

# Keweenaw Land Association, Limited

## March Investor Presentation

March 2018





## Forward Looking Statement

Statements in this document may constitute “forward-looking” statements regarding Keweenaw and its business. Forward looking statements involve significant risks and uncertainties and are not representations as to or guarantees of future results. The risks and uncertainties include changes in general economic conditions generally or in the timber industry, disruptions in Keweenaw’s business, program implementation delays, cost increases, expenses relating to the REIT conversion and proxy contest, capital needs, and other adverse factors. Actual events may cause results to differ materially from those contemplated in the forward looking statements.



# Table of Contents

- Executive Summary
- Company Overview
- Industry Trends and Challenges
- Key Market Opportunities
- Financial Overview
- Why Cornwall's Directors are Not the Right Choice
- The Right Leadership and Board



# Executive Summary: Why We're Here



- ✓ Keweenaw's Board and management are **executing on the Company's strategic initiatives and driving long-term value creation.**
- ✓ **Record operating performance in 2017 shows that the Company's strategy is gaining momentum.**
- ✓ In the process of **converting to a REIT to enhance near-term returns to shareholders.**
- ✓ Recently adopted new growth initiative to fund further acquisitions of quality timberlands.
- ✓ **Current Board possesses deep timber industry expertise**, including manufacturing, international forestry, real estate and ESG experience.

CORNWALL CAPITAL

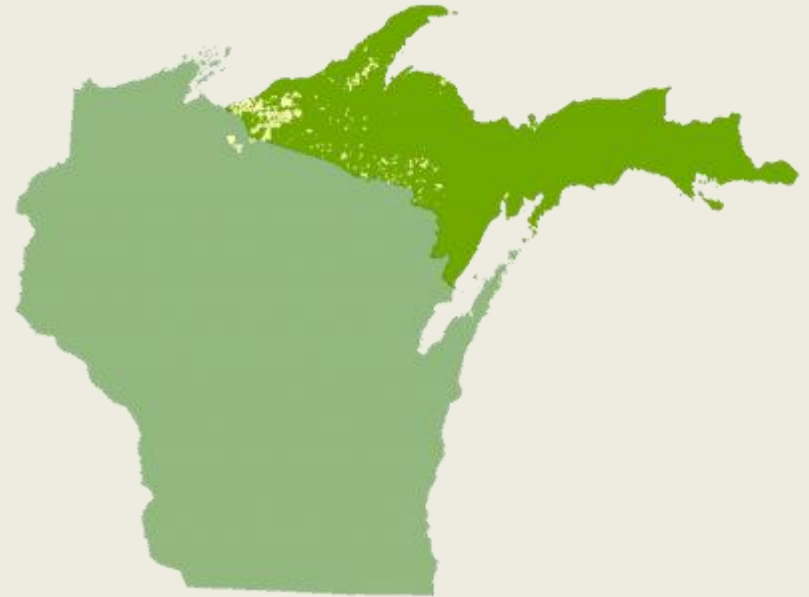


- ✗ Cornwall Capital – a New York hedge fund with two representatives already on the Board – has nominated three directors for election.
- ✗ If they are elected, **Cornwall would gain effective control of the Board** – which would then have more financial engineering professionals as directors than all other disciplines combined.
- ✗ Cornwall and its nominees are **not aligned with the long-term best interests of all shareholders**. Cornwall bought stock partially based on a faulty appraisal and misconceptions about the business, and now wants to liquidate their investment by any means necessary.
- ✗ Cornwall's nominees **do not have the industry knowledge and expertise necessary to run this company or create value** at Keweenaw, particularly if their control of the Board results in dismissal/exit of current management.



## Keweenaw at a Glance

- Major supplier of logs and pulpwood in the Lake States region
  - 185,750 acres of fee timberland
  - 402,000 acres of severed and attached mineral rights
  - Annual harvest of over 95,000 cords per year
  - Forest Stewardship Council (FSC) certified for over 20 years
  
- Principal Business Segments
  - Forest Management
  - Log Sales and Marketing
  - Real Estate
  - Minerals
  
- Market capitalization of \$130 million
  - 1.30 million shares outstanding
  - OTC: KEWL recent share price \$100





# A Deeper Look: Four Principal Business Segments

## Forest Management

- Owns and manages 185,750 acres of timberland in the Western Upper Peninsula of Michigan and Northern Wisconsin primarily consisting of northern hardwoods
- Actively manages timber and land assets to improve the quality and volume of standing timber

## Real Estate

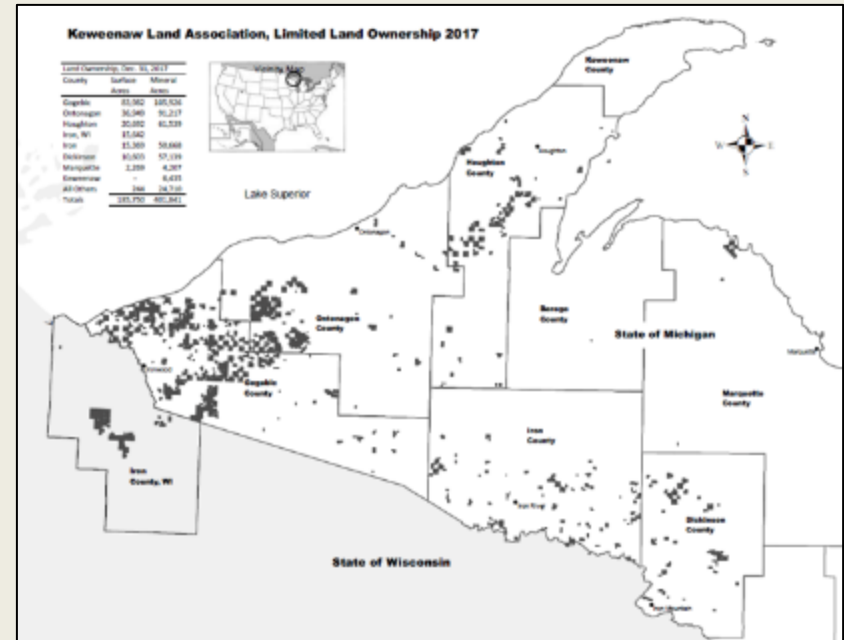
- Consolidating existing lands and acquiring quality timberland properties while disposing of HBU-purposed properties
- 6,709 acres under commercial, aggregate, mineral or recreation lease
- 25 developed property lots
- 8 miles of lake frontage along Lake Superior and Lake Gogebic and 30 miles of major river frontage

