

INTERNATIONAL PAPER CO /NEW/
Form 10-K/A
January 16, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K/A

Amendment No. 1

(Mark One)

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for Fiscal Year Ended December 31, 2000

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Act of 1934

For the transition period from _____ to _____

COMMISSION FILE NO. 1-3157

INTERNATIONAL PAPER COMPANY
(Exact name of Company as specified in its charter)

New York
(State or other jurisdiction of
incorporation or organization)

13-0872805
(I.R.S. Employee
Identification No.)

400 Atlantic Street
Stamford, Connecticut 06921
(Zip Code)
(Address of principal executive offices)

Company's telephone number, including area code: 203-541-8000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class -----	Name of each exchange on which registered -----
Common Stock, \$1 per share par value	New York Stock Exchange
7 7/8% Debentures due 2038	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the Company (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 Company was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. []

The aggregate market value of the common stock of the Company outstanding as of March 16, 2001, held by non-affiliates of the Company was \$17,250,072,809, calculated on the basis of the closing price on the Composite Tape on March 16, 2001. For this computation, the Company has excluded the market value of all common stock beneficially owned by all executive officers and directors of the Company and their associates as a group and treasury stock. Such exclusion is not to signify in any way that members of this group are 'affiliates' of the Company.

The number of shares outstanding of the Company's common stock, as of March 16, 2001:

Outstanding	In Treasury
-----	-----
482,973,450	1,194,696

The following documents are incorporated by reference into the parts of this report indicated below:

2000 Annual Report to Shareholders (Inside front cover and pages 6 through 65)	Parts I, II, and IV
Proxy Statement dated March 26, 2001	Part III

Explanatory Note

International Paper Company hereby amends the following items of its Annual Report on Form 10-K for the year ended December 31, 2000. Each of the below referenced Items in Part I, Part III and the Exhibits referenced in Part IV, Item 14 are amended by deleting the Items or Exhibits in their entirety and replacing them with the Items or Exhibits set forth in this amendment. Any Items or Exhibits in the original filing not expressly changed by this amendment shall be as set forth in the original filing.

PART I

Item 1. Business

General

International Paper Company (the Company or International Paper, which may be referred to as we or us), is a global forest products, paper and packaging company that is complemented by an extensive distribution system, with primary markets and manufacturing operations in the United States, Canada, Europe, the Pacific Rim, and South America. Substantially all of our businesses have experienced, and are likely to continue to experience, cycles relating to available industry capacity and general economic conditions. We are a New York corporation and were incorporated in 1941 as the successor to the New York corporation of the same name organized in 1898. Our home page on the Internet is www.internationalpaper.com. You can learn more about us by visiting that site.

In the United States at December 31, 2000, the Company operated 35 pulp, paper and packaging mills, 105 converting and packaging plants, 46 wood products facilities, seven specialty panels and laminated products plants and eight specialty chemicals plants. Production facilities at December 31, 2000 in Europe, Asia, Latin America, South America and Canada included 15 pulp, paper and packaging mills, 48 converting and packaging plants, 15 wood products facilities, three specialty panels and laminated products plants and seven specialty chemicals plants. We distribute printing, packaging, graphic arts, maintenance and industrial products through over 300 distribution branches located primarily in the United States. At December 31, 2000, we owned or managed approximately 12 million acres of forestlands in the United States, mostly in the South, 1.5 million acres in Brazil and had, through licenses and forest management agreements, harvesting rights on government-owned timberlands in Canada.

Through Carter Holt Harvey, a New Zealand company which is approximately 50.4% owned by International Paper, the Company operates five mills producing pulp, paper, packaging and tissue products, 26 converting and packaging plants and 56 wood products manufacturing and distribution facilities, primarily in New Zealand and Australia. Carter Holt Harvey distributes paper and packaging products through seven distribution branches located in New Zealand and Australia. In New Zealand, Carter Holt Harvey owns approximately 820,000 acres of forestlands.

For financial reporting purposes, our businesses are separated into six segments: Printing Papers; Industrial and Consumer Packaging; Distribution; Forest Products; Chemicals and Petroleum; and Carter Holt Harvey. A description of these business segments can be found on pages 7 through 13 of our 2000 Annual Report to Shareholders (Annual Report), which information is incorporated herein by reference.

From 1995 through 2000, International Paper's capital expenditures approximated \$8.8 billion, excluding mergers and acquisitions. These expenditures reflect our continuing efforts to improve product quality and environmental performance, lower costs, and improve forestlands. Capital spending in 2000 was \$1.4 billion and is budgeted to be approximately \$1.2 billion in 2001. This amount is below our annual depreciation and amortization expense of \$2 billion. You can find more information about capital expenditures on pages 13 and 14 of our Annual Report, which information is incorporated herein by reference.

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Discussions of mergers and acquisitions can be found on pages 6, 13, 14, 39 and 40 of the Annual Report, which information is incorporated herein by reference.

