WEYERHAEUSER CO
Form 10-Q
November 06, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2009

or

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER: 1-4825

WEYERHAEUSER COMPANY

Washington	**91-0470860**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
33663 Weyerhaeuser Way South Federal Way, Washington	**98063-9777**
(Address of principal executive offices)	**(Zip Code)**

(253) 924-2345

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x Yes ¨ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ¨ Yes x No

As of October 30, 2009, 211,357,747 shares of the registrant s common stock ($1.25 par value) were outstanding.

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The financial information included in this report has been prepared in conformity with accounting practices and methods reflected in the financial statements included in the annual report (Form 10-K) filed with the Securities and Exchange Commission for the year ended December 31, 2008. Though not audited by an independent registered public accounting firm, the financial information reflects, in the opinion of management, all adjustments necessary to present a fair statement of results for the interim periods indicated. The results of operations for the quarter and year-to-date periods ended September 30, 2009, should not be regarded as necessarily indicative of the results that may be expected for the full year.

Signature

Pursuant to the requirements 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.

WEYERHAEUSER COMPANY
Date: November 5, 2009

By: /s/ Jeanne M. Hillman
Jeanne M. Hillman
Vice President and Principal Accounting Officer

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FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF EARNINGS

(DOLLAR AMOUNTS IN MILLIONS, EXCEPT PER-SHARE FIGURES)

(UNAUDITED)

	QUARTER ENDED		YEAR-TO-DATE ENDED	
	SEPTEMBER 30, 2009	SEPTEMBER 28, 2008	SEPTEMBER 30, 2009	SEPTEMBER 28, 2008
Net sales and revenues:				
Forest Products	$ 1,211	$ 1,778	$ 3,506	$ 5,269
Real Estate	196	329	567	1,054
Total net sales and revenues	1,407	2,107	4,073	6,323
Costs and expenses:				
Forest Products:				
Costs of products sold	973	1,413	3,001	4,330
Alternative fuel mixture credits	(122)		(229)	
Depreciation, depletion and amortization	123	147	370	438
Selling expenses	33	57	109	173
General and administrative expenses	79	109	258	382
Research and development expenses	10	14	38	49
Charges for restructuring and closures (Note 6)	67	10	195	87
Impairment of goodwill and other assets (Note 6)	36	65	74	147
Other operating income, net (Note 7)	(184)	(7)	(255)	(8)
	1,015	1,808	3,561	5,598
Real Estate:				
Costs and operating expenses	172	365	487	1,001
Depreciation and amortization	3	5	11	14
Selling expenses	19	32	61	105
General and administrative expenses	16	26	61	82
Other operating costs (income), net	13	(3)	20	(4)
Impairment of long-lived assets and other related charges (Note 8)	46	230	141	547
	269	655	781	1,745
Total costs and expenses	1,284	2,463	4,342	7,343
Operating earnings (loss)	123	(356)	(269)	(1,020)
Forest Products:				
Interest expense incurred	(107)	(126)	(322)	(384)
Less: interest capitalized	1	11	5	56
Interest income and other	15	29	42	58
Gain on Uruguay restructuring (Note 9)				101
Equity in income (loss) of affiliates	(4)	10	(1)	8
Real Estate:				
Interest expense incurred	(8)	(10)	(22)	(36)

Less: interest capitalized	6	10	20	36
Interest income and other	3	1	5	2
Equity in income of unconsolidated entities	1	15	14	16
Impairment of investments and other related charges (Note 8)		(10)	(32)	(117)
Earnings (loss) from continuing operations before income taxes	30	(426)	(560)	(1,280)
Income tax benefit (provision)	(35)	221	173	574
Loss from continuing operations	(5)	(205)	(387)	(706)
Discontinued operations, net of income taxes (Note 3)		480		678
Net earnings (loss)	(5)	275	(387)	(28)
Less: Net loss attributable to noncontrolling interests	5	5	17	64
Net earnings (loss) attributable to Weyerhaeuser common shareholders	**$**	**$ 280**	**$ (370)**	**$ 36**
Basic and diluted earnings (loss) per share attributable to Weyerhaeuser common shareholders (Note 4):				
Continuing operations	$	$ (0.94)	$ (1.75)	$ (3.04)
Discontinued operations		2.27		3.21
Net earnings (loss) per share	**$**	**$ 1.33**	**$ (1.75)**	**$ 0.17**
Dividends paid per share	**$ 0.05**	**$ 0.60**	**$ 0.55**	**$ 1.80**
Weighted average shares outstanding (in thousands) (Note 4)				
Basic	211,357	211,284	211,337	211,247
Diluted	211,357	211,284	211,337	211,247

See accompanying Notes to Consolidated Financial Statements.

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CONSOLIDATED BALANCE SHEET

(DOLLAR AMOUNTS IN MILLIONS, EXCEPT PER-SHARE FIGURES)

(UNAUDITED)

	SEPTEMBER 30, 2009	DECEMBER 31, 2008
ASSETS		
Forest Products:		
Current assets:		
Cash and cash equivalents	$ 1,624	$ 2,288
Short-term investments	47	138
Receivables, less allowances of $7 and $7	403	429
Receivables for taxes	299	73
Receivable from pension trust (Note 13)	285	200
Inventories (Note 10)	498	702
Prepaid expenses	87	101
Deferred tax assets	150	159
Total current assets	3,393	4,090
Property and equipment, less accumulated depreciation of $6,594 and $6,252	3,686	3,869
Construction in progress	108	104
Timber and timberlands at cost, less depletion charged to disposals	4,014	4,205
Investments in and advances to equity affiliates	199	202
Goodwill	40	43
Deferred pension and other assets	658	651
Restricted assets held by special purpose entities	914	916
	13,012	14,080
Real Estate:		
Cash and cash equivalents	4	6
Receivables, less discounts and allowances of $2 and $4	31	74
Real estate in process of development and for sale	828	990
Land being processed for development	916	882
Investments in unconsolidated entities	16	30
Deferred tax assets	396	438
Other assets	156	195
Consolidated assets not owned	6	40
	2,353	2,655
Total assets	**$ 15,365**	**$ 16,735**

See accompanying Notes to Consolidated Financial Statements.