## Minerals

- 401,841 acres of severed and attached mineral rights
- Two active mining and mineral exploration leases with several areas of known copper and iron mineralization

## Log Sales and Marketing

- Harvests timber and sells logs directly to forest products companies both regionally and internationally
- Operates a log concentration yard, sorting and re-manufacturing logs to customer specifications
- Purchaser of open market stumpage and provider of fee based services







# Industry Trends and Challenges

**As a timberland company, our results can vary significantly depending on market conditions both locally and at the macro level**

- Steady decline in coated paper demand
- Continued consolidation of logging and trucking contractors
- Seasonality resulting in short-term imbalances in log supply and demand
- Environmental (insect, disease, weather)
- Regulatory (listing of northern brown bat, WOTUS)
- Log prices are driven by local factors relating to mill inventory and weather
  - In 2017, log supply outpaced mill demand across the region leading to lower prices across the mix of products and species harvested from Keweenaw's forest
  - This is not unusual in a business such as ours





# Strategy Overview

## Acquisition Strategy

- Practice price discipline in asset selection
- Leverage extensive market knowledge and relationships in Upper Peninsula region
- Focus on well-stocked hardwood timberlands with above average site productivity
- Target smaller properties owned by families and motivated sellers to achieve attractive pricing

## Management Strategy

- Enhance timber growth by selectively harvesting mature timber and thinning young stands to concentrate growth on higher value trees
- Capitalize and develop highest and best use (HBU) opportunities when available
- Evaluate conservation easements and low-cost financing to leverage investments
- Optimize all logging, hauling, sorting and merchandising operations to extract maximum profitability from each log

## Disposition Strategy

- Anticipate market cycles and dispose of assets during periods of attractive pricing
- Opportunistically monetize developed HBU opportunities when available and market pricing is favorable
- Utilize section 1031 exchanges where feasible to avoid current tax implications

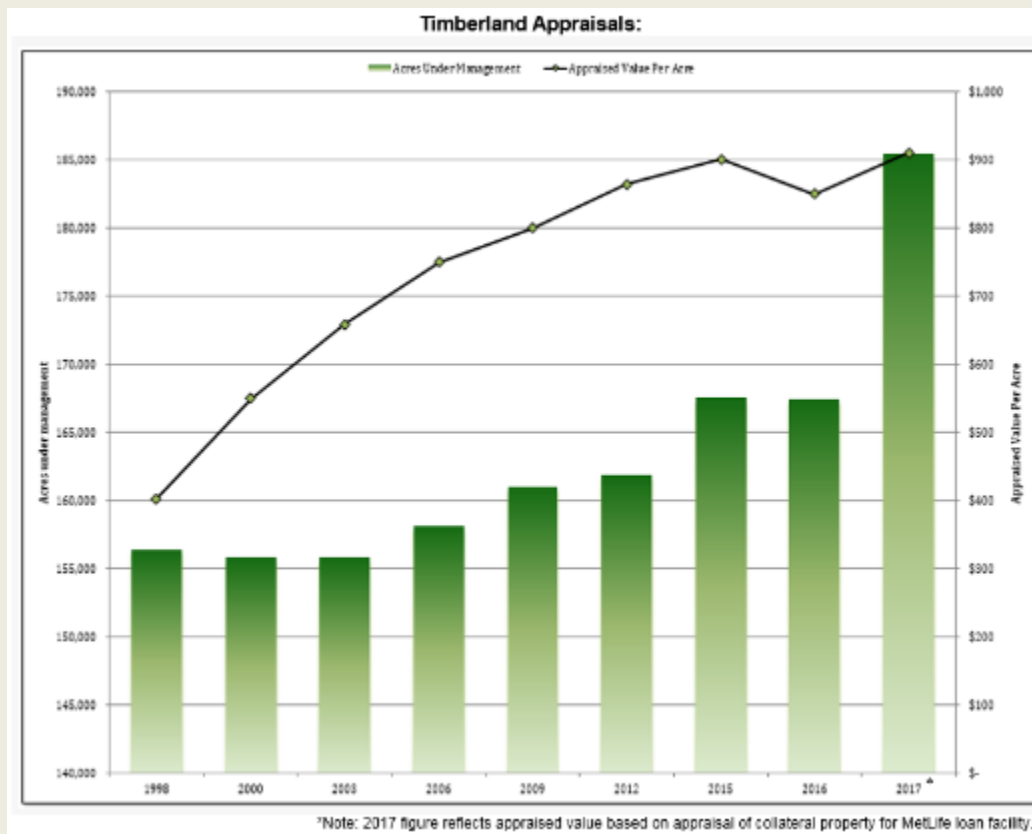
**The Company's timberland management strategy is focused on growing asset values over time**





# Our Asset Value-Generation Strategy is Working

The value of Keweenaw's assets on a per acre basis has risen steadily over time





# The Board is Committed to Improving Shareholder Value

**While the current stock price is not reflective of the value of Keweenaw's assets, the Company is focused on addressing this disparity**

