(a) it will not reclassify its stock or issue or sell any shares of its stock or rights to acquire its stock (except as Weyerhaeuser may issue additional options or sell shares upon the exercise of options heretofore granted pursuant to its existing stock option plan);

(b) it will not make any capital distribution and will not declare or pay any dividends except cash dividends on a proportional basis from January 1, 1957 to the effective date of the merger at the following annual rates per share, respectively: Weyerhaeuser, \$1.00; Kieckhefer, \$36.00; Eddy, \$14.00;

(c) neither it nor any of its subsidiaries will enter into any transaction or incur any obligation out of the ordinary course of business without the prior consent of the other two parties;

(d) it will not purchase or sell any shares of its own stock or the stock of either other party, except that Weyerhaeuser may purchase or sell its own shares pursuant to its stock option plan and may purchase its own shares or shares of Kieckhefer and Eddy under the Agreement of Purchase and Sale; and

(e) it will not sell or permit to be sold any stock of its subsidiary or subsidiaries.

8. Kieckhefer and Eddy each represents and warrants that all contracts and licenses of material importance to its business or the business of any of its subsidiaries are or prior to the effective date of the merger will be assignable to Weyerhaeuser.

9. Kieckhefer and Eddy each agrees it will execute and deliver to Weyerhaeuser at any time concurrently with or after the effective date of the merger any deed, assignment, conveyance or other assurance of title which Weyerhaeuser may request to assure or confirm its title to any property, rights, privileges or franchises to be vested in Weyerhaeuser by virtue of the merger, and will take any further action Weyerhaeuser may request for such purpose or otherwise to carry out the intent and purposes of the merger.

10. Weyerhaeuser, Kieckhefer and Eddy shall each have the right to make any investigations it deems desirable for the purpose of ascertaining the truth and accuracy of any representation and warranty made herein or in the audited consolidated financial statements that have been previously interchanged by the parties or for the purpose of ascertaining whether all agreements made herein by the other parties hereto have been performed.

11. Weyerhaeuser, Kieckhefer and Eddy agree that anything herein to the contrary notwithstanding the merger may be terminated and abandoned, either before or after approval by the shareholders of one or more of the respective corporations has been obtained, as follows:

- (a) by mutual consent of the respective boards of directors of the parties hereto; or
- (b) by the board of directors of any one of the parties hereto if, in the judgment of a majority of its directors, the merger becomes inadvisable or impracticable by reason of the failure to receive a ruling or rulings from the Commissioner of Internal Revenue that the merger and exchange of stock incident thereto will be tax-free as to the corporations and the stockholders who exchange; or
- (c) by the board of directors of Weyerhaeuser if, in the judgment of a majority of its directors, the merger becomes inadvisable or impracticable by reason of:
 - (i) the filing in accordance with the applicable law of the written objections or dissents to the merger by shareholders of Weyerhaeuser, Kieckhefer and Eddy, respectively, or any of them, holding in excess of 100,000 common shares of Weyerhaeuser, assuming in computing the holdings of shareholders of Kieckhefer and Eddy, respectively, that their holdings are equal to the number of shares which they otherwise would have been entitled to receive pursuant to the terms of the merger;
 - (ii) material title defects to a material amount of property of Kieckhefer or Eddy, and its subsidiary or subsidiaries;
 - (iii) the failure of Kieckhefer or Eddy to perform any agreement hereunder;
 - (iv) the inaccuracy or untruth in any material respect of any representation and warranty made herein by Kieckhefer or Eddy;
 - (v) any material adverse change since December 31, 1956 in the consolidated business or financial condition or properties of Kieckhefer or Eddy, and its subsidiary or subsidiaries; or
 - (vi) the failure to render full performance of their respective obligations by every other party to the Agreement of Purchase and Sale, or the failure for any reason by any other such party to sell his shares to Weyerhaeuser as provided therein; or
- (d) by the board of directors of either Kieckhefer or Eddy, if in the judgment of a majority of the directors of either board, the merger becomes inadvisable or impracticable by reason of:
 - (i) material title defects to a material amount of property of Weyerhaeuser and its subsidiaries;
 - (ii) the failure of Weyerhaeuser to perform any agreement hereunder;
 - (iii) the inaccuracy or untruth in any material respect of any representation and warranty made herein by Weyerhaeuser; or
 - (iv) any material adverse change since December 31, 1956 in the consolidated business or financial condition or properties of Weyerhaeuser and its subsidiaries.

12. Weyerhaeuser, Kieckhefer and Eddy each agrees on the day prior to the effective date of the merger to interchange certificates stating that (a) it has complied with all of its agreements herein contained and (b) that all the representations and warranties made by it herein are true and correct as if made as of that date (except as to the numbers of outstanding shares, treasury shares and stock options of Weyerhaeuser, and except for any other changes contemplated by this agreement), and setting forth any material changes in its business or financial condition and the business or financial condition of its subsidiary or subsidiaries since December 31, 1956.

13. Weyerhaeuser, Kieckhefer and Eddy agree that any special meetings of shareholders referred to in paragraph 1 hereof may be adjourned from time to time, prior or subsequent to the taking of action upon the merger, to a later date or dates and that, for any of the reasons set forth in paragraph 11 hereof, the board of directors of any of such corporations may postpone the execution or filing of the Joint Agreement and Plan of Merger or the Articles of Merger in the appropriate State offices; provided that no such adjournment or postponement shall affect any right to terminate or abandon the merger.

14. If the merger shall not become effective or is terminated or abandoned, each party agrees to pay all of its own expenses incurred in connection with the merger, the negotiations leading to the merger and any preparations made for effectuating the merger.

15. This agreement shall no longer bind any party unless the merger shall become effective prior to July 1, 1957, unless extended by mutual agreement.

16. When the merger becomes effective the respective representations and warranties of the parties hereto shall terminate and be of no further force or effect.

IN WITNESS WHEREOF, this agreement has been executed by the parties hereto by their duly authorized officers on the aforesaid date.

WEYERHAEUSER TIMBER COMPANY

By _____
(Vice) President

KIECKHEFER CONTAINER COMPANY

By _____
(Vice) President

THE EDDY PAPER CORPORATION

By _____
(Vice) President

3-18-57
KIECKHEFER CONTAINER COMPANY

7200 Westfield Avenue
Pennsauken, New Jersey

March 22, 1957

To the Shareholders of Kieckhefer Container Company:

The directors of Kieckhefer Container Company, The Eddy Paper Corporation, and Weyerhaeuser Timber Company have approved an Agreement and Plan of Merger which, if approved by the shareholders of the three companies, will result in the merger of Kieckhefer Container Company and The Eddy Paper Corporation into Weyerhaeuser Timber Company.

You will find enclosed Notice of Special Meeting of Shareholders to be held on April 24, 1957 to take action with respect to the proposed merger, together with a Statement of Information describing the three companies and the Plan of Merger.

The merger of Kieckhefer Container Company and The Eddy Paper Corporation into Weyerhaeuser Timber Company, which is not a converter, will provide for them an expandable supply of paperboard ample to develop the operation of their converting plants throughout the country. The merged operations of the three companies should provide substantial economies. The merger also will make available to shareholders of this Company a public market for their stock.

You are urged to attend the meeting in person.

Very truly yours,

JOHN W. KIECKHEFER

Chairman, Board of Directors

KIECKHEFER CONTAINER COMPANY

7200 Westfield Avenue
Pennsauken, New Jersey

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS TO BE HELD

April 24, 1957

NOTICE IS HEREBY GIVEN that a special meeting of the shareholders of KIECKHEFER CONTAINER COMPANY will be held at the office of the Company at 7200 Westfield Avenue, Pennsauken, New Jersey on April 24, 1957, at 11:00 o'clock A.M., Eastern Standard Time, for the following purposes:

1. To consider and act upon a plan of merger of Kieckhefer Container Company, a Delaware corporation, and The Eddy Paper Corporation, an Illinois corporation, into Weyerhaeuser Timber Company, a Washington corporation; and
2. To transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

The Board of Directors has fixed the close of business on March 20, 1957 as the record date for the determination of the shareholders of the Company entitled to notice of and to vote at the special meeting or at any adjournment or adjournments thereof.

By order of the Board of Directors,

W. F. KIECKHEFER,
Secretary

Dated: March 22, 1957

KIECKHEFER CONTAINER COMPANY

STATEMENT OF INFORMATION, SPECIAL MEETING OF SHAREHOLDERS

April 24, 1957

At the meeting announced in the accompanying Notice of Special Meeting of Shareholders, the shareholders will be asked to consider and act upon the proposed merger of Kieckhefer Container Company (Kieckhefer) and The Eddy Paper Corporation (Eddy) into Weyerhaeuser Timber Company (Weyerhaeuser). The sole purpose of this Statement is to give you information concerning the proposed merger and certain related agreements. The management of Kieckhefer is not soliciting proxies from the shareholders in connection with the meeting. Each of the common shares of Kieckhefer outstanding at the close of business on March 20, 1957 will be entitled to one vote.

PROPOSED MERGER

The respective boards of directors have approved a plan of merger of Kieckhefer and Eddy into Weyerhaeuser, with the latter to be the surviving corporation. The plan of merger is summarized herein and is set forth in the Joint Agreement and Plan of Merger, attached hereto as Exhibit A, which provides for the merger under the laws of Delaware, Illinois and Washington. Each of such companies has also entered into a Memorandum of Agreement, dated March 20, 1957, which is summarized herein and a copy of which is attached hereto as Exhibit B. Approval of the merger requires the affirmative vote of the holders of at least two-thirds of the common shares of each of the three companies.

Conversion of stock

Under the Joint Agreement and Plan of Merger Weyerhaeuser will increase the authorized number of its common shares to 31,000,000. On the effective date of the merger:

- (i) Each common share of Weyerhaeuser then outstanding or in its treasury shall continue unchanged as a common share of the surviving corporation.
- (ii) Each common share of Kieckhefer then outstanding shall be converted into 148 common shares of the surviving corporation.
- (iii) Each common share of Eddy then outstanding shall be converted into 10 common shares of the surviving corporation.

However, on the effective date of the merger each common share of any one of the merging companies then held by either of the other merging companies and each share of Eddy then held in Eddy's treasury shall be cancelled and retired, and no shares of the surviving corporation shall be issued in respect thereof.

Effectiveness of Merger and Exchange of Stock Certificates

The merger will become effective upon the filing and recording of the Joint Agreement and Plan of Merger with the proper authorities in the states of Delaware, Illinois and Washington. Holders of certificates for common stock of Kieckhefer and Eddy may thereafter exchange such certificates for certificates for the appropriate number of common shares of Weyerhaeuser. Dividends payable on common shares of Weyerhaeuser represented by common stock certificates of Kieckhefer or Eddy will be paid only upon the surrender of such certificates for exchange.

Capitalization of Kieckhefer, Eddy, Weyerhaeuser and the Surviving Corporation

The following table shows, as of December 31, 1956, the capitalization of each of the three companies and, pro forma, of Weyerhaeuser as the surviving corporation, giving effect to the merger:

	Outstanding	
	Before Merger	After Merger
Kieckhefer—		
Common stock, without par value; authorized 30,000 shares . . .	29,889 shares	None
Eddy—		
3½% Notes payable to Kieckhefer.....	\$6,900,000	None
Common stock, without par value; authorized 200,000 shares. .	181,415 shares(1)	None
Weyerhaeuser—		
Common shares, par value \$7.50 per share; authorized 25,000,000 shares(4)	24,921,299 shares(2)	30,319,303 shares(2)(3)

- (1) Excluding 8,634 shares held by Eddy in its treasury. Of the 181,415 outstanding shares, 26,090 shares (14.4%) were owned by Kieckhefer.
- (2) Excluding 78,701 shares held by Weyerhaeuser in its treasury, of which 67,581 shares were reserved for sale upon exercise of stock options granted to certain of its officers and employees. The merger will have no effect upon the rights of holders of options.
- (3) Giving effect to the purchase by Weyerhaeuser of shares as set forth below under "Agreement Relating to Stock Purchases by Weyerhaeuser." Such shares are excluded from the total shares to be outstanding.
- (4) The Joint Agreement and Plan of Merger will increase the authorized common shares of Weyerhaeuser from 25,000,000 to 31,000,000.

Description of Common Shares of the Surviving Corporation

Holders of common shares of Weyerhaeuser, the surviving corporation, are entitled to: (a) dividends when and as declared by the Board of Directors, (b) one vote per share, and (c) equal pro rata rights in the event of liquidation. There are no preemptive or conversion rights, redemption or sinking fund provisions, or rights to cumulate votes for the election of directors. All issued and outstanding common shares are fully paid and non-assessable. The foregoing statement is subject to the Articles of Incorporation and By-Laws of Weyerhaeuser and to the applicable statutes and other law of the State of Washington.

Agreement Relating to Stock Purchases by Weyerhaeuser

Under an Agreement of Purchase and Sale, dated March 20, 1957, Weyerhaeuser has agreed to purchase from certain shareholders of Kieckhefer and Eddy and such shareholders have agreed to sell to Weyerhaeuser (1) an aggregate of 2,576 common shares of Kieckhefer at \$5,328 per share and 19,757 common shares of Eddy at \$360 per share, or (2) at the election of Weyerhaeuser, the 578,818 common shares of Weyerhaeuser into

which those shares of Kieckhefer and Eddy would be converted upon the effective date of the merger at \$36 per share. The selling shareholders and the number of shares which they have agreed to sell are as follows:

<u>Selling shareholder</u>	<u>Common shares of</u>		<u>Equivalent in Weyerhaeuser common shares</u>
	<u>Kieckhefer</u>	<u>Eddy</u>	
E. L. Walker, members of his family and trustees of trusts created for the benefit of members of his family.....	2,576	5,769	438,938
Trustees of the Kieckhefer Container Company and North Carolina Pulp Company Employees' Profit Sharing Plan.....	—	7,577	75,770
Trustees of The Eddy Paper Corporation and Rochester Folding Box Company Employees' Profit Sharing Plan.....	—	6,411	64,110
	<u>2,576</u>	<u>19,757</u>	<u>578,818</u>

Mr. E. L. Walker is a director and officer of Kieckhefer and a director and officer of Eddy. Certain directors and officers of Kieckhefer and of Eddy are trustees of and certain of them are among the beneficiaries under the respective Employees' Profit Sharing Plans of Kieckhefer and of Eddy named above as selling shareholders.

AMENDMENTS OF ARTICLES OF INCORPORATION AND BY-LAWS OF WEYERHAEUSER

The Articles of Incorporation of Weyerhaeuser will be amended by the Joint Agreement and Plan of Merger (1) to increase the number of authorized shares from 25,000,000 to 31,000,000, (2) to provide that Weyerhaeuser may purchase, hold and sell its own shares, and (3) to state the terms and conditions upon which the authorized and unissued shares of Weyerhaeuser may be issued, including provisions that such shares may be issued for such consideration in property as the Board of Directors shall determine, without first offering such shares to the shareholders, or for such consideration in cash or services as shall be determined by the shareholders or by the Board of Directors acting under authority hereafter conferred by the shareholders. These terms and conditions, which are identical to those formerly contained in the Articles of Incorporation when Weyerhaeuser had authorized but unissued shares, are set forth in Article Two of the Joint Agreement and Plan of Merger as part of Article III of the Articles of Incorporation of Weyerhaeuser, as amended.

The Joint Agreement and Plan of Merger also provides for an amendment to Article III, Section 1 of the By-Laws of Weyerhaeuser to increase the authorized number of directors from 13 to 15 and for including H. M. Kieckhefer and R. H. Kieckhefer as directors of the surviving corporation, together with the present directors of Weyerhaeuser.

COMPARATIVE FINANCIAL INFORMATION

Summaries of Consolidated Income

The following summaries of consolidated income of Kieckhefer Container Company, The Eddy Paper Corporation and Weyerhaeuser Timber Company, for the five years ended December 31, 1956, have been examined by Arthur Andersen & Co., independent public accountants, whose opinion with respect thereto appears elsewhere herein. The summaries of consolidated income should be read in conjunction with the financial statements and notes thereto included elsewhere herein. Unaudited pro-forma combined summaries of consolidated income of the three companies for the five years ended December 31, 1956, also follow.

SUMMARIES OF CONSOLIDATED INCOME

(000's Omitted)

	Year Ended December 31				
	1952	1953	1954	1955	1956
KIECKHEFER AND SUBSIDIARY—					
Gross sales, less discounts and allowances.....	\$ 54,299	\$ 64,836	\$ 65,629	\$ 78,212	\$ 86,520
Other income (net).....	742	703	907	1,250	1,536
Cost of sales and expenses.....	38,271	48,415	50,334	59,030	67,002
Provision for taxes on income.....	10,698	11,329	8,869	10,412	10,955
Minority interest.....	—	—	—	313	412
Net income.....	<u>6,072</u>	<u>5,795</u>	<u>7,333</u>	<u>9,707</u>	<u>9,687</u>
Per common share:					
Net income.....	\$ 205.96	\$ 196.53	\$ 248.69	\$ 324.78	\$ 324.11
Dividends.....	<u>24.00</u>	<u>24.00</u>	<u>24.00</u>	<u>24.00</u>	<u>27.00</u>
EDDY AND SUBSIDIARIES—					
Gross sales, less discounts and allowances.....	\$ 40,908	\$ 44,249	\$ 43,481	\$ 44,770	\$ 45,950
Other income (net).....	224	682	315	207	(39)
Cost of sales and expenses.....	32,651	36,208	36,889	37,862	37,825
Provision for taxes on income.....	4,952	4,880	3,615	3,700	4,220
Net income.....	<u>3,529</u>	<u>3,843</u>	<u>3,292</u>	<u>3,415</u>	<u>3,866</u>
Per common share:					
Net income.....	\$ 20.83	\$ 22.68	\$ 19.43	\$ 18.82	\$ 21.31
Dividends.....	<u>12.00</u>	<u>12.00</u>	<u>12.00</u>	<u>12.00</u>	<u>14.00</u>
WEYERHAEUSER AND SUBSIDIARIES*					
Gross sales, less discounts and allowances.....	\$239,536	\$257,516	\$262,497	\$316,733	\$324,129
Other income (net).....	5,044	6,682	6,571	7,702	7,405
Cost of sales and expenses.....	183,605	201,399	209,262	243,107	253,756
Provision for taxes on income.....	24,799	26,457	24,296	32,087	26,331
Net income.....	<u>36,176</u>	<u>36,342</u>	<u>35,510</u>	<u>49,241</u>	<u>51,447</u>
Per common share:**					
Net income.....	\$ 1.45	\$ 1.46	\$ 1.43	\$ 1.98	\$ 2.06
Dividends.....	<u>.625</u>	<u>.625</u>	<u>.75</u>	<u>1.00</u>	<u>1.00</u>

*Excluding 1952 and 1953 results of operations of Wood Conversion Company, a former subsidiary; Weyerhaeuser's interest in this company was distributed to its shareholders on November 30, 1953.

**Adjusted to give effect to the 4-for-1 stock split on December 30, 1955.

UNAUDITED PRO FORMA COMBINED SUMMARIES OF CONSOLIDATED INCOME OF MERGING COMPANIES*

	Year Ended December 31				
	1952	1953	1954	1955	1956
Gross sales, less discounts and allowances.....	\$329,318	\$353,295	\$359,357	\$425,787	\$435,069
Other income (net).....	5,072	7,129	6,855	8,221	7,912
Cost of sales and expenses.....	249,178	273,011	284,227	325,972	337,332
Provision for taxes on income.....	40,124	42,341	36,455	45,874	41,181
Net income.....	<u>45,088</u>	<u>45,072</u>	<u>45,530</u>	<u>62,162</u>	<u>64,468</u>
Net income per share (based on 30,319,303 shares)..	<u>\$1.49</u>	<u>\$1.49</u>	<u>\$1.50</u>	<u>\$2.05</u>	<u>\$2.13</u>

*Adjusted to eliminate intergroup sales, purchases, etc.

Market Prices of Common Shares of Weyerhaeuser and Eddy

The high and low sales prices (as reported by The Commercial and Financial Chronicle) of the common stock of Eddy on the Midwest Stock Exchange since January 1, 1955, and the range of the bid prices of the common shares of Weyerhaeuser in the over-the-counter market (as reported by The National Quotation Bureau Inc.) since January 1, 1955, are set forth below:

		Weyerhaeuser— Bid Prices (1)	Eddy	
			High	Low
1955	First Quarter.....	28 ⁵ / ₈ –25 ³ / ₈	210	185
	Second Quarter.....	32 –28 ¹ / ₄	208	196
	Third Quarter.....	37 ³ / ₈ –31 ¹ / ₄	240	201 ¹ / ₂
	Fourth Quarter.....	42 ⁵ / ₈ –32 ¹ / ₂	220	200
1956	First Quarter.....	43 –37 ³ / ₄	240	200
	Second Quarter.....	42 ¹ / ₄ –38 ¹ / ₄	245	220
	Third Quarter.....	42 ³ / ₄ –37 ¹ / ₂	243	237
	Fourth Quarter.....	38 ¹ / ₄ –34 ¹ / ₂	248 ¹ / ₂	234
1957	First Quarter (through March 13, 1957).....	38 ¹ / ₂ –34	350	246

(1) Adjusted to give effect to the 4-for-1 stock split on December 30, 1955.

As of March 13, 1957 the last sale price of the common stock of Eddy on the Midwest Stock Exchange (March 8) was \$315 a share and the reported bid price of the common shares of Weyerhaeuser in the over-the-counter market was 34³/₄.

The common stock of Kieckhefer is not publicly quoted or traded.

BUSINESS OF KIECKHEFER

Kieckhefer Container Company was incorporated under the laws of the State of Delaware on December 21, 1923, as successor to a business originally established about 1900. Principal executive offices are located at 7200 Westfield Avenue, Pennsauken, N. J.

Kieckhefer, together with its subsidiary North Carolina Pulp Company (owned 80% by Kieckhefer and 20% by Eddy and a wholly-owned subsidiary), is engaged principally in the production and sale of corrugated shipping containers, milk cartons, and bleached and unbleached paperboard. For the year 1956, sales of shipping containers accounted for approximately 50%, sales of milk cartons accounted for approximately 34%, and sales of paperboard (principally to Eddy) accounted for approximately 16% of Kieckhefer's total consolidated sales.

Production and Properties

A kraft pulp and paperboard mill, located at Plymouth, N. C., has a present annual productive capacity of approximately 450,000 tons of paperboard, having been substantially expanded in 1955 and 1956 through the installation of a new 700 tons per day linerboard machine and the removal of a smaller old machine.

Kieckhefer has a jute paperboard mill at Delair, N. J., with an annual productive capacity of approximately 80,000 tons, which supplements the paperboard production of the Plymouth mill.

Substantially all of the bleached board produced by the Plymouth mill, together with purchases of bleached board from others, is used by Kieckhefer in production of its milk cartons. Substantially all of the unbleached containerboard produced by the Plymouth and Delair mills, supplemented by purchases, is used by Kieckhefer or sold to Eddy for the production of shipping containers.

Figures of production, purchase, usage and sale of paperboard by Kieckhefer for the past five years were as follows (in tons):

	1952	1953	1954	1955	1956
Unbleached Containerboard					
Produced.....	218,448	242,874	234,968	256,929	295,794
Purchased.....	16,594	41,129	43,684	46,726	70,523
Total Produced and Purchased.....	<u>235,042</u>	<u>284,003</u>	<u>278,652</u>	<u>303,655</u>	<u>366,317</u>
Consumed.....	162,515	191,606	197,059	230,374	228,904
Sold to Eddy.....	48,683	59,523	51,219	61,213	106,878
Sold to Others.....	25,255	29,991	22,377	27,008	20,218
Total Consumed and Sold.....	<u>236,453</u>	<u>281,120</u>	<u>270,655</u>	<u>318,595</u>	<u>356,000</u>
Bleached Board					
Produced.....	63,481	60,951	63,598	66,599	72,612
Purchased.....	3,953	26,105	32,004	36,640	45,973
Total Produced and Purchased.....	<u>67,434</u>	<u>87,056</u>	<u>95,602</u>	<u>103,239</u>	<u>118,585</u>
Consumed.....	55,886	58,305	64,007	92,786	105,048
Sold to Eddy.....	7,560	12,881	16,363	569	—
Sold to Others.....	5,388	18,367	14,082	7,676	11,880
Total Consumed and Sold.....	<u>68,834</u>	<u>89,553</u>	<u>94,452</u>	<u>101,031</u>	<u>116,928</u>

Kieckhefer operates shipping container and milk carton plants throughout the United States, strategically located to serve markets where there is a large demand. Generally speaking, the shipping container plants are along the Eastern, Gulf and Pacific Coasts and the milk carton plants are located throughout the United States.

Kieckhefer owns and operates 9 converting plants producing corrugated and solid fibre shipping containers, with aggregate floor area of approximately 1,450,000 square feet, at the following locations: Westbrook, Me.; Baltimore, Md.; Delair, N.J.; Parkersburg, W.Va.; Tampa, Fla.; New Orleans, La.; Alameda and Colton, Calif.; and Yakima, Wash. These plants together in 1956 produced shipping containers representing about 2,850 million square feet of containerboard.

Kieckhefer also operates 10 converting plants producing milk cartons, with aggregate floor area of approximately 675,000 square feet, as follows: Camden, N.J.; Jacksonville, Fla.; Seymour, Ind.; Carpentersville, Ill. (under construction); Three Rivers, Mich.; Hastings, Neb.; Garland, Tex.; Salt Lake City, Utah; Whittier, Calif.; and Vancouver, Wash. All of these milk carton plants are owned by Kieckhefer, with the exception of the Three Rivers plant which is leased from Eddy and the Salt Lake City plant which is leased from others.

While most of the paperboard requirements for Kieckhefer's converting plants is obtained from the Plymouth and Delair mills, Kieckhefer purchases some paperboard from others (including Weyerhaeuser), particularly for its West Coast plants.

In addition to its manufacturing facilities Kieckhefer operates owned warehouses at McAllen and Houston, Tex. and at San Jose, Calif., and a leased warehouse at Los Angeles, Calif.

Sales offices for both the milk carton and shipping container divisions are maintained in each of such divisions' plants and, for the shipping container division, also at New York City and Buffalo, N.Y.; San Francisco and Los Angeles, Calif.; Seattle, Wash.; and Malden, Mass.

Approximately 406,000 acres of timberlands are owned in connection with the Plymouth kraft pulp and paperboard mill. Most of this acreage is in North Carolina with minor portions in Virginia and Maryland. Kieckhefer estimates that approximately 355,000 of such acres are covered principally with pine, 38,000 acres

are covered principally with hardwoods, and 13,000 acres are presently untimbered. Kieckhefer estimates that present annual growth on these lands amounts to approximately 418,000 cords. Most of the pulpwood requirements for the Plymouth mill are presently purchased from others and only a minor portion is harvested from owned timberlands.

Substantially all of Kieckhefer's milk carton production has been manufactured and sold under the name "Pure-Pak," pursuant to a non-exclusive license from Ex-Cell-O Corporation. Kieckhefer is one of four companies presently licensed to produce Pure-Pak milk cartons in the United States. Under its license arrangement, Kieckhefer pays a royalty of 2% of its net sales of Pure-Pak milk cartons. In addition, Kieckhefer presently pays to Ex-Cell-O an advertising allowance of 5¢ per 1,000 cartons for use in the promotion of Pure-Pak cartons.

Sales and Distribution

Consolidated sales (before deduction of sales discounts) of Kieckhefer for the past five years, by principal products, are summarized below (in thousands of dollars):

	Shipping Containers	Milk Cartons	Paperboard	Total
1952.....	\$31,965	\$13,541	\$ 9,340	\$54,846
1953.....	36,737	14,444	14,285	65,466
1954.....	37,030	16,696	12,559	66,285
1955.....	42,625	25,449	10,924	78,998
1956.....	43,678	29,434	14,206	87,318

Sales of both shipping containers and milk cartons are made direct to customers by Kieckhefer's own sales force of approximately 100 salesmen. In the case of milk cartons, customers are principally dairies. Shipping containers are sold principally to manufacturers and processors who use them to pack and ship their products. Kieckhefer estimates that it presently accounts for approximately 3% of the United States corrugated shipping container business. Although reliable figures are not available for the industry, Kieckhefer estimates that it may presently account for as much as 20% of the total United States milk carton business.

Recent Developments

During the five years 1952-1956, inclusive, Kieckhefer expended approximately \$42,600,000 for new plants and properties, including timberlands, and for the expansion and modernization of existing plants and facilities, the principal items of which follow:

Purchase of timberlands.....	\$10,900,000
Plant additions (including new paper machine) at Plymouth pulp and paperboard mill.....	17,400,000
Nine new converting plants.....	11,900,000

During the same five-year period Kieckhefer made retirements from its gross property account of approximately \$3,400,000.

Relationship with Eddy

For many years there has been a close relationship between Kieckhefer and Eddy. Kieckhefer owns 26,090 shares (14.4%) of Eddy's outstanding common stock and certain members of the Kieckhefer family also have substantial stockholdings in Eddy. Eddy is in the shipping container and folding carton businesses with plants located principally in the Midwest section of the United States. Kieckhefer and Eddy have, for many years, followed the practice of selling shipping containers for each other, on a commission basis, where orders or parts of orders received could be handled more economically by the other company. In 1954 Eddy purchased from North Carolina Pulp Company for \$17,000,000 cash, 1,000 shares (a 20% stock interest)

of North Carolina Pulp. These funds were used by North Carolina Pulp for expansion of the Plymouth mill. Eddy has a contract to buy from North Carolina Pulp a major portion of Eddy's requirements for paperboard, on a cost-plus basis.

In connection with Eddy's purchase of North Carolina Pulp shares, Kieckhefer loaned to Eddy \$11,000,000. At December 31, 1956, this loan had been reduced to \$6,900,000.

Directors and Officers

The following are the directors and officers of Kieckhefer:

J. W. Kieckhefer	Director; Chairman of Board
H. M. Kieckhefer	Director; President
J. A. Auchter	Director; Vice-President; Assistant Treasurer; Assistant Secretary
C. H. Carpenter	Director; Vice-President
S. B. Clark	Director; Vice-President
R. H. Kieckhefer	Director
W. F. Kieckhefer	Director; Treasurer; Secretary
E. L. Walker	Director; Vice-President
D. C. Will	Director; Vice-President
V. D. Donahue	Vice-President; Comptroller
L. G. Lea	Vice-President
J. W. Seeger	Vice-President

Shareholders

As of March 13, 1957 there were approximately 110 shareholders of Kieckhefer. The outstanding 29,889 shares of common stock are owned largely by various individual members of or trusts for members of the Kieckhefer family. Certain of the foregoing are holders of more than 10% of the outstanding common stock.

Employees

As of December 31, 1956 Kieckhefer and its subsidiary had a total of approximately 4,000 employees. Most of the plant employees are members of unions. Kieckhefer believes that its relations with its employees are generally satisfactory.

BUSINESS OF EDDY

The Eddy Paper Corporation was incorporated under the laws of the State of Illinois on November 14, 1922, as successor to Eddy Paper Company which had originally been established in 1906. Its principal executive offices are located at 919 N. Michigan Avenue, Chicago, Ill.

Eddy and its two wholly-owned subsidiaries, Rochester Folding Box Company and Gereke-Allen Carton Company, are engaged principally in the production and sale of corrugated shipping containers, boxboard, and folding cartons, principally in the north Midwest section of the United States. For the year 1956, sales of shipping containers accounted for approximately 75% of Eddy's total sales.

Production and Properties

Eddy owns a boxboard mill, located at White Pigeon, Mich., with an annual production capacity of approximately 60,000 tons. Production of this mill for the past five years has been as follows (in tons):

1952.....	45,445
1953.....	45,179
1954.....	48,991
1955.....	50,891
1956.....	53,786

Approximately 17% of the boxboard production of this mill is used in the folding carton plants of Eddy's subsidiaries and approximately 83% is sold to other manufacturers.

Eddy and its subsidiaries own and operate 8 converting plants producing corrugated shipping containers, with aggregate floor area of approximately 1,500,000 square feet, as follows: Rochester, N.Y.; Belleville and Rockford, Ill.; Three Rivers and Detroit, Mich.; Manitowoc, Wis.; Cedar Rapids, Iowa; and Austin, Minn. These plants now purchase their containerboard requirements largely from Kieckhefer and its subsidiary. These plants together in 1956 produced corrugated shipping containers representing approximately 2,100 million square feet of containerboard.

Eddy's subsidiaries operate 2 converting plants producing folding cartons, with aggregate floor area of approximately 185,000 square feet. The plant located at Rochester, N.Y. is owned and the one at St. Louis, Mo. is leased. These plants obtain substantially all of their boxboard requirements from the White Pigeon mill. In 1956 these plants together produced approximately 9,800 tons of cartons.

Eddy purchased in 1955 for \$317,000 a 50% common stock interest in Ace Folding Box Corporation, of Middlebury, Ind., which is carried as an investment on its balance sheet. Ace's boxboard requirements are also furnished in large part from the White Pigeon mill.

Sales

Consolidated sales (before deduction of sales discounts) of Eddy for the past five years, by principal products, have been as follows (in thousands of dollars):

	<u>Corrugated Shipping Containers</u>	<u>Folding Cartons</u>	<u>Boxboard</u>	<u>Milk Cartons</u>	<u>Total</u>
1952.....	\$30,443	\$3,638	\$5,860	\$1,292	\$41,233
1953.....	32,052	4,131	5,565	2,861	44,609
1954.....	30,247	4,041	5,490	4,071	43,849
1955.....	34,699	4,373	6,035	—	45,107
1956.....	34,699	5,002	6,583	—	46,284

Sales are made by Eddy's and its subsidiaries' own sales forces of about 65 persons. Corrugated shipping containers are sold principally to manufacturers and processors who use them to pack and ship their products. Folding cartons are sold direct to customers chiefly for packaging and display of their retail products. Boxboard is sold to other carton manufacturers, including Ace. Eddy estimates that it accounts for about 2% of the corrugated shipping container business in the United States. It is a relatively minor factor in the folding carton and boxboard fields.

Recent Developments

During the five years 1952-1956, inclusive, Eddy spent approximately \$7,500,000 on expansion and improvement of its properties and plants, and during the same period made gross retirements from its property account of approximately \$2,600,000. The principal single property addition during this period was the construction in 1954 of a new corrugated shipping container plant at Austin, Minn.

Also during this period, Eddy acquired a 20% stock interest in North Carolina Pulp Company at a cost of \$17,000,000, as described above under "Business of Kieckhefer—Relationship with Eddy".

Officers and Directors

The following are the directors and officers of Eddy:

J. W. Kieckhefer	Director; Chairman of Board
W. F. Kieckhefer	Director; President
E. F. Gereke	Director; Vice President
Anthony Haines	Director; Vice-President
H. M. Kieckhefer	Director
George H. Kiefer	Director
Erwin K. Radke	Director; Vice-President
Nicholas Scharff	Director; Vice-President
Karl W. Schneider	Director; Vice-President
E. L. Walker	Director; Vice-President
Thomas E. Morriss	Vice-President
R. C. Meier	Treasurer; Secretary

Shareholders

As of March 13, 1957 Eddy's shareholders numbered approximately 1,000. Of Eddy's 181,415 shares of common stock outstanding, 26,090 shares (14.4%) are owned by Kieckhefer. A substantial amount of the remaining shares is owned by various members of or trusts for members of the Kieckhefer family and by the trustees of the Kieckhefer and Eddy employees' profit sharing plans mentioned above under "Proposed Merger-Agreement Relating to Stock Purchases by Weyerhaeuser," but no such individual holder owns beneficially more than 10% of Eddy's shares.