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CONSOLIDATED BALANCE SHEET

(CONTINUED)

	SEPTEMBER 30, 2009	DECEMBER 31, 2008
LIABILITIES AND EQUITY		
Forest Products:		
Current liabilities:		
Notes payable and commercial paper	$ 3	$ 1
Current maturities of long-term debt (Note 12)	41	407
Accounts payable	325	381
Accrued liabilities (Note 11)	708	985
Total current liabilities	1,077	1,774
Long-term debt (Note 12)	5,150	5,153
Deferred income taxes	1,663	1,805
Deferred pension, other postretirement benefits and other liabilities	1,649	1,566
Liabilities (nonrecourse to Weyerhaeuser) held by special purpose entities	765	764
Commitments and contingencies (Note 15)		
	10,304	11,062
Real Estate:		
Long-term debt (Note 12)	404	456
Other liabilities	292	353
Consolidated liabilities not owned		17
Commitments and contingencies (Note 15)		
	696	826
Total liabilities	**11,000**	**11,888**
Equity:		
Weyerhaeuser shareholders interest:		
Common shares: $1.25 par value; authorized 400,000,000 shares; issued and outstanding: 211,357,081 and 211,289,320 shares	264	264
Other capital	1,781	1,767
Retained earnings	2,844	3,278
Cumulative other comprehensive loss (Note 14)	(540)	(495)
Total Weyerhaeuser shareholders interest	4,349	4,814
Noncontrolling interest	16	33
Total equity	**4,365**	**4,847**
Total liabilities and equity	**$ 15,365**	**$ 16,735**

See accompanying Notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS

(DOLLAR AMOUNTS IN MILLIONS) (UNAUDITED)

	FOR THE YEAR-TO-DATE PERIODS ENDED SEPTEMBER 30, 2009 AND SEPTEMBER 28, 2008					
	CONSOLIDATED		FOREST PRODUCTS		REAL ESTATE	
	SEPTEMBER 30, 2009	SEPTEMBER 28, 2008	SEPTEMBER 30, 2009	SEPTEMBER 28, 2008	SEPTEMBER 30, 2009	SEPTEMBER 28, 2008
Cash flows from operations:						
Net earnings (loss)	$ (387)	$ (28)	$ (239)	$ 503	$ (148)	$ (531)
Noncash charges (credits) to income:						
Depreciation, depletion and amortization	381	516	370	502	11	14
Deferred income taxes, net	(20)	(837)	(62)	(643)	42	(194)
Pension and other postretirement benefits (Note 13)	10	(137)	13	(136)	(3)	(1)
Share-based compensation expense	18	46	15	43	3	3
Equity in (income) loss of affiliates and unconsolidated entities	(13)	(22)	1	(6)	(14)	(16)
Litigation charges	20		20			
Charges for impairment of assets (Notes 6 and 8)	247	817	74	153	173	664
Net gains on dispositions of assets and operations (Note 7)	(185)	(1,415)	(185)	(1,415)		
Increase to environmental liability reserve		17		17		
Gain on Uruguay restructuring (Note 9)		(101)		(101)		
Foreign exchange transaction (gains) losses (Note 7)	(34)	21	(34)	21		
Decrease (increase) in working capital:						
Receivables	(164)	(43)	(197)	(11)	33	(32)
Inventories, real estate and land	247	142	201	30	46	112
Prepaid expenses	15	62	15	59		3
Accounts payable and accrued liabilities	(344)	1,037	(269)	1,063	(75)	(26)
Deposits on land positions	13	(38)			13	(38)
Intercompany advances[(1)(3)]					102	(213)
Other	(80)	(176)	(93)	(164)	13	(12)
Cash from operations	(276)	(139)	(370)	(85)	196	(267)
Cash flows from investing activities:						
Property and equipment	(132)	(295)	(123)	(282)	(9)	(13)
Timberlands reforestation	(29)	(36)	(29)	(36)		
Acquisition of timberlands	(26)	(147)	(26)	(147)		
Redemption of short-term investments	92		92			
Investments in and advances to equity affiliates	(2)	(46)	2	8	(4)	(54)
Proceeds from sale of assets and operations	350	6,458	348	6,458	2	
Uruguay restructuring (Note 9)		(23)		(23)		
Purchase of short-term investments		(701)		(701)		
Loan to pension trust	(85)		(85)			
Intercompany dividends[(1)]			250			
Intercompany advances[(1)]			(224)	(444)		
Other	32	13	32	13		
Cash from investing activities	200	5,223	237	4,846	(11)	(67)

Cash flows from financing activities:						
Notes, commercial paper borrowings and revolving credit facilities, net		(381)		(203)		(178)
Cash dividends	(116)	(380)	(116)	(380)		
Change in book overdrafts	(46)	(99)	(40)	(76)	(6)	(23)
Payments on debt	(422)	(199)	(370)	(97)	(52)	(102)
Exercises of stock options		4		4		
Repurchase of common stock	(2)		(2)			
Intercompany dividends[1]					(250)	
Intercompany advances[1]					122	657
Other	(4)	(41)	(3)	(3)	(1)	(38)
Cash from financing activities	(590)	(1,096)	(531)	(755)	(187)	316
Net change in cash and cash equivalents	(666)	3,988	(664)	4,006	(2)	(18)
Cash and cash equivalents at beginning of period[2]	2,294	114	2,288	93	6	21
Cash and cash equivalents at end of period[2]	$ 1,628	$ 4,102	$ 1,624	$ 4,099	$ 4	$ 3
Cash paid (received) during the year for:						
Interest, net of amount capitalized	$ 381	$ 391	$ 379	$ 391	$ 2	$
Income taxes[3]	$ 47	$ 13	$ 284	$ (9)	$ (237)	$ 22

[1] Intercompany dividends, loans and advances represent payments and receipts between Forest Products and Real Estate and are classified as operating, investing or financing based on the perspective of each entity and the characteristics of the underlying cash flows. These amounts are eliminated and do not appear in the consolidated cash flows above.

[2] 2008 Includes cash and cash equivalents of discontinued operations.

[3] Income taxes paid or received by Forest Products and Real Estate include intercompany payments related to income taxes. These intercompany transactions flow through the intercompany advances lines in the statement of cash flows in either operating or investing as discussed in footnote (1) above, and may differ in timing from income tax payments to or receipts from the taxing authorities. Actual income taxes paid to (received from) the taxing authorities are reflected by consolidated cash paid (received) for taxes.

See accompanying Notes to Consolidated Financial Statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE QUARTERS AND YEAR-TO-DATE PERIODS ENDED SEPTEMBER 30, 2009 AND SEPTEMBER 28, 2008

NOTE 1: BASIS OF PRESENTATION

Our consolidated financial statements provide an overall view of our results and financial condition. They include our accounts and the accounts of entities we control, including:

- majority-owned domestic and foreign subsidiaries and
- variable interest entities in which we are the primary beneficiary.

They do not include our intercompany transactions and accounts, which are eliminated.

We account for investments in and advances to unconsolidated equity affiliates using the equity method, with taxes provided on undistributed earnings. This means that we record earnings and accrue taxes in the period earnings are recognized by our unconsolidated equity affiliates.

We report our financial results and condition in two groups:

- Forest Products our forest products-based operations, principally the growing and harvesting of timber, the manufacture, distribution and sale of forest products and corporate governance activities; and
- Real Estate our real estate development and construction operations.

Throughout these Notes to Consolidated Financial Statements, unless specified otherwise, references to Weyerhaeuser, we and our refer to the consolidated company, including both Forest Products and Real Estate.