You can find discussions of restructuring charges and other special items on pages 15 through 23 and 41 through 49 of the Annual Report, which information is incorporated herein by reference.

Throughout this 10-K report, we 'incorporate by reference' certain information in parts of other documents filed with the Securities and Exchange Commission (SEC). The SEC permits us to disclose important information by referring to it in that manner. Please refer to such information.

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Financial Information Concerning Industry Segments

The financial information concerning segments is set forth on pages 30 and 31 of the Annual Report, which information is incorporated herein by reference.

Financial Information About International and Domestic Operations

The financial information concerning international and domestic operations and export sales is set forth on page 31 of the Annual Report, which information is incorporated herein by reference.

Competition and Costs

Despite the size of the Company's manufacturing capacities for paper, paperboard, packaging and pulp products, the markets in all of the cited product lines are large and highly fragmented. The markets for wood and specialty products are similarly large and fragmented. There are numerous competitors, and the major markets, both domestic and international, in which the Company sells its principal products are very competitive. These products are in competition with similar products produced by others, and in some instances, with products produced by other industries from other materials.

Many factors influence the Company's competitive position, including prices, costs, product quality and services. You can find more information about the impact of prices and costs on operating profits on pages 6 through 13 of the Annual Report, which information is incorporated herein by reference.

Marketing and Distribution

The Company sells paper and packaging products through our own sales organization directly to users or converters for manufacture. Sales offices are located throughout the United States as well as internationally. We also sell significant volumes of products through paper merchants and distributors, including facilities in our distribution network.

We market our U.S. production of lumber and plywood through independent and Company-owned distribution centers. Specialty products are marketed through various channels of distribution.

Description of Principal Products

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The Company's principal products are described on pages 7 through 9 of the Annual Report, which information is incorporated herein by reference.

Production of major products for 2000, 1999 and 1998 was as follows:

Production by Product (Unaudited)			
	2000 (A)	1999	1998
	-----	----	----
Printing papers (In thousands of tons)			
White papers and bristols.....	6,046	5,393	5,188
Coated papers.....	2,020	1,308	1,241
Market pulp(B).....	2,584	2,082	2,020
Newsprint.....	109	100	95
Packaging (In thousands of tons)			
Containerboard.....	4,454	4,837	4,670
Bleached packaging board.....	2,113	2,122	2,148
Industrial papers.....	993	898	894

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	2000 (A)	1999	1998
	-----	-----	-----
Industrial and consumer packaging(C).....	5,240	5,112	4,919
Specialty products (In thousands of tons)			
Tissue.....	164	158	148
Forest products (In millions)			
Panels (sq. ft 3/8" basis) (D).....	2,620	2,106	1,818
Lumber (board feet).....	3,372	2,927	2,726
MDF (sq. ft.3/4" basis).....	335	209	297
Particleboard (sq. ft.3/4" basis).....	380	196	195

(A) Production includes Champion International Corporation (Champion) from the date of acquisition.

(B) This excludes market pulp purchases.

(C) A significant portion of this tonnage was fabricated from paperboard and paper produced at the Company's mills and is included in the containerboard, bleached packaging board and industrial papers amounts in this table.

(D) Panels include plywood and oriented strand board.

Research and Development

The Company operates research and development centers at Sterling Forest, New York; Cincinnati, Ohio; Kaukauna, Wisconsin; West Chicago, Illinois; Odenton, Maryland; Jacksonville, Florida; Savannah, Georgia; Saint- Priest, France; Annecy, France; a regional center for applied forest research in Bainbridge, Georgia; a forest biotechnology center in Rotorua, New Zealand; and several product laboratories. We direct research and development activities to short-term, long-term and technical assistance needs of customers and operating divisions; process, equipment and product innovations; and improve profits through tree generation and propagation research. Activities include studies on

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improved forest species and management; innovation and improvement of pulping, bleaching, chemical recovery, papermaking and coating processes; packaging design and materials development; reduction of environmental discharges; re-use of raw materials in manufacturing processes; recycling of consumer and packaging paper products; energy conservation; applications of computer controls to manufacturing operations; innovations and improvement of products; and development of various new products. Our development efforts specifically address product safety as well as the minimization of solid waste. The cost to the Company of its research and development operations in 2000 was \$92 million, including Champion for the period of July- December, \$88 million in 1999, and \$144 million in 1998.

Environmental Protection

The Company is subject to extensive federal and state environmental regulation as well as similar regulations in all other jurisdictions in which it operates. Our continuing objectives are to: (1) control pollutants discharged into the air, water and groundwater to avoid adverse impacts on the environment, (2) make continual improvements in environmental performance, and (3) maintain 100% compliance with applicable laws and regulations. A total of \$190 million was spent in 2000 for capital projects to control environmental releases into the air and water, and to assure environmentally sound management and disposal of waste. We expect to spend approximately \$136 million in 2001 for similar capital projects, including the costs to comply with the Environmental Protection Agency's (EPA) Cluster Rule regulations. Amounts to be spent for environmental control projects in future years will depend on new laws and regulations and changes in legal requirements and environmental concerns. Taking these uncertainties into account, our preliminary estimate for additional environmental appropriations during the year 2002 is approximately \$164 million and during the year 2003 is approximately \$143 million.