Employees

As of December 31, 1956, Eddy and its subsidiaries had a total of approximately 1,900 employees. Most of the plant employees are members of unions. Eddy believes that its relations with its employees are generally satisfactory.

BUSINESS OF WEYERHAEUSER

Weyerhaeuser Timber Company was incorporated under the laws of the State of Washington on January 18, 1900. Principal executive offices are located in the Tacoma Building, Tacoma, Wash.

Weyerhaeuser and its subsidiaries are engaged in the ownership and management of timberlands, the growing and harvesting of timber and its conversion into those products which will best utilize the economic value of the wood supply. Currently, this involves the manufacture, distribution and sale of lumber, plywood, pulp, paperboard, hardboard, and other wood fibre and bark products. Diversification of its products and expansion and integration of its manufacturing facilities have enabled Weyerhaeuser to increase the utilization of its timber resources. Continuing research is being carried on in the fields of forestry and product development.

Timber and Timberlands

Weyerhaeuser owns in fee in the States of Washington, Oregon and California approximately 2,695,000 acres of forest lands, of which approximately 2,111,000 acres are in the Douglas Fir region of western Washington and Oregon and 584,000 acres are in the Western Pine region (556,000 acres in south central Oregon east of the Cascades and 28,000 acres in northern California).

Late in 1956 Weyerhaeuser undertook a program of acquiring timberlands in Mississippi and Alabama to help support a pulp mill planned for construction in the future on a site near Columbus, Miss. Weyerhaeuser believes that the merger with Kieckhefer and Eddy may accelerate this program.

The determination of the amount of merchantable timber on Weyerhaeuser's lands is a continuing process. The definition of merchantable timber changes with improvement in utilization practices and is affected by existing economic conditions. Calculations based on the most recent data available indicate that the volume of merchantable timber is approximately 60 billion board feet (Scribner Log Scale). The Scribner Log Scale was designed to measure the volume of timber in terms of the quantity of commercial lumber a log will produce. Customarily, the number of board feet of lumber produced from a log exceeds its Scribner Log Scale measure. Further, the Scribner Log Scale gives no recognition of other wood supply not suitable for producing lumber but usable for production of wood chips for pulp and other products.

It is Weyerhaeuser's basic policy so to manage its lands that they shall provide a continuous supply of wood for the future. Continuing calculations are made to determine the quantity of timber which can be cut annually and still assure the sustained production of raw material. Based on current calculations and present utilization and reforestation practices, the quantity which can be cut annually is approximately 1.3 billion board feet (Scribner Log Scale). The quantity actually cut from year to year is also influenced by current economic conditions.

Weyerhaeuser anticipates that it will be necessary from time to time to adjust its annual cut to give effect to material changes in growth and yield experience, utilization, and casualty losses including fire and insect infestation.

There will be a material decrease in the age and size of the average tree harvested after the present mature timber supply has been depleted. However, Weyerhaeuser estimates that the physical volume of timber available annually at that time will be somewhat greater than the presently calculated annual cut.

Intermingled with and adjacent to Weyerhaeuser holdings are substantial quantities of timber publicly owned or privately owned by others, some of which will be offered for sale from time to time. It is the intention of Weyerhaeuser to purchase some of such timber as it becomes available, the quantity of which will not be significant in relation to its own timber supply.

Timberlands presently being acquired in Mississippi and Alabama have been heavily logged and some have been repeatedly burned. An intensive rehabilitation program will be started promptly to restore the lands to their maximum productivity.

Wood Supply

The following table shows the past five years' supply of logs and pulpwood made available to Weyerhaeuser's mills, including that produced from purchased timber:

	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>
Logs—(million board feet Scribner Log Scale)					
Produced					
From fee lands.....	925	932	937	1,116	1,208
From purchased timber.....	138	180	109	149	212
	<u>1,063</u>	<u>1,112</u>	<u>1,046</u>	<u>1,265</u>	<u>1,420</u>
Purchased logs (net).....	93	87	90	49	44
	<u>1,156</u>	<u>1,199</u>	<u>1,136</u>	<u>1,314</u>	<u>1,464</u>
Produced logs by species—					
Douglas Fir.....	638	689	642	743	786
Hemlock.....	215	210	193	246	333
Ponderosa Pine.....	88	96	102	105	102
Cedar.....	58	53	48	75	85
Other.....	64	64	61	96	114
	<u>1,063</u>	<u>1,112</u>	<u>1,046</u>	<u>1,265</u>	<u>1,420</u>
PULPWOOD—(thousand cords):					
Produced.....	52	45	120	193	213
Purchased.....	10	4	15	97	238
	<u>62</u>	<u>49</u>	<u>135</u>	<u>290</u>	<u>451</u>

Wood chips for Weyerhaeuser's pulp mills are produced in part from logs of a size, species or quality more suitable for this use than for lumber or plywood, in part from pulpwood and the remainder from residuals from Weyerhaeuser's saw mills and plywood plants. The quantity of wood chips produced in the past five years is shown below:

	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>
WOOD CHIPS—(thousand air dry tons):					
Produced from—					
Logs and pulpwood.....	631	746	881	829	882
Mill residuals.....	410	524	552	813	844
	<u>1,041</u>	<u>1,270</u>	<u>1,433</u>	<u>1,642</u>	<u>1,726</u>
Purchased (net).....	(80)	(58)	7	10	21
Total.....	<u>961</u>	<u>1,212</u>	<u>1,440</u>	<u>1,652</u>	<u>1,747</u>

Manufacturing

Weyerhaeuser has followed a policy of grouping its production facilities at manufacturing centers conveniently located in relation to the timberland furnishing the wood supply. There are 10 such centers located in the States of Washington and Oregon. The integration of mills producing lumber, plywood, pulp, paper-board and other products facilitates making the most economical utilization of the forest harvest.

Lumber—Lumber is produced in a wide variety of kinds and grades, emphasis being placed on quality of product, made possible in part by providing facilities for kiln drying and surfacing. Weyerhaeuser's lumber production is estimated to represent about 3% of the total for the United States. Weyerhaeuser's lumber production for the past five years is shown in the following table (expressed in thousand board feet):

1952.....	1,046,000
1953.....	1,117,000
1954.....	973,000
1955.....	1,193,000
1956.....	1,194,000

Plywood—Weyerhaeuser estimates that it accounts for approximately 2½% of the total United States production of Douglas fir plywood. Weyerhaeuser's plywood production for the past five years is shown in the following table (expressed in thousand square feet—¾" basis):

1952.....	80,000
1953.....	116,000
1954.....	104,000
1955.....	130,000
1956.....	134,000

Pulp and Paperboard—Weyerhaeuser estimates that it produces something less than 4% of the total United States supply (including net imports) of chemical and semi-chemical pulp.

Weyerhaeuser utilized in 1956 approximately 41% of its pulp in its own manufacture of bleached paperboard and unbleached containerboard, and sold the remaining approximately 59% to others. Weyerhaeuser's pulp and board production for the past five years is shown in the following table (expressed in tons):

	Sold as Pulp		Bleached Paperboard	Unbleached Containerboard	Total
	Sulphite	Kraft			
1952	201,996	91,942	6,899	87,083	387,920
1953	201,617	127,875	38,900	118,188	486,580
1954	210,027	187,500	56,136	123,470	577,133
1955	214,771	195,304	75,795	177,149	663,019
1956	222,317	206,440	82,295	208,318	719,370

Other Products—Weyerhaeuser manufactures a variety of other products, including hardboard, particle board, ply veneer, wood fibre and bark products, using principally residuals from its sawmills and plywood plants.

Sales and Distribution

Net sales of Weyerhaeuser for the past five years, classified by principal products, are summarized below (in millions of dollars):

	<u>Lumber</u>	<u>Pulp and Paperboard</u>	<u>Plywood</u>	<u>Other</u>	<u>Total</u>
1952*.....	\$156.8	\$ 54.6	\$10.0	\$18.1	\$239.5
1953*.....	156.5	69.3	14.2	17.5	257.5
1954.....	150.1	82.8	12.9	16.7	262.5
1955.....	180.5	96.9	18.3	21.0	316.7
1956.....	177.9	106.7	16.0	23.5	324.1

*Excluding sales of \$20.5 million in 1952 and \$19.3 million in 1953 by Wood Conversion Company, a former subsidiary Weyerhaeuser's interest in this company was distributed to its shareholders on November 30, 1953.

Sales of lumber and plywood include products purchased by Weyerhaeuser from others in order to supply a more complete line to customers. In 1956, products so purchased for resale represented approximately 24% of lumber and 22% of plywood sales. A substantial portion of these purchases was made from one company.

Weyerhaeuser Sales Company, a wholly-owned subsidiary, with headquarters in St. Paul, Minn., is Weyerhaeuser's principal distribution organization dealing in lumber, plywood and related products. Pulp, paperboard, and certain fibre and bark products are sold by separate sales departments.

Lumber and Plywood—Weyerhaeuser's lumber and plywood sales represent principally (1) direct shipment sales from its mills to customers, (2) sales from Weyerhaeuser's nine wholesale distributing yards, and (3) sales from Weyerhaeuser's 87 retail yards.

Lumber and plywood shipments in 1956, by major classes of customers, were approximately as follows:

	<u>Lumber</u>	<u>Plywood</u>
Retail Yards*.....	74.6%	54.8%
Wholesalers.....	9.2	32.4
Industrial.....	11.7	9.2
Other.....	4.5	3.6
	<u>100.0%</u>	<u>100.0%</u>

*Includes sales through Weyerhaeuser's own retail yards.

Pulp and Paperboard—No one customer accounted for as much as 10% of Weyerhaeuser's pulp sales in 1956. A small, but increasing, amount of pulp has been sold in the export market.

Kieckhefer purchased approximately 46% and two other companies together approximately 29% of Weyerhaeuser's 1956 bleached paperboard production. Kieckhefer purchased approximately 21% and one other company approximately 26% of Weyerhaeuser's 1956 unbleached containerboard production.

Transportation

Weyerhaeuser Steamship Company, a wholly-owned subsidiary, owns and operates eight Liberty ships as a common carrier in the intercoastal trade, carrying principally lumber eastbound and general cargo westbound. Columbia & Cowlitz Railway Company, another wholly-owned subsidiary, operates as a common carrier from a junction with main line railroads in Washington to a terminal near Weyerhaeuser's Longview, Wash. plant.

Properties

In addition to its timberlands described above, Weyerhaeuser has manufacturing and other properties as indicated below.

Manufacturing Plants

LUMBER—	No. of Mills	Capacity per 8-hour shift (thousand board feet)
Aberdeen, Wash.	1	160
Enumclaw, Wash.	1	340
Everett, Wash.	2	480
Longview, Wash.	3	950
Raymond, Wash.	1	150
Snoqualmie Falls, Wash.	2	350
Cottage Grove, Ore.	1	150
Klamath Falls, Ore.	1	350
North Bend, Ore.	1	360
Springfield, Ore.	1	310
		<u>3,600</u>

PLYWOOD—	Annual Capacity (Thousand Square feet— $\frac{3}{8}$ " basis)
Longview, Wash.....	75,000
Cottage Grove, Ore.....	55,000
Springfield, Ore.....	55,000
	<u>185,000</u>

PULP AND PAPERBOARD (daily capacities—tons)—

	Pulp		Bleached Paperboard	Unbleached Containerboard	Total
	Sulphite	Kraft			
Cosmopolis, Wash.....	400	—	—	—	400
Everett, Wash.....	310	340	—	—	650
Longview, Wash.....	350	250	350	180	1,130
Springfield, Ore.....	—	—	—	450	450
	<u>1,060</u>	<u>590</u>	<u>350</u>	<u>630</u>	<u>2,630</u>

SPECIAL PRODUCTS—

	Annual Capacity
Longview, Wash.—bark products.....	10,000 tons
Snoqualmie Falls, Wash.—fibre products.....	15,000 tons
Klamath Falls, Ore.—hardboard.....	80,000,000 sq. ft. ($\frac{1}{8}$ " basis)
North Bend, Ore.—particle board.....	15,000,000 sq. ft. ($\frac{3}{4}$ " basis)
Springfield, Ore.—ply-veneer.....	40,000,000 sq. ft. ($\frac{1}{8}$ " basis)

A chemical plant for production of the major portion of Weyerhaeuser's requirements of chlorine and caustic soda is located on the plant site at Longview, Wash.

Distribution Properties

Weyerhaeuser's nine wholesale distributing yards are located at Baltimore, Md.; Newark and Freehold, N. J.; Portsmouth, R. I.; Philadelphia, Pa.; Boston, Mass.; St. Paul, Minn.; Louisville, Ky.; and Los Angeles, Calif. Six of such yards are owned in fee and three are located on leased land.

Weyerhaeuser's 87 retail yards are located in Iowa, Minnesota, Montana, North Dakota and South Dakota, some of which are on leased land.

Recent Developments

During the five years 1952-1956, inclusive, Weyerhaeuser expended approximately \$169,000,000 for new plants and facilities and for expansion and modernization of existing plants and facilities. Approximately 17% of such total represented facilities for lumber and plywood, 54% for pulp and paperboard, 19% for logging equipment and roads, and 10% for all other. During the same five year period, Weyerhaeuser made retirements from its gross property account of approximately \$21,000,000.

Principal plant expansion or acquisition during the five year period included the following:

Longview, Wash.—Substantial increase in kraft pulp production capacity, new bleached paperboard plant, new unbleached containerboard plant and new chemical plant.

Springfield, Ore.—New plywood and ply-veneer plants and expansion of unbleached containerboard capacity.

Raymond, Wash.—New lumber mill to replace old facilities.

Everett, Wash.—New kraft pulp mill.

Klamath Falls, Ore.—New hardboard plant.

Snoqualmie Falls, Wash.—New fibre products plant.

North Bend, Ore.—New particle board plant.

Cosmopolis, Wash.—New sulphite pulp mill.

Aberdeen, Wash.—Lumber mill purchased.

During the five years 1952-1956, inclusive, Weyerhaeuser expended approximately \$13,000,000 for the acquisition of timberlands.

In December, 1954, the R-W Paper Company was organized for the purpose of manufacturing and selling glassine and greaseproof papers. This company's mill was constructed at Longview, Wash., and is supplied with pulp from Weyerhaeuser's adjoining pulp mill. The mill, with initial annual capacity of 10,000 tons, commenced production in June 1956. The capital stock of the R-W Paper Company is owned 50% by Weyerhaeuser and 50% by Rhinelander Paper Company, a subsidiary of St. Regis Paper Company.

In January 1957, Weyerhaeuser purchased a lumber mill, plywood mill and related facilities at Cottage Grove, Ore. (the capacities of which are shown on page 15), together with approximately 55,000 acres of timberlands in that area, most of which is cutover land.

Directors and Officers

The following are the directors and executive officers of Weyerhaeuser:

Laird Bell	Director
Carleton Blunt	Director
*Norton Clapp	Director; Chairman of Board
Edmond M. Cook	Director
O. D. Fisher	Director
*Edmund Hayes	Director; Chairman of Executive Committee
*Chas. H. Ingram	Director; Executive Vice-President
Henry T. McKnight	Director
*John M. Musser	Director; Vice-President
F. W. Reimers	Director
C. D. Weyerhaeuser	Director
*F. K. Weyerhaeuser	Director; President
J. P. Weyerhaeuser III	Director
W. P. Gullander	Vice-President
Howard W. Morgan	Vice-President
Joseph E. Nolan	Vice-President; General Counsel
Robert W. Boyd	Controller
George S. Long, Jr.	Secretary
H. E. Nelson	Treasurer

*Member of Executive Committee.

The directors of the surviving corporation will be the directors of Weyerhaeuser and H. M. Kieckhefer and R. H. Kieckhefer.

Shareholders

As of March 13, 1957 there were approximately 7,500 shareholders of Weyerhaeuser. No one person holds of record or is known by Weyerhaeuser to own beneficially as much as 10% of Weyerhaeuser's common shares. Each director and executive officer is a beneficial holder of common shares and certain directors and officers, together with members of their immediate families, are beneficial and record holders of a substantial number of common shares.

Employees

As of December 31, 1956 Weyerhaeuser and subsidiaries had a total of approximately 14,500 employees. Most of the plant employees are members of unions. During 1954 an industry-wide strike resulted in a 9 to 12 week shutdown of most of Weyerhaeuser's logging, lumber and plywood operations. Weyerhaeuser believes that its relations with its employees are generally satisfactory.

RIGHT TO ABANDON MERGER

The Memorandum of Agreement (Exhibit B) provides that the merger may be terminated and abandoned, either before or after approval of the shareholders of one or more of the respective corporations has been obtained:

(a) by mutual consent of the respective boards of directors of the corporations.

(b) by the Board of Directors of any one of the corporations if, in the judgment of a majority of its directors, the merger becomes inadvisable or impracticable by reason of the failure to receive a ruling from the Commissioner of Internal Revenue that the merger and exchange of stock incident thereto will be tax-free as to the corporations and the stockholders who exchange.

(c) by the Board of Directors of Weyerhaeuser if, in the judgment of a majority of its directors, the merger becomes inadvisable or impracticable by reason of:

(i) the filing in accordance with the applicable law of the written objections or dissents to the merger by shareholders of Weyerhaeuser, Kieckhefer and Eddy, respectively, or any of them, holding in excess of 100,000 common shares of Weyerhaeuser, assuming in computing the holdings of shareholders of Kieckhefer and Eddy, respectively, that their holdings are equal to the number of shares which they otherwise would have been entitled to receive pursuant to the terms of the merger;

(ii) material title defects to a material amount of property of Kieckhefer or Eddy, and its subsidiary or subsidiaries;

(iii) the failure of Kieckhefer or Eddy to perform any agreement thereunder;

(iv) the inaccuracy or untruth of any material representation and warranty made therein by Kieckhefer or Eddy;

(v) any material adverse change since December 31, 1956 in the consolidated business or financial condition or properties of Kieckhefer or Eddy and its subsidiary or subsidiaries; or

(vi) The failure for any reason by any other party under the Agreement of Purchase and Sale mentioned above under "Proposed Merger—Agreement Relating to Stock Purchases by Weyerhaeuser" to sell his shares to Weyerhaeuser as provided therein or the failure of any other party to render full performance of his obligations thereunder.

(d) by the Board of Directors of either Kieckhefer or Eddy, if in the judgment of a majority of the directors of either board, the merger becomes inadvisable or impracticable by reason of:

(i) material title defects to a material amount of property of Weyerhaeuser and its subsidiaries;

- (ii) the failure of Weyerhaeuser to perform any agreement thereunder;
- (iii) the inaccuracy or untruth of any material representation and warranty made therein by Weyerhaeuser; or
- (iv) any material adverse change since December 31, 1956 in the consolidated business or financial condition or properties of Weyerhaeuser and its subsidiaries.

If the merger shall not become effective or is terminated or abandoned, each corporation has agreed to pay all of its own expenses incurred in connection with the proposed merger, the negotiations leading to the merger and any preparations made for effectuating the merger.

CERTAIN TAX CONSEQUENCES OF THE MERGER

In the opinion of counsel for the respective companies, the merger will not, under present Federal tax law, result in the realization of gain or loss by any of the three companies or by their stockholders who exchange or by the stockholders of Weyerhaeuser who retain their shares.

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AUDITORS' CERTIFICATE

We have examined the consolidated balance sheets as of December 31, 1956, and the related statements of consolidated income and surplus for the three years then ended, of:

Weyerhaeuser Timber Company and subsidiaries

Kieckhefer Container Company and subsidiary

The Eddy Paper Corporation and subsidiaries

Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheets and related statements of consolidated income and surplus present fairly the consolidated financial position of the respective companies as of December 31, 1956, and the consolidated results of their respective operations for the three years then ended, and all were prepared in conformity with generally accepted accounting principles consistently applied by each company during the periods under review.

We have also made similar examinations of the "Summaries of Consolidated Income" appearing elsewhere herein; in our opinion, these summaries present fairly the consolidated results of operations of the respective companies for the five years ended December 31, 1956, and were prepared in accordance with generally accepted accounting principles consistently applied by each company during the periods under review.

ARTHUR ANDERSEN & Co.

Chicago, Illinois,
February 23, 1957.

WEYERHAEUSER TIMBER COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET—DECEMBER 31, 1956

ASSETS

CURRENT ASSETS:

Cash.....		\$ 17,286,382
Marketable securities at cost.....		40,070,690
Receivables.....	\$ 23,492,358	
Less—Reserves for doubtful accounts.....	363,328	23,129,030
Inventories (Note 3)—		
Lumber and other finished products.....	\$ 11,168,428	
Logs.....	10,375,361	
Other raw materials.....	1,932,952	23,476,741
Total current assets.....		\$103,962,843

SUPPLY INVENTORIES, PREPAID EXPENSES, ETC.:

Materials and supplies, at average cost.....	\$ 4,319,455	
Miscellaneous prepayments and deferred charges.....	2,745,252	7,064,707

INVESTMENTS, TAX REFUND CLAIMS, ETC.:

Investments, at cost.....	\$ 2,362,998	
Claims for refund of Federal income and excess profits taxes.....	3,899,860	
Long-term receivables.....	769,894	7,032,752

TIMBER AND TIMBERLANDS, ETC., AT MARCH 1, 1913 values determined for Federal income tax purposes and approved by the U. S. Treasury Department, plus subsequent additions at cost (Notes 4 and 5).....

86,352,076

REAL ESTATE, PLANTS AND EQUIPMENT, AT COST (Notes 4 and 5):

Land.....	\$ 3,917,050	
Buildings and improvements.....	50,831,091	
Machinery and equipment.....	189,726,099	
Rail and truck roads.....	36,767,390	
Uncompleted construction.....	48,677,170	
	\$329,918,800	
Less—Reserves for depreciation and amortization.....	130,349,345	199,569,455
		<u>\$403,981,833</u>

Reference is made to the accompanying notes to financial statements which are an integral part of this consolidated balance sheet.

WEYERHAEUSER TIMBER COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET—DECEMBER 31, 1956

LIABILITIES

CURRENT LIABILITIES:

Accounts payable.....	\$ 17,837,659	
Accrued liabilities.....	15,554,520	
Provision for Federal income taxes.....	\$ 37,207,111	
Less—U. S. Government securities.....	36,700,000	507,111
Total current liabilities.....		\$ 33,899,290

CAPITAL STOCK AND SURPLUS:

Capital stock, par value \$7.50 per share, 25,000,000 shares authorized and issued (Note 9)	\$187,500,000	
Increase in value of timber and timberlands resulting from March 1, 1913 revaluation—see accompanying statement.....	24,982,760	
Earned surplus (income retained in the business)—see accompanying statement.....	159,987,764	
Treasury stock, 78,701 shares, at cost (Note 7).....	(2,387,981)	370,082,543

\$403,981,833

Reference is made to the accompanying notes to financial statements which are an integral part of this consolidated balance sheet.

WEYERHAEUSER TIMBER COMPANY AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED INCOME

For the Three Years Ended December 31, 1956

	Year Ended December 31,		
	1954	1955	1956
SALES AND OTHER INCOME:			
Gross sales, less discounts and allowances.....	\$262,496,948	\$316,732,545	\$324,129,330
Other income (net)—			
Proceeds from sale of timber and timberlands.....	\$ 1,368,421	\$ 1,609,598	\$ 1,229,354
Transportation and terminal revenues (net).....	834,977	1,443,988	1,518,842
Interest income.....	798,686	1,286,678	2,562,732
Cash discounts received.....	1,374,767	1,529,007	1,431,883
Profit on sale of U.S. Government securities and commercial paper (Note 8).....	1,378,989	706,558	—
Miscellaneous income (net).....	815,435	1,126,256	661,886
	<u>\$ 6,571,275</u>	<u>\$ 7,702,085</u>	<u>\$ 7,404,697</u>
	<u>\$269,068,223</u>	<u>\$324,434,630</u>	<u>\$331,534,027</u>
COST OF SALES AND EXPENSES:			
Cost of sales and expenses, exclusive of depreciation, depletion, amortization and taxes as shown separately below—			
Cost of sales (Note 3).....	\$159,647,099	\$185,424,628	\$192,046,386
Selling and shipping expense.....	12,265,885	13,470,629	14,218,781
General and administrative expense.....	11,055,145	11,892,295	11,402,762
Depreciation, depletion and amortization (Notes 5 and 10)	18,098,974	22,490,522	24,310,461
Taxes other than taxes on income (Note 10).....	8,154,934	9,799,452	11,748,991
Provision for doubtful accounts.....	39,544	29,651	28,761
Total cost of sales and expenses.....	<u>\$209,261,581</u>	<u>\$243,107,177</u>	<u>\$253,756,142</u>
	<u>\$ 59,806,642</u>	<u>\$ 81,327,453</u>	<u>\$ 77,777,885</u>
PROVISION FOR TAXES ON INCOME:			
Federal—normal and surtax.....	\$ 23,700,000	\$ 31,100,000	\$ 25,600,000
State.....	596,287	986,423	731,282
	<u>\$ 24,296,287</u>	<u>\$ 32,086,423</u>	<u>\$ 26,331,282</u>
Net income.....	<u>\$ 35,510,355</u>	<u>\$ 49,241,030</u>	<u>\$ 51,446,603</u>

Reference is made to the accompanying notes to financial statements which are an integral part of these statements of consolidated income.

WEYERHAEUSER TIMBER COMPANY AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED SURPLUS

For the Three Years Ended December 31, 1956

	Year Ended December 31,		
	1954	1955	1956
EARNED SURPLUS (income retained in the business)			
Balance at beginning of year.....	\$120,784,292	\$138,528,433	\$132,677,686
Add:			
Net income from statements of consolidated income.....	35,510,355	49,241,030	51,446,603
Realization of March 1, 1913 increase in timber value, transferred to earned surplus (see statement below).....	866,795	1,054,252	788,625
	<u>\$157,161,442</u>	<u>\$188,823,715</u>	<u>\$184,912,914</u>
Deduct:			
Dividends paid (\$.75 per share in 1954, and \$1.00 per share in 1955 and 1956 on shares outstanding after giving effect to 4-for-1 split in 1955).....	\$ 18,633,009	\$ 24,896,029	\$ 24,925,150
Amount transferred to capital stock (approved by shareholders on December 22, 1955) (Note 9).....	—	31,250,000	—
	<u>\$ 18,633,009</u>	<u>\$ 56,146,029</u>	<u>\$ 24,925,150</u>
Balance at end of year.....	<u>\$138,528,433</u>	<u>\$132,677,686</u>	<u>\$159,987,764</u>

INCREASE IN VALUE OF TIMBER AND TIMBERLANDS RESULTING FROM MARCH 1, 1913 REVALUATION

Balance at beginning of year.....	\$ 27,692,432	\$ 26,825,637	\$ 25,771,385
Deduct—Realization, through sales, of March 1, 1913 increase in timber value, transferred to earned surplus (see statement above).....	866,795	1,054,252	788,625
Balance at end of year.....	<u>\$ 26,825,637</u>	<u>\$ 25,771,385</u>	<u>\$ 24,982,760</u>

Reference is made to the accompanying notes to financial statements which are an integral part of these statements of consolidated surplus.

WEYERHAEUSER TIMBER COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

(1) PROPOSED MERGER OF KIECKHEFER CONTAINER COMPANY AND THE EDDY PAPER CORPORATION INTO WEYERHAEUSER TIMBER COMPANY:

Reference is made to the attached Joint Agreement and Plan of Merger approved by the Boards of Directors of the respective companies (Exhibit A) and to the comments on pages 2 and 3 relating to stock purchases by Weyerhaeuser.

(2) BASIS OF CONSOLIDATION:

The consolidated financial statements include the accounts of Weyerhaeuser Timber Company and all wholly owned subsidiaries.

Intercompany accounts, sales and profits have been eliminated in consolidation.

Investments in subsidiaries consolidated at December 31, 1956 were carried on the books at \$3,095,394 which was \$5,786,935 less than the company's equity in the underlying net assets of such subsidiaries. This difference represents the company's equity in undistributed earnings of such subsidiaries since acquisition and has been included in consolidated earned surplus.

(3) VALUATION OF INVENTORIES:

Inventories of logs, lumber, plywood and pulp at December 31, 1956 (\$16,266,104) were priced at cost, determined on the basis of last-in, first-out. Other products and raw materials were priced at the lower of average cost (determined on the basis of first-in, first-out) or market. These methods of pricing were adopted as of January 1, 1941, and have been used consistently since that date. Inventories used in determining cost of sales were as follows:

	<u>Amount</u>
At December 31, 1953	\$14,256,481
At December 31, 1954	16,023,930
At December 31, 1955	16,542,719
At December 31, 1956	<u>23,476,741</u>

(4) TIMBER, TIMBERLANDS, PLANT, PROPERTY AND EQUIPMENT:

The amounts at which timber, timberlands, plant, property and equipment are carried do not purport to represent replacement or realizable value.

(5) DEPRECIATION, AMORTIZATION AND DEPLETION POLICY:

Depreciation of plants and equipment, including main line railroads, has been provided generally at rates based upon the estimated service lives of the properties. Assets acquired prior to January 1, 1954 have been depreciated at straight line rates. Beginning that date capital investments in new plants and equipment have been depreciated on the sum of the years' digits or declining balance methods. It is not practicable to present all the rates used in computing the annual depreciation provisions; the effective annual rates for the principal classes of properties during the period under review were as follows:

WEYERHAEUSER TIMBER COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

	<u>1954</u>	<u>1955</u>	<u>1956</u>
Buildings and improvements—			
Lumber mills.....	4.0%	4.0%	4.1%
Pulp mills.....	3.0	3.4	3.5
Woods operations.....	5.8	7.7	7.7
Wholesale and retail yards.....	2.8	3.2	3.2
Other property.....	3.2	4.4	4.0
Machinery and equipment—			
Lumber mills.....	4.3	5.8	6.0
Pulp mills.....	5.6	6.6	6.9
Woods operations.....	11.7	12.1	12.0
Wholesale and retail yards.....	5.9	6.5	7.0
Other property.....	<u>11.6</u>	<u>11.4</u>	<u>11.0</u>

Amortization of logging railroads and truck roads has been determined on the basis of the estimated quantity of timber to be hauled over these roads.

Depletion of timber has been charged to operating costs as timber has been harvested, or lost as the result of fire, storm, insect infestation or other casualties. Depletion rates have been based on March 1, 1913 values plus subsequent additions at cost, related to the estimated total recoverable saw timber. Realization, through sales, of March 1, 1913 increase in timber value is recognized currently by a transfer of the applicable amount to earned surplus.

Maintenance and repairs, and minor replacements of property are charged to expense as the expenditures are made, except that extraordinary major repairs which extend the life of the property are charged to the reserve for depreciation. Betterments and replacements of major units of property are capitalized and the replaced items are retired. The cost of property sold or retired is removed from the plant accounts, the accumulated depreciation thereon is removed from the depreciation reserve, and the net gain or loss is carried to the income account.

(6) RETIREMENT PLANS:

The company and certain of its subsidiaries have established retirement plans for salaried and certain hourly employees, the costs of which are being contributed in full by the companies. Under the terms of the trust agreements, funds contributed by the companies to meet the purposes of the plans, together with the earnings thereon, are to be held, managed and invested by independent trustees. The companies have reserved the right to amend or terminate the plans at any time. Past service costs under these plans have been funded at December 31, 1956. Contributions to these plans during the period under review, included in cost of sales and expenses, were as follows:

	<u>Current</u>	<u>Past Service</u>
1954.....	\$1,133,751	\$ 68,375
1955.....	1,183,519	973,762
1956.....	<u>1,238,937</u>	<u>138,972</u>

The company has agreed to establish a retirement plan for hourly employees in the logging, lumber and plywood operations. This plan is scheduled to become effective June 1, 1957 and is an extension

WEYERHAEUSER TIMBER COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

of the noncontributory plan already applicable to other hourly rated employees. Past service cost is estimated at \$13,125,000 at the effective date of the plan. The cost for current service for the first year of the plan will approximate \$915,000.

(7) INCENTIVE STOCK OPTION PLAN:

On May 20, 1952 the Board of Directors adopted an incentive stock option plan under which plan, as amended, employees of the company or its wholly owned subsidiaries could be granted options to purchase not more than 300,000 shares (after adjustment for stock split—Note 9) of the capital stock of the company. Any options granted under the plan become exercisable after one year of continued employment following date of issuance and expire not later than ten years from date of issuance, or earlier in the event of death or termination of employment. The option price may not be less than 95% of the fair market value of the shares on the date the option is granted.

Pursuant to the plan, options to purchase 190,236 shares of capital stock at \$17.50 per share, 25,460 shares at \$24.50 per share, 9,064 shares at \$36.00 per share, and 19,620 shares at \$40.00 per share were granted to certain officers and employees on September 22, 1952, November 17, 1954, August 30, 1955, and June 13, 1956, respectively. All such options expire seven years from date of issuance, or earlier in the event of death or termination of employment. One of the September 22, 1952 options for 4,800 shares expired three months after termination of the optionee's employment. Other information pertaining to these options is summarized below:

Shares as to which options were outstanding at December 31, 1956:

	Date Options Granted	Number of Shares	Option Price at Grant Date		Quoted Value at Grant Date	
			Per Share	Total	Per Share	Total
Sept. 22, 1952.....		22,164	\$17.50	\$ 387,870	\$17.50	\$ 387,870
Nov. 17, 1954.....		16,733	24.50	409,958	24.50	409,958
Aug. 30, 1955.....		9,064	36.00	326,304	36.00	326,304
June 13, 1956.....		19,620	40.00	784,800	40.00	784,800
		<u>67,581</u>		<u>\$1,908,932</u>		<u>\$1,908,932</u>

Shares as to which options became exercisable during the years 1954, 1955 and 1956:

Year	Date Options Granted	Number of Shares	Option Price at First Exercisable Date		Quoted Value at First Exercisable Date	
			Per Share	Total	Per Share	Total
1955	Nov. 17, 1954.....	25,460	\$24.50	\$ 623,770	\$42.00	\$1,069,320
1956	Aug. 30, 1955.....	9,064	36.00	326,304	40.00	362,560
		<u>34,524</u>		<u>\$ 950,074</u>		<u>\$1,431,880</u>

WEYERHAEUSER TIMBER COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

Shares as to which options were exercised during the years 1954, 1955 and 1956:

Year	Date Options Granted	Number of Shares	Option Price at Date of Exercise		Quoted Value at Date of Exercise	
			Per Share	Total	Per Share	Total
1954	Sept. 22, 1952.....	50,140	\$17.50	\$ 877,450	\$23.54	\$1,180,485
1955	Sept. 22, 1952.....	81,576	\$17.50	\$1,427,580	\$33.67	\$2,746,991
	Nov. 17, 1954.....	3,912	24.50	95,844	42.37	165,738
		85,488		\$1,523,424		\$2,912,729
1956	Sept. 22, 1952.....	31,556	\$17.50	\$ 552,230	\$39.93	\$1,260,170
	Nov. 17, 1954.....	4,815	24.50	117,967	40.64	195,698
		36,371		\$ 670,197		\$1,455,868
		171,999		\$3,071,071		\$5,549,082

All of the options exercised have been satisfied by the issuance of treasury stock and of the 78,701 shares held in the treasury at December 31, 1956, 67,581 are reserved for the options outstanding at that date. The gain or loss on disposition of treasury stock is credited or charged to income as each option is exercised, otherwise no charges have been made to income with respect to any of these options.

(8) SALE OF MARKETABLE SECURITIES:

The cost of marketable securities sold is determined on the basis of identified securities.

