



2013

Annual Report

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LETTER FROM THE CHAIRMAN

Dear Colleagues,

The Softwood Lumber Board (SLB) is dedicated to promoting the benefits and uses of softwood lumber in outdoor, residential, and non-residential construction. Since its founding in 2011, the SLB has aggressively worked to increase softwood lumber's profile and to position wood effectively in order to increase demand and market share in the United States. We do this by prioritizing and supporting initiatives under four centers of excellence — building standards, pro-wood messaging, design and construction, and appearance promotion.

Results from 2013 confirm the validity of the SLB's coordinated approach, as each center of excellence is now delivering clear, measurable returns on every dollar invested during the year. In turn, these results are translating into increased value and opportunities for our investors and industry partners.



As we reflect on the past year, I want to draw particular attention to three areas where the SLB, through its coordinated and industrywide effort, has delivered unique value:

- The SLB facilitated sizable increases in softwood lumber consumption in non-residential construction, thanks in large part to WoodWorks' outreach and education efforts that converted 275 projects from competing materials to wood during project and construction cycles.
- The SLB joined forces with Skidmore, Owings & Merrill LLP (SOM) to undertake innovative research and design testing that ultimately demonstrated the potential and advantages of using wood in high-rise buildings. This lays important groundwork for penetrating the tall building segment and ultimately creating an expansive market opportunity for the softwood lumber industry valued at 2.6 billion board feet (bbf).
- The SLB launched a dedicated appearance promotion program to defend and expand markets for softwood lumber products in consumer-focused interior and exterior appearance applications. This segment offers at least 2 bbf of volume impact in decking alone in the short/medium term.

This past year, the SLB also took important steps to increase rigor in our monitoring and evaluation efforts. Working with the experts at Prime Consulting, the SLB and each of its funded programs are working to develop and implement a comprehensive performance measurement and evaluation system, which will include precise metrics to assess individual program and overall SLB performance. By spending the time and energy to perfect our metrics, the SLB will be able to provide our industry investors and partners with accurate, up-to-date, and comprehensive views of how each funded program is delivering gains for the industry and return on investment.

We are proud of and encouraged by the achievements of the SLB in its short lifetime, and we are committed to doing what it takes to create increased benefit for all industry actors in the softwood lumber value chain. The year 2014 will see new leadership take the helm of the SLB Board, and I wish Marc Brinkmeyer and other executive committee members nominated during SLB's annual Board meeting in November 2013 all the best as they continue to champion softwood lumber in the American market. By working together with you, we can and will continue to advance softwood lumber's positioning and make it an excellent choice for builders and consumers. Thank you for your interest in and continued support of the important work of the Softwood Lumber Board.

Sincerely,

A handwritten signature in black ink, which appears to read "Jack Jordan". The signature is fluid and cursive, with a large initial "J" and "J".

Jack Jordan
Chairman, Softwood Lumber Board

LETTER FROM THE FINANCE COMMITTEE CHAIRMAN

Dear Colleagues,

The Softwood Lumber Board (SLB) registered solid financial performance in 2013. In doing so, we delivered important support to market-based programs and proved capable stewards of the revenue received from industry investors.

Given the need to deliver measurable outcomes for the industry, the SLB focuses on a select number of well-developed initiatives rather than funding many small, unrelated projects that lack the proven metrics, scale and scope to have a real impact on the consumption of softwood lumber products in appearance and structural applications. By design, the SLB continued to accumulate a significant planned surplus as it continues to expand the industry's capacity to use funds effectively on meaningful market development and research programs that will deliver a significant return to SLB investors.



The SLB had \$17.65 million available for programs in 2013, which consisted of assessment revenue as well as a substantial carry forward from 2012. Of SLB's available funds in 2013, \$7.7 million were directed to funded programs under the four centers of excellence; this investment was complemented by an additional \$5.5 million in leveraged funding. A \$10 million planned surplus remained available for other nascent programs aimed at non-residential, mid- and high-rise construction, and appearance promotion initiatives. 2013 investments in these areas focused largely on research and market development. Program implementation is expected to accelerate in 2014 and beyond using the planned surplus to fund programs for maximum returns, as shown in the accompanying five-year revenue and expense projections.

The SLB starts 2014 with solid financial positioning thanks to the generous contributions of industry investors. The SLB expects to direct \$12.55 million to program initiatives in non-residential, residential, industrial, and tall wood segments, in pursuit of nearly 8 bbf of volume opportunity and anticipates having an additional \$8.255 million planned surplus on hand for new program initiatives.

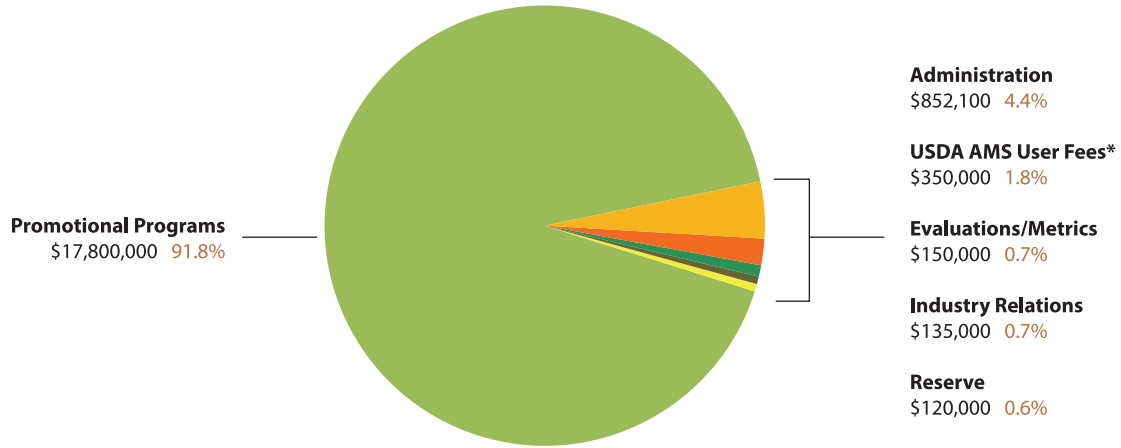
The SLB continues to keep its overhead costs low, including staff salaries and Board operating expenses. These costs accounted for less than 6% of funds available in 2013. The SLB's 2014 budget also allows for a small reserve fund of \$360,000 to give the Board the ability to respond to unique and time-sensitive challenges.

