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## B.C. Coastal operations

(8) 109 Net earnings (loss) from discontinued operations \$739 \$(611) \$(216)

Net earnings (loss) from operations includes the following pretax items:

2007 a gain of \$43 million on a legal settlement related to the Dryden, Ontario facility we received in the third quarter of 2007. See *Note 21: Other Operating Costs (Income), Net*;

2006 a charge of \$749 million for the impairment of goodwill associated with the fine paper reporting unit; and

2005 charges of \$504 million for facility closures, including the Prince Albert, Saskatchewan pulp and paper facility and sawmills in Big River and Wapawekka, Saskatchewan.

**CARRYING VALUE OF ASSETS AND LIABILITIES**

The following table shows carrying values for assets and liabilities classified as discontinued operations as of December 31, 2006.

**Carrying Value of Assets and Liabilities**

	December 31,	
		2006
<b>Assets</b>		
Cash and cash equivalents	\$	
Receivables, less allowances		339
Inventories		516
Prepaid expenses		15
Total current assets		870
Property and equipment, net		2,948
Construction in progress		12
Timber and timberlands at cost, less depletion charged to disposals		1
Goodwill		18
Deferred pension and other assets		32
Total noncurrent assets		3,011
Total assets	\$	3,881
<b>Liabilities</b>		
Current maturities of long-term debt	\$	6
Accounts payable		100
Accrued liabilities		152
Total current liabilities		258
Deferred income taxes		680
Deferred pension, other postretirement benefits, and other liabilities		37
Total noncurrent liabilities		717
Total liabilities	\$	975

**ASSETS HELD FOR SALE**

In February 2007, we announced our intent to sell our Canadian and select U.S. building materials distribution centers. In the second quarter of 2007, we sold our Canadian distribution facilities to Platinum Equity of Los Angeles, California. Certain assets of the Canadian facilities are classified as held for sale on the accompanying Consolidated Balance Sheet as of December 31, 2006, and include:

inventories of \$58 million; and  
accounts receivable of \$47 million.

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Under the terms of sale, we will continue to sell wood products through these Canadian distribution centers. As a result of this continuing involvement, the operations of these facilities do not meet the technical accounting requirements of discontinued operations and, therefore, have not been included in discontinued operations in the accompanying Consolidated Financial Statements.

In connection with the sale of the Canadian distribution facilities, we:

recognized pretax charges of \$38 million during 2007, including \$22 million for the impairment of goodwill; and received approximately \$100 million in cash proceeds from the sale in the second quarter of 2007. As announced in the first quarter of 2007, we are pursuing alternatives for certain U.S. building materials distribution centers. As of December 30, 2007, transactions related to the U.S. distribution centers have not had a material impact on our Consolidated Financial Statements. The centers that are still included in our operations do not represent a material portion of our Consolidated Balance Sheet and have not been reclassified as Assets Held for Sale.

**NOTE 4: NET EARNINGS PER SHARE**

Our basic net earnings per share without considering the dilutive effect of our share-based awards for the last three years was:

\$3.60 in 2007;  
\$1.85 in 2006; and  
\$3.00 in 2005.

Our net earnings per diluted share for the last three years was:

\$3.59 in 2007;  
\$1.84 in 2006; and  
\$2.98 in 2005.

This note provides details about:

how we calculate basic and diluted net earnings per share;  
our stock repurchase program; and  
our shares with an anti-dilutive effect.

**HOW WE CALCULATE BASIC AND DILUTED NET EARNINGS PER SHARE**

Basic earnings per share is net earnings divided by the weighted average number of our outstanding common and exchangeable shares.

Diluted earnings per share is net earnings divided by the sum of the:

weighted average number of our outstanding common and exchangeable shares; and  
effect of our outstanding dilutive potential common shares.

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Dilutive potential common shares may include:

outstanding stock options;  
restricted stock units; or  
performance share units.

We use the treasury stock method to calculate the effect of our outstanding dilutive potential common shares.

### Components of Our Basic and Diluted Earnings per Share

DOLLAR AMOUNTS IN MILLIONS EXCEPT PER SHARE DATA, SHARES IN THOUSANDS			
	2007	2006	2005
Earnings from continuing operations	\$ 51	\$ 1,064	\$ 949
Earnings from discontinued operations	739	(611)	(216)
Net earnings available for common and exchangeable shareholders	\$ 790	\$ 453	\$ 733
Weighted average outstanding shares of common and exchangeable stock (basic)	219,305	244,931	244,447
Dilutive effect of share-based awards	972	849	1,167
Common and exchangeable stock and stock equivalents (diluted)	220,277	245,780	245,614
Basic earnings per share:			
Continuing operations	\$ 0.23	\$ 4.35	\$ 3.88
Discontinued operations	3.37	(2.50)	(0.88)
Net earnings	\$ 3.60	\$ 1.85	\$ 3.00
Diluted earnings per share:			
Continuing operations	\$ 0.23	\$ 4.33	\$ 3.86
Discontinued operations	3.36	(2.49)	(0.88)
Net earnings	\$ 3.59	\$ 1.84	\$ 2.98

The decrease in the basic weighted average number of shares outstanding from the 2006 periods reflects:

the cancellation of 25,490,194 shares as part of the Domtar Transaction in March 2007; and  
the repurchase of 17,826,200 shares since August 2006, including 6,999,400 shares during 2007.

**Table of Contents****SHARES EXCLUDED FROM DILUTIVE EFFECT**

Certain share-based awards were not included in the computation of diluted earnings per share because they were either anti-dilutive or the required performance conditions were not met:

**Potential Shares Not Included in the Computation of Diluted Earnings per Share**

	2007	2006	2005
Options	1,601,099	3,453,366	30,300
Performance share units	155,931	296,559	

**NOTE 5: INVENTORIES**

Weyerhaeuser inventories include raw materials, work-in-process and finished goods.

**Weyerhaeuser Inventories as of the End of Our Last Two Fiscal Years**

DOLLAR AMOUNTS IN MILLIONS			
	DECEMBER 30,		DECEMBER 31,
	2007		2006
Logs and chips	\$	69	\$ 101
Lumber, plywood, panels and engineered lumber		346	457
Pulp and paper		99	402
Containerboard and packaging		235	270
Other products		191	214
Materials and supplies		315	485
		1,255	1,929
Less discontinued operations			(516)
Less assets held for sale			(58)
Total	\$	1,255	\$ 1,355

**HOW WE ACCOUNT FOR OUR INVENTORIES**

The Inventories section of *Note 1: Summary of Significant Accounting Policies* provides details about how we handle and account for our inventories.

**NOTE 6: PROPERTY AND EQUIPMENT**

Weyerhaeuser property and equipment includes land, buildings and improvements, machinery and equipment, rail and truck roads and other items.

**Carrying Value of Weyerhaeuser Property and Equipment and Estimated Service Lives**

DOLLAR AMOUNTS IN MILLIONS			
	RANGE OF LIVES	DECEMBER 30,	DECEMBER
		2007	31,
			2006
Property and equipment, at cost:			
Land	N/A	\$ 282	\$ 303

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Buildings and improvements	10 40	2,449	3,172
Machinery and equipment	2 25	12,640	17,900
Rail and truck roads	10 20	584	575
Other	3 10	391	457
		16,346	22,407
Less discontinued operations			(6,445)
		16,346	15,962
Allowance for depreciation and amortization		(9,529)	(12,398)
Less discontinued operations			3,497
		(9,529)	(8,901)
Property and Equipment, net		\$ 6,817	\$ 7,061

**SERVICE LIVES AND DEPRECIATION**

The estimated service lives for Weyerhaeuser property and equipment are:

Buildings and improvements generally at either the high end or low end of the range from 10 years to 40 years, depending on the type and performance of construction.

Assets we purchase in business combinations the remaining useful lives of the assets as of the date we acquired them, which is typically shorter than assets we construct or buy new.

The maximum service lives for Weyerhaeuser machinery and equipment varies among our operations:

Timberlands 15 years.

Wood products manufacturing facilities 20 years.

Primary pulp and paper mills 25 years.

Weyerhaeuser total depreciation expense was:

\$859 million in 2007;

\$1.2 billion in 2006; and

\$1.2 billion in 2005.

**Table of Contents****NOTE 7: EQUITY AFFILIATES**

We have investments in unconsolidated equity affiliates over which we have significant influence that we account for using the equity method with taxes provided on undistributed earnings. We record earnings and accrue taxes in the period that the earnings are recognized by the affiliates.

This note provides information about:

our Weyerhaeuser equity affiliates; and  
our Real Estate unconsolidated entities.

**WEYERHAEUSER EQUITY AFFILIATES**

Our Weyerhaeuser equity affiliates are all in businesses or have investments related to the forest products industry. Following is a listing of Weyerhaeuser equity affiliates as of December 30, 2007:

**Details About Our Equity Affiliates**

AFFILIATE	WHAT IT DOES	OUR OWNERSHIP
Liaison Technologies LLC	Develops and operates global, web-enabled, business-to-business connectivity, catalog content and timber trading services for the paper, forest products and affiliated industries	29 percent joint venture
North Pacific Paper Corporation (NORPAC)	Owns and operates a newsprint manufacturing facility in Longview, Washington	50 percent joint venture
Optiframe Software LLC	Develops whole-house design and optimization software for the building industry	50 percent joint venture
RII Weyerhaeuser World Timberfund L.P.	Invests in timberlands and related assets outside the U.S., with a primary focus on plantation forests in Australia	50 percent limited partnership
Colonvade S.A.	Acquires land and establishes pine and eucalyptus plantations in Uruguay	50 percent joint venture
Los Piques S.A.	Operates forestry and a plywood mill in Uruguay	50 percent joint venture
Vandora S.A.	Operates forestry in Uruguay	50 percent joint venture

Following is a listing of additional Weyerhaeuser equity affiliate relationships that were in place during 2007:

**Details About Our Equity Affiliates**

AFFILIATE	WHAT IT DID	2007 TRANSACTIONS
Nelson Forests Joint Venture	Held Crown forest license cutting rights, freehold land and related assets on the south island of New Zealand	Equity interest was sold
RII Weyerhaeuser World Timberfund L.P.	50 percent-owned joint venture that owned Colonvade S.A. in Uruguay	Colonvade joint venture investment was distributed to owners
Southern Cone Timber Investors Limited	50 percent owned joint venture that owned the following entities:	Joint venture investments were distributed to owners

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Vandora S.A.

Los Piques S.A.

During 2007, we began the process to restructure our ownership interests in Uruguay. In June 2007, our joint venture, RII Weyerhaeuser World Timberfund L.P., transferred all of its stock in Colonvade (Uruguay) to the joint owners, Weyerhaeuser International Holdings Ltd (a wholly owned subsidiary) and Global Forest Partners. In addition, Southern Cone Timber Investors Ltd (Southern Cone Timber) transferred all its investments, including Los Piques (Uruguay) and Vandora (Uruguay) joint ventures, to the joint owners, Weyerhaeuser International Holdings Ltd (a wholly owned subsidiary) and Global Forest Partners. This joint venture was dissolved. Through consolidation of our wholly owned subsidiaries, we have 50 percent ownership in each of these three Uruguay joint ventures. The assets of these joint ventures are expected to be partitioned to the joint-venture owners during the first quarter of 2008.

In October 2007, we sold our interest in Nelson Forests Joint Venture (Nelson Forests JV) and the related management company that was our wholly-owned subsidiary. We received net cash proceeds of approximately \$161 million. We recognized a pretax gain on the sale of Nelson Forests JV and its management company of approximately \$10 million in the fourth quarter of 2007, which is included in other operating costs, net, in the consolidated statement of earnings.

In July 2005, we sold our interest in MAS Capital Management Partners L.P. (MAS) for net cash proceeds of approximately \$115 million. We recognized a pretax gain on the sale of MAS of approximately \$115 million in the third quarter of 2005 which is included in interest income and other in the consolidated statement of earnings.

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**Table of Contents****Unconsolidated Financial Information of Weyerhaeuser Equity Affiliates**

We use the equity method to account for unconsolidated financial information of our equity affiliates.

**Assets and Liabilities of Weyerhaeuser Equity Affiliates**

DOLLAR AMOUNTS IN MILLIONS			
		DECEMBER 30, 2007	DECEMBER 31, 2006
Current assets		\$ 169	\$ 180
Noncurrent assets		\$ 967	\$ 1,143
Current liabilities		\$ 157	\$ 141
Noncurrent liabilities		\$ 256	\$ 266

**Operating Results of Weyerhaeuser Equity Affiliates**

DOLLAR AMOUNTS IN MILLIONS			
	2007	2006	2005
Net sales and revenues	\$ 716	\$ 695	\$ 652
Operating income	\$ 16	\$ 27	\$ 26
Net income	\$ 11	\$ 11	\$ 12

Operating results includes information for Nelson Forests JV, Southern Cone Timber and MAS for the periods that we held an interest in these joint ventures.

**Doing Business with Weyerhaeuser Affiliates**

Doing business with our affiliates varies by the individual affiliate. We:

provide a varying mix of goods and services to some of our affiliates; and  
buy finished products from some of our affiliates.

The goods and services we provide include:

raw materials;  
management and marketing services;  
support services; and  
shipping services.

In addition, we manage cash for NORPAC under a services agreement. Weyerhaeuser holds the cash and records a payable balance to NORPAC which is included in accounts payable in the accompanying Consolidated Balance Sheet. We had the following payable balances to NORPAC:

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\$68 million at December 30, 2007; and

\$70 million at December 31, 2006.

### REAL ESTATE UNCONSOLIDATED ENTITIES

We use the equity method to account for unconsolidated financial information for our real-estate unconsolidated entities.

#### Assets and Liabilities of Real Estate Unconsolidated Entities

DOLLAR AMOUNTS IN MILLIONS			
	DECEMBER 30, 2007	DECEMBER 31, 2006	
Current assets	\$ 38	\$ 64	
Noncurrent assets	\$ 836	\$ 1,080	
Current liabilities	\$ 301	\$ 85	
Noncurrent liabilities	\$ 307	\$ 682	

#### Results of Operations from Real Estate Unconsolidated Entities

DOLLAR AMOUNTS IN MILLIONS			
	2007	2006	2005
Net sales and revenues	\$ 659	\$ 113	\$ 112
Operating income	\$ 72	\$ 64	\$ 75
Net income	\$ 62	\$ 54	\$ 64

Real Estate's equity in income of unconsolidated entities for 2007 includes \$22 million of pretax charges for the impairment of assets owned by equity-method investees.

**Table of Contents****NOTE 8: GOODWILL**

Goodwill is the purchase price minus the fair value of net assets we've acquired through business acquisitions and combinations. This note includes information about:

- changes in the carrying amount of our goodwill;
- specific adjustments to goodwill; and
- how we determine and annually assess goodwill.

**Changes in the Carrying Amount of Goodwill During Our Last Two Fiscal Years**

DOLLAR AMOUNTS IN MILLIONS									
	TIMBERLANDS	WOOD PRODUCTS	CELLULOSE FIBERS	FINE PAPER	CONTAINERBOARD, PACKAGING AND RECYCLING	CORPORATE AND OTHER	TOTAL		
Balance as of December 25, 2005	\$ 40	\$ 798	\$ 108	\$ 749	\$ 1,275	\$ 12	\$ 2,982		
Less discontinued operations		(7)	(11)	(749)			(767)		
Balance as of December 25, 2005, excluding discontinued operations	40	791	97		1,275	12	2,215		
Effect of foreign currency translation and other adjustments		7				2	9		
Tax adjustments		(5)	(3)		(31)		(39)		
Balance as of December 31, 2006	\$ 40	\$ 793	\$ 94	\$	\$ 1,244	\$ 14	\$ 2,185		
Impairment of goodwill		(30)					(30)		
Effect of foreign currency translation and other adjustments		50				2	52		
Balance as of December 30, 2007	\$ 40	\$ 813	\$ 94	\$	\$ 1,244	\$ 16	\$ 2,207		

**SPECIFIC ADJUSTMENTS TO GOODWILL**

During 2007, specific adjustments to the amount of goodwill we carry included:

\$30 million for impairment of goodwill associated with the Canadian and certain U.S. building materials distribution centers; and \$52 million for the effect of foreign currency translation primarily related to the Wood Products segment.

During 2006, specific adjustments to the amount of goodwill we carry included:

\$749 million for impairment of goodwill associated with the fine paper reporting unit included in discontinued operations; and \$39 million for tax adjustments related to the acquisition of Willamette Industries and MacMillan Bloedel.

**HOW WE DETERMINE AND ACCOUNT FOR GOODWILL**

The Goodwill section of *Note 1: Summary of Significant Accounting Policies* provides details about how we determine and annually assess the amount of goodwill we carry.



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**NOTE 9: PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS**

We sponsor several retirement programs for our employees.

This note provides details about:

- types of plans that we sponsor;
- funded status of plans that we sponsor;
- pension assets;
- activity of plans that we sponsor; and
- actuarial assumptions.

**TYPES OF PLANS THAT WE SPONSOR**

The plans we sponsor in the U.S. and Canada differ according to each country's requirements.

In the U.S., our pension plans are:

- qualified plans that qualify under the Internal Revenue code; and
- nonqualified a plan for select employees that provides additional benefits not qualified under the Internal Revenue Code.

In Canada, our pension plans are:

- registered plans that are registered under the Income Tax Act and under the applicable provincial pension acts; and
- nonregistered plans for select employees that provide additional benefits that may not be registered under the Income Tax Act or provincial pension acts.

We also offer retiree medical and life insurance plans in the U.S. and Canada. These plans are referred to as Other Postretirement Benefit plans in the following disclosures.

Our qualified and registered pension plans and a portion of our nonregistered pension plan are funded plans. We contribute to these plans according to established funding standards. The nonqualified pension plan, a portion of the nonregistered pension plan and the other postretirement benefit plans are unfunded. For the unfunded plans, we pay benefits to retirees from general assets of the company as they come due.

**Employee Eligibility and Accounting**

The Pension and Other Postretirement Benefit Plans section of *Note 1: Summary of Significant Accounting Policies* provides information about employee eligibility for pension plans and postretirement health care and life insurance benefits as well as how we account for the plans and benefits.

**Measurement Date**

We measure the fair value of pension plan assets and pension and other postretirement benefit obligations as of the end of our fiscal year.