In December 2008, our board of directors amended our bylaws to adopt a December 31 fiscal year-end. Previously we reported results on a fiscal calendar ending the last Sunday of the calendar year. Third quarter 2008 ended September 28, 2008, and included 91 days. Year-to-date 2008 included 273 days. Beginning in 2009, we report our results on a calendar quarter. Third quarter 2009 ended September 30, 2009, and included 92 days. Year-to-date 2009 included 273 days.

The accompanying unaudited Consolidated Financial Statements reflect all adjustments that are, in the opinion of management, necessary for a fair presentation of our financial position, results of operations and cash flows for the interim periods presented. Except as otherwise disclosed in these Notes to Consolidated Financial Statements, such adjustments are of a normal, recurring nature. The consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission pertaining to interim financial statements; as such certain disclosures normally provided in accordance with accounting principles generally accepted in the United States have been omitted. These Consolidated Financial Statements should be read in conjunction with the consolidated financial statements and Management s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2008.

The Company has evaluated events and transactions through November 5, 2009, the date these financial statements were issued, for items that should potentially be recognized or disclosed.

RECLASSIFICATIONS

We have reclassified certain balances and results from the prior year for consistency with our 2009 reporting. This makes year-to-year comparisons easier. Our reclassifications had no effect on net earnings (loss) or Weyerhaeuser shareholders interest. Note 2: Accounting Pronouncements discusses the noncontrolling interest presentation changes.

NOTE 2: ACCOUNTING PRONOUNCEMENTS

ACCOUNTING CHANGES WE IMPLEMENTED IN 2009

We changed how we disclose or account for the following during 2009:

- references to accounting guidance,
- fair value measurements for nonfinancial assets and nonfinancial liabilities,
- noncontrolling interests,
- disclosures about fair value of financial instruments and
- subsequent events.

The *FASB Accounting Standards Codification™ (the Codification)*

On July 1, 2009, the FASB issued the Codification to establish a single level of authoritative nongovernmental U.S. GAAP and eliminate the previous U.S. GAAP hierarchy. All other literature outside of the Codification is non-authoritative with the exception of SEC rules and interpretive releases, which are also authoritative U.S. GAAP for SEC registrants.

Our adoption of the Codification during the third quarter did not change our application of U.S. GAAP nor did it have any impact on our results of operations, financial position or cash flows.

Fair Value Measurements for Nonfinancial Assets and Nonfinancial Liabilities

We adopted FASB guidance for fair value measurements and disclosures of financial assets and financial liabilities in the first quarter of 2008. The FASB deferred the effective date of this guidance for one year as it applies to nonfinancial assets and nonfinancial liabilities that are not recognized or disclosed at fair value on a recurring basis. We adopted the deferred guidance in the first quarter of 2009. This guidance:

- provides a common definition of fair value,
- establishes a framework for measuring fair value in generally accepted accounting principles and
- expands disclosures about fair value instruments.

It applies when other accounting standards require or permit fair value measurements. However, it does not require any new fair value measurements.

Nonfinancial assets and nonfinancial liabilities affected by this guidance include:

- long-lived assets (asset groups) measured at fair value for an impairment assessment,
- reporting units measured at fair value in the first step of a goodwill impairment test,
- nonfinancial assets and nonfinancial liabilities measured at fair value in the second step of a goodwill impairment assessment and
- asset retirement obligations initially measured at fair value.

This guidance includes a fair value hierarchy that is intended to increase consistency and comparability in fair value measurements and related disclosures. The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity s pricing based upon their own market assumptions.

The fair value hierarchy consists of the following three levels:

- Level 1 Inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 Inputs are:
  - quoted prices for similar assets or liabilities in an active market,
  - quoted prices for identical or similar assets or liabilities in markets that are not active and
  - inputs other than quoted prices that are observable and market-corroborated inputs which are derived principally from or corroborated by observable market data.
- Level 3 Inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

The adoption of the guidance for nonfinancial assets and nonfinancial liabilities resulted in additional disclosure in Note 8 Real Estate Impairments and Other Related Charges. It did not have a material impact on our results of operations, financial position, or cash flows.

Noncontrolling Interests

In December 2007, the FASB issued guidance that affects the presentation of noncontrolling interests which:

- changes the accounting for noncontrolling (minority) interests in consolidated financial statements,

- requires noncontrolling interests to be presented as a separate component of equity,
- changes the income statement presentation of income or losses attributable to noncontrolling interests and
- revises the accounting for both increases and decreases in a parent s controlling ownership interest.

Our adoption of this guidance in the first quarter of 2009 did not have a material impact on our results of operations, financial position or cash flows. We did change the presentation of noncontrolling interests on our consolidated financial statements.

Disclosures About Fair Value of Financial Instruments

In April 2009, the FASB issued guidance requiring disclosure of the fair value of financial instruments in interim reporting periods beginning in the second quarter of 2009. The additional disclosure is included in Note 12 Fair Value of Financial Instruments.

Subsequent Events

In May 2009, the FASB issued guidance on subsequent event accounting which:

- incorporates accounting and disclosure requirements related to subsequent events into U.S. GAAP,
- requires evaluation of subsequent events through the date financial statements are issued or available to be issued,
- refers to the types of subsequent events as either recognized subsequent events or nonrecognized subsequent events and
- requires disclosure of the date through which subsequent events are evaluated.

Our adoption of this guidance during the second quarter did not have a material impact on our results of operations, financial position or cash flows.

ACCOUNTING CHANGES THAT TAKE EFFECT IN THE FUTURE

Disclosures About Postretirement Benefit Plan Assets

In December 2008, the FASB issued guidance that amends postretirement disclosure requirements to include:

- qualitative disclosures about how pension investment allocation decisions are made;
- disclosures about the major categories of plan assets and concentrations of risk; and
- disclosures about fair value measurements, including the methods and inputs used to measure the fair value of plan assets.

This guidance is effective during the fourth quarter of 2009 and we are currently evaluating the effect that the adoption of this guidance will have on our financial statement disclosures.

Variable Interest Entities

In June 2009, the FASB issued guidance which amends existing consolidation guidance over variable interest entities (VIEs). The new guidance:

changes the required approach for identifying the primary beneficiary of a VIE by replacing the quantitative-based risks and rewards calculation with a qualitative approach that focuses on identifying who has the power to direct activities that significantly impact an entity s economic performance,

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requires reconsideration of whether an entity is a VIE when there is a loss of power from changes to voting or similar rights to direct the activities that significantly impact the entity s economic performance,

requires ongoing assessment of whether an enterprise is the primary beneficiary of a VIE and

requires additional disclosures over involvement with a VIE.

This guidance is effective in first quarter 2010 and we are currently evaluating the effect that the adoption of this guidance will have on our financial position, results of operations and cash flows.

NOTE 3: DISCONTINUED OPERATIONS

There are no operations classified as discontinued for the quarter and year-to-date periods ended September 30, 2009.