The SLB is committed to transparency, especially when it comes to reporting on budgeting and its use of investor contributions. On behalf of the Finance Committee and Board, we pledge to keep you up-to-date on fund deployment and expenditures throughout the year, and we look forward to a productive 2014.

Sincerely,

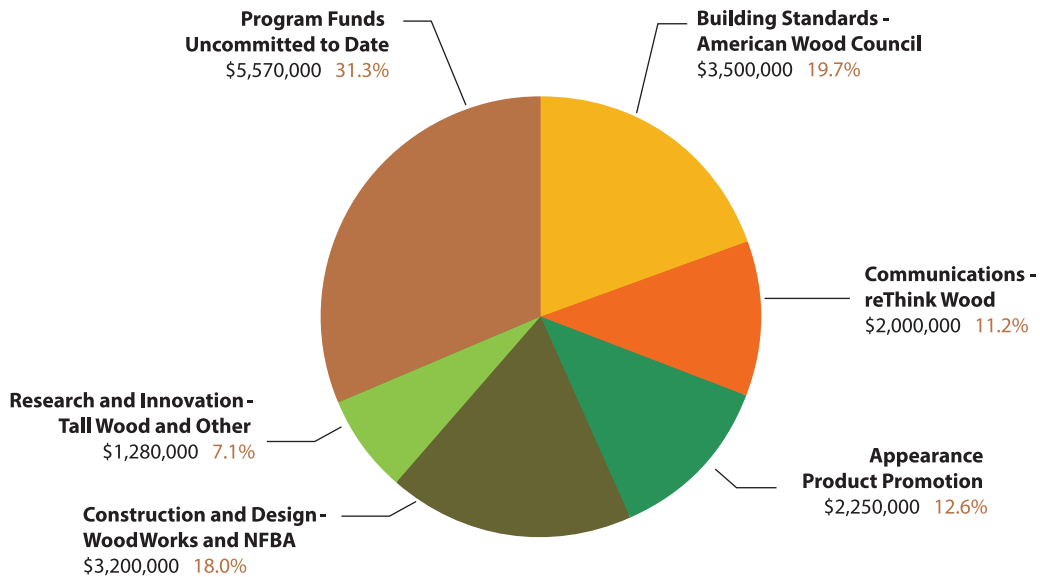
Michael Case
Mike Case
SLB Treasurer and Finance Committee Chair
CEO, Westervelt

2014 BUDGET CHARTS



2014 BUDGET SNAPSHOT: TOTAL FUNDS AVAILABLE \$19,400,000

* Includes past start-up fees. Annual fee is approximately \$175,000 (1%)



SLB 2014 PROGRAM BUDGET \$17,800,000

LETTER FROM THE INDUSTRY RELATIONS & GOVERNANCE COMMITTEE CHAIRMAN

Dear Colleagues,

The softwood lumber industry's bold step to establish a softwood lumber check-off aimed at making a brighter future for our industry comes at no small cost. Those of us who have volunteered our time to serve as fiduciaries for the check-off as members of the Softwood Lumber Board (SLB) understand that the SLB is not a traditional trade association. Rather, by design, the SLB oversees a strategic investment fund aimed at providing a substantial return to its shareholders by growing markets and opportunities.

We understand that you and your fellow companies who support the check-off with your financial investments want to be informed regularly about how your investments are performing.

The SLB takes its two primary obligations very seriously. First, we are committed to investing industry funds judiciously and only where there is a proven potential for substantial returns. Secondly, we are committed to keeping you continually updated about the SLB's progress, performance, and results. The goal of our outreach is to assure you total transparency regarding all of the SLB's investment activities and regular reporting of SLB-driven results.

In 2013, as part of this commitment, we made a concerted effort to speak frequently at meetings of industry organizations; we maintained a comprehensive website, www.softwoodlumberboard.org; and we published investor reports in the form of electronic and print newsletters, reports, news flashes, social media updates, and other information regularly to just under one thousand individuals who work in the softwood lumber industry.

In 2013 SLB outreach included:

- Companies currently investing in the check-off, including company owners, CEOs, presidents, and senior executives;
- Other companies and stakeholders representing all segments of the softwood lumber industry;
- Softwood lumber manufacturing associations; and
- Members of the trade press.

In 2013 the SLB frequently communicated its pursuit of diversity in Board membership as an opportunity for embracing new ideas and growth that will enable the Board to better serve the industry. Central to this effort is the goal of growing new leadership to serve on the SLB that reflects a diversity of perspectives and opinions. The industry that pays the marketing and promotion assessment is diverse, and the SLB should reflect that diversity in the size of operations, experience of members, methods of production and distribution, marketing strategies, and other distinguishing factors that will bring different perspectives and ideas to the table. As part of its good governance practice and to help ensure diversity among its membership, in 2013 the Board approved a significant rulemaking that established equal numbers of seats for small and large companies, proportional to the amount of small and large company manufacturing or imports by region.

The check-off program belongs to the industry. The SLB and its Board of Directors, as your representatives, in the spirit of continuous improvement, welcome your feedback on how we are doing in this effort as well as your suggestions on how we can improve. Tell us what you like, what you do not like, and what information is particularly meaningful to you. To sign up for any of our communications or to send comments, please contact me, another Board member, the SLB's CEO Steve Lovett (lovet@softwoodlumberboard.org) or Chief Marketing Officer Cees de Jager (dejager@softwoodlumber.org), or call the SLB at 312-321-5131.

Thank you for your continued support of the SLB.



A handwritten signature in black ink, appearing to read 'SZ', written in a cursive, stylized font.

Steve Zika

SLB Secretary and Chairman, Industry Relations & Governance Committee
Chief Executive Officer, Hampton Affiliates

LETTER FROM THE PROGRAM COMMITTEE CHAIRMAN

Dear Colleagues,

As the Program Committee Chair, it has been my privilege to be directly involved with the investments that the SLB has made in 2013. I am excited by our programs' rapid progress and the impacts they have achieved in such a short time. I am also particularly proud of the diverse range of foci among our projects, from those that have an immediate impact on our business, such as WoodWorks, to those that literally take our industry to new heights, such as our tall wood building initiative.