**Implementation of Statement 158**

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We adopted FASB Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132 (R)* (Statement 158) in the fourth quarter of 2006. Statement 158 requires that on a prospective basis employers recognize the funded status of their defined benefit pension and other postretirement plans on their balance sheet and recognize as a component of other comprehensive income, net of tax, the gains or losses and prior service costs or credit that have not been recognized as components of net periodic benefit cost.

### FUNDED STATUS OF PLANS THAT WE SPONSOR

The funded status of the plans that we sponsor is determined by comparing the benefit obligation to the fair value of plan assets at the end of the year.

### Changes in Benefit Obligations of Our Pension and Other Postretirement Benefit Plans

DOLLAR AMOUNTS IN MILLIONS	PENSION		OTHER	
			POSTRETIREMENT	
			BENEFITS	
	2007	2006	2007	2006
Reconciliation of benefit obligation:				
Benefit obligation as of prior year-end	\$ 5,406	\$ 5,133	\$ 1,136	\$ 1,019
Service cost	129	147	22	26
Interest cost	282	291	60	62
Plan participants' contributions		3	14	12
Actuarial (gains)/losses	(348)	172	(94)	92
Foreign currency exchange rate changes	152		32	
Benefits paid	(496)	(354)	(78)	(69)
Plan amendments	2	12		(6)
Plan transfers	7	2		
Curtailment gains	(37)	(1)	(48)	
Settlements	(1)			
Special termination benefits	15	1	1	
Plan assumption by Domtar	(318)			
Benefit obligation at end of year	\$ 4,793	\$ 5,406	\$ 1,045	\$ 1,136

**Table of Contents****Changes in the Fair Value of Plan Assets**

DOLLAR AMOUNTS IN MILLIONS				
	PENSION		OTHER POSTRETIREMENT BENEFITS	
	2007	2006	2007	2006
Fair value of plan assets at beginning of year (actual)	\$ 6,567	\$ 5,643	\$	\$ 1
Actual return on plan assets	777	888		
Foreign currency exchange rate changes	179			
Employer contributions	36	67	64	56
Plan participants' contributions		3	14	12
Benefits paid	(496)	(354)	(78)	(69)
Plan transfers	7	2		
Special benefits' surplus reversion to members	(2)			
Special benefits' surplus reversion to employer	(6)			
Settlements	(1)			
Plan assumption by Domtar	(354)			
Fair value of plan assets at end of year (estimated)	\$ 6,707	\$ 6,249	\$	\$

The value of our pension assets on our fiscal year-end balance sheet is an estimated value. Due to the timing and nature of the underlying investments, the actual value may be different. At December 31, 2006, the estimated value of our pension plan assets was \$6.2 billion. The actual value was \$6.6 billion.

We reflect the funded status of our pension and other postretirement benefit plans on our Consolidated Balance Sheet. This table shows where these amounts are on our Consolidated Balance Sheet for the last two fiscal years.

**Funded Status of Our Pension and Other Postretirement Benefit Plans**

DOLLAR AMOUNTS IN MILLIONS				
	PENSION		OTHER POSTRETIREMENT BENEFITS	
	2007	2006	2007	2006
Noncurrent assets	\$ 2,084	\$ 1,035	\$	\$
Current liabilities	(17)	(18)	(63)	(65)
Noncurrent liabilities	(153)	(174)	(982)	(1,071)
Funded status	\$ 1,914	\$ 843	\$ (1,045)	\$ (1,136)

The asset or liability on our Consolidated Balance Sheet representing the funded status of the plans is different than the cumulative income or expense that we have recognized related to these plans. These differences relate to gains (losses) and prior service costs that are deferred and that will be amortized into our periodic benefit costs in future periods. These unamortized amounts are recorded in cumulative other comprehensive income, which is a component of total shareholders' interest on our Consolidated Balance Sheet.

**Changes in Amounts Included in Cumulative Other Comprehensive Income**

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	PENSION	OTHER POSTRETIREMENT
	2007	2007
Net amount recognized at beginning of year	\$ 6	\$ (214)
Net change during the year:		
Net gain/loss:		
Net gain arising during the year (pretax)	946	138
Amortization of net (gain) loss (pretax)	(36)	28
Taxes	(352)	(86)
Net gain (net of tax)	564	80
Prior service credit/cost:		
Prior service credit (cost) arising during the year (pretax)	(2)	
Amortization of prior service (credit) cost (pretax)	67	(15)
Taxes	(25)	
Prior service credit (cost) (net of tax)	40	(15)
Net amount recognized during the year	604	65
Net amount recognized at end of year	\$ 610	\$ (149)

The amounts for our other postretirement benefits for 2007 include a \$66 million unamortized net gain related to the U.S. Medicare Part D subsidy. Because the subsidy is nontaxable, it affects the related effective tax rate. It results in a 52 percent effective tax rate for the deferred taxes related to the changes in unamortized net gain in cumulative other comprehensive income.

**Accumulated Benefit Obligations Greater Than Plan Assets**

As of December 30, 2007, pension plans with the accumulated benefit obligation greater than the plan assets had:

\$196 million in projected benefit obligations;  
 \$177 million in accumulated benefit obligations; and  
 assets with a fair value of \$24 million.



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As of December 31, 2006, pension plans with the accumulated benefit obligation greater than the plan assets had:

\$218 million in projected benefit obligations;  
\$203 million in accumulated benefit obligations; and  
assets with a fair value of \$29 million.

The accumulated benefit obligation for all of our defined benefit pension plans was:

\$4.4 billion at December 30, 2007; and  
\$5.0 billion at December 31, 2006.

## **PENSION ASSETS**

### **Our Investment Policies and Strategies**

Our investment policies and strategies guide and direct how we manage funds for the benefit plans we sponsor. These funds include our:

U.S. pension trust funds our U.S. qualified pension plans;  
Canadian pension trust funds our Canadian registered pension plans; and  
Retirement Compensation Arrangements funds a portion of our Canadian nonregistered pension plans.  
Our policies and strategies also include using sound practices to manage the risk exposure of investing these funds.

### **U.S. and Canadian Pension Trusts**

Our U.S. pension trust holds the funds for our U.S. qualified pension plans while our Canadian pension trust holds the funds for our registered pension plans.

Our strategy within the trusts is to invest:

directly and via total return partnership swaps in a diversified mix of nontraditional investments; and  
indirectly in derivatives to promote effective use of capital, increase returns and manage associated risk.  
Our direct investments include:

hedge funds;  
private equity;  
opportunistic real estate; and  
other externally managed alternative investment funds.  
Our indirect investments include:

equity index derivatives; and

fixed income derivatives.  
The overall return for our pension trusts includes:

returns earned on our direct investments; and  
returns earned on the derivatives we use.

### Retirement Compensation Arrangements

Retirement Compensation Arrangements fund a portion of our Canadian nonregistered plans.

Under Retirement Compensation Arrangements, our contributions get split:

50 percent to our investments in a portfolio of equities; and  
50 percent to a noninterest-bearing refundable tax account held by Canada Revenue Agency as required by Canadian tax rules. The Canadian tax rules requirement means that on average over time approximately 50 percent of our Canadian nonregistered plans assets do not earn returns.

### Managing Risk

All investments are subject to risk, and we manage it using sound practices and diversification.

Funds are exposed to risk through the indirect or derivative investments made by our U.S. pension trust and our Canadian pension trust.

The risk is primarily nonperformance by counterparties to the investments. However, we do not expect any counterparties to fail to meet their obligations. Also, no principal is at risk with these types of investments. Only the amount of unsettled net receivables is at risk.

We manage this risk through:

selection of counterparties with a defined minimum credit quality;  
diversification;  
settlement provisions; and  
documented agreements.

**Hedge funds and private partnerships.** We manage these risks through:

selection and diversification of managers and strategies; and  
use of limited-liability vehicles.

**Portfolio risk.** We manage this risk through:

diversification; and  
constraining the risk profile within defined boundaries.

### Allocation of Our Plan Assets

We report the allocation of assets for our:

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qualified and registered pension plans; and nonregistered plans.  
We do not have target allocations for our direct investment portfolio or derivatives.

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**Qualified and Registered Pension Plans.** The funds for our qualified and registered pension plans are in our U.S. pension trust and in our Canadian pension trust. This table shows how we have invested these funds.

**Allocation of Assets for Our Qualified and****Registered Pension Plans**

	DECEMBER 30, 2007	DECEMBER 31, 2006
Private equity and related funds	24.4%	26.3%
Real estate and related funds	3.3	3.9
Common stock and equity index instruments	0.3	0.9
Fixed income	11.4	15.5
Hedge funds	61.5	53.4
Net receivables	0.3	0.4
Accrued liabilities	(1.2)	(0.4)
Total	100.0%	100.0%

**Nonregistered Plans.** We invest 50 percent of the funds we contribute to our nonregistered pension plans. Under Canadian tax rules for Retirement Compensation Arrangements, the other 50 percent goes to a noninterest-bearing refundable tax account held by Canada Revenue Agency. The following table shows how we have invested the funds that we are allowed to manage.

**Allocation of Assets for Our Nonregistered Plans**

	DECEMBER 30, 2007	DECEMBER 31, 2006
Equities	53%	54%
Cash and cash equivalents	47%	46%
Total	100%	100%

**Fair Value of Derivatives Held by Pension Trusts**

This table shows the fair value of the derivatives held by our pension trusts which fund our qualified and registered plans at the end of our last two fiscal years.

**DOLLAR AMOUNTS IN MILLIONS**

	DECEMBER 30, 2007	DECEMBER 31, 2006
Common stock and equity index instruments	\$ 6	\$ 54
Fixed income		31
Hedge funds	423	507
Net (payables) receivables	(34)	6
Total	\$ 395	\$ 598

**Notional Amount of Derivatives Held by Pension Trusts**

This table shows the notional amount of the derivatives held by our pension trusts which fund our qualified and registered plans at the end of our last two fiscal years.

DOLLAR AMOUNTS IN MILLIONS			
	DECEMBER 30, 2007		DECEMBER 31, 2006
Common stock and equity index instruments	\$	756	\$ 1,179
Fixed income		1,505	2,961
Hedge funds		3,075	2,802
Total	\$	5,336	\$ 6,942

**ACTIVITY OF PLANS THAT WE SPONSOR**

**Net Periodic Benefit Costs (Credits)**

DOLLAR AMOUNTS IN MILLIONS						
	PENSION			OTHER POSTRETIREMENT		
	2007	2006	2005	2007	BENEFITS 2006	2005
Net periodic benefit cost:						
Service cost	\$ 129	\$ 147	\$ 138	\$ 22	\$ 26	\$ 22
Interest cost	282	291	277	60	62	55
Expected return on plan assets	(530)	(478)	(402)			
Amortization of loss	1	19	33	28	35	27
Amortization of prior service cost	34	37	38	(10)	(9)	(9)
Special benefits surplus reversion to members	2					
Special benefits surplus reversion to employer	6					
Recognition of curtailment, settlement and/or special termination benefits due to closure, sale, or assumption by Domtar	53	2	(7)	(5)		
Net periodic benefit cost (credit)	\$ (23)	\$ 18	\$ 77	\$ 95	\$ 114	\$ 95

**Table of Contents****Estimated Amortization From Cumulative Other Comprehensive Income in 2008**

Amortization of the net loss and prior service (credit) cost of our pension and postretirement benefit plans will affect our other comprehensive income in 2008. The net effect of the estimated amortization will be a decrease to net periodic benefit costs in 2008.

DOLLAR AMOUNTS IN MILLIONS			
	PENSION	POSTRETIREMENT	TOTAL
Net (gain) loss	\$ (26)	\$ 20	\$ (6)
Prior service (credit) cost	\$ 33	\$ (9)	\$ 24
Net effect	\$ 7	\$ 11	\$ 18

**Expected Funding in 2008**

Established funding standards govern the funding requirements for our qualified and registered pension plans. We fund the benefit payments of our nonqualified and nonregistered plans as benefit payments come due. For 2008, we expect to:

- have no obligation to contribute funds to our U.S. qualified pension plans;
- contribute \$17 million to our U.S. nonqualified pension plans;
- contribute \$3 million to our Canadian registered and nonregistered pension plans, including approximately \$1 million of required funding. This is net of an anticipated reversion of surplus plan assets; and
- contribute \$63 million to our U.S. and Canadian other postretirement plans.

Canadian provincial regulators have approved a surplus sharing proposal for three of our Canadian registered plans. The share of surplus due to plan members was paid during 2007, along with most of the surplus to our company. There is a small amount of surplus that will be paid to our company and a few plan members in 2008. This amount is approximately \$200,000.

Our retiree medical and life insurance plans are unfunded. Benefits for these plans are paid from general assets of our company as they come due. Except for benefits provided to certain unionized employees, we retain the right to terminate other postretirement benefits. However, we do expect to continue to sponsor and pay benefits under these plans in 2008. The estimated 2008 funding of \$63 million includes approximately \$17 million of funding expected to be required to cover benefit payments under the contractual obligations.

**Projected Benefit Payments****Estimated Projected Benefit Payments for the Next 10 Years**

DOLLAR AMOUNTS IN MILLIONS	PENSION	OTHER
		POSTRETIREMENT BENEFITS
2008	\$ 297	\$ 63
2009	\$ 315	\$ 64

2010	\$	325	\$	66
2011	\$	346	\$	68
2012	\$	368	\$	69
2013-2017	\$	2,075	\$	375

**ACTUARIAL ASSUMPTIONS**

We use actuarial assumptions in estimating our benefit obligations and our net periodic benefit costs.

**Rates We Use in Estimating Our Benefit Obligations**

In estimating our benefit obligations, we use assumptions that include:

- discount rates in the U.S. and Canada; and
- rates of compensation increases for our salaried and hourly employees in the U.S. and Canada.

**Discount Rates and Rates of Compensation Used in Estimating Our Pension Plan and Other Postretirement Benefit Obligations**

	PENSION		OTHER POSTRETIREMENT BENEFITS	
	DECEMBER 30, 2007	DECEMBER 31, 2006	DECEMBER 30, 2007	DECEMBER 31, 2006
Discount rate:				
U.S.	6.50%	5.80%	6.50%	5.80%
Canada	5.50%	5.15%	5.50%	5.15%
Rate of compensation increase:				
Salaried (U.S. and Canada)	3.50%	3.50%	3.50%	3.50%
Hourly:				
United States	3.00%	3.00%	3.00%	3.00%
Canada	3.25%	3.25%	N/A	N/A

**Estimating Our Net Periodic Benefit Costs**

In estimating our net periodic benefit costs, we use assumptions that drive the various components of those costs.

The assumptions we use include:

- discount rates in the U.S. and Canada;
- expected returns on our plan assets; and

**Table of Contents**

rates of compensation increases for our salaried and hourly employees in the U.S. and Canada. This table shows the discount rates, expected returns on our plan assets and rates of compensation increases we used over the last three years in estimating our net periodic benefit costs.

**Rates Used in Estimating Our Net Periodic Benefit Costs**

	PENSION			OTHER POSTRETIREMENT BENEFITS		
	2007	2006	2005	2007	2006	2005
Discount rate:						
U.S.	5.80%	5.90%	6.00%	5.80%	5.90%	6.00%
Canada	5.15%	5.15%	6.00%	5.15%	5.15%	6.00%
Expected return on plan assets:						
Qualified/ registered plans	9.50%	9.50%	9.50%			
Nonregistered plans	4.75%	4.75%	4.75%			
Retiree life insurance				N/A	3.64%	3.79%
Rate of compensation increase:						
Salaried (U.S. and Canada)	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Hourly:						
U.S.	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Canada	3.25%	3.25%	3.50%	N/A	N/A	N/A

**Expected Return on Our Plan Assets**

We report the expected return on assets for our:

qualified and registered pension plans; and nonregistered plans.

**Qualified and Registered Pension Plans.** Our expected return on assets in our U.S. pension trust and our Canadian pension trust was 9.5 percent as of December 30, 2007. The expected return includes:

8.0 percent from direct investments; and 1.5 percent from derivatives.

These trusts fund our qualified and registered pension plans.

The expected return is our best estimate of the long-term return we expect from our U.S. pension trust. Since 1998, our Canadian pension trust investment strategy has mirrored the investment strategy of our U.S. pension trust.

Determining our expected return:

requires a high degree of judgment; uses our historical fund returns as a base; and places added weight on more recent pension plan asset performance.

Over the 23 years it has been in place, our U.S. pension trust investment strategy has achieved a 17.7 percent net compound annual return rate.



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Our total actual return on assets held by our pension trusts was \$777 million in 2007.

### Actual Returns on Assets Held by Our Pension Trusts

DOLLAR AMOUNTS IN MILLIONS			
	2007	2006	2005
Direct investments	\$ 745	\$ 669	\$ 305
Derivatives	32	217	171
Total	\$ 777	\$ 886	\$ 476

**Nonregistered Plans.** Our expected overall annual return on assets that fund our nonregistered plans is 4.75 percent.

Our expected long-term annual rate of return on the equity portion of this portfolio the portion we're allowed to invest and manage is 9.5 percent. We base that expected rate of return on:

historical experience; and  
future return expectations.

We reach the 4.75 percent expected overall annual return by dividing the 9.5 percent by two. That's because Canadian tax rules require 50 percent of the assets for nonregistered plans to go to a noninterest-bearing refundable tax account. As a result, the return we earn investing the other 50 percent gets spread over 100 percent of the assets.

### Health Care Costs

Rising costs of health care significantly affect the costs of our health care plans.

### Health Care Cost Trend Rates

We use assumptions about health care cost trend rates to estimate the cost of the benefits we provide. In 2007, the assumed weighted health care cost trend rate for the next year was:

9 percent in the U.S.; and  
6.3 percent in Canada.

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This table shows the assumptions we use in estimating the annual cost increase for the health care benefits we provide.

**Assumptions We Use in Estimating Health Care Benefit Costs**

	2007		2006	
	U.S.	Canada	U.S.	Canada
Weighted health care cost trend rate assumed for next year	9.0%	6.3%	10.0%	6.3%
Rate to which cost trend rate is assumed to decline (ultimate trend rate)	5.0%	4.3%	5.0%	4.3%
Year that the rate reaches the ultimate trend rate	2013	2012	2013	2011

A 1 percent change in our assumed health care cost trend rates can significantly affect our accumulated benefit obligations.