(9) CAPITAL STOCK:

Effective December 30, 1955 the company's 6,250,000 shares of capital stock having a par value of \$25 per share were changed into 25,000,000 shares each having a par value of \$7.50. In this connection \$31,250,000 was transferred from earned surplus to the capital stock account, making the total capital stock \$187,500,000.

(10) SUPPLEMENTARY INCOME ACCOUNT INFORMATION:

	Year Ended December 31,		
	1954	1955	1956
Charged directly to cost of sales and expenses:			
Maintenance and repairs.....	\$16,123,664	\$19,444,173	\$22,224,375
Depreciation, depletion and amortization.....	18,098,974	22,490,522	24,310,461
Taxes other than taxes on income—			
Real estate and personal property.....	\$ 4,471,087	\$ 5,139,874	\$ 5,253,086
Social security.....	1,680,173	2,004,492	2,332,205
Franchise.....	425,091	655,925	780,277
Miscellaneous.....	1,578,583	1,999,161	3,383,423
Total.....	\$ 8,154,934	\$ 9,799,452	\$11,748,991
Rents and royalties.....	\$ 547,823	\$ 619,302	\$ 661,578
Charged to other income accounts:			
Maintenance and repairs.....	\$ 1,083,463	\$ 1,161,928	\$ 1,258,186
Rents and royalties.....	415,270	433,808	448,904

No management or service contract fees were paid.

KIECKHEFER CONTAINER COMPANY AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET—DECEMBER 31, 1956

ASSETS

CURRENT ASSETS:

Cash.....		\$ 4,756,041
Notes receivable from The Eddy Paper Corporation, current portion.....		1,100,000
Receivables.....	\$ 7,831,704	
Less—Reserve for doubtful accounts and cash discounts.....	258,223	7,573,481
Inventories, at average cost or market, whichever lower (Note 3)—		
Work in process and finished goods.....	\$ 2,114,285	
Roll stock.....	5,912,413	
Raw materials.....	1,937,066	9,963,764
Total current assets.....		\$ 23,393,286

SUPPLY INVENTORIES, PREPAID EXPENSES, ETC.:

Materials and supplies, at average cost.....	\$ 1,187,503	
Miscellaneous prepayments and deferred charges.....	521,206	1,708,709

INVESTMENTS, ADVANCES, ETC.:

Investment, at cost—		
The Eddy Paper Corporation—		
Common stock, 26,090 shares (Note 1).....	\$ 805,491	
Notes receivable, due \$1,100,000 annually to 1960 and \$500,000 annually thereafter, less current portion above.....	5,800,000	
Miscellaneous physical property, less reserves.....	1,403,285	
Other.....	807,296	8,816,072

CONSTRUCTION FUND, for improvement and expansion programs as authorized by the Board of Directors (Note 4).....

15,000,000

TIMBERLANDS AND TIMBER RIGHTS, at cost (Notes 5 and 6).....

12,134,835

PLANT, PROPERTY AND EQUIPMENT, at cost (Notes 5 and 6):

Land.....	\$ 428,658	
Buildings and improvements.....	17,120,141	
Machinery and equipment, etc.....	51,142,597	
Uncompleted construction.....	1,476,643	
	\$70,168,039	
Less—Reserve for depreciation and amortization.....	27,256,549	42,911,490
		<u>\$103,964,392</u>

Reference is made to the accompanying notes to financial statements which are an integral part of this consolidated balance sheet.

KIECKHEFER CONTAINER COMPANY AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET—DECEMBER 31, 1956

LIABILITIES

CURRENT LIABILITIES:

Accounts payable.....		\$ 1,936,179
Accrued liabilities.....		1,470,077
Provision for Federal income taxes.....	\$11,812,431	
Less—U. S. Treasury Notes.....	11,812,431	—
Total current liabilities.....		\$ 3,406,256

MINORITY INTEREST IN COMMON STOCK AND SURPLUS OF SUBSIDIARY.....	7,051,903
--	-----------

CAPITAL STOCK AND SURPLUS:

Common stock, no par value—		
Authorized 30,000 shares, outstanding 29,889 shares, stated at.....	\$ 5,977,800	
Paid-in surplus—see accompanying statement.....	11,841,129	
Earned surplus (income retained in the business)—see accompanying statement	75,687,304	93,506,233

\$103,964,392

Reference is made to the accompanying notes to financial statements which are an integral part of this consolidated balance sheet.

KIECKHEFER CONTAINER COMPANY AND SUBSIDIARY

STATEMENTS OF CONSOLIDATED INCOME

For The Three Years Ended December 31, 1956

	Year Ended December 31		
	1954	1955	1956
SALES AND OTHER INCOME:			
Gross sales, less discounts and allowances (Note 8)	\$65,628,913	\$78,212,044	\$86,520,628
Other income (net)—			
Dividends received on common stock of The Eddy Paper Corporation	\$ 313,080	\$ 313,080	\$ 365,260
Interest income (net)	343,380	523,229	792,819
Cash discounts received	196,842	216,390	263,152
Net gain or (loss) on disposal of machinery and equipment, etc.	(92,969)	134,271	138,197
Miscellaneous income (net)	147,123	63,216	(22,959)
	<u>\$ 907,456</u>	<u>\$ 1,250,186</u>	<u>\$ 1,536,469</u>
	<u>\$66,536,369</u>	<u>\$79,462,230</u>	<u>\$88,057,097</u>
COST OF SALES AND EXPENSES:			
Cost of sales and expenses, exclusive of depreciation, depletion, amortization and taxes as shown separately below—			
Cost of sales (Note 3)	\$43,503,932	\$51,561,255	\$58,685,285
Selling expense	1,941,769	1,984,873	2,098,744
General and administrative expense	1,182,857	1,037,207	1,124,585
Depreciation, depletion and amortization (Notes 6 and 9)	2,992,323	3,533,387	4,130,449
Taxes other than taxes on income (Note 9)	713,630	912,908	962,830
Total cost of sales and expenses	<u>\$50,334,511</u>	<u>\$59,029,630</u>	<u>\$67,001,893</u>
Income before taxes on income	<u>\$16,201,858</u>	<u>\$20,432,600</u>	<u>\$21,055,204</u>
PROVISION FOR TAXES ON INCOME:			
Federal—normal and surtax	\$ 8,560,000	\$10,100,000	\$10,540,000
State	308,868	312,426	415,336
	<u>\$ 8,868,868</u>	<u>\$10,412,426</u>	<u>\$10,955,336</u>
Income before deducting minority interest	<u>\$ 7,332,990</u>	<u>\$10,020,174</u>	<u>\$10,099,868</u>
MINORITY INTEREST IN NET INCOME OF SUBSIDIARY			
	—	312,678	412,422
Net income	<u>\$ 7,332,990</u>	<u>\$ 9,707,496</u>	<u>\$ 9,687,446</u>

Reference is made to the accompanying notes to financial statements which are an integral part of these statements of consolidated income.

KIECKHEFER CONTAINER COMPANY AND SUBSIDIARY

STATEMENTS OF CONSOLIDATED SURPLUS

For The Three Years Ended December 31, 1956

	Year Ended December 31		
	1954	1955	1956
EARNED SURPLUS (income retained in the business)			
Balance at beginning of year.....	\$51,184,121	\$57,809,447	\$66,806,861
Add—Net income from statements of consolidated income.....	7,332,990	9,707,496	9,687,446
	<u>\$58,517,111</u>	<u>\$67,516,943</u>	<u>\$76,494,307</u>
Deduct—Cash dividends on common stock, \$24 per share in 1954 and 1955 and \$27 per share in 1956.....	707,664	710,082	807,003
	<u>707,664</u>	<u>710,082</u>	<u>807,003</u>
Balance at end of year.....	<u>\$57,809,447</u>	<u>\$66,806,861</u>	<u>\$75,687,304</u>

PAID-IN SURPLUS

Balance at beginning of year.....	\$ 138,807	\$10,812,004	\$11,841,129
Add:			
Excess of sales price of 403 shares of the Company's common stock sold to certain officers and employees over stated value thereof.....	\$ —	\$ 1,029,125	\$ —
Excess of sales price of common stock (a 20% interest) of subsidiary sold by the subsidiary over par value thereof, less amount applicable to minority interest.....	10,673,197	—	—
	<u>\$10,673,197</u>	<u>\$ 1,029,125</u>	<u>\$ —</u>
Balance at end of year.....	<u>\$10,812,004</u>	<u>\$11,841,129</u>	<u>\$11,841,129</u>

Reference is made to the accompanying notes to financial statements which are an integral part of these statements of consolidated surplus.

KIECKHEFER CONTAINER COMPANY AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

(1) PROPOSED MERGER OF KIECKHEFER CONTAINER COMPANY AND THE EDDY PAPER CORPORATION INTO WEYERHAEUSER TIMBER COMPANY:

Reference is made to the attached Joint Agreement and Plan of Merger approved by the Boards of Directors of the respective companies (Exhibit A) and to the comments on pages 2 and 3 relating to stock purchases by Weyerhaeuser.

(2) BASIS OF CONSOLIDATION:

The consolidated financial statements include the accounts of the Company and North Carolina Pulp Company, an 80% owned subsidiary. On December 30, 1954, The Eddy Paper Corporation acquired from the subsidiary 20% of its presently outstanding common stock. Prior to such date, the Company owned all of the outstanding common stock of the subsidiary.

Intercompany accounts, sales and profits have been eliminated in consolidation.

The Company's equity in the net assets of the subsidiary was \$25,607,614 in excess of the Company's investment therein at December 31, 1956. Of this amount \$14,934,417, representing undistributed earnings since date of acquisition, has been included in earned surplus in the consolidated balance sheet, and \$10,673,197, representing the Company's equity in paid-in surplus of the subsidiary, has been reflected as paid-in surplus in that statement.

(3) INVENTORIES:

The opening and closing inventories used in determining cost of sales during the three years ended December 31, 1956, were—

December 31—

1953	.....	\$7,090,943
1954	.....	8,166,859
1955	.....	8,021,711
1956	.....	<u>9,963,764</u>

(4) CONSTRUCTION FUND:

Construction fund for improvement and expansion programs authorized by the Board of Directors represents cash of \$3,206,977 and U. S. Treasury Notes of \$11,793,023.

(5) TIMBERLANDS, TIMBER RIGHTS, PLANT, PROPERTY AND EQUIPMENT:

The amounts at which timberlands, timber rights, plant, property and equipment are carried do not purport to represent replacement or realizable value.

(6) DEPRECIATION, AMORTIZATION AND DEPLETION POLICY:

Depreciation of plant, property and equipment has been provided generally at rates based upon the estimated service lives of the properties. Assets acquired prior to January 1, 1954, have been depreciated at straight line rates and those acquired subsequent to that date on the sum of the years' digits method. It is not practicable to present all of the individual rates used in computing the annual depreciation provisions; the effective annual rates during the period under review for the principal classes of properties were as follows—

KIECKHEFER CONTAINER COMPANY AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

	<u>1954</u>	<u>1955</u>	<u>1956</u>
Buildings and improvements—			
Pulp mill.....	4.3%	4.5%	4.9%
Milk carton plants.....	2.6	3.0	3.3
Container plants.....	2.7	2.8	3.0
Machinery and equipment, etc.—			
Pulp mill.....	6.8	7.2	7.6
Milk carton plants.....	9.0*	10.5*	9.7
Container plants.....	<u>6.6</u>	<u>7.1</u>	<u>7.1</u>

*Excludes special provision for obsolescence of 3.9% and 2% in the years 1954 and 1955, respectively.

Depletion of timberlands and timber rights is computed on the basis of estimated total recoverable timber at time of purchase without giving consideration to regrowth.

Maintenance and repairs and minor replacements of property are charged to expense as the expenditures are made. Betterments and replacements of major units of property are capitalized and the replaced items are retired. The cost of property sold or retired is removed from the asset accounts, the accumulated depreciation thereon is removed from the depreciation reserve and the net gain or loss is carried to the income account.

(7) RETIREMENT PLANS:

The Company and its subsidiary have established separate retirement plans for certain hourly employees, effective August 1, 1956, and December 1, 1951, respectively. Both plans provide for regular contributions, through payroll deductions, by the participating employees, with the balance of funds needed to meet the purposes of the plans to be contributed by the companies. Under the terms of trust agreements, all funds contributed under the plans, together with earnings thereon, are to be held, managed and invested by independent trustees. The companies have reserved the right to amend or terminate the plans at any time. The Company intends to fund past-service costs under its plan over a ten-year period, commencing August 1, 1956, and estimated past-service costs of \$553,984 had not been funded at December 31, 1956. All past-service costs of the subsidiary's plan have been funded. Contributions to these plans during the period under review, included in cost of sales and expenses, were as follows—

	<u>Current</u>	<u>Past Service</u>
1954.....	\$ 33,510	\$ —
1955.....	38,366	—
1956.....	61,301	24,086
	<u>\$133,177</u>	<u>\$24,086</u>

(8) SALES OF THE SUBSIDIARY:

All of the sales of the Company's subsidiary for the years ended December 31, 1954 and 1955, and the three months ended March 31, 1956, were made to the Company under a cost-plus contract. Subsequent to April 1, 1956, the subsidiary sold approximately 20% of its paperboard output on a similar cost-plus basis to The Eddy Paper Corporation.

KIECKHEFER CONTAINER COMPANY AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

(9) SUPPLEMENTARY INCOME ACCOUNT INFORMATION:

	Year Ended December 31		
	1954	1955	1956
Charged directly to cost of sales and other income accounts—			
Maintenance and repairs.....	\$2,815,770	\$3,428,856	\$4,358,352
Depreciation, depletion and amortization.....	2,992,323	3,533,387	4,130,449
Taxes other than taxes on income—			
Real estate.....	\$ 188,982	\$ 276,881	\$ 285,382
Social security.....	375,096	422,116	440,316
Franchise.....	86,645	150,161	179,645
Other.....	62,907	63,750	57,487
	<u>\$ 713,630</u>	<u>\$ 912,908</u>	<u>\$ 962,830</u>
Management and service contract fees.....		None paid	
Rents.....		Not significant	
Royalties.....	\$ 333,155	\$ 508,041	\$ 588,846
Provision for doubtful accounts.....	160,021	41,237	35,613
Charged to plant, property and equipment—depreciation.....	<u>—</u>	<u>7,382</u>	<u>7,491</u>

(10) PROFIT-SHARING PLAN:

Kieckhefer Container Company and its subsidiary have established a profit sharing plan for employees and officers who are compensated on a monthly salary basis. Under the plan, all contributions are made by the companies to a Trust which is administered by a committee. The companies have reserved the right to amend or terminate the plan at any time; however, all contributions, together with the earnings thereon, at the date the plan is terminated remain the interest of the participants and do not revert back to the companies. Contributions during the period under review, charged to income, were as follows:

1954.....	\$288,964
1955.....	333,418
1956.....	<u>367,613</u>

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THE EDDY PAPER CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET—DECEMBER 31, 1956

ASSETS

CURRENT ASSETS:

Cash.....		\$ 4,152,534
Marketable securities at cost.....		1,800,000
Receivables.....	\$ 3,234,224	
Less—Reserves for doubtful accounts.....	127,512	3,106,712
Inventories (Note 3)—		
Work in process.....	\$ 1,244,738	
Paperboard, waste paper and pulp.....	3,072,990	4,317,728
Total current assets.....		<u>\$13,376,974</u>

SUPPLY INVENTORIES AND PREPAID EXPENSES:

Supplies, at average cost.....	\$ 555,080	
Prepaid expenses.....	139,256	694,336

INVESTMENTS, ADVANCES, ETC.:

Investment in North Carolina Pulp Company (Note 4).....	\$17,000,000	
Investment in and advances to Ace Folding Box Corporation exclusive of advances of \$53,000 included in current assets (Note 5).....	820,655	
Other.....	246,423	18,067,078

PLANT AND EQUIPMENT (Notes 6 and 7):

	<u>Cost</u>	<u>Reserves</u>	<u>Net</u>	
Land.....	\$ 137,047	\$ —	\$ 137,047	
Buildings.....	8,085,663	3,108,360	4,977,303	
Machinery and equipment, etc.....	14,353,780	7,600,000	6,753,780	
	<u>\$22,576,490</u>	<u>\$10,708,360</u>	<u>\$11,868,130</u>	11,868,130
				<u>\$44,006,518</u>

Reference is made to the accompanying notes to financial statements which are an integral part of this consolidated balance sheet.

THE EDDY PAPER CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET—DECEMBER 31, 1956

LIABILITIES

CURRENT LIABILITIES:

Current maturities of notes payable to Kieckhefer Container Company (Note 4)		\$ 1,100,000
Accounts payable.....		1,683,496
Accrued liabilities.....		929,398
Provision for Federal income taxes.....	\$3,909,409	
Less—U. S. Government securities.....	600,000	3,309,409
Total current liabilities.....		<u>\$ 7,022,303</u>

NOTES PAYABLE TO KIECKHEFER CONTAINER COMPANY, 3½%, unsecured, due \$1,100,000 annually to 1960 and \$500,000 annually thereafter, less current maturities above (Note 4).....	5,800,000
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CAPITAL STOCK AND SURPLUS:

Capital stock, no par value, 200,000 shares authorized, 190,049 shares issued.	\$ 4,772,830	
Paid-in surplus—see accompanying statement.....	3,907,658	
Earned surplus (income retained in the business)—see accompanying statement	22,703,095	
Treasury stock, 8,634 shares, at cost.....	(199,368)	31,184,215
		<u><u>\$44,006,518</u></u>

Reference is made to the accompanying notes to financial statements which are an integral part of this consolidated balance sheet.

THE EDDY PAPER CORPORATION AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED INCOME

For The Three Years Ended December 31, 1956

	Year Ended December 31		
	1954	1955	1956
SALES AND OTHER INCOME:			
Gross sales, less discounts and allowances.....	\$43,481,628	\$44,770,024	\$45,949,920
Other income or (deductions) net—			
Cash discounts received.....	\$ 213,550	\$ 219,049	\$ 145,308
Interest income.....	95,117	29,150	108,725
Interest expense.....	(3,081)	(104,715)	(269,453)
Profit or (loss) on disposal of plant and equipment.....	(5,869)	44,349	(7,266)
Miscellaneous income (net).....	15,186	19,254	(15,944)
	<u>\$ 314,903</u>	<u>\$ 207,087</u>	<u>\$ (38,630)</u>
	<u>\$43,796,531</u>	<u>\$44,977,111</u>	<u>\$45,911,290</u>
COST OF SALES AND EXPENSES:			
Cost of sales and expenses, exclusive of depreciation and taxes as shown separately below—			
Cost of sales (Note 3).....	\$31,986,874	\$32,843,432	\$32,503,339
Selling and shipping expenses.....	2,824,926	2,723,965	2,823,306
General and administrative expenses.....	749,947	786,862	822,857
Depreciation (Notes 7 and 10).....	915,915	1,045,212	1,207,202
Taxes other than taxes on income (Note 10).....	401,392	444,953	453,825
Provision for doubtful accounts.....	10,332	17,500	15,000
Total cost of sales and expenses.....	<u>\$36,889,386</u>	<u>\$37,861,924</u>	<u>\$37,825,529</u>
	<u>\$ 6,907,145</u>	<u>\$ 7,115,187</u>	<u>\$ 8,085,761</u>
PROVISION FOR TAXES ON INCOME:			
Federal—normal and surtax.....	\$ 3,535,000	\$ 3,619,000	\$ 4,142,000
State.....	80,000	81,000	78,000
	<u>\$ 3,615,000</u>	<u>\$ 3,700,000</u>	<u>\$ 4,220,000</u>
Net income.....	<u>\$ 3,292,145</u>	<u>\$ 3,415,187</u>	<u>\$ 3,865,761</u>

Reference is made to the accompanying notes to financial statements which are an integral part of these statements of consolidated income.

THE EDDY PAPER CORPORATION AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED SURPLUS

For the Three Years Ended December 31, 1956

EARNED SURPLUS (Income Retained in the Business)

	Year Ended December 31		
	1954	1955	1956
Balance at beginning of year.....	\$18,792,746	\$20,052,235	\$21,376,766
Add—Net income from statements of consolidated income.....	3,292,145	3,415,187	3,865,761
Deduct—Cash dividends paid (\$12 per share in 1954 and 1955, and \$14 per share in 1956).....	(2,032,656)	(2,090,656)	(2,539,432)
Balance at end of year.....	<u>\$20,052,235</u>	<u>\$21,376,766</u>	<u>\$22,703,095</u>

PAID-IN SURPLUS

The balance of paid-in surplus at January 1, 1954, was \$1,484,450. In 1955, \$2,423,208 was added, representing the excess of proceeds of sale over cost of 12,000 shares of treasury stock. The balance of paid-in surplus at December 31, 1955 and 1956, was \$3,907,658, as shown in the accompanying consolidated balance sheet as of the latter date.

Reference is made to the accompanying notes to financial statements which are an integral part of these statements of consolidated surplus.

THE EDDY PAPER CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

(1) PROPOSED MERGER OF KIECKHEFER CONTAINER COMPANY AND THE EDDY PAPER CORPORATION INTO WEYERHAEUSER TIMBER COMPANY:

Reference is made to the attached Joint Agreement and Plan of Merger approved by the Boards of Directors of the respective companies (Exhibit A) and to the comments on pages 2 and 3 relating to stock purchases by Weyerhaeuser.

(2) BASIS OF CONSOLIDATION:

The consolidated financial statements include, on a consistent basis, the accounts of The Eddy Paper Corporation and both of its wholly owned subsidiaries.

Intercompany accounts, sales and profits have been eliminated in consolidation.

At December 31, 1956, the net assets of the wholly owned subsidiaries were \$4,244,014 in excess of Eddy's investment therein. Of this excess, \$4,133,223 representing accumulated earnings of the subsidiaries since acquisition is included in consolidated earned surplus, and \$110,791 representing excess of net assets of a subsidiary at date of acquisition over stated value of parent's stock issued therefor is included in consolidated paid-in surplus.

(3) VALUATION OF INVENTORIES:

The work-in-process inventories were priced at average cost or market, whichever was lower.

The inventories of paperboard, waste paper and pulp were priced at last-in, first-out cost, which was not in excess of market.

Inventories used in determining consolidated cost of goods sold were as follows:

	December 31			
	1953	1954	1955	1956
Work in process.....	\$ 833,388	\$1,067,670	\$ 922,349	\$1,244,738
Paperboard, waste paper and pulp.....	3,146,813	3,059,736	3,192,615	3,072,990
	<u>\$3,980,201</u>	<u>\$4,127,406</u>	<u>\$4,114,964</u>	<u>\$4,317,728</u>

(4) INVESTMENT IN NORTH CAROLINA PULP COMPANY:

The investment in 20% of the capital stock of North Carolina Pulp Company, a subsidiary of Kieckhefer Container Company, was made in 1954 and was based on estimated replacement costs of the increased capacity needed to supply additional paperboard under a long-term contract to The Eddy Paper Corporation. These estimated costs are substantially greater than the underlying book values of North Carolina Pulp Company, which are reflected on its books on a historical cost basis. The equity of the Company and its subsidiaries in the net income of North Carolina Pulp Company was \$412,422 in 1956 and \$312,678 in 1955. The company had no equity in the net income of North Carolina Pulp Company in 1954. No dividends have been received from that company.

In connection with the purchase of this investment, the Company borrowed from Kieckhefer Container Company on unsecured notes payable.

(5) INVESTMENT IN ACE FOLDING BOX CORPORATION:

Eddy's investment in Ace Folding Box Corporation represents a 50% equity in the voting stock of that company. No separate financial statements are submitted for it because Eddy's investment therein is

THE EDDY PAPER CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

not significant in respect of the assets represented or the sales or the net profit or loss of the Ace Folding Box Corporation.

(6) PLANT AND EQUIPMENT:

The amounts at which plant and equipment are carried do not purport to represent replacement or realizable values.

(7) DEPRECIATION AND AMORTIZATION POLICY:

Depreciation of plant and equipment has been provided generally at rates based upon the estimated service lives of the properties. Assets acquired prior to January 1, 1954, have been depreciated at straight line rates. Additions since that date have been depreciated on the declining balance method. It is not practicable to present all the rates used by the Company and subsidiaries in computing the annual depreciation provisions; the effective annual rates for the principal classes of properties during the period under review were as follows:

	<u>1954</u>	<u>1955</u>	<u>1956</u>
Buildings—			
Paper mill.....	3.0%	3.1%	4.7%
Other.....	3.7	4.0	4.1
Machinery, equipment, etc.—			
Paper mill.....	8.1	8.0	8.5
Other.....	<u>9.1</u>	<u>9.8</u>	<u>9.8</u>

Maintenance and repairs are charged to costs as incurred. The costs of renewals and betterments of major units of plant and equipment are capitalized when incurred. When assets are sold or retired, the cost and accumulated depreciation are removed from the plant and equipment and related reserve accounts, and the net gain or loss is credited or charged to income.

(8) PROFIT-SHARING PLAN:

The Eddy Paper Corporation and The Rochester Folding Box Co., a subsidiary, have established a profit-sharing plan for employees and officers who are compensated on a monthly salary basis. Under the plan, all contributions are made by the companies to a Trust which is administered by a committee. The companies have reserved the right to amend or terminate the plan at any time; however, all contributions, together with the earnings thereon, at the date the plan is terminated remain the interest of the participants and do not revert back to the companies. Contributions during the period under review, charged to income, were as follows:

1954.....	\$197,939
1955.....	212,868
1956.....	<u>219,277</u>

THE EDDY PAPER CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

(9) RETIREMENT PLANS:

Gereke-Allen Carton Company, a subsidiary, has established a pension trust for all regular employees. All contributions are made by the Company to pay full annual premiums for annuity and/or insurance contracts which underwrite the pensions. The Company has reserved the right to amend or terminate the plan at any time. There is no past-service liability under the plan. Contributions during the period under review, charged to income, were as follows:

1954.....	\$15,028
1955.....	19,367
1956.....	<u>23,258</u>

In 1956, The Eddy Paper Corporation executed a collective bargaining agreement covering hourly rated employees at its three plants in the State of Michigan which provides, among other things, for the payment of specified pensions and other benefits to employees who retire during the term of the agreement which expires in 1958. There is no requirement for funding amounts due under the plan and the Company has not set aside funds for past and future service costs. The liability to retired employees at December 31, 1956, was recorded at that date. Provisions of \$268,642 were charged to income in 1956. The Company has not provided for the active employees' past service costs, which under the plan, if continued, were estimated to be approximately \$800,000 at December 31, 1956.

(10) SUPPLEMENTARY INCOME ACCOUNT INFORMATION:

	Year Ended December 31		
	1954	1955	1956
Charged directly to cost of sales and expenses—			
Maintenance and repairs.....	\$971,603	\$ 859,241	\$ 948,238
Depreciation.....	<u>915,915</u>	<u>1,045,212</u>	<u>1,207,202</u>
Taxes other than taxes on income—			
Real estate and personal property.....	\$205,863	\$ 234,164	\$ 233,199
Social security.....	177,540	172,377	188,875
Other.....	17,989	38,412	31,751
	<u>\$401,392</u>	<u>\$ 444,953</u>	<u>\$ 453,825</u>
Rents.....	<u>\$ 91,601</u>	<u>\$ 70,304</u>	<u>\$ 88,852</u>
Charged to other income or (deductions) accounts—			
Depreciation.....	\$ 23,564	\$ 65,186	\$ 60,151
Taxes other than taxes on income—			
Real estate and personal property.....	\$ 6,884	\$ 28,198	\$ 30,603
Social security.....	2,038	789	730
	<u>\$ 8,922</u>	<u>\$ 28,987</u>	<u>\$ 31,333</u>

WEYERHAEUSER TIMBER COMPANY

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET—DECEMBER 31, 1956

(After giving effect to the proposed merger with Kieckhefer Container Company and The Eddy Paper Corporation, as outlined in the attached Joint Agreement and Plan of Merger (Exhibit A), and to the proposed purchase of common shares listed in the table on page 3.)

(000 Omitted)

ASSETS

Current assets—

Cash.....	\$ 26,382
Marketable securities at cost.....	21,033
Receivables, less reserve.....	32,107
Inventories.....	37,377
Total current assets.....	<u>\$116,899</u>

Supply inventories, prepaid expenses, etc.....	9,468
Tax refund claims, other receivables, etc.....	10,310
Construction fund (cash and U. S. Treasury notes).....	15,000
Timber and timberlands, etc.....	98,487
Real estate, plants and equipment at cost.....	\$422,663
Less—Reserves for depreciation and amortization.....	<u>168,314</u> <u>254,349</u>
	<u><u>\$504,513</u></u>

LIABILITIES

Current liabilities—

Accounts payable.....	\$ 20,268
Accrued liabilities.....	17,872
Provision for Federal income taxes.....	\$ 52,929
Less—U. S. Government securities segregated therefor.....	<u>49,112</u> <u>3,817</u>
Total current liabilities.....	<u>\$ 41,957</u>

Capital stock and surplus—

Capital stock, issued 30,398,004, par value \$7.50 per share.....	\$227,985
Increase in value of timber and timberlands resulting from March 1, 1913, revaluation.....	24,982
Earned surplus (income retained in the business).....	211,977
Treasury stock at cost, 78,701 shares (67,581 shares reserved for stock options).....	<u>(2,388)</u>
Total shareholders' interest.....	<u>\$462,556</u>
	<u><u>\$504,513</u></u>

RIGHTS OF OBJECTING SHAREHOLDERS

Any shareholder of Weyerhaeuser who objects to the merger may obtain payment of the value of his shares in lieu of participating in the merger, provided he complies with the requirements of the applicable provisions of the Uniform Business Corporation Act of Washington, R.C.W. 23.16.140 and 23.16.160. Such shareholder must file with Weyerhaeuser his written objection to the merger demanding payment for his shares within twenty days after Weyerhaeuser has mailed to him the notice of meeting accompanying this statement, and his shares must not be voted in favor of the merger. If, within thirty days after the effective date of the merger, Weyerhaeuser and the shareholder cannot agree upon the value of his shares at the time the merger was approved by the shareholders, either may petition the Superior Court of Pierce County, Washington within four months thereafter for the appointment of an appraiser to determine the value of all shares owned by objecting shareholders. An objecting shareholder will also receive six percent interest on the value of his shares from the date the merger was approved by the shareholders until payment.

A vote against the merger or a direction in a proxy to vote against the merger will not, in the opinion of counsel, constitute the objection in writing required by the statute.

Any objecting shareholders of Kieckhefer and Eddy will have rights of appraisal and payment by Weyerhaeuser for their shares under Delaware and Illinois statutes, respectively.

Weyerhaeuser shares for which a proxy in the accompanying form is properly signed and returned will be voted in accordance with any choice specified therein and where no choice is specified will be voted in favor of the merger (including the amendments of the Articles of Incorporation and By-Laws of Weyerhaeuser provided for in the Joint Agreement and Plan of Merger), unless the merger shall have been abandoned before the meeting. The management is not aware of any other matters that will come before the meeting. If any other matter should be presented, the proxies will be voted as to such matters in the discretion of the person or persons voting them.

Officers, directors and regular employees of Weyerhaeuser may solicit proxies from its stockholders by telephone, telegraph and personal interviews as well as by mail and Weyerhaeuser will bear the cost of such solicitation.

By order of the Board of Directors

GEORGE S. LONG, JR.,
Secretary

Dated: March 22, 1957

JOINT AGREEMENT AND PLAN OF MERGER

OF

KIECKHEFER CONTAINER COMPANY

AND

THE EDDY PAPER CORPORATION

WITH AND INTO

WEYERHAEUSER TIMBER COMPANY

WEYERHAEUSER TIMBER COMPANY

continuing as the surviving corporation

JOINT AGREEMENT AND PLAN OF MERGER entered into this 20th day of March, 1957 (hereinafter called "this agreement"), by and between **WEYERHAEUSER TIMBER COMPANY**, a corporation of the State of Washington (hereinafter sometimes called "Weyerhaeuser"), **KIECKHEFER CONTAINER COMPANY**, a corporation of the State of Delaware (hereinafter sometimes called "Kieckhefer"), and **THE EDDY PAPER CORPORATION**, a corporation of the State of Illinois (hereinafter sometimes called "Eddy"), and their respective boards of directors (which three corporations are hereinafter sometimes called the "constituent corporations"),

WITNESSETH:

The authorized shares of Weyerhaeuser consist of 25,000,000 common shares of the par value of \$7.50 each, of which, at the date hereof, 24,932,072 shares were outstanding and 67,928 shares were held in the treasury of Weyerhaeuser.

The authorized shares of Kieckhefer consist of 30,000 shares of common stock without par value, of which 29,889 shares were outstanding at the date hereof.

The authorized shares of Eddy consist of 200,000 shares of common stock without par value, of which 181,415 shares were outstanding at the date hereof, including 26,090 shares held by Kieckhefer, and 8,634 shares were held in the treasury of Eddy.

Kieckhefer and Eddy respectively have authority to carry on businesses for the conduct of which a corporation might be organized under the Uniform Business Corporation Act of the State of Washington.

The constituent corporations and their respective boards of directors deem it to be advisable and for the best interests of each of said corporations and its shareholders that Kieckhefer and Eddy be merged with and into Weyerhaeuser as authorized by and pursuant to the respective laws of the States of Delaware, Illinois and Washington (said merger being hereinafter referred to as "the merger").

Now, THEREFORE, in consideration of the premises and the mutual agreements and provisions herein contained, and in order to prescribe the terms and conditions of the merger, the mode of carrying the same into effect and the manner and basis of converting or otherwise dealing with the shares of each of the constituent corporations, and to state such other provisions with respect to the merger as are deemed necessary or desirable, the parties hereto AGREE as follows:

ARTICLE ONE

Kieckhefer Container Company and The Eddy Paper Corporation shall be merged with and into Weyerhaeuser Timber Company to form a single corporation on the effective date of the merger as hereinafter defined. Weyerhaeuser Timber Company shall continue in existence as the corporation surviving the merger and as such is hereinafter sometimes called the "surviving corporation." The name of the surviving corporation shall continue to be

"WEYERHAEUSER TIMBER COMPANY"

and it shall continue to be governed by the laws of the State of Washington.

ARTICLE TWO

The articles of incorporation of Weyerhaeuser as heretofore amended shall upon the effective date of the merger be and they hereby are further amended as follows: (1) Article III shall be changed to increase the number of authorized shares from 25,000,000 to 31,000,000 and to add the last four paragraphs of said article as they appear below; and (2) Article II shall be changed to add the following: "to purchase, hold, sell and transfer its own shares". Said articles of incorporation as so amended shall read as follows:

ARTICLE I.

The name of this corporation shall be "Weyerhaeuser Timber Company."

ARTICLE II.

The object for which this corporation is formed is and shall be dealing in lands, timber, and all the products of timber, and buying and selling the same; carrying on and conducting a general logging, lumbering and manufacturing business; erecting, buying and selling saw mills, shingle mills, planing mills, and all other mills and factories; establishing, operating, buying and selling lumber yards; clearing out and improvement of rivers and streams in the State of Washington; driving, catching, booming, sorting, rafting, brailing, towing, holding and delivering logs, lumber and other timber products; constructing, operating and maintaining telegraphs and telephones in the State of Washington; building, operating, buying and selling ships, barges, steamboats and other water craft; manufacturing, mining, milling, wharfing and docking; mechanical, mercantile, improvement and building purposes; building, equipping and running railroads; building, equipping and managing water flumes for the transportation of wood and lumber; constructing canals and irrigating canals; to purchase, subscribe for, deal in and hold the stock of other corporations to such an extent as hereafter may be permitted or allowed by the laws of the State of Washington, or of any other state in which said corporation may do business; to purchase, hold, sell, and transfer its own shares; and to mortgage, bond, or incumber any or all of its property, real and personal, to such sums and amounts, and at such times and upon such terms as the corporation may find necessary or deem expedient; acquiring, owning and operating mines, mills and reduction works, and mining and milling gold and silver and other minerals; and carrying on every other species of trade and business, except banking and building associations.