On April 15, 1998, the EPA issued final Cluster Rule regulations that established new requirements regarding air emissions and wastewater discharges from pulp and paper mills to be met by 2006. The projected costs included in our estimate related to the Cluster Rule regulations for the years 2001 through 2002 are \$116 million. Projected

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Cluster Rule costs for 2003 through 2006 are in the range of \$330 million to \$370 million. Included in these estimates are costs associated with combustion source standards for the pulp and paper industry, which were issued by the EPA on January 12, 2001. The final cost depends on the outcome of the Cluster Rule water regulations for pulp and paper categories other than bleached kraft and soda. Regulations for these categories are not likely to become final until late 2001. We estimate that annual operating costs, excluding depreciation, will increase approximately \$22 million when these regulations are fully implemented.

Additional regulatory requirements that may affect future spending include the EPA's requirements for states to assess current surface water loading from industrial and area sources. This process, called Total Maximum Daily Load (TMDL) allocation, could result in reduced allowable treated effluent discharges from our manufacturing sites. To date there have been no significant impacts due to the TMDL process, as the majority of our manufacturing sites operate at levels significantly below allowable waste loadings.

In recent years, the EPA has undertaken significant air quality

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initiatives associated with nitrogen oxide emissions, regional haze, and national ambient air quality standards. When regulatory requirements for new and changing standards are finalized, we will add any resulting future cost projections to our expenditure forecast.

The Company has been named as a potentially liable party in a number of environmental remediation actions under various federal and state laws, including the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA). Related costs are recorded in the financial statements when they are probable and reasonably estimable. As of December 31, 2000, these liabilities totaled approximately \$170 million. Completion of these actions is not expected to have a material adverse effect on the Company's financial condition or results of operations.

The Company expects the significant effort it has made in the analysis of environmental issues and the development of environmental control technology responses will enable it to keep costs for compliance with environmental regulations at, or below, industry averages. According to the National Council for Air & Stream Improvement (NCASI), pulp and paper industry averages for environmental capital expenditures, expressed as a percentage of total capital expenditures, ranged from 12% to 13% for the years 1995 through 1998. 1998 is the last year for which public reports are available. During that same time period, the Company's environmental capital expense, expressed as a percentage of total capital expense, ranged from approximately 7% to 10%. In 1999 and 2000, the Company's environmental capital expense, expressed as a percentage of total capital expense, were slightly below 8% and 13.5%, respectively. The Company believes these percentages continue to be significantly below industry averages.

You can find a further discussion of environmental issues on pages 24 and 25 of the Annual Report, which information is incorporated herein by reference.

You can also find additional information about environmental matters in the Company's 1999-2000 Environment, Health & Safety Annual Environmental Report, which can be obtained by contacting the Company or through the Company's website.

Employees

As of December 31, 2000, we had approximately 112,900 employees, 77,000 of whom were located in the United States. Of the domestic employees, approximately 49,000 are hourly employees, approximately 23,000 of whom are represented by the Paper, Allied-Industrial, Chemical and Energy International Union.

At December 31, 2000, employee reductions relating to the Union Camp merger totaled approximately 2,200, based on a comparison of year end 2000 actual head count versus 1998 budget. During 2000, we completed the Union Camp merger-related integration benefits program, eliminating 1,062 employees of the combined company. Under a Union Camp restructuring plan implemented in 1998 before the merger, another 540 positions were eliminated. Approximately 600 additional positions of the combined company were eliminated where the individuals affected were not eligible for benefits under these programs.

During 2000, labor agreements were ratified at seven mills. During 2001, labor agreements are scheduled to be negotiated at five mills: Georgetown,

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Erie, Pensacola, Sartell and Hudson River.

During 2000, 27 labor agreements were settled in non-papermill operations. Settlements included 12 in paper converting, six in building materials, six in distribution and three in chemicals. At year end, one open contract existed where negotiations were in progress. During 2001, 26 non-papermill operations will negotiate new labor agreements.

Approximately 5,500 of our U.S. based hourly employees are subject to labor agreements that are scheduled to be negotiated during 2001.

Raw Materials

For information on the sources and availability of raw materials essential to our business, see Item 2. Properties.