**Effect of a 1 Percent Change in Health Care Costs**

AS OF DECEMBER 30, 2007 (DOLLAR AMOUNTS IN MILLIONS)			
	1% INCREASE		(1% DECREASE)
Effect on total of service and interest cost components	\$	11	\$ (9)
Effect on accumulated postretirement benefit obligation	\$	120	\$ (100)

**OTHER PLANS**

In addition to the pension and postretirement benefit plans we provide, we also:

- make contributions to union-administered multi-employer pension plans; and
- sponsor other postretirement and defined contribution plans.

**Union-Administered Multi-Employer Pension Plans**

We make negotiated contributions to union-administered multi-employer pension plans. Over the last three years, our contributions were approximately:

- \$6 million in 2007;
- \$10 million in 2006; and
- \$13 million in 2005.

Our contribution generally is based on fixed amounts per hour per employee. These plans cover approximately 1,800 of our employees.

**Other Postretirement Plans**

We sponsor other postretirement plans for our U.S. and Canadian employees. These plans are not included above since the full cost of the plans is paid for by retirees.

**Defined Contribution Plans**

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We sponsor various defined contribution plans for our U.S. and Canadian salaried and hourly employees. Over the last three years, our contributions to these plans were:

\$53 million in 2007;  
\$62 million in 2006; and  
\$61 million in 2005.

The basis for determining our contributions varies by plan.

### **NOTE 10: CONSOLIDATION OF VARIABLE INTEREST ENTITIES**

This note provides details about:

Weyerhaeuser's special-purpose entities (SPEs); and  
our variable interests in Real Estate.

We account for special-purpose entities under FASB Interpretation No. 46, *Consolidation of Variable Interest Entities* (Interpretation 46R). Interpretation 46R addresses consolidation of certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties.

### **SPECIAL-PURPOSE ENTITIES**

From 2002 through 2004, Weyerhaeuser sold certain nonstrategic timberlands. We consolidate the assets and liabilities of certain SPEs involved in these transactions. The following disclosures refer to assets of buyer-sponsored SPEs and liabilities of monetized SPEs. However, because these SPEs are distinct legal entities:

assets of the SPEs are not available to satisfy our liabilities or obligations; and  
liabilities of the SPEs are not our liabilities or obligations.

Our consolidated statement of earnings includes:

Interest expense on SPE debt for the last three years of:

\$44 million in 2007;  
\$44 million in 2006; and  
\$45 million in 2005.

Interest income on SPE investments for the last three years of:

\$55 million in 2007;  
\$54 million in 2006; and  
\$52 million in 2005.

Results for 2005 also include recognition of a \$57 million pretax gain that had been deferred on previous timberland sales. See *Note 21: Other Operating Costs (Income), Net*.

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Sales proceeds paid to buyer-sponsored SPEs were invested in restricted bank financial instruments with a balance of \$909 million as of December 30, 2007 and December 31, 2006. The weighted average interest rate was 5.43 percent during both years. Maturities of the bank financial instruments at the end of our fiscal year 2007 were:

\$110 million in 2012;  
 \$184 million in 2013;  
 \$253 million in 2019; and  
 \$362 million in 2020.

The long-term debt of our monetized SPEs was \$757 million as of December 30, 2007 and December 31, 2006. The weighted average interest rate was 5.79 percent during both years. Maturities of the bank financial instruments at the end of our fiscal year 2007 were:

\$92 million in 2012;  
 \$154 million in 2013;  
 \$209 million in 2019; and  
 \$302 million in 2020.

The monetization SPEs are exposed to credit-related losses that would result in the event of nonperformance by the banks. However, we do not expect any banks to fail to meet their obligations.

**REAL ESTATE VARIABLE INTEREST ENTITIES**

Our Real Estate segment has subsidiaries with two types of variable interests under Interpretation 46R:

Fixed-price purchase options – real estate development subsidiaries that enter into options to acquire lots at fixed prices, primarily for building single-family homes; and

Subordinated financing – a subsidiary that provides subordinated financing to third-party developers and homebuilders.

**Information Related to Entities Consolidated by Our Real Estate Segment**

DOLLAR AMOUNTS IN MILLIONS		
	December 30, 2007	December 31, 2006
Entities consolidated	8	7
Estimated assets	\$ 256	\$ 122
Estimated liabilities	\$ 212	\$ 90
	<hr/>	<hr/>
	<hr/>	<hr/>

**PURCHASE OPTIONS ACTIVITY NOT CONSOLIDATED**

We do not consolidate some of the purchase options that we have on lots. These include lot option purchase agreements we entered into:

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prior to December 31, 2003; and  
after December 31, 2003.

### **Prior to December 31, 2003**

After exhaustive efforts, we have not been able to obtain the information needed to determine whether we are required to consolidate any of the purchase options which we entered into prior to December 31, 2003 under Interpretation 46R. These represent:

5 lot option purchase agreements;  
\$18 million in deposits at risk; and  
\$58 million to be paid if fully exercised.

### **After December 31, 2003**

Certain purchase options entered into after December 31, 2003 are not required to be consolidated as we are not the primary beneficiary. These options represent:

14 lot option purchase agreements;  
\$15 million in deposits at risk; and  
\$226 million to be paid if fully exercised.

### **SUBORDINATED FINANCING ACTIVITY**

As of December 30, 2007, our real estate subsidiary that provides subordinated financing has approximately \$14 million in subordinated loans at risk in 37 variable interest entities.

**Table of Contents****NOTE 11: REAL ESTATE IN PROCESS OF DEVELOPMENT AND FOR SALE****Carrying Value of Our Real Estate in Process of Development and for Sale**

DOLLAR AMOUNTS IN MILLIONS		
	DECEMBER 30, 2007	DECEMBER 31, 2006
Dwelling units	\$ 603	\$ 647
Residential lots	655	782
Commercial acreage and other inventories	12	20
Total	\$ 1,270	\$ 1,449

**HOW WE ACCOUNT FOR OUR REAL ESTATE IN PROCESS OF DEVELOPMENT AND FOR SALE**

Real estate and land under development is stated at cost unless events and circumstances trigger an impairment review. The Impairment of Long-Lived Assets section of *Note 1: Summary of Significant Accounting Policies* provides details about how we handle and account for impairments related to our real estate in process of development and for sale.

In 2007, unfavorable market conditions continued to cause our Real Estate segment to reduce prices or increase customer incentives which triggered impairment reviews for some of the segment's real estate and land in process of development and for sale. Real Estate recognized impairment charges on long-lived assets as follow:

\$128 million in 2007;  
\$36 million in 2006; and  
\$33 million in 2005.

**NOTE 12: SHORT-TERM BORROWINGS AND LINES OF CREDIT**

This note provides details about our:

short-term borrowings;  
lines of credit; and  
other letters of credit and surety bonds.

**WEYERHAEUSER SHORT-TERM BORROWINGS**

Weyerhaeuser short-term borrowings outstanding at the end of our last two fiscal years were:

\$54 million including \$50 million of commercial paper at a weighted average interest rate of 4.8 percent as of December 30, 2007; and  
\$72 million including \$70 million of commercial paper at a weighted average interest rate of 5.5 percent as of December 31, 2006.

**REAL ESTATE SHORT-TERM BORROWINGS**

Weyerhaeuser Company guarantees the commercial paper borrowing of its Weyerhaeuser Real Estate Company (WRECO) subsidiary. To keep the guarantee, WRECO:

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agrees to maintain unused nonguaranteed credit arrangements equal to or greater than its outstanding commercial paper balance; and

pays Weyerhaeuser Company a fee equal to one-quarter of 1 percent of its outstanding commercial paper balance.

WRECO had no short-term borrowings outstanding at the end of our last two fiscal years. Borrowings during the year resulted in WRECO paying Weyerhaeuser Company fees of less than a million dollars in 2007 and 2006.

**Table of Contents****Available Lines of Credit at December 30, 2007**

DOLLAR AMOUNTS IN MILLIONS							
	EXPIRES	LINE OF CREDIT	AMOUNT OUTSTANDING (Weyerhaeuser)	AMOUNT OUTSTANDING (WRECO)	LETTERS OF CREDIT	COMMERCIAL PAPER OUTSTANDING(1)	AMOUNT AVAILABLE
Revolving credit facility, issued December 2006	March 2010	\$ 1,200	\$	\$	\$	\$ (50)	\$ 1,150
Five-Year revolving credit facility, issued December 2006	December 2011	\$ 1,000	\$ (150)	\$ (170)	\$	\$	\$ 680
<b>Total at December 30, 2007</b>		<b>\$ 2,200</b>	<b>\$ (150)</b>	<b>\$ (170)</b>		<b>\$ (50)</b>	<b>\$ 1,830</b>

(1) Allocates undrawn credit facility as back-up to commercial paper outstanding

**OUR LINES OF CREDIT**

As of December 30, 2007, we have two revolving credit facilities available to us. The status of our revolving credit facilities at the end of our fiscal year 2007 was:

\$2.2 billion total committed bank revolving credit facilities; with  
\$1.8 billion available to us for incremental borrowings.

We entered into our current two lines of credit in December 2006. These are:

a \$1.2 billion revolving credit facility that expires in March 2010; and  
a \$1.0 billion five-year revolving credit facility that expires in December 2011.

Conditions of both lines of credit include:

entire amount is available to Weyerhaeuser Company;  
\$400 million of the amount is available to WRECO;  
Weyerhaeuser Company is not a guarantor of any borrowings by WRECO; and  
WRECO is not a guarantor of Weyerhaeuser Company borrowings.

Borrowings are at LIBOR plus a spread or at other interest rates mutually agreed upon between the borrower and the lending banks. As of December 30, 2007 there were no borrowings outstanding under the \$1.2 billion revolving credit facility. The weighted average interest rate for our \$1.0 billion revolving credit facility was 5.31 percent.

As of December 31, 2006, our wholly owned Canadian subsidiary Weyerhaeuser Company Limited had an outstanding line of credit for \$172 million (\$200 million Canadian). Weyerhaeuser Company was a guarantor of any borrowings under this facility. Use of this line of credit included:



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total amount was fully drawn as of the end of our fiscal year 2006; and total amount was fully repaid and the facility was terminated in January 2007.

### OTHER LETTERS OF CREDIT AND SURETY BONDS

Other letters of credit and surety bonds we have entered into as of the end of our last two fiscal years were:

#### Weyerhaeuser

DOLLAR AMOUNTS IN MILLIONS		
	DECEMBER 30, 2007	DECEMBER 31, 2006
Letters of credit	\$ 25	\$ 634
Surety bonds	\$ 151	\$ 757

The decreases in Weyerhaeuser letters of credit and surety bonds from the end of our 2006 fiscal year to the end of our 2007 fiscal year primarily reflects the release of \$500 million related to the Paragon litigation. More information about The Paragon Trade Brands, Inc. Litigation can be found in *Note 16: Legal Proceedings, Commitments and Contingencies*.

#### Real Estate

DOLLAR AMOUNTS IN MILLIONS		
	DECEMBER 30, 2007	DECEMBER 31, 2006
Letters of credit	\$ 31	\$ 34
Surety bonds	\$ 674	\$ 655

Our compensating balance requirements for the other letters of credit and surety bonds were not significant.

**Table of Contents****NOTE 13: ACCRUED LIABILITIES**

Weyerhaeuser's accrued liabilities were \$1.2 billion as of December 30, 2007. They include payroll, income taxes, Social Security and real and personal property taxes, interest and other items.

**Accrued Liabilities**

DOLLAR AMOUNTS IN MILLIONS		
	DECEMBER 30, 2007	DECEMBER 31, 2006
Payroll wages and salaries, incentive awards, retirement and vacation pay	\$ 588	\$ 688
Income taxes	33	128
Taxes Social Security and real and personal property	63	70
Interest	130	164
Other	363	465
	1,177	1,515
Less discontinued operations		(152)
Total	\$ 1,177	\$ 1,363

**NOTE 14: LONG-TERM DEBT**

Our total long-term debt, including our Real Estate segment, was \$7.3 billion as of December 30, 2007. This note provides details about Weyerhaeuser's:

- long-term debt and the portion due within one year;
- Real Estate long-term debt and the portion due within one year; and
- long-term debt maturities.

Our long-term debt includes notes, debentures, revenue bonds and other borrowings. The following table lists Weyerhaeuser's long-term debt by types and interest rates at the end of our last two fiscal years and includes the current portion.

**Weyerhaeuser Long-Term Debt by Types and Interest Rates****(Includes Current Portion)**

DOLLAR AMOUNTS IN MILLIONS		
	DECEMBER 30, 2007	DECEMBER 31, 2006
8.375% debentures due 2007	\$	\$ 85
6.125% notes due 2007		378
5.95% debentures due 2008	333	525
5.25% notes due 2009	37	37
4.465% (variable) notes due 2009	450	
6.75% notes due 2012	1,683	1,683
7.50% debentures due 2013	156	250
7.25% debentures due 2013	129	250
6.95% debentures due 2017	281	300
7.00% debentures due 2018	62	100
9.00% debentures due 2021	150	150

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7.125% debentures due 2023	191	250
8.50% debentures due 2025	300	300
7.95% debentures due 2025	136	250
7.70% debentures due 2026	150	150
7.35% debentures due 2026	62	150
7.85% debentures due 2026	100	200
6.95% debentures due 2027	300	300
7.375% notes due 2032	1,250	1,250
6.875% notes due 2033	275	275
Industrial revenue bonds, rates from 5.4% to 9.0%, due 2008 2025	206	304
Medium-term notes, rates from 6.45% to 7.30%, due 2009 2013	167	166
Borrowings under revolving credit facilities <sup>(1)</sup>	150	172
Other	3	40
	6,571	7,565
Less unamortized discounts	(5)	(2)
	6,566	7,563
Less discontinued operations		(6)
Total	\$ 6,566	\$ 7,557
Total portion due within one year	\$ 507	\$ 488

(1) More information about the borrowings under these facilities can be found in Note 12.

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In addition to repaying debt that was scheduled to mature during the 52 week period ended December 30, 2007, Weyerhaeuser repaid approximately \$962 million in long-term debt in connection with two debt tender offers. Weyerhaeuser recognized pretax charges in 2007 of \$45 million, which included early retirement premiums, unamortized debt issuance costs and other miscellaneous charges in connection with early extinguishment of debt. This charge is classified as interest expense incurred on the Consolidated Statement of Earnings.

**Real Estate Long-Term Debt by Types and Interest Rates (Includes Current Portion)**

DOLLAR AMOUNTS IN MILLIONS		
	DECEMBER 30, 2007	DECEMBER 31, 2006
Notes payable, unsecured; weighted average interest rates are approximately 6.0% and 6.1%, due 2008-2027 <sup>(1)</sup>	\$766	\$ 597
Notes payable, secured; weighted average interest rate is approximately 6% due 2008-2011	9	9
Total	\$ 775	\$ 606
Portion due within one year	\$ 314	\$ 1

(1) Includes \$170 million of borrowings under revolving credit facility; more information about this borrowing can be found in Note 12. Our long-term debt that matures in 2008, including our Real Estate segment, is \$821 million.

**Amounts of Long-Term Debt Due Annually for the Next Five Years and the Total Amount Due after 2012**

DOLLAR AMOUNTS IN MILLIONS		
	DECEMBER 30, 2007	
	WEYERHAEUSER	REAL ESTATE
Long-term debt maturities:		
2008	\$ 507	\$ 314
2009	\$ 561	\$ 53
2010	\$ 4	\$ 40
2011	\$	\$ 31
2012	\$ 1,694	\$ 203
Thereafter	\$ 3,805	\$ 134

**NOTE 15: FAIR VALUE OF FINANCIAL INSTRUMENTS**

The fair value of our long-term debt was \$7.6 billion as of December 30, 2007. This included:

\$6.8 billion of Weyerhaeuser long-term debt; and  
\$778 million of Real Estate long-term debt.

To estimate the fair value of long-term debt, we use either of these two measures:

quoted market prices for the same types and issues of debt; or  
discounted value of the future cash flows using market yields for the same type and comparable issues of debt.

**Fair Value and Carrying Value of Our Long-Term Debt**

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DOLLAR AMOUNTS IN MILLIONS				
	DECEMBER 30, 2007		DECEMBER 31, 2006	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Weyerhaeuser:				
Financial liabilities:				
Long-term debt (including current maturities)	\$ 6,566	\$ 6,817	\$ 7,563	\$ 7,887
Less discontinued operations			(6)	(6)
Total	\$ 6,566	\$ 6,817	\$ 7,557	\$ 7,881
Real Estate:				
Financial liabilities:				
Long-term debt (including current maturities)	\$ 775	\$ 778	\$ 606	\$ 606

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**NOTE 16: LEGAL PROCEEDINGS, COMMITMENTS AND CONTINGENCIES**

This note provides details about our:

legal proceedings;  
environmental matters; and  
commitments and other contingencies.

**LEGAL PROCEEDINGS**

Major legal proceedings involving us described in this section are:

hardboard siding claims;  
alder antitrust litigation;  
OSB antitrust litigation; and  
Paragon Trade Brands, Inc. litigation.

We are also a party to other legal matters generally incidental to our business.

The ultimate outcome of any legal proceeding:

is subject to a great many variables; and  
cannot be predicted with any degree of certainty.

However, whenever probable losses from litigation could reasonably be determined we believe that we have established adequate reserves. In addition, we believe the ultimate outcome of the legal proceedings:

could have a material adverse effect on our results of operations, cash flows or financial position in any given quarter or year; but will not have a material adverse effect on our long-term results of operations, cash flows or financial position.

**Hardboard Siding Claims**

This is a nationwide claims-based settlement of hardboard siding class action cases against us.

Under the settlement which we entered into in June 2000 all persons who own or owned structures in the U.S. on which our hardboard siding had been installed from January 1, 1981 through December 31, 1999 can file claims.

An independent adjuster reviews claims submitted and determines payment. Claims are paid as submitted over a nine-year period. The right to file claims expire in three six-year increments and claims for the first two periods may no longer be filed. The expiration dates are:

2003 persons who had our hardboard siding installed from 1981 to 1986.  
2006 persons who had our hardboard siding installed from 1987 to 1993.  
2009 persons who had our hardboard siding installed from 1994 to 1999.

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**Status.** Total claims paid through the end of our fiscal year 2007 were \$109 million. The reserve for future claim payments was \$21 million at the end of fiscal year 2007. We have recovered \$52 million through negotiated settlements with our insurance carriers.