- Focused on improving the quality and volume of timber through active forest management
- Acquiring productive timberlands while divesting of non-strategic properties
- Direct marketing of logs, which allows Keweenaw to maximize value in all market conditions
- Effective utilization of existing assets to generate additional sources of revenues
  - Purchasing open market stumpage
  - Providing additional fee based services to customers
  - Maximizing property and mineral lease income





## Addressing the TSR Critique

- As evidenced through the 5-year TSR, Keweenaw is a long-term investment and our long-term shareholders have reaped the benefits
- Keweenaw currently has a value gap due to its small scale, limited liquidity of its stock and unrealized gain as a result of timberland appreciation, which creates taxable effects
- At the Company's current size, no investor group prepared to make a minority investment near current NAV

<b>Keweenaw Land Association – Total and Relative Returns*</b>		
<b>Performance Over</b>		
<b><u>1 Year</u></b>	<b><u>3 Years</u></b>	<b><u>5 Years</u></b>
<b>1.5%</b>	<b>-6%</b>	<b>39%</b>

**Short-term investment metrics are not a suitable way to measure the Company's performance or future prospects**



# Keweenaw's Strategic Initiatives Through the Years

The Company continues to execute on its strategic plan to generate shareholder value by adding productive timberland assets, improving timber quality and optimizing returns through efficient management. The success of these initiatives is evident:

- Moved from stumpage sales to direct marketing of logs to capture higher margins
- Added over 59,000 acres of productive timberland since 1991
- Leased over 6,000 acres for mining and mineral exploration
- Developed a real estate development program to maximize HBU land values
- Formed a logging company to support timber management objectives

Initiated Strategic Review <b>1991</b>	Acquired 14,500 acres from PCA Exchanged 5,300 acres with Champion Int <b>1994</b>	Provided results of 1998 KLA appraisal to shareholders <b>1998</b>	Signed mining lease for Copperwood Project <b>2008</b>	Expanded log yard for new yard services business <b>2015</b>	Acquired 14,000 acres from Great Northern, LLC <b>2017</b>
Began direct marketing of logs to customers <b>1993</b>	Acquired 8,810 acres from Sparrow-Kenton Ironwood log yard began operations <b>1995</b>	Initiated Real Estate and HBU sales program <b>2003</b>	Acquired 4,960 acres from MWF Ned Lake <b>2013</b>	Formed Keweenaw Logging, LLC <b>2016</b>	



# 2017 Strategic Review

**Keweenaw is deeply committed to strategic initiatives designed to increase cash flows and better position the Company for future financial success**

- In 2017 the Company engaged Stifel, Nicolaus & Company, Inc. (Stifel), a highly-qualified investment bank, to explore the possibility of a sale
- Ultimately, the Board concluded that the proposed offers from potential buyers did not reflect the true value of the Company and would have netted to shareholders less proceeds than the lowest stock price over the last 12 months
  - This was due in part to the imbedded capital gains the Company has created over the past 25 years
- As a result, Stifel recommended to the Company that the sale process be suspended, and the Strategic Review Committee and the Board unanimously agreed to do so for the time being. The Company has focused on implementing additional elements of a strategic plan to create long-term shareholder value, including:
  - Plans to convert to a REIT effective for the 2018 tax year
  - Reviewing the Company's cost structure
  - Identifying land for potential conservation easements
  - Monetizing non-core assets

# Principal Business Segments: 2017 Performance Highlights







## Efficient Use of Existing Assets: Log Yard Expansion and Logging Company

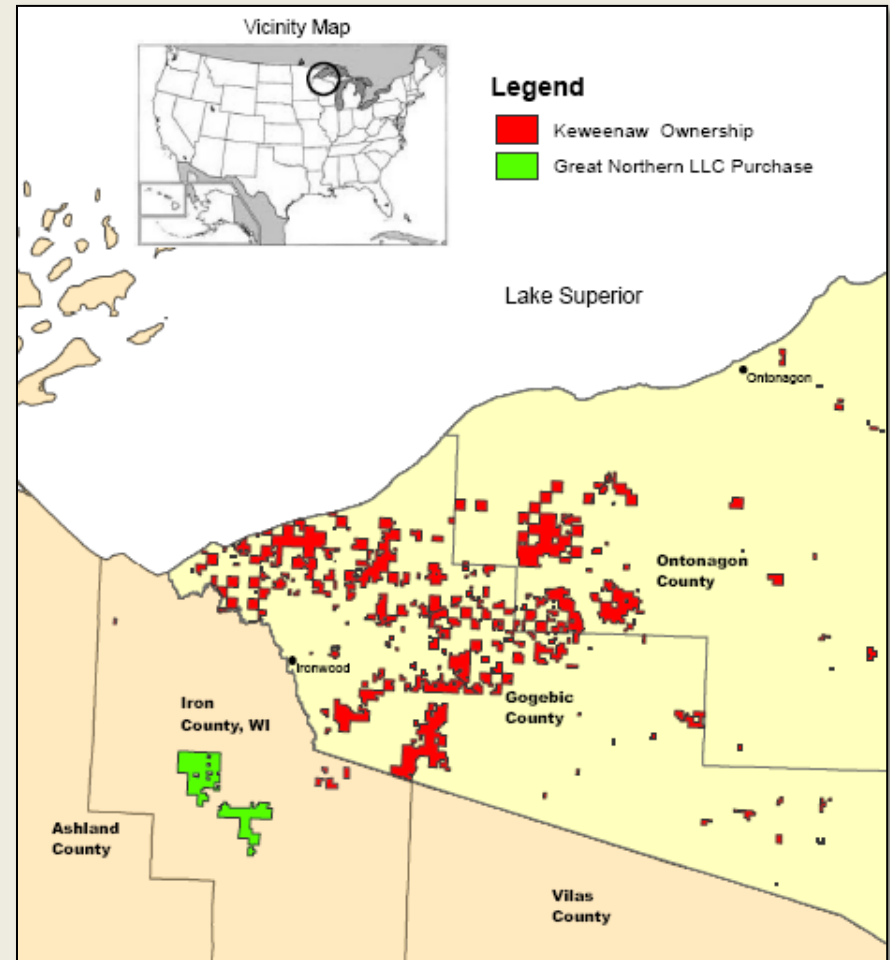
- Provided an additional source of revenue which enhanced Keweenaw's bottom line
- Generating inventory and handling fees of \$200,000 annually
- Logging company harvested approximately 10% of the annual timber harvest, primarily from company land
- By having our own dedicated operations, we have greater flexibility in timing allowing us to harvest certain areas in a more cost efficient manner