Forward-looking Statements

Our disclosure and analysis in this report and in our Annual Report, and in particular, statements found in Management's Discussion and Analysis in the Annual Report, contain some forward-looking statements. Forward-looking statements reflect our expectations or forecasts of future events. These statements do not relate strictly to historical or current facts. They use words such as "estimate," "anticipate," "plan," "expect," "project," "intend," "believe," and similar meanings in connection with any discussion of future operating or financial performance. These include statements relating to future actions, future performance or the outcome of contingencies, such as legal proceedings and financial results. We also provide oral or written forward-looking statements in other materials we release to the public.

Such statements reflect the current views of International Paper with respect to future events and are subject to risks and uncertainties. Actual results may differ materially from those expressed or implied in these statements. Factors which could cause actual results to differ include, among other things, whether conditions influencing the recent economic slowdown will continue or worsen, changes in overall demand, whether our initiatives relating to balancing our supply with demand will be successful, changes in domestic or foreign competition, changes in the cost or availability of raw materials, the cost of compliance with environmental laws and regulations, and whether anticipated savings from merger and other restructuring activities and facility rationalizations can be achieved. In view of such uncertainties, investors are cautioned not to place undue reliance on these forward-looking statements.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. You should consult any further disclosures we make on related subjects in our Forms 10-Q, 8-K and 10-K reports to the SEC.

Item 2. Properties

Forestlands

The principal raw material used by International Paper is wood in various forms. As of December 31, 2000, the Company or its subsidiaries owned or controlled approximately 12 million acres of forestlands in the United States, 1.5 million acres in Brazil and had, through licenses and forest management agreements, harvesting rights on government-owned timberlands in Canada. An additional 820,000 acres of forestlands in New Zealand were held through Carter Holt Harvey, a consolidated subsidiary of International Paper.

During 2000, the U.S. forestlands supplied 16 million tons of roundwood to the Company's U.S. facilities. This amounted to the following percentages of

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the roundwood requirements of its U.S. mills and forest products facilities: 15% in its Northern mills and 38% in its Southern mills. The balance was acquired from other private industrial and nonindustrial forestland owners, with only an insignificant amount coming from public lands of the United States

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government. In addition, in 2000, seven million tons of wood were sold to other users. In November 1994, we adopted the Sustainable Forestry Principles developed by the American Forest and Paper Association in August 1994.

Mills and Plants

A listing of our production facilities, the vast majority of which we own, can be found in Appendix I hereto, which is incorporated herein by reference. Presented below is a listing of the Company's leased facilities:

Printing and Communications Papers (4)

Mira Loma, California (C&D Center)
West Springfield, Massachusetts
Wilmington, North Carolina (Reclaim Center)
Saybrook, Ohio (C&D Center)

Consumer and Industrial Packaging (9)

Fordyce, Arkansas
Alcala, Spain
Longueuil, Quebec, Canada
San Salvador, El Salvador
La Grange, Georgia
Santiago, Chile
Manila, Philippines
Harrison, New Jersey
Moonachie, New Jersey

Distribution (222)

Stores Group - Chicago, Illinois 139 locations
Southeast Region - Greensboro, North Carolina - Middle Atlantic States and Southeast 15 locations
West Region - Denver, Colorado - West, Midwest and South 26 locations
Specialty Business Group - Erlanger, Kentucky 3 locations
Central Region - Erlanger Kentucky - Midwest 12 locations
Northeast Region - East Granby, Connecticut - New England and Middle Atlantic States 12 locations
Aussedat Rey France - Distribution S.A., Pantin, France 1 location
Chihuahua, Mexico 6 locations
Recom Papers - Nijmegen, Netherlands 1 location
Impap - Warsaw, Poland 7 locations

Forestlands (4)

Waycross, Georgia

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Slaughter - Dallas, Texas - Southwest and Northwest Branches 2 locations
Chino, California

Carter Holt Harvey (36)

Box Hill, Victoria Australia
Hamilton Central, Queensland, Australia
Sydney, New South Wales, Australia
Whangarei, Marsden Point, New Zealand
Building Supplies Retail Outlets in New Zealand 18 locations

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Keon Park, Victoria, Australia
Case Manufacturing, Suva, Fiji
Carton Manufacturing Crestmead, Queensland, Australia
Dandenong, Victoria, Australia
Reservoir, Victoria, Australia
Sydney, Australia
Melbourne, Australia
Plastic Packaging, Santiago, Chile
Paper Merchant Warehousing and Distribution Centers - Australia and New Zealand
6 locations

Weldwood of Canada (4)

Burns Lake, British Columbia 3 locations
Williams Lake, British Columbia

The Company's facilities are in good operating condition and are suited for the purposes for which they are presently being used. We continue to study the economics of modernizing or adopting other alternatives for higher cost facilities.

Capital Investments and Dispositions

Given the size, scope and complexity of our business interests, we continuously examine and evaluate a wide variety of business opportunities and planning alternatives, including possible acquisitions and sales or other dispositions of properties. You can find planned capital investments for 2001, dispositions, and restructuring activities as of December 31, 2000 on pages 6 and 13 through 23 of the Annual Report, which information is incorporated herein by reference.