The SLB's programmatic approach is to align precisely with the decision-making processes of specifiers and consumers of softwood lumber. In doing so, we are able to reach architects, designers, builders, and other building professionals early and often with messages and demonstrations of the comparative advantages of wood and ultimately to help them select and apply wood and wood products to achieve their desired results in the non-residential, low- and mid-rise, and residential market segments.

Thus by design, the American Wood Council's (AWC's) targeted research efforts identify and create opportunities for increasing wood applications, including expanding wood's scope in industry standards and building codes. The reThinkWood pro-wood communications platform uses creative and high-quality communication pieces to generate awareness and build interest among prospective architects, engineers, and other building professionals nationwide. This interest is advanced and converted into direct action by our WoodWorks program, whose professionals stay involved and available throughout the construction cycle of non-residential projects to provide assistance and support as builders and architects make a material shift to wood. The SLB also continues to support the National Frame Builder Association's Post-Frame Marketing Initiative's effort to promote the use of timber frame systems specifically in low-rise commercial construction, which offers considerable volume opportunity.

By sequentially leveraging each partner's strengths and expertise, we are able to create a seamless continuum of touches at the various stages of a customer's journey as they consider and ultimately choose wood.

In 2013, the SLB added important new dimensions to its programmatic work as it launched a promotion program focused on the use of softwood lumber in appearance applications. This program will aim to reach residential construction consumers in order to expand the use of softwood lumber for interior and exterior appearance applications. The SLB also recognizes that in some segments where softwood lumber is used, such as decking, our market share is under threat. As such, specific efforts are underway to stem the market share erosion and ultimately recapture wood's traditional place in the market.

We expect each of these programs to build on existing and new momentum in 2014 and to deliver clear returns on investment. Also, looking ahead, the SLB is researching threats and opportunities in the industrial segment as well as improvements in fire-retardant treatments and protective coatings. Thus in 2014, the SLB will be actively working to increase awareness, grow demand, and capture market share in each and every segment of the softwood lumber value chain. Collectively, these programs will help the SLB and its industry investors to advance our shared and primary focus: to sell more softwood lumber.

On behalf of the Program Committee, we remain committed to communicating with you openly and regularly, so that you are assured of the direction of our programs and the returns they are yielding for the industry. We also welcome your comments and inputs. Please feel free to email us at info@softwoodlumberboard.org or call the SLB main line at 312-321-5131.



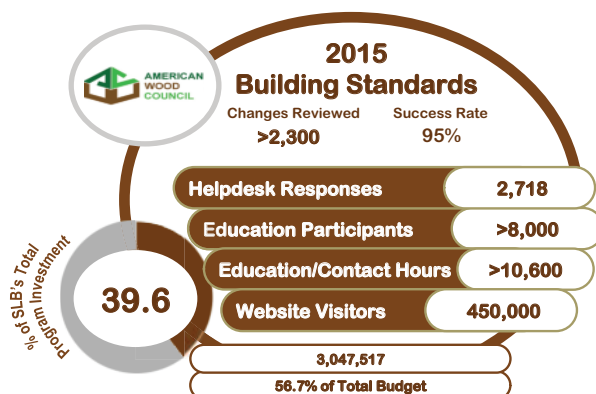
Sincerely,

A handwritten signature in black ink that reads "Hank Scott". The signature is fluid and cursive.

Hank Scott
Chairman, SLB Programs Committee
CEO of Collum's Lumber Products, L.L.C.

AMERICAN WOOD COUNCIL (AWC)

In 2013, the American Wood Council (AWC) continued aggressively to position wood in emerging building standards development and as a material choice in green building design, achieving great results for the industry. Chief among these, AWC achieved a 95% overall success rate on more than 2,300 proposed changes to five International Code Council (ICC) 2015 standards. Specific examples of changes successfully advanced by AWC include:



- Building designs can now be constructed of compliant cross laminated timber (CLT) products in designs up to 85 feet without any special regulatory approvals.
- An update to span tables, addressing new southern pine design values and making slight modifications for Douglas fir-Larch and Hem-fir spans, was approved.
- Prescriptive provisions for deck construction that are consistent with provisions in AWC's DCA 6 Deck Guide were approved. This change will deflect some of the scrutiny currently focused on the performance of wood decks and IRC provisions that are considered by some to be inadequate.
- A proposal for tall studs supporting roof loads was approved as a replacement for a complex table that required extensive knowledge of lumber design values. The new table will facilitate easier use of tall stud walls by designers.

These AWC-influenced changes are currently scheduled for publication in late 2014.

Beyond ICC standards, AWC made a strong case for wood in 2015 editions of four major design standards maintained through the ANSI-accredited standards development process. AWC also completed initial seismic evaluations of three-hinge arch

structures, paving the way for code-required evaluation of shear wall systems utilizing wood studs per Federal Emergency Management Agency (FEMA) P-695 requirements.

AWC found comparable success in the green building community, wherein AWC's efforts to position wood led to first-time recognition in the U.S. Green Building Council's LEED standards. LEED Version 4, which was released in late 2013, both

recognizes and rewards the use of wood in green buildings, creating an incentive for designers and builders to incorporate wood. Among its provisions, LEED Version 4 will award points for using products with Environmental Product Declarations (EPDs), another important area under which AWC has shown leadership. In 2013, AWC released nine, highly acclaimed EPDs in conjunction with partners.

Elsewhere in the green building sphere, AWC developed proposed changes to the 2015 International Green Construction Code; submitted comments on ASHRAE 189.1, the green building standard used by several U.S. federal agencies; represented the industry on committees that produced the National Association of Homebuilders ICC 700-2012 National Green Building Standard (NGBS) as an American National Standard; and served on the Executive Committee, Board of Directors, Green Codes and Standards Review Committee, and Policy and Research committees of the Green Building Strategy Group.