# Real Estate: Timberland Acquisitions

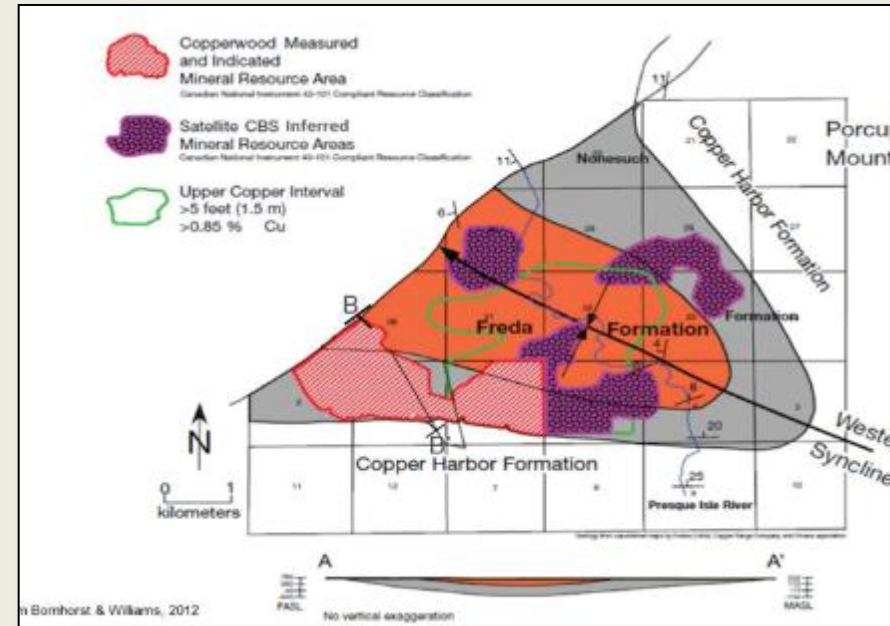
- Keweenaw made two acquisitions of investment grade timberlands in 2017 as part of our strategic plan of adding productive timberland within our operating region
- A total of 17,300 acres were added during the year, which will be accretive to harvest levels and provide for immediate cash flow opportunities
- These lands complement our existing ownership footprint and provide additional scale allowing us to spread our fixed costs over more acres
- Average acquisition price was \$897 per acre
  - Latest appraisal from MetLife valued existing timberlands at \$901 per acre





# Minerals: Highland Copper Project

- In late 2017, Highland began a feasibility study on the Copperwood project with the intent of making final determinations for project funding of mine construction
- Based on their public comments, this study is expected to be completed by mid-2018 with construction of the mine to begin in late 2018
- Commissioning of the mine would occur by 2020
- Expect royalties to exceed \$30 million in undiscounted cash flows



# Financial Overview

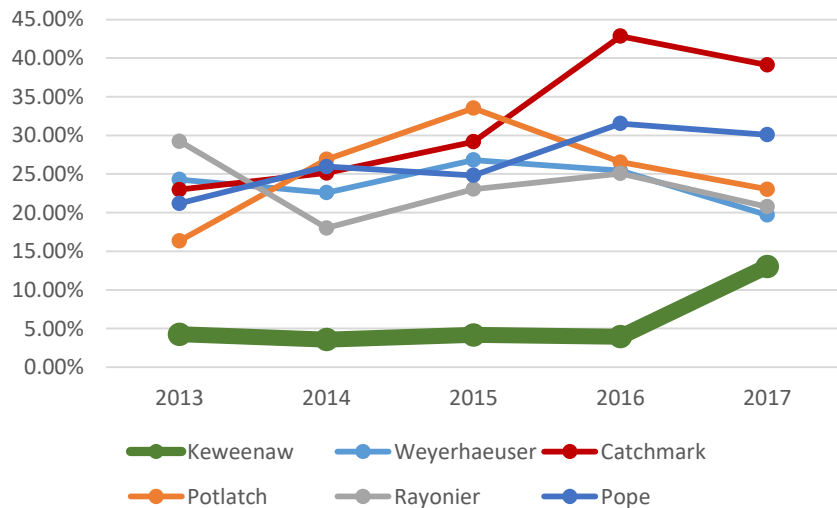




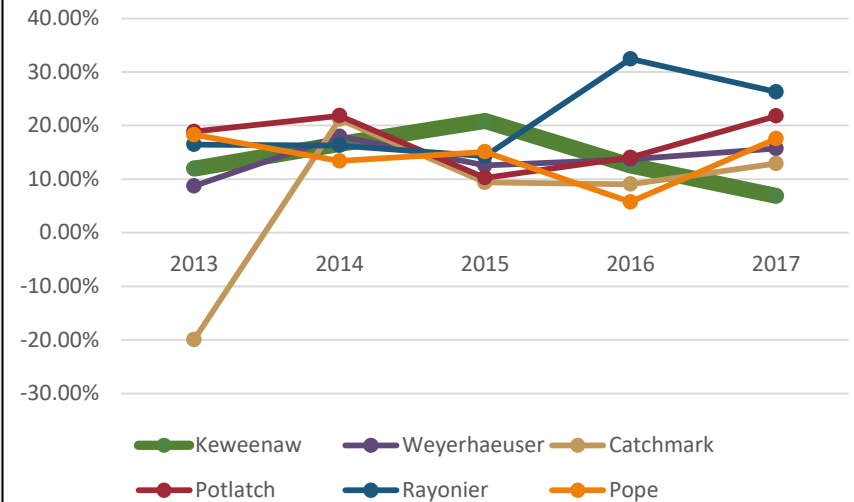
# Financial Overview – Comparison to Peers

