



2014

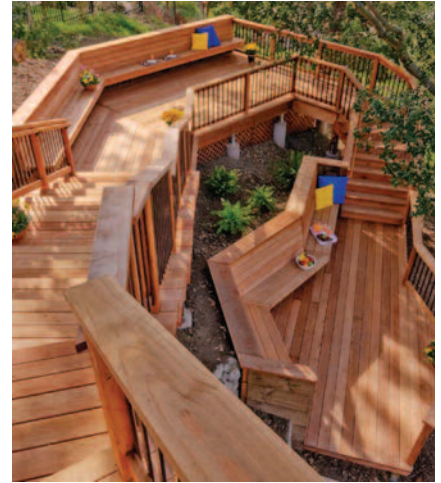
Annual Report

S|L|B
SOFTWOOD
LUMBER BOARD



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Softwood Lumber Board
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LETTER FROM THE CHAIRMAN

Dear Colleagues,

Thanks to your leadership and investment in the Softwood Lumber Board (SLB), the softwood lumber industry is more unified than ever. Together, we are reaping the benefits of greater market acceptance and widespread agreement on the economic and environmental benefits of softwood lumber.

Our industry is increasingly seen as part of the solution in meeting the environmental and economic challenges in the construction sector. We are building unprecedented partnerships and have earned strong support from the USDA. Secretary Vilsack works hard to strengthen the American agricultural economy, build vibrant rural communities, and secure a stronger future for the American middle class. We hope to expand the drive to keep farmers on the farms and ranchers on the ranches to include keeping loggers in the woods. The SLB believes there is no better way to meet this objective than by recognizing the value of the timber industry, from the logging community to the mill, and its vital contributions to American families.

In four short years, the SLB has played a decisive role in advancing industry priorities and tackling threats with a powerful, convincing voice. We have exponentially capitalized on positive trends and furthered industry positions. We see our progress concretely in the recognition of the importance of our products in new building technologies, growing markets for non-residential buildings, and more favorable building codes.

I thank each of you for the important role you play in the SLB and our industry. The landscape in which we produce our products and the marketplace in which they are sold have changed dramatically in the last decade. Although the check-off has made significant accomplishments, we believe there is important work still to be done to protect and grow market share and help ensure industry profitability. I look forward to partnering with you in 2015 and beyond to continue to demonstrate the potential and promise of softwood lumber.



Sincerely,

A handwritten signature in black ink, appearing to read 'M Brinkmeyer'. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Marc Brinkmeyer
Chairman, Softwood Lumber Board
Chairman, Idaho Forest Group

LETTER FROM THE PROGRAMS COMMITTEE CHAIRMAN

Dear Colleagues,

By design, the SLB's program investments work in a coordinated and highly complementary "marketing funnel" targeting the non-residential, residential, and tall wood market segments. Together the programs generate opportunities, broad-based awareness, and a desire to use structural and appearance softwood lumber in a range of applications. The SLB has also deepened research efforts and continued to promote innovation areas such as tall wood buildings.

Our efforts in 2014 resulted in increased demand for our products and a significant return on our investments. In 2015, we undertook an in-depth third-party evaluation of all SLB's funded programs to improve market targeting so that at the end of this year we can report quantitatively on the SLB's overall impact.



Among the key accomplishments of the SLB's funded programs in 2014:

- AWC opened market opportunities through new and revised standards, including hard won provisions in the 2015 International Green Construction Code that provide more opportunity for expanded wood use.
- reThink Wood garnered more than 250 million online and almost 2.1 million print impressions among its target audience of architects, engineers, and designers. Most importantly it qualified more than 300 sales-ready leads for conversion by WoodWorks.
- WoodWorks completed its transition from a regional pilot to a national industry marketing and technology-transfer program. Building on support from AWC and rethink Wood, it converted 380 projects to wood, resulting in the uptake of 458 mmbf of lumber.
- The Wood, Naturally program achieved more than 396 million impressions with consumers and contractors promoting the use of softwood lumber products in, on and around the home.
- The SLB continued to champion tall wood buildings, facilitating a first-ever Tall Wood Building Competition to advance the development and construction of tall wood buildings in the United States in partnership with the USDA and the Binational Softwood Lumber Council.
- The SLB led several important research efforts focused on addressing gaps in wood's value proposition and eliminating recurrent obstacles to wood construction including energy performance, fire coatings, seismic performance, and noise management.