ARTICLE III.

The authorized number of shares of this corporation shall be 31,000,000 shares having a par value of \$7.50 per share.

The whole or any part of the authorized but unissued shares of this corporation may be issued from time to time for such consideration in property, tangible or intangible, real or personal, the fair valuation of which to the corporation shall be not less than the aggregate par value of shares issued therefor, as the Board of Directors shall determine, without any further action on the part of the shareholders of this corporation. The value placed upon such consideration by the Board of Directors shall be conclusive.

The whole or any part of the authorized but unissued shares of this corporation may be issued from time to time for such consideration in cash or necessary services actually rendered to the corporation as the shareholders shall determine at any annual or special meeting duly called and held for that purpose or as the Board of Directors shall determine acting under authority hereafter conferred by the shareholders.

Each share so issued for which the full consideration fixed as aforesaid shall have been paid or delivered shall be fully paid and non-assessable, and the holder of such share shall not be liable for any further payments therefor.

The Board of Directors may from time to time authorize the issuance of shares of this corporation, whether now or hereafter authorized, in consideration of property, tangible or intangible, real or personal, without first offering such shares to the shareholders of this corporation.

ARTICLE IV.

The time of the existence of this corporation shall be perpetual.

ARTICLE V.

The number of directors of this corporation shall be the number designated by the By-Laws, not less than nine (9) and not more than fifteen (15).

ARTICLE VI.

The principal place of business of this corporation shall be located in the City of Tacoma, County of Pierce in the State of Washington.

The articles of incorporation of Weyerhaeuser, as so amended, shall continue to be the articles of incorporation of the surviving corporation, until further amended as provided by law, and the surviving corporation reserves the right to effect further amendments thereof in the manner now or hereafter prescribed by the laws of the State of Washington.

ARTICLE THREE

The by-laws of Weyerhaeuser in effect immediately prior to the effective date of the merger shall continue in effect as the by-laws of the surviving corporation, unless and until amended or repealed in the manner provided by law and said by-laws, except that Article III, Section 1 of said by-laws shall upon the effective date of the merger be and it hereby is amended to increase the number of directors from thirteen (13) to fifteen (15).

ARTICLE FOUR

Initially the board of directors of the surviving corporation shall consist of the persons who are directors of Weyerhaeuser immediately prior to the effective date of the merger and Herbert M. Kieckhefer and Robert H. Kieckhefer; and they shall hold office until the annual meeting of shareholders next succeeding the effective date of the merger or until the election and qualification of their respective successors.

ARTICLE FIVE

The manner and basis of converting or otherwise dealing with the shares of each of the constituent corporations are as follows:

(a) Each share of Weyerhaeuser which is issued and outstanding or in the treasury of Weyerhaeuser immediately prior to the effective date of the merger (except shares, if any, then held by either of the other constituent corporations) shall continue to be one fully paid and non-assessable share of the par value of \$7.50 of the surviving corporation.

(b) Each share of common stock of Kieckhefer which is issued and outstanding immediately prior to the effective date of the merger (except shares, if any, then held by either of the other constituent corporations), and all rights in respect thereof, shall be converted, by virtue of the merger and on the effective date thereof and without any action on the part of the holder thereof, into 148 fully paid and non-assessable shares of the par value of \$7.50 each of the surviving corporation.

(c) Each share of common stock of Eddy which is issued and outstanding immediately prior to the effective date of the merger (except shares, if any, then held by either of the other constituent corporations), and all rights in respect thereof, shall be converted, by virtue of the merger and on the effective date thereof and without any action on the part of the holder thereof, into ten fully paid and non-assessable shares of the par value of \$7.50 each of the surviving corporation.

(d) On the effective date of the merger each share of common stock of Kieckhefer or of Eddy which is held in the treasury of such corporation immediately prior to such effective date and each share of any one of the constituent corporations which is held immediately prior to such effective date by either of the other constituent corporations shall be cancelled and retired, and no shares of the surviving corporation shall be issued in respect thereof.

(e) After the effective date of the merger the holders of certificates representing shares of Kieckhefer or Eddy which shall have been converted as aforesaid, except holders who shall have objected to the merger and demanded the fair value of their shares as provided by law, shall be entitled to receive, against the surrender of their certificates for exchange and in full satisfaction of all rights evidenced thereby, certificates representing the number of shares of the par value of \$7.50 each of the surviving corporation into which the shares evidenced by the surrendered certificates shall have been converted as aforesaid. Until so surrendered, each certificate representing shares of common stock of Kieckhefer or Eddy which shall have been converted into shares of the surviving corporation shall be deemed for all corporate purposes to evidence ownership of the number of shares of the surviving corporation into which the same shall have been converted as set forth above; provided, however, that until the holder of such certificate shall have surrendered the same for exchange as aforesaid, no dividend payable to holders of record of shares of the surviving corporation as of any date subsequent to the effective date of the merger shall be paid to such holder with respect to the shares of the surviving corporation represented by such certificate, but upon surrender of such certificate for exchange as aforesaid there shall be paid to the person in whose name a certificate or certificates for shares of the surviving corporation are issued therefor the amount of dividends which shall have theretofore become payable with respect to the number of shares of the surviving corporation represented by the certificate or certificates so issued.

ARTICLE SIX

On the effective date of the merger,

(a) the constituent corporations shall become one corporation, which shall be Weyerhaeuser Timber Company, the surviving corporation, and the separate existence of Kieckhefer and Eddy shall cease, except in so far as continued by statute;

(b) the surviving corporation shall thereupon and thereafter possess all the rights, privileges, immunities, powers and franchises, as well of a public as of a private nature, of each of the constituent corporations; and all property, real, personal and mixed, of each of the constituent corporations, and all debts due on whatever account to any of them, including subscriptions, if any, for shares, and all other things in action belonging to any of the constituent corporations shall be taken and be deemed to be transferred to and vested in, or shall continue to be vested in, the surviving corporation, without further act or deed, and shall be thereafter as effectually the property of the surviving corporation as they were of the constituent corporations, respectively; and the title to any real estate, or any interest therein, vested in any of the constituent corporations, shall not revert or be in any way impaired by reason of the merger;

(c) the surviving corporation shall thenceforth be responsible for all the liabilities and obligations of each of the constituent corporations in the same manner as if the surviving corporation had itself incurred such liabilities and obligations, but the liabilities of the constituent corporations or of their shareholders, directors or officers shall not be affected, nor shall the rights of the creditors thereof, or of any person dealing with any of the constituent corporations, or any liens upon the property thereof (limited in lien to the property subject thereto immediately prior to the effective date of the merger) be impaired by the merger, and any claim existing or action or proceeding pending by or against any of the constituent corporations may be prosecuted to judgment as if the merger had not taken place, or the surviving corporation may be proceeded against or substituted in its place, all as provided in the respective laws of the States of Washington, Delaware and Illinois.

Kieckhefer and Eddy each agrees that if at any time the surviving corporation shall consider that any further assignments or assurances are necessary or desirable to vest or confirm the vesting in the surviving corporation of title to any property, rights, privileges or franchises of either Kieckhefer or Eddy, it will execute and deliver all such deeds and other instruments and will take all such other action as the surviving corporation may request for such purpose and otherwise to carry out the intent and purposes of the merger.

ARTICLE SEVEN

On the effective date of the merger,

(a) the assets and liabilities of Kieckhefer and Eddy shall be taken up on the books of the surviving corporation at the amounts at which they shall be carried at that time on the books of those companies, subject to such adjustments or eliminations as may be made in accordance with generally accepted accounting principles;

(b) the earned surplus and capital surplus of the surviving corporation shall be the sums of the earned surpluses and capital surpluses, respectively, of the constituent corporations on such date, subject in each case to such charges, adjustments and eliminations as may be made in accordance with the following subparagraph (c) or in accordance with generally accepted accounting principles; and

(c) the stated capital of the surviving corporation shall be the sum of the par value of all shares of its common stock then issued, and the amount by which such stated capital shall exceed the aggregate stated capital of the constituent corporations immediately prior to the effective date of the merger shall be charged to the capital surplus of the surviving corporation and, to the extent that such capital surplus is not adequate for the purpose, to the earned surplus of the surviving corporation.

ARTICLE EIGHT

1. The surviving corporation hereby agrees that it may be served with process in the State of Delaware in any proceeding for enforcement of any obligation of Kieckhefer or in any proceeding for the enforcement of any obligation of the surviving corporation arising from the merger, including any proceeding to enforce the right of any stockholder of Kieckhefer as determined in appraisal proceedings pursuant to the provisions of Section 262 of the General Corporation Law of the State of Delaware, and hereby irrevocably appoints the Secretary of State of the State of Delaware as its agent to accept service of process in any such proceeding. The address to which a copy of such process shall be mailed by said Secretary of State is Weyerhaeuser Timber Company, Tacoma 1, Washington.

2. The surviving corporation hereby agrees that it may be served with process in the State of Illinois in any proceeding for the enforcement of any obligation of Eddy and in any proceeding for the enforcement of the rights of a dissenting shareholder of Eddy against the surviving corporation, and hereby irrevocably appoints the Secretary of State of the State of Illinois as the agent of the surviving corporation to accept service of process in any such proceeding.

3. The surviving corporation hereby further agrees that it will promptly pay to the dissenting shareholders, if any, of Kieckhefer and Eddy, respectively, the amounts to which they shall be entitled under the provisions of the General Corporation Law of the State of Delaware in the case of shareholders of Kieckhefer or under the provisions of The Business Corporation Act of the State of Illinois in the case of shareholders of Eddy.

ARTICLE NINE

This agreement shall be submitted to the shareholders of each of the constituent corporations at meetings separately called for the purpose, and the merger shall become effective upon the approval of this agreement and the merger herein provided for by the requisite vote of the shareholders of each of said corporations and the execution, filing, issuance, and recording of such documents as may be required under the respective laws of the States of Delaware, Illinois and Washington. The term "effective date of the merger," as used in this agreement, means the point of time at which the last act required to make the merger effective under the respective laws of said states shall have been performed.

ARTICLE TEN

Anything herein or elsewhere to the contrary notwithstanding, this agreement and the merger herein provided for may be terminated and abandoned at any time before it becomes effective as provided in Article Nine, without action by shareholders of any constituent corporation, (a) by mutual consent of the boards of directors of all of the constituent corporations or (b) by action of the board of directors of any one of the constituent corporations taken in accordance with any agreement between the constituent corporations in existence at the time of such action.

ARTICLE ELEVEN

For the convenience of the parties and to facilitate the filing and recording of this agreement, any number of counterparts may be executed, and each such executed counterpart shall be deemed to be an original instrument.

IN WITNESS WHEREOF, the undersigned directors, being a majority of the board of directors of each of the constituent corporations and having voted in favor of entering into the foregoing merger agreement at directors' meetings of the respective constituent corporations duly called and regularly held for that purpose, have signed their names hereto and have caused the respective corporate seals of the constituent corporations to be affixed hereto, on the 20th day of March, 1957.

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Constituting a majority of the board of directors of Weyerhaeuser Timber Company

[CORPORATE SEAL]

Constituting a majority of the board of directors of Kieckhefer Container Company

Constituting a majority of the board of directors of Kieckhefer Container Company

[CORPORATE SEAL]

Constituting a majority of the board of directors of The Eddy Paper Corporation

Constituting a majority of the board of directors of The Eddy Paper Corporation

[CORPORATE SEAL]

I, GEORGE S. LONG, JR., Secretary of WEYERHAEUSER TIMBER COMPANY, hereby certify as such Secretary and under the seal of that corporation that the foregoing Joint Agreement and Plan of Merger, after having been first duly signed by a majority of the directors of each of the constituent corporations, was duly submitted to the shareholders of WEYERHAEUSER TIMBER COMPANY at a special meeting of said shareholders called separately by the board of directors for the purpose of considering and taking action upon said Joint Agreement and Plan of Merger, which meeting was regularly held on the 22nd day of April, 1957, pursuant to notice duly given to each shareholder as provided in the by-laws and the laws of the State of Washington, and the holders of more than two-thirds of the total issued and outstanding shares of said corporation being duly represented thereat, a vote was taken for the adoption or rejection of said Joint Agreement and Plan of Merger, and the holders of more than two-thirds of the voting power of all shareholders of said corporation voted in favor of the adoption of said Joint Agreement and Plan of Merger.

IN WITNESS WHEREOF, I have hereunto set my hand as Secretary and affixed the corporate seal of WEYERHAEUSER TIMBER COMPANY this day of April, 1957.

[CORPORATE SEAL]

Secretary of WEYERHAEUSER TIMBER COMPANY

I, W. F. KIECKHEFER, Secretary of KIECKHEFER CONTAINER COMPANY, hereby certify as such Secretary and under the seal of that corporation that the foregoing Joint Agreement and Plan of Merger, after having been first duly signed by a majority of the directors of each of the constituent corporations, was duly submitted to the shareholders of KIECKHEFER CONTAINER COMPANY at a special meeting of said shareholders called separately by the board of directors for the purpose of considering and taking action upon said Joint Agreement and Plan of Merger, which meeting was regularly held on the 24th day of April, 1957, pursuant to notice duly given to each shareholder, and the holders of more than two-thirds of the total issued and outstanding shares of said corporation being duly represented thereat, a vote was taken by ballot for the adoption or rejection of said Joint Agreement and Plan of Merger, and the holders of more than two-thirds of the total number of shares of its stock (being more than two-thirds of the voting power of all shareholders of said corporation) voted by ballot in favor of the adoption of said Joint Agreement and Plan of Merger.

IN WITNESS WHEREOF, I have hereunto set my hand as Secretary and affixed the corporate seal of KIECKHEFER CONTAINER COMPANY this day of April, 1957.

[CORPORATE SEAL]

Secretary of KIECKHEFER CONTAINER COMPANY

I, R. C. MEIER, Secretary of THE EDDY PAPER CORPORATION, hereby certify as such Secretary and under the seal of that corporation that the foregoing Joint Agreement and Plan of Merger, after having been first duly signed by a majority of the directors of each of the constituent corporations, was duly submitted to the shareholders of THE EDDY PAPER CORPORATION at a special meeting of said shareholders called separately by the board of directors for the purpose of considering and taking action upon said Joint Agreement and Plan of Merger, which meeting was regularly held on the 23rd day of April, 1957, pursuant to notice duly given to each shareholder, and the holders of more than two-thirds of the total issued and outstanding shares of said corporation being duly represented thereat, a vote was taken for the adoption or rejection of said Joint Agreement and Plan of Merger, and the holders of more than two-thirds of the outstanding shares entitled to vote at such meeting (being more than two-thirds of the voting power of all shareholders of said corporation) voted in favor of the adoption of said Joint Agreement and Plan of Merger.

IN WITNESS WHEREOF, I have hereunto set my hand as Secretary and affixed the corporate seal of THE EDDY PAPER CORPORATION this day of April, 1957.

Secretary of THE EDDY PAPER CORPORATION

[CORPORATE SEAL]

IN WITNESS WHEREOF, each of the constituent corporations has caused its President and Secretary to sign their names hereto and to affix its corporate seal hereto, as of the date of the foregoing certification by its Secretary.

WEYERHAEUSER TIMBER COMPANY

By _____
President

[CORPORATE SEAL]

By _____
Secretary

KIECKHEFER CONTAINER COMPANY

By _____
President

[CORPORATE SEAL]

By _____
Secretary

THE EDDY PAPER CORPORATION

By _____
President

[CORPORATE SEAL]

By _____
Secretary

STATE OF WASHINGTON }
COUNTY OF PIERCE } ss.

On this day of April, 1957 before me, , a notary public in
and for the county and state aforesaid, personally appeared , to me known
to be the President of WEYERHAEUSER TIMBER COMPANY, a corporation of the State of Washington, the
corporation that executed the foregoing instrument and acknowledged said instrument to be the free and
voluntary act, deed and agreement of said corporation, for the use and purposes therein mentioned, and on oath
stated that he was authorized to execute said instrument and that the seal affixed thereto is the corporate
seal of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year aforesaid.

*Notary Public in and for the
State of Washington, residing at Tacoma*

STATE OF }
COUNTY OF } ss.

BE IT REMEMBERED, that on this day of April, 1957, personally came before me, a Notary Public in
and for the county and state aforesaid, H. M. KIECKHEFER, President of KIECKHEFER CONTAINER COMPANY,
a corporation of the State of Delaware, the corporation described in and which executed the foregoing instru-
ment, known to me personally to be such, and acknowledged the said instrument to be his act and deed and
the act and deed of said corporation, and that the signatures of the said President and of the Secretary of said
corporation to the foregoing instrument are in the handwriting of said President and Secretary, respectively,
and that the seal affixed to said instrument is the corporate seal of said corporation, and that his act of sealing,
executing, acknowledging and delivering the said instrument was duly authorized by the board of directors
of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year aforesaid.

Notary Public

STATE OF }
COUNTY OF } ss.

I, , a Notary Public in and for the county and state aforesaid, do hereby certify
that on the day of April, 1957, personally appeared before me W. F. KIECKHEFER who declared that he is
the President of THE EDDY PAPER CORPORATION, a corporation of the State of Illinois, one of the corporations
executing the foregoing instrument, and being first duly sworn by me acknowledged that he signed the foregoing
instrument in the capacity therein set forth and declared that the statements therein contained are true.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year aforesaid.

Notary Public

MEMORANDUM OF AGREEMENT

made March 20, 1957

with respect to merger

of

KIECKHEFER CONTAINER COMPANY

and

THE EDDY PAPER CORPORATION

with and into

WEYERHAEUSER TIMBER COMPANY

The boards of directors of WEYERHAEUSER TIMBER COMPANY (hereinafter called "Weyerhaeuser"), KIECKHEFER CONTAINER COMPANY (hereinafter called "Kieckhefer") and THE EDDY PAPER CORPORATION (hereinafter called "Eddy"), have approved a plan for the merger of Kieckhefer and Eddy into Weyerhaeuser pursuant to the respective laws of the States of Delaware, Illinois and Washington which is set forth in the form of Joint Agreement and Plan of Merger attached hereto and made a part hereof.

Weyerhaeuser, Kieckhefer and Eddy wish to set forth herein certain further agreements relating to the merger, as follows:

1. Weyerhaeuser, Kieckhefer and Eddy each agrees duly to call a special meeting of its shareholders, to be held not later than April 25, 1957, to consider and act upon the merger.

2. Weyerhaeuser, Kieckhefer and Eddy each represents and warrants that the audited consolidated financial statements for the years 1952-1956, inclusive, which it has heretofore submitted to the other parties fairly present the financial position of itself and its subsidiaries and the results of their operations at the dates and for the periods designated therein, and were prepared in conformity with generally accepted accounting principles applied on a consistent basis throughout the periods involved. Each represents and warrants further that:

(a) Since December 31, 1956 neither it nor any of its subsidiaries (i) has entered into any transaction or incurred any obligation out of the ordinary course of business other than the acquisition by Weyerhaeuser of certain assets from W. A. Woodard Lumber Co. and others in connection therewith, or (ii) has had any adverse change in its business or financial condition or properties, which is material to it and its subsidiaries on a consolidated basis.

(b) Neither it nor any of its subsidiaries has any liabilities (in excess of balance sheet provisions therefor), contingent or otherwise, which are material to it and its subsidiaries on a consolidated basis.

(c) There is no litigation, proceeding or investigation pending or threatened against it or any of its subsidiaries which could result in any material adverse change in the properties, business, financial condition or prospects of it and its subsidiaries on a consolidated basis.

(d) Neither it nor any of its subsidiaries is obligated to purchase any of its shares of stock except that under the terms of an Agreement of Purchase and Sale dated March 20, 1957 between Weyerhaeuser and certain shareholders of Kieckhefer and Eddy, respectively (hereinafter called the "Agreement of Purchase and Sale"), Weyerhaeuser is obligated to purchase, subject to the merger's becoming effective, certain shares of Kieckhefer and of Eddy or, at Weyerhaeuser's election, the number of shares of Weyerhaeuser into which said shares of Kieckhefer and Eddy will be converted by the merger.

3. Kieckhefer and Eddy each agrees that without the prior approval of Weyerhaeuser it and its subsidiaries will not authorize additional capital expenditures prior to the effective date of the merger which when added to capital expenditures authorized since February 6, 1957 will exceed the following amounts respectively:

Kieckhefer and subsidiary	\$5,000,000
Eddy and subsidiaries	2,000,000

4. Weyerhaeuser represents and warrants that it is a corporation duly organized and existing in good standing under the laws of the State of Washington; that its authorized shares of stock consist of 25,000,000 shares of the par value of \$7.50 per share, of which 24,932,072 shares are outstanding and 67,928 shares are held in its treasury; that all of such treasury shares are reserved for sale under existing stock options; that all of such issued shares are legally issued, fully paid and non-assessable; and that there are no outstanding warrants or rights to acquire its shares except pursuant to its existing stock option plan.

5. Kieckhefer represents and warrants that it is a corporation duly organized and existing in good standing under the laws of the State of Delaware; that its authorized shares of stock consist of 30,000 shares of common stock without par value; that 29,889 shares of such stock are outstanding and no shares of such stock are held in its treasury; that all of said outstanding shares are legally issued, fully paid and non-assessable; and that there are no outstanding warrants or rights to acquire its stock.

6. Eddy represents and warrants that it is a corporation duly organized and existing in good standing under the laws of the State of Illinois; that its authorized shares of stock consist of 200,000 shares of common stock without par value; that 181,415 shares of such stock are outstanding, including 26,090 shares held by Kieckhefer, and that 8,634 shares are held in Eddy's treasury; that all of such issued shares are legally issued, fully paid and non-assessable; and that there are no outstanding warrants or rights to acquire its stock.

7. Weyerhaeuser, Kieckhefer and Eddy each agrees that prior to the effective date of the merger:

(a) it will not reclassify its stock or issue or sell any shares of its stock or rights to acquire its stock (except as Weyerhaeuser may issue additional options or sell shares upon the exercise of options heretofore granted pursuant to its existing stock option plan);

(b) it will not make any capital distribution and will not declare or pay any dividends except cash dividends on a proportional basis from January 1, 1957 to the effective date of the merger at the following annual rates per share, respectively: Weyerhaeuser, \$1.00; Kieckhefer, \$36.00; Eddy, \$14.00;

(c) neither it nor any of its subsidiaries will enter into any transaction or incur any obligation out of the ordinary course of business without the prior consent of the other two parties;

(d) it will not purchase or sell any shares of its own stock or the stock of either other party, except that Weyerhaeuser may purchase or sell its own shares pursuant to its stock option plan and may purchase its own shares or shares of Kieckhefer and Eddy under the Agreement of Purchase and Sale; and

(e) it will not sell or permit to be sold any stock of its subsidiary or subsidiaries.

8. Kieckhefer and Eddy each represents and warrants that all contracts and licenses of material importance to its business or the business of any of its subsidiaries are or prior to the effective date of the merger will be assignable to Weyerhaeuser.

9. Kieckhefer and Eddy each agrees it will execute and deliver to Weyerhaeuser at any time concurrently with or after the effective date of the merger any deed, assignment, conveyance or other assurance of title which Weyerhaeuser may request to assure or confirm its title to any property, rights, privileges or franchises to be vested in Weyerhaeuser by virtue of the merger, and will take any further action Weyerhaeuser may request for such purpose or otherwise to carry out the intent and purposes of the merger.

10. Weyerhaeuser, Kieckhefer and Eddy shall each have the right to make any investigations it deems desirable for the purpose of ascertaining the truth and accuracy of any representation and warranty made herein or in the audited consolidated financial statements that have been previously interchanged by the parties or for the purpose of ascertaining whether all agreements made herein by the other parties hereto have been performed.

11. Weyerhaeuser, Kieckhefer and Eddy agree that anything herein to the contrary notwithstanding the merger may be terminated and abandoned, either before or after approval by the shareholders of one or more of the respective corporations has been obtained, as follows:

- (a) by mutual consent of the respective boards of directors of the parties hereto; or
- (b) by the board of directors of any one of the parties hereto if, in the judgment of a majority of its directors, the merger becomes inadvisable or impracticable by reason of the failure to receive a ruling or rulings from the Commissioner of Internal Revenue that the merger and exchange of stock incident thereto will be tax-free as to the corporations and the stockholders who exchange; or
- (c) by the board of directors of Weyerhaeuser if, in the judgment of a majority of its directors, the merger becomes inadvisable or impracticable by reason of:
 - (i) the filing in accordance with the applicable law of the written objections or dissents to the merger by shareholders of Weyerhaeuser, Kieckhefer and Eddy, respectively, or any of them, holding in excess of 100,000 common shares of Weyerhaeuser, assuming in computing the holdings of shareholders of Kieckhefer and Eddy, respectively, that their holdings are equal to the number of shares which they otherwise would have been entitled to receive pursuant to the terms of the merger;
 - (ii) material title defects to a material amount of property of Kieckhefer or Eddy, and its subsidiary or subsidiaries;
 - (iii) the failure of Kieckhefer or Eddy to perform any agreement hereunder;
 - (iv) the inaccuracy or untruth in any material respect of any representation and warranty made herein by Kieckhefer or Eddy;
 - (v) any material adverse change since December 31, 1956 in the consolidated business or financial condition or properties of Kieckhefer or Eddy, and its subsidiary or subsidiaries; or
 - (vi) the failure to render full performance of their respective obligations by every other party to the Agreement of Purchase and Sale, or the failure for any reason by any other such party to sell his shares to Weyerhaeuser as provided therein; or
- (d) by the board of directors of either Kieckhefer or Eddy, if in the judgment of a majority of the directors of either board, the merger becomes inadvisable or impracticable by reason of:
 - (i) material title defects to a material amount of property of Weyerhaeuser and its subsidiaries;
 - (ii) the failure of Weyerhaeuser to perform any agreement hereunder;
 - (iii) the inaccuracy or untruth in any material respect of any representation and warranty made herein by Weyerhaeuser; or
 - (iv) any material adverse change since December 31, 1956 in the consolidated business or financial condition or properties of Weyerhaeuser and its subsidiaries.

12. Weyerhaeuser, Kieckhefer and Eddy each agrees on the day prior to the effective date of the merger to interchange certificates stating that (a) it has complied with all of its agreements herein contained and (b) that all the representations and warranties made by it herein are true and correct as if made as of that date (except as to the numbers of outstanding shares, treasury shares and stock options of Weyerhaeuser, and except for any other changes contemplated by this agreement), and setting forth any material changes in its business or financial condition and the business or financial condition of its subsidiary or subsidiaries since December 31, 1956.

13. Weyerhaeuser, Kieckhefer and Eddy agree that any special meetings of shareholders referred to in paragraph 1 hereof may be adjourned from time to time, prior or subsequent to the taking of action upon the merger, to a later date or dates and that, for any of the reasons set forth in paragraph 11 hereof, the board of directors of any of such corporations may postpone the execution or filing of the Joint Agreement and Plan of Merger or the Articles of Merger in the appropriate State offices; provided that no such adjournment or postponement shall affect any right to terminate or abandon the merger.

14. If the merger shall not become effective or is terminated or abandoned, each party agrees to pay all of its own expenses incurred in connection with the merger, the negotiations leading to the merger and any preparations made for effectuating the merger.

15. This agreement shall no longer bind any party unless the merger shall become effective prior to July 1, 1957, unless extended by mutual agreement.

16. When the merger becomes effective the respective representations and warranties of the parties hereto shall terminate and be of no further force or effect.

IN WITNESS WHEREOF, this agreement has been executed by the parties hereto by their duly authorized officers on the aforesaid date.

WEYERHAEUSER TIMBER COMPANY

By _____
(Vice) President

KIECKHEFER CONTAINER COMPANY

By _____
(Vice) President

THE EDDY PAPER CORPORATION

By _____
(Vice) President

3-18-57

THE EDDY PAPER CORPORATION

919 North Michigan Avenue
Chicago 11, Illinois

March 22, 1957

To the Shareholders of The Eddy Paper Corporation:

The directors of The Eddy Paper Corporation, Kieckhefer Container Company and Weyerhaeuser Timber Company have approved an Agreement and Plan of Merger which, if approved by the shareholders of the three companies, will result in the merger of The Eddy Paper Corporation and Kieckhefer Container Company into Weyerhaeuser Timber Company.

You will find enclosed Notice of Special Meeting of Shareholders to be held on April 23, 1957 to take action with respect to the proposed merger, together with a Statement of Information describing the three companies and the Plan of Merger.

The merger of The Eddy Paper Corporation and Kieckhefer Container Company into Weyerhaeuser Timber Company, which is not a converter, will provide for them an expandable supply of paperboard ample to develop the operation of their converting plants throughout the country. The merged operations of the three companies should provide substantial economies. The merger also will make available to shareholders of this Company a broader and more active market for their stock.

You are urged to attend the meeting in person.

Very truly yours,

JOHN W. KIECKHEFER

Chairman, Board of Directors

THE EDDY PAPER CORPORATION

919 North Michigan Avenue
Chicago 11, Illinois

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS TO BE HELD

April 23, 1957

NOTICE IS HEREBY GIVEN that a special meeting of the shareholders of THE EDDY PAPER CORPORATION will be held at the office of the Company at 919 North Michigan Avenue, Chicago, Illinois on April 23, 1957, at 11:00 o'clock A.M., Central Standard Time, for the following purposes:

1. To consider and act upon a plan of merger of Kieckhefer Container Company, a Delaware corporation, and The Eddy Paper Corporation, an Illinois corporation, into Weyerhaeuser Timber Company, a Washington corporation, as summarized in the Statement of Information accompanying this notice and as set forth in Exhibit A thereto; and
2. To transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

The Board of Directors has fixed the close of business on March 19, 1957 as the record date for the determination of the shareholders of the Company entitled to notice of and to vote at the special meeting or at any adjournment or adjournments thereof.

By order of the Board of Directors,

R. C. MEIER,
Secretary

Dated: March 22, 1957

THE EDDY PAPER CORPORATION

STATEMENT OF INFORMATION, SPECIAL MEETING OF SHAREHOLDERS

April 23, 1957

At the meeting announced in the accompanying Notice of Special Meeting of Shareholders, the shareholders will be asked to consider and act upon the proposed merger of Kieckhefer Container Company (Kieckhefer) and The Eddy Paper Corporation (Eddy) into Weyerhaeuser Timber Company (Weyerhaeuser). The sole purpose of this Statement is to give you information concerning the proposed merger and certain related agreements. The management of Eddy is not soliciting proxies from the shareholders in connection with the meeting. Each of the common shares of Eddy outstanding at the close of business on March 19, 1957 will be entitled to one vote.

PROPOSED MERGER

The respective boards of directors have approved a plan of merger of Kieckhefer and Eddy into Weyerhaeuser, with the latter to be the surviving corporation. The plan of merger is summarized herein and is set forth in the Joint Agreement and Plan of Merger, attached hereto as Exhibit A, which provides for the merger under the laws of Delaware, Illinois and Washington. Each of such companies has also entered into a Memorandum of Agreement, dated March 20, 1957, which is summarized herein and a copy of which is attached hereto as Exhibit B. Approval of the merger requires the affirmative vote of the holders of at least two-thirds of the common shares of each of the three companies.

Conversion of stock

Under the Joint Agreement and Plan of Merger Weyerhaeuser will increase the authorized number of its common shares to 31,000,000. On the effective date of the merger:

- (i) Each common share of Weyerhaeuser then outstanding or in its treasury shall continue unchanged as a common share of the surviving corporation.
- (ii) Each common share of Kieckhefer then outstanding shall be converted into 148 common shares of the surviving corporation.
- (iii) Each common share of Eddy then outstanding shall be converted into 10 common shares of the surviving corporation.

However, on the effective date of the merger each common share of any one of the merging companies then held by either of the other merging companies and each share of Eddy then held in Eddy's treasury shall be cancelled and retired, and no shares of the surviving corporation shall be issued in respect thereof.

Effectiveness of Merger and Exchange of Stock Certificates

The merger will become effective upon the filing and recording of the Joint Agreement and Plan of Merger with the proper authorities in the states of Delaware, Illinois and Washington. Holders of certificates for common stock of Kieckhefer and Eddy may thereafter exchange such certificates for certificates for the appropriate number of common shares of Weyerhaeuser. Dividends payable on common shares of Weyerhaeuser represented by common stock certificates of Kieckhefer or Eddy will be paid only upon the surrender of such certificates for exchange.

Capitalization of Kieckhefer, Eddy, Weyerhaeuser and the Surviving Corporation

The following table shows, as of December 31, 1956, the capitalization of each of the three companies and, pro forma, of Weyerhaeuser as the surviving corporation, giving effect to the merger:

	Outstanding	
	Before Merger	After Merger
Kieckhefer—		
Common stock, without par value; authorized 30,000 shares . . .	29,889 shares	None
Eddy—		
3½% Notes payable to Kieckhefer.....	\$6,900,000	None
Common stock, without par value; authorized 200,000 shares. .	181,415 shares(1)	None
Weyerhaeuser—		
Common shares, par value \$7.50 per share; authorized 25,000,000 shares(4)	24,921,299 shares(2)	30,319,303 shares(2)(3)

- (1) Excluding 8,634 shares held by Eddy in its treasury. Of the 181,415 outstanding shares, 26,090 shares (14.4%) were owned by Kieckhefer.
- (2) Excluding 78,701 shares held by Weyerhaeuser in its treasury, of which 67,581 shares were reserved for sale upon exercise of stock options granted to certain of its officers and employees. The merger will have no effect upon the rights of holders of options.
- (3) Giving effect to the purchase by Weyerhaeuser of shares as set forth below under "Agreement Relating to Stock Purchases by Weyerhaeuser." Such shares are excluded from the total shares to be outstanding.
- (4) The Joint Agreement and Plan of Merger will increase the authorized common shares of Weyerhaeuser from 25,000,000 to 31,000,000.

Description of Common Shares of the Surviving Corporation

Holders of common shares of Weyerhaeuser, the surviving corporation, are entitled to: (a) dividends when and as declared by the Board of Directors, (b) one vote per share, and (c) equal pro rata rights in the event of liquidation. There are no preemptive or conversion rights, redemption or sinking fund provisions, or rights to cumulate votes for the election of directors. All issued and outstanding common shares are fully paid and non-assessable. The foregoing statement is subject to the Articles of Incorporation and By-Laws of Weyerhaeuser and to the applicable statutes and other law of the State of Washington.

Agreement Relating to Stock Purchases by Weyerhaeuser

Under an Agreement of Purchase and Sale, dated March 20, 1957, Weyerhaeuser has agreed to purchase from certain shareholders of Kieckhefer and Eddy and such shareholders have agreed to sell to Weyerhaeuser (1) an aggregate of 2,576 common shares of Kieckhefer at \$5,328 per share and 19,757 common shares of Eddy at \$360 per share, or (2) at the election of Weyerhaeuser, the 578,818 common shares of Weyerhaeuser into

which those shares of Kieckhefer and Eddy would be converted upon the effective date of the merger at \$36 per share. The selling shareholders and the number of shares which they have agreed to sell are as follows:

<u>Selling shareholder</u>	<u>Common shares of</u>		<u>Equivalent in Weyerhaeuser common shares</u>
	<u>Kieckhefer</u>	<u>Eddy</u>	
E. L. Walker, members of his family and trustees of trusts created for the benefit of members of his family.....	2,576	5,769	438,938
Trustees of the Kieckhefer Container Company and North Carolina Pulp Company Employees' Profit Sharing Plan.....	—	7,577	75,770
Trustees of The Eddy Paper Corporation and Rochester Folding Box Company Employees' Profit Sharing Plan.....	—	6,411	64,110
	<u>2,576</u>	<u>19,757</u>	<u>578,818</u>

Mr. E. L. Walker is a director and officer of Kieckhefer and a director and officer of Eddy. Certain directors and officers of Kieckhefer and of Eddy are trustees of and certain of them are among the beneficiaries under the respective Employees' Profit Sharing Plans of Kieckhefer and of Eddy named above as selling shareholders.