Beyond its work on standards, AWC presented technical programs on building codes in wood design and use to more than 8,000 engineers, architects, and building officials in the course of nearly 50 events, resulting in more than 10,600 contact hours of training. Also in 2013, AWC's websites welcomed 450,000 unique visitors who viewed more than 2.2 million pages; AWC's recorded education webinars received more than 3,400 views; three published magazine articles reached a circulation of 92,000; and AWC's Helpdesk responded to 2,717 inquiries on the building codes in wood design and use. AWC also continued to support its University Timber Engineering Programs, wherein AWC wood design and use standards were provided to 2,589 students at 101 universities.



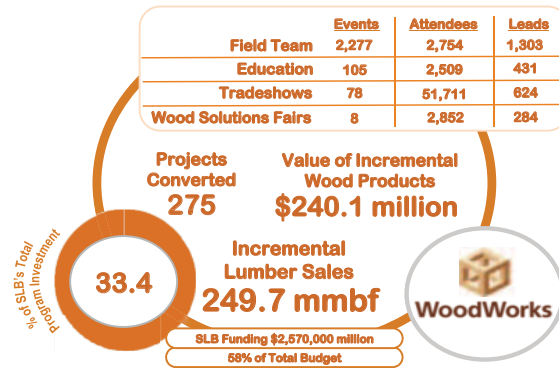
WOODWORKS

WoodWorks made significant progress throughout 2013 toward its mission of growing the non-residential and multifamily construction market for wood products by working directly with design and building professionals to provide the information and encouragement they need to choose wood.

In 2013, with every SLB dollar, WoodWorks was able to leverage an additional \$0.83 in funding.

WoodWorks influenced and/or converted a total of 275 projects, valued at \$2 billion. These projects included an estimated 250 million board feet of softwood lumber. WoodWorks had the largest impact on multifamily projects (48%), followed by business (22%), and assembly (11%). Of the projects influenced this year, 53% were three stories or more and the average project was 84,000 square feet.

Based on 2013 and prior year outcomes, WoodWorks believes that its multifaceted strategy is vital toward achieving these results. This strategy involves one-on-one project assistance to resolve technical issues that may pose barriers to wood use and to influence wood use in current and future projects; providing education and resources that allow



WoodWorks events consistently receive good or excellent ratings from architects and engineers:

... The skills, craftsmanship, materials, and flexibility available inspire me to design and promote wood in my next and future projects.

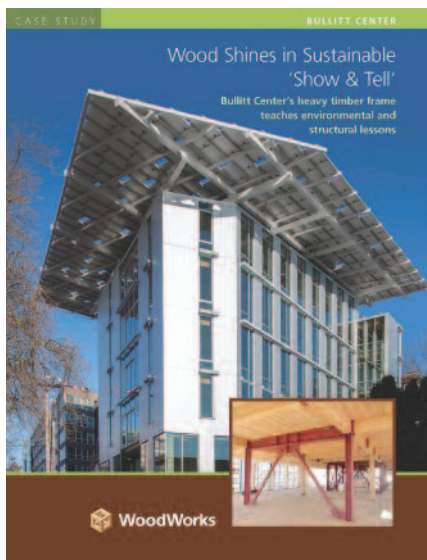
... These seminars DO make me put WOOD at the top of my list — even for long spans or structurally difficult situations.

architects and engineers to design buildings in wood more easily and at less cost; and serving as a primary source of unified wood industry messaging, research, and other information that supports conversion efforts.

In 2013, WoodWorks applied this strategy by hosting 128 educational events, including Wood Solutions Fairs, workshops, luncheon seminars, and webinars. These events were attended by 14,639 people and generated 1,469 project leads. WoodWorks' webinars registered sizable growth in 2013, whereby average attendance grew 40% to 705 people per event. Webinars engaged 9,166 people total.

WoodWorks produced five case studies in 2013, two mini-case studies, and two panelized roof design examples featuring wind and seismic. WoodWorks also began work on a series of Wood Solutions Papers intended to answer common questions and/or elaborate and make accessible complex technical

issues. Developed with the direct input from subject matter experts, including AWC, these papers cover a range of topics, including acoustic considerations in mid-rise buildings, irregular diaphragms, energy codes, and designing building enclosures for thermal performance.



In 2013 reThink Wood raised awareness and promoted the value proposition of softwood lumber products to architects, engineers, and designers in the multifamily and light commercial construction sectors. Using a range of effective communications and education initiatives, reThink Wood delivered a broad and powerful wood message to drive interest in softwood lumber for the benefit of the industry as a whole.

In 2013, reThink Wood placed a total of 57 wood-focused stories in targeted publications, including pieces on wood's potential in tall building construction in *The Economist* and *The New York Times*, both widely respected and circulated publications. reThink also placed compelling paid advertisements in various industry-relevant print and online journals throughout the year, including the *Engineering News Record*, *Architectural Record*, *GreenSource*, and *Multi-Family Executive*. All told, reThink Wood generated more than 127.5 million online impressions and 6.3 million print impressions through its paid advertising.

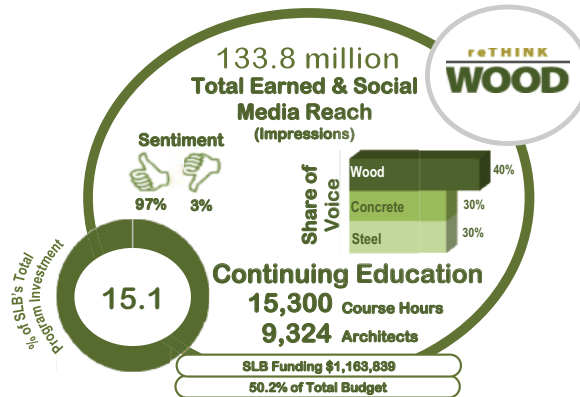
In online mentions, reThink Wood achieved 40% share of voice for wood, compared with 30% for concrete and 30% for steel. The positive sentiment and tone for wood was consistently higher in both print and online mentions, pointing to wood's inherent favorability and the positive impact of reThink communications. Throughout the year, reThink Wood also continued to outperform steel and concrete on social media, as measured by Klout score and Tweet levels.