The successes we've seen in the three short years since the establishment of the SLB is unprecedented in our industry. These accomplishments are directly attributable to your investment in and commitment to the SLB, and they belong to the industry.

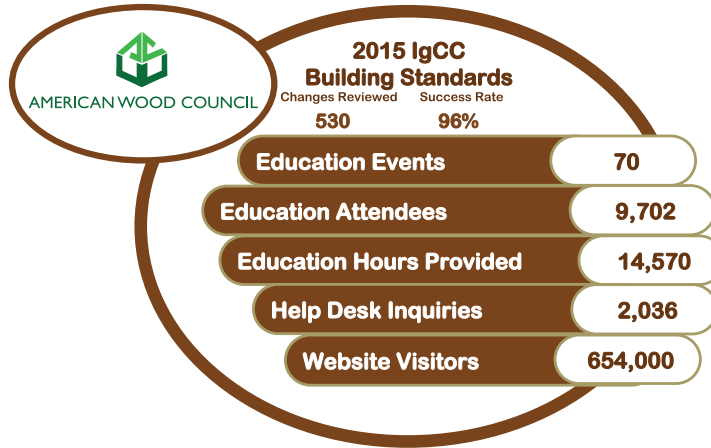
Sincerely,

Hank Scott
Chair, SLB Programs Committee

AMERICAN WOOD COUNCIL (AWC)

In 2014, the American Wood Council (AWC) championed the continued acceptance of wood products in building standards and worked to protect and expand markets for wood through building research, green building, and pursuing best practices to mitigate issues related to construction phase fires.

AWC tracked and contributed to ongoing standards development processes, delivering key gains for the industry. For example, the final version of the 2015 International Green Construction Code (IgCC) includes five AWC-championed changes and omits 49 proposed changes that AWC deemed detrimental to the industry. AWC also provided expertise and technical support to the American Society of Heating, Refrigeration, and Air-Conditioning Engineers; ASTM; and private sector partners to support the development of life cycle assessment (LCA) performance provisions, transparency declarations, and the uptake of Environmental Product Declarations (EPDs), which all favor wood over its competitors. AWC continued to produce useful research and tools for the industry. AWC created guides to help designers gain points under LEEDv4 by using wood products.



AWC was proactive in sharing its message to building officials, engineers, and architects. In 2014, AWC presented technical programs to more than 9,600 building professionals and registered more than 14,570 contact hours. AWC also obtained educational certification for 17 programs from the National Council of Structural Engineering Associations (NCSEA) and for 33 from the ICC.

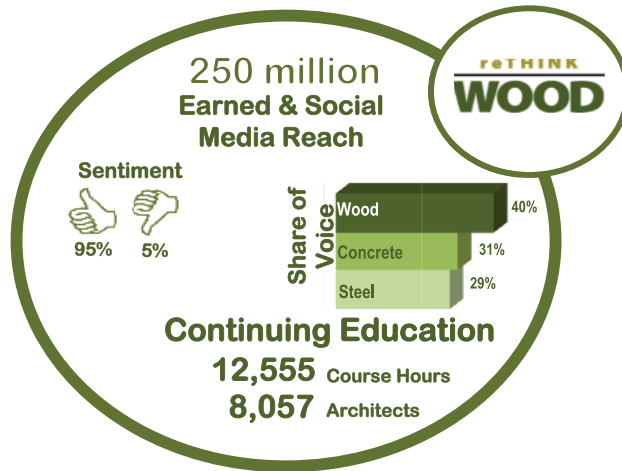
In 2014, SLB engaged FPIInnovations (FPI) and Prime Consulting to assist AWC in measuring its impact on the softwood lumber market. The study—to be completed in 2015—released partial results that already show AWC's positive results. For example in 2013 AWC protected 1 billion bf of lumber against proposals that would have mandated the use of only concrete construction in residential buildings above two stories; this benefit carries forward into future years, protecting 2.5 billion bf in a normal year. AWC proposals were also successful in opening up uses for lumber that weren't previously available by allowing CLT in type IV construction and wood frame construction in certain small commercial and mixed-use buildings. Assuming a 25% capture rate, these proposals will increase softwood lumber usage by more than 750 million bf annually. Further metrics that report on the full extent of AWC's impact will be available in 2015.



reTHINK WOOD

The ReThink Wood communications platform creates a common voice and shared messages related to wood's outstanding performance, cost, and sustainability. Specifically, reThink Wood promotes and increases awareness of structural and appearance softwood lumber products among architects, engineers, and developers in the non-residential market. It also works to create positive sentiment and ultimately direct qualified leads to WoodWorks for conversion.