Higher costs directly related to Cornwall's involvement has driven profitability lower

Debt to Enterprise Value  
2013 to 2017



Profitability Margin before Interest  
(EBIT/Revenue)  
2013 to 2017

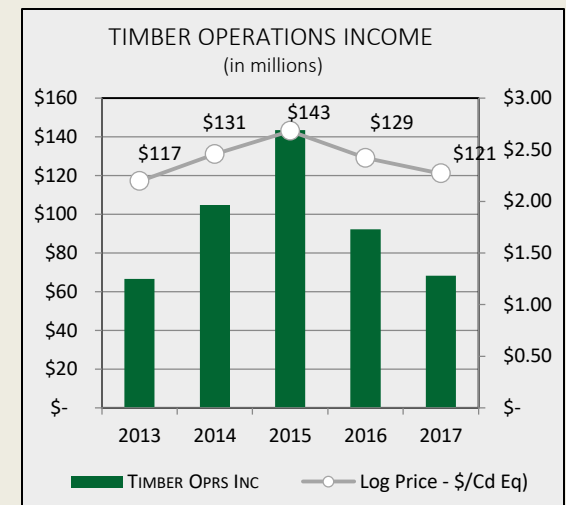
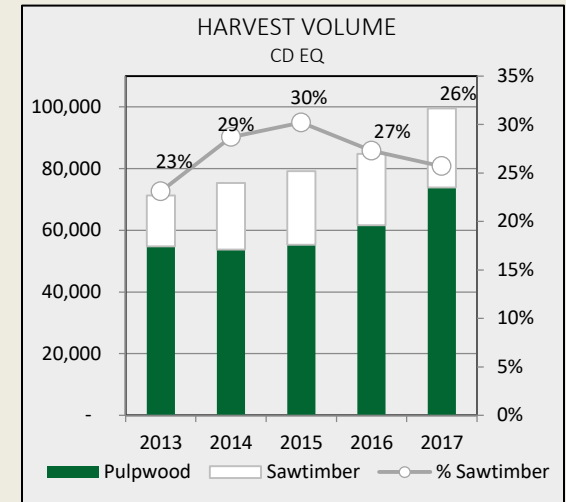


And Cornwall's complaint that the Company has a dangerous amount of debt is unfounded based on a comparison to Keweenaw's peers



# Financial Overview

- 2017 was a record year for timber harvest levels, which increased from company lands to 91,892 cd-eq compared to 82,141 cd-eq in 2016, a 12% increase
  - Current timber harvest levels total four times those of 25 years ago
- Acquired a total of 17,300 acres of investment timberland properties at an average acquisition price of \$896 per acre
- Divested of 74 acres of land better suited for other purposes for a gross sales price of \$2,226 per acre
- Revenue from timber sales increased to \$11.5 million compared to \$10.9 million in 2016
- Adjusted EBITDA was \$1.93 million, a 26% increase over the prior year
  - EBITDA was \$1.45 million compared to \$1.53 million in 2016
- The log yard expansion, which was completed in 2015, continued to provide an additional source of revenue which generated \$200,000 in inventory and handling fees







# Financial Overview

**Keweenaw's performance shows that the Company's strategy is gaining momentum.**

- ✓ In Q4 2017, the Company sold logs totaling \$3,375,908 – a 7% increase in timber sales compared to the same period in 2016
- ✓ 2017 was a record year for timber harvest levels from Company lands
- ✓ So far in 2018, Keweenaw is experiencing record harvest volumes for January and February
- ✓ The 2017 comprehensive timber cruise found that total standing timber volume was approximately 25% higher which indicated that the forest is growing faster than what current internal forest growth and yield models were predicting which is a direct result of our active management approach. **This is positive news for shareholders and represents ~ \$7.13 per share in additional asset value**
- ✓ Keweenaw's 5-year TSR of 39%\* demonstrates the long-term investment value of the stock

# Why Cornwall's Directors are Not the Right Choice





## Cornwall Capital: History with Keweenaw

- In 2016, the Company reached a settlement that added Cornwall designee Jan Loeb to the Board, joining Jamie Mai of Cornwall, who was already a board member.
  - These directors have been fully engaged in and aware of the strategic decisions made at the Company in the past year
  - Mai was on the Board during the strategic review process and both Loeb and Mai serve on the Board's Strategic Review Committee
  - In fact, Loeb is the Chair of the Strategic Review Committee
  - **Neither Cornwall representative on the committee raised any substantive issues during the strategic review – their criticism began when the sale process ended, because they didn't like the outcome**
  
- Both Cornwall appointees agreed that the offers received by Stifel were inadequate and recommended not to proceed with a transaction.