Beyond media, developing and promoting wood-centric continuing education units (CEUs) continues to be an important

means for reThink Wood to reach and generate qualified leads. During the year, reThink Wood developed and published nine CEUs. New units include Wood and Environmental Product Declarations, Design Is in the Details, and Cross Laminated Timber. In 2013, more than 9,324 architects took more than 15,300 tests on at least one of the reThink Wood CEUs. More than 2,200 architects took two or more, and more than 850 architects took three or more.

reThink Wood led a coordinated trade show presence at two major trade shows — American Institute of Architects (AIA) National Convention and Design Exposition, which is considered the architect industry's most comprehensive national event, attracting an estimated 20,000 attendees, as well as Greenbuild International Conference and Expo, which attracts an estimated 30,000 attendees. reThink Wood also sponsored the Innovations Conference in New York City attended by architect thought leaders from around North America and including SOM as a presenter on the Timber Tower research. These events generated more than 600 prospects expressing interest in learning more about designing and building with wood.

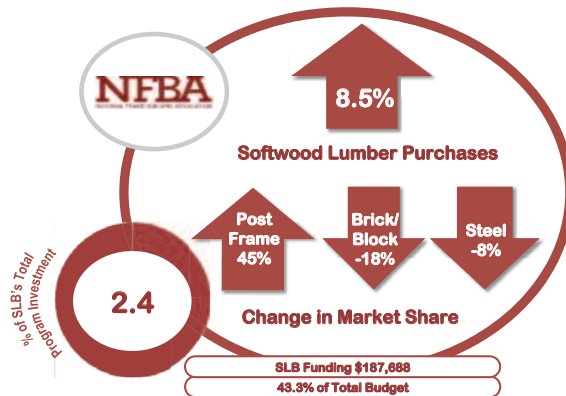
Through its education and outreach efforts, reThink Wood identified more than 7,000 architects and engineers who expressed interest in using wood for non-residential and multifamily projects. These have been provided to WoodWorks for addition to the contact database. Of these, more than 300 had specific projects for which they required the direct attention WoodWorks offers.



NATIONAL FRAME BUILDING ASSOCIATION (NFBA)

The National Frame Building Association's (NFBA's) Post-Frame Market Initiative (PFMI) worked throughout 2013 to increase awareness and shift perceptions of post-frame among architects, design professionals, and building owners in order to expand its use in the light-commercial market. Targeting the light-commercial segment makes PFMI particularly well positioned to grow market share.

PFMI's impact in 2013 was measurable, and its numerous market assessment tools point to post-frame's increasing momentum and prospects for growth in the coming years. Results from PFMI's 2013 Lead Conversion Survey indicated that the 660 leads surveyed designed more than 5,000 post-frame buildings in 2013, accounting for more than 65 million board feet of lumber. These same leads expect to design 27% more post-frame buildings in 2014, amounting to more than 85 million board feet. Meanwhile, PFMI's 2013 Design Community Survey indicated that preference for post-frame increased about 60% from 2012, reaching its highest level in the four-year history of the survey.



During the same period, cumulative survey results show that post-frame has gained approximately 45% market share while both masonry and steel frame lost share. Finally, PFMI's most recent Quarterly Lumber Survey indicates that lumber purchases were up 8.5% in the first three quarters of 2013 compared with the same period in 2012.

The positive data coming out of PFMI's 2013 surveys indicate that the initiative's marketing, educational, and research programs continue to drive results for the industry. In 2013, PFMI's post-frame webinar series and online university attracted nearly 750 architects and engineers, and PFMI reached several hundred additional designers at Wood Solutions Fairs held across the U.S. The PostFrameAdvantage.com website recorded nearly 50,000 visitors and was bolstered with additional content to better cater to visitors and increase their time on the site. Part of this traffic was driven to the website by online displays and email ads that targeted both architects and building owners. The *Post-Frame Advantage* e-newsletter also continues to be a valuable vehicle, reaching more than 6,000 design professionals.

The article cover features a green header with 'GREEN ISSUE' and a house icon. The title 'Post Frame: The Green Option' is in large, bold letters. Below the title is the author's name 'By Jane Martinson'. A photograph of a large, modern post-frame building is shown. At the bottom, there is a small text block: 'Friends Academy of Westport, Maine July 20, is a private Quaker School serving children from kindergarten through eighth grade. Its post frame Commons Building is an all purpose building that serves as both a gymnasium and auditorium. With a dead line and budget to keep in mind, post frame construction served as an expeditious and cost effective way to construct an attractive and versatile facility in time for the upcoming school year.' The footer reads '10 DEFENSE COMMUNITIES'.

The magazine cover has a dark blue background with the title 'THE Advantage' in white. Below the title is a photograph of a post-frame building. The subtitle reads 'POST FRAME AN ENGINEERED WOOD BUILDING SYSTEM'. The text below describes the benefits of post-frame construction, including design flexibility, energy efficiency, durability, and cost-effectiveness. At the bottom, the website 'www.postframeadvantage.com' and the logo 'POST-FRAME ADVANTAGE' are displayed.

APPEARANCE PRODUCT PROMOTION

Appearance softwood lumber products, including treated southern yellow pine and untreated cedar, redwood, and pine, represent a significant portion of the wood basket produced by the softwood lumber industry. In 2013, the SLB took an important step toward growing market share in this segment by launching an Appearance Product Promotion Program focusing on interior as well as exterior applications. Exterior applications represent the most significant opportunity for volume gains in the short-term by protecting existing market share and ultimately growing it.

Midway through 2013, the SLB launched Phase 1 of the program focused on communications and outreach, partnerships, and construction practices and standards (in partnership with AWC). As part of the Phase 1 rollout, the SLB engaged communications experts at Ogilvy & Mather to craft and test a message platform, including taglines, to address the key drivers of consumer purchasing decisions. The leading messages are:

- Wood is a natural renewable resource that brings the outdoors in. Wood is the real thing.
- You don't have to compromise between the environment and what is beautiful for your home. Surrounding yourself with the natural beauty of wood is a choice you can feel good about.
- Wood is a versatile, easy-to-use material that allows you to do more with less in or around your home.
- All decks require some maintenance. The good news is that regular and easy upkeep helps preserve your deck's beauty for years to come.