Our discontinued operations for the quarter and year-to-date periods ended September 28, 2008, include the operations of our Containerboard, Packaging and Recycling business and our Australian operations, both of which were sold in third quarter 2008.

The following table summarizes net sales and revenues and net earnings from discontinued operations for the quarter and year-to-date periods ended September 28, 2008:

DOLLAR AMOUNTS IN MILLIONS	**QUARTER ENDED SEPTEMBER 28, 2008**	**YEAR-TO-DATE ENDED SEPTEMBER 28, 2008**
Net sales and revenues	$ 514	$ 3,301
Income from operations	28	331
Interest expense		(1)
Equity in income of affiliates	1	5
Income tax expense	(13)	(121)
Earnings from operations	16	214
Pretax gain on divestiture and sales	1,379	1,379
Income tax expense	(915)	(915)
Net gain on divestiture and sales	464	464
Net earnings from discontinued operations	**$ 480**	**$ 678**

Results of discontinued operations:

exclude certain general corporate overhead costs that have been allocated to and are included in contribution to earnings for the operating segments,

include an allocation of net pension income and include interest expense only if the interest is directly attributable to the discontinued operations or is interest on debt that is required to be repaid as a result of a disposal transaction.

Discontinued operations related to our Containerboard, Packaging and Recycling business do not include any allocation of interest expense. Discontinued operations related to our Australian operations include interest expense.

NOTE 4: NET EARNINGS (LOSS) PER SHARE

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

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

- weighted average number of our outstanding common shares and
- the effect of our outstanding dilutive potential common shares.

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.

Our basic and diluted earnings (loss) per share attributable to Weyerhaeuser shareholders was:

- $0.00 during third quarter and $(1.75) during year-to-date 2009 and
- $1.33 during third quarter and $0.17 during year-to-date 2008.

SHARES EXCLUDED FROM DILUTIVE EFFECT

The following shares were not included in the computation of diluted earnings (loss) per share for the quarters and year-to-date periods ended September 30, 2009, and September 28, 2008, due to our net loss position from continuing operations. Some or all of these shares may be dilutive potential common shares in future periods.

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Potential Shares Not Included in the Computation of Diluted Earnings (Loss) per Share

	QUARTER ENDED		YEAR-TO-DATE ENDED	
SHARES IN THOUSANDS	SEPTEMBER 30, 2009	SEPTEMBER 28, 2008	SEPTEMBER 30, 2009	SEPTEMBER 28, 2008
Stock options	11,901	10,580	11,677	10,244
Performance share units	219	464	220	511
Restricted stock units	745	731	700	729

Share Repurchase Program

In December 2008, we announced a stock repurchase program under which we are authorized to repurchase up to $250 million of outstanding common shares. Through September 30, 2009, we had repurchased a total of 66,691 shares of common stock for approximately $2 million under the program. These repurchases took place during first half 2009 and all common stock purchases under the program were made in open-market transactions.

NOTE 5: SHARE-BASED COMPENSATION

We granted 1,504,850 stock options, 94,850 stock appreciation rights and 238,344 restricted stock units in 2009. In addition, 193,982 outstanding restricted stock unit awards vested during 2009, resulting in the issuance of 134,452 shares of common stock. The number of stock units vested and the number of common shares issued will differ as a portion of the shares awarded are withheld to cover employee taxes.

STOCK OPTIONS

Most of the stock options were granted with the following standard vesting and post-termination vesting terms:

- options vest ratably over 4 years;
- options either vest or continue to vest in the event of death, disability, retirement or involuntary termination; and
- options must be exercised within 10 years of the grant date.

In addition, we granted 295,600 stock options to certain executives with the following vesting terms and post-termination provisions:

- options vest at the end of a 4-year required service period;
- options fully or partially vest in the event of death, disability or involuntary termination; and
- unvested options will be forfeited in the event of retirement.

The weighted average exercise price of all of the stock options granted in 2009 was $25.29.

Weighted Average Assumptions Used in Estimating the Value of Stock Options Granted in 2009

	10-YEAR STANDARD OPTIONS	10-YEAR EXECUTIVE OPTIONS
Expected volatility	36.61%	36.51%
Expected dividends	3.95%	3.95%
Expected term (in years)	6.16	7.08
Risk-free rate	2.54%	2.75%
Weighted average grant date fair value	$ 6.50	$ 6.69

STOCK APPRECIATION RIGHTS

Stock appreciation rights represent liability-classified awards that are remeasured to reflect the fair value at each reporting period. The following table shows the weighted average assumptions applied to all outstanding stock appreciation rights as of September 30, 2009.

Weighted Average Assumptions Used to Remeasure the Value of Stock Appreciation Rights as of September 30, 2009

	September 30, 2009
Expected volatility	43.23%
Expected dividends	0.55%
Expected term (in years)	3.88
Risk-free rate	1.83%
Weighted average fair value	$ 6.74

RESTRICTED STOCK UNITS

The weighted average fair value of the restricted stock units granted in 2009 was $25.41. Standard vesting and post-termination vesting terms for restricted stock units granted in 2009 were as follows:

- restricted stock units vest ratably over 4 years; and
- restricted stock units will be forfeited upon termination of employment for any reason, including retirement or involuntary termination.

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NOTE 6: CHARGES FOR FOREST PRODUCTS RESTRUCTURING, CLOSURES AND ASSET IMPAIRMENTS

Actions related to the following Wood Products operations, coupled with corporate restructuring, resulted in the majority of closure and restructuring charges in 2008 and 2009:

TYPE OF OPERATION	LOCATION	CURRENT STATUS
Softwood lumber	Aberdeen, WA	Permanently closed
	Coburg, OR	Permanently closed
	Carrot River, SK	Permanently closed
	Dallas, OR	Permanently closed
	Green Mountain, WA	Permanently closed
	Kamloops, BC	Permanently closed
	Pine Hill, AL	Indefinitely closed
	Taylor, LA	Permanently closed
	Wright City, OK	Indefinitely closed
Veneer and plywood	Aberdeen, WA	Permanently closed
	Dodson, LA	Indefinitely closed
	Hudson Bay, SK	Permanently closed
	Pine Hill, AL	Indefinitely closed
Engineered I-joists	Evergreen, AL	Indefinitely closed
	Valdosta, GA	Indefinitely closed
Engineered wood products	Colbert, GA	Indefinitely closed
	Deerwood, MN	Indefinitely closed
	Evergreen, AL	Indefinitely closed
	Hazard, KY	Indefinitely closed
	Junction City, OR	Indefinitely closed
	Simsboro, LA	Indefinitely closed
Strand technology	Drayton Valley, AB	Permanently closed
	Hudson Bay, SK	Indefinitely closed
	Miramichi, NB	Permanently closed
	Wawa, ON	Indefinitely closed
Hardwood lumber	Delta, BC	Permanently closed
Trus Joist® Commercial division	Various	Sold
Trucking	Albany, OR	Permanently closed
iLevel® service centers	7 U.S. distribution facilities	Sold
	9 U.S. distribution facilities	Permanently closed

We review the carrying value of our assets whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable through future operations. These events or changes in circumstances may include, but are not limited to:

- decisions made to curtail, close, sell or restructure operations;
- changes in the expected use of assets; and
- significant or prolonged adverse changes in financial markets and economic conditions in markets in which we operate.