AMENDMENTS OF ARTICLES OF INCORPORATION AND BY-LAWS OF WEYERHAEUSER

The Articles of Incorporation of Weyerhaeuser will be amended by the Joint Agreement and Plan of Merger (1) to increase the number of authorized shares from 25,000,000 to 31,000,000, (2) to provide that Weyerhaeuser may purchase, hold and sell its own shares, and (3) to state the terms and conditions upon which the authorized and unissued shares of Weyerhaeuser may be issued, including provisions that such shares may be issued for such consideration in property as the Board of Directors shall determine, without first offering such shares to the shareholders, or for such consideration in cash or services as shall be determined by the shareholders or by the Board of Directors acting under authority hereafter conferred by the shareholders. These terms and conditions, which are identical to those formerly contained in the Articles of Incorporation when Weyerhaeuser had authorized but unissued shares, are set forth in Article Two of the Joint Agreement and Plan of Merger as part of Article III of the Articles of Incorporation of Weyerhaeuser, as amended.

The Joint Agreement and Plan of Merger also provides for an amendment to Article III, Section 1 of the By-Laws of Weyerhaeuser to increase the authorized number of directors from 13 to 15 and for including H. M. Kieckhefer and R. H. Kieckhefer as directors of the surviving corporation, together with the present directors of Weyerhaeuser.

COMPARATIVE FINANCIAL INFORMATION

Summaries of Consolidated Income

The following summaries of consolidated income of Kieckhefer Container Company, The Eddy Paper Corporation and Weyerhaeuser Timber Company, for the five years ended December 31, 1956, have been examined by Arthur Andersen & Co., independent public accountants, whose opinion with respect thereto appears elsewhere herein. The summaries of consolidated income should be read in conjunction with the financial statements and notes thereto included elsewhere herein. Unaudited pro-forma combined summaries of consolidated income of the three companies for the five years ended December 31, 1956, also follow.

SUMMARIES OF CONSOLIDATED INCOME

(000's Omitted)

	Year Ended December 31				
	1952	1953	1954	1955	1956
KIECKHEFER AND SUBSIDIARY—					
Gross sales, less discounts and allowances.....	\$ 54,299	\$ 64,836	\$ 65,629	\$ 78,212	\$ 86,520
Other income (net).....	742	703	907	1,250	1,536
Cost of sales and expenses.....	38,271	48,415	50,334	59,030	67,002
Provision for taxes on income.....	10,698	11,329	8,869	10,412	10,955
Minority interest.....	—	—	—	313	412
Net income.....	<u>6,072</u>	<u>5,795</u>	<u>7,333</u>	<u>9,707</u>	<u>9,687</u>
Per common share:					
Net income.....	\$ 205.96	\$ 196.53	\$ 248.69	\$ 324.78	\$ 324.11
Dividends.....	<u>24.00</u>	<u>24.00</u>	<u>24.00</u>	<u>24.00</u>	<u>27.00</u>
EDDY AND SUBSIDIARIES—					
Gross sales, less discounts and allowances.....	\$ 40,908	\$ 44,249	\$ 43,481	\$ 44,770	\$ 45,950
Other income (net).....	224	682	315	207	(39)
Cost of sales and expenses.....	32,651	36,208	36,889	37,862	37,825
Provision for taxes on income.....	4,952	4,880	3,615	3,700	4,220
Net income.....	<u>3,529</u>	<u>3,843</u>	<u>3,292</u>	<u>3,415</u>	<u>3,866</u>
Per common share:					
Net income.....	\$ 20.83	\$ 22.68	\$ 19.43	\$ 18.82	\$ 21.31
Dividends.....	<u>12.00</u>	<u>12.00</u>	<u>12.00</u>	<u>12.00</u>	<u>14.00</u>
WEYERHAEUSER AND SUBSIDIARIES*—					
Gross sales, less discounts and allowances.....	\$239,536	\$257,516	\$262,497	\$316,733	\$324,129
Other income (net).....	5,044	6,682	6,571	7,702	7,405
Cost of sales and expenses.....	183,605	201,399	209,262	243,107	253,756
Provision for taxes on income.....	24,799	26,457	24,296	32,087	26,331
Net income.....	<u>36,176</u>	<u>36,342</u>	<u>35,510</u>	<u>49,241</u>	<u>51,447</u>
Per common share:**					
Net income.....	\$ 1.45	\$ 1.46	\$ 1.43	\$ 1.98	\$ 2.06
Dividends.....	<u>.625</u>	<u>.625</u>	<u>.75</u>	<u>1.00</u>	<u>1.00</u>

*Excluding 1952 and 1953 results of operations of Wood Conversion Company, a former subsidiary; Weyerhaeuser's interest in this company was distributed to its shareholders on November 30, 1953.

**Adjusted to give effect to the 4-for-1 stock split on December 30, 1955.

UNAUDITED PRO FORMA COMBINED SUMMARIES OF CONSOLIDATED INCOME OF MERGING COMPANIES*

	Year Ended December 31				
	1952	1953	1954	1955	1956
Gross sales, less discounts and allowances.....	\$329,318	\$353,295	\$359,357	\$425,787	\$435,069
Other income (net).....	5,072	7,129	6,855	8,221	7,912
Cost of sales and expenses.....	249,178	273,011	284,227	325,972	337,332
Provision for taxes on income.....	40,124	42,341	36,455	45,874	41,181
Net income.....	<u>45,088</u>	<u>45,072</u>	<u>45,530</u>	<u>62,162</u>	<u>64,468</u>
Net income per share (based on 30,319,303 shares)..	<u>\$1.49</u>	<u>\$1.49</u>	<u>\$1.50</u>	<u>\$2.05</u>	<u>\$2.13</u>

*Adjusted to eliminate intergroup sales, purchases, etc.

Market Prices of Common Shares of Weyerhaeuser and Eddy

The high and low sales prices (as reported by The Commercial and Financial Chronicle) of the common stock of Eddy on the Midwest Stock Exchange since January 1, 1955, and the range of the bid prices of the common shares of Weyerhaeuser in the over-the-counter market (as reported by The National Quotation Bureau Inc.) since January 1, 1955, are set forth below:

		Weyerhaeuser— Bid Prices (1)	Eddy	
			High	Low
1955	First Quarter.....	28 ⁵ / ₈ –25 ³ / ₈	210	185
	Second Quarter.....	32 –28 ¹ / ₄	208	196
	Third Quarter.....	37 ³ / ₈ –31 ¹ / ₄	240	201 ¹ / ₂
	Fourth Quarter.....	42 ⁵ / ₈ –32 ¹ / ₂	220	200
1956	First Quarter.....	43 –37 ³ / ₄	240	200
	Second Quarter.....	42 ¹ / ₄ –38 ¹ / ₄	245	220
	Third Quarter.....	42 ³ / ₄ –37 ¹ / ₂	243	237
	Fourth Quarter.....	38 ¹ / ₄ –34 ¹ / ₂	248 ¹ / ₂	234
1957	First Quarter (through March 13, 1957).....	38 ¹ / ₂ –34	350	246

(1) Adjusted to give effect to the 4-for-1 stock split on December 30, 1955.

As of March 13, 1957 the last sale price of the common stock of Eddy on the Midwest Stock Exchange (March 8) was \$315 a share and the reported bid price of the common shares of Weyerhaeuser in the over-the-counter market was 34³/₄.

The common stock of Kieckhefer is not publicly quoted or traded.

BUSINESS OF KIECKHEFER

Kieckhefer Container Company was incorporated under the laws of the State of Delaware on December 21, 1923, as successor to a business originally established about 1900. Principal executive offices are located at 7200 Westfield Avenue, Pennsauken, N. J.

Kieckhefer, together with its subsidiary North Carolina Pulp Company (owned 80% by Kieckhefer and 20% by Eddy and a wholly-owned subsidiary), is engaged principally in the production and sale of corrugated shipping containers, milk cartons, and bleached and unbleached paperboard. For the year 1956, sales of shipping containers accounted for approximately 50%, sales of milk cartons accounted for approximately 34%, and sales of paperboard (principally to Eddy) accounted for approximately 16% of Kieckhefer's total consolidated sales.

Production and Properties

A kraft pulp and paperboard mill, located at Plymouth, N. C., has a present annual productive capacity of approximately 450,000 tons of paperboard, having been substantially expanded in 1955 and 1956 through the installation of a new 700 tons per day linerboard machine and the removal of a smaller old machine.

Kieckhefer has a jute paperboard mill at Delair, N. J., with an annual productive capacity of approximately 80,000 tons, which supplements the paperboard production of the Plymouth mill.

Substantially all of the bleached board produced by the Plymouth mill, together with purchases of bleached board from others, is used by Kieckhefer in production of its milk cartons. Substantially all of the unbleached containerboard produced by the Plymouth and Delair mills, supplemented by purchases, is used by Kieckhefer or sold to Eddy for the production of shipping containers.

Figures of production, purchase, usage and sale of paperboard by Kieckhefer for the past five years were as follows (in tons):

	1952	1953	1954	1955	1956
Unbleached Containerboard					
Produced.....	218,448	242,874	234,968	256,929	295,794
Purchased.....	16,594	41,129	43,684	46,726	70,523
Total Produced and Purchased.....	<u>235,042</u>	<u>284,003</u>	<u>278,652</u>	<u>303,655</u>	<u>366,317</u>
Consumed.....	162,515	191,606	197,059	230,374	228,904
Sold to Eddy.....	48,683	59,523	51,219	61,213	106,878
Sold to Others.....	25,255	29,991	22,377	27,008	20,218
Total Consumed and Sold.....	<u>236,453</u>	<u>281,120</u>	<u>270,655</u>	<u>318,595</u>	<u>356,000</u>
Bleached Board					
Produced.....	63,481	60,951	63,598	66,599	72,612
Purchased.....	3,953	26,105	32,004	36,640	45,973
Total Produced and Purchased.....	<u>67,434</u>	<u>87,056</u>	<u>95,602</u>	<u>103,239</u>	<u>118,585</u>
Consumed.....	55,886	58,305	64,007	92,786	105,048
Sold to Eddy.....	7,560	12,881	16,363	569	—
Sold to Others.....	5,388	18,367	14,082	7,676	11,880
Total Consumed and Sold.....	<u>68,834</u>	<u>89,553</u>	<u>94,452</u>	<u>101,031</u>	<u>116,928</u>

Kieckhefer operates shipping container and milk carton plants throughout the United States, strategically located to serve markets where there is a large demand. Generally speaking, the shipping container plants are along the Eastern, Gulf and Pacific Coasts and the milk carton plants are located throughout the United States.

Kieckhefer owns and operates 9 converting plants producing corrugated and solid fibre shipping containers, with aggregate floor area of approximately 1,450,000 square feet, at the following locations: Westbrook, Me.; Baltimore, Md.; Delair, N.J.; Parkersburg, W.Va.; Tampa, Fla.; New Orleans, La.; Alameda and Colton, Calif.; and Yakima, Wash. These plants together in 1956 produced shipping containers representing about 2,850 million square feet of containerboard.

Kieckhefer also operates 10 converting plants producing milk cartons, with aggregate floor area of approximately 675,000 square feet, as follows: Camden, N.J.; Jacksonville, Fla.; Seymour, Ind.; Carpentersville, Ill. (under construction); Three Rivers, Mich.; Hastings, Neb.; Garland, Tex.; Salt Lake City, Utah; Whittier, Calif.; and Vancouver, Wash. All of these milk carton plants are owned by Kieckhefer, with the exception of the Three Rivers plant which is leased from Eddy and the Salt Lake City plant which is leased from others.

While most of the paperboard requirements for Kieckhefer's converting plants is obtained from the Plymouth and Delair mills, Kieckhefer purchases some paperboard from others (including Weyerhaeuser), particularly for its West Coast plants.

In addition to its manufacturing facilities Kieckhefer operates owned warehouses at McAllen and Houston, Tex. and at San Jose, Calif., and a leased warehouse at Los Angeles, Calif.

Sales offices for both the milk carton and shipping container divisions are maintained in each of such divisions' plants and, for the shipping container division, also at New York City and Buffalo, N.Y.; San Francisco and Los Angeles, Calif.; Seattle, Wash.; and Malden, Mass.

Approximately 406,000 acres of timberlands are owned in connection with the Plymouth kraft pulp and paperboard mill. Most of this acreage is in North Carolina with minor portions in Virginia and Maryland. Kieckhefer estimates that approximately 355,000 of such acres are covered principally with pine, 38,000 acres

are covered principally with hardwoods, and 13,000 acres are presently untimbered. Kieckhefer estimates that present annual growth on these lands amounts to approximately 418,000 cords. Most of the pulpwood requirements for the Plymouth mill are presently purchased from others and only a minor portion is harvested from owned timberlands.

Substantially all of Kieckhefer's milk carton production has been manufactured and sold under the name "Pure-Pak," pursuant to a non-exclusive license from Ex-Cell-O Corporation. Kieckhefer is one of four companies presently licensed to produce Pure-Pak milk cartons in the United States. Under its license arrangement, Kieckhefer pays a royalty of 2% of its net sales of Pure-Pak milk cartons. In addition, Kieckhefer presently pays to Ex-Cell-O an advertising allowance of 5¢ per 1,000 cartons for use in the promotion of Pure-Pak cartons.

Sales and Distribution

Consolidated sales (before deduction of sales discounts) of Kieckhefer for the past five years, by principal products, are summarized below (in thousands of dollars):

	Shipping Containers	Milk Cartons	Paperboard	Total
1952.....	\$31,965	\$13,541	\$ 9,340	\$54,846
1953.....	36,737	14,444	14,285	65,466
1954.....	37,030	16,696	12,559	66,285
1955.....	42,625	25,449	10,924	78,998
1956.....	43,678	29,434	14,206	87,318

Sales of both shipping containers and milk cartons are made direct to customers by Kieckhefer's own sales force of approximately 100 salesmen. In the case of milk cartons, customers are principally dairies. Shipping containers are sold principally to manufacturers and processors who use them to pack and ship their products. Kieckhefer estimates that it presently accounts for approximately 3% of the United States corrugated shipping container business. Although reliable figures are not available for the industry, Kieckhefer estimates that it may presently account for as much as 20% of the total United States milk carton business.

Recent Developments

During the five years 1952-1956, inclusive, Kieckhefer expended approximately \$42,600,000 for new plants and properties, including timberlands, and for the expansion and modernization of existing plants and facilities, the principal items of which follow:

Purchase of timberlands.....	\$10,900,000
Plant additions (including new paper machine) at Plymouth pulp and paperboard mill.....	17,400,000
Nine new converting plants.....	11,900,000

During the same five-year period Kieckhefer made retirements from its gross property account of approximately \$3,400,000.

Relationship with Eddy

For many years there has been a close relationship between Kieckhefer and Eddy. Kieckhefer owns 26,090 shares (14.4%) of Eddy's outstanding common stock and certain members of the Kieckhefer family also have substantial stockholdings in Eddy. Eddy is in the shipping container and folding carton businesses with plants located principally in the Midwest section of the United States. Kieckhefer and Eddy have, for many years, followed the practice of selling shipping containers for each other, on a commission basis, where orders or parts of orders received could be handled more economically by the other company. In 1954 Eddy purchased from North Carolina Pulp Company for \$17,000,000 cash, 1,000 shares (a 20% stock interest)

of North Carolina Pulp. These funds were used by North Carolina Pulp for expansion of the Plymouth mill. Eddy has a contract to buy from North Carolina Pulp a major portion of Eddy's requirements for paperboard, on a cost-plus basis.

In connection with Eddy's purchase of North Carolina Pulp shares, Kieckhefer loaned to Eddy \$11,000,000. At December 31, 1956, this loan had been reduced to \$6,900,000.

Directors and Officers

The following are the directors and officers of Kieckhefer:

J. W. Kieckhefer	Director; Chairman of Board
H. M. Kieckhefer	Director; President
J. A. Auchter	Director; Vice-President; Assistant Treasurer; Assistant Secretary
C. H. Carpenter	Director; Vice-President
S. B. Clark	Director; Vice-President
R. H. Kieckhefer	Director
W. F. Kieckhefer	Director; Treasurer; Secretary
E. L. Walker	Director; Vice-President
D. C. Will	Director; Vice-President
V. D. Donahue	Vice-President; Comptroller
L. G. Lea	Vice-President
J. W. Seeger	Vice-President

Shareholders

As of March 13, 1957 there were approximately 110 shareholders of Kieckhefer. The outstanding 29,889 shares of common stock are owned largely by various individual members of or trusts for members of the Kieckhefer family. Certain of the foregoing are holders of more than 10% of the outstanding common stock.

Employees

As of December 31, 1956 Kieckhefer and its subsidiary had a total of approximately 4,000 employees. Most of the plant employees are members of unions. Kieckhefer believes that its relations with its employees are generally satisfactory.

BUSINESS OF EDDY

The Eddy Paper Corporation was incorporated under the laws of the State of Illinois on November 14, 1922, as successor to Eddy Paper Company which had originally been established in 1906. Its principal executive offices are located at 919 N. Michigan Avenue, Chicago, Ill.

Eddy and its two wholly-owned subsidiaries, Rochester Folding Box Company and Gereke-Allen Carton Company, are engaged principally in the production and sale of corrugated shipping containers, boxboard, and folding cartons, principally in the north Midwest section of the United States. For the year 1956, sales of shipping containers accounted for approximately 75% of Eddy's total sales.

Production and Properties

Eddy owns a boxboard mill, located at White Pigeon, Mich., with an annual production capacity of approximately 60,000 tons. Production of this mill for the past five years has been as follows (in tons):

1952.....	45,445
1953.....	45,179
1954.....	48,991
1955.....	50,891
1956.....	53,786

Approximately 17% of the boxboard production of this mill is used in the folding carton plants of Eddy's subsidiaries and approximately 83% is sold to other manufacturers.

Eddy and its subsidiaries own and operate 8 converting plants producing corrugated shipping containers, with aggregate floor area of approximately 1,500,000 square feet, as follows: Rochester, N.Y.; Belleville and Rockford, Ill.; Three Rivers and Detroit, Mich.; Manitowoc, Wis.; Cedar Rapids, Iowa; and Austin, Minn. These plants now purchase their containerboard requirements largely from Kieckhefer and its subsidiary. These plants together in 1956 produced corrugated shipping containers representing approximately 2,100 million square feet of containerboard.

Eddy's subsidiaries operate 2 converting plants producing folding cartons, with aggregate floor area of approximately 185,000 square feet. The plant located at Rochester, N.Y. is owned and the one at St. Louis, Mo. is leased. These plants obtain substantially all of their boxboard requirements from the White Pigeon mill. In 1956 these plants together produced approximately 9,800 tons of cartons.

Eddy purchased in 1955 for \$317,000 a 50% common stock interest in Ace Folding Box Corporation, of Middlebury, Ind., which is carried as an investment on its balance sheet. Ace's boxboard requirements are also furnished in large part from the White Pigeon mill.

Sales

Consolidated sales (before deduction of sales discounts) of Eddy for the past five years, by principal products, have been as follows (in thousands of dollars):

	<u>Corrugated Shipping Containers</u>	<u>Folding Cartons</u>	<u>Boxboard</u>	<u>Milk Cartons</u>	<u>Total</u>
1952.....	\$30,443	\$3,638	\$5,860	\$1,292	\$41,233
1953.....	32,052	4,131	5,565	2,861	44,609
1954.....	30,247	4,041	5,490	4,071	43,849
1955.....	34,699	4,373	6,035	—	45,107
1956.....	34,699	5,002	6,583	—	46,284

Sales are made by Eddy's and its subsidiaries' own sales forces of about 65 persons. Corrugated shipping containers are sold principally to manufacturers and processors who use them to pack and ship their products. Folding cartons are sold direct to customers chiefly for packaging and display of their retail products. Boxboard is sold to other carton manufacturers, including Ace. Eddy estimates that it accounts for about 2% of the corrugated shipping container business in the United States. It is a relatively minor factor in the folding carton and boxboard fields.

Recent Developments

During the five years 1952-1956, inclusive, Eddy spent approximately \$7,500,000 on expansion and improvement of its properties and plants, and during the same period made gross retirements from its property account of approximately \$2,600,000. The principal single property addition during this period was the construction in 1954 of a new corrugated shipping container plant at Austin, Minn.

Also during this period, Eddy acquired a 20% stock interest in North Carolina Pulp Company at a cost of \$17,000,000, as described above under "Business of Kieckhefer—Relationship with Eddy".

Officers and Directors

The following are the directors and officers of Eddy:

J. W. Kieckhefer	Director; Chairman of Board
W. F. Kieckhefer	Director; President
E. F. Gereke	Director; Vice President
Anthony Haines	Director; Vice-President
H. M. Kieckhefer	Director
George H. Kiefer	Director
Erwin K. Radke	Director; Vice-President
Nicholas Scharff	Director; Vice-President
Karl W. Schneider	Director; Vice-President
E. L. Walker	Director; Vice-President
Thomas E. Morriss	Vice-President
R. C. Meier	Treasurer; Secretary

Shareholders

As of March 13, 1957 Eddy's shareholders numbered approximately 1,000. Of Eddy's 181,415 shares of common stock outstanding, 26,090 shares (14.4%) are owned by Kieckhefer. A substantial amount of the remaining shares is owned by various members of or trusts for members of the Kieckhefer family and by the trustees of the Kieckhefer and Eddy employees' profit sharing plans mentioned above under "Proposed Merger-Agreement Relating to Stock Purchases by Weyerhaeuser," but no such individual holder owns beneficially more than 10% of Eddy's shares.

Employees

As of December 31, 1956, Eddy and its subsidiaries had a total of approximately 1,900 employees. Most of the plant employees are members of unions. Eddy believes that its relations with its employees are generally satisfactory.

BUSINESS OF WEYERHAEUSER

Weyerhaeuser Timber Company was incorporated under the laws of the State of Washington on January 18, 1900. Principal executive offices are located in the Tacoma Building, Tacoma, Wash.

Weyerhaeuser and its subsidiaries are engaged in the ownership and management of timberlands, the growing and harvesting of timber and its conversion into those products which will best utilize the economic value of the wood supply. Currently, this involves the manufacture, distribution and sale of lumber, plywood, pulp, paperboard, hardboard, and other wood fibre and bark products. Diversification of its products and expansion and integration of its manufacturing facilities have enabled Weyerhaeuser to increase the utilization of its timber resources. Continuing research is being carried on in the fields of forestry and product development.

Timber and Timberlands

Weyerhaeuser owns in fee in the States of Washington, Oregon and California approximately 2,695,000 acres of forest lands, of which approximately 2,111,000 acres are in the Douglas Fir region of western Washington and Oregon and 584,000 acres are in the Western Pine region (556,000 acres in south central Oregon east of the Cascades and 28,000 acres in northern California).

Late in 1956 Weyerhaeuser undertook a program of acquiring timberlands in Mississippi and Alabama to help support a pulp mill planned for construction in the future on a site near Columbus, Miss. Weyerhaeuser believes that the merger with Kieckhefer and Eddy may accelerate this program.

The determination of the amount of merchantable timber on Weyerhaeuser's lands is a continuing process. The definition of merchantable timber changes with improvement in utilization practices and is affected by existing economic conditions. Calculations based on the most recent data available indicate that the volume of merchantable timber is approximately 60 billion board feet (Scribner Log Scale). The Scribner Log Scale was designed to measure the volume of timber in terms of the quantity of commercial lumber a log will produce. Customarily, the number of board feet of lumber produced from a log exceeds its Scribner Log Scale measure. Further, the Scribner Log Scale gives no recognition of other wood supply not suitable for producing lumber but usable for production of wood chips for pulp and other products.

It is Weyerhaeuser's basic policy so to manage its lands that they shall provide a continuous supply of wood for the future. Continuing calculations are made to determine the quantity of timber which can be cut annually and still assure the sustained production of raw material. Based on current calculations and present utilization and reforestation practices, the quantity which can be cut annually is approximately 1.3 billion board feet (Scribner Log Scale). The quantity actually cut from year to year is also influenced by current economic conditions.

Weyerhaeuser anticipates that it will be necessary from time to time to adjust its annual cut to give effect to material changes in growth and yield experience, utilization, and casualty losses including fire and insect infestation.

There will be a material decrease in the age and size of the average tree harvested after the present mature timber supply has been depleted. However, Weyerhaeuser estimates that the physical volume of timber available annually at that time will be somewhat greater than the presently calculated annual cut.

Intermingled with and adjacent to Weyerhaeuser holdings are substantial quantities of timber publicly owned or privately owned by others, some of which will be offered for sale from time to time. It is the intention of Weyerhaeuser to purchase some of such timber as it becomes available, the quantity of which will not be significant in relation to its own timber supply.

Timberlands presently being acquired in Mississippi and Alabama have been heavily logged and some have been repeatedly burned. An intensive rehabilitation program will be started promptly to restore the lands to their maximum productivity.

Wood Supply

The following table shows the past five years' supply of logs and pulpwood made available to Weyerhaeuser's mills, including that produced from purchased timber:

	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>
Logs—(million board feet Scribner Log Scale)					
Produced					
From fee lands.....	925	932	937	1,116	1,208
From purchased timber.....	138	180	109	149	212
	<u>1,063</u>	<u>1,112</u>	<u>1,046</u>	<u>1,265</u>	<u>1,420</u>
Purchased logs (net).....	93	87	90	49	44
	<u>1,156</u>	<u>1,199</u>	<u>1,136</u>	<u>1,314</u>	<u>1,464</u>
Produced logs by species—					
Douglas Fir.....	638	689	642	743	786
Hemlock.....	215	210	193	246	333
Ponderosa Pine.....	88	96	102	105	102
Cedar.....	58	53	48	75	85
Other.....	64	64	61	96	114
	<u>1,063</u>	<u>1,112</u>	<u>1,046</u>	<u>1,265</u>	<u>1,420</u>
PULPWOOD—(thousand cords):					
Produced.....	52	45	120	193	213
Purchased.....	10	4	15	97	238
	<u>62</u>	<u>49</u>	<u>135</u>	<u>290</u>	<u>451</u>

Wood chips for Weyerhaeuser's pulp mills are produced in part from logs of a size, species or quality more suitable for this use than for lumber or plywood, in part from pulpwood and the remainder from residuals from Weyerhaeuser's saw mills and plywood plants. The quantity of wood chips produced in the past five years is shown below:

	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>
WOOD CHIPS—(thousand air dry tons):					
Produced from—					
Logs and pulpwood.....	631	746	881	829	882
Mill residuals.....	410	524	552	813	844
	<u>1,041</u>	<u>1,270</u>	<u>1,433</u>	<u>1,642</u>	<u>1,726</u>
Purchased (net).....	(80)	(58)	7	10	21
Total.....	<u>961</u>	<u>1,212</u>	<u>1,440</u>	<u>1,652</u>	<u>1,747</u>

Manufacturing

Weyerhaeuser has followed a policy of grouping its production facilities at manufacturing centers conveniently located in relation to the timberland furnishing the wood supply. There are 10 such centers located in the States of Washington and Oregon. The integration of mills producing lumber, plywood, pulp, paper-board and other products facilitates making the most economical utilization of the forest harvest.

Lumber—Lumber is produced in a wide variety of kinds and grades, emphasis being placed on quality of product, made possible in part by providing facilities for kiln drying and surfacing. Weyerhaeuser's lumber production is estimated to represent about 3% of the total for the United States. Weyerhaeuser's lumber production for the past five years is shown in the following table (expressed in thousand board feet):

1952.....	1,046,000
1953.....	1,117,000
1954.....	973,000
1955.....	1,193,000
1956.....	1,194,000

Plywood—Weyerhaeuser estimates that it accounts for approximately 2½% of the total United States production of Douglas fir plywood. Weyerhaeuser's plywood production for the past five years is shown in the following table (expressed in thousand square feet—¾" basis):

1952.....	80,000
1953.....	116,000
1954.....	104,000
1955.....	130,000
1956.....	134,000

Pulp and Paperboard—Weyerhaeuser estimates that it produces something less than 4% of the total United States supply (including net imports) of chemical and semi-chemical pulp.

Weyerhaeuser utilized in 1956 approximately 41% of its pulp in its own manufacture of bleached paperboard and unbleached containerboard, and sold the remaining approximately 59% to others. Weyerhaeuser's pulp and board production for the past five years is shown in the following table (expressed in tons):

	Sold as Pulp		Bleached Paperboard	Unbleached Containerboard	Total
	Sulphite	Kraft			
1952	201,996	91,942	6,899	87,083	387,920
1953	201,617	127,875	38,900	118,188	486,580
1954	210,027	187,500	56,136	123,470	577,133
1955	214,771	195,304	75,795	177,149	663,019
1956	222,317	206,440	82,295	208,318	719,370

Other Products—Weyerhaeuser manufactures a variety of other products, including hardboard, particle board, ply veneer, wood fibre and bark products, using principally residuals from its sawmills and plywood plants.

Sales and Distribution

Net sales of Weyerhaeuser for the past five years, classified by principal products, are summarized below (in millions of dollars):

	<u>Lumber</u>	<u>Pulp and Paperboard</u>	<u>Plywood</u>	<u>Other</u>	<u>Total</u>
1952*.....	\$156.8	\$ 54.6	\$10.0	\$18.1	\$239.5
1953*.....	156.5	69.3	14.2	17.5	257.5
1954.....	150.1	82.8	12.9	16.7	262.5
1955.....	180.5	96.9	18.3	21.0	316.7
1956.....	177.9	106.7	16.0	23.5	324.1

*Excluding sales of \$20.5 million in 1952 and \$19.3 million in 1953 by Wood Conversion Company, a former subsidiary Weyerhaeuser's interest in this company was distributed to its shareholders on November 30, 1953.

Sales of lumber and plywood include products purchased by Weyerhaeuser from others in order to supply a more complete line to customers. In 1956, products so purchased for resale represented approximately 24% of lumber and 22% of plywood sales. A substantial portion of these purchases was made from one company.

Weyerhaeuser Sales Company, a wholly-owned subsidiary, with headquarters in St. Paul, Minn., is Weyerhaeuser's principal distribution organization dealing in lumber, plywood and related products. Pulp, paperboard, and certain fibre and bark products are sold by separate sales departments.

Lumber and Plywood—Weyerhaeuser's lumber and plywood sales represent principally (1) direct shipment sales from its mills to customers, (2) sales from Weyerhaeuser's nine wholesale distributing yards, and (3) sales from Weyerhaeuser's 87 retail yards.

Lumber and plywood shipments in 1956, by major classes of customers, were approximately as follows:

	<u>Lumber</u>	<u>Plywood</u>
Retail Yards*.....	74.6%	54.8%
Wholesalers.....	9.2	32.4
Industrial.....	11.7	9.2
Other.....	4.5	3.6
	<u>100.0%</u>	<u>100.0%</u>

*Includes sales through Weyerhaeuser's own retail yards.

Pulp and Paperboard—No one customer accounted for as much as 10% of Weyerhaeuser's pulp sales in 1956. A small, but increasing, amount of pulp has been sold in the export market.

Kieckhefer purchased approximately 46% and two other companies together approximately 29% of Weyerhaeuser's 1956 bleached paperboard production. Kieckhefer purchased approximately 21% and one other company approximately 26% of Weyerhaeuser's 1956 unbleached containerboard production.

Transportation

Weyerhaeuser Steamship Company, a wholly-owned subsidiary, owns and operates eight Liberty ships as a common carrier in the intercoastal trade, carrying principally lumber eastbound and general cargo westbound. Columbia & Cowlitz Railway Company, another wholly-owned subsidiary, operates as a common carrier from a junction with main line railroads in Washington to a terminal near Weyerhaeuser's Longview, Wash. plant.

Properties

In addition to its timberlands described above, Weyerhaeuser has manufacturing and other properties as indicated below.

Manufacturing Plants

LUMBER—	No. of Mills	Capacity per 8-hour shift (thousand board feet)
Aberdeen, Wash.	1	160
Enumclaw, Wash.	1	340
Everett, Wash.	2	480
Longview, Wash.	3	950
Raymond, Wash.	1	150
Snoqualmie Falls, Wash.	2	350
Cottage Grove, Ore.	1	150
Klamath Falls, Ore.	1	350
North Bend, Ore.	1	360
Springfield, Ore.	1	310
		<u>3,600</u>

PLYWOOD—	Annual Capacity (Thousand Square feet— $\frac{3}{8}$ " basis)
Longview, Wash.....	75,000
Cottage Grove, Ore.....	55,000
Springfield, Ore.....	55,000
	<u>185,000</u>

PULP AND PAPERBOARD (daily capacities—tons)—

	Pulp		Bleached Paperboard	Unbleached Containerboard	Total
	Sulphite	Kraft			
Cosmopolis, Wash.....	400	—	—	—	400
Everett, Wash.....	310	340	—	—	650
Longview, Wash.....	350	250	350	180	1,130
Springfield, Ore.....	—	—	—	450	450
	<u>1,060</u>	<u>590</u>	<u>350</u>	<u>630</u>	<u>2,630</u>

SPECIAL PRODUCTS—

	Annual Capacity
Longview, Wash.—bark products.....	10,000 tons
Snoqualmie Falls, Wash.—fibre products.....	15,000 tons
Klamath Falls, Ore.—hardboard.....	80,000,000 sq. ft. ($\frac{1}{8}$ " basis)
North Bend, Ore.—particle board.....	15,000,000 sq. ft. ($\frac{3}{4}$ " basis)
Springfield, Ore.—ply-veneer.....	40,000,000 sq. ft. ($\frac{1}{8}$ " basis)

A chemical plant for production of the major portion of Weyerhaeuser's requirements of chlorine and caustic soda is located on the plant site at Longview, Wash.

Distribution Properties

Weyerhaeuser's nine wholesale distributing yards are located at Baltimore, Md.; Newark and Freehold, N. J.; Portsmouth, R. I.; Philadelphia, Pa.; Boston, Mass.; St. Paul, Minn.; Louisville, Ky.; and Los Angeles, Calif. Six of such yards are owned in fee and three are located on leased land.

Weyerhaeuser's 87 retail yards are located in Iowa, Minnesota, Montana, North Dakota and South Dakota, some of which are on leased land.

Recent Developments

During the five years 1952-1956, inclusive, Weyerhaeuser expended approximately \$169,000,000 for new plants and facilities and for expansion and modernization of existing plants and facilities. Approximately 17% of such total represented facilities for lumber and plywood, 54% for pulp and paperboard, 19% for logging equipment and roads, and 10% for all other. During the same five year period, Weyerhaeuser made retirements from its gross property account of approximately \$21,000,000.

Principal plant expansion or acquisition during the five year period included the following:

Longview, Wash.—Substantial increase in kraft pulp production capacity, new bleached paperboard plant, new unbleached containerboard plant and new chemical plant.

Springfield, Ore.—New plywood and ply-veneer plants and expansion of unbleached containerboard capacity.

Raymond, Wash.—New lumber mill to replace old facilities.

Everett, Wash.—New kraft pulp mill.