Although still being refined, once finalized, the message platform will be made available to companies and industry associations in an effort to create consistency and support the goal of speaking in one, unified voice when it comes to the broad value proposition for wood. A website dedicated to promoting the use of softwood lumber in a broad range of interior and exterior applications has been launched at www.woodnaturally.com. The site features original content and also profiles and amplifies materials produced by industry associations including the California Redwood Association, Northeastern Lumber Manufacturers Association, Southeastern Lumber Manufacturers Association, Southern Forest Products Association, Western Red Cedar Lumber Association, and the Western Wood Products Association.

In late November, the SLB issued a matte release titled "How to Maintain Your Deck for Outdoor Entertaining Year-Round." The story received extensive coverage across all markets in the U.S., resulting in 1,212 online placements and 58 print placements and reaching an audience of more than 33.5 million readers in media outlets such as the *Houston Chronicle*, the *Los Angeles Times*, and the *Milwaukee Journal Sentinel*.

To advance program communications, the SLB has engaged Mark Clement of MyFixItUpLife (www.myfixituplife.com) as a spokesperson for the campaign. Mark is the tool and how-to expert for *DIYNetwork.com* and a regular contributor on several national radio and TV programs, making him well positioned to serve as the public face of the program's media outreach campaign. Mark's expertise was used to produce two videos on deck care and maintenance, which are available on the Wood, Naturally website. Mark will also produce stories and other content to support the program's media outreach.



MARKET SEGMENTATION RESEARCH

In 2013 the SLB pursued a market segmentation study to establish baseline demand scenarios for softwood lumber in the United States by end-use market. This research differed from other end-use volume roll-ups in that the baselines for each end-use market were challenged through a series of economic, demographic, code change, and market share scenarios. This provided an indication of the sensitivity of softwood lumber demand to market development projects such as those being pursued by the SLB.

The overall baseline scenario equated to 53 billion board feet (bbf) of softwood lumber demand under what can be considered normal market conditions, wherein all subsectors are healthy but not overheated. In 2012, the top two markets for softwood lumber consumption were repair and remodeling, and industrial. 2013 saw new residential construction (single and multifamily combined) move to the top of the list for softwood lumber consumption, eclipsing repair and remodeling because of recovering housing starts.

The scenario analysis clearly shows the susceptibility of softwood lumber demand to economic factors beyond the industry's control. However, it also shows the magnitude of opportunities that may be pursued with industry initiatives. Research indicates that if near to medium opportunities are captured, an additional 8bbf of softwood lumber would be consumed annually. For example, for softwood lumber used in

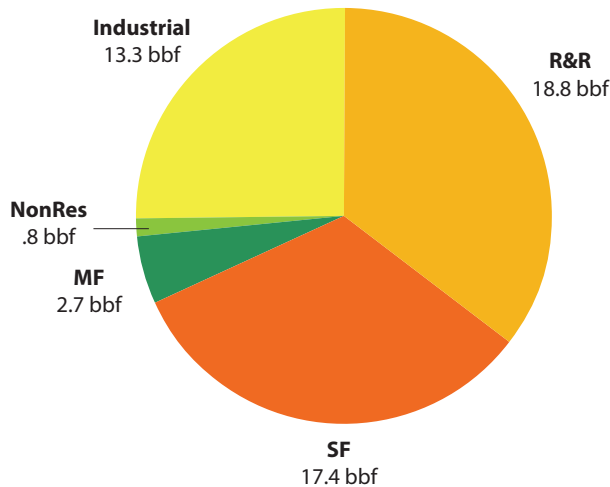


structural applications, mid-rise (4–6 story) construction represents a feasible midterm annual growth opportunity of 1.6 bbf. This scenario requires wood market share to double in all non-residential building types and for an increase in wood use vis-à-vis a shift to alternative building systems using light wood frames. Over the long term, this segment may offer an additional 4.7 bbf increase in softwood lumber consumption annually. Tall buildings (7–30 stories) built with softwood lumber building systems (such as cross laminated timber) can add 2.6 bbf of incremental annual consumption.

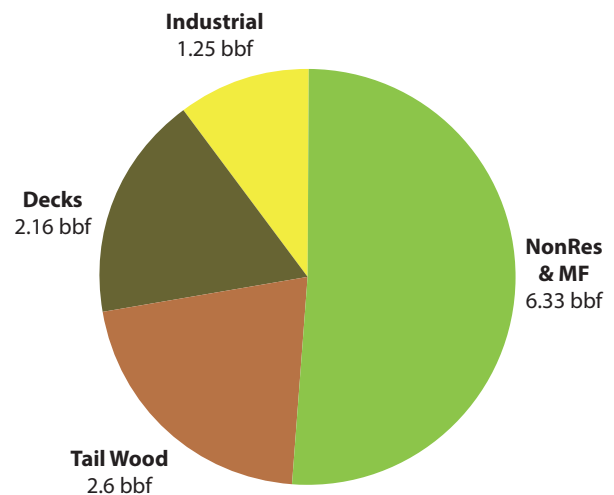
Opportunities also exist for softwood lumber used in appearance applications.

In the case of decking, for example, stemming the market share loss to non-wood substitutes has an estimated impact of 1.28 bbf annually. Pursuing growth opportunities will result in nearly a billion board feet of incremental annual consumption. Further growth opportunities exist in the repair and remodel segment as well as industrial applications such as wood bridges.

This research is intended to serve as a baseline for strengthening the industry's in-depth understanding of softwood lumber demand in the U.S. It enumerates several key areas where industry initiatives can be targeted to support demand growth. As such, it is an important resource and reference for the SLB Program Committee and the SLB Board as investment priorities are set and investment decisions are made.



CURRENT MARKET
TOTAL = 53 billion board feet (bbf)



OPPORTUNITIES
TOTAL = 12.34 billion board feet (bbf)

MONITORING & EVALUATION/PRIME CONSULTING

In 2013, the SLB engaged Prime Consulting Group to lead the development and operation of a measurement program to:

- evaluate overall SLB program effectiveness in driving incremental lumber use;
- evaluate individual partner effectiveness and contribution to growing incremental lumber use;
- enhance the internal evaluation systems and capacities of individual partners, enabling them to add additional metrics to their continuous improvement efforts; and
- fulfill the requirements of the SLB Board and U.S. Department of Agriculture (USDA) oversight for program measurement.