We have no litigation pending with any individuals or entities that have opted out of the class. However, it is possible that individuals or entities that have opted out may file claims in the future.

We believe our reserve balance is adequate. However, determining reserves required to fund any future claims involves judgments and projections of future claims rates and amounts. At this time, we are unable to estimate the amount of additional charges if any we may need for these claims in the future.

### Claims Activity and Average Damage Award Paid

	2007	2006	2005
Number of claims filed during the period	1,460	2,200	765
Number of claims resolved	1,980	1,420	640
Number of claims unresolved at end of period	965	1,485	705
Number of damage awards paid	1,200	675	270
Average damage award paid	\$ 2,100	\$ 3,478	\$ 4,100

**Events and Claims.** Here is a chronology of the settlement:

- 2000 We entered into a nationwide settlement of hardboard siding class action cases and recognized a \$130 million pretax charge to cover the estimated cost of the settlement and related claims.
- 2001 We reassessed the adequacy of our reserve and increased it by \$43 million.
- 2003 The right to file claims from the first six-year period (1981-1986) expired.
- 2004 We reduced our reserve by \$20 million based on actual claims and litigation.
- 2006 The right to file claims from the second six-year period (1987-1993) expired.
- 2006 We reduced our reserve by another \$23 million based on actual claims and litigation.

### Alder Antitrust Litigation

There have been several lawsuits filed against us since 2000 alleging we had monopoly power or attempted to gain monopoly power for alder logs and finished alder lumber in the Pacific Northwest market.

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The legal proceedings have included cases we refer to as:

Initial Alder Case and Complaint in Equity;  
Washington Alder; and  
Civil Class Action Antitrust Lawsuit.

### **Initial Alder Case and Complaint in Equity**

The Initial Alder Case filed against us in U.S. District Court in Oregon alleged that from 1996 to 2001 we had monopoly power or attempted to gain monopoly power in the Pacific Northwest market for alder logs and finished alder lumber.

Complaint in Equity filed against us in U.S. District Court in Oregon asked that the judgment in the Initial Alder Case against a plaintiff who did not prevail be set aside and the matter retried.

**Status.** The U.S. Supreme Court vacated the lower court decision in the Initial Alder Case that had imposed \$79 million in trebled damages against us. We reversed a \$79 million reserve into income in the fourth quarter of fiscal year 2006.

The U.S. Supreme Court held that because the plaintiff had conceded that it had not satisfied the test established by the U.S. Supreme Court the claim on which the damage award was based could not be supported.

We settled the Initial Alder Case and the related Complaint in Equity in the second quarter of fiscal year 2007 and recorded an after-tax charge of \$11 million.

**Events and Rulings.** Here is a chronology of the litigation:

2000 The Initial Alder case was filed against us in U.S. District Court in Oregon.

2003 A jury verdict imposed \$79 million in trebled damages against us and we recognized a charge of \$79 million in the first quarter of 2003.

2003 We appealed the jury verdict to the U.S. Court of Appeals for the Ninth Circuit.

2005 A Complaint in Equity was filed against us in U.S. District Court in Oregon on behalf of a plaintiff who did not prevail in the Initial Alder Case. The complaint alleged that a fraud was committed on the court and alleged \$20 million in trebled damages.

2005 The U.S. Court of Appeals for the Ninth Circuit upheld the jury verdict in the Initial Alder Case.

2006 We were granted discretionary review of the Initial Alder Case by the U.S. Supreme Court.

2007 The U.S. Supreme Court vacated the decision by the U.S. Court of Appeals for the Ninth Circuit and remanded the matter to the Ninth Circuit for further action.

2007 The Court of Appeals for the Ninth Circuit vacated the judgment of the District Court and remanded the matter to the District Court for further proceedings. We recognized income for the reversal of the \$79 million reserve for this matter in the fourth quarter of 2006.

2007 We settled the Initial Alder Case and a related Complaint in Equity and recorded an after tax charge of \$11 million in the second quarter of 2007.

### **Washington Alder**

This lawsuit filed against us in U.S. District Court in Oregon alleged monopolization of the alder log and lumber markets. The plaintiff asked for:

\$36 million in trebled damages;  
divestiture of our Northwest Hardwoods Division; and  
divestiture of our alder sawmills in Oregon, Washington and British Columbia.



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**Status.** The U.S. Court of Appeals for the Ninth Circuit vacated the lower court decision imposing \$16 million in trebled damages against us and remanded the Washington Alder case to the U.S. District Court in Oregon because of the U.S. Supreme Court decision in the Initial Alder Case. It held that because the jury award in Washington Alder had been based on the jury verdict in the Initial Alder Case it also had to be reconsidered. We reversed a \$16 million reserve into income in the fourth quarter of fiscal year 2006.

We settled the Washington Alder case in August 2007 and recorded an after-tax charge of \$3 million.

**Events and Rulings.** Here is a chronology of the litigation:

2003 Washington Alder filed the antitrust lawsuit against us in U.S. District Court in Oregon.

2004 A jury verdict imposed \$16 million in trebled damages against us and we recognized a charge of \$16 million in the second quarter of 2004.

2004 We appealed the jury verdict to the U.S. Court of Appeals for the Ninth Circuit.

2007 The U.S. Court of Appeals for the Ninth Circuit issued an order vacating the judgment and remanded the case to the U.S. District Court in Oregon for further proceedings. We recognized income for the reversal of the \$16 million reserve for this matter in the fourth quarter of 2006.

2007 We settled the case and recorded an after-tax charge of \$3 million.

### **Civil Class Action Antitrust Lawsuit**

This lawsuit filed against us in U.S. District Court in Oregon claims that as a result of our alleged monopolization of the alder sawlog market in the Pacific Northwest we also had monopolized the market for finished alder and charged monopoly prices for finished alder lumber. The claimed damages, when trebled, fall within a range of \$91 million to \$133 million, depending on many factors. There have been no claims by persons or entities opting out of the class but sales for the class period to opt outs are approximately \$100 million. We have not established a reserve for this matter. We are also

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unable to estimate at this time the amount of charges if any that may be required in the future.

**Status.** A class has been certified and trial is set for April 2008. We deny the allegations in the complaint and intend to vigorously defend the matter. We have no litigation pending with any entity or individual who has opted out of the class. However, it is possible that entities or individuals who have opted out of the class may file lawsuits against us in the future.

**Events and Rulings.** Here is a chronology of the litigation:

- 2004 The civil class action antitrust lawsuit was filed against us in U.S. District Court in Oregon.
- 2004 The judge issued an order certifying the plaintiff as class representative for all U.S. purchasers of finished alder lumber between April 28, 2000, and March 31, 2004 for purpose of awarding monetary damages.
- 2005 Class counsel notified the court that 5 percent of the class members opted out of the class action lawsuit.
- 2007 The U.S. District Court in Oregon granted the plaintiff's motion to file a second amended complaint, extended the claims period to December 31, 2006, and scheduled trial on the matter for April 2008.
- 2007 The U.S. District Court in Oregon denied our motion to decertify the class.
- 2007 The U.S. District Court in Oregon granted plaintiff's request to file a third amended complaint, which eliminated all allegations of overbidding and overbuying of alder sawlogs as a mechanism to affect the price of alder lumber.
- 2007 We filed a motion for summary judgment with the U.S. District Court.
- 2008 The U.S. District Court denied our motion for summary judgment.

**OSB Antitrust Litigation**

In 2006 a series of lawsuits that had been filed were consolidated into one case in the U.S. District Court in Pennsylvania on behalf of persons and entities who directly or indirectly purchased oriented strand board (OSB) between June 2002 and February 2006 from us or from Louisiana-Pacific, Georgia-Pacific, Potlatch, Ainsworth Lumber, Tolko Forest Products, Grant Forest Products, Norbord or J.M. Huber Corp.

The lawsuit alleges:

these companies conspired to fix and raise OSB prices in the U.S. during the class period, and plaintiffs paid artificially inflated prices for OSB during that period. No specific damages were alleged but the direct and indirect plaintiffs have estimated total damages from all defendants, with trebling, at \$4.9 billion. This is lower than previously reported because the plaintiffs' experts have modified their opinions and because the class period ending is now February 2006 rather than to the present.

**Status.** The U.S. District Court in Pennsylvania has issued a number of rulings approving class action status for various classes of direct and indirect purchasers for the period from June 2002 through February 2006.

J.M. Huber, Georgia-Pacific and Ainsworth have reached settlement with the direct and indirect purchasers. A June 2008 trial has been scheduled and motions for summary judgment on behalf of the remaining defendants, including us, have been filed.

We have not established a reserve for this matter. In addition, we are not able to estimate at this time the amount of charges if any that may be required in the future.

**Events and Rulings.** Here is a chronology of the litigation:

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2006 Numerous individual cases were consolidated into one lawsuit filed in U.S. District Court in Pennsylvania seeking class action status for direct purchasers of OSB.

2006 Additional lawsuits filed on behalf of indirect purchasers of OSB in different states where such claims are possible under state law were consolidated in U.S. District in Pennsylvania.

2006 The court dismissed with prejudice the claims filed by the Pennsylvania indirect purchasers.

2007 The U.S. District Court in Pennsylvania:

- certified a class of direct purchasers who purchased OSB structural panel products directly from defendants from June 1, 2002 to February 24, 2006;
- certified a class of nationwide indirect purchaser end users who indirectly purchased for their own use and not for resale, new OSB manufactured or sold by one or more of the defendants between June 1, 2002 and February 24, 2006;
- excluded persons who purchased OSB already incorporated into a house or other structure; and
- certified a multi-state class of indirect purchasers from 17 states. Money damages for indirect multi-state claims can be recovered only as permitted by state law and plaintiffs generally are limited to injunctive relief in the nationwide indirect class.

2007 The U.S. Court of Appeals for the Third Circuit denied the separate petitions of the defendants and the indirect purchaser plaintiffs for leave to appeal the class certification order.

2007 Individual and joint motions for summary judgment were filed in December on behalf of the remaining defendants, including us.

2007 The court moved the trial date from March to June 2008 in order to more fully consider the summary judgment motions.

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**Paragon Trade Brands, Inc. Litigation**

The Equity Committee filed claims against us in 1999 in the Paragon Trade Brands, Inc. bankruptcy proceeding in the U.S. Bankruptcy Court for the Northern District of Georgia. The Equity Committee (later replaced by a litigation claims representative) asserted we breached certain warranties in our agreements with Paragon connected with its public offering of common stock in February 1993.

The Equity Committee sought to recover damages sustained by Paragon in two patent-infringement cases – one brought by Procter & Gamble and the other by Kimberly-Clark.

**Status.** In 2005 the U.S. Bankruptcy Court imposed damages of approximately \$470 million on us. We appealed the liability and damages determinations to the U.S. District Court for the Northern District of Georgia. In September 2007, the U.S. District Court for the Northern District of Georgia issued an order reversing the U.S. Bankruptcy Court’s decision and directed the court clerk to enter judgment in our favor. In October 2007 the Litigation Claims Representative appealed the decision to the U.S. Court of Appeals for the Eleventh Circuit.

We have not established a reserve for this matter. In addition, we are not able to estimate at this time the amount of charges – if any that may be required in the future.

**Events and Rulings.** Here is a chronology of the litigation:

- 1999 – The Equity Committee in the Paragon Trade Brands, Inc. bankruptcy proceeding began its proceeding against us in U.S. Bankruptcy Court for the Northern District of Georgia.
- 2002 – The Bankruptcy Court held us liable for breaches of warranty.
- 2005 – The Bankruptcy Court imposed damages of \$470 million on us.
- 2005 – We appealed the liability and damages determination to the U.S. District Court for the Northern District of Georgia and posted a \$500 million bond.
- 2007 – The U.S. District Court for the Northern District of Georgia issued an order reversing the U.S. Bankruptcy Court’s decision and directing the court clerk to enter judgment in our favor.
- 2007 – the Litigation Claims Representative appealed the U.S. District Court’s decision to the U.S. Court of Appeals for the Eleventh Circuit and we cancelled the \$500 million bond that had been posted.

**ENVIRONMENTAL MATTERS**

The issues we have concerning environmental matters are:

site remediation; and  
asbestos removal.

**Site Remediation**

Under the Comprehensive Environmental Response Compensation and Liability Act – commonly known as the Superfund – and similar state laws, we:

are a party to various proceedings related to the cleanup of hazardous waste sites, and  
have been notified that we may be a potentially responsible party related to the cleanup of other hazardous waste sites for which proceedings have not yet been initiated.

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**Our Established Reserves.** We have established reserves for estimated remediation costs on the active Superfund sites and other sites for which we are responsible.

### Changes in the Reserve for Environmental Remediation

#### DOLLAR AMOUNTS IN MILLIONS

Reserve balance as of December 31, 2006	\$ 28
Liabilities transferred to Domtar	(4)
Remediation costs accrued	13
Remediation costs charged to reserve	(10)
Reserve balance as of December 30, 2007	\$ 27
Total active sites as of December 30, 2007	61

The changes in our reserves for remediation costs reflect:

new information on all sites concerning remediation alternatives;  
updates on prior cost estimates and new sites; and  
costs incurred to remediate sites.

**Estimates.** We believe it is reasonably possible based on currently available information and analysis that remediation costs for all identified sites may exceed our reserves by up to \$37 million.

That estimate in which those additional costs may be incurred over several years is the upper end of the range of reasonably possible additional costs. The estimate:

is much less certain than the estimates on which our accruals are currently based; and  
uses assumptions that are less favorable to us among the range of reasonably possible outcomes.  
In estimating our current accruals and the possible range of additional future costs, we:

assumed we will not bear the entire cost of remediation of every site;  
took into account the ability of other potentially responsible parties to participate; and  
considered each party's financial condition and probable contribution on a per-site basis.  
We have not recorded any amounts for potential recoveries from insurance carriers.

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### **Asbestos Removal**

We have not recognized a liability for the removal and disposal of encapsulated asbestos from facilities and equipment. That is because we cannot reasonably:

- estimate the fair value of our obligations; or
- determine the settlement dates.

When we are able to reasonably estimate the fair value, we will establish a liability under FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* an Interpretation of FASB Statement No. 143.

### **COMMITMENTS AND OTHER CONTINGENCIES**

Our commitments and contingencies include:

- guarantees of debt and performance;
- warranties on homes;
- purchase obligations for goods and services; and
- operating leases.

**Guarantees.** Weyerhaeuser Company has guaranteed \$46 million of debt that expires in 2008, but that can be extended annually.

We have also guaranteed the performance of the buyer/lessee of a timberlands lease we sold in 2005. Future payments on the lease which expires in 2023 are \$24 million. We recorded a \$3 million liability for this guarantee when the sale of the lease closed.

As of December 30, 2007, our Real Estate segment has guaranteed \$30 million of debt of unconsolidated entities. Expiration dates of the guarantees are:

- \$28 million in 2008;
- \$1 million in 2010; and
- \$1 million in 2015.

Our Real Estate segment also has guaranteed the performance of the buyer/lessee on a ground lease we sold. Future payments on the lease which expires in 2041 are \$27 million.

### **Warranties**

Our warranty liability was:

- \$25 million at December 30, 2007; and
- \$27 million at December 31, 2006.

These warranties provided by our WRECO subsidiary are on homes that we have built. The terms of the warranties vary according to:

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competitive industry practice; and state and local laws.

We determine the reserves needed to fund the warranties by applying the provisions of Statement 5.

### Purchase Obligations

Our purchase obligations as of December 30, 2007 were:

\$438 million in 2008;  
\$82 million in 2009;  
\$54 million in 2010;  
\$32 million in 2011;  
\$36 million in 2012; and  
\$450 million beyond 2012.

Purchase obligations for goods or services are agreements that:

are enforceable and legally binding;  
specify all significant terms; and  
cannot be cancelled without penalty.

The terms include:

fixed or minimum quantities to be purchased;  
fixed, minimum or variable price provisions; and  
an approximate timing for the transaction.

Our purchase obligations include items such as:

stumpage and log purchases;  
energy; and  
other service and supply contracts.

### Operating Leases

Our rent expense for the last three years was:

\$176 million in 2007;  
\$188 million in 2006; and  
\$177 million in 2005.

We have operating leases for:

various equipment including aircraft, vessels, rail and logging equipment, lift trucks, automobiles and office equipment;  
office and wholesale space;  
model homes; and  
real estate ground lease.

**Commitments.** Our operating lease commitments were \$722 million as of December 30, 2007.

**Operations Lease Commitments**

DOLLAR AMOUNTS IN MILLIONS						
	2008	2009	2010	2011	2012	THEREAFTER
Weyerhaeuser	\$ 121	\$ 86	\$ 61	\$ 43	\$ 83	\$ 171
Real Estate	22	16	14	11	10	84
Total	\$ 143	\$ 102	\$ 75	\$ 54	\$ 93	\$ 255

Operating lease commitments for the Real Estate segment have not been reduced by minimum sublease rental income of \$82 million that is due in future periods under noncancelable sublease agreements.



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**NOTE 17: SHAREHOLDERS INTEREST**

Our shareholders interest includes:

preferred and preference shares;  
common shares;  
exchangeable shares; and  
cumulative other comprehensive income.

**PREFERRED AND PREFERENCE SHARES**

We had no preferred and preference shares outstanding at year-end 2007 and 2006.

However, we have authorization to issue:

7 million preferred shares with a par value of \$1.00 per share; and  
40 million preference shares with a par value of \$1.00 per share.

We may issue the preferred and preference shares at one time or through a series of offerings. The shares may have varying rights and preferences that can include:

dividend rates;  
redemption rights;  
conversion terms;  
sinking-fund provisions;  
values in liquidation; and  
voting rights.

When issued, outstanding preferred and preference shares rank senior to outstanding common shares. That means preferred and preference shares would receive dividends and assets available on liquidation before any payments are made to common shares.

**COMMON SHARES**

We had approximately 210 million shares of common stock outstanding at year-end 2007.

The amount of common stock we have outstanding changes when:

new shares are issued;  
exchangeable shares are retracted;  
stock options are exercised;  
restricted stock units vest;  
shares are tendered; and  
shares are repurchased.