Klamath Falls, Ore.—New hardboard plant.

Snoqualmie Falls, Wash.—New fibre products plant.

North Bend, Ore.—New particle board plant.

Cosmopolis, Wash.—New sulphite pulp mill.

Aberdeen, Wash.—Lumber mill purchased.

During the five years 1952-1956, inclusive, Weyerhaeuser expended approximately \$13,000,000 for the acquisition of timberlands.

In December, 1954, the R-W Paper Company was organized for the purpose of manufacturing and selling glassine and greaseproof papers. This company's mill was constructed at Longview, Wash., and is supplied with pulp from Weyerhaeuser's adjoining pulp mill. The mill, with initial annual capacity of 10,000 tons, commenced production in June 1956. The capital stock of the R-W Paper Company is owned 50% by Weyerhaeuser and 50% by Rhinelander Paper Company, a subsidiary of St. Regis Paper Company.

In January 1957, Weyerhaeuser purchased a lumber mill, plywood mill and related facilities at Cottage Grove, Ore. (the capacities of which are shown on page 15), together with approximately 55,000 acres of timberlands in that area, most of which is cutover land.

Directors and Officers

The following are the directors and executive officers of Weyerhaeuser:

Laird Bell	Director
Carleton Blunt	Director
*Norton Clapp	Director; Chairman of Board
Edmond M. Cook	Director
O. D. Fisher	Director
*Edmund Hayes	Director; Chairman of Executive Committee
*Chas. H. Ingram	Director; Executive Vice-President
Henry T. McKnight	Director
*John M. Musser	Director; Vice-President
F. W. Reimers	Director
C. D. Weyerhaeuser	Director
*F. K. Weyerhaeuser	Director; President
J. P. Weyerhaeuser III	Director
W. P. Gullander	Vice-President
Howard W. Morgan	Vice-President
Joseph E. Nolan	Vice-President; General Counsel
Robert W. Boyd	Controller
George S. Long, Jr.	Secretary
H. E. Nelson	Treasurer

*Member of Executive Committee.

The directors of the surviving corporation will be the directors of Weyerhaeuser and H. M. Kieckhefer and R. H. Kieckhefer.

Shareholders

As of March 13, 1957 there were approximately 7,500 shareholders of Weyerhaeuser. No one person holds of record or is known by Weyerhaeuser to own beneficially as much as 10% of Weyerhaeuser's common shares. Each director and executive officer is a beneficial holder of common shares and certain directors and officers, together with members of their immediate families, are beneficial and record holders of a substantial number of common shares.

Employees

As of December 31, 1956 Weyerhaeuser and subsidiaries had a total of approximately 14,500 employees. Most of the plant employees are members of unions. During 1954 an industry-wide strike resulted in a 9 to 12 week shutdown of most of Weyerhaeuser's logging, lumber and plywood operations. Weyerhaeuser believes that its relations with its employees are generally satisfactory.

RIGHT TO ABANDON MERGER

The Memorandum of Agreement (Exhibit B) provides that the merger may be terminated and abandoned, either before or after approval of the shareholders of one or more of the respective corporations has been obtained:

(a) by mutual consent of the respective boards of directors of the corporations.

(b) by the Board of Directors of any one of the corporations if, in the judgment of a majority of its directors, the merger becomes inadvisable or impracticable by reason of the failure to receive a ruling from the Commissioner of Internal Revenue that the merger and exchange of stock incident thereto will be tax-free as to the corporations and the stockholders who exchange.

(c) by the Board of Directors of Weyerhaeuser if, in the judgment of a majority of its directors, the merger becomes inadvisable or impracticable by reason of:

(i) the filing in accordance with the applicable law of the written objections or dissents to the merger by shareholders of Weyerhaeuser, Kieckhefer and Eddy, respectively, or any of them, holding in excess of 100,000 common shares of Weyerhaeuser, assuming in computing the holdings of shareholders of Kieckhefer and Eddy, respectively, that their holdings are equal to the number of shares which they otherwise would have been entitled to receive pursuant to the terms of the merger;

(ii) material title defects to a material amount of property of Kieckhefer or Eddy, and its subsidiary or subsidiaries;

(iii) the failure of Kieckhefer or Eddy to perform any agreement thereunder;

(iv) the inaccuracy or untruth of any material representation and warranty made therein by Kieckhefer or Eddy;

(v) any material adverse change since December 31, 1956 in the consolidated business or financial condition or properties of Kieckhefer or Eddy and its subsidiary or subsidiaries; or

(vi) The failure for any reason by any other party under the Agreement of Purchase and Sale mentioned above under "Proposed Merger—Agreement Relating to Stock Purchases by Weyerhaeuser" to sell his shares to Weyerhaeuser as provided therein or the failure of any other party to render full performance of his obligations thereunder.

(d) by the Board of Directors of either Kieckhefer or Eddy, if in the judgment of a majority of the directors of either board, the merger becomes inadvisable or impracticable by reason of:

(i) material title defects to a material amount of property of Weyerhaeuser and its subsidiaries;

- (ii) the failure of Weyerhaeuser to perform any agreement thereunder;
- (iii) the inaccuracy or untruth of any material representation and warranty made therein by Weyerhaeuser; or
- (iv) any material adverse change since December 31, 1956 in the consolidated business or financial condition or properties of Weyerhaeuser and its subsidiaries.

If the merger shall not become effective or is terminated or abandoned, each corporation has agreed to pay all of its own expenses incurred in connection with the proposed merger, the negotiations leading to the merger and any preparations made for effectuating the merger.

CERTAIN TAX CONSEQUENCES OF THE MERGER

In the opinion of counsel for the respective companies, the merger will not, under present Federal tax law, result in the realization of gain or loss by any of the three companies or by their stockholders who exchange or by the stockholders of Weyerhaeuser who retain their shares.

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AUDITORS' CERTIFICATE

We have examined the consolidated balance sheets as of December 31, 1956, and the related statements of consolidated income and surplus for the three years then ended, of:

Weyerhaeuser Timber Company and subsidiaries

Kieckhefer Container Company and subsidiary

The Eddy Paper Corporation and subsidiaries

Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheets and related statements of consolidated income and surplus present fairly the consolidated financial position of the respective companies as of December 31, 1956, and the consolidated results of their respective operations for the three years then ended, and all were prepared in conformity with generally accepted accounting principles consistently applied by each company during the periods under review.

We have also made similar examinations of the "Summaries of Consolidated Income" appearing elsewhere herein; in our opinion, these summaries present fairly the consolidated results of operations of the respective companies for the five years ended December 31, 1956, and were prepared in accordance with generally accepted accounting principles consistently applied by each company during the periods under review.

ARTHUR ANDERSEN & Co.

Chicago, Illinois,
February 23, 1957.

WEYERHAEUSER TIMBER COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET—DECEMBER 31, 1956

ASSETS

CURRENT ASSETS:

Cash.....		\$ 17,286,382
Marketable securities at cost.....		40,070,690
Receivables.....	\$ 23,492,358	
Less—Reserves for doubtful accounts.....	363,328	23,129,030
Inventories (Note 3)—		
Lumber and other finished products.....	\$ 11,168,428	
Logs.....	10,375,361	
Other raw materials.....	1,932,952	23,476,741
Total current assets.....		\$103,962,843

SUPPLY INVENTORIES, PREPAID EXPENSES, ETC.:

Materials and supplies, at average cost.....	\$ 4,319,455	
Miscellaneous prepayments and deferred charges.....	2,745,252	7,064,707

INVESTMENTS, TAX REFUND CLAIMS, ETC.:

Investments, at cost.....	\$ 2,362,998	
Claims for refund of Federal income and excess profits taxes.....	3,899,860	
Long-term receivables.....	769,894	7,032,752

TIMBER AND TIMBERLANDS, ETC., AT MARCH 1, 1913 values determined for Federal income tax purposes and approved by the U. S. Treasury Department, plus subsequent additions at cost (Notes 4 and 5).....

86,352,076

REAL ESTATE, PLANTS AND EQUIPMENT, AT COST (Notes 4 and 5):

Land.....	\$ 3,917,050	
Buildings and improvements.....	50,831,091	
Machinery and equipment.....	189,726,099	
Rail and truck roads.....	36,767,390	
Uncompleted construction.....	48,677,170	
	\$329,918,800	
Less—Reserves for depreciation and amortization.....	130,349,345	199,569,455
		<u>\$403,981,833</u>

Reference is made to the accompanying notes to financial statements which are an integral part of this consolidated balance sheet.

WEYERHAEUSER TIMBER COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET—DECEMBER 31, 1956

LIABILITIES

CURRENT LIABILITIES:

Accounts payable.....	\$ 17,837,659	
Accrued liabilities.....	15,554,520	
Provision for Federal income taxes.....	\$ 37,207,111	
Less—U. S. Government securities.....	36,700,000	507,111
Total current liabilities.....		\$ 33,899,290

CAPITAL STOCK AND SURPLUS:

Capital stock, par value \$7.50 per share, 25,000,000 shares authorized and issued (Note 9)	\$187,500,000	
Increase in value of timber and timberlands resulting from March 1, 1913 revaluation—see accompanying statement.....	24,982,760	
Earned surplus (income retained in the business)—see accompanying statement.....	159,987,764	
Treasury stock, 78,701 shares, at cost (Note 7).....	(2,387,981)	370,082,543

\$403,981,833

Reference is made to the accompanying notes to financial statements which are an integral part of this consolidated balance sheet.

WEYERHAEUSER TIMBER COMPANY AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED INCOME

For the Three Years Ended December 31, 1956

	Year Ended December 31,		
	1954	1955	1956
SALES AND OTHER INCOME:			
Gross sales, less discounts and allowances.....	\$262,496,948	\$316,732,545	\$324,129,330
Other income (net)—			
Proceeds from sale of timber and timberlands.....	\$ 1,368,421	\$ 1,609,598	\$ 1,229,354
Transportation and terminal revenues (net).....	834,977	1,443,988	1,518,842
Interest income.....	798,686	1,286,678	2,562,732
Cash discounts received.....	1,374,767	1,529,007	1,431,883
Profit on sale of U.S. Government securities and commercial paper (Note 8).....	1,378,989	706,558	—
Miscellaneous income (net).....	815,435	1,126,256	661,886
	<u>\$ 6,571,275</u>	<u>\$ 7,702,085</u>	<u>\$ 7,404,697</u>
	<u>\$269,068,223</u>	<u>\$324,434,630</u>	<u>\$331,534,027</u>
COST OF SALES AND EXPENSES:			
Cost of sales and expenses, exclusive of depreciation, depletion, amortization and taxes as shown separately below—			
Cost of sales (Note 3).....	\$159,647,099	\$185,424,628	\$192,046,386
Selling and shipping expense.....	12,265,885	13,470,629	14,218,781
General and administrative expense.....	11,055,145	11,892,295	11,402,762
Depreciation, depletion and amortization (Notes 5 and 10)	18,098,974	22,490,522	24,310,461
Taxes other than taxes on income (Note 10).....	8,154,934	9,799,452	11,748,991
Provision for doubtful accounts.....	39,544	29,651	28,761
Total cost of sales and expenses.....	<u>\$209,261,581</u>	<u>\$243,107,177</u>	<u>\$253,756,142</u>
	<u>\$ 59,806,642</u>	<u>\$ 81,327,453</u>	<u>\$ 77,777,885</u>
PROVISION FOR TAXES ON INCOME:			
Federal—normal and surtax.....	\$ 23,700,000	\$ 31,100,000	\$ 25,600,000
State.....	596,287	986,423	731,282
	<u>\$ 24,296,287</u>	<u>\$ 32,086,423</u>	<u>\$ 26,331,282</u>
Net income.....	<u>\$ 35,510,355</u>	<u>\$ 49,241,030</u>	<u>\$ 51,446,603</u>

Reference is made to the accompanying notes to financial statements which are an integral part of these statements of consolidated income.

WEYERHAEUSER TIMBER COMPANY AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED SURPLUS

For the Three Years Ended December 31, 1956

	Year Ended December 31,		
	1954	1955	1956
EARNED SURPLUS (income retained in the business)			
Balance at beginning of year.....	\$120,784,292	\$138,528,433	\$132,677,686
Add:			
Net income from statements of consolidated income.....	35,510,355	49,241,030	51,446,603
Realization of March 1, 1913 increase in timber value, transferred to earned surplus (see statement below).....	866,795	1,054,252	788,625
	<u>\$157,161,442</u>	<u>\$188,823,715</u>	<u>\$184,912,914</u>
Deduct:			
Dividends paid (\$.75 per share in 1954, and \$1.00 per share in 1955 and 1956 on shares outstanding after giving effect to 4-for-1 split in 1955).....	\$ 18,633,009	\$ 24,896,029	\$ 24,925,150
Amount transferred to capital stock (approved by shareholders on December 22, 1955) (Note 9).....	—	31,250,000	—
	<u>\$ 18,633,009</u>	<u>\$ 56,146,029</u>	<u>\$ 24,925,150</u>
Balance at end of year.....	<u>\$138,528,433</u>	<u>\$132,677,686</u>	<u>\$159,987,764</u>

**INCREASE IN VALUE OF TIMBER AND TIMBERLANDS
RESULTING FROM MARCH 1, 1913 REVALUATION**

Balance at beginning of year.....	\$ 27,692,432	\$ 26,825,637	\$ 25,771,385
Deduct—Realization, through sales, of March 1, 1913 increase in timber value, transferred to earned surplus (see statement above).....	866,795	1,054,252	788,625
Balance at end of year.....	<u>\$ 26,825,637</u>	<u>\$ 25,771,385</u>	<u>\$ 24,982,760</u>

Reference is made to the accompanying notes to financial statements which are an integral part of these statements of consolidated surplus.

WEYERHAEUSER TIMBER COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

(1) PROPOSED MERGER OF KIECKHEFER CONTAINER COMPANY AND THE EDDY PAPER CORPORATION INTO WEYERHAEUSER TIMBER COMPANY:

Reference is made to the attached Joint Agreement and Plan of Merger approved by the Boards of Directors of the respective companies (Exhibit A) and to the comments on pages 2 and 3 relating to stock purchases by Weyerhaeuser.

(2) BASIS OF CONSOLIDATION:

The consolidated financial statements include the accounts of Weyerhaeuser Timber Company and all wholly owned subsidiaries.

Intercompany accounts, sales and profits have been eliminated in consolidation.

Investments in subsidiaries consolidated at December 31, 1956 were carried on the books at \$3,095,394 which was \$5,786,935 less than the company's equity in the underlying net assets of such subsidiaries. This difference represents the company's equity in undistributed earnings of such subsidiaries since acquisition and has been included in consolidated earned surplus.

(3) VALUATION OF INVENTORIES:

Inventories of logs, lumber, plywood and pulp at December 31, 1956 (\$16,266,104) were priced at cost, determined on the basis of last-in, first-out. Other products and raw materials were priced at the lower of average cost (determined on the basis of first-in, first-out) or market. These methods of pricing were adopted as of January 1, 1941, and have been used consistently since that date. Inventories used in determining cost of sales were as follows:

	<u>Amount</u>
At December 31, 1953	\$14,256,481
At December 31, 1954	16,023,930
At December 31, 1955	16,542,719
At December 31, 1956	<u>23,476,741</u>

(4) TIMBER, TIMBERLANDS, PLANT, PROPERTY AND EQUIPMENT:

The amounts at which timber, timberlands, plant, property and equipment are carried do not purport to represent replacement or realizable value.

(5) DEPRECIATION, AMORTIZATION AND DEPLETION POLICY:

Depreciation of plants and equipment, including main line railroads, has been provided generally at rates based upon the estimated service lives of the properties. Assets acquired prior to January 1, 1954 have been depreciated at straight line rates. Beginning that date capital investments in new plants and equipment have been depreciated on the sum of the years' digits or declining balance methods. It is not practicable to present all the rates used in computing the annual depreciation provisions; the effective annual rates for the principal classes of properties during the period under review were as follows:

WEYERHAEUSER TIMBER COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

	<u>1954</u>	<u>1955</u>	<u>1956</u>
Buildings and improvements—			
Lumber mills.....	4.0%	4.0%	4.1%
Pulp mills.....	3.0	3.4	3.5
Woods operations.....	5.8	7.7	7.7
Wholesale and retail yards.....	2.8	3.2	3.2
Other property.....	3.2	4.4	4.0
Machinery and equipment—			
Lumber mills.....	4.3	5.8	6.0
Pulp mills.....	5.6	6.6	6.9
Woods operations.....	11.7	12.1	12.0
Wholesale and retail yards.....	5.9	6.5	7.0
Other property.....	<u>11.6</u>	<u>11.4</u>	<u>11.0</u>

Amortization of logging railroads and truck roads has been determined on the basis of the estimated quantity of timber to be hauled over these roads.

Depletion of timber has been charged to operating costs as timber has been harvested, or lost as the result of fire, storm, insect infestation or other casualties. Depletion rates have been based on March 1, 1913 values plus subsequent additions at cost, related to the estimated total recoverable saw timber. Realization, through sales, of March 1, 1913 increase in timber value is recognized currently by a transfer of the applicable amount to earned surplus.

Maintenance and repairs, and minor replacements of property are charged to expense as the expenditures are made, except that extraordinary major repairs which extend the life of the property are charged to the reserve for depreciation. Betterments and replacements of major units of property are capitalized and the replaced items are retired. The cost of property sold or retired is removed from the plant accounts, the accumulated depreciation thereon is removed from the depreciation reserve, and the net gain or loss is carried to the income account.

(6) RETIREMENT PLANS:

The company and certain of its subsidiaries have established retirement plans for salaried and certain hourly employees, the costs of which are being contributed in full by the companies. Under the terms of the trust agreements, funds contributed by the companies to meet the purposes of the plans, together with the earnings thereon, are to be held, managed and invested by independent trustees. The companies have reserved the right to amend or terminate the plans at any time. Past service costs under these plans have been funded at December 31, 1956. Contributions to these plans during the period under review, included in cost of sales and expenses, were as follows:

	<u>Current</u>	<u>Past Service</u>
1954.....	\$1,133,751	\$ 68,375
1955.....	1,183,519	973,762
1956.....	<u>1,238,937</u>	<u>138,972</u>

The company has agreed to establish a retirement plan for hourly employees in the logging, lumber and plywood operations. This plan is scheduled to become effective June 1, 1957 and is an extension

WEYERHAEUSER TIMBER COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

of the noncontributory plan already applicable to other hourly rated employees. Past service cost is estimated at \$13,125,000 at the effective date of the plan. The cost for current service for the first year of the plan will approximate \$915,000.

(7) INCENTIVE STOCK OPTION PLAN:

On May 20, 1952 the Board of Directors adopted an incentive stock option plan under which plan, as amended, employees of the company or its wholly owned subsidiaries could be granted options to purchase not more than 300,000 shares (after adjustment for stock split—Note 9) of the capital stock of the company. Any options granted under the plan become exercisable after one year of continued employment following date of issuance and expire not later than ten years from date of issuance, or earlier in the event of death or termination of employment. The option price may not be less than 95% of the fair market value of the shares on the date the option is granted.

Pursuant to the plan, options to purchase 190,236 shares of capital stock at \$17.50 per share, 25,460 shares at \$24.50 per share, 9,064 shares at \$36.00 per share, and 19,620 shares at \$40.00 per share were granted to certain officers and employees on September 22, 1952, November 17, 1954, August 30, 1955, and June 13, 1956, respectively. All such options expire seven years from date of issuance, or earlier in the event of death or termination of employment. One of the September 22, 1952 options for 4,800 shares expired three months after termination of the optionee's employment. Other information pertaining to these options is summarized below:

Shares as to which options were outstanding at December 31, 1956:

	Date Options Granted	Number of Shares	Option Price at Grant Date		Quoted Value at Grant Date	
			Per Share	Total	Per Share	Total
Sept. 22, 1952.....		22,164	\$17.50	\$ 387,870	\$17.50	\$ 387,870
Nov. 17, 1954.....		16,733	24.50	409,958	24.50	409,958
Aug. 30, 1955.....		9,064	36.00	326,304	36.00	326,304
June 13, 1956.....		19,620	40.00	784,800	40.00	784,800
		<u>67,581</u>		<u>\$1,908,932</u>		<u>\$1,908,932</u>

Shares as to which options became exercisable during the years 1954, 1955 and 1956:

Year	Date Options Granted	Number of Shares	Option Price at First Exercisable Date		Quoted Value at First Exercisable Date	
			Per Share	Total	Per Share	Total
1955	Nov. 17, 1954.....	25,460	\$24.50	\$ 623,770	\$42.00	\$1,069,320
1956	Aug. 30, 1955.....	9,064	36.00	326,304	40.00	362,560
		<u>34,524</u>		<u>\$ 950,074</u>		<u>\$1,431,880</u>

WEYERHAEUSER TIMBER COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

Shares as to which options were exercised during the years 1954, 1955 and 1956:

Year	Date Options Granted	Number of Shares	Option Price at Date of Exercise		Quoted Value at Date of Exercise	
			Per Share	Total	Per Share	Total
1954	Sept. 22, 1952.....	50,140	\$17.50	\$ 877,450	\$23.54	\$1,180,485
1955	Sept. 22, 1952.....	81,576	\$17.50	\$1,427,580	\$33.67	\$2,746,991
	Nov. 17, 1954.....	3,912	24.50	95,844	42.37	165,738
		85,488		\$1,523,424		\$2,912,729
1956	Sept. 22, 1952.....	31,556	\$17.50	\$ 552,230	\$39.93	\$1,260,170
	Nov. 17, 1954.....	4,815	24.50	117,967	40.64	195,698
		36,371		\$ 670,197		\$1,455,868
		171,999		\$3,071,071		\$5,549,082

All of the options exercised have been satisfied by the issuance of treasury stock and of the 78,701 shares held in the treasury at December 31, 1956, 67,581 are reserved for the options outstanding at that date. The gain or loss on disposition of treasury stock is credited or charged to income as each option is exercised, otherwise no charges have been made to income with respect to any of these options.

(8) SALE OF MARKETABLE SECURITIES:

The cost of marketable securities sold is determined on the basis of identified securities.

(9) CAPITAL STOCK:

Effective December 30, 1955 the company's 6,250,000 shares of capital stock having a par value of \$25 per share were changed into 25,000,000 shares each having a par value of \$7.50. In this connection \$31,250,000 was transferred from earned surplus to the capital stock account, making the total capital stock \$187,500,000.

(10) SUPPLEMENTARY INCOME ACCOUNT INFORMATION:

	Year Ended December 31,		
	1954	1955	1956
Charged directly to cost of sales and expenses:			
Maintenance and repairs.....	\$16,123,664	\$19,444,173	\$22,224,375
Depreciation, depletion and amortization.....	18,098,974	22,490,522	24,310,461
Taxes other than taxes on income—			
Real estate and personal property.....	\$ 4,471,087	\$ 5,139,874	\$ 5,253,086
Social security.....	1,680,173	2,004,492	2,332,205
Franchise.....	425,091	655,925	780,277
Miscellaneous.....	1,578,583	1,999,161	3,383,423
Total.....	\$ 8,154,934	\$ 9,799,452	\$11,748,991
Rents and royalties.....	\$ 547,823	\$ 619,302	\$ 661,578
Charged to other income accounts:			
Maintenance and repairs.....	\$ 1,083,463	\$ 1,161,928	\$ 1,258,186
Rents and royalties.....	415,270	433,808	448,904

No management or service contract fees were paid.

KIECKHEFER CONTAINER COMPANY AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET—DECEMBER 31, 1956

ASSETS

CURRENT ASSETS:

Cash.....		\$ 4,756,041
Notes receivable from The Eddy Paper Corporation, current portion.....		1,100,000
Receivables.....	\$ 7,831,704	
Less—Reserve for doubtful accounts and cash discounts.....	258,223	7,573,481
Inventories, at average cost or market, whichever lower (Note 3)—		
Work in process and finished goods.....	\$ 2,114,285	
Roll stock.....	5,912,413	
Raw materials.....	1,937,066	9,963,764
Total current assets.....		\$ 23,393,286

SUPPLY INVENTORIES, PREPAID EXPENSES, ETC.:

Materials and supplies, at average cost.....	\$ 1,187,503	
Miscellaneous prepayments and deferred charges.....	521,206	1,708,709

INVESTMENTS, ADVANCES, ETC.:

Investment, at cost—		
The Eddy Paper Corporation—		
Common stock, 26,090 shares (Note 1).....	\$ 805,491	
Notes receivable, due \$1,100,000 annually to 1960 and \$500,000 annually thereafter, less current portion above.....	5,800,000	
Miscellaneous physical property, less reserves.....	1,403,285	
Other.....	807,296	8,816,072

CONSTRUCTION FUND, for improvement and expansion programs as authorized by the Board of Directors (Note 4).....

15,000,000

TIMBERLANDS AND TIMBER RIGHTS, at cost (Notes 5 and 6).....

12,134,835

PLANT, PROPERTY AND EQUIPMENT, at cost (Notes 5 and 6):

Land.....	\$ 428,658	
Buildings and improvements.....	17,120,141	
Machinery and equipment, etc.....	51,142,597	
Uncompleted construction.....	1,476,643	
	\$70,168,039	
Less—Reserve for depreciation and amortization.....	27,256,549	42,911,490
		<u>\$103,964,392</u>

Reference is made to the accompanying notes to financial statements which are an integral part of this consolidated balance sheet.

KIECKHEFER CONTAINER COMPANY AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET—DECEMBER 31, 1956

LIABILITIES

CURRENT LIABILITIES:

Accounts payable.....		\$ 1,936,179
Accrued liabilities.....		1,470,077
Provision for Federal income taxes.....	\$11,812,431	
Less—U. S. Treasury Notes.....	11,812,431	—
Total current liabilities.....		\$ 3,406,256

MINORITY INTEREST IN COMMON STOCK AND SURPLUS OF SUBSIDIARY.....	7,051,903
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CAPITAL STOCK AND SURPLUS:

Common stock, no par value—		
Authorized 30,000 shares, outstanding 29,889 shares, stated at.....	\$ 5,977,800	
Paid-in surplus—see accompanying statement.....	11,841,129	
Earned surplus (income retained in the business)—see accompanying statement	75,687,304	93,506,233

\$103,964,392

Reference is made to the accompanying notes to financial statements which are an integral part of this consolidated balance sheet.

KIECKHEFER CONTAINER COMPANY AND SUBSIDIARY

STATEMENTS OF CONSOLIDATED INCOME

For The Three Years Ended December 31, 1956

	Year Ended December 31		
	1954	1955	1956
SALES AND OTHER INCOME:			
Gross sales, less discounts and allowances (Note 8)	\$65,628,913	\$78,212,044	\$86,520,628
Other income (net)—			
Dividends received on common stock of The Eddy Paper Corporation	\$ 313,080	\$ 313,080	\$ 365,260
Interest income (net)	343,380	523,229	792,819
Cash discounts received	196,842	216,390	263,152
Net gain or (loss) on disposal of machinery and equipment, etc.	(92,969)	134,271	138,197
Miscellaneous income (net)	147,123	63,216	(22,959)
	<u>\$ 907,456</u>	<u>\$ 1,250,186</u>	<u>\$ 1,536,469</u>
	<u>\$66,536,369</u>	<u>\$79,462,230</u>	<u>\$88,057,097</u>
COST OF SALES AND EXPENSES:			
Cost of sales and expenses, exclusive of depreciation, depletion, amortization and taxes as shown separately below—			
Cost of sales (Note 3)	\$43,503,932	\$51,561,255	\$58,685,285
Selling expense	1,941,769	1,984,873	2,098,744
General and administrative expense	1,182,857	1,037,207	1,124,585
Depreciation, depletion and amortization (Notes 6 and 9)	2,992,323	3,533,387	4,130,449
Taxes other than taxes on income (Note 9)	713,630	912,908	962,830
Total cost of sales and expenses	<u>\$50,334,511</u>	<u>\$59,029,630</u>	<u>\$67,001,893</u>
Income before taxes on income	<u>\$16,201,858</u>	<u>\$20,432,600</u>	<u>\$21,055,204</u>
PROVISION FOR TAXES ON INCOME:			
Federal—normal and surtax	\$ 8,560,000	\$10,100,000	\$10,540,000
State	308,868	312,426	415,336
	<u>\$ 8,868,868</u>	<u>\$10,412,426</u>	<u>\$10,955,336</u>
Income before deducting minority interest	<u>\$ 7,332,990</u>	<u>\$10,020,174</u>	<u>\$10,099,868</u>
MINORITY INTEREST IN NET INCOME OF SUBSIDIARY			
	—	312,678	412,422
Net income	<u>\$ 7,332,990</u>	<u>\$ 9,707,496</u>	<u>\$ 9,687,446</u>

Reference is made to the accompanying notes to financial statements which are an integral part of these statements of consolidated income.

KIECKHEFER CONTAINER COMPANY AND SUBSIDIARY

STATEMENTS OF CONSOLIDATED SURPLUS

For The Three Years Ended December 31, 1956

	Year Ended December 31		
	1954	1955	1956
EARNED SURPLUS (income retained in the business)			
Balance at beginning of year.....	\$51,184,121	\$57,809,447	\$66,806,861
Add—Net income from statements of consolidated income.....	7,332,990	9,707,496	9,687,446
	<u>\$58,517,111</u>	<u>\$67,516,943</u>	<u>\$76,494,307</u>
Deduct—Cash dividends on common stock, \$24 per share in 1954 and 1955 and \$27 per share in 1956.....	707,664	710,082	807,003
	<u>707,664</u>	<u>710,082</u>	<u>807,003</u>
Balance at end of year.....	<u>\$57,809,447</u>	<u>\$66,806,861</u>	<u>\$75,687,304</u>

PAID-IN SURPLUS

Balance at beginning of year.....	\$ 138,807	\$10,812,004	\$11,841,129
Add:			
Excess of sales price of 403 shares of the Company's common stock sold to certain officers and employees over stated value thereof.....	\$ —	\$ 1,029,125	\$ —
Excess of sales price of common stock (a 20% interest) of subsidiary sold by the subsidiary over par value thereof, less amount applicable to minority interest.....	10,673,197	—	—
	<u>\$10,673,197</u>	<u>\$ 1,029,125</u>	<u>\$ —</u>
Balance at end of year.....	<u>\$10,812,004</u>	<u>\$11,841,129</u>	<u>\$11,841,129</u>

Reference is made to the accompanying notes to financial statements which are an integral part of these statements of consolidated surplus.

KIECKHEFER CONTAINER COMPANY AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

(1) PROPOSED MERGER OF KIECKHEFER CONTAINER COMPANY AND THE EDDY PAPER CORPORATION INTO WEYERHAEUSER TIMBER COMPANY:

Reference is made to the attached Joint Agreement and Plan of Merger approved by the Boards of Directors of the respective companies (Exhibit A) and to the comments on pages 2 and 3 relating to stock purchases by Weyerhaeuser.

(2) BASIS OF CONSOLIDATION:

The consolidated financial statements include the accounts of the Company and North Carolina Pulp Company, an 80% owned subsidiary. On December 30, 1954, The Eddy Paper Corporation acquired from the subsidiary 20% of its presently outstanding common stock. Prior to such date, the Company owned all of the outstanding common stock of the subsidiary.

Intercompany accounts, sales and profits have been eliminated in consolidation.

The Company's equity in the net assets of the subsidiary was \$25,607,614 in excess of the Company's investment therein at December 31, 1956. Of this amount \$14,934,417, representing undistributed earnings since date of acquisition, has been included in earned surplus in the consolidated balance sheet, and \$10,673,197, representing the Company's equity in paid-in surplus of the subsidiary, has been reflected as paid-in surplus in that statement.

(3) INVENTORIES:

The opening and closing inventories used in determining cost of sales during the three years ended December 31, 1956, were—

December 31—

1953	.....	\$7,090,943
1954	.....	8,166,859
1955	.....	8,021,711
1956	.....	<u>9,963,764</u>

(4) CONSTRUCTION FUND:

Construction fund for improvement and expansion programs authorized by the Board of Directors represents cash of \$3,206,977 and U. S. Treasury Notes of \$11,793,023.

(5) TIMBERLANDS, TIMBER RIGHTS, PLANT, PROPERTY AND EQUIPMENT:

The amounts at which timberlands, timber rights, plant, property and equipment are carried do not purport to represent replacement or realizable value.

(6) DEPRECIATION, AMORTIZATION AND DEPLETION POLICY:

Depreciation of plant, property and equipment has been provided generally at rates based upon the estimated service lives of the properties. Assets acquired prior to January 1, 1954, have been depreciated at straight line rates and those acquired subsequent to that date on the sum of the years' digits method. It is not practicable to present all of the individual rates used in computing the annual depreciation provisions; the effective annual rates during the period under review for the principal classes of properties were as follows—

KIECKHEFER CONTAINER COMPANY AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

	<u>1954</u>	<u>1955</u>	<u>1956</u>
Buildings and improvements—			
Pulp mill.....	4.3%	4.5%	4.9%
Milk carton plants.....	2.6	3.0	3.3
Container plants.....	2.7	2.8	3.0
Machinery and equipment, etc.—			
Pulp mill.....	6.8	7.2	7.6
Milk carton plants.....	9.0*	10.5*	9.7
Container plants.....	<u>6.6</u>	<u>7.1</u>	<u>7.1</u>

*Excludes special provision for obsolescence of 3.9% and 2% in the years 1954 and 1955, respectively.

Depletion of timberlands and timber rights is computed on the basis of estimated total recoverable timber at time of purchase without giving consideration to regrowth.

Maintenance and repairs and minor replacements of property are charged to expense as the expenditures are made. Betterments and replacements of major units of property are capitalized and the replaced items are retired. The cost of property sold or retired is removed from the asset accounts, the accumulated depreciation thereon is removed from the depreciation reserve and the net gain or loss is carried to the income account.

(7) RETIREMENT PLANS:

The Company and its subsidiary have established separate retirement plans for certain hourly employees, effective August 1, 1956, and December 1, 1951, respectively. Both plans provide for regular contributions, through payroll deductions, by the participating employees, with the balance of funds needed to meet the purposes of the plans to be contributed by the companies. Under the terms of trust agreements, all funds contributed under the plans, together with earnings thereon, are to be held, managed and invested by independent trustees. The companies have reserved the right to amend or terminate the plans at any time. The Company intends to fund past-service costs under its plan over a ten-year period, commencing August 1, 1956, and estimated past-service costs of \$553,984 had not been funded at December 31, 1956. All past-service costs of the subsidiary's plan have been funded. Contributions to these plans during the period under review, included in cost of sales and expenses, were as follows—

	<u>Current</u>	<u>Past Service</u>
1954.....	\$ 33,510	\$ —
1955.....	38,366	—
1956.....	61,301	24,086
	<u>\$133,177</u>	<u>\$24,086</u>

(8) SALES OF THE SUBSIDIARY:

All of the sales of the Company's subsidiary for the years ended December 31, 1954 and 1955, and the three months ended March 31, 1956, were made to the Company under a cost-plus contract. Subsequent to April 1, 1956, the subsidiary sold approximately 20% of its paperboard output on a similar cost-plus basis to The Eddy Paper Corporation.