The SLB's measurement program as conceived by Prime Consulting is expected to evolve, particularly as the SLB's program partners deepen their experience in designing and implementing rigorous measurement systems and integrating measurement outcomes into their program designs.

Throughout 2013, Prime's staff invested time and resources to learn and evaluate the current level of activity reporting among the SLB and its programs, work with partners to understand their points of influence in the industry, and conduct an investigation and evaluation of potential syndicated data sources to support overall and partner-specific data needs. Based on this investigation, Prime and the SLB have agreed to use the McGraw Hill Construction Dodge service when syndicated data is required.



Prime, the SLB, and each funded program have identified an initial set of specific metrics, which include:

SLB Organizational Metrics



- Total volume impact (direct and induced) across all market segments
- Market share (tracked annually) for market segments

American Wood Council



- Number of lumber-related building standards addressed
- Value of lumber markets protected
- Value of new lumber opportunities created

WoodWorks



- Leads generated
- Direct conversions (# of buildings)
- Direct conversions (volume of lumber)
- Direct conversions (value of lumber)
- Total (direct/induced) conversions (# of buildings)
- Total (direct/induced) conversions (volume of lumber)
- Total (direct/induced) conversions (value of lumber)

NFBA



- Post-frame conversions (# of projects)
- Volume and value of lumber consumption/purchases
- Market share (tracked annually)

reThink Wood



- Total target audience reached
- Number of continuing education hours and test takers
- Number of qualified, sales-ready leads
- Value of earned/social media coverage
- Share of voice
- Sentiment

The year concluded with meaningful progress on metric and data source identification. Looking ahead, Prime and WoodWorks will undertake a pilot experiment in early 2014 to further evaluate the availability and quality of external data sources when applied to SLB-specific programs to objectively measure program impact. Learning from the WoodWorks pilot will then help to inform and strengthen each funded program's metrics and measurement system development.

TALL WOOD TOWERS

The SLB's collaboration with world-renowned architectural and engineering firm Skidmore, Owings & Merrill LLP (SOM) reached exciting new heights in 2013. With support from the SLB, SOM undertook ground-breaking research to explore the potential for incorporating softwood lumber products in tall buildings and ultimately challenged prevailing professional and public assumptions about what can be done with wood.

As part of this initiative, SOM conceived of a prototype tall timber building based precisely on an existing concrete building: the 395-foot-tall, 42-story Dewitt-Chestnut Apartments building in Chicago, which was designed by SOM and built in 1966. SOM used the Dewitt-Chestnut Apartments as a constant comparison to assess possible differences in structural, architectural, and interior designs; cost and marketability; building services such as plumbing and electrical systems; and

"I'm really thrilled that they're involved with it," said Michael Green, an architect in Vancouver, British Columbia, who has designed many wooden buildings. . . . "This is the first new way to build in a hundred years. It's going to take a little time to work through the best way of doing it."

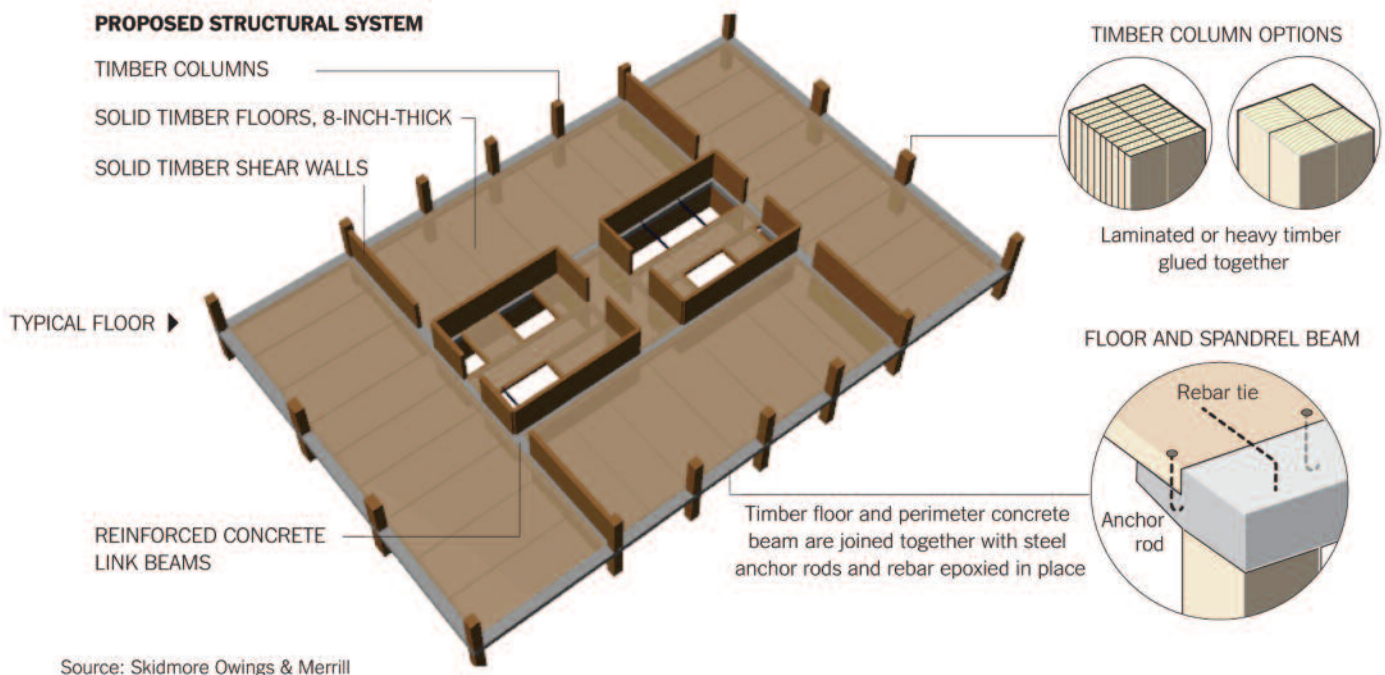
sustainability (embodied carbon).