Item 3. Legal Proceedings

Masonite Litigation

Three nationwide class action lawsuits relating to products manufactured by Masonite Corporation that were filed against the Company have been settled in recent years.

The first suit alleged that hardboard siding manufactured by Masonite fails prematurely, allowing moisture intrusion that in turn causes damage to the structure underneath the siding (Hardboard Lawsuit). The class consisted of all U.S. property owners having Masonite hardboard siding installed on and incorporated into buildings between 1980 and January 15, 1998. The Court

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granted final approval of the settlement on January 15, 1998. The settlement provides for monetary compensation to class members meeting the settlement requirements on a claims-made basis. It also provides for the payment of attorneys' fees equaling 15% of the settlement amounts paid to class members, with a non-refundable advance of \$47.5 million plus \$2.5 million in costs.

The second suit made similar allegations with regard to Omniwood siding manufactured by Masonite (Omniwood Lawsuit). The class consisted of all U.S. property owners having Omniwood siding installed on and incorporated into buildings from January 1, 1992 to January 6, 1999.

The third suit alleged that Woodruf roofing manufactured by Masonite is defective and causes damage to the structure underneath the roofing (Woodruf Lawsuit). The class consisted of all U.S. property owners who had incorporated and installed Masonite Woodruf roofing from January 1, 1980 to January 6, 1999.

The Court granted final approval of the settlements of the Omniwood and Woodruf Lawsuits on January 6, 1999. The settlements provide for monetary compensation to class members meeting the settlement requirements on a claims-made basis, and provide for payment of attorneys' fees equaling 13% of the settlement amounts paid to class members with a non-refundable advance of \$1.7 million plus \$75,000 in costs for each of the two cases.

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Reserves for these matters total \$92 million at December 31, 2000, net of expected future insurance recoveries of \$43 million. This amount includes \$25 million added to the reserve for hardboard siding claims in the fourth quarter of 1999 (some of which has now been paid to claimants) and an additional \$125 million added to that reserve in the third quarter of 2000 to cover an expected shortfall, resulting primarily from a higher number of hardboard siding claims than anticipated. It is reasonably possible that the higher number of hardboard siding claims might be indicative of the need for one or more future additions to this reserve. However, whether or not any future additions to this reserve become necessary, we believe that these settlements will not have a material adverse effect on our consolidated financial position or results of operations.

Through December 31, 2000, net settlement payments of \$277 million, including the \$51 million of non-refundable advances of attorneys' fees discussed above, have been made. Also, we have received \$27 million related to these matters from our insurance carriers through December 31, 2000. International Paper and Masonite have the right to terminate each of the settlements after seven years from the dates of final approval. The liability for these matters will be retained after the planned sale of Masonite is completed.

Other Litigation

In March and April 2000, Champion and 10 members of its board of directors were served with six lawsuits that have been filed in the Supreme Court for the State of New York, New York County. Each of the suits purports to be a class action filed on behalf of Champion shareholders and alleges that the defendants breached their fiduciary duties in connection with the proposed merger with UPM-Kymmene Corporation and the merger proposal from International Paper. The lawsuits seek compensatory and other damages and costs and expenses associated with the litigation. Champion has filed a motion to dismiss, which as of February 26, 2001 has not been decided.

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On May 14, 1999, and May 18, 1999, two lawsuits were filed against International Paper, the former Union Camp Corporation (Union Camp) and other manufacturers of linerboard. These suits allege that the defendants conspired to fix prices for linerboard and corrugated sheets during the period October 1, 1993, through November 30, 1995. Both lawsuits were filed seeking nationwide class certification. The lawsuits allege that various purchasers of corrugated sheets and corrugated containers were injured as a result of the alleged conspiracy. These lawsuits seek injunctive relief as well as treble damages and other costs and expenses associated with the litigation. The cases have been consolidated in federal court in the Eastern District of Pennsylvania. Defendants' motions to dismiss the cases were denied on October 4, 2000. Plaintiffs filed motions for class certification on January 10, 2001, which were pending as of February 26, 2001.

Purchasers of high-pressure laminates have filed a number of purported class actions under the federal antitrust laws in various federal district courts in different states, alleging that International Paper's Nevamar division participated in a price-fixing conspiracy with competitors. These lawsuits seek injunctive relief as well as treble damages and other costs and expenses associated with the litigation. These cases have been consolidated in federal district court in New York. Indirect and direct purchasers of high-pressure laminates have also filed similar purported class action cases under various state antitrust and consumer protection statutes in California, Florida, Maine, Michigan, Minnesota, New Mexico, New York, North Dakota, South Dakota, Tennessee and the District of Columbia. International Paper filed a motion to dismiss one of the cases in federal court, which was denied by the court without prejudice. The federal plaintiffs filed a consolidated amended complaint on February 22, 2001. As of February 26, 2001, International Paper has filed a motion to dismiss the case pending in New York State court and has filed answers in California, New Mexico, South Dakota and one of two complaints filed in Michigan. Answers are not yet due in the remaining state cases.