**Reconciliation of Our Common Share Activity**

IN THOUSANDS			
	2007	2006	2005
Shares outstanding at beginning of year	236,020	243,138	240,361
Retraction of exchangeable shares	388	57	66
Stock options exercised (Note 18)	5,577	3,651	2,885
Shares issued for restricted stock units	51		
Shares tendered in Domtar Transaction (Note 3)	(25,490)		
Repurchase of shares	(7,000)	(10,826)	(174)
Shares outstanding at end of year	209,546	236,020	243,138

#### OUR SHARE REPURCHASE PROGRAM

As of December 30, 2007, the company has repurchased 18 million shares under the company's stock repurchase program the entire amount authorized by the board. We purchased:

approximately 7.0 million shares of our common stock for \$473 million in 2007;  
 approximately 10.8 million shares of our common stock for \$672 million in 2006; and  
 approximately 0.2 million shares of our common stock for \$11 million in 2005.

All purchases under this program were open-market transactions.

#### EXCHANGEABLE SHARES

We had 1.6 million exchangeable shares outstanding as of year end 2007.

Our Weyerhaeuser Company Limited subsidiary issued 13.6 million exchangeable shares to common shareholders of MacMillan Bloedel in 1999 as part of the consideration paid to acquire MacMillan Bloedel. No additional shares have been issued. These exchangeable shares are, as nearly as practicable, the economic equivalent of our common shares.

The exchangeable shares:

can be retracted exchanged one to one for shares of our common stock;  
 receive the same dividends as our common shares;  
 have the same voting rights as our common shares; and  
 participate upon a liquidation event on a pro-rata basis with the holders of our common shares in the distribution of assets of the company.

The number of exchangeable shares we have outstanding changes when shares are retracted.

**Table of Contents****Reconciliation of Exchangeable Share Activity**

IN THOUSANDS ()			
	2007	2006	2005
Shares outstanding at beginning of year	1,988	2,045	2,111
Retraction	(388)	(57)	(66)
Shares outstanding at end of year	1,600	1,988	2,045

**CUMULATIVE OTHER COMPREHENSIVE INCOME**

Our cumulative other comprehensive income, net of tax, was \$987 million as of year end 2007.

**Items Included in Our Cumulative Other Comprehensive Income**

DOLLAR AMOUNTS IN MILLIONS			
	DECEMBER 30,		DECEMBER 31,
	2007		2006
Foreign currency translation adjustments	\$	527	\$ 313
Net pension and other postretirement benefit gain (loss) not yet recognized in earnings		544	(100)
Prior service cost not yet recognized in earnings		(83)	(108)
Cash flow hedge fair value adjustments		(5)	(21)
Unrealized gains on available-for-sale securities		4	4
Total	\$	987	\$ 88

**NOTE 18: SHARE-BASED COMPENSATION**

Share-based compensation expense for the last three years was

\$41 million in 2007;  
 \$28 million in 2006; and  
 \$11 million in 2005.

Share-based compensation for each of these years includes expense related to:

2007 equity-classified awards granted in 2006 and 2007 and all outstanding liability-classified awards.  
 2006 equity-classified awards granted in 2006 and all outstanding liability-classified awards.  
 2005 outstanding liability-classified awards.

The \$28 million share-based compensation expense in 2006 included a \$6 million charge in the first quarter, reflecting an increase in the value of stock appreciation rights outstanding as of December 25, 2005. We re-measured the value of the stock appreciation rights from the intrinsic value of the outstanding awards to the estimated fair value of the outstanding awards in connection with our implementation of Statement 123R.

This note provides details about:

our Long-Term Incentive Compensation Plan;  
how we account for share-based awards;  
tax benefits of share-based awards;  
pro forma effect on net earnings;  
types of share-based compensation; and  
unrecognized share-based compensation.

**OUR LONG-TERM INCENTIVE COMPENSATION PLAN**

Our Long-Term Incentive Compensation Plan (the Plan) provides for share-based awards that include:

stock options;  
stock appreciation rights;  
restricted stock;  
restricted stock units;  
performance shares; and  
performance share units.

We may issue grants of up to 17 million shares under the Plan. That is in addition to up to 1.9 million shares subject to outstanding awards under prior plans that cease to be subject to such awards.

For stock options and stock appreciation rights:

an individual participant may receive a grant of up to 500,000 shares in any one calendar year; and  
the exercise price is required to be the market price on the date of the grant.

For restricted stock, restricted stock units, performance shares, performance share units or other equity grants:

an individual participant may receive a grant of up to 200,000 shares annually; and  
the maximum aggregate number of shares that may be issued as grants is 3.4 million shares.

The Compensation Committee of our board of directors (the Committee) annually establishes an overall pool of stock awards available for grants based on performance.

For stock-settled awards, we:

issue new stock into the marketplace; and  
generally do not repurchase shares in connection with issuing new awards.

Prior to 2006, we issued only stock options and stock appreciation rights under the Plan. Beginning in 2006, we also issued restricted stock units and performance share units.

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Our common shares would increase by approximately 19 million shares if all share-based awards were exercised or vested. These include:

- all options, restricted stock units, and performance share units outstanding at December 30, 2007 under the Plan;
- all options outstanding at December 30, 2007 under earlier plans; and
- all remaining options, restricted stock units, and performance share units that could be granted under the Plan.

### **HOW WE ACCOUNT FOR SHARE-BASED AWARDS**

We account for the Plan under Statement 123R. We implemented Statement 123R as of the beginning of fiscal year 2006. Statement 123R revises Statement 123 and supersedes APB 25.

Statement 123R requires us to:

- use a fair-value-based measurement for share-based awards; and
- recognize the cost of share-based awards in our Consolidated Financial Statements.

We recognize the cost of share-based awards in our Consolidated Statement of Earnings over the required service period generally the period from the date of the grant to the date when it is vested. Special situations are:

- awards that vest upon retirement the required service period ends on the date an employee is eligible for retirement, including early retirement; and
  - awards that continue to vest following job elimination the required service period ends on the date the job is eliminated.
- In these special situations, compensation expense from share-based awards is recognized over a period that is shorter than the stated vesting period.

Prior to adopting Statement 123R, we:

- defined the past year as the required service period; and
  - recognized share-based compensation expense for stock options in our pro forma disclosures at the option grant dates.
- We used the modified prospective method to transition to Statement 123R. Accordingly, prior period amounts were not restated. Also, no additional compensation expense related to equity-classified awards issued prior to 2006 will be recognized unless those awards are modified. If the awards are modified, we will recognize any additional compensation expense in our Consolidated Statement of Earnings.

### **TAX BENEFITS OF SHARE-BASED AWARDS**

Our total income tax benefit from share-based awards as recognized in our Consolidated Statement of Earnings for the last three years was:

- \$12 million in 2007;
- \$9 million in 2006; and

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\$4 million in 2005.

Tax benefits for share-based awards are accrued as stock compensation expense is recognized in the Consolidated Statement of Earnings. Tax benefits on share-based awards are realized when:

restricted shares and restricted share units vest;  
performance shares and performance share units vest;  
stock options are exercised; and  
stock appreciation rights are exercised.

When actual tax benefits realized exceed the tax benefits that were accrued for share-based awards, we realize an excess tax benefit. Statement 123R requires us to report the excess tax benefit as financing cash inflows rather than operating cash inflows. Over the last two years, our excess tax benefits were:

\$51 million in 2007; and  
\$23 million in 2006.

These items are shown as excess tax benefits from share-based payment arrangements on our Consolidated Statement of Cash Flows.

In 2005, our tax benefits realized on the exercise of stock options were \$15 million. That amount was included in other operating cash flows and has not been reclassified.

### PRO FORMA EFFECT ON NET EARNINGS

Prior to adopting Statement 123R in 2006, we used the intrinsic value method of accounting for share-based awards. As a result, we:

did not recognize compensation expense related to the issuance of stock options; and  
did recognize compensation expense related to changes in the intrinsic value of stock appreciation rights.

While we have not restated prior-period amounts, the following table shows the effect on our 2005 earnings if we had used fair value-based measurements required by Statement 123.

**Table of Contents****Effect on 2005 Earnings Had We Used Fair Value-Based Measurements Required by Statement 123**

DOLLAR AMOUNTS IN MILLIONS, EXCEPT PER SHARE DATA		2005
Net earnings as reported		\$ 733
Less incremental share-based employee compensation expense determined under fair-value-based method, net of related tax effects		(32)
Pro forma net earnings		\$ 701
Earnings per share:		
Basic as reported		\$ 3.00
Basic pro forma		\$ 2.86
Diluted as reported		\$ 2.98
Diluted pro forma		\$ 2.85

**TYPES OF SHARE-BASED COMPENSATION**

Our share-based compensation is in the form of:

- stock options;
- restricted stock units;
- performance share units;
- stock appreciation rights; and
- deferred compensation stock equivalent units.

**STOCK OPTIONS**

Through the Plan, we award stock options. Stock options entitle award recipients to purchase shares of our common stock at a fixed exercise price. We grant stock options with an exercise price equal to the market price of our stock on the date of the grant.

**The Details**

Our stock options generally:

- vest over four years of continuous service; and
- must be exercised within 10 years of the grant date.

Exceptions are that the stock options:

- continue to vest following retirement for employees ages 55-61 with at least 10 years of service; and
- vest upon retirement for employees age 65 or older, or ages 62-64 with at least 10 years of service.

During the second quarter of 2006, we awarded selected executives and other key employees with special stock options that:

- vest at the end of two years of continuous service; and
- must be exercised within five years of the grant date.

**Our Accounting**

We use a Black-Scholes option valuation model to estimate the fair value of every stock option award on its grant date.

In our estimates, we use:

historical data for option exercise time and employee terminations;  
 a Monte-Carlo simulation for how long we expect granted options to be outstanding; and  
 U.S. Treasury yield curve for the risk-free rate. We use a yield curve over a period matching the expected term of the grant.  
 The expected volatility in our valuation model is based on:

implied volatilities from traded options on our stock;  
 historical volatility of our stock; and  
 other factors.

**Weighted Average Assumptions Used in Estimating the Value of Stock Options Granted in Each of the Last Three Years**

	2007 GRANTS 10-YEAR OPTIONS	2006 GRANTS		2005 GRANTS
		5-YEAR OPTIONS	10-YEAR OPTIONS	10-YEAR OPTIONS
Expected volatility	23.34%	20.92%	24.50%	32.02%
Expected dividends	2.98%	2.70%	2.86%	2.55%
Expected term (in years)	5.13	3.38	5.21	5.02
Risk-free rate	4.72%	4.88%	4.60%	3.11%
Weighted average grant date fair value	\$ 16.95	\$ 12.52	\$ 14.98	\$ 16.03

Share-based compensation expense for stock options granted in 2006 and after is generally recognized over the vesting period. There are exceptions for stock options awarded to employees who are eligible for retirement or who will become eligible for retirement during the vesting period. In these cases, we recognize the share-based compensation expense over a required service period that is less than the stated four-year vesting period.



**Table of Contents****Activity**

In our fiscal year 2007, we granted 1.7 million stock options at a weighted average exercise price of \$80.62.

**Stock Option Activity for Our Fiscal Year 2007**

	OPTIONS (IN THOUSANDS)	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL TERM (IN YEARS)	AGGREGATE INTRINSIC VALUE (IN MILLIONS)
Outstanding at December 31, 2006	13,004	\$ 60.78		
Granted	1,717	\$ 80.62		
Exercised	(5,577)	\$ 57.63		
Forfeited or expired	(293)	\$ 67.12		
Outstanding at December 30, 2007	8,851	\$ 66.40	6.88	\$ 75
Exercisable at December 30, 2007	3,826	\$ 60.77	5.81	\$ 50

The total intrinsic value of stock options exercised during the last three years was:

\$131 million in 2007, related to the exercise of 5.6 million options;  
 \$60 million in 2006, related to the exercise of 3.7 million options; and  
 \$43 million in 2005, related to the exercise of 3.1 million options.

**RESTRICTED STOCK UNITS**

Through the Plan, we award restricted stock units grants that entitle the holder to shares of our stock as the award vests.

**The Details**

Our restricted stock units generally:

vest over four years of continuous service; and  
 are forfeited upon termination of employment for any reason, including retirement.

**Our Accounting**

The fair value of our restricted stock units is the market price of our stock on the grant date of the awards.

We recognize stock compensation expense for restricted stock units over the four-year vesting period.

**Activity**

In our fiscal year 2007, we awarded 344,446 restricted stock units at a weighted average fair value of \$80.01.

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The following table shows our restricted stock unit activity for our fiscal year 2007.

### Summary of Nonvested Restricted Stock Units for Our Fiscal Year 2007

	STOCK UNITS (IN THOUSANDS)	WEIGHTED AVERAGE GRANT-DATE FAIR VALUE
Nonvested at December 31, 2006	323	\$ 69.69
Granted	344	\$ 80.01
Vested	(79)	\$ 69.69
Forfeited	(68)	\$ 73.27
Nonvested at December 30, 2007	520	\$ 76.06

As restricted stock units vest, a portion of the shares awarded is withheld to cover employee taxes. As a result, the number of stock units vested and the number of common shares issued will differ.

### PERFORMANCE SHARE UNITS

Through the Plan, we award performance share units to selected executives and other key employees. These are grants that entitle the holder to shares of our stock if required performance targets are met over a three-year period.

#### The Details

Every performance share unit grant has a target number of shares with the final number of shares to be awarded ranging from 0 to 200 percent of the target, depending upon performance.

Performance targets are based on our financial performance ranking among a selected peer group. The financial performance ranking considers:

return on net assets; and  
cost of capital.

At the end of the performance period, performance share unit payouts will be in shares of our stock, subject to the terms applicable to the awards.

**Table of Contents****Our Accounting**

Statement 123R requires that certain conditions be met to establish a grant date for accounting purposes. Our performance-based awards do not meet all of these conditions due to discretion the committee has over certain items that are included in the final determination of awards that are granted. In accordance with Statement 123R, we:

remeasure the fair value of the performance share units at every reporting date;  
 adjust the number of shares expected to be awarded based on the probability of achieving the performance target; and  
 recognize compensation cost for performance share units over their three-year performance period.

The fair value of our performance stock units is the market price of our stock.

If the performance goals are met, the cumulative compensation cost will equal the market price of our stock on the date the performance share unit payouts are made times the number of shares of stock that are awarded.

If the performance goals are not met, we will:

not recognize any cumulative compensation cost; and  
 reverse any previously recognized compensation cost.

**Activity**

In our fiscal year 2007, we awarded 168,514 performance share units with a weighted average fair value of \$80.12 on the date of the awards.

**Summary of Nonvested Performance Share Units at Target Levels for Our Fiscal Year 2007**

	STOCK UNITS (IN THOUSANDS)	WEIGHTED AVERAGE GRANT-DATE FAIR VALUE
Nonvested at December 31, 2006	143	\$ 69.62
Granted	169	\$ 80.12
Forfeited	(27)	\$ 74.78
Nonvested at December 30, 2007	285	\$ 75.35

**STOCK APPRECIATION RIGHTS**

Through the Plan, we grant cash-settled stock appreciation rights as part of certain compensation awards.

**The Details**

Stock appreciation rights are similar to stock options. The benefit comes from the market price of our stock being higher on the exercise date than it was on the date the stock appreciation rights were granted. The differences are that the employee:

receives the benefit as a cash award; and  
 does not purchase the underlying stock.

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The vesting conditions and exceptions are the same as for 10-year stock options. Details are in the Stock Options section earlier in this note.

Stock appreciation rights are generally issued to employees outside of the U.S.

### Our Accounting

We use a Black-Scholes option valuation model to estimate the fair value of stock appreciation rights on its grant date. The value of a stock appreciation right is equal to the value of a 10-year option on its grant date. Stock appreciation rights are liability classified awards and the fair value is remeasured at every reporting date.

The process used to develop our valuation assumptions is the same as for the 10-year stock options we grant. Details are in the Stock Options section earlier in this note.

### Weighted Average Assumptions Used to Remeasure the Value of Stock Appreciation Rights at Year End

	AS OF DECEMBER 30, 2007
Expected volatility	29.06%
Expected dividends	3.26%
Expected term (in years)	3.02
Risk-free rate	3.54%
Weighted average fair value	\$ 15.73

### Activity

In our fiscal year 2007, we granted 165,727 stock appreciation rights at a weighted average exercise price of \$80.66.

### Summary of Stock Appreciation Rights Activity for Our Fiscal Year 2007

	RIGHTS (IN THOUSANDS)	WEIGHTED AVERAGE EXERCISE PRICE	AVERAGE REMAINING CONTRACTUAL TERM (IN YEARS)	AGGREGATE INTRINSIC VALUE (IN MILLIONS)
Outstanding at December 31, 2006	858	\$ 61.72		
Granted	166	\$ 80.66		
Exercised	(391)	\$ 58.81		
Forfeited or expired	(44)	\$ 70.24		
Outstanding at December 30, 2007	589	\$ 68.35	7.33	\$ 2
Exercisable at December 30, 2007	190	\$ 61.81	5.90	\$ 3

## **Table of Contents**

The total intrinsic value of stock appreciation rights settled which equals the amount of cash used to settle the awards during the last three years was:

\$9 million in 2007;  
\$4 million in 2006; and  
\$3 million in 2005.

### **UNRECOGNIZED SHARE-BASED COMPENSATION**

As of December 30, 2007, our unrecognized share-based compensation cost for all types of share-based awards included:

\$47 million related to nonvested equity-classified share-based compensation arrangements expected to be recognized over a weighted-average period of approximately 2.31 years; and  
\$2 million related to nonvested liability-classified stock appreciation rights expected to vest over a weighted-average period of approximately 2.4 years.

### **DEFERRED COMPENSATION STOCK EQUIVALENT UNITS**

Certain employees and our board of directors can defer compensation into stock equivalent units.

#### **The Details**

The plan works differently for employees and directors.

Eligible employees:

may choose to defer all or part of their bonus into stock equivalent units; and  
receive a 15 percent premium if the deferral is for at least five years.

Our directors:

must have a portion of their annual retainer fee deferred into stock equivalent units;  
may choose to defer some or all of the remainder of their annual retainer fee into stock equivalent units; and  
do not receive a premium for their deferrals.

Employees and directors also choose when the deferrals will be paid out.

#### **Our Accounting**

We settle all deferred compensation accounts in cash. In addition, we credit all stock equivalent accounts with dividend equivalents.

Stock equivalent units are:

liability-classified awards; and  
are remeasured to fair value at every reporting date.