In 2014, reThink Wood-generated articles produced more than 250 million online and almost 2.1 million print impressions among its target audience. reThink Wood surpassed steel and concrete on social media—achieving 40% share of voice for wood, compared with 31% for concrete and 29% for steel. The



overall sentiment for wood was positive.

reThink Wood took its message directly to specifiers by leading a coordinated tradeshow presence at the American Institute of Architects National Convention and Design Exposition and the GreenBuild International Conference and Expo, reaching over 18,000 attendees combined. Meanwhile, 8,057 architects and engineers took over 12,550 course hours on at least one of reThink Wood's

continuing education units. Thanks to these education and outreach efforts, reThink Wood directed more than 300 sales-ready leads to WoodWorks and contributed more than 10,000 architect and engineer contacts to WoodWorks' database for further analysis.



WOODWORKS

Through education and direct project support, WoodWorks helps architects, engineers, designers, and developers select softwood lumber in non-residential and multifamily construction. In the process, WoodWorks is growing a community of wood champions who promulgate the value proposition of wood in every region of the United States.

In 2014, WoodWorks influenced and converted 380 projects, resulting in the incremental consumption of 458 million board feet of softwood lumber. Half of projects influenced were three stories or taller, and 49% were more than 50,000 square feet. On average, four to six touch points were needed to fully convert a project, and WoodWorks found the greatest traction in California, Texas, Illinois, North Carolina, and Washington.

A wide range of education events effectively drew in key decision-makers, generated leads, and opened up

| | Events | Attendees | Leads |
|----------------------|--------|-----------|-------|
| Education | 160 | 14,172 | 2,076 |
| Tradeshows | 68 | 2,961 | 433 |
| Wood Solutions Fairs | 6 | 2,047 | 593 |

Projects Converted
380

Value of Incremental Wood Products
\$229 million

Incremental Lumber Sales
458 million bf



opportunities for project conversions. WoodWorks provided a total of 33,774 practitioner education hours through its hosted events. These included 160 workshops, lunch seminars, specifier tours, and webinars, which collectively were attended by 14,172 people. Additionally, six Wood Solutions Fairs engaged 2,047 attendees.

In addition, WoodWorks hosted specially targeted events to make content more

relevant to diverse segments of its audience. These included a national symposium, Toward Taller Wood Building; a specifier success tour of the Cathedral of Christ the Light in Oakland, CA; a developer focus group held in partnership with Multifamily Executive Conference and Hanley Wood; and Southern Yellow Pine tour. WoodWorks also presented at 68 third-party events or tradeshows, and had a further 2,961 individual interactions throughout the year.

Comments from Architects and Engineers

WoodWorks events consistently receive good or excellent ratings from attendees:

"WoodWorks has been instrumental in expanding my practice into new areas of expertise in wood construction. For 30 years we did mostly steel and concrete schools and commercial. I benefited from the wood schools tour in SoCal too. Due to the sequestering of carbon I have become an advocate of wood for most construction projects, and intend to promote CLT as well. Keep up the great work!"

"I knew very little about the subject and now feel I could confidently suggest wood as an alternative structural system to a client."

"Probably the best educational event I have attended in my career."

"I can't say enough about the quality of all of the speakers. It was a pleasure to be surrounded by so many well-informed people with years of experience in building and designing with timber."