**The actions of Keweenaw's Board have demonstrated that the Company is willing to engage and work collaboratively with shareholders – up to a reasonable point**



# Cornwall Capital: Already Represented on the Board

**Loeb and Mai have been fully engaged in, and aware of, the strategic decision-making at the Company in the past year. They have not been shut out, except in conversations related to the proxy contest.**

- Cornwall didn't engage in their own due diligence on Keweenaw. They made **no effort to visit and understand the Company before investing or joining the Board**
- The Board meetings present opportunities for all directors to discuss their points of view, and the majority – not a minority – decides the strategic direction of the Company
- The Company's current Board members have worked to address Cornwall's questions openly and in-depth – spending dozens of hours educating the Cornwall representatives about the business and the industry
- The issue with Cornwall's representatives is that they are financial engineers, not timber experts

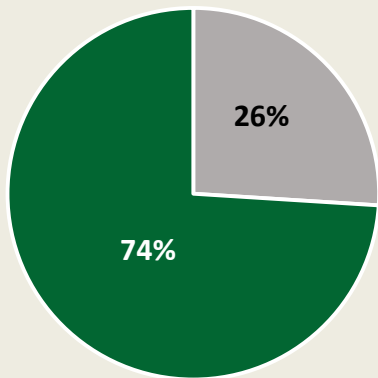
**They simply don't understand  
Keweenaw's business**



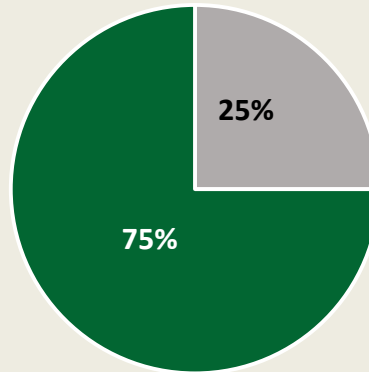
# Cornwall Capital: Already Fairly Represented

**Cornwall Capital's two current Board members – Jamie Mai and Jan Loeb – are an appropriate representation in line with Cornwall's 26% stake**

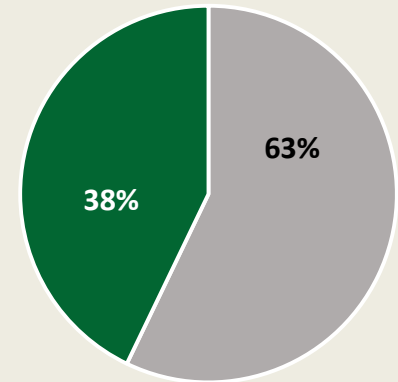
Cornwall's Stake



Current Board Representation



Cornwall's Goal: Control



■ Cornwall's Stake ■ Remaining Shares

■ Cornwall Representatives ■ Rest of Board

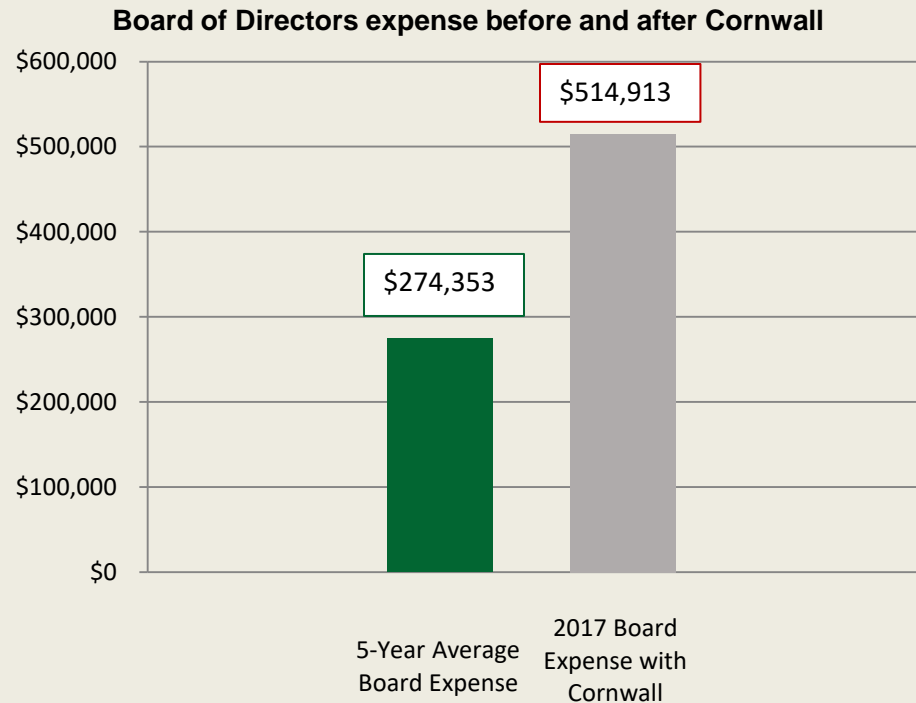
■ Cornwall Representatives ■ Rest of Board



# Cornwall Capital: The Real Reason Behind Higher Board Expenses

**Cornwall Capital claims Keweenaw's Board expenses are excessive, but in reality, these expenses are due to Cornwall actions**

- ✗ Prior to Cornwall's representatives joining the Board, director expenses averaged \$274,000 per year
- ✗ With Cornwall representatives on the Board, expenses have climbed to \$515,000
- ✗ If Cornwall's nominees are elected to the Board, expenses will likely continue to skyrocket







## Case in Point: The Real Reason Behind Higher Board Expenses

- Cornwall had requested to expense a roundtrip charter flight from Chicago, IL to Ironwood, MI for a Board meeting, as well as other “elite” travel expenses
- Cornwall’s full proxy solicitation expenses will also likely be charged to the Company if they are successful





## Cornwall Capital: No Plan for the Business

**Cornwall Capital wants control of Keweenaw's Board, but has offered no plan for how they would run the Company**

- × Cornwall's current Board representatives and nominees do not have a clear understanding of Keweenaw's business, so how can they have control of the Board?
- × What would happen to the business while these new directors are "learning on the job" about the industry and the Company?
- × Why should shareholders believe Cornwall's nominees are invested in the long-term success of the Company and not trying to make a quick buck?
- × What justifies removing the current, qualified Board – who is executing on a clear strategy – for New York City-based financiers with no clear plan?