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The fair value of a stock equivalent unit is equal to the market price of our stock.

### Activity

The number of stock equivalent units outstanding in our deferred compensation accounts at the end of our last three fiscal years was:

419,217 as of December 30, 2007;  
397,000 as of December 31, 2006; and  
414,000 as of December 25, 2005.

### NOTE 19: CHARGES FOR RESTRUCTURING

Weyerhaeuser's charges for restructuring were \$37 million in 2007.

### Items Included in Our Restructuring Charges

DOLLAR AMOUNTS IN MILLIONS			
	2007	2006	2005
Asset impairment charges	\$	\$ 13	\$
Termination benefits	36	10	15
Other restructuring costs	1	3	6
Reversal of restructuring charges recorded in prior periods		(4)	
	37	22	21
Less discontinued operations (Note 3)		(1)	(4)
Total	\$ 37	\$ 21	\$ 17

### RESTRUCTURING ACTIVITY

For the last three years, our restructuring charges were primarily related to:

2007 restructuring of an administration facility in Kamloops, British Columbia covering various business functions and restructuring in the Wood Products segment.

2006 restructuring of the Containerboard, Packaging and Recycling organization.

2005 overall cost-reduction efforts.

### ACCRUED TERMINATION BENEFITS

As of December 30, 2007, Weyerhaeuser's accrued liabilities include approximately \$31 million of severance accruals related to restructuring charges recognized during 2007.

### Changes in Our Accrued Termination Benefits Related to Restructuring Activity During Our Fiscal Year 2007

DOLLAR AMOUNTS IN MILLIONS	
Accrued severance as of December 31, 2006	\$ 7
Charges	36
Payments	(11)
Other adjustments	(1)
Accrued severance as of December 30, 2007	\$ 31

**Table of Contents****NOTE 20: CHARGES FOR CLOSURE OF FACILITIES**

Weyerhaeuser's charges for the closure or curtailment of facilities were \$124 million in 2007.

**ASSESSING FACILITIES FOR CLOSURE OR SALE**

We evaluate operating facilities for closure or sale when they:

- are not a long-term strategic fit for us; and
- cannot achieve top-quartile performance without significant capital investments.

We also continually assess our customers' needs and change our operating posture to efficiently and effectively meet those needs. In doing so, we consider:

- changing market conditions; and
- adjusting production levels at many of the company's operating facilities.

Costs related to curtailing operations are also included in the information provided below.

**Costs Associated With Facility Closures**

DOLLAR AMOUNTS IN MILLIONS			
	2007	2006	2005
Asset impairment charges	\$ 71	\$ 68	\$ 626
Termination benefits	45	24	78
Pension settlement or curtailment	1	2	(9)
Other closure costs	11	31	7
Reversals of closure charges recorded in prior periods	(2)	(13)	(7)
	126	112	695
Less discontinued operations (Note 3)	(2)	(40)	(504)
Total	\$ 124	\$ 72	\$ 191

**CLOSURE ACTIVITY**

In 2007, our costs for announced closures or curtailments included:

- four engineered lumber mill facilities;
- three oriented strand board (OSB) facilities;
- one lumber mill;
- one plywood line;
- one packaging plant; and
- additional costs recognized in connection with previously announced mill closures.

Other closure costs include costs of dismantling and demolition of plant and equipment, gain or loss on disposition of assets, environmental cleanup costs and incremental costs to wind down operating facilities.

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See *Note 21: Other Operating Costs (Income), Net* for additional charges related to the Miramichi OSB facility that were recognized prior to the decision to close the facility.

In 2006, our costs included the following:

announced closure or curtailment of operations at two lumber mills, three plywood and veneer facilities, and one I-Joist facility; closures of three packaging plants and one sheet plant; an out-of-period charge of \$26 million recognized in the third quarter of 2006 for additional impairment of assets related to the closure of the Prince Albert, Saskatchewan, facility, which was announced in the fourth quarter of 2005. This out-of-period charge is included in discontinued operations in 2006; and other closure costs, including costs of dismantling and demolition of plant and equipment, gain or loss on disposition of assets, environmental cleanup costs and incremental costs to wind down operating facilities.

In 2005, our costs were for announced closures that included:

a pulp and paper facility, a specialty pulp mill, and a large-log sawmill; a fine paper machine and a containerboard machine; an I-joist facility and a veneer and plywood facility; two hardwood facilities; and seven corrugated converting plants and a bag plant.

Of these closures, the pulp and paper facility and fine paper machine closure charges are included in discontinued operations for 2005.

### ACCRUED TERMINATION BENEFITS

Our accrued severance was \$53 million as of December 30, 2007.

### Changes in Our Accrued Termination Benefits Related to Facility Closures During Our Fiscal Year 2007

#### DOLLAR AMOUNTS IN MILLIONS

Accrued severance as of December 31, 2006	\$ 44
Charges	45
Payments	(32)
Other adjustments	(4)
Accrued severance as of December 30, 2007	\$ 53



**Table of Contents****NOTE 21: OTHER OPERATING COSTS (INCOME), NET**

Weyerhaeuser's other operating income, net, was \$7 million in 2007.

These costs (income):

include both recurring and occasional income and expense items; and can fluctuate from year to year.

**Various Income and Expense Items Included in Other Operating Costs (Income), Net**

DOLLAR AMOUNTS IN MILLIONS			
	2007	2006	2005
Gain on the Domtar Transaction (Note 3)	\$ (606)	\$	\$
Gain on sale of Irish composite panel operations (Note 3)		(45)	
Gain on sale of North American composite panel operations (Note 3)		(51)	
Gain on sale of French composite panel operations (Note 3)			(57)
Gain on sale of B.C. Coastal operations (Note 3)			(63)
Gain on significant sales of nonstrategic timberlands			(57)
(Gain) loss on disposition of assets	(84)	12	(4)
Asset impairment charges other than for closures	52	6	
Casualty losses	10		12
Gain on British Columbia tenure reallocation agreement			(6)
Gain on legal settlement related to Dryden, Ontario facility (Note 3)	(43)		
Charge (reversal) for alder antitrust litigation (Note 16)	21	(95)	13
Reversal of hardboard siding reserve (Note 16)		(23)	
Charge for linerboard antitrust litigation			50
Other charges for litigation	14		
IT contract termination and service provider transition fees	26		
Foreign exchange gains	(45)	(28)	(16)
Cumulative effect to begin capitalizing interest on excess qualifying Real Estate assets			(25)
Other, net	(8)	(6)	(19)
	\$ (663)	\$ (230)	\$ (172)
Less discontinued operations	656	94	133
Total	\$ (7)	\$ (136)	\$ (39)

(Gain) loss on disposition of assets for 2007 includes a pretax gain of \$29 million in connection with the sale of a box plant in Cerritos, California, a pretax gain of \$27 million on the sale of a log export facility in Tacoma, Washington, and pretax gains totaling \$28 million related to individual asset sales.

Asset impairment charges for 2007 include a charge of \$27 million related to the Miramichi, New Brunswick oriented strand board mill. In February 2007, we announced an indefinite curtailment of the Miramichi, New Brunswick OSB mill and the mill was offered for sale. The impairment charge was recognized at that time. We continued to evaluate the strategic options for the facility and in the second quarter of 2007, we announced the closure of the facility. Additional costs of the closure are included in charges for closure of facilities.

Asset impairment charges for 2007 also include a \$10 million pretax charge related to the Canadian distribution facilities.

In the second quarter of 2005, we recognized a gain of \$57 million that had been previously deferred in connection with significant sales of nonstrategic timberlands.

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In the fourth quarter of 2005, we began capitalizing Weyerhaeuser interest on qualifying assets of the Real Estate segment. In the same quarter, we recognized income of \$43 million for the cumulative effect of that change. Following are the components of the cumulative effect:

### Components of the Cumulative Effect on Earnings

DOLLAR AMOUNTS IN MILLIONS	
	2005
Pre-2005 Weyerhaeuser interest attributable to qualifying real estate owned as of December 25, 2005	\$ (25)
Capitalization of Weyerhaeuser interest on qualifying real estate assets	(50)
Reduction in Weyerhaeuser capitalized interest due to sales of qualifying real estate assets	32
Total	\$ (43)

The amount of Weyerhaeuser interest capitalized to qualifying Real Estate assets depends upon:

the amount of qualifying Real Estate assets; and  
the level of debt held by Real Estate.

The amount of Weyerhaeuser interest we include as an expense in cost of products sold depends upon:

volume of sales of qualifying real estate; and  
timing of those sales.

In the accompanying Consolidated Statement of Earnings for 2005:

\$50 million of interest capitalized in 2005 is included in capitalized interest;  
\$32 million of previously capitalized interest associated with sales of qualifying real estate during 2005 is included in costs of products sold; and  
the \$25 million net cumulative effect for periods prior to 2005 is included in other operating costs (income), net.

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Subsequent to 2005, capitalization of this interest is included in Weyerhaeuser capitalized interest and previously capitalized interest associated with sales of qualifying real estate is included in Weyerhaeuser cost of products sold.

Foreign exchange gains and losses result from changes in exchange rates primarily related to our Canadian and New Zealand operations.

The Foreign Currency Translation section of *Note 1: Summary of Significant Accounting Policies* provides details about how we translate local currencies into U.S. dollars.

**NOTE 22: INCOME TAXES**

This note provides details about our income taxes applicable to continuing operations:

earnings before income taxes;  
provisions for income taxes;  
effective income tax rate;  
deferred tax assets and liabilities; and  
unrecognized tax benefits.

Income taxes related to discontinued operations are discussed in *Note 3: Discontinued Operations*.

**EARNINGS BEFORE INCOME TAXES**

Our pretax earnings from continuing operations in 2007 were \$59 million.

**Domestic and Foreign Earnings from Continuing Operations Before Income Taxes**

DOLLAR AMOUNTS IN MILLIONS			
	2007	2006	2005
Domestic earnings	\$ 370	\$ 634	\$ 1,620
Foreign earnings (loss)	(311)	910	(141)
Total	\$ 59	\$ 1,544	\$ 1,479

**PROVISIONS FOR INCOME TAXES**

Our provision for income taxes from continuing operations in 2007 was \$8 million.

**Provisions for Current and Deferred Federal, State and Foreign Income Taxes from Continuing Operations**

DOLLAR AMOUNTS IN MILLIONS			
	2007	2006	2005
Federal:			
Current	\$ 132	\$ 490	\$ 556
Deferred	(36)	(115)	(71)
	96	375	485
State:			
Current	21	54	72

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Deferred	(21)	(18)	(11)
		36	61
Foreign:			
Current	(36)	30	(75)
Deferred	(52)	39	59
	(88)	69	(16)
Total income tax expense	\$ 8	\$ 480	\$ 530
<b>EFFECTIVE INCOME TAX RATE</b>			

Our effective income tax rate applicable to continuing operations for 2007 was 12.1 percent.

### Items Determining Our Effective Income Tax Rate Applicable to Continuing Operations

DOLLAR AMOUNTS IN MILLIONS			
	2007	2006	2005
U.S. federal statutory income tax	\$ 21	\$ 541	\$ 517
State income taxes, net of federal tax benefit	(7)	27	43
Foreign taxes	8	(7)	(24)
Federal income tax credits	(13)	(20)	(11)
Export sales incentive		(8)	(10)
Tax law changes	(13)	(27)	(16)
Dividend repatriation			44
Medicare Part D subsidy	(9)	(27)	
Interpretation 48 provision	16		
Dividends to employee stock option plan	(6)	(7)	(6)
Goodwill impairment	3		2
Meals and entertainment	4	4	4
All other, net	4	4	(13)
Total income taxes	\$ 8	\$ 480	\$ 530
Effective income tax rate	12.1%	31.1%	35.9%

**Table of Contents****One-Time Deferred Tax Benefits/Charges**

We recognized these one-time deferred tax benefits/charges during 2007:

\$22 million benefit related to a reduction in the Canadian federal income tax rate; and  
\$9 million charge related to the Flat Rate Business Tax Reform in Mexico.

We recognized these one-time deferred tax benefits during 2006:

\$12 million benefit related to a change in Texas state income tax law;  
\$18 million benefit related to a reduction in the Canadian federal income tax rate; and  
\$18 million benefit related to a deferred tax adjustment associated with the Medicare Part D subsidy.

We recognized these one-time deferred tax benefits/charges during 2005:

\$14 million benefit related to a change in Ohio state income tax law;  
\$7 million benefit related to a one-time reduction in the British Columbia provincial corporate income tax rate; and  
\$44 million charge related to repatriation of \$1.1 billion of foreign earnings pursuant to the American Jobs Creation Act.

**DEFERRED TAX ASSETS (LIABILITIES)**

Deferred tax assets and liabilities relate to temporary differences between pretax book income and taxable income. Deferred tax assets represent tax benefits that have already been recognized for book purposes, but that will be recognized for tax purposes in the future. Deferred tax liabilities represent income that has been recognized for book purposes, but that will be reported as taxable income in the future.

Our net deferred tax liabilities were approximately \$3.0 billion at the end of our fiscal year 2007.

**Deferred Income Tax Assets (Liabilities) Related to Continuing Operations by Category**

DOLLAR AMOUNTS IN MILLIONS		
	DECEMBER 30, 2007	DECEMBER 31, 2006
Weyerhaeuser:		
Current	\$ 156	\$ 189
Noncurrent	(3,290)	(3,011)
Real Estate (included in other assets)	166	98
Net deferred tax liabilities	\$ (2,968)	\$ (2,724)

**Items Included in Our Deferred Income Tax Assets (Liabilities)**

DOLLAR AMOUNTS IN MILLIONS		
	DECEMBER 30, 2007	DECEMBER 31, 2006
Postretirement benefits	\$ 417	\$ 481

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Incentive compensation	85	123
Net operating loss carryforwards	102	95
Other	551	497
Gross deferred tax assets	1,155	1,196
Valuation allowance	(102)	(107)
Net deferred tax assets	1,053	1,089
Depreciation of property, plant and equipment	(1,436)	(1,383)
Depletion on timberlands	(1,039)	(993)
Pension	(715)	(326)
Other	(831)	(1,111)
Deferred tax liabilities	(4,021)	(3,813)
Net deferred tax liabilities	\$ (2,968)	\$ (2,724)

### **OTHER INFORMATION ABOUT OUR DEFERRED INCOME TAX ASSETS (LIABILITIES)**

Other information about our deferred income tax assets (liabilities) include:

implementation of Statement 158;  
net operating loss carryforwards;  
changes in tax rates and tax laws; and  
valuation allowances.

#### **Implementation of Statement 158**

Our deferred tax asset related to postretirement benefits increased by \$182 million in 2006 due to our implementation of Statement 158.

#### **Net Operating Loss Carryforwards**

Our net operating loss carryforwards as of the end of our fiscal year 2007 are primarily foreign and are as follows:

\$199 million, which expire from 2008 through 2027; and  
\$119 million, which do not expire.

#### **Changes in Tax Rates and Tax Laws**

Deferred tax assets and liabilities are based on tax rates that are expected to be in effect in future periods when deferred items reverse. Changes in tax rates or tax laws affect the expected future tax benefit or expense. The effect of such changes that occurred during each of the last three fiscal years is included in Tax Law Changes disclosed under Effective Income Tax Rate above.

**Table of Contents****Valuation Allowances**

With the exception of the valuation allowance discussed below, we believe it is more likely than not that we will have sufficient future taxable income to realize our deferred tax assets.

Our valuation allowance on our deferred tax assets was \$102 million as of the end of our fiscal year 2007.

Changes in our valuation allowance over the last three years were:

- \$5 million net decrease in 2007. This net decrease resulted primarily from:
  - \$16 million decrease due to the sale of certain New Zealand operations;
  - \$3 million decrease due to the expectation of future use of state credits; and
  - \$14 million increase due to additional foreign losses.

**Reinvestment of Undistributed Earnings**

We have \$357 million in undistributed earnings from our foreign subsidiaries as of the end of our fiscal year 2007. We have reinvested our foreign undistributed earnings, therefore they are not subject to U.S. income taxes. It is not practical to determine the income tax liability that would result from repatriation.

**HOW WE ACCOUNT FOR INCOME TAXES**

The Income Taxes section of *Note 1: Summary of Significant Accounting Policies* provides details about how we handle and account for our income taxes.

**UNRECOGNIZED TAX BENEFITS**

The company adopted Interpretation 48 on January 1, 2007.

Subsequent to adoption, we recognized income tax expense of \$25 million in accordance with Interpretation 48, of which \$20 million was recognized in discontinued operations during 2007.

Under Interpretation 48, unrecognized tax benefits represent potential future funding obligations to taxing authorities if uncertain tax positions the company has taken on previously filed tax returns are not sustained. The total amount of unrecognized tax benefits as of December 30, 2007, and January 1, 2007, are \$193 million and \$175 million, respectively, which includes interest related to such positions of \$25 million and \$17 million, respectively. These amounts represent the gross amount of exposure in individual jurisdictions and does not reflect any additional benefits expected to be realized if such positions were not sustained, such as the federal deduction that could be realized if an unrecognized state deduction was not sustained.

**Reconciliation of the Beginning and Ending Amount of Unrecognized Tax Benefits****DOLLAR AMOUNTS IN MILLIONS**

	DECEMBER 30, 2007
Balance at beginning of year	\$ 175
Additions based on tax positions related to current year	28
Additions for tax positions of prior year	21

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Reductions for tax positions of prior years		(27)
Foreign currency translation		17
Settlements		(21)
Lapse of statute		
Balance at end of year	\$	193

The net liability recognized in our Consolidated Balance Sheet under Interpretation 48 was \$98 million as of December 30, 2007, and \$94 million as of January 1, 2007, which includes interest of \$25 million and \$15 million, respectively. These amounts represent tax positions across all jurisdictions that, if sustained, would affect our effective tax rate.

In accordance with our accounting policy, we accrue interest and penalties related to unrecognized tax benefits as a component of income tax expense and current taxes payable. This policy did not change as a result of Interpretation 48.

As of December 30, 2007, we are undergoing examination in the U.S. federal tax jurisdiction for the 2005-2006 tax years. Our 2007 federal income tax return is being examined under the IRS Compliance Assurance Process ( CAP ). This program accelerates the examination of key issues in an attempt to resolve them before the tax return is filed. We are also undergoing examination in various state and foreign jurisdictions for the 2000-2006 tax years. We expect that the outcome of any examination will not have a material effect on our financial statements; however, audit outcomes and the timing of audit settlements are subject to significant uncertainty.