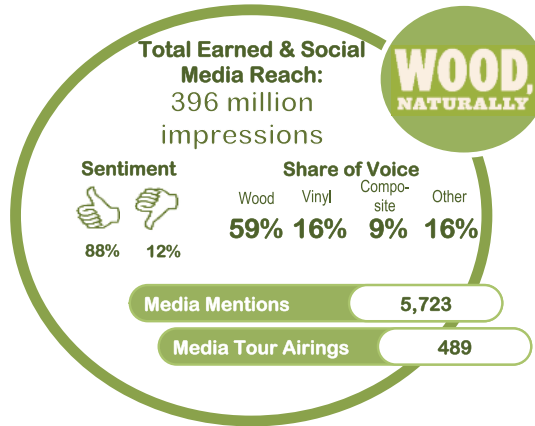


WOOD, NATURALLY PROGRAM

The *Wood, Naturally* campaign is focused on protecting and expanding the use of softwood lumber products in, on, and around the home. Residential applications—including interior finish, siding, trim, decks, and outdoor living projects—represent a significant portion of the products produced by the softwood lumber industry. It is also a market where softwood lumber faces increased competition, particularly from non-wood alternatives. One new threat targets the use of structural softwood lumber for deck structures. If successful, non-wood competition could displace more than 1 billion board feet of softwood lumber.

Wood, Naturally works to inspire and educate homeowners to choose softwood lumber before they have even entered a retail store or selected a contractor. In its first full year, *Wood, Naturally* reached a combined audience of 396 million people through earned, online, and social media. The vast majority, more than 333 million, were reached through earned media, and sentiment was resoundingly positive or neutral at 88% to 97% across media types.

Working with the communications professionals at Ogilvy & Mather, *Wood, Naturally* developed and syndicated assorted infographics, mini-campaigns, articles, and satellite media tours to maximize its reach and relevant offerings to homeowners nationwide. Feature titles such as “Five Fresh Interior Design

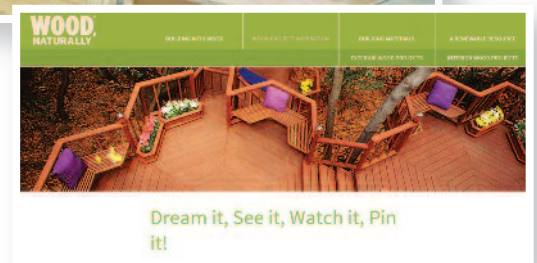


Trends Using Wood” and “Outdoor Living in Style: 7 Easy Updates” were featured in top print and digital placements across the U.S. In addition, the campaign secured several high visibility, earned stories such as a syndicated Associated Press story and placements with USA Today Home Magazine, Sunset, and Professional Deck Builder.

The Association Partnership component of the *Wood, Naturally* program is designed to enhance and amplify the work of softwood lumber industry associations.

The focus in 2014 was on joint, unified softwood lumber tradeshow presence and demonstration clinics promoting the use of softwood lumber products at key shows such as Journal of Light Construction in Providence, RI, and Portland, OR, as well as Deck Expo in Baltimore, MD. Eric Gee of the SFPA managed the coordinated presence on behalf of the SLB. The Association Partnership program also supported presence by associations in the wood pavilion at the AIA National Convention and the USGBC Greenbuild Expo.

The metrics used to evaluate the efforts of the *Wood, Naturally* program center on the communications activities, their reach, and their impact on the target audience. Despite its relatively small communications budget, the *Wood, Naturally* program surpasses non-wood competitors in consumer engagement.



INVESTING IN PIONEERING RESEARCH

In 2014, the SLB invested in a number of research efforts that stand to have wide-ranging impacts on our industry and particularly on standards, codes, and new product development.

Among these efforts, the American Wood Council (AWC) partnered with Fireforce One to lead a construction-phase fire-prevention project. Under the project, Fireforce One is designing a comprehensive strategy and materials to train construction workers, building regulators, and fire service personnel on proper fire safety precautions during construction. Based on an initial literature review, the project has developed a “Knowledge, Skills, and Abilities” inventory for workers and is designing instructional materials, including DVDs, manuals, and presentations, that synthesize key research findings. Fireforce One will also develop a model program for building and fire code officials and a slide presentation for architects and engineers. All tools will be available in 2015.

In partnership with FPInnovations, the SLB completed research focused on operational energy performance in midrise construction; fire coatings and protections; lateral (seismic and wind) design of CLT systems; and seismic performance of wood frame diaphragms. Additional research on total cost of ownership and managing noise in mid- to high-rise wood construction is nearing completion. Collectively these research projects strengthen softwood lumber's value proposition.