# Cornwall Capital: No Relevant Timber Experience

**While Cornwall's nominees may know financial engineering, they do not have a working knowledge of the timber business – and how it is valued – compared to the current Board**

- × Cornwall's nominees do not have the industry knowledge and expertise necessary to create value at Keweenaw, and they are not aligned with the long-term best interests of all shareholders
- × Cornwall's nominees' skill sets are duplicative with those possessed by several current directors and do not bring differentiated expertise to the Board
- × Cornwall wants Keweenaw, a timber company, to have more financial engineering experience as directors than all other disciplines combined – including those with timber and/or forestry experience
- × Cornwall accepted a valuation of the company lands in 2014 that was double the actual value of those lands and based their investment on those numbers. Have they now become timberland experts?
- × If Cornwall replaces current management, how will these financial engineers with **no relevant industry experience** run a timber company?

**Couldn't they find anyone with timber experience to nominate to the Board?**



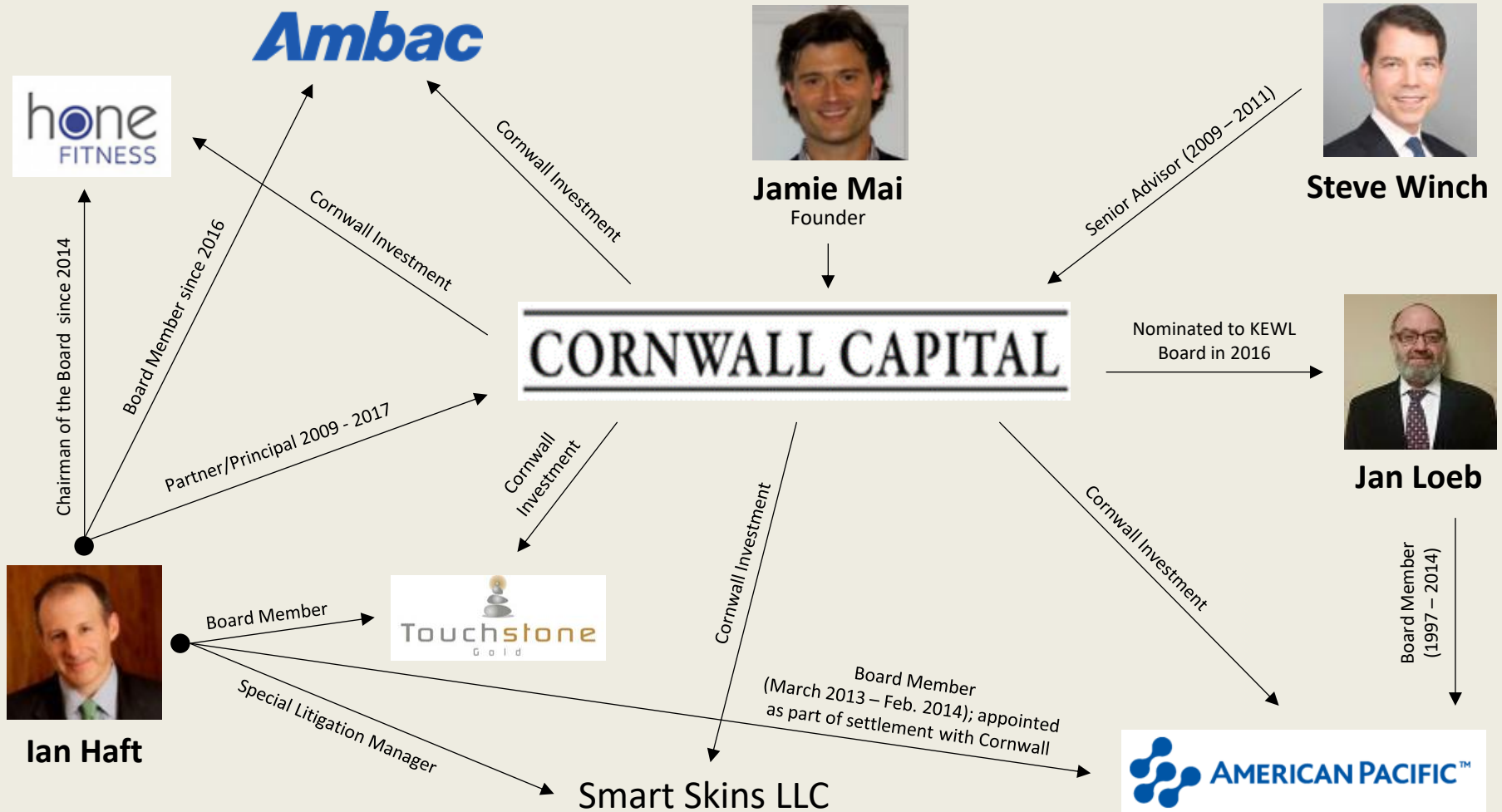
# Cornwall Capital: A Faulty Appraisal

**In 2014, Cornwall engaged a consultant to do an appraisal on Keweenaw property to determine timber and timberland values without the knowledge of Keweenaw. The resulting appraisal contained numerous flawed assumptions which resulted in faulty analysis by Cornwall.**

- Cornwall hired SilvaTerra to estimate standing timber inventory by satellite imagery. However, the inventory data was collected on adjoining property and not from Keweenaw's land. **No data was ever collected on Keweenaw property.**
- In the appraisal, the saw timber volume - which is the **most valuable component of the forest** - was **overstated by 72%** compared to Keweenaw's most recent cruise. **This was not recognized by Cornwall.** An error of this magnitude would have been obvious to any knowledgeable timberland investor.
- **Total timberland acreages were overstated by +6,000 acres** which led to an additional **\$9.5 million overstatement in value** even though Keweenaw has regularly published its actual timberland ownership on an annual basis.
- The resulting appraised value was \$275 million, or \$212 per share, just for the timber and timberland.
- Cornwall **did not recognize how flawed this analysis was** and made investment decisions partially based on this information. Rather than accept responsibility for their mistake, they are blaming the Company and are trying to liquidate their holdings regardless of the adverse impact to all other shareholders.
- In 2015, Keweenaw completed its own **third-party appraisal** and arrived at a value of **\$151 million or \$116 per share**, for the timber and timberland. **This value was consistent with market values in the region.**