Charges for Forest Products restructuring, closures and asset impairments for the quarters and year-to-date periods ended September 30, 2009, and September 28, 2008, include:

DOLLAR AMOUNTS IN MILLIONS	QUARTER ENDED SEPTEMBER 30, 2009	QUARTER ENDED SEPTEMBER 28, 2008	YEAR-TO-DATE ENDED SEPTEMBER 30, 2009	YEAR-TO-DATE ENDED SEPTEMBER 28, 2008
Restructuring and closure charges:				
Termination benefits	$ 4	$ 10	$ 83	$ 86
Pension and postretirement charges	61	(2)	96	(1)
Other restructuring and closure costs	2	1	16	9
	67	9	195	94
Less: discontinued operations		1		(7)
Charges for restructuring and closures	**$ 67**	**$ 10**	**$ 195**	**$ 87**
Asset Impairments:				
Long-lived assets	$ 36	$ 59	$ 60	$ 136
Goodwill		6	3	11
Other assets		1	11	6
	36	66	74	153
Less: discontinued operations		(1)		(6)
Impairment of goodwill and other assets	**$ 36**	**$ 65**	**$ 74**	**$ 147**

The restructuring and closure charges recognized in 2009 are primarily related to corporate restructuring activities and the Wood Products closures and curtailments listed in the above table. Restructuring activities in third quarter 2009 include a $60 million noncash pension charge triggered by the amount of lump-sum distributions paid in 2009 to former employees see Note 13: Pension and Other Postretirement Benefit Plans for more information. Additional costs were recognized in 2009 in connection with previously announced facility closures.

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The restructuring and closure charges recognized in 2008 primarily include charges for permanent closures and curtailments listed in the above table and other costs recognized in connection with previously announced closures.

Long-lived asset impairment charges were $60 million in 2009, of which $48 million related to Wood Products facilities and corporate-region buildings. The fair values of the assets were determined using significant other observable inputs (Level 2) based on market quotes and significant unobservable inputs (Level 3) based on discounted cash flow models. The remaining $12 million relates to software costs.

Long-lived asset impairment charges in 2008 related primarily to capitalized interest on impaired Real Estate projects and Wood Products facility closures and curtailments listed in the above table.

Goodwill impairment charges recognized in 2009 relate to goodwill in our hardwoods and industrial wood products reporting unit. Goodwill impairment charges recognized in 2008 relate to operations in our iLevel® wood products reporting unit.

Changes in accrued termination benefits related to restructuring and facility closures during the year-to-date period ended September 30, 2009, were as follows:

DOLLAR AMOUNTS IN MILLIONS	
Accrued severance as of December 31, 2008	$ 53
Charges	83
Payments	(98)
Other adjustments	5
Accrued severance as of September 30, 2009	**$ 43**

The majority of the accrued severance balance as of September 30, 2009, is expected to be paid within one year.

NOTE 7: OTHER OPERATING INCOME, NET

Other operating income, net:

- excludes our Real Estate operations,
- includes both recurring and occasional income and expense items and
- can fluctuate from year to year.

Various Income and Expense Items Included in Forest Products Other Operating Income, Net

DOLLAR AMOUNTS IN MILLIONS	QUARTER ENDED SEPTEMBER 30, 2009	QUARTER ENDED SEPTEMBER 28, 2008	YEAR-TO-DATE ENDED SEPTEMBER 30, 2009	YEAR-TO-DATE ENDED SEPTEMBER 28, 2008
Gain on sale of non-strategic timberlands	$ (163)	$	$ (163)	$
Gain on sale of Containerboard, Packaging and Recycling		(1,173)		(1,173)
Gain on sale of Australian operations		(211)		(211)
(Gain) loss on sale of assets and other operations	1	(6)	(22)	(25)
Foreign exchange (gain) loss	(17)	13	(34)	21
Litigation (reimbursements) expense, net		(6)	9	30

Land management income	(5)	(7)	(14)	(16)
Environmental remediation reserve adjustments		1		18
Insurance recoveries			(13)	(6)
Gain on change in postretirement benefits				(52)
Other, net		21	(18)	4
	(184)	(1,368)	(255)	(1,410)
Less: discontinued operations		(1,361)		(1,402)
Total other operating income, net	**$ (184)**	**$ (7)**	**$ (255)**	**$ (8)**

Foreign exchange (gains) losses result primarily from changes in exchange rates between the U.S. dollar and the Canadian dollar.

The $163 million pretax gain on sale of non-strategic timberlands resulted from the sale of 140,000 acres in northwestern Oregon in third quarter 2009.

The total pretax gain on the 2008 sale of our Australian operations was $217 million; $211 million was recorded in other operating income, net and $6 million was recorded in equity in income of affiliates. The full $217 million is presented on the Consolidated Statement of Earnings as earnings from discontinued operations, net of taxes.

NOTE 8: REAL ESTATE ASSET IMPAIRMENTS AND OTHER RELATED CHARGES

We review homebuilding long-lived assets and investments within our Real Estate segment for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. These assets are stated at cost unless events or circumstances trigger an impairment review. If a triggering event occurs and the asset s carrying amount is not recoverable, we record an impairment loss, which is the difference between the asset s book value and fair value. The determination of fair value is based on appraisals and market pricing of comparable assets when that information is available, or the discounted value of estimated future net cash flows from these assets.

During 2008 and 2009, unfavorable market conditions caused us to re-evaluate our strategy to develop certain projects, reduce sales prices, and increase customer incentives. The recoverability of our investments was reassessed, which triggered impairment charges. Asset impairments are recorded as adjustments to the cost basis of inventory and investments.

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Total Real Estate Impairment and Other Related Charges

DOLLAR AMOUNTS IN MILLIONS	QUARTER ENDED SEPTEMBER 30, 2009	QUARTER ENDED SEPTEMBER 28, 2008	YEAR-TO-DATE ENDED SEPTEMBER 30, 2009	YEAR-TO-DATE ENDED SEPTEMBER 28, 2008
Impairments of long-lived assets and other related charges:				
Charges attributable to Weyerhaeuser shareholders:				
Real estate impairments	$ 41	$ 226	$ 90	$ 505
Write-off of pre-acquisition costs	2	4	37	16
Other impairment related charges			3	
	43	230	130	521
Charges attributable to noncontrolling interests	3		11	26
Total impairments of long-lived assets and other related charges	46	230	141	547
Impairments of investments and other related charges:				
Charges attributable to Weyerhaeuser shareholders	(1)	6	28	81
Charges attributable to noncontrolling interests	1	4	4	36
Total impairments of investments and other related charges		10	32	117
Total Real Estate impairments and other related charges	**$ 46**	**$ 240**	**$ 173**	**$ 664**

The write-off of pre-acquisition costs primarily relates to forfeited deposits on options to purchase land. The charge for third quarter 2009 includes the forfeiture of a deposit on one project that was planned for development of approximately 385 residential lots. As of September 30, 2009, we control approximately 64,000 lots under option.