KIECKHEFER CONTAINER COMPANY AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

(9) SUPPLEMENTARY INCOME ACCOUNT INFORMATION:

	Year Ended December 31		
	1954	1955	1956
Charged directly to cost of sales and other income accounts—			
Maintenance and repairs.....	\$2,815,770	\$3,428,856	\$4,358,352
Depreciation, depletion and amortization.....	2,992,323	3,533,387	4,130,449
Taxes other than taxes on income—			
Real estate.....	\$ 188,982	\$ 276,881	\$ 285,382
Social security.....	375,096	422,116	440,316
Franchise.....	86,645	150,161	179,645
Other.....	62,907	63,750	57,487
	<u>\$ 713,630</u>	<u>\$ 912,908</u>	<u>\$ 962,830</u>
Management and service contract fees.....		None paid	
Rents.....		Not significant	
Royalties.....	\$ 333,155	\$ 508,041	\$ 588,846
Provision for doubtful accounts.....	160,021	41,237	35,613
Charged to plant, property and equipment—depreciation.....	<u>—</u>	<u>7,382</u>	<u>7,491</u>

(10) PROFIT-SHARING PLAN:

Kieckhefer Container Company and its subsidiary have established a profit sharing plan for employees and officers who are compensated on a monthly salary basis. Under the plan, all contributions are made by the companies to a Trust which is administered by a committee. The companies have reserved the right to amend or terminate the plan at any time; however, all contributions, together with the earnings thereon, at the date the plan is terminated remain the interest of the participants and do not revert back to the companies. Contributions during the period under review, charged to income, were as follows:

1954.....	\$288,964
1955.....	333,418
1956.....	<u>367,613</u>

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THE EDDY PAPER CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET—DECEMBER 31, 1956

ASSETS

CURRENT ASSETS:

Cash.....		\$ 4,152,534
Marketable securities at cost.....		1,800,000
Receivables.....	\$ 3,234,224	
Less—Reserves for doubtful accounts.....	127,512	3,106,712
Inventories (Note 3)—		
Work in process.....	\$ 1,244,738	
Paperboard, waste paper and pulp.....	3,072,990	4,317,728
Total current assets.....		<u>\$13,376,974</u>

SUPPLY INVENTORIES AND PREPAID EXPENSES:

Supplies, at average cost.....	\$ 555,080	
Prepaid expenses.....	139,256	694,336

INVESTMENTS, ADVANCES, ETC.:

Investment in North Carolina Pulp Company (Note 4).....	\$17,000,000	
Investment in and advances to Ace Folding Box Corporation exclusive of advances of \$53,000 included in current assets (Note 5).....	820,655	
Other.....	246,423	18,067,078

PLANT AND EQUIPMENT (Notes 6 and 7):

	<u>Cost</u>	<u>Reserves</u>	<u>Net</u>	
Land.....	\$ 137,047	\$ —	\$ 137,047	
Buildings.....	8,085,663	3,108,360	4,977,303	
Machinery and equipment, etc.....	14,353,780	7,600,000	6,753,780	
	<u>\$22,576,490</u>	<u>\$10,708,360</u>	<u>\$11,868,130</u>	11,868,130
				<u>\$44,006,518</u>

Reference is made to the accompanying notes to financial statements which are an integral part of this consolidated balance sheet.

THE EDDY PAPER CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET—DECEMBER 31, 1956

LIABILITIES

CURRENT LIABILITIES:

Current maturities of notes payable to Kieckhefer Container Company (Note 4)		\$ 1,100,000
Accounts payable.....		1,683,496
Accrued liabilities.....		929,398
Provision for Federal income taxes.....	\$3,909,409	
Less—U. S. Government securities.....	600,000	3,309,409
Total current liabilities.....		<u>\$ 7,022,303</u>

NOTES PAYABLE TO KIECKHEFER CONTAINER COMPANY, 3½%, unsecured, due \$1,100,000 annually to 1960 and \$500,000 annually thereafter, less current maturities above (Note 4).....	5,800,000
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CAPITAL STOCK AND SURPLUS:

Capital stock, no par value, 200,000 shares authorized, 190,049 shares issued.	\$ 4,772,830	
Paid-in surplus—see accompanying statement.....	3,907,658	
Earned surplus (income retained in the business)—see accompanying statement	22,703,095	
Treasury stock, 8,634 shares, at cost.....	(199,368)	31,184,215
		<u><u>\$44,006,518</u></u>

Reference is made to the accompanying notes to financial statements which are an integral part of this consolidated balance sheet.

THE EDDY PAPER CORPORATION AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED INCOME

For The Three Years Ended December 31, 1956

	Year Ended December 31		
	1954	1955	1956
SALES AND OTHER INCOME:			
Gross sales, less discounts and allowances.....	\$43,481,628	\$44,770,024	\$45,949,920
Other income or (deductions) net—			
Cash discounts received.....	\$ 213,550	\$ 219,049	\$ 145,308
Interest income.....	95,117	29,150	108,725
Interest expense.....	(3,081)	(104,715)	(269,453)
Profit or (loss) on disposal of plant and equipment.....	(5,869)	44,349	(7,266)
Miscellaneous income (net).....	15,186	19,254	(15,944)
	<u>\$ 314,903</u>	<u>\$ 207,087</u>	<u>\$ (38,630)</u>
	<u>\$43,796,531</u>	<u>\$44,977,111</u>	<u>\$45,911,290</u>
COST OF SALES AND EXPENSES:			
Cost of sales and expenses, exclusive of depreciation and taxes as shown separately below—			
Cost of sales (Note 3).....	\$31,986,874	\$32,843,432	\$32,503,339
Selling and shipping expenses.....	2,824,926	2,723,965	2,823,306
General and administrative expenses.....	749,947	786,862	822,857
Depreciation (Notes 7 and 10).....	915,915	1,045,212	1,207,202
Taxes other than taxes on income (Note 10).....	401,392	444,953	453,825
Provision for doubtful accounts.....	10,332	17,500	15,000
Total cost of sales and expenses.....	<u>\$36,889,386</u>	<u>\$37,861,924</u>	<u>\$37,825,529</u>
	<u>\$ 6,907,145</u>	<u>\$ 7,115,187</u>	<u>\$ 8,085,761</u>
PROVISION FOR TAXES ON INCOME:			
Federal—normal and surtax.....	\$ 3,535,000	\$ 3,619,000	\$ 4,142,000
State.....	80,000	81,000	78,000
	<u>\$ 3,615,000</u>	<u>\$ 3,700,000</u>	<u>\$ 4,220,000</u>
Net income.....	<u>\$ 3,292,145</u>	<u>\$ 3,415,187</u>	<u>\$ 3,865,761</u>

Reference is made to the accompanying notes to financial statements which are an integral part of these statements of consolidated income.

THE EDDY PAPER CORPORATION AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED SURPLUS

For the Three Years Ended December 31, 1956

EARNED SURPLUS (Income Retained in the Business)

	Year Ended December 31		
	1954	1955	1956
Balance at beginning of year.....	\$18,792,746	\$20,052,235	\$21,376,766
Add—Net income from statements of consolidated income.....	3,292,145	3,415,187	3,865,761
Deduct—Cash dividends paid (\$12 per share in 1954 and 1955, and \$14 per share in 1956).....	(2,032,656)	(2,090,656)	(2,539,432)
Balance at end of year.....	<u>\$20,052,235</u>	<u>\$21,376,766</u>	<u>\$22,703,095</u>

PAID-IN SURPLUS

The balance of paid-in surplus at January 1, 1954, was \$1,484,450. In 1955, \$2,423,208 was added, representing the excess of proceeds of sale over cost of 12,000 shares of treasury stock. The balance of paid-in surplus at December 31, 1955 and 1956, was \$3,907,658, as shown in the accompanying consolidated balance sheet as of the latter date.

Reference is made to the accompanying notes to financial statements which are an integral part of these statements of consolidated surplus.

THE EDDY PAPER CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

(1) PROPOSED MERGER OF KIECKHEFER CONTAINER COMPANY AND THE EDDY PAPER CORPORATION INTO WEYERHAEUSER TIMBER COMPANY:

Reference is made to the attached Joint Agreement and Plan of Merger approved by the Boards of Directors of the respective companies (Exhibit A) and to the comments on pages 2 and 3 relating to stock purchases by Weyerhaeuser.

(2) BASIS OF CONSOLIDATION:

The consolidated financial statements include, on a consistent basis, the accounts of The Eddy Paper Corporation and both of its wholly owned subsidiaries.

Intercompany accounts, sales and profits have been eliminated in consolidation.

At December 31, 1956, the net assets of the wholly owned subsidiaries were \$4,244,014 in excess of Eddy's investment therein. Of this excess, \$4,133,223 representing accumulated earnings of the subsidiaries since acquisition is included in consolidated earned surplus, and \$110,791 representing excess of net assets of a subsidiary at date of acquisition over stated value of parent's stock issued therefor is included in consolidated paid-in surplus.

(3) VALUATION OF INVENTORIES:

The work-in-process inventories were priced at average cost or market, whichever was lower.

The inventories of paperboard, waste paper and pulp were priced at last-in, first-out cost, which was not in excess of market.

Inventories used in determining consolidated cost of goods sold were as follows:

	December 31			
	1953	1954	1955	1956
Work in process.....	\$ 833,388	\$1,067,670	\$ 922,349	\$1,244,738
Paperboard, waste paper and pulp.....	3,146,813	3,059,736	3,192,615	3,072,990
	<u>\$3,980,201</u>	<u>\$4,127,406</u>	<u>\$4,114,964</u>	<u>\$4,317,728</u>

(4) INVESTMENT IN NORTH CAROLINA PULP COMPANY:

The investment in 20% of the capital stock of North Carolina Pulp Company, a subsidiary of Kieckhefer Container Company, was made in 1954 and was based on estimated replacement costs of the increased capacity needed to supply additional paperboard under a long-term contract to The Eddy Paper Corporation. These estimated costs are substantially greater than the underlying book values of North Carolina Pulp Company, which are reflected on its books on a historical cost basis. The equity of the Company and its subsidiaries in the net income of North Carolina Pulp Company was \$412,422 in 1956 and \$312,678 in 1955. The company had no equity in the net income of North Carolina Pulp Company in 1954. No dividends have been received from that company.

In connection with the purchase of this investment, the Company borrowed from Kieckhefer Container Company on unsecured notes payable.

(5) INVESTMENT IN ACE FOLDING BOX CORPORATION:

Eddy's investment in Ace Folding Box Corporation represents a 50% equity in the voting stock of that company. No separate financial statements are submitted for it because Eddy's investment therein is

THE EDDY PAPER CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

not significant in respect of the assets represented or the sales or the net profit or loss of the Ace Folding Box Corporation.

(6) PLANT AND EQUIPMENT:

The amounts at which plant and equipment are carried do not purport to represent replacement or realizable values.

(7) DEPRECIATION AND AMORTIZATION POLICY:

Depreciation of plant and equipment has been provided generally at rates based upon the estimated service lives of the properties. Assets acquired prior to January 1, 1954, have been depreciated at straight line rates. Additions since that date have been depreciated on the declining balance method. It is not practicable to present all the rates used by the Company and subsidiaries in computing the annual depreciation provisions; the effective annual rates for the principal classes of properties during the period under review were as follows:

	<u>1954</u>	<u>1955</u>	<u>1956</u>
Buildings—			
Paper mill.....	3.0%	3.1%	4.7%
Other.....	3.7	4.0	4.1
Machinery, equipment, etc.—			
Paper mill.....	8.1	8.0	8.5
Other.....	<u>9.1</u>	<u>9.8</u>	<u>9.8</u>

Maintenance and repairs are charged to costs as incurred. The costs of renewals and betterments of major units of plant and equipment are capitalized when incurred. When assets are sold or retired, the cost and accumulated depreciation are removed from the plant and equipment and related reserve accounts, and the net gain or loss is credited or charged to income.

(8) PROFIT-SHARING PLAN:

The Eddy Paper Corporation and The Rochester Folding Box Co., a subsidiary, have established a profit-sharing plan for employees and officers who are compensated on a monthly salary basis. Under the plan, all contributions are made by the companies to a Trust which is administered by a committee. The companies have reserved the right to amend or terminate the plan at any time; however, all contributions, together with the earnings thereon, at the date the plan is terminated remain the interest of the participants and do not revert back to the companies. Contributions during the period under review, charged to income, were as follows:

1954.....	\$197,939
1955.....	212,868
1956.....	<u>219,277</u>

THE EDDY PAPER CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

(9) RETIREMENT PLANS:

Gereke-Allen Carton Company, a subsidiary, has established a pension trust for all regular employees. All contributions are made by the Company to pay full annual premiums for annuity and/or insurance contracts which underwrite the pensions. The Company has reserved the right to amend or terminate the plan at any time. There is no past-service liability under the plan. Contributions during the period under review, charged to income, were as follows:

1954.....	\$15,028
1955.....	19,367
1956.....	<u>23,258</u>

In 1956, The Eddy Paper Corporation executed a collective bargaining agreement covering hourly rated employees at its three plants in the State of Michigan which provides, among other things, for the payment of specified pensions and other benefits to employees who retire during the term of the agreement which expires in 1958. There is no requirement for funding amounts due under the plan and the Company has not set aside funds for past and future service costs. The liability to retired employees at December 31, 1956, was recorded at that date. Provisions of \$268,642 were charged to income in 1956. The Company has not provided for the active employees' past service costs, which under the plan, if continued, were estimated to be approximately \$800,000 at December 31, 1956.

(10) SUPPLEMENTARY INCOME ACCOUNT INFORMATION:

	Year Ended December 31		
	1954	1955	1956
Charged directly to cost of sales and expenses—			
Maintenance and repairs.....	\$971,603	\$ 859,241	\$ 948,238
Depreciation.....	<u>915,915</u>	<u>1,045,212</u>	<u>1,207,202</u>
Taxes other than taxes on income—			
Real estate and personal property.....	\$205,863	\$ 234,164	\$ 233,199
Social security.....	177,540	172,377	188,875
Other.....	17,989	38,412	31,751
	<u>\$401,392</u>	<u>\$ 444,953</u>	<u>\$ 453,825</u>
Rents.....	<u>\$ 91,601</u>	<u>\$ 70,304</u>	<u>\$ 88,852</u>
Charged to other income or (deductions) accounts—			
Depreciation.....	\$ 23,564	\$ 65,186	\$ 60,151
Taxes other than taxes on income—			
Real estate and personal property.....	\$ 6,884	\$ 28,198	\$ 30,603
Social security.....	2,038	789	730
	<u>\$ 8,922</u>	<u>\$ 28,987</u>	<u>\$ 31,333</u>

WEYERHAEUSER TIMBER COMPANY

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET—DECEMBER 31, 1956

(After giving effect to the proposed merger with Kieckhefer Container Company and The Eddy Paper Corporation, as outlined in the attached Joint Agreement and Plan of Merger (Exhibit A), and to the proposed purchase of common shares listed in the table on page 3.)

(000 Omitted)

ASSETS

Current assets—

Cash.....	\$ 26,382
Marketable securities at cost.....	21,033
Receivables, less reserve.....	32,107
Inventories.....	37,377
Total current assets.....	<u>\$116,899</u>

Supply inventories, prepaid expenses, etc.....	9,468
Tax refund claims, other receivables, etc.....	10,310
Construction fund (cash and U. S. Treasury notes).....	15,000
Timber and timberlands, etc.....	98,487
Real estate, plants and equipment at cost.....	\$422,663
Less—Reserves for depreciation and amortization.....	<u>168,314</u> <u>254,349</u>
	<u><u>\$504,513</u></u>

LIABILITIES

Current liabilities—

Accounts payable.....	\$ 20,268
Accrued liabilities.....	17,872
Provision for Federal income taxes.....	\$ 52,929
Less—U. S. Government securities segregated therefor.....	<u>49,112</u> <u>3,817</u>
Total current liabilities.....	<u>\$ 41,957</u>

Capital stock and surplus—

Capital stock, issued 30,398,004, par value \$7.50 per share.....	\$227,985
Increase in value of timber and timberlands resulting from March 1, 1913, revaluation.....	24,982
Earned surplus (income retained in the business).....	211,977
Treasury stock at cost, 78,701 shares (67,581 shares reserved for stock options).....	<u>(2,388)</u>
Total shareholders' interest.....	<u>\$462,556</u>
	<u><u>\$504,513</u></u>

RIGHTS OF OBJECTING SHAREHOLDERS

Any shareholder of Weyerhaeuser who objects to the merger may obtain payment of the value of his shares in lieu of participating in the merger, provided he complies with the requirements of the applicable provisions of the Uniform Business Corporation Act of Washington, R.C.W. 23.16.140 and 23.16.160. Such shareholder must file with Weyerhaeuser his written objection to the merger demanding payment for his shares within twenty days after Weyerhaeuser has mailed to him the notice of meeting accompanying this statement, and his shares must not be voted in favor of the merger. If, within thirty days after the effective date of the merger, Weyerhaeuser and the shareholder cannot agree upon the value of his shares at the time the merger was approved by the shareholders, either may petition the Superior Court of Pierce County, Washington within four months thereafter for the appointment of an appraiser to determine the value of all shares owned by objecting shareholders. An objecting shareholder will also receive six percent interest on the value of his shares from the date the merger was approved by the shareholders until payment.

A vote against the merger or a direction in a proxy to vote against the merger will not, in the opinion of counsel, constitute the objection in writing required by the statute.

Any objecting shareholders of Kieckhefer and Eddy will have rights of appraisal and payment by Weyerhaeuser for their shares under Delaware and Illinois statutes, respectively.

Weyerhaeuser shares for which a proxy in the accompanying form is properly signed and returned will be voted in accordance with any choice specified therein and where no choice is specified will be voted in favor of the merger (including the amendments of the Articles of Incorporation and By-Laws of Weyerhaeuser provided for in the Joint Agreement and Plan of Merger), unless the merger shall have been abandoned before the meeting. The management is not aware of any other matters that will come before the meeting. If any other matter should be presented, the proxies will be voted as to such matters in the discretion of the person or persons voting them.

Officers, directors and regular employees of Weyerhaeuser may solicit proxies from its stockholders by telephone, telegraph and personal interviews as well as by mail and Weyerhaeuser will bear the cost of such solicitation.

By order of the Board of Directors

GEORGE S. LONG, JR.,
Secretary

Dated: March 22, 1957

JOINT AGREEMENT AND PLAN OF MERGER

OF

KIECKHEFER CONTAINER COMPANY

AND

THE EDDY PAPER CORPORATION

WITH AND INTO

WEYERHAEUSER TIMBER COMPANY

WEYERHAEUSER TIMBER COMPANY

continuing as the surviving corporation

JOINT AGREEMENT AND PLAN OF MERGER entered into this 20th day of March, 1957 (hereinafter called "this agreement"), by and between **WEYERHAEUSER TIMBER COMPANY**, a corporation of the State of Washington (hereinafter sometimes called "Weyerhaeuser"), **KIECKHEFER CONTAINER COMPANY**, a corporation of the State of Delaware (hereinafter sometimes called "Kieckhefer"), and **THE EDDY PAPER CORPORATION**, a corporation of the State of Illinois (hereinafter sometimes called "Eddy"), and their respective boards of directors (which three corporations are hereinafter sometimes called the "constituent corporations"),

WITNESSETH:

The authorized shares of Weyerhaeuser consist of 25,000,000 common shares of the par value of \$7.50 each, of which, at the date hereof, 24,932,072 shares were outstanding and 67,928 shares were held in the treasury of Weyerhaeuser.

The authorized shares of Kieckhefer consist of 30,000 shares of common stock without par value, of which 29,889 shares were outstanding at the date hereof.

The authorized shares of Eddy consist of 200,000 shares of common stock without par value, of which 181,415 shares were outstanding at the date hereof, including 26,090 shares held by Kieckhefer, and 8,634 shares were held in the treasury of Eddy.

Kieckhefer and Eddy respectively have authority to carry on businesses for the conduct of which a corporation might be organized under the Uniform Business Corporation Act of the State of Washington.

The constituent corporations and their respective boards of directors deem it to be advisable and for the best interests of each of said corporations and its shareholders that Kieckhefer and Eddy be merged with and into Weyerhaeuser as authorized by and pursuant to the respective laws of the States of Delaware, Illinois and Washington (said merger being hereinafter referred to as "the merger").

Now, THEREFORE, in consideration of the premises and the mutual agreements and provisions herein contained, and in order to prescribe the terms and conditions of the merger, the mode of carrying the same into effect and the manner and basis of converting or otherwise dealing with the shares of each of the constituent corporations, and to state such other provisions with respect to the merger as are deemed necessary or desirable, the parties hereto AGREE as follows:

ARTICLE ONE

Kieckhefer Container Company and The Eddy Paper Corporation shall be merged with and into Weyerhaeuser Timber Company to form a single corporation on the effective date of the merger as hereinafter defined. Weyerhaeuser Timber Company shall continue in existence as the corporation surviving the merger and as such is hereinafter sometimes called the "surviving corporation." The name of the surviving corporation shall continue to be

"WEYERHAEUSER TIMBER COMPANY"

and it shall continue to be governed by the laws of the State of Washington.

ARTICLE TWO

The articles of incorporation of Weyerhaeuser as heretofore amended shall upon the effective date of the merger be and they hereby are further amended as follows: (1) Article III shall be changed to increase the number of authorized shares from 25,000,000 to 31,000,000 and to add the last four paragraphs of said article as they appear below; and (2) Article II shall be changed to add the following: "to purchase, hold, sell and transfer its own shares". Said articles of incorporation as so amended shall read as follows:

ARTICLE I.

The name of this corporation shall be "Weyerhaeuser Timber Company."

ARTICLE II.

The object for which this corporation is formed is and shall be dealing in lands, timber, and all the products of timber, and buying and selling the same; carrying on and conducting a general logging, lumbering and manufacturing business; erecting, buying and selling saw mills, shingle mills, planing mills, and all other mills and factories; establishing, operating, buying and selling lumber yards; clearing out and improvement of rivers and streams in the State of Washington; driving, catching, booming, sorting, rafting, brailing, towing, holding and delivering logs, lumber and other timber products; constructing, operating and maintaining telegraphs and telephones in the State of Washington; building, operating, buying and selling ships, barges, steamboats and other water craft; manufacturing, mining, milling, wharfing and docking; mechanical, mercantile, improvement and building purposes; building, equipping and running railroads; building, equipping and managing water flumes for the transportation of wood and lumber; constructing canals and irrigating canals; to purchase, subscribe for, deal in and hold the stock of other corporations to such an extent as hereafter may be permitted or allowed by the laws of the State of Washington, or of any other state in which said corporation may do business; to purchase, hold, sell, and transfer its own shares; and to mortgage, bond, or incumber any or all of its property, real and personal, to such sums and amounts, and at such times and upon such terms as the corporation may find necessary or deem expedient; acquiring, owning and operating mines, mills and reduction works, and mining and milling gold and silver and other minerals; and carrying on every other species of trade and business, except banking and building associations.

ARTICLE III.

The authorized number of shares of this corporation shall be 31,000,000 shares having a par value of \$7.50 per share.

The whole or any part of the authorized but unissued shares of this corporation may be issued from time to time for such consideration in property, tangible or intangible, real or personal, the fair valuation of which to the corporation shall be not less than the aggregate par value of shares issued therefor, as the Board of Directors shall determine, without any further action on the part of the shareholders of this corporation. The value placed upon such consideration by the Board of Directors shall be conclusive.

The whole or any part of the authorized but unissued shares of this corporation may be issued from time to time for such consideration in cash or necessary services actually rendered to the corporation as the shareholders shall determine at any annual or special meeting duly called and held for that purpose or as the Board of Directors shall determine acting under authority hereafter conferred by the shareholders.

Each share so issued for which the full consideration fixed as aforesaid shall have been paid or delivered shall be fully paid and non-assessable, and the holder of such share shall not be liable for any further payments therefor.

The Board of Directors may from time to time authorize the issuance of shares of this corporation, whether now or hereafter authorized, in consideration of property, tangible or intangible, real or personal, without first offering such shares to the shareholders of this corporation.

ARTICLE IV.

The time of the existence of this corporation shall be perpetual.

ARTICLE V.

The number of directors of this corporation shall be the number designated by the By-Laws, not less than nine (9) and not more than fifteen (15).

ARTICLE VI.

The principal place of business of this corporation shall be located in the City of Tacoma, County of Pierce in the State of Washington.

The articles of incorporation of Weyerhaeuser, as so amended, shall continue to be the articles of incorporation of the surviving corporation, until further amended as provided by law, and the surviving corporation reserves the right to effect further amendments thereof in the manner now or hereafter prescribed by the laws of the State of Washington.

ARTICLE THREE

The by-laws of Weyerhaeuser in effect immediately prior to the effective date of the merger shall continue in effect as the by-laws of the surviving corporation, unless and until amended or repealed in the manner provided by law and said by-laws, except that Article III, Section 1 of said by-laws shall upon the effective date of the merger be and it hereby is amended to increase the number of directors from thirteen (13) to fifteen (15).

ARTICLE FOUR

Initially the board of directors of the surviving corporation shall consist of the persons who are directors of Weyerhaeuser immediately prior to the effective date of the merger and Herbert M. Kieckhefer and Robert H. Kieckhefer; and they shall hold office until the annual meeting of shareholders next succeeding the effective date of the merger or until the election and qualification of their respective successors.

ARTICLE FIVE

The manner and basis of converting or otherwise dealing with the shares of each of the constituent corporations are as follows:

(a) Each share of Weyerhaeuser which is issued and outstanding or in the treasury of Weyerhaeuser immediately prior to the effective date of the merger (except shares, if any, then held by either of the other constituent corporations) shall continue to be one fully paid and non-assessable share of the par value of \$7.50 of the surviving corporation.

(b) Each share of common stock of Kieckhefer which is issued and outstanding immediately prior to the effective date of the merger (except shares, if any, then held by either of the other constituent corporations), and all rights in respect thereof, shall be converted, by virtue of the merger and on the effective date thereof and without any action on the part of the holder thereof, into 148 fully paid and non-assessable shares of the par value of \$7.50 each of the surviving corporation.

(c) Each share of common stock of Eddy which is issued and outstanding immediately prior to the effective date of the merger (except shares, if any, then held by either of the other constituent corporations), and all rights in respect thereof, shall be converted, by virtue of the merger and on the effective date thereof and without any action on the part of the holder thereof, into ten fully paid and non-assessable shares of the par value of \$7.50 each of the surviving corporation.

(d) On the effective date of the merger each share of common stock of Kieckhefer or of Eddy which is held in the treasury of such corporation immediately prior to such effective date and each share of any one of the constituent corporations which is held immediately prior to such effective date by either of the other constituent corporations shall be cancelled and retired, and no shares of the surviving corporation shall be issued in respect thereof.

(e) After the effective date of the merger the holders of certificates representing shares of Kieckhefer or Eddy which shall have been converted as aforesaid, except holders who shall have objected to the merger and demanded the fair value of their shares as provided by law, shall be entitled to receive, against the surrender of their certificates for exchange and in full satisfaction of all rights evidenced thereby, certificates representing the number of shares of the par value of \$7.50 each of the surviving corporation into which the shares evidenced by the surrendered certificates shall have been converted as aforesaid. Until so surrendered, each certificate representing shares of common stock of Kieckhefer or Eddy which shall have been converted into shares of the surviving corporation shall be deemed for all corporate purposes to evidence ownership of the number of shares of the surviving corporation into which the same shall have been converted as set forth above; provided, however, that until the holder of such certificate shall have surrendered the same for exchange as aforesaid, no dividend payable to holders of record of shares of the surviving corporation as of any date subsequent to the effective date of the merger shall be paid to such holder with respect to the shares of the surviving corporation represented by such certificate, but upon surrender of such certificate for exchange as aforesaid there shall be paid to the person in whose name a certificate or certificates for shares of the surviving corporation are issued therefor the amount of dividends which shall have theretofore become payable with respect to the number of shares of the surviving corporation represented by the certificate or certificates so issued.

ARTICLE SIX

On the effective date of the merger,

(a) the constituent corporations shall become one corporation, which shall be Weyerhaeuser Timber Company, the surviving corporation, and the separate existence of Kieckhefer and Eddy shall cease, except in so far as continued by statute;

(b) the surviving corporation shall thereupon and thereafter possess all the rights, privileges, immunities, powers and franchises, as well of a public as of a private nature, of each of the constituent corporations; and all property, real, personal and mixed, of each of the constituent corporations, and all debts due on whatever account to any of them, including subscriptions, if any, for shares, and all other things in action belonging to any of the constituent corporations shall be taken and be deemed to be transferred to and vested in, or shall continue to be vested in, the surviving corporation, without further act or deed, and shall be thereafter as effectually the property of the surviving corporation as they were of the constituent corporations, respectively; and the title to any real estate, or any interest therein, vested in any of the constituent corporations, shall not revert or be in any way impaired by reason of the merger;

(c) the surviving corporation shall thenceforth be responsible for all the liabilities and obligations of each of the constituent corporations in the same manner as if the surviving corporation had itself incurred such liabilities and obligations, but the liabilities of the constituent corporations or of their shareholders, directors or officers shall not be affected, nor shall the rights of the creditors thereof, or of any person dealing with any of the constituent corporations, or any liens upon the property thereof (limited in lien to the property subject thereto immediately prior to the effective date of the merger) be impaired by the merger, and any claim existing or action or proceeding pending by or against any of the constituent corporations may be prosecuted to judgment as if the merger had not taken place, or the surviving corporation may be proceeded against or substituted in its place, all as provided in the respective laws of the States of Washington, Delaware and Illinois.

Kieckhefer and Eddy each agrees that if at any time the surviving corporation shall consider that any further assignments or assurances are necessary or desirable to vest or confirm the vesting in the surviving corporation of title to any property, rights, privileges or franchises of either Kieckhefer or Eddy, it will execute and deliver all such deeds and other instruments and will take all such other action as the surviving corporation may request for such purpose and otherwise to carry out the intent and purposes of the merger.

ARTICLE SEVEN

On the effective date of the merger,

(a) the assets and liabilities of Kieckhefer and Eddy shall be taken up on the books of the surviving corporation at the amounts at which they shall be carried at that time on the books of those companies, subject to such adjustments or eliminations as may be made in accordance with generally accepted accounting principles;

(b) the earned surplus and capital surplus of the surviving corporation shall be the sums of the earned surpluses and capital surpluses, respectively, of the constituent corporations on such date, subject in each case to such charges, adjustments and eliminations as may be made in accordance with the following subparagraph (c) or in accordance with generally accepted accounting principles; and

(c) the stated capital of the surviving corporation shall be the sum of the par value of all shares of its common stock then issued, and the amount by which such stated capital shall exceed the aggregate stated capital of the constituent corporations immediately prior to the effective date of the merger shall be charged to the capital surplus of the surviving corporation and, to the extent that such capital surplus is not adequate for the purpose, to the earned surplus of the surviving corporation.

ARTICLE EIGHT

1. The surviving corporation hereby agrees that it may be served with process in the State of Delaware in any proceeding for enforcement of any obligation of Kieckhefer or in any proceeding for the enforcement of any obligation of the surviving corporation arising from the merger, including any proceeding to enforce the right of any stockholder of Kieckhefer as determined in appraisal proceedings pursuant to the provisions of Section 262 of the General Corporation Law of the State of Delaware, and hereby irrevocably appoints the Secretary of State of the State of Delaware as its agent to accept service of process in any such proceeding. The address to which a copy of such process shall be mailed by said Secretary of State is Weyerhaeuser Timber Company, Tacoma 1, Washington.

2. The surviving corporation hereby agrees that it may be served with process in the State of Illinois in any proceeding for the enforcement of any obligation of Eddy and in any proceeding for the enforcement of the rights of a dissenting shareholder of Eddy against the surviving corporation, and hereby irrevocably appoints the Secretary of State of the State of Illinois as the agent of the surviving corporation to accept service of process in any such proceeding.

3. The surviving corporation hereby further agrees that it will promptly pay to the dissenting shareholders, if any, of Kieckhefer and Eddy, respectively, the amounts to which they shall be entitled under the provisions of the General Corporation Law of the State of Delaware in the case of shareholders of Kieckhefer or under the provisions of The Business Corporation Act of the State of Illinois in the case of shareholders of Eddy.

ARTICLE NINE

This agreement shall be submitted to the shareholders of each of the constituent corporations at meetings separately called for the purpose, and the merger shall become effective upon the approval of this agreement and the merger herein provided for by the requisite vote of the shareholders of each of said corporations and the execution, filing, issuance, and recording of such documents as may be required under the respective laws of the States of Delaware, Illinois and Washington. The term "effective date of the merger," as used in this agreement, means the point of time at which the last act required to make the merger effective under the respective laws of said states shall have been performed.

ARTICLE TEN

Anything herein or elsewhere to the contrary notwithstanding, this agreement and the merger herein provided for may be terminated and abandoned at any time before it becomes effective as provided in Article Nine, without action by shareholders of any constituent corporation, (a) by mutual consent of the boards of directors of all of the constituent corporations or (b) by action of the board of directors of any one of the constituent corporations taken in accordance with any agreement between the constituent corporations in existence at the time of such action.

ARTICLE ELEVEN

For the convenience of the parties and to facilitate the filing and recording of this agreement, any number of counterparts may be executed, and each such executed counterpart shall be deemed to be an original instrument.

IN WITNESS WHEREOF, the undersigned directors, being a majority of the board of directors of each of the constituent corporations and having voted in favor of entering into the foregoing merger agreement at directors' meetings of the respective constituent corporations duly called and regularly held for that purpose, have signed their names hereto and have caused the respective corporate seals of the constituent corporations to be affixed hereto, on the 20th day of March, 1957.

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Constituting a majority of the board of directors of Weyerhaeuser Timber Company

[CORPORATE SEAL]

Constituting a majority of the board of directors of Kieckhefer Container Company

[illegible]

A-7

I, GEORGE S. LONG, JR., Secretary of WEYERHAEUSER TIMBER COMPANY, hereby certify as such Secretary and under the seal of that corporation that the foregoing Joint Agreement and Plan of Merger, after having been first duly signed by a majority of the directors of each of the constituent corporations, was duly submitted to the shareholders of WEYERHAEUSER TIMBER COMPANY at a special meeting of said shareholders called separately by the board of directors for the purpose of considering and taking action upon said Joint Agreement and Plan of Merger, which meeting was regularly held on the 22nd day of April, 1957, pursuant to notice duly given to each shareholder as provided in the by-laws and the laws of the State of Washington, and the holders of more than two-thirds of the total issued and outstanding shares of said corporation being duly represented thereat, a vote was taken for the adoption or rejection of said Joint Agreement and Plan of Merger, and the holders of more than two-thirds of the voting power of all shareholders of said corporation voted in favor of the adoption of said Joint Agreement and Plan of Merger.

IN WITNESS WHEREOF, I have hereunto set my hand as Secretary and affixed the corporate seal of WEYERHAEUSER TIMBER COMPANY this day of April, 1957.

[CORPORATE SEAL]

Secretary of WEYERHAEUSER TIMBER COMPANY

I, W. F. KIECKHEFER, Secretary of KIECKHEFER CONTAINER COMPANY, hereby certify as such Secretary and under the seal of that corporation that the foregoing Joint Agreement and Plan of Merger, after having been first duly signed by a majority of the directors of each of the constituent corporations, was duly submitted to the shareholders of KIECKHEFER CONTAINER COMPANY at a special meeting of said shareholders called separately by the board of directors for the purpose of considering and taking action upon said Joint Agreement and Plan of Merger, which meeting was regularly held on the 24th day of April, 1957, pursuant to notice duly given to each shareholder, and the holders of more than two-thirds of the total issued and outstanding shares of said corporation being duly represented thereat, a vote was taken by ballot for the adoption or rejection of said Joint Agreement and Plan of Merger, and the holders of more than two-thirds of the total number of shares of its stock (being more than two-thirds of the voting power of all shareholders of said corporation) voted by ballot in favor of the adoption of said Joint Agreement and Plan of Merger.