The SLB also teamed up with Skidmore, Owings & Merrill to conduct structural-fire analysis of variations of proposed timber floor systems. This analysis provided an initial assessment of the likely behavior and performance of the systems. The research enabled SOM to design out issues that arose during testing. One positive change was a shift in focus to softwood lumber based products, such as nail laminated timber and glulam panels, which are more readily available in the U.S. than CLT.



SPECIAL INITIATIVES – TALL WOOD

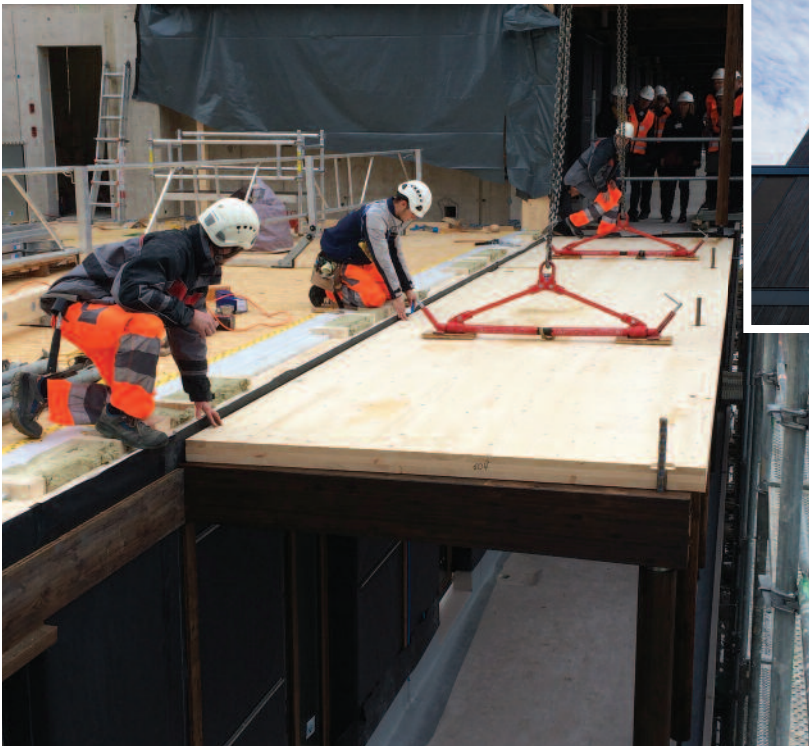
In 2014, the softwood lumber industry saw unprecedented levels of support for tall wood buildings, including at the highest levels of government. In March, the White House Rural Council and the U.S. Department of Agriculture (USDA) held a symposium, titled “Building with Wood: Jobs and the Environment,” which brought together architects, builders, designers, wood manufacturers, foresters, university leaders, and state and federal officials to discuss and promote the growth of wood construction and advanced wood products. USDA Secretary Tom Vilsack made headlines during the symposium by pledging \$1 million to launch a first-ever tall wood building competition, in partnership with the SLB and the Binational Softwood Lumber Council in the United States.

In October, the U.S. Tall Wood Building Prize Competition launched by inviting teams of designers, architects, and developers to submit entries that showcase the architectural and commercial viability of advanced wood products in designing and constructing tall buildings in the United States. To be eligible, teams were required to source a share of their

materials from rural, domestic sources in order to jumpstart production opportunities in the forestry industry in rural America. The winner will be announced in 2015 and have access to \$2 million in funds to offset early adopter costs.

In December, the representatives of SLB funded programs including AWC and WoodWorks participated in an industry study tour to Switzerland, Austria, and Germany, where some of the most advanced wood innovation in the world occurs. By visiting project and manufacturing sites, delegation members saw firsthand some of the latest trends in wood-related building science, design, and construction and how these products and technologies may be applied in North America.

Going forward, the SLB is committed to creating a vibrant tall wood building movement in the United States. The point of this effort is not necessarily the tall building itself but expanding awareness of what is possible with softwood lumber and growing consumption in buildings 7-12 stories tall, where the majority of the opportunity exists.