In the next 12 months, we estimate a decrease of up to \$18 million in unrecognized tax benefits on several individually insignificant tax positions due to the lapse of applicable statutes of limitation in multiple jurisdictions.



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**NOTE 23: ACQUISITIONS**

Our acquisitions over the last three years were:

PSA Composites LLC; and  
Maracay Homes Arizona I, LLC.

The effect of these acquisitions did not significantly affect our results of operations.

**PSA COMPOSITES LLC**

In October 2006, Weyerhaeuser purchased PSA Composites LLC, a company that has developed technology for extrusion and pulltrusion of oriented polymer composites, for \$20 million.

**MARACAY ACQUISITION**

In February 2006, WRECO acquired Maracay Homes Arizona I, LLC (Maracay), a privately-held homebuilder located in Phoenix, Arizona. In 2006, WRECO paid \$213 million, including transaction-related costs, and assumed debt from Maracay in connection with the acquisition. In 2007, WRECO paid \$40 million in accordance with deferred purchase price terms of the contract. The terms of the agreement also provide for contingent consideration to be paid to the management sellers of the operation if certain operating and financial return metrics are achieved. Based on performance through 2007, no contingent consideration is due to the sellers.

**NOTE 24: GEOGRAPHIC AREAS**

This note provides selected key financial data according to the geographical locations of our customers. The selected key financial data includes:

sales to and revenues from unaffiliated customers;  
export sales from the U.S.;  
earnings from continuing operations before income taxes; and  
long-lived assets.

**SALES AND REVENUES**

Our sales to and revenues from unaffiliated customers outside the U.S. are primarily to customers in Canada, Japan and Europe. Our export sales from the U.S. include:

pulp, liquid packaging board, logs, lumber and wood chips to Japan;  
containerboard, pulp, lumber and recycling material to other Pacific Rim countries; and  
pulp and hardwood lumber to Europe.

**Sales and Revenues by Geographic Area**

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FOR THE THREE-YEAR PERIOD ENDED DECEMBER 30, 2007  
(DOLLAR AMOUNTS IN MILLIONS)

	2007	2006	2005
Sales to and revenues from unaffiliated customers:			
U.S.	\$ 13,755	\$ 18,489	\$ 18,873
Japan	600	750	774
Canada	604	1,160	1,362
Europe	521	670	785
Other foreign countries	1,391	1,181	1,089
	\$ 16,871	\$ 22,250	\$ 22,883
Less discontinued operations	(563)	(3,579)	(4,038)
Total	\$ 16,308	\$ 18,671	\$ 18,845
Export sales from the U.S.:			
Japan	\$ 522	\$ 649	\$ 615
Other	1,498	1,215	1,140
	\$ 2,020	\$ 1,864	\$ 1,755
Less discontinued operations	(5)	(12)	(52)
Total	\$ 2,015	\$ 1,852	\$ 1,703

Discontinued operations primarily represent sales to the U.S.

### EARNINGS AND LONG-LIVED ASSETS

Our earnings from continuing operations before income taxes outside the U.S. related primarily to Canada, Japan and Europe.

Our long-lived assets used in the generation of revenues in the different geographical areas are nearly all in the U.S. and Canada. Our long-lived assets include:

goodwill;  
timber and timberlands; and  
property and equipment.

### Earnings and Long-Lived Assets by Geographic Area

FOR THE THREE-YEAR PERIOD ENDED DECEMBER 30, 2007  
(DOLLAR AMOUNTS IN MILLIONS)

	2007	2006	2005
Earnings from continuing operations before income taxes:			
U.S.	\$ 370	\$ 634	\$ 1,620
Foreign countries	(311)	910	(141)
Total	\$ 59	\$ 1,544	\$ 1,479
Long-lived assets:			
U.S.	\$ 11,263	\$ 13,760	\$ 15,100
Canada	1,727	2,351	2,429
Other foreign countries	245	190	201
	\$ 13,235	\$ 16,301	\$ 17,730
Less discontinued operations		(2,979)	(4,144)
Total	\$ 13,235	\$ 13,322	\$ 13,586

**Table of Contents****NOTE 25: SELECTED QUARTERLY FINANCIAL INFORMATION (UNAUDITED)**

Quarterly financial data provides a review of our results and performance throughout the year. Our earnings per share for the full year do not always equal the sum of the four quarterly earnings-per share amounts because of common share activity during the year.

**Key Quarterly Financial Data for the Last Two Years****DOLLAR AMOUNTS IN MILLIONS EXCEPT PER-SHARE FIGURES**

	Net sales and revenues	Operating income	Earnings (loss) from continuing operations before income taxes	Net earnings (loss)	Basic net earnings (loss) per share	Diluted net earnings (loss) per share	Dividends per share	Market prices high/low	
2007:									
First quarter (revised) <sup>(1)</sup>	\$ 3,891	\$ 48	\$ (13)	\$ 720	\$ 3.09	\$ 3.09	\$ 0.60	\$ 86.20	\$ 71.37
Second quarter	\$ 4,334	\$ 166	\$ 55	\$ 32	\$ 0.15	\$ 0.15	\$ 0.60	\$ 82.62	\$ 74.69
Third quarter	\$ 4,146	\$ 183	\$ 115	\$ 101	\$ 0.47	\$ 0.47	\$ 0.60	\$ 84.05	\$ 62.97
Fourth quarter	\$ 3,937	\$ 9	\$ (98)	\$ (63)	\$ (0.30)	\$ (0.30)	\$ 0.60	\$ 77.68	\$ 67.75
Full year	\$ 16,308	\$ 406	\$ 59	\$ 790	\$ 3.60	\$ 3.59	\$ 2.40	\$ 86.20	\$ 62.97
2006:									
First quarter	\$ 4,451	\$ 339	\$ 280	\$ (576)	\$ (2.34)	\$ (2.33)	\$ 0.50	\$ 73.77	\$ 66.32
Second quarter	\$ 4,867	\$ 471	\$ 401	\$ 298	\$ 1.20	\$ 1.19	\$ 0.50	\$ 75.09	\$ 56.69
Third quarter	\$ 4,554	\$ 319	\$ 252	\$ 224	\$ 0.91	\$ 0.91	\$ 0.60	\$ 63.37	\$ 55.35
Fourth quarter	\$ 4,799	\$ 685	\$ 611	\$ 507	\$ 2.12	\$ 2.12	\$ 0.60	\$ 71.93	\$ 60.49
Full year	\$ 18,671	\$ 1,814	\$ 1,544	\$ 453	\$ 1.85	\$ 1.84	\$ 2.20	\$ 75.09	\$ 55.35

(1) First quarter 2007 results have been revised to reflect an adjustment to the net gain on the Domtar Transaction. The adjustment related to discontinued operations, but resulted in a \$35 million reduction to net earnings and a \$0.15 decrease in basic and diluted net earnings per share.

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**CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

Not applicable.

**CONTROLS AND PROCEDURES**

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**EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES**

The company's principal executive officer and principal financial officer have evaluated the effectiveness of the company's disclosure controls and procedures as of the end of the period covered by this annual report on Form 10-K. Disclosure controls are controls and other procedures that are designed to ensure that information required to be disclosed in the reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's (SEC) rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports that it files or submits under the Exchange Act is accumulated and communicated to management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Based on their evaluation, the company's principal executive officer and principal financial officer believe the controls and procedures in place are effective to ensure that information required to be disclosed complies with the SEC's rules and forms.

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**CHANGES IN INTERNAL CONTROLS**

No changes occurred in the company's internal control over financial reporting during the fourth quarter that have materially affected, or are reasonably likely to materially affect, the company's internal control over financial reporting.

The company has submitted to the New York Stock Exchange a certification that it is in compliance with the listing standards of the New York Stock Exchange.

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**MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in the Securities and Exchange Act of 1934 rules. Management, under our supervision, conducted an evaluation of the effectiveness of the company's internal control over financial reporting based on the framework in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our evaluation under the framework in *Internal Control - Integrated Framework*, management concluded that the company's internal control over financial reporting was effective as of December 30, 2007. The effectiveness of the company's internal control over financial reporting as of December 30, 2007, has been audited by KPMG LLP, an independent registered public accounting firm as stated in their report which is included herein.

/s/ STEVEN R. ROGEL

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Steven R. Rogel

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*Chairman and Chief Executive Officer*

Dated: February 27, 2008

/s/ PATRICIA M. BEDIENT

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**Patricia M. Bedient**

*Executive Vice President and Chief Financial Officer*

Dated: February 27, 2008

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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The Board of Directors and Shareholders

Weyerhaeuser Company:

We have audited Weyerhaeuser Company's internal control over financial reporting as of December 30, 2007, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Weyerhaeuser Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Weyerhaeuser Company maintained, in all material respects, effective internal control over financial reporting as of December 30, 2007, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Weyerhaeuser Company and subsidiaries as of December 30, 2007, and December 31, 2006, and the related consolidated statements of earnings, cash flows and shareholders' interest and comprehensive income for each of the years in the three-year period ended December 30, 2007, and our report dated February 26, 2008, expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Seattle, Washington

February 26, 2008

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**PART III**

**DIRECTORS AND EXECUTIVE OFFICERS**

Information with respect to directors of the company included under the headings "Nominees for Election - Terms Expire in 2009," "Nominees for Election - Terms Expire in 2011," "Board of Directors and Committee Information," "Continuing Directors - Terms Expire in 2010," and "Continuing Directors - Terms Expire in 2009" and in the *Notice of 2008 Annual Meeting of Shareholders and Proxy Statement* for the company's Annual Meeting of Shareholders to be held April 17, 2008, is incorporated herein by reference. Information with regard to executive officers of the company contained in the *Notice of 2008 Annual Meeting of Shareholders and Proxy Statement* for the company's Annual Meeting of Shareholders to be held April 17, 2008, under headings "Section 16(a) Beneficial Ownership Reporting Compliance," "Family Relationships," "Employment Agreements with Named Executive Officers" and "Change in Control and Severance Agreements" is incorporated herein by reference.

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**DIRECTORS**

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**Debra A. Cafaro**, 49, a director of the Company since February 2007, has been chairman, president and chief executive officer of Ventas, Inc. (health care real estate investment trust) since 2003. She was its president and chief executive officer from 1999 when she joined the company until 2003, and has been a director of the company since 1999. She served as president and director of Ambassador Apartments, Inc. (real estate investment trust) from 1997 until 1998 when it merged with AIMCO and previously was a founding member and partner of the law firm of Barack Ferrazzano Kirschbaum Perlman and Nagelberg, LLC.

**Martha R. Ingram**, 71, a director of the Company since 1995, has been chairman of Ingram Industries, Inc. (book distribution, and inland barging), since 1995 and a member of its board since 1981. She was its director of public affairs from 1979 to 1995. She is also a director of Ingram Micro, Inc. and Regions Financial Corporation. In addition, she is chairman of the Board of Trust of Vanderbilt University. She also serves as chairman of the board of the Nashville Symphony Association, is on the Board of the Nashville Opera, the Nashville Ballet and the Tennessee Repertory Theatre and is former chairman of the board of the Tennessee Performing Arts Center. Mrs. Ingram was also chairman of the 1996 Tennessee Bicentennial Commission.

**John I. Kieckhefer**, 62, a director of the Company since 1990, has been president of Kieckhefer Associates, Inc. (investment and trust management) since 1989, and was senior vice president prior to that time. He has been engaged in commercial cattle operations since 1967 and is a trustee of J.W. Kieckhefer Foundation, an Arizona charitable trust.

**Arnold G. Langbo**, 69, a director of the Company since 1999, was chairman of Kellogg Company (cereal products) from 1992 until his retirement in 2000. He joined Kellogg Canada Inc. in 1956 and was elected president, chief operating officer and a director of Kellogg Company in 1990. He served as chief executive officer of Kellogg Company from 1992 to 1999. He is also a director of Johnson & Johnson and Whirlpool Corporation.

**Rt. Hon. Donald F. Mazankowski**, 71, a director of the Company since 1997, is a business consultant. He was a Member of Parliament, Government of Canada, from 1968 to 1993, served as Deputy Prime Minister from 1986 to 1993 and as Minister of Finance from 1991 to 1993. He also is a director of the Power Group

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of Companies; Shaw Communications, Inc.; Great-West Lifeco Inc., IGM Financial Inc.; Yellow Pages Group; Canadian Oil Sand Trust and Atco Ltd. He is Senior Advisor to Gowlings, LaFleur, Henderson LLP, Barristers and Solicitors. He is a past member of the board of governors of the University of Alberta and is past chairman of the Institute of Health Economics.

**Nicole W. Piasecki**, 44, a director of the Company since 2003, is president of Boeing Japan. Previously, she served as executive vice president of Business Strategy & Marketing for Boeing Commercial Airplanes, The Boeing Company, from 2003 to 2006; was vice president of Commercial Airplanes Sales, Leasing Companies from 2000 until January 2003; and served in various positions in engineering, sales, marketing, and business strategy for the Commercial Aircraft Group from 1991. She is a member of the Federal Aviation's Management Advisory Council and the YWCA of Seattle-King County-Snohomish County and a former director of Washington Works.

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**Steven R. Rogel**, 64, a director of the Company since 1997, has been chairman of the board since 1999. He has been the Company's president and chief executive officer since 1997. Prior to joining the Company, he served as the president and chief executive officer of Willamette Industries, Inc. from 1995 to 1997 and as its president and chief operating officer from 1991 to 1995. He is a director of The Kroger Company and Union Pacific Corporation, and serves on the National Executive Board Boy Scouts of America. He is the former Chairman of the American Forest & Paper Association and the National Council for Air and Stream Improvement, Inc.

**Richard H. Sinkfield**, 64, a director of the Company since 1993, is a senior partner in the law firm of Rogers & Hardin in Atlanta, Georgia, and has been a partner in the firm since 1976. He was a director of United Auto Group, Inc. (automobile retailer) from 1993 to 1999 and its executive vice president and chief administrative officer from 1997 to 1999. He was a director of Central Parking Corporation from 2000 to February 2005. He is a former director of the Metropolitan Atlanta Community Foundation, Inc. and the Atlanta College of Art. He is a Trustee of Vanderbilt University, a member of the executive board of the Atlanta Area Council of the Boy Scouts of America, a member of the Board of Directors of the Georgia Appleseed Center for Law and Justice and was a member of the board of governors of the State Bar of Georgia from 1990 to 1998.

**James N. Sullivan**, 69, a director of the Company since 1998, is the retired vice chairman of the board of Chevron Corporation (international oil company) where he was a director from 1988 to 2000. He joined Chevron in 1961, was elected a vice president in 1983 and served as its vice chairman from 1989 to 2000.

**D. Michael Steuert**, 58, a director of the Company since October 2004, has been senior vice president and chief financial officer for Fluor Corporation (engineering and construction) since 2001. He served as senior vice president and chief financial officer at Litton Industries Inc. (defense electronics, ship construction and electronic technologies) from 1999 to 2001 and as a senior officer and chief financial officer of GenCorp Inc. (aerospace, propulsion systems, vehicle sealing systems, chemicals and real estate) from 1990 to 1999. Prior to joining GenCorp Inc., he held financial management positions at TRW Inc. (space and automotive). He serves as Trustee of Prologis (NYSE: PLD), and is a member of the National Financial Executives Institute, and is past president of the Board of Trustees of the Mental Health Association of Summit County, Ohio.

**Charles R. Williamson**, 58, a director of the company since October 2004, was the executive vice president of Chevron Texaco Corporation (international oil company) from August, 2005 until his retirement on December 1, 2005. He was chairman and chief executive officer of Unocal Corporation (oil and natural gas) until its acquisition by Chevron Texaco Corporation in 2005. He served as Unocal Corporation's executive vice president, International Energy Operations from 1999 to 2000; group vice president, Asia Operations from 1998 to 1999; group vice president, International Operations from 1996 to 1997; and held numerous management jobs including positions in the United Kingdom, Thailand and the Netherlands since joining Unocal in 1977. He was a director of Unocal Corporation and former Chairman of the US-ASEAN Business Council. He is also a director of Talisman Energy Inc. and PACCAR Inc.

**Kim Williams**, 51, a director of the Company since October 1, 2006, was senior vice president and associate director of global industry research for Wellington Management Company LLP (investment management) from 2001 to 2005, was elected a partner effective January 1995 and held various management positions with Wellington from 1986 to 2001. Prior to joining Wellington, she served as vice president, industry analyst for Loomis, Sayles & Co., Inc (investment management) from 1982 to 1986. She is a member of the Overseer Committee of Brigham and Women's Hospital in Boston, Massachusetts and a Trustee of Brookwood School, Manchester by the Sea, Massachusetts.



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**EXECUTIVE OFFICERS**


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The executive officers of the company are as follows:

NAME	TITLE	AGE
Lee T. Alford	Senior Vice President	60
Ernesta Ballard	Senior Vice President	62
Patricia M. Bedient	Executive Vice President	54
James M. Branson	Senior Vice President	52
Srinivasan Chandrasekaran	Senior Vice President	58
Miles P. Drake	Senior Vice President	58
Daniel S. Fulton	President	59
Thomas F. Gideon	Senior Vice President	56
Richard E. Hanson	Executive Vice President	64
Sandy D. McDade	Senior Vice President	56
Susan M. Mersereau	Senior Vice President	61
Craig D. Neeser	Senior Vice President	53
Edward P. Rogel	Senior Vice President	61
Steven R. Rogel	CEO and Chairman	65

**Lee T. Alford** has been senior vice president, Residential Wood Products since 2004. He was vice president, Softwood Lumber from 2002 to 2004; vice president, Southern Timberlands from 1999 to 2002; and vice president, Mississippi/Louisiana Operations from 1996 when he joined the company to 1999. Prior to joining the company, he held various management positions with several forest products companies, including Cavenham Forest Industries, Duke City Lumber Company Inc. and Crown Zellerbach.

**Ernesta Ballard** has been senior vice president, Corporate Affairs since 2004 when she joined the company. She served as commissioner, Department of Environmental Conservation for the State of Alaska from 2002 to 2004; president, Ballard & Associates (consulting firm) from 1994 to 2002; chief executive officer, Cape Fox Corp. (Alaska Native Village corporation) from 1989 to 1994; and regional administrator, Region 10, U.S. Environmental Protection Agency from 1983 to 1986. In 1997 she was appointed to serve on the board of governors of the U.S. Postal Service.