Impairments of investments and other related charges relate to loans and investments in unconsolidated entities.

In addition to the Real Estate charges included above, Forest Products has recorded charges for the impairment of interest that previously was capitalized on Real Estate assets of $1 million and $19 million in third quarters 2009 and 2008, respectively, and $2 million and $47 million during the year-to-date periods ended September 30, 2009, and September 28, 2008, respectively. These charges are classified as Forest Products charges for asset impairments in the accompanying Consolidated Statement of Earnings.

Given the current economic environment, approximately one-third of our 118 real estate projects had triggering events in third quarter 2009 that required the project to be reviewed for recoverability. Of the projects that were reviewed, 12 were impaired.

Additional fair value information related to the Real Estate assets that were impaired in third quarter 2009 is provided in the following table:

DOLLAR AMOUNTS IN MILLIONS	Fair Value of Impaired Assets at September 30, 2009	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Impairment Charges in Third Quarter 2009
Real estate held for sale or development	$ 59	$	$ 48	$ 11	$ 41

The significant unobservable inputs (Level 3) reported above are discounted future cash flows of the projects. We use present value techniques based on discounting the estimated cash flows at a rate commensurate with the inherent risks associated with the assets and related estimated cash flow streams. Discount rates applied to the estimated future cash flows of our homebuilding assets in third quarter 2009 ranged from 12 percent to 21 percent. See Critical Accounting Policies in Management s Discussion and Analysis for additional information regarding our evaluation of real estate impairments.

NOTE 9: RESTRUCTURING OF URUGUAY JOINT VENTURES

In April 2008, we completed the process of restructuring our ownership interests in Uruguay and partitioned the timberland and other assets formerly owned through a joint venture. As part of the partitioning, we contributed $23 million, net of cash acquired, to obtain full ownership of a plywood mill formerly owned through the joint venture. These assets and the results of their operations were consolidated in the accompanying financial statements as of April 2008. An estimated noncash restructuring gain of $101 million was recorded in our Corporate and Other segment during second quarter 2008. An additional $149 million gain was recorded in fourth quarter 2008 when the valuation of the partitioned assets was finalized. There was no tax provision on the gain primarily due to a forestry exemption from income taxes in Uruguay, and the fact that the assets are considered indefinitely invested.

NOTE 10: INVENTORIES

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

DOLLAR AMOUNTS IN MILLIONS	SEPTEMBER 30, 2009	DECEMBER 31, 2008
Logs and chips	$ 26	$ 63
Lumber, plywood, panels and engineered lumber	155	260
Pulp and paperboard	95	126
Other products	82	103
Materials and supplies	140	150
Total inventories	**$ 498**	**$ 702**

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NOTE 11: ACCRUED LIABILITIES

Forest Products accrued liabilities were comprised of the following:

DOLLAR AMOUNTS IN MILLIONS	SEPTEMBER 30, 2009	DECEMBER 31, 2008
Wages, salaries, severance and vacation pay	$ 261	$ 334
Pension and postretirement	83	88
Income taxes	2	53
Taxes Social Security and real and personal property	39	41
Interest	58	120
Dividends		53
Customer rebates and volume discounts	41	70
Deferred mineral income	32	34
Other	192	192
Total accrued liabilities	**$ 708**	**$ 985**

NOTE 12: FAIR VALUE OF FINANCIAL INSTRUMENTS

This note provides details about our:

- debt and
- other financial instruments.

FAIR VALUE OF DEBT

The fair value of our long-term debt was $5.3 billion as of September 30, 2009. The estimated fair values and carrying values consisted of the following:

DOLLAR AMOUNTS IN MILLIONS	September 30, 2009 Carrying Value	September 30, 2009 Fair Value	December 31, 2008 Carrying Value	December 31, 2008 Fair Value
Financial Liabilities:				
Long-term debt (including current maturities)				
Forest Products	$ 5,191	$ 4,938	$ 5,560	$ 4,605
Real Estate	$ 404	$ 392	$ 456	$ 381

To estimate the fair value of long-term debt, we used the following valuation approaches:

- market approach based on quoted market prices for the same types and issues of our debt; or
- income approach based on the discounted value of the future cash flows using market yields for the same type and comparable issues of debt.

The inputs to the valuations of our long-term debt instruments are based on market data obtained from independent sources or information derived principally from observable market data.

The difference between the fair value and the carrying value represents the theoretical net premium or discount we would pay or receive to retire all debt at the measurement date.

SUBSEQUENT EVENT   DEBT OFFERING

On October 1, 2009, we issued notes totaling $500 million. The notes are unsecured senior obligations bearing an interest rate of 7.375 percent due October 1, 2019. The net proceeds after deducting the discount, underwriting fees and issuance costs were $491 million.

FAIR VALUE OF OTHER FINANCIAL INSTRUMENTS

We believe that our other financial instruments, including cash, short-term investments, receivables, and payables, have net carrying values that approximate their fair values with only insignificant differences. This is primarily due to:

- the short-term nature of these instruments,
- carrying short-term investments at expected net realizable value and
- the allowance for doubtful accounts.

We also have long-term investments that are classified as available-for-sale securities. These securities carrying values approximate their fair values.

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NOTE 13: PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

We recognized net pension and other postretirement benefit costs of $10 million and credits of $77 million during the year-to-date periods ended September 30, 2009, and September 28, 2008, respectively. The components of net periodic benefit credits (costs) are:

	PENSION			
	QUARTER ENDED		YEAR-TO-DATE ENDED	
DOLLAR AMOUNTS IN MILLIONS	SEPTEMBER 30, 2009	SEPTEMBER 28, 2008	SEPTEMBER 30, 2009	SEPTEMBER 28, 2008
Service cost	$ (14)	$ (19)	$ (43)	$ (79)
Interest cost	(67)	(73)	(206)	(224)
Expected return on plan assets	114	141	354	428
Amortization of gain (loss)	(8)	8	(22)	18
Amortization of prior service costs	(4)	(6)	(14)	(23)
Loss due to curtailment, settlement and special termination benefits	(62)	(58)	(93)	(59)
Total net periodic benefit credits (costs)	**$ (41)**	**$ (7)**	**$ (24)**	**$ 61**

	OTHER POSTRETIREMENT BENEFITS			
	QUARTER ENDED		YEAR-TO-DATE ENDED	
DOLLAR AMOUNTS IN MILLIONS	SEPTEMBER 30, 2009	SEPTEMBER 28, 2008	SEPTEMBER 30, 2009	SEPTEMBER 28, 2008
Service (cost) credit	$ 1	$ (1)	$ (1)	$ (11)
Interest cost	(9)	(13)	(28)	(45)
Amortization of loss	(4)	(6)	(12)	(15)
Amortization of prior service credits	22	30	63	35
Gain (loss) due to curtailment and special termination benefits			(8)	52
Total net periodic benefit credits	**$ 10**	**$ 10**	**$ 14**	**$ 16**

The 2009 curtailments and special termination benefits are related to involuntary terminations due to restructuring activities and the closure of Wood Products facilities.