STRENGTHENING IMPACT EVALUATION

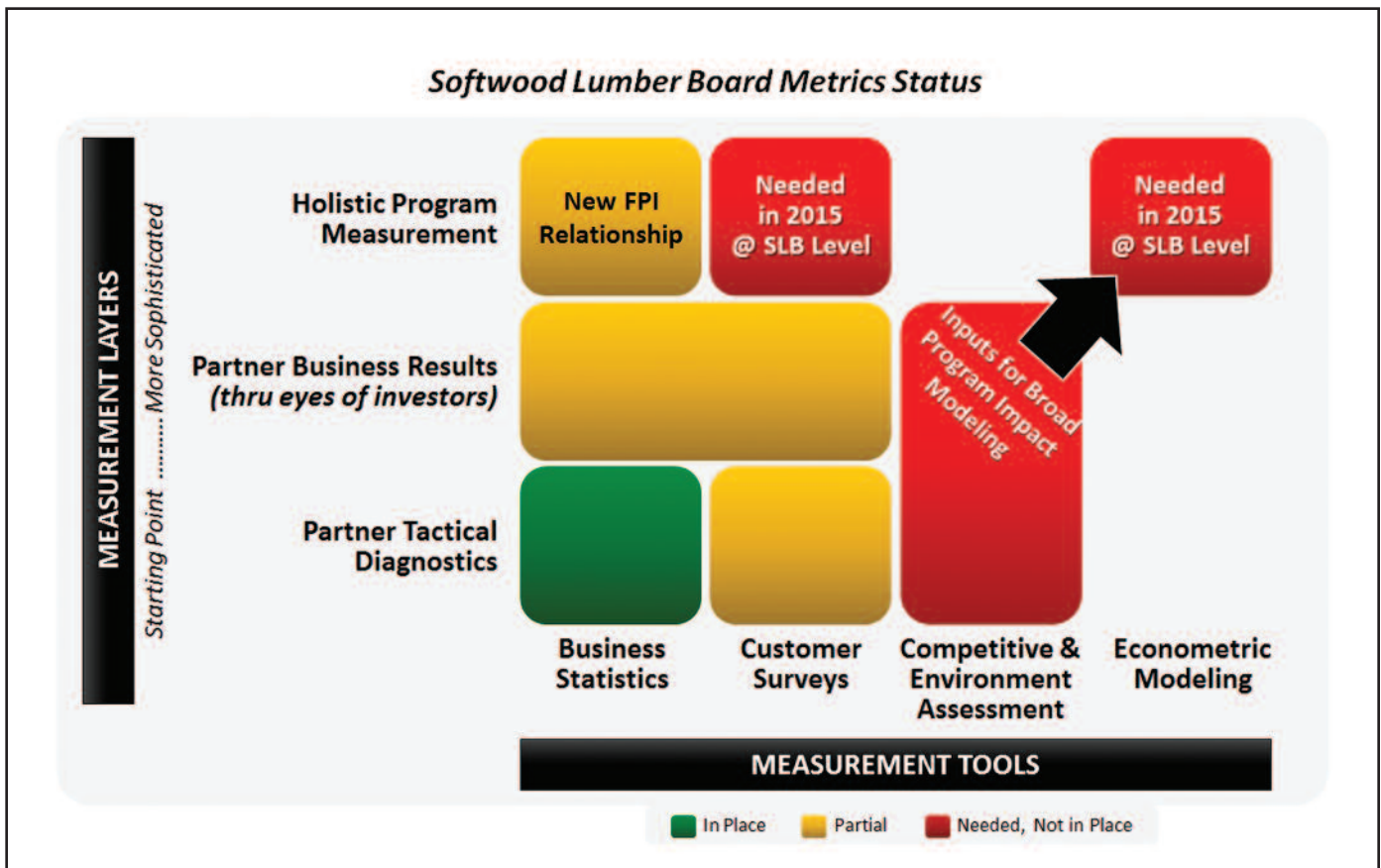
Robust, accurate metrics are vital in assessing the value and effectiveness of the SLB's programs and, ultimately, its ability to deliver impact for the industry in the form of expanded markets and increased sales. Metrics also enable funded programs to make optimal management, design, and resource-allocation decisions. To date, the SLB has established two program-wide metrics covering volume and market share, measured through industry sources and assessed volumes. The SLB has also worked with programs to put in place sound metrics for their individual performance.