**Patricia M. Bedient** has been executive vice president and chief financial officer since April 2007. She was senior vice president, Finance and Strategic Planning from February 2006 to 2007. She served as vice president, Strategic Planning from 2003 when she joined the company to 2006. Prior to joining the company, she was a partner with Arthur Andersen LLP (Independent Accountant) from 1987 to 2002 and served as the managing partner for the Seattle office and as the partner in charge of the firm's forest products practice from 1999 to 2002.

**James M. Branson** has been senior vice president, Timberlands since March 2007. He was vice president of Southern Timberlands from 2002 to 2007. From 1981 to 2002 he held numerous leadership roles in finance and wood products manufacturing. He started with Weyerhaeuser in 1979 as an accountant trainee in timberlands raw materials in Arkansas.

**Srinivasan Chandrasekaran** has been senior vice president, Cellulose Fibers, since December 2006. He was vice president, Manufacturing, Cellulose Fibers from 2005 to 2006; vice president and mill manager at

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the Kamloops, British Columbia cellulose fiber mill from 2003 to 2005; and vice president and mill manager at the Kingsport, Tennessee paper mill from 2002 to 2003. He joined Weyerhaeuser in 2002 with the company's acquisition of Willamette Industries Inc., where he served in a number of leadership positions.

**Miles P. Drake** has been senior vice president, Research and Development and Chief Technology Officer since October 2006 when he joined the company. He was vice president, research and development and chief technology officer of Air Products and Chemicals Inc. (Industrial Gases) from 2001 until October 2006 and held numerous other leadership positions with Air Products and Chemicals Inc. from 1986 until 2001.

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**Daniel S. Fulton** has been president of the company since January 1, 2008. He was the president of Weyerhaeuser Real Estate Company, a subsidiary of the company, since 2001. He was president and chief executive officer of Weyerhaeuser Realty Investors Inc., a subsidiary of the company, from 1998 to 2000; its chief operating officer from 1996 to 1997; and its chief investment officer from 1994 to 1995. He joined Weyerhaeuser in 1975 and has held various management and investment positions with the company and its subsidiaries.

**Thomas F. Gideon** has been senior vice president, Containerboard, Packaging and Recycling since March 2007. He was senior vice president, Timberlands, from 2005 to 2007. He was vice president, Timberlands from 2003 to 2005 and director of Sales and Marketing for Western Timberlands from 1998 to 2003. He joined Weyerhaeuser in 1978 and held numerous human resources and sales management positions in Wood Products before moving into Western Timberlands in 1996.

**Richard E. Hanson** has been executive vice president and chief operating officer since 2003. He was executive vice president, Timberlands from 2002 to 2003 and was senior vice president, Timberlands, from 1999 to 2002. He was vice president, Western Timberlands from 1996 to 1998. He joined Weyerhaeuser in 1969 and has held numerous management positions in the Timberlands, Wood Products and Paper businesses.

**Sandy D. McDade** has been senior vice president and general counsel since September 2006. He was senior vice president, Industrial Wood Products and International, from 2005 to 2006; senior vice president, Canada from 2003 to 2005; vice president, Strategic Planning, from 2000 to 2003; and corporate secretary from 1993 to 2000. He joined Weyerhaeuser in 1980 and worked as a corporate and transaction lawyer until 2000.

**Susan M. Mersereau** has been senior vice president, Information Technology and chief information officer since 2003. She was vice president, Organizational Effectiveness for Containerboard, Packaging and Recycling from 1998 to 2003; vice president, Business Services and Aviation from 1992 to 1998; and vice president, Weyerhaeuser Information Systems from 1988 to 1992. She joined Weyerhaeuser in 1980 as a program manager and has held various information system management positions.

**Craig D. Neeser** has been senior vice president, Industrial Wood Products and International since September 2006. He was senior vice president, Canada from 2005 to 2006; vice president, British Columbia from 2003 to 2005; and was vice president, BC Coastal Group from 1999 to 2003. He joined Weyerhaeuser in 1999 with the company's acquisition of MacMillan Bloedel. He began his career with MacMillan Bloedel in 1977 and has held leadership positions in manufacturing, timberlands and marketing management.

**Edward P. Rogel** has been senior vice president, Human Resources since 2003. He was vice president, Human Resources Operations from 2000 to 2003. He joined Weyerhaeuser in 1969 and has held numerous human resources positions with Weyerhaeuser in the Timberlands, Wood Products and Pulp businesses in addition to holding corporatewide responsibilities.

**Steven R. Rogel** has been the company's chief executive officer since January 1, 2008. He was president and chief executive officer from 1997 to 2008. He has been a director of the company since 1997 and has been chairman of the board since 1999. Prior to joining the company, he served as the president and chief executive officer of Willamette Industries, Inc. from 1995 to 1997 and as its president and chief operating officer from 1991 to 1995. He is a director of The Kroger Co. and Union Pacific Corporation, and he serves on the national executive board of the Boy Scouts of America. He is the former chairman of the American Forest & Paper Association and the National Council for Air and Stream Improvement, Inc.



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**AUDIT COMMITTEE FINANCIAL EXPERT**

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As of December 30, 2007, the Audit Committee of the board of directors consisted of Martha R. Ingram, Donald F. Mazankowski, Kim Williams and D. Michael Steuert. Each member is independent as defined under the New York Stock Exchange rules. The board of directors has determined that each Audit Committee member has sufficient knowledge in financial and accounting matters to serve on the committee and that Mr. Steuert is an audit committee financial expert as defined by SEC rules.

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**CORPORATE GOVERNANCE MATTERS**

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**CODE OF ETHICS**

The company has adopted a code of ethics that applies to all employees, including the principal executive officer, principal financial officer and principal accounting officer. A copy is incorporated in the exhibits to this 10-K by reference and is available on the company's website at [www.weyerhaeuser.com](http://www.weyerhaeuser.com). A copy of the code of ethics is available free of charge upon written request to Claire S. Grace, Corporate Secretary, Weyerhaeuser Company, P. O. Box 9777, Federal Way, WA 98063-9777 or by email at [CorporateSecretary@Weyerhaeuser.com](mailto:CorporateSecretary@Weyerhaeuser.com).

**CORPORATE GOVERNANCE GUIDELINES**

The company has adopted corporate governance guidelines. The company's corporate governance guidelines are available on the company's website at [www.weyerhaeuser.com](http://www.weyerhaeuser.com). Paper copies may be obtained by written request to Claire S. Grace, Corporate Secretary, Weyerhaeuser Company, P. O. Box 9777, Federal Way, WA 98063-9777 or by email at [CorporateSecretary@Weyerhaeuser.com](mailto:CorporateSecretary@Weyerhaeuser.com).

**EXECUTIVE AND DIRECTOR COMPENSATION**

Information with respect to executive and director compensation contained in the *Notice of 2008 Annual Meeting of Shareholders* and *Proxy Statement* for the company's Annual Meeting of Shareholders to be held April 17, 2008, under the headings Directors Compensation, Compensation Discussion and Analysis, Compensation Committee Report, Compensation Committee Interlocks and Insider Participation, Summary Compensation Table, Grants of Plan-Based Awards, Outstanding Equity Awards at Fiscal Year End, Options Exercised and Stock Vested, Pension Benefits, NonQualified Deferred Compensation, and Potential Payments Upon Termination or Change of Control is incorporated herein by reference.

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

Information with respect to security ownership of certain beneficial owners and management contained in the *Notice of 2008 Annual Meeting of Shareholders* and *Proxy Statement* for the company's Annual Meeting of Shareholders to be held April 17, 2008, under the heading Beneficial Ownership of Common Shares is incorporated herein by reference.

**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

Information with regard to certain relationships and related transactions contained in the *Notice of 2008 Annual Meeting of Shareholders* and *Proxy Statement* for the company's Annual Meeting of Shareholders to be held April 17, 2008, under the headings Review, Approval or Ratification of Related-party Transactions and Board of Directors and Committee Information is incorporated herein by reference.

## **PRINCIPAL ACCOUNTING FEES AND SERVICES**

Information with respect to principal accounting fees and services in the *Notice of 2008 Annual Meeting of Shareholders and Proxy Statement* for the company's Annual Meeting of Shareholders to be held April 17, 2008, under the heading "Relationships with Independent Registered Public Accounting Firm" is incorporated herein by reference.



**Table of Contents****PART IV****EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

<b>FINANCIAL STATEMENT SCHEDULE</b>		<b>PAGE NUMBER(S) IN FORM 10-K</b>
	Report of Independent Registered Public Accounting Firm on Financial Statement Schedule	122
	Schedule II Valuation and Qualifying Accounts	123
	All other financial statement schedules have been omitted because they are not applicable or the required information is included in the consolidated financial statements, or the notes thereto, in Financial Statements and Supplementary Data above.	

**EXHIBITS**

3	(i) Articles of Incorporation (incorporated by reference to 1999 Form 10-K filed with the Securities and Exchange Commission on March 10, 2000 Commission File Number 1-4825)	
	(ii) Bylaws (incorporated by reference to Current Report on Form 8-K filed with the Securities and Exchange Commission on December 19, 2007 Commission File Number 1-4825)	
10	Material Contracts	
	(a) Agreement with S. R. Rogel (incorporated by reference to 1997 Form 10-K filed with the Securities and Exchange Commission on March 13, 1998 Commission File Number 1-4825)	
	(b) Form of Executive Change of Control Agreement	
	(c) Form of Executive Severance Agreement	
	(d) Form of Executive Change of Control Agreement (Weyerhaeuser Company Limited and Weyerhaeuser Company)	
	(e) Weyerhaeuser Company Long-Term Incentive Compensation Plan approved by shareholders on April 13, 2004 (incorporated by reference to Form 8-K filed with the Securities and Exchange Commission on February 14, 2005 Commission File Number 1-4825)	
	(f) Form of Weyerhaeuser Company 2004 Long-Term Incentive Plan Stock Option Agreement (incorporated by reference to Form 8-K filed with the Securities and Exchange Commission on February 21, 2006 Commission File Number 1-4825)	
	(g) Form of Weyerhaeuser Company 2004 Long-Term Incentive Plan Performance Plan Award Agreement (incorporated by reference to Form 8-K filed with the Securities and Exchange Commission on February 21, 2006 Commission File Number 1-4825)	
	(h) Form of Weyerhaeuser Company 2004 Long-Term Incentive Plan SAR Grant Agreement (incorporated by reference to Form 8-K filed with the Securities and Exchange Commission on February 21, 2006 Commission File Number 1-4825)	
	(i) Form of Weyerhaeuser Company 2004 Long-Term Incentive Plan Tandem SAR Grant Agreement (incorporated by reference to Form 8-K filed with the Securities and Exchange Commission on February 21, 2006 Commission File Number 1-4825)	
	(j) Form of Weyerhaeuser Company 2004 Long-Term Incentive Plan Restricted Stock Award Terms and Conditions (incorporated by reference to Form 8-K filed with the Securities and Exchange Commission on February 26, 2008 Commission File Number 1-4825)	

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(k) Weyerhaeuser Company Annual Incentive Plan for Salaried Employees (incorporated by reference to Form 8-K filed with the Securities and Exchange Commission on October 25, 2005 Commission File Number 1-4825)

(l) Weyerhaeuser Company Deferred Compensation Plan (incorporated by reference to Form 8-K filed with the Securities and Exchange Commission on December 18, 2007 Commission File Number 1-4825)

(m) Weyerhaeuser Company Salaried Employees Supplemental Retirement Plan (incorporated by reference to 2004 Form 10-K filed with the Securities and Exchange Commission on December 18, 2007 Commission File Number 1-4825)

(n) Compensation for Directors (incorporated by reference to Form 8-K filed with the Securities and Exchange Commission on April 25, 2005 Commission File Number 1-4825)

(o) Fee Deferral Plan for Directors of Weyerhaeuser Company (incorporated by reference to 2004 Form 10-K filed with the Securities and Exchange Commission on March 3, 2005 Commission File Number 1-4825)

(p) Fee Deferral Plan for Canadian Directors of Weyerhaeuser Company (incorporated by reference to 2004 Form 10-K filed with the Securities and Exchange Commission on March 3, 2005 Commission File Number 1-4825)

(q) Competitive Advance and Revolving Credit Facility Agreement, dated as of December 19, 2006, among Weyerhaeuser Company, Weyerhaeuser Real Estate Company, the Lenders, Swing-Line Banks and Initial Fronting Banks named therein, JPMorgan Chase Bank, N.A. as administrative agent, Citibank, N.A., as syndication agent, Bank of America, N.A., The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Deutsche Bank Securities Inc., as documentation agents, and Morgan Stanley Bank as co-documentation agent. (incorporated by reference to 2006 Form 10-K filed with the Securities and Exchange Commission on February 27, 2007 Commission File Number 1-4825)

(r) Competitive Advance and Revolving Credit Facility Agreement, dated as of December 19, 2006, among Weyerhaeuser Company, Weyerhaeuser Real Estate Company, the Lenders, Swing-Line Banks and Initial Fronting Banks named therein, JPMorgan Chase Bank, N.A., as Administrative Agent, Citibank, N.A., as Syndication Agent, Bank of America, N.A., Deutsche Bank Securities Inc. and The Bank of Tokyo-Mitsubishi UFJ, LTD., as Documentation Agents and Morgan Stanley Bank, as Co-Documentation Agent. (incorporated by reference to 2006 Form 10-K filed with the Securities and Exchange Commission on February 27, 2007 Commission File Number 1-4825)

(s) Amended and Restated Contribution and Distribution Agreement among Weyerhaeuser Company, Domtar Paper Company LLC and Domtar Corporation dated as of January 25, 2007 (incorporated by reference to Form 8-K filed with the Securities and Exchange Commission on January 31, 2007 Commission File Number 1-4825)

(t) Amended and Restated Transaction Agreement among Weyerhaeuser Company, Domtar Corporation, Domtar Paper Company LLC, Domtar Delaware Holdings, Inc., Domtar Pacific Papers, Inc., Domtar Pacific Papers ULC, Domtar (Canada) Paper, Inc., and Domtar, Inc. dated as of January 25, 2007 (incorporated by reference to Form 8-K filed with the Securities and Exchange Commission on January 31, 2007 Commission File Number 1-4825)

12 Statements regarding computation of ratios

14 Code of Business Conduct and Ethics (incorporated by reference to Form 8-K filed with the Securities and Exchange Commission on December 21, 2005 Commission File Number 1-4825)

21 Subsidiaries of the Registrant

23 Consent of Independent Registered Public Accounting Firm

31 Certification pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended

32 Certification pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350)

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**SIGNATURES**

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Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on February 27, 2008.

**WEYERHAEUSER COMPANY**

/s/ STEVEN R. ROGEL

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**Steven R. Rogel**

*Chairman, President and Chief Executive Officer*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities indicated on February 27, 2008.

/s/ STEVEN R. ROGEL

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**Steven R. Rogel**

*Principal Executive Officer,  
Director and Chairman of the Board*

/s/ PATRICIA M. BEDIENT

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**Patricia M. Bedient**

*Principal Financial Officer*

/s/ JEANNE M. HILLMAN

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**Jeanne M. Hillman**

*Principal Accounting Officer*

/s/ DEBRA A. CAFARO

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**Debra A. Cafaro**

*Director*

/s/ MARTHA R. INGRAM

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**Martha R. Ingram**

*Director*

/s/ JOHN I. KIECKHEFER

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**John I. Kieckhefer**

/s/ DONALD F. MAZANKOWSKI

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**Donald F. Mazankowski**

*Director*

/s/ NICOLE W. PIASECKI

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**Nicole W. Piasecki**

*Director*

/s/ RICHARD H. SINKFIELD

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**Richard H. Sinkfield**

*Director*

/s/ D. MICHAEL STEUERT

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**D. Michael Steuert**

*Director*

/s/ JAMES N. SULLIVAN

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**James N. Sullivan**

*Director*

/s/ KIM WILLIAMS

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**Kim Williams**

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*Director*

/s/ ARNOLD G. LANGBO

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**Arnold G. Langbo**

*Director*

*Director*

/s/ CHARLES R. WILLIAMSON

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**Charles R. Williamson**

*Director*

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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The Board of Directors and Shareholders

Weyerhaeuser Company:

Under date of February 26, 2008, we reported on the consolidated balance sheet of Weyerhaeuser Company and subsidiaries as of December 30, 2007, and December 31, 2006, and the related consolidated statements of earnings, cash flows and shareholders interest and comprehensive income for each of the years in the three-year period ended December 30, 2007, which report is included in this annual report on Form 10-K. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedule in this annual report on Form 10-K. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits.

In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in notes 18 and 9, respectively, to the consolidated financial statements, Weyerhaeuser Company and subsidiaries adopted the provisions of Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment*, and Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106 and 132(R)*, in 2006. Also, as discussed in note 1 to the consolidated financial statements, Weyerhaeuser Company and subsidiaries adopted the provisions of Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109*, and Financial Accounting Standards Board Staff Position AUG AIR 1, *Accounting for Planned Major Maintenance Activities*, in 2007.

/s/ KPMG LLP

Seattle, Washington

February 26, 2008

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For the three years ended December 30, 2007

DOLLAR AMOUNTS IN MILLIONS				
DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO INCOME	(DEDUCTIONS) FROM/ ADDITIONS TO RESERVE	BALANCE AT END OF PERIOD
<b>Weyerhaeuser</b>				
Allowances deducted from related asset accounts:				
Doubtful accounts    Accounts receivable				
2007	\$ 14	\$ 5	\$ (9)	\$ 10
2006	\$ 11	\$ 11	\$ (8)	\$ 14
2005	\$ 12	\$ 5	\$ (6)	\$ 11
<b>Real Estate</b>				
Allowances deducted from related asset accounts:				
Receivables				
2007	\$ 4	\$	\$ (2)	\$ 2
2006	\$ 3	\$	\$ 1	\$ 4
2005	\$ 4	\$	\$ (1)	\$ 3
Investments in unconsolidated entities held as assets				
2007	\$ 11	\$	\$ (11)	\$
2006	\$ 4	\$	\$ 7	\$ 11
2005	\$ 3	\$ 1	\$	\$ 4

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