During third quarter 2009, amendments were approved for our postretirement medical and life insurance benefits for certain retirees and employees covered by plans in Canada. The changes to the Canadian plans included a decrease in the amounts we will pay for postretirement medical and life insurance for certain retirees and employees. Due to the changes, the plans liabilities were remeasured as of August 31, 2009, using a discount rate of 5.9 percent.

During third quarter 2009, the cumulative lump-sum distributions for the year triggered a settlement in the U.S. qualified pension plan for salaried employees. The plan s assets and liabilities were remeasured as of August 31, 2009 the date the settlement was triggered. The assets were remeasured to their estimated fair values. The liabilities were remeasured using a discount rate of 6.1 percent.

The net effect of these third quarter 2009 plan amendments, settlements and related plan remeasurements was:

- a $60 million pension settlement charge recognized in third quarter 2009;
- a $53 million reduction in pension and postretirement liabilities; and

a $79 million net credit in cumulative other comprehensive income (loss) (OCI) which is comprised of a $113 million pretax credit to cumulative OCI, net of $34 million in deferred taxes.

During second quarter 2008, we announced amendments to our postretirement medical and life insurance benefit plans for U.S. salaried employees that reduced or eliminated certain medical and life insurance benefits that were available to both past and present employees. These changes resulted in a $52 million curtailment gain recognized in second quarter 2008 for full recognition of the pre-existing prior service credit for affected employees.

During third quarter 2008, we recognized a $59 million charge for settlement of the qualified pension plan that was transferred to International Paper and other plan curtailments and special termination benefits related to the transaction. This charge was included in the net gain on the sale of the Containerboard, Packaging and Recycling business and is presented in discontinued operations in the accompanying Consolidated Statement of Earnings.

FAIR VALUE OF PENSION PLAN ASSETS

As disclosed in our Annual Report on Form 10-K for the year ended December 31, 2008, the value reported for our pension plan assets at the end of 2008 was estimated. Additional information regarding the year-end values generally becomes available to us during the first half of the following year. We finalized the valuations of our pension plan assets during second quarter 2009. Based on the final valuations, the year-end value of the pension plan assets was less than the estimated values reported as of December 31, 2008.

Use of the final valuations would have changed our balance sheet as of December 31, 2008, as follows:

- $137 million decrease in deferred pension and other assets;
- $149 million increase in deferred pension, other postretirement benefits and other liabilities;
- $103 million decrease in the liability for deferred income taxes; and
- $183 million net increase in cumulative other comprehensive loss, which would have resulted in a reduction in total Weyerhaeuser shareholders interest.

The above adjustments were recorded in first half 2009. Further adjustments were made to the balance sheet as of September 30, 2009, as a result of the remeasurement of the U.S. qualified pension plan for salaried employees discussed above.

RECEIVABLES FROM PENSION TRUST

During 2008 and first quarter 2009, we provided short-term liquidity to the U.S. pension trust through short-term loans. As of September 30, 2009, we have total receivables from the pension trust of $285 million. These loans do not affect the net funded status of the pension plans and therefore do not change any of the balance sheet effects discussed above.

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EXPECTED PENSION FUNDING

During 2009:

- We are not required to make any contributions to our U.S. qualified pension plans.
- We expect to pay benefits of approximately $19 million for our U.S. nonqualified pension plans.
- We are required to contribute approximately $7 million to our Canadian pension plans (registered and nonregistered) in accordance with the minimum funding rules of the respective provincial regulations. We also chose to make voluntary contributions of approximately $10 million to our largest registered plan during second quarter 2009. In addition, we made contributions of $5 million to our largest registered plan in October 2009 $3 million of voluntary contributions and $2 million that was required due to a partial windup of the plan for Ontario members in 2008.
- We expect to pay benefits of approximately $64 million for our U.S. and Canadian other postretirement benefit plans.

2010 CHANGES TO U.S. RETIREMENT PLAN

On August 6, 2009, we announced changes to the Weyerhaeuser Company Retirement Plan for Salaried Employees (the pension plan for U.S. employees receiving salaried benefits) for service earned on and after January 1, 2010. The changes include a reduced pension benefit, changes in how benefits payable before age 65 are determined and a change from a single lump sum optional form of payment to an option for seven equal annual installments. There will be no change in the plan s Projected Benefit Obligation (PBO) for the 2009 plan year as a result of these changes. The changes also increased the minimum benefit under the plan for all years of service including those earned prior to January 1, 2010. This change will have an immaterial impact on the plan s PBO. The effects of these changes will be reflected in the year end disclosures. All of these changes will impact net periodic pension benefit credits (costs) and required funding, if any, beginning in 2010.

NOTE 14: COMPREHENSIVE INCOME (LOSS)

Our comprehensive income (loss) attributable to Weyerhaeuser common shareholders, net of tax, was income of $106 million for third quarter 2009 and a loss of $415 million for year-to-date 2009.

Items Included in Our Comprehensive Income (Loss)

DOLLAR AMOUNTS IN MILLIONS	QUARTER ENDED SEPTEMBER 30, 2009	QUARTER ENDED SEPTEMBER 28, 2008	YEAR-TO-DATE ENDED SEPTEMBER 30, 2009	YEAR-TO-DATE ENDED SEPTEMBER 28, 2008
Consolidated net earnings (loss)	$ (5)	$ 275	$ (387)	$ (28)
Other comprehensive income (loss):				
Foreign currency translation adjustments	44	(37)	76	(71)
Actuarial net losses, net of tax		(213)	(175)	(187)
Prior service credits, net of tax	61	2	53	170
Net derivative gains (losses) on cash flow hedges, net of tax		(6)		15
Reclassification of net gains (losses) on cash flow hedges, net of tax		1	(1)	(6)
Unrealized gains (losses) on available-for-sale securities	1		2	(1)
Total other comprehensive income (loss)	106	(253)	(45)	(80)

Total comprehensive income (loss)	101	22	(432)	(108)
Less: comprehensive loss attributable to noncontrolling interests	5	5	17	64
Comprehensive income (loss) attributable to Weyerhaeuser common shareholders	**$ 106**	**$ 27**	**$ (415)**	**$ (44)**

The net actuarial loss and net prior service credits recognized in 2009 reflect the following changes as disclosed in Note 13: Pension and Other Postretirement Benefit Plans:

In first half we adjusted the net funded status of our pension plans as of December 31, 2008;

In third quarter we announced changes to and remeasured our postretirement benefit plans in Canada; and

In third quarter we remeasured our U.S. qualified pension plan for salaried employees.