From the onset, SOM expected embodied carbon to be a key differentiator between a tall timber structure versus one made of concrete and steel, since wood is the least carbon-intensive material available to engineers. As with any engineering process, SOM had to take into account the unique qualities of wood and engineer systems

to play to wood's strengths. For example, wood's light weight-to-strength ratio, usually one of its positive attributes, needs to be compensated for in order to allow a tall building to withstand high wind loads. To address this, SOM's team devised a "Concrete Jointed Timber Frame" system, which relies on timber for the building's main structural elements, but adds reinforced concrete at connecting joints, which lend weight at the structure's most stressed locations. This system plays to the strengths of both materials.

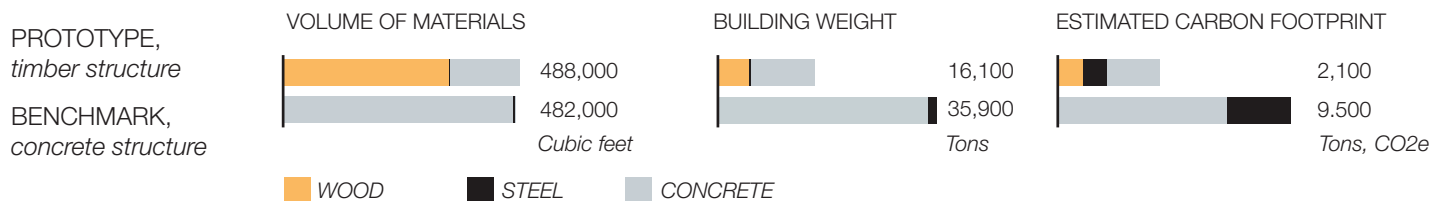
Making a Case for a Timber Tower

Engineers are developing ways to build skyscrapers using timber as the primary construction material, thus lowering the carbon footprint of the construction. To find out how much exactly, a comparison was made between an existing concrete tower and a comparable design which would use wood for most load-bearing elements.



TALL WOOD TOWERS con't.

COMPARING TIMBER AND CONVENTIONAL STRUCTURE



Until now, tall wooden buildings had been championed by a handful of architects and engineers, mostly from smaller firms overseas and in Canada. They welcomed the Skidmore, Owings & Merrill report.

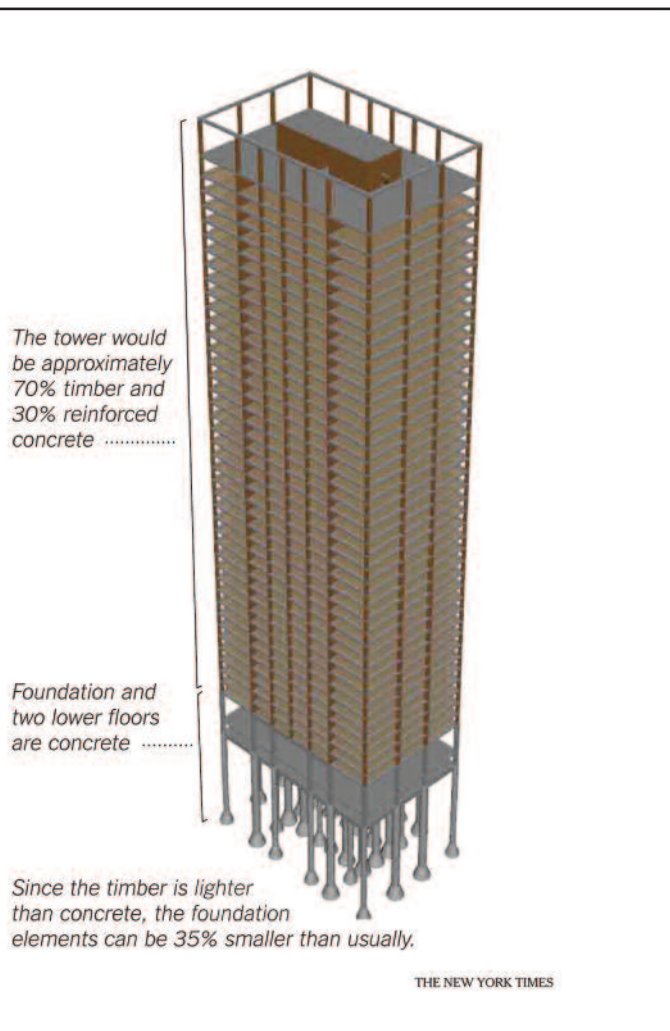
Based on the completed prototype structure and subsequent analysis, SOM believes that tall timber towers are economically viable from a materials standpoint, can compete with reinforced concrete and steel structures across design components, and are capable of reducing a structure's carbon footprint by 60 to 90%. If proven correct, these findings will be a game changer and significantly affect how tall buildings are designed and constructed in the future. Importantly for the softwood lumber industry, these findings will also help propel increased use and integration of wood as a viable material in mid-height building construction, particularly as increasing global demand for sustainability already makes a strong case for future growth in the number and size of wood buildings.

To advance these findings, the SLB and SOM are working with a developer, construction engineers, and mass timber industry representatives to further refine and strengthen systems, optimize designs, review and compare material selections, and optimize logistics and the building construction sequence. SOM is also engaging the developer to cost out construction of the prototype, and it is compiling a detailed testing schedule to test and demonstrate structural, fire, and architectural performance. Further outcomes and results will be delivered throughout 2014.

“It’s such an exciting time... It feels like the birth of flight—it’s one of those kinds of moments in engineering.”

— Andrew Waugh, a British architect whose nine-story apartment building in London, completed in 2009, has become a showpiece of the wooden-tower movement.

Acting on behalf of the industry, the SLB places great value on this work as a means to significantly grow softwood lumber's market share and to change for the better cultural perceptions that have heretofore restricted wood use. Based on market research performed to date, tall wood buildings and related impacts on other applications have an estimated market opportunity of 3.9 to 7.3 billion board feet of wood annually in North America, with the United States alone accounting for up to 6 billion board feet. As SOM's research shows and based on wood's many benefits, its ability to limit carbon emissions, and its cost competitiveness, building taller with wood simply makes sense.



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