Other Environmental

In April 1999, the Franklin, Virginia mill received a Notice of Violation (NOV) from the EPA, Region 3 in Philadelphia, and an NOV from the Commonwealth of Virginia alleging that the mill violated the Prevention of Significant Deterioration (PSD) regulations. The Franklin mill was owned by Union Camp at that time and was one of seven paper mills in Region 3 owned by different companies that received similar notices of violation. Union

Camp merged with International Paper on April 30, 1999, and International Paper has entered into negotiations with the EPA and the Commonwealth of Virginia.

The Franklin mill NOV's were issued in connection with the EPA's well publicized PSD air permit enforcement initiative against the paper industry. In 1999, our paper mills in Kaukauna, Wisconsin and Augusta, Georgia received requests for information from the EPA regarding compliance with the PSD regulations. Three additional facilities received information requests in 2000, and the EPA's initiative may result in similar actions at other facilities.

In August 1998, the former Union Camp Corporation informed the Virginia Department of Environmental Quality (DEQ) of certain New Source Performance Standards (NSPS) permitting discrepancies related to a power boiler at the paper mill in Franklin, Virginia. On April 11, 2000, International Paper and the DEQ entered into a consent order that resolved the matter for a civil

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penalty of \$134,000.

In November 1999, the Wisconsin Department of Natural Resources filed a civil complaint alleging past exceedences of air permit limits at the former Union Camp flexible packaging facility located in Tomah, Wisconsin. The matter was settled on November 2, 2000 for a civil penalty of \$60,000.

On December 30, 1999, the Company entered into a Consent Order with the Florida Department of Environmental Protection relating to alleged violations of the wastewater discharge permit at the Company's Pensacola, Florida, mill. The Consent Order requires the Company to take additional steps to control the discharge of suspended solids, nutrients and oxygen-consuming material in the mill's wastewater and to pay a civil penalty of \$137,730. The Consent Order has not yet become effective due to the filing of administrative appeals by third parties.

In February 2000, the Town of Lyman, South Carolina, issued an administrative order alleging past violations of a wastewater pretreatment permit at the former Union Camp folding carton facility in Spartanburg, South Carolina. While International Paper has satisfied the terms of the order, the Town of Lyman recently indicated it may seek penalties and other surcharges that together may exceed \$100,000. We are engaged in settlement discussions with the Town of Lyman.

As of February 26, 2001, there were no other pending judicial proceedings, brought by governmental authorities against International Paper, for alleged violations of applicable environmental laws or regulations. International Paper is engaged in various other proceedings that arise under applicable environmental and safety laws or regulations, including approximately 97 active proceedings under the CERCLA and comparable state laws. Most of these proceedings involve the cleanup of hazardous substances at large commercial landfills that received waste from many different sources. While joint and several liability is authorized under the CERCLA, as a practical matter, liability for CERCLA cleanups is allocated among the many potential responsible parties. Based upon previous experience with respect to the cleanup of hazardous substances and upon presently available information, International Paper believes that it has no or de minimis liability with respect to 18 of these sites; that liability is not likely to be significant at 51 sites; and that estimates of liability at 28 of these sites is likely to be significant but not material to International Paper's consolidated financial position or results of operations.

On June 19, 2000, before International Paper completed the acquisition of Champion, Champion entered into a Consent Order with the Maine Department of Environmental Protection that resolved allegations of past wastewater and reporting deficiencies at Champion's lumber mills in Milford and Passadumkeag, Maine. The U.S. EPA and the U.S. Attorney's Office in Maine have since that time commenced a grand jury investigation of the same allegations.

We are also involved in other contractual disputes, administrative and legal proceedings and investigations of various types. While any litigation, proceeding or investigation has an element of uncertainty, we believe that the outcome of any proceeding, lawsuit or claim that is pending or threatened, or all of them combined, will not have a material adverse effect on our consolidated financial position or results of operations.

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PART III

Item 10. Directors and Executive Officers of the Registrant

Information with respect to the directors of the Company is included on pages 10 through 12 of the Company's Proxy Statement, dated March 26, 2001 (Proxy Statement), which information is incorporated herein by reference. Information with respect to the executive officers of the Company is set forth below:

John T. Dillon, 62, chairman and chief executive officer since 1996. Prior to that he was executive vice president-packaging from 1987 to 1995, when he became president and chief operating officer.

C. Wesley Smith, 61, executive vice president since 1992.

John V. Faraci, 51, executive vice president and chief financial officer since 2000. Prior to that he was senior vice president-finance and chief financial officer from 1999. From 1995 until 1999 he was chief executive officer and managing director of Carter Holt Harvey Limited of New Zealand.