To effectively measure the cumulative and often multiplicative impacts of the SLB's investments as a whole, the SLB refined and reorganized its evaluation system to collect data and assess impact according to three different management layers:

- At a micro-level, the SLB focuses on Partner Tactical Diagnostics to help funded programs understand how to most effectively apply their resources.
- At mid-level, the SLB targets Partner Business Results, wherein it works to help investors understand the value and effectiveness of programs in increasing sales.
- At a macro-level, the SLB aims to track a Holistic Program Measurement, to measure the collective impact of the funded programs in promoting segments and fueling a positive sales cycle.

Micro- and several mid-level metrics are in place, and in the coming year the SLB will be working to create and pilot macro-level metrics.

At each level, the SLB will use various tools to support accurate evaluation, such as business statistics, customer surveys, competitive and environmental assessments, and econometric modeling. Some tools, such as business statistics, are in place, but others, such as econometric modeling, will be developed anew. This exercise comes at an opportune time as the SLB expects that its new holistic measurement and econometric modeling will dovetail with measurements that may be required during the SLB's upcoming five-year review with the USDA.



LETTER FROM THE FINANCE COMMITTEE CHAIRMAN

Dear Colleagues,

The Softwood Lumber Board (SLB) continued to perform efficiently and effectively in 2014, running a lean organization, keeping overhead costs down, and directing the maximum amount of industry investments possible to field-based programs and innovative research aimed at selling more softwood lumber.

The SLB retains Councilor, Buchanan & Mitchell P.C. to conduct annual financial audits. Audits are conducted in accordance with auditing standards contained in Government Auditing Standards, issued by the U.S. Comptroller General. Councilor, Buchanan & Mitchell have not identified any deficiency in internal control over financial reporting.

SLB funds available in 2014 totaled \$22,811,189, which consisted of assessment revenue and 2013 carry-forward. Of this amount, 93% was available to our funded programs; \$11.1 million was expended on programs, and the remaining \$10.1 million was carried forward to support program growth in 2015 and 2016.

Investments in the SLB's four centers of excellence—building standards, pro-wood messaging, structural product demand generation, and Wood, Naturally—were complemented by an additional \$6.9 million in leveraged funding from outside sources.

Core administration costs (operations and overhead) accounted for less than 3.8% of 2014 funds available. The SLB also reimburses the USDA annually for its oversight costs; these oversight costs are not supported by taxpayer-generated public funding.

The SLB begins 2015 with solid financial positioning thanks to the generous contributions of industry investors. The SLB expects to direct \$13.75 million to its core program initiatives, with an additional \$1.75 million to non-residential, residential, industrial, and tall wood research segments. As in previous years, the 2015 budget includes a modest reserve of \$480,000, which will allow the board of directors to respond swiftly to unique operational challenges.

On behalf of the board, the SLB sincerely appreciates the outstanding support and continued commitment of its investors. We look forward to a highly productive 2015.