IN WITNESS WHEREOF, I have hereunto set my hand as Secretary and affixed the corporate seal of KIECKHEFER CONTAINER COMPANY this day of April, 1957.

[CORPORATE SEAL]

Secretary of KIECKHEFER CONTAINER COMPANY

I, R. C. MEIER, Secretary of THE EDDY PAPER CORPORATION, hereby certify as such Secretary and under the seal of that corporation that the foregoing Joint Agreement and Plan of Merger, after having been first duly signed by a majority of the directors of each of the constituent corporations, was duly submitted to the shareholders of THE EDDY PAPER CORPORATION at a special meeting of said shareholders called separately by the board of directors for the purpose of considering and taking action upon said Joint Agreement and Plan of Merger, which meeting was regularly held on the 23rd day of April, 1957, pursuant to notice duly given to each shareholder, and the holders of more than two-thirds of the total issued and outstanding shares of said corporation being duly represented thereat, a vote was taken for the adoption or rejection of said Joint Agreement and Plan of Merger, and the holders of more than two-thirds of the outstanding shares entitled to vote at such meeting (being more than two-thirds of the voting power of all shareholders of said corporation) voted in favor of the adoption of said Joint Agreement and Plan of Merger.

IN WITNESS WHEREOF, I have hereunto set my hand as Secretary and affixed the corporate seal of THE EDDY PAPER CORPORATION this day of April, 1957.

Secretary of THE EDDY PAPER CORPORATION

[CORPORATE SEAL]

IN WITNESS WHEREOF, each of the constituent corporations has caused its President and Secretary to sign their names hereto and to affix its corporate seal hereto, as of the date of the foregoing certification by its Secretary.

WEYERHAEUSER TIMBER COMPANY

By _____
President

[CORPORATE SEAL]

By _____
Secretary

KIECKHEFER CONTAINER COMPANY

By _____
President

[CORPORATE SEAL]

By _____
Secretary

THE EDDY PAPER CORPORATION

By _____
President

[CORPORATE SEAL]

By _____
Secretary

STATE OF WASHINGTON }
COUNTY OF PIERCE } ss.

On this day of April, 1957 before me, , a notary public in
and for the county and state aforesaid, personally appeared , to me known
to be the President of WEYERHAEUSER TIMBER COMPANY, a corporation of the State of Washington, the
corporation that executed the foregoing instrument and acknowledged said instrument to be the free and
voluntary act, deed and agreement of said corporation, for the use and purposes therein mentioned, and on oath
stated that he was authorized to execute said instrument and that the seal affixed thereto is the corporate
seal of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year aforesaid.

*Notary Public in and for the
State of Washington, residing at Tacoma*

STATE OF }
COUNTY OF } ss.

BE IT REMEMBERED, that on this day of April, 1957, personally came before me, a Notary Public in
and for the county and state aforesaid, H. M. KIECKHEFER, President of KIECKHEFER CONTAINER COMPANY,
a corporation of the State of Delaware, the corporation described in and which executed the foregoing instru-
ment, known to me personally to be such, and acknowledged the said instrument to be his act and deed and
the act and deed of said corporation, and that the signatures of the said President and of the Secretary of said
corporation to the foregoing instrument are in the handwriting of said President and Secretary, respectively,
and that the seal affixed to said instrument is the corporate seal of said corporation, and that his act of sealing,
executing, acknowledging and delivering the said instrument was duly authorized by the board of directors
of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year aforesaid.

Notary Public

STATE OF }
COUNTY OF } ss.

I, , a Notary Public in and for the county and state aforesaid, do hereby certify
that on the day of April, 1957, personally appeared before me W. F. KIECKHEFER who declared that he is
the President of THE EDDY PAPER CORPORATION, a corporation of the State of Illinois, one of the corporations
executing the foregoing instrument, and being first duly sworn by me acknowledged that he signed the foregoing
instrument in the capacity therein set forth and declared that the statements therein contained are true.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year aforesaid.

Notary Public

MEMORANDUM OF AGREEMENT

made March 20, 1957

with respect to merger

of

KIECKHEFER CONTAINER COMPANY

and

THE EDDY PAPER CORPORATION

with and into

WEYERHAEUSER TIMBER COMPANY

The boards of directors of WEYERHAEUSER TIMBER COMPANY (hereinafter called "Weyerhaeuser"), KIECKHEFER CONTAINER COMPANY (hereinafter called "Kieckhefer") and THE EDDY PAPER CORPORATION (hereinafter called "Eddy"), have approved a plan for the merger of Kieckhefer and Eddy into Weyerhaeuser pursuant to the respective laws of the States of Delaware, Illinois and Washington which is set forth in the form of Joint Agreement and Plan of Merger attached hereto and made a part hereof.

Weyerhaeuser, Kieckhefer and Eddy wish to set forth herein certain further agreements relating to the merger, as follows:

1. Weyerhaeuser, Kieckhefer and Eddy each agrees duly to call a special meeting of its shareholders, to be held not later than April 25, 1957, to consider and act upon the merger.

2. Weyerhaeuser, Kieckhefer and Eddy each represents and warrants that the audited consolidated financial statements for the years 1952-1956, inclusive, which it has heretofore submitted to the other parties fairly present the financial position of itself and its subsidiaries and the results of their operations at the dates and for the periods designated therein, and were prepared in conformity with generally accepted accounting principles applied on a consistent basis throughout the periods involved. Each represents and warrants further that:

(a) Since December 31, 1956 neither it nor any of its subsidiaries (i) has entered into any transaction or incurred any obligation out of the ordinary course of business other than the acquisition by Weyerhaeuser of certain assets from W. A. Woodard Lumber Co. and others in connection therewith, or (ii) has had any adverse change in its business or financial condition or properties, which is material to it and its subsidiaries on a consolidated basis.

(b) Neither it nor any of its subsidiaries has any liabilities (in excess of balance sheet provisions therefor), contingent or otherwise, which are material to it and its subsidiaries on a consolidated basis.

(c) There is no litigation, proceeding or investigation pending or threatened against it or any of its subsidiaries which could result in any material adverse change in the properties, business, financial condition or prospects of it and its subsidiaries on a consolidated basis.

(d) Neither it nor any of its subsidiaries is obligated to purchase any of its shares of stock except that under the terms of an Agreement of Purchase and Sale dated March 20, 1957 between Weyerhaeuser and certain shareholders of Kieckhefer and Eddy, respectively (hereinafter called the "Agreement of Purchase and Sale"), Weyerhaeuser is obligated to purchase, subject to the merger's becoming effective, certain shares of Kieckhefer and of Eddy or, at Weyerhaeuser's election, the number of shares of Weyerhaeuser into which said shares of Kieckhefer and Eddy will be converted by the merger.

3. Kieckhefer and Eddy each agrees that without the prior approval of Weyerhaeuser it and its subsidiaries will not authorize additional capital expenditures prior to the effective date of the merger which when added to capital expenditures authorized since February 6, 1957 will exceed the following amounts respectively:

Kieckhefer and subsidiary	\$5,000,000
Eddy and subsidiaries	2,000,000

4. Weyerhaeuser represents and warrants that it is a corporation duly organized and existing in good standing under the laws of the State of Washington; that its authorized shares of stock consist of 25,000,000 shares of the par value of \$7.50 per share, of which 24,932,072 shares are outstanding and 67,928 shares are held in its treasury; that all of such treasury shares are reserved for sale under existing stock options; that all of such issued shares are legally issued, fully paid and non-assessable; and that there are no outstanding warrants or rights to acquire its shares except pursuant to its existing stock option plan.

5. Kieckhefer represents and warrants that it is a corporation duly organized and existing in good standing under the laws of the State of Delaware; that its authorized shares of stock consist of 30,000 shares of common stock without par value; that 29,889 shares of such stock are outstanding and no shares of such stock are held in its treasury; that all of said outstanding shares are legally issued, fully paid and non-assessable; and that there are no outstanding warrants or rights to acquire its stock.

6. Eddy represents and warrants that it is a corporation duly organized and existing in good standing under the laws of the State of Illinois; that its authorized shares of stock consist of 200,000 shares of common stock without par value; that 181,415 shares of such stock are outstanding, including 26,090 shares held by Kieckhefer, and that 8,634 shares are held in Eddy's treasury; that all of such issued shares are legally issued, fully paid and non-assessable; and that there are no outstanding warrants or rights to acquire its stock.

7. Weyerhaeuser, Kieckhefer and Eddy each agrees that prior to the effective date of the merger:

(a) it will not reclassify its stock or issue or sell any shares of its stock or rights to acquire its stock (except as Weyerhaeuser may issue additional options or sell shares upon the exercise of options heretofore granted pursuant to its existing stock option plan);

(b) it will not make any capital distribution and will not declare or pay any dividends except cash dividends on a proportional basis from January 1, 1957 to the effective date of the merger at the following annual rates per share, respectively: Weyerhaeuser, \$1.00; Kieckhefer, \$36.00; Eddy, \$14.00;

(c) neither it nor any of its subsidiaries will enter into any transaction or incur any obligation out of the ordinary course of business without the prior consent of the other two parties;

(d) it will not purchase or sell any shares of its own stock or the stock of either other party, except that Weyerhaeuser may purchase or sell its own shares pursuant to its stock option plan and may purchase its own shares or shares of Kieckhefer and Eddy under the Agreement of Purchase and Sale; and

(e) it will not sell or permit to be sold any stock of its subsidiary or subsidiaries.

8. Kieckhefer and Eddy each represents and warrants that all contracts and licenses of material importance to its business or the business of any of its subsidiaries are or prior to the effective date of the merger will be assignable to Weyerhaeuser.

9. Kieckhefer and Eddy each agrees it will execute and deliver to Weyerhaeuser at any time concurrently with or after the effective date of the merger any deed, assignment, conveyance or other assurance of title which Weyerhaeuser may request to assure or confirm its title to any property, rights, privileges or franchises to be vested in Weyerhaeuser by virtue of the merger, and will take any further action Weyerhaeuser may request for such purpose or otherwise to carry out the intent and purposes of the merger.

10. Weyerhaeuser, Kieckhefer and Eddy shall each have the right to make any investigations it deems desirable for the purpose of ascertaining the truth and accuracy of any representation and warranty made herein or in the audited consolidated financial statements that have been previously interchanged by the parties or for the purpose of ascertaining whether all agreements made herein by the other parties hereto have been performed.

11. Weyerhaeuser, Kieckhefer and Eddy agree that anything herein to the contrary notwithstanding the merger may be terminated and abandoned, either before or after approval by the shareholders of one or more of the respective corporations has been obtained, as follows:

- (a) by mutual consent of the respective boards of directors of the parties hereto; or
- (b) by the board of directors of any one of the parties hereto if, in the judgment of a majority of its directors, the merger becomes inadvisable or impracticable by reason of the failure to receive a ruling or rulings from the Commissioner of Internal Revenue that the merger and exchange of stock incident thereto will be tax-free as to the corporations and the stockholders who exchange; or
- (c) by the board of directors of Weyerhaeuser if, in the judgment of a majority of its directors, the merger becomes inadvisable or impracticable by reason of:
 - (i) the filing in accordance with the applicable law of the written objections or dissents to the merger by shareholders of Weyerhaeuser, Kieckhefer and Eddy, respectively, or any of them, holding in excess of 100,000 common shares of Weyerhaeuser, assuming in computing the holdings of shareholders of Kieckhefer and Eddy, respectively, that their holdings are equal to the number of shares which they otherwise would have been entitled to receive pursuant to the terms of the merger;
 - (ii) material title defects to a material amount of property of Kieckhefer or Eddy, and its subsidiary or subsidiaries;
 - (iii) the failure of Kieckhefer or Eddy to perform any agreement hereunder;
 - (iv) the inaccuracy or untruth in any material respect of any representation and warranty made herein by Kieckhefer or Eddy;
 - (v) any material adverse change since December 31, 1956 in the consolidated business or financial condition or properties of Kieckhefer or Eddy, and its subsidiary or subsidiaries; or
 - (vi) the failure to render full performance of their respective obligations by every other party to the Agreement of Purchase and Sale, or the failure for any reason by any other such party to sell his shares to Weyerhaeuser as provided therein; or
- (d) by the board of directors of either Kieckhefer or Eddy, if in the judgment of a majority of the directors of either board, the merger becomes inadvisable or impracticable by reason of:
 - (i) material title defects to a material amount of property of Weyerhaeuser and its subsidiaries;
 - (ii) the failure of Weyerhaeuser to perform any agreement hereunder;
 - (iii) the inaccuracy or untruth in any material respect of any representation and warranty made herein by Weyerhaeuser; or
 - (iv) any material adverse change since December 31, 1956 in the consolidated business or financial condition or properties of Weyerhaeuser and its subsidiaries.

12. Weyerhaeuser, Kieckhefer and Eddy each agrees on the day prior to the effective date of the merger to interchange certificates stating that (a) it has complied with all of its agreements herein contained and (b) that all the representations and warranties made by it herein are true and correct as if made as of that date (except as to the numbers of outstanding shares, treasury shares and stock options of Weyerhaeuser, and except for any other changes contemplated by this agreement), and setting forth any material changes in its business or financial condition and the business or financial condition of its subsidiary or subsidiaries since December 31, 1956.

13. Weyerhaeuser, Kieckhefer and Eddy agree that any special meetings of shareholders referred to in paragraph 1 hereof may be adjourned from time to time, prior or subsequent to the taking of action upon the merger, to a later date or dates and that, for any of the reasons set forth in paragraph 11 hereof, the board of directors of any of such corporations may postpone the execution or filing of the Joint Agreement and Plan of Merger or the Articles of Merger in the appropriate State offices; provided that no such adjournment or postponement shall affect any right to terminate or abandon the merger.

14. If the merger shall not become effective or is terminated or abandoned, each party agrees to pay all of its own expenses incurred in connection with the merger, the negotiations leading to the merger and any preparations made for effectuating the merger.

15. This agreement shall no longer bind any party unless the merger shall become effective prior to July 1, 1957, unless extended by mutual agreement.

16. When the merger becomes effective the respective representations and warranties of the parties hereto shall terminate and be of no further force or effect.

IN WITNESS WHEREOF, this agreement has been executed by the parties hereto by their duly authorized officers on the aforesaid date.

WEYERHAEUSER TIMBER COMPANY

By _____
(Vice) President

KIECKHEFER CONTAINER COMPANY

By _____
(Vice) President

THE EDDY PAPER CORPORATION

By _____
(Vice) President

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Co./Dept.			Co.	
Phone #			Phone #	
Fax #			Fax #	

ROBERT H. KIECKHEFER

Robert H. ("Bob") Kieckhefer passed away at the Mayo Clinic Hospital in Phoenix on February 26, 2001 in the company of his wife, Audrey, his four children and their spouses.

Mr. Kieckhefer resided in Arizona for 65 years, having moved to Oracle, Arizona, from Milwaukee, Wisconsin, in 1935. Bob and his wife Virginia "Dudie" Ott moved to the K4 Ranch north of Prescott in 1940 and subsequently moved to Prescott where he has maintained a residence. His wife, Dudie, died in 1985. In 1995 he was married to Audrey Cox of Orange County, California. He is survived by his son, John, three daughters Nancy, Katherine and Susan, eleven grandchildren and one great-grandson.

Mr. Kieckhefer was an officer and director of the Kieckhefer Container Company and Eddy Paper Company and was instrumental in these companies becoming the largest manufacturers of the then innovative paper milk carton which serves as a standard for milk containers to this day. These two companies were merged with Weyerhaeuser Company in 1957. Mr. Kieckhefer served as a member of the Board of Directors of Weyerhaeuser Company for 33 years until his retirement at age 72 and was a member of the Executive Committee of Weyerhaeuser for more than 25 years. He was recognized as a leader of the paper and forest products industry. He also pursued a wide variety of additional business and investment interests.

His interest in horses began with the desire to improve the working horses at the K4 Ranch where he managed the herds of registered and commercial Hereford cattle. He remained interested in the current livestock operations of his son, John, on the K4 Ranch lands. His interest in horses expanded over time to include well known show and racing stock. He continued racing both quarter horses and thoroughbreds to the time of his death. He served as president and as a director of the American Quarter Horse Association (AQHA) and was past chairman of the AQHA Judges Committee. He also served as a director and member of the Executive Committee of the Arizona Quarter Horse Breeders Association and as a Director of the Arizona Thoroughbred Breeders Association. He served as chairman and as a member of the Arizona Racing Commission. Prior to his service on the Arizona Racing Commission he had been a director of the Yavapai County Fair Association for more than 20 years and was a member of the Executive Committee of this organization for many years. He was a trustee of the American Horse Council and served as chairman of the Arizona Governor's Blue Ribbon Committee on Racing and Pari-mutuel Wagering.

He also served as a member of the Department of Economic Planning and Development of the State of Arizona and was a trustee of the Committee for Economic Development (CED) of New York, New York. He was a member and served as captain of the Yavapai County Mounted Sheriff's Posse and was honored by being appointed co-Grand Marshal of the Prescott Frontier Days Rodeo Parade in 1999 as one of two surviving original members of the Posse.

Mr. Kieckhefer was widely known for his philanthropic interests on a national basis and was a founding trustee of the J.W. Kieckhefer Foundation, an Arizona charitable trust. He has been a member of the congregation of St. Luke's Episcopal Church at Prescott since the early 1940s and served the church for a number of years as a vestryman.

He was a long time member of the Smoki People and the Elks Club of Prescott. He was very instrumental in the founding of the original Prescott Downs which was the basis for the success of the racing program of the Yavapai County Fair Association.

In lieu of flowers, the family suggests memorial contributions to the Robert H. Kieckhefer Fund at the Arizona Community Foundation, Inc., 2122 E. Highland, Suite 400, Phoenix, Arizona 85016; the Mayo Foundation at Mayo Clinic Scottsdale, 13400 E. Shea Boulevard, Scottsdale, Arizona 85259, or Arizona State University Foundation, Cancer Research Institute, P.O. Box 875005, Tempe, Arizona 85287-5005.

Services: Monday, March 5, 2001, 10:00 a.m., St. Luke's Episcopal Parish, Prescott; and graveside 3:15 p.m. at Green Acres Cemetery, 401 N. Hayden Road, Scottsdale

30 Year Anniversary
Weyerhaeuser Timber Company
Robert A. Kleckhefer



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In lieu of flowers, the family suggests memorial contributions to the Robert H. Kieckhefer Fund at the Arizona Community Foundation, Inc., 2122 E. Highland, Suite 400, Phoenix, Arizona 85016; the Mayo Foundation at Mayo Clinic Scottsdale, 13400 E. Shea Boulevard, Scottsdale, Arizona 85259, or Arizona State University Foundation, Cancer Research Institute, P.O. Box 875005, Tempe, Arizona 85287-5005.

Services: Monday, March 5, 2001, 10:00 a.m., St. Luke's Episcopal Parish, Prescott; and graveside 3:15 p.m. at Green Acres Cemetery, 401 N. Hayden Road, Scottsdale

Post-It® Fax Note 7671		Date 3-1	# of pages 2
To <u>Howie Meadowcroft</u>		From <u>Sally Hofaust</u>	
Co./Dept.		Co.	
Phone #		Phone #	
Fax #		Fax #	

ROBERT H. KIECKHEFER

Robert H. ("Bob") Kieckhefer passed away at the Mayo Clinic Hospital in Phoenix on February 26, 2001 in the company of his wife, Audrey, his four children and their spouses.

Mr. Kieckhefer resided in Arizona for 65 years, having moved to Oracle, Arizona, from Milwaukee, Wisconsin, in 1935. Bob and his wife Virginia "Dudie" Ott moved to the K4 Ranch north of Prescott in 1940 and subsequently moved to Prescott where he has maintained a residence. His wife, Dudie, died in 1985. In 1995 he was married to Audrey Cox of Orange County, California. He is survived by his son, John, three daughters Nancy, Katherine and Susan, eleven grandchildren and one great-grandson.

Mr. Kieckhefer was an officer and director of the Kieckhefer Container Company and Eddy Paper Company and was instrumental in these companies becoming the largest manufacturers of the then innovative paper milk carton which serves as a standard for milk containers to this day. These two companies were merged with Weyerhaeuser Company in 1957. Mr. Kieckhefer served as a member of the Board of Directors of Weyerhaeuser Company for 33 years until his retirement at age 72 and was a member of the Executive Committee of Weyerhaeuser for more than 25 years. He was recognized as a leader of the paper and forest products industry. He also pursued a wide variety of additional business and investment interests.

His interest in horses began with the desire to improve the working horses at the K4 Ranch where he managed the herds of registered and commercial Hereford cattle. He remained interested in the current livestock operations of his son, John, on the K4 Ranch lands. His interest in horses expanded over time to include well known show and racing stock. He continued racing both quarter horses and thoroughbreds to the time of his death. He served as president and as a director of the American Quarter Horse Association (AQHA) and was past chairman of the AQHA Judges Committee. He also served as a director and member of the Executive Committee of the Arizona Quarter Horse Breeders Association and as a Director of the Arizona Thoroughbred Breeders Association. He served as chairman and as a member of the Arizona Racing Commission. Prior to his service on the Arizona Racing Commission he had been a director of the Yavapai County Fair Association for more than 20 years and was a member of the Executive Committee of this organization for many years. He was a trustee of the American Horse Council and served as chairman of the Arizona Governor's Blue Ribbon Committee on Racing and Pari-mutuel Wagering.

He also served as a member of the Department of Economic Planning and Development of the State of Arizona and was a trustee of the Committee for Economic Development (CED) of New York, New York. He was a member and served as captain of the Yavapai County Mounted Sheriff's Posse and was honored by being appointed co-Grand Marshal of the Prescott Frontier Days Rodeo Parade in 1999 as one of two surviving original members of the Posse.

Mr. Kieckhefer was widely known for his philanthropic interests on a national basis and was a founding trustee of the J.W. Kieckhefer Foundation, an Arizona charitable trust. He has been a member of the congregation of St. Luke's Episcopal Church at Prescott since the early 1940s and served the church for a number of years as a vestryman.

He was a long time member of the Smoki People and the Elks Club of Prescott. He was very instrumental in the founding of the original Prescott Downs which was the basis for the success of the racing program of the Yavapai County Fair Association.

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Obituary from The Arizona Republic - 3/2/01

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Robert H. Kieckhefer

Thirty-three years of service

Happy Trails, Bob

Thirty-three years of service on the Weyerhaeuser Board of Directors. In some ways that doesn't seem like such a long time. In fact, it is an impressive stint. Few have served longer, and none have witnessed so much change.

To gain some appreciation of what 33 years means, let's go back to 1957 and take a closer look at the company, the country, and the world. Perhaps then we will have a clearer understanding of what the passage of three-plus decades has meant.

Robert H. Kieckhefer officially became a member of the board on April 30, 1957. Skimming a copy of that morning's *Seattle P-I*, we learn of other events. Some things have an all-too-familiar ring: Nicaragua is accused of aggression by neighboring Honduras; headlines tell of a "Bipartisan Drive on to Cut [the federal budget] in Spite of Ike"; and there's also a report of an earthquake, measuring 3.25 on the Richter scale, shaking San Francisco — where else? — one of the many aftershocks of a serious quake on March 22. Much was different, however. For example, at White Sands, New Mexico, a Navy Aerobee rocket reached a record 190 miles altitude before burning up. In Chicago, Sugar Ray Robinson was preparing for another middleweight championship fight, this time against

Gene Fullmer, "in a battle of faded ring skill against the brute strength of confident youth." Do you remember who won? Experience, of course.

Closer to home, the Seattle Rainiers defeated San Francisco in a double-header at Sicks' Stadium. Sportswriter Emmett Watson marveled at the performance of Joe Taylor: "One man, and one man alone, stole the show... the rest were merely carrying spears. The huge, steel-wristed Negro, who patrols right field for the Rainiers, simply mopped up both games with his long, booming bat." Another performance worth noting was that of a Shelton girl chosen "Miss Posture" by the Washington State Chiropractors' Association. The University of Washington coed was selected for obvious reasons: "In addition to a rigid spinal column, Miss Halbert is a very pretty girl, so the judges admitted."

One really can't be expected to remember events of a particular day, however important, 33 years ago. But what of 1957? Perhaps you can recall some of what was happening in the country and the world. Yes, Eisenhower was still president, and although everyone didn't like him, to most Americans he seemed a comfortable occupant of the White House. Senator Joseph M. McCarthy gave up the ghost. So too did Humphrey Bogart, Arturo Toscanini, the Aga Khan, Christian Dior, and Admiral Richard E. Byrd. And

mystery lovers suffered a severe loss when Dorothy Sayers died. Lord Peter Wimsey accompanied her. Apparently neither of them had a choice. Franco didn't die, but was busy making plans for the event, announcing that when he did expire, the Spanish monarchy would be restored.

Do you remember what was happening in baseball? You should, for this was the year the New York Giants moved to San Francisco and the Dodgers traded Brooklyn for Los Angeles. The beloved Bums were no more. Meanwhile, the Milwaukee Braves, then of the National League, defeated the Yankees in a seven-game World Series. The more sophisticated expressed amazement when 13-year-old Bobby Fischer became a chess champion.

At the movies we watched Alec Guinness in *The Bridge on the River Kwai*, then left the theater in step to our own whistling. This was also the year of *The Prince and the Showgirl*, starring Sir Laurence Olivier and Marilyn Monroe, and of Otto Preminger's *Bonjour Tristesse* and Billy Wilder's *Love in the Afternoon*. On stage, audiences were captivated by Leonard Bernstein's *West Side Story*, and we cheered and marched along with Meredith Willson's *The Music Man*. "Tonight," "Maria," and "Seventy-Six Trombones" were among the popular song hits. So too were "Love Letters

in the Sand" and "Young Love." You do remember Pat Boone, don't you?

Readers had a good year. There was Nevil Shute's *On the Beach*, James Gould Cozzan's *By Love Possessed*, Gore Vidal's *A Visit to a Small Planet*, and Ann Rand's *Atlas Shrugged*. And the kids weren't ignored, for Dr. Seuss gave them *The Cat in the Hat*. Thanks to Jack Kerouac and his *On the Road*, we all knew something of the "Beat Generation" and "beatniks." Plus, we had new words in the old vocabulary.

Getting from here to there became easier and faster in most respects. The Mackinac Straits Bridge, the world's longest suspension bridge, opened. Major John Glenn, Jr., flew from California to New York in a record three hours and 23 minutes. Even more impressive was the successful launching of Sputniks I and II, the first Earth satellites.

John Glenn may have sped across the country in record time, but the rest of us traveled at a much slower pace. Such was certainly the case with F.K. Weyerhaeuser, president of the Weyerhaeuser Timber Company. F.K. had long headed the Weyerhaeuser Sales Company headquartered in St. Paul, and he became president of the Timber Company following brother Phil's death from leukemia in December of '56. But Tacoma was never really home to F.K. To a considerable

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extent, he lived out of a suitcase, and tried to be in both places. That wasn't easy in those days when Northwest Airlines Flight #8 departed Sea-Tac at 10:10 p.m. with a scheduled arrival time in Chicago of 7:30 the next morning. There were sleeping berths available, but not enough to go around — remember?

Phil Weyerhaeuser had worried about the Timber Company's Pacific Northwest provincialism and had been searching for a Southern investment opportunity, one that included timberlands and also provided entry into the linerboard and box business. Phil dispatched Ed Heacox and Dave Weyerhaeuser on expeditions to acquaint themselves with Southern forests and forestry practices. The two took detailed notes and lots of snapshots as they surveyed the territory. One of the prospects they investigated was the well-managed timberland — some 400,000 acres — of the North Carolina Pulp Company, wholly owned by Kieckhefer and Eddy.

Kieckhefer Container had been courted by several others seeking a merger, but, as Bob Kieckhefer would recall, "We never gave them much thought because we didn't particularly care for the people we would be dealing with." This time it would be different. The Weyerhaeuser Timber Company shareholders were officially informed

on March 22, 1957, that their directors, along with the directors of the Kieckhefer Container Company and the Eddy Paper Corporation, had approved "an Agreement and Plan of Merger which, if also approved by the shareholders of the three companies, will result in the merger of the latter two companies into Weyerhaeuser Timber Company."

A special meeting of the shareholders was held on April 22, at which approval was voted. Public announcement of the merger came on April 30 over the signature of F.K. Weyerhaeuser. After noting his own company's ability "to grow and harvest great quantities of timber," F.K. spoke of the special strengths of Kieckhefer-Eddy, its "excellent plants for producing shipping cartons, folding boxes, and milk containers," and the fact that it "knows how to service its customers." He then expressed the hope that Kieckhefer-Eddy's personnel would "find our association satisfying and worthwhile." There would be some problems, of course; there are in every merger. Still, it was achieved more easily than most. Bob Kieckhefer later likened a merger to a marriage, noting, "Not all marriages work out, but this has been a happy one." The reasons were plain: The Kieckhefers were comfortable with the way Weyerhaeuser operated and managed its assets, particularly "the land and the trees." Then there were the people — "These

were the kinds of people that we wanted to be associated with." It was clearly mutual.

The merger decision was made too late to be included in the bound edition of the 1956 annual report, so the announcement was managed via a single-page insert. Shareholders studied the figures for the year just ended. Sales totaled just slightly less than \$325 million, with dividends paying almost \$25 million, or \$1.00 per share. As of December 31, 1956, the Weyerhaeuser Timber Company employed 14,527 and the average hourly wage was \$2.48, about \$5,000 a year.

A number of other expansions and improvements had been made over the year. A new chemical plant began operation at Longview, to provide chlorine and caustic soda for the pulp mills. A two-year modernization program was completed at the Willapa (Washington) branch, and a 400-ton-per-day pulp plant began production at Grays Harbor in March 1957. Also, negotiations were concluded for the January 1957 purchase of a Cottage Grove, Oregon, lumber mill, plywood mill, and 55,000 acres of timberlands that would complement the Timber Company's Springfield operation. Managing that branch was a young man of considerable promise, George H. Weyerhaeuser.

Nothing else compared to the Kieckhefer-Eddy merger in size and significance. The initial concern was how to meld the two organizations effectively and as rapidly as possible, with sensitivity to former attitudes and loyalties. The first step was to get better acquainted. To that purpose, F.K. invited senior members of the Kieckhefer-Eddy management to visit the headquarters and Western Washington operations of Weyerhaeuser. John W. Kieckhefer, Herbert M. Kieckhefer, Robert H. Kieckhefer, Walter F. Kieckhefer, Joseph A. Auchter, Daniel C. Will, Anthony Haines, Erwin K. Radke, Thomas E. Morriss, and Robert J. Scoutten arrived in Longview on Monday morning, May 27, 1957. They spent the day touring with Howard Morgan, head of the pulp division, with only a brief stop for lunch at the company cafeteria. In the evening, the guests enjoyed a group dinner at the beautiful Monticello Hotel, where they also spent the night, sleeping soundly we presume.

The party left the hotel the next morning at 8:30 and were driven up to Camp McDonald. Many had never seen Western logging and were impressed by the size of the trees and the skill of the loggers. Following a hearty lunch, it was on to Tacoma. There the day ended with a stag dinner at Charlie Ingram's home.

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Wednesday was spent mainly in the Tacoma office, where the visitors were divided into small groups and introduced to staff members of the Timber Company. That evening Elizabeth Titcomb, F.K.'s sister, hosted a dinner, an event that finally included wives. Even F.K. seemed a little concerned that the women had been neglected, noting in one letter of invitation, "Apparently the only participation by wives is at the Titcomb dinner." But remember, this was 33 years ago!

The dinner was a grand affair. It should have been, for it cost \$226.72, according to Elizabeth's figures, which she submitted complete with receipts to her brother. Some of the charges may surprise. For example, three bottles of Beefeaters Gin totaled \$17.25.

A dinner then and a dinner now, for similar reasons: to honor the past and remind ourselves of the continuing importance of togetherness. If only Beefeaters Gin still cost \$5.75 a bottle. But whatever the expense, let us toast Bob Kieckhefer this evening, our good friend and colleague of so many years.

*Happy trails, Bob.
April 18, 1990*



Directors of Weyerhaeuser Timber Company, 1957

Mr. Laird Bell
Chicago 3, Illinois

Mr. Carleton Blunt
Chicago 3, Illinois

Mr. Norton Clapp
Seattle 4, Washington

Mr. Edmond M. Cook
Moline, Illinois

Mr. O.D. Fisher
Seattle 1, Washington

Mr. Edmund Hayes
Portland 4, Oregon

Mr. Chas. H. Ingram
Tacoma 1, Washington

Mr. Herbert M. Kieckhefer
Camden, New Jersey

Mr. Robert H. Kieckhefer
Prescott, Arizona

Mr. Henry T. McKnight
Washington 6, D.C.

Mr. John M. Musser
Saint Paul 1, Minnesota

Mr. F.W. Reimers
Hammond, Louisiana

Mr. C.D. Weyerhaeuser
Tacoma 1, Washington

Mr. J.P. Weyerhaeuser, III
St. Paul 1, Minnesota

Mr. F.K. Weyerhaeuser
Tacoma 1, Washington

**BOARD OF DIRECTORS
WEYERHAEUSER COMPANY
RESOLUTION**

WHEREAS Robert H. Kieckhefer will retire as a member of Weyerhaeuser Company's Board of Directors and Executive Committee at the 1990 Annual Shareholders' Meeting, and

WHEREAS he has served faithfully on our Board for 33 years, more than one-third of this Company's history, and

WHEREAS he has always served as a working Director, regularly questioning, counseling and advising three Chief Executive Officers of this Company in a concerned and constructive way, and

WHEREAS he has always taken a "fundamentalist" view of both business and society, concentrating on the basics and avoiding fads of the moment, and he has consistently supported investor-oriented, fundamental growth, and

WHEREAS he has consistently taken a long-range view, while urging hard-hitting competition in manufacturing, marketing and sales, maintaining a particularly strong interest in our pulp, paper and packaging businesses, and

WHEREAS the 1957 merger of Kieckhefer-Eddy into Weyerhaeuser Company brought to this Company not only a leadership position in packaging but also advanced practices in Southern resource management which contributed significantly to the development of High Yield Forestry and also brought new vigor to our Company, and

WHEREAS his service as the second generation of the Kieckhefer family on our Board will be followed by the contributions of a member of the third generation,

NOW THEREFORE BE IT RESOLVED that the Board of Directors of Weyerhaeuser Company gives its heartfelt thanks to Robert H. Kieckhefer for his many contributions, expresses its regrets at the loss of a quiet, competent and faithful colleague who for more than a third of a century has been a valued partner and adviser, and expresses its best wishes to him in all future endeavors.

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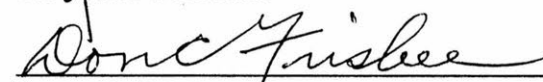
William H. Clapp



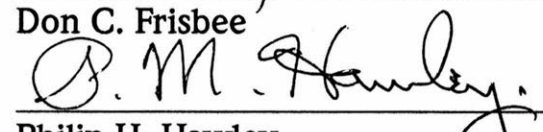
John W. Creighton, Jr.



W. John Driscoll



Don C. Frisbee



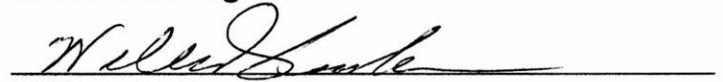
Philip H. Hawley




Harold J. Haynes



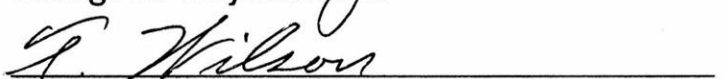
E. Bronson Ingram



William D. Ruckelshaus



George H. Weyerhaeuser



T. A. Wilson