Robert M. Amen, 51, executive vice president since 2000. He served as President of International Paper -- Europe from 1996 to 2000 and prior to that was vice president.

James P. Melican Jr., 60, executive vice president since 1991.

David W. Oskin, 58, executive vice president since 1995.

Marianne M. Parrs, 57, executive vice president since 1999. She was senior vice president and chief financial officer from 1995 to 1999.

Andrew R. Lessin, 58, vice president-finance and chief accounting officer since 2000. From 1995 to that time he was vice president and controller.

William B. Lytton, 52, senior vice president and general counsel since January 1999. From 1996 to 1999 he was vice president and general counsel.

Executive officers of International Paper are elected to hold office until the next annual meeting of the Board of Directors following the annual meeting of shareholders and until election of successors, subject to removal by the Board.

Information with respect to compliance with Section 16(a) of the Securities and Exchange Act is set forth on page 16 of the Proxy Statement and is incorporated herein by reference.

Item 11. Executive Compensation

Information with respect to the compensation of executives and directors of the Company is included in the Company's proxy statement on the pages set forth below, which information is incorporated herein by reference:

A description of the compensation of the Company's directors is set forth on page 9.

A discussion regarding the Company's compensation committee interlocks and insider participation is set forth on page 16.

A description of the compensation of the Company's executive officers is set forth on pages 18 through 22.

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A discussion regarding termination agreements with various executive officers of the Company is set forth on pages 23 and 24.

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PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) Documents filed as part of this report:

1. Consolidated financial statements

The consolidated financial statements of the Company and consolidated subsidiaries listed below are incorporated herein by reference to the following pages of the Annual Report:

	Page

Consolidated statement of earnings for fiscal years ended December 31, 2000, 1999 and 1998	33
Consolidated balance sheet at December 31, 2000 and 1999.....	34
Consolidated statement of cash flows for fiscal years ended December 31, 2000, 1999 and 1998.....	35
Consolidated statement of common shareholders' equity.....	36
Notes to consolidated financial statements.....	37-61
Report of independent public accountants.....	62

2. Financial statement schedule

The following additional financial data should be read in conjunction with the financial statements in the Annual Report. Schedules not included with this additional financial data have been omitted because they are not applicable, or the required information is shown in the financial statements or notes thereto.

ADDITIONAL FINANCIAL DATA 2000, 1999 AND 1998

Report of Independent Public Accountants on Financial Statement Schedule.	13
Consolidated Schedule:	
II--Valuation and Qualifying Accounts.....	14

3. Exhibits

- (2.1) Agreement and Plan of Merger by and among International Paper Company, International Paper-37, Inc. and Shorewood Packaging Corporation dated as of February 16, 2000, (incorporated by reference to the Schedule TO of International Paper Company and International Paper-37, Inc., dated February 29, 2000, File No. 5-38074).
- (2.2) Agreement and Plan of Merger dated as of May 12, 2000, among Champion International Corporation, International Paper Company and Condor Acquisition Corporation (incorporated by reference to Exhibit 2 to International Paper Company's Registration Statement on Form S-4, as amended on June 2, 2000 and June 9, 2000, File No. 333-37390).

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- (3.1) Form of Restated Certificate of Incorporation of International Paper (incorporated by reference to International Paper's Report on Form 8-K dated November 20, 1990, File No. 1-3157).
- (3.2) Certificate of Amendment to the Certificate of Incorporation of International Paper Company (incorporated herein by reference to Exhibit (3)(i) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999, File No. 1-3157).
- (3.3) By-laws of the Company as amended.
- (4.1) Specimen Common Stock Certificate (incorporated by reference to Exhibit 2-A to the Company's registration statement on Form S-7, No. 2-56588, dated June 10, 1976).
- (4.2) Indenture, dated as of April 12, 1999, between International Paper and The Bank of New York, as Trustee (incorporated by reference to Exhibit 4.1 to International Paper's Report on Form 8-K filed on June 29, 2000, File No. 1-3157).