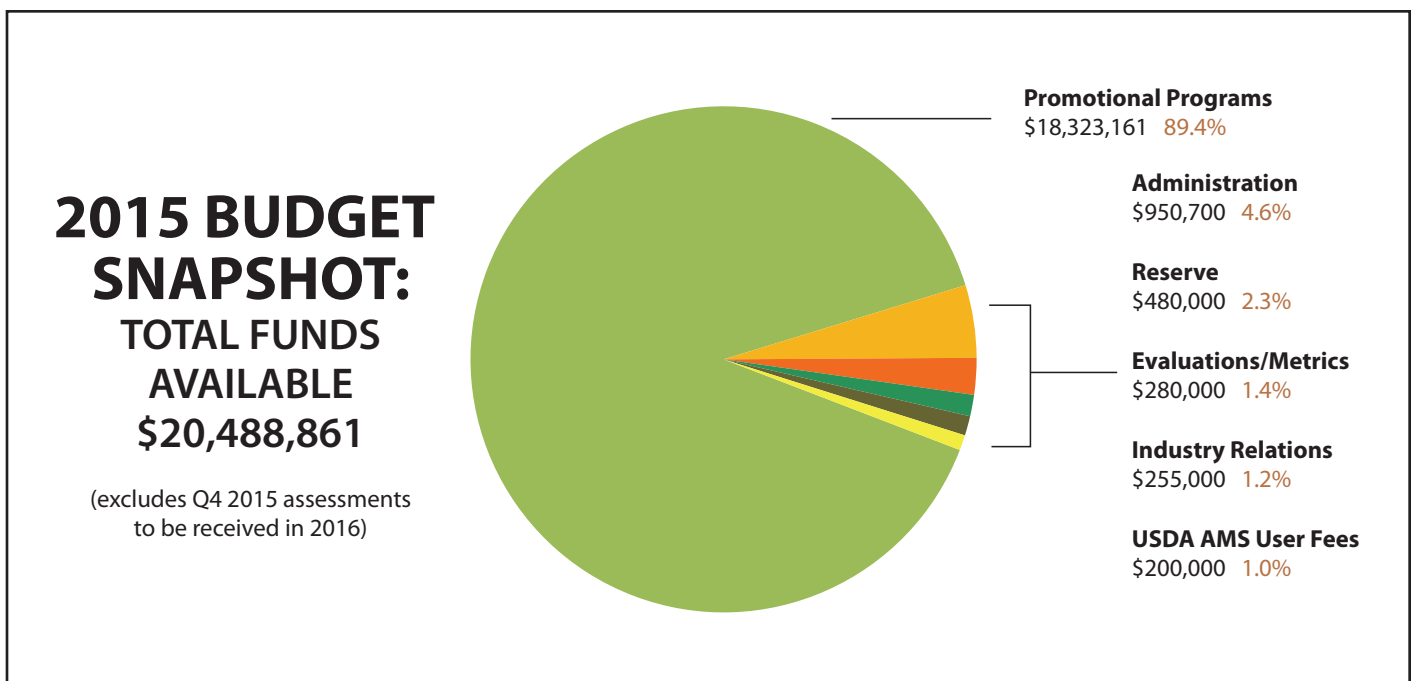


Sincerely,

MICHAEL CASE

Mike Case

Chair, SLB Finance Committee



Dear Colleagues,

The Industry Relations & Governance Committee is dedicated to ensuring regular and open communications about how the SLB uses your investments, the impact created on behalf of our industry, and ongoing challenges we face in protecting and strengthening markets. In 2014, as part of this commitment, the SLB regularly sent electronic and print newsletters, reports, news flashes, and other information to the following:

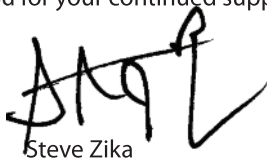


- Approximately 240 companies currently investing in the check-off, including company owners, presidents, and CEOs;
- More than 600 stakeholder companies representing all segments of the softwood lumber industry;
- Close to 1,500 individuals who work in the softwood lumber industry;
- 25,000 individuals throughout the softwood lumber value chain;

We hope you have found our communications useful and informative. We welcome your feedback at any time.

In 2016, members will be called on to decide the future of the SLB by voting on whether to continue the program. Between now and the vote, the Board will expand our industry education and outreach effort to ensure that you and fellow investors can make an informed decision about continuing the program. As pointed out elsewhere in this report, we believe that our progress has been substantial and that the SLB is delivering sizable returns on your investment.

Thank you for your continued support of the SLB.



Steve Zika

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

The Year Ahead

- AWC will set its sights on the 2018 US Model Building Codes, including positioning mass timber in taller buildings.
- ReThink Wood will design a message framework to expand education and communications to address fire, seismic and resilience-related issues
- Wood, Naturally will further expand to focus on structural and appearance applications of softwood lumber in the residential market.
- WoodWorks will bolster its efforts in northern Florida and Greater Boston, and will intensify its lead nurturing and promotional campaigns to meet the needs of developer audiences.
- The U.S. Tall Wood Building competition will announce its winner, and the design will advance toward construction. The SLB will explore additional mechanisms to stimulate research in tall wood buildings.
- The SLB, in partnership with other research funders, will launch a centralized research repository to capture global research outputs and identify persisting knowledge gaps.

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U.S. South

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