Cumulative Other Comprehensive Loss

Our cumulative other comprehensive loss, net of tax, was $540 million as of September 30, 2009.

Items Included in Our Cumulative Other Comprehensive Loss

DOLLAR AMOUNTS IN MILLIONS	SEPTEMBER 30, 2009	DECEMBER 31, 2008
Foreign currency translation adjustments	$ 374	$ 298
Net pension and other postretirement benefit loss not yet recognized in earnings, net of tax	(1,069)	(894)
Prior service credit not yet recognized in earnings, net of tax	152	99
Cash flow hedge fair value adjustments, net of tax		1
Unrealized gains on available-for-sale securities	3	1
Total cumulative other comprehensive loss	**$ (540)**	**$ (495)**

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NOTE 15: LEGAL PROCEEDINGS, COMMITMENTS AND CONTINGENCIES

This note provides details about our:

- legal proceedings and
- environmental matters.

LEGAL PROCEEDINGS

Major legal proceedings involving us described in this section are:

- hardboard siding claims and
- alder antitrust litigation.

We also are 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 United States 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 expires 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.

Status. Total claims and litigation costs paid through September 30, 2009, were $112 million. The reserve for future claim payments was $5 million as of September 30, 2009. We have recovered a total of $52 million through negotiated settlements with our insurance carriers.

We have no litigation pending with any persons or entities that have opted out of the class. However, it is possible that persons 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

	YEAR-TO-DATE ENDED SEPTEMBER 30, 2009	YEAR ENDED DECEMBER 31, 2008	YEAR ENDED DECEMBER 30, 2007
Number of claims filed during the period	1,775	1,755	1,460
Number of claims resolved	2,095	1,410	1,980
Number of claims unresolved at end of period	990	1,310	965
Number of damage awards paid	1,570	1,070	1,200
Average damage award paid	$ 1,269	$ 1,574	$ 2,100

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.

2008 We reduced our reserve by $13 million based on actual claims and litigation.

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Alder Antitrust Litigation

A class action lawsuit filed against us in 2004 in U.S. District Court in Oregon claimed:

- Weyerhaeuser had an alleged monopoly on the alleged alder sawlog market in the Pacific Northwest.
- Because of that alleged monopoly, we also were able to have a monopoly on or control the alleged market for finished alder in the Pacific Northwest.
- We allegedly charged monopoly prices for finished alder lumber in the Pacific Northwest.

Status. In April 2008, a jury found in favor of the class and imposed trebled damages of $84 million. In first quarter 2009, we reached an agreement to settle the case and established a reserve of $20 million. The settlement was approved by the District Court and took effect September 11, 2009. We paid the settlement amount October 1, 2009.

Sales during the class period to persons or entities opting out of the class were approximately $100 million. There have been no claims by persons or entities opting out of the class. However, it is possible that entities or persons who have opted out of the class may file lawsuits against us in the future. We have not established a reserve for the possibility of opt-out lawsuits. We also are unable to estimate at this time the amount of charges if any that may be required in the future.

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.

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, 2008	$ 37
Reserve charges and adjustments, net	(4)
Payments	(4)
Reserve balance as of September 30, 2009	**$ 29**
Total active sites as of September 30, 2009	**53**

The changes in our reserves for remediation costs reflect:

- new information on all sites concerning implementation of remediation alternatives,
- updates on prior cost estimates 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 $35 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 currently are 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 other potentially responsible parties 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.

Asbestos Management

Some of our sites have asbestos containing materials (ACM). We have met our current legal obligation to identify and manage these materials. In situations where we cannot reasonably determine when asbestos containing materials might be removed from the sites, we have not recognized a liability because its fair value cannot be reasonably estimated.

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NOTE 16: BUSINESS SEGMENTS

We are principally engaged in the growing and harvesting of timber; the manufacture, distribution and sale of forest products; and real estate development and construction. Our principal business segments are:

- Timberlands which includes logs; chips; timber; minerals, oil, gas; and international wood products;
- Wood Products which includes softwood lumber, engineered lumber, structural panels, hardwood lumber and building materials distribution;
- Cellulose Fibers which includes pulp, liquid packaging board and an equity interest in a newsprint joint venture;
- Real Estate which includes real estate development, construction and sales; and
- Corporate and Other which includes governance-related corporate support activities, transportation and results of international operations outside of North America that have been sold. We also may record gains or charges in the Corporate and Other segment related to dispositions or events that are not related to an individual operating segment.

In addition, we had Containerboard, Packaging and Recycling operations that were sold to International Paper in August 2008.

KEY FINANCIAL DATA BY BUSINESS SEGMENT

Effective with third quarter 2008, certain postretirement credits (costs) are no longer allocated to the Forest Products segments. These credits (costs) are reported in the Corporate and Other segment with the exception of our Real Estate segment and certain union-negotiated postretirement benefits that are reflected in the Cellulose Fibers segment. Postretirement credits (costs) due to curtailments, settlements or special termination benefits continue to be reported in the appropriate business segment and are not reflected in the table below. See Note 13: Pension and Other Postretirement Benefit Plans for more detailed information.

	QUARTER ENDED		YEAR-TO-DATE ENDED	
DOLLAR AMOUNTS IN MILLIONS	**SEPTEMBER 30, 2009**	**SEPTEMBER 28, 2008**	**SEPTEMBER 30, 2009**	**SEPTEMBER 28, 2008**
Net postretirement credits (costs):				
Timberlands	$	$	$	$ (2)
Wood Products				(13)
Cellulose Fibers	(2)	(1)	(5)	(7)
Real Estate		(1)		(3)
Containerboard, Packaging and Recycling				(10)
Corporate and Other	12	12	27	(1)
Total	**$ 10**	**$ 10**	**$ 22**	**$ (36)**

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An analysis and reconciliation of our business segment information to the respective information in the consolidated financial statements is as follows:

DOLLAR AMOUNTS IN MILLIONS	QUARTER ENDED SEPTEMBER 30, 2009	QUARTER ENDED SEPTEMBER 28, 2008	YEAR-TO-DATE ENDED SEPTEMBER 30, 2009	YEAR-TO-DATE ENDED SEPTEMBER 28, 2008
Sales to and revenues from unaffiliated customers:				
Timberlands	$ 193	$ 254	$ 558	$ 675
Wood Products	588	1,006	1,724	3,043
Cellulose Fibers	390	447	1,103	1,352
Real Estate	196	329	567	1,054
Containerboard, Packaging and Recycling		497		3,169