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- (4.3) Floating Rate Notes Supplemental Indenture, dated as of June 14, 2000, between International Paper and The Bank of New York, as Trustee (incorporated by reference to Exhibit 4.2 to International Paper's Report on Form 8-K filed on June 29, 2000, File No. 1-3157).
- (4.4) 8% Notes Due July 8, 2003 Supplemental Indenture, dated as of June 14, 2000, between International Paper and The Bank of New York, as Trustee (incorporated by reference to Exhibit 4.3 to International Paper's Report on form 8-K filed on June 29, 2000, File No. 1-3157).
- (4.5) 8 1/8% Notes Due July 8, 2005 Supplemental Indenture dated as of June 14, 2000, between International Paper and The Bank of New York, as Trustee (incorporated by reference to Exhibit 4.4 to International Paper's Report on Form 8-K filed on June 29, 2000, File No. 1-3157).
- (4.6) Credit Agreement, dated as of June 14, 2000, among International Paper, International Paper Financial Services, Inc., various lenders and Credit Suisse First Boston, New York Branch, as Administrative agent, Lead Arranger and Book Manager (incorporated by reference to Exhibit 4.5 to International Paper's Report on Form 8-K filed on June 29, 2000, File No. 1-3157).
- (4.7) Form of New Floating Rate Notes due July 8, 2002 (incorporated by reference to Exhibit 4.1 to International Paper Company's Registration Statement on Form S-4, dated October 23, 2000, as amended November 15, 2000, File No. 333-48434).
- (4.8) Form of New 8% Notes due July 8, 2003 (incorporated by reference to Exhibit 4.1 to International Paper Company's Registration Statement on Form S-4 dated October 23, 2000, as amended November 15, 2000, File No. 333-48434).
- (4.9) Form of New 8 1/8% Note due July 8, 2005 (incorporated by reference to Exhibit 4.1 to International Paper Company's Registration Statement on Form S-4 dated October 23, 2000, as amended November 15,

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2000, File No. 333-48434).

- (4.10) Credit Agreement, dated as of June 14, 2000, among International Paper Company, International Paper Financial Services, Inc., various lenders and Credit Suisse First Boston, New York Branch, as Administrative Agent, Lead Arranger and Book Manager (incorporated by reference to Exhibit 4.5 to International Paper Company's Report on Form 8-K filed on June 29, 2000, File No. 1-3157).
- (10.1) Long-Term Incentive Compensation Plan.
- (10.2) Restricted Stock Plan for Non-Employee Directors (incorporated by reference to Exhibit 99 to the Company's Quarterly Report on Form 10-Q dated August 16, 1999, for the quarter ended June 30, 1999, File No. 1-3157).
- (10.3) Champion Merger Integration Chief Executive Officer Performance Plan (incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000, File No. 1- 3157).
- (10.4) Champion Merger Integration Savings and Synergy Plan (incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000, File No. 1-3157).
- (10.5) Union Camp Corporation 1989 Stock Option and Stock Award Plan (incorporated by reference to Exhibit 99.1 to Registration No. 333-75235, dated May 3, 1999).
- (10.6) International Paper Company Stock Option Plan (incorporated by reference to Registration No. 333- 85051, dated August 12, 1999).
- (10.7) Management Incentive Plan (incorporated by reference to Exhibit 99 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, File No. 1-3157).
- (10.8) Form of individual option agreement under Company Option Plan (incorporated by reference to Exhibit 10.8 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999, File No. 1-3157).
- (10.9) Form of individual executive continuity award under Company Long Term Incentive Compensation Plan (incorporated by reference to Exhibit 10.8 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999, File No. 1-3157).

- (10.10a) Form of Termination Agreement -- Tier I (incorporated by reference to Exhibit 10.8 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999, File No. 1-3157).
- (10.10b) Form of Termination Agreement -- Tier II (incorporated by reference to Exhibit 10.8 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999, File No. 1-3157).
- (10.10c) Form of Termination Agreement-- Tier III (incorporated by reference to Exhibit 10.8 to the Company's Annual Report on Form 10-K for the

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fiscal year ended December 31, 1999, File No. 1-3157).

- (10.11) International Paper Company Unfunded Savings Plan.
- (10.12) International Paper Company Pension Restoration Plan for Salaried Employees.
- (10.13) International Paper Company Unfunded Supplemental Plan for Senior Managers.
- (11) Statement of Computation of Per Share Earnings.
- (12) Computation of Ratio of Earnings to Fixed Charges.
- * (13) 2000 Annual Report to Shareholders of the Company.
- (21) List of Subsidiaries of Registrant.
- (22) Proxy Statement dated March 26, 2001 (incorporated by reference to the Company's Proxy Statement dated March 26, 2001, filed on March 26, 2001 pursuant to Rule 14a-6, File No. 1-3157).
- * (23.1) Consent of Independent Public Accountants (Arthur Andersen LLP).
- * (23.2) Consent of Independent Auditors (PricewaterhouseCoopers LLP).
- (24) Power of Attorney.
- (99.1) Report of Independent Auditors (PricewaterhouseCoopers LLP).
- (99.2) Focus

(b) Reports on Form 8-K

International Paper filed a report on Form 8-K on October 18, 2000 under Item 5 reporting earnings for the quarter ended September 30, 2000, the closure of three mills and the scaling back of one mill.

International Paper filed a report on Form 8-K on January 25, 2001 under Item 5, reporting earnings for quarter ended December 31, 2000, merger synergies with Champion International Corporation, and the status of capacity rationalizations and realignment initiatives.

* Filed Herewith.

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SIGNATURE

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

INTERNATIONAL PAPER COMPANY

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By /s/ Barbara L. Smithers

Name: Barbara L. Smithers

Title: Vice President and Secretary

January 16, 2002