# Cornwall Capital: Not-So-Independent Director Nominees



Sources: <https://www.linkedin.com/in/ianhaft/>, <https://www.linkedin.com/in/steve-winch-29877063/>, <http://ir.ambac.com/releasedetail.cfm?ReleaseID=962368>, <https://www.prnewswire.com/news-releases/cornwall-capital-urges-canyon-capital-to-cease-ambac-proxy-campaign-300263116.html>, <https://www.prnewswire.com/news-releases/american-pacific-announces-new-director-nominee-and-agreement-with-stockholder-cornwall-capital-186842592.html>, <https://www.sec.gov/Archives/edgar/data/874501/000087450117000039/a05-006ambacproxystatement.htm>, <https://kweenaw.com/wp-content/uploads/2017/10/2017-kweenaw-proxy-statement-2.pdf>, <https://www.sec.gov/Archives/edgar/data/350832/000135982413000004/sc13da.htm>



# Cornwall's Nominees' Skills are Duplicative

Board Members & Nominees	Deep Forestry and / or Timber Expertise	Financial, Audit, & Accounting Background	ESG / Policy Investment Experience	C-Suite / Board Level Expertise in relevant industries	Real Estate Experience	Operations Experience	Current Board Member
David Ayer	X			X	X		X
John E. Earhart	X	X	X	X	X		X
Donald J. Hoffman	X	X		X	X	X	X
Brian D. Glodowski	X			X	X	X	X
Marjorie E. Nesbitt		X		X	X	X	X
Frederick J. Weyerhaeuser	X		X	X	X		X
Jan H. Loeb		X					X
Jamie A. Mai		X			X		X
Ian Haft		X			X		
Paul Sonkin		X					
Steve Winch		X			X	X	



# The Right Leadership and Board





# The Right Board is in Place

**Keweenaw's current Board is comprised of a broad and diverse background of timber industry experience including manufacturing, international forestry, real estate and ESG experience.**

**David Ayer**

- Former CEO and has been with the Company for over 30 years
- Possesses deep knowledge of the timber industry and strong relationships with current and potential customers/partners
- Has 45 years of experience in the investment industry

**John E. Earhart**

- Extensive experience in the timber business, evidenced through his director roles at The EcoTrust Forestry Fund, Hijauan Bengkoka Plantations Sdn. Bhd, Global Environment Fund and Forest Trends
- Holds a Master of Forestry degree from the Yale School of Forestry and Environmental Studies

**Donald J. Hoffman**

- Joined in 1994 and brings marketing, finance and operations experience, as well 10 years of experience in the forest products industry and another 8 years in the building materials industry
- Currently serves as Chairman of the Audit Committee at Keweenaw and Chairman of Akron Energy Systems LLC

**Marjorie E. Nesbitt**

- Director since 1988 and member of the Audit Committee
- Former private banking experience at Citibank
- Currently manages a portfolio of real estate holdings for clients in New York
- CFA

**Frederick J. Weyerhaeuser**

- Over 35 years of conservation and natural resource experience, as well as deep investment experience
- Served as a Director of The Lyme Timber Company for 12 years
- Holds a Master of Forest Science degree from the Yale School of Forestry and Environmental Studies
- Founding Board member of the National Alliance of Forest Owners

**Brian D. Glodowski**

- CEO since 2014 and with the Company since 1993
- Has intimate knowledge of the timber industry through his tenure and various roles at Keweenaw



# The Right Board and the Right Strategy are in Place

## Over the past 5 years, Keweenaw has:

- Improved underlying timberland economics
  - Added over 23,000 acres of productive timberland
  - Increased standing inventory by 9% to nearly 4 million cd eq
  - Improved sawtimber mix resulting in higher log sales realization
  
- Increased operational footprint
  - Expanded Log Yard providing fee-based inventory services
  - Formed new logging business providing stability in achieving harvest goals
  - Grown customer base to ensure sufficient market for all products harvested
  - Executed additional exploration lease with Highland Copper
  - Added line of credit to make funding available for acquisitions of investment grade timberlands
  
- Begun the process of converting to a REIT
  - Keweenaw made election to REIT status for 2018 to provide a return to shareholders
  - Addressing built in gains tax overhang which was a major deterrent to buyers during the sales process



## The Choice is Clear

- Keweenaw's Board and management are confident in the Company's strategy and are driving long-term value creation
- The Board has extensive experience across relevant industries along with decades of Director and Executive experience, which will help the leadership team successfully implement its strategic plan
- Cornwall's requests concerns us and should concern our shareholders for a variety of reasons.
  - ✗ Cornwall Capital purchased the bulk of its stock based on a faulty appraisal and is now trying to liquidate its holding
  - ✗ Cornwall apparently believes that the firm's 26% investment in Keweenaw entitles them to having two current members, one former advisor and one former partner of their fund, as well as one other activist investor for a total of five out of eight board members
  - ✗ They have not put forth any plan for the Company and lack experience and understanding of our industry and think they can just hire a consultant to run the company
  - ✗ Cornwall's nominees' skill sets do not bring either forestry or operation expertise to the Board, but they will be competing with companies that have both



# Contact Information

## Shareholders

If you have any questions, or need assistance voting your **GREEN** proxy card, please contact:



1212 Avenue of the Americas, 24th Floor  
New York, NY 10036

Telephone for Banks, Brokers, and International Shareholders: +1 212-297-0720  
Shareholders may call toll-free (from the U.S. and Canada): 877-796-5274  
Email: [info@okapipartners.com](mailto:info@okapipartners.com)

## Media

Sloane & Company  
Dan Zacchei / Joe Germani, 212-486-9500  
[Dzacchei@sloanep.com](mailto:Dzacchei@sloanep.com) / [JGermani@sloanep.com](mailto:JGermani@sloanep.com)