INTERNATIONAL PAPER CO /NEW/
Form DEF 14A
April 09, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A.
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934
(Amendment No.)

Filed by the Registrant [X]
Filed by a party other than the Registrant [ ]
Check the appropriate box:
[ ] Preliminary Proxy Statement
[ ] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
[X] Definitive Proxy Statement
[ ] Definitive Additional Materials
[ ] Soliciting Material Pursuant to Section 240.14a-12

INTERNATIONAL PAPER COMPANY

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

400 Atlantic Street
Stamford, Connecticut 06921

JOHN V. FARACI
Chairman and Chief Executive Officer

April 9, 2004

Dear Fellow Shareholder:

It is my pleasure to invite you to attend the 2004 Annual Meeting of Shareholders of International Paper Company. The meeting will be held at 8:30 a.m. on Tuesday, May 11, 2004, at The Westin Stamford Hotel, One First Stamford Place, Stamford, Connecticut.

Attendance at the meeting will be limited to shareholders of record at the close of business on March 17, 2004, or their duly appointed proxy holders (not to exceed one proxy per shareholder). If you plan to attend the meeting, please review, How can I attend the annual meeting? on page 3, for information about our admittance procedures.

At the meeting, you will vote on a number of important matters described in the attached proxy statement.

Your vote is very important. Whether you plan to attend the meeting or not, I urge you to vote your shares. Most shareholders have a choice of voting by signing and returning your proxy card or by voting by telephone or Internet. Instructions on how to vote are included with your proxy card and these proxy materials.

Sincerely,

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To the Owners of Common Stock of
International Paper Company:

Date:	Tuesday, May 11, 2004
Time:	8:30 a.m.
Place:	The Westin Stamford Hotel One First Stamford Place Stamford, Connecticut 06902
Items of Business:	Elect one class of directors for a three year term; elect one director for a one year term; Ratify the selection of our independent auditor for 2004; Act on a proposal to approve the Amended Long-Term Incentive Compensation Plan; Act on a proposal to reaffirm performance goals under the Company s Long-Term Incentive Compensation Plan; Act on a shareholder proposal; and Consider any other business properly brought before the meeting.
Record Date:	March 17, 2004. Holders of International Paper Common Stock of record at the close of business on that date are entitled to vote at the meeting.

By order of the Board of Directors,

MAURA A. SMIITH
Senior Vice President, General Counsel and
Corporate Secretary

April 9, 2004

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PROXY STATEMENT

INTERNATIONAL PAPER COMPANY
400 Atlantic Street
Stamford, Connecticut 06921
(203) 541-8000

INFORMATION ABOUT OUR ANNUAL MEETING

This proxy statement form of proxy and voting instructions are being mailed, starting April 9, 2004.

Who is soliciting my vote?

The Board of Directors of International Paper Company is soliciting your vote for our 2004 annual meeting.

What will I vote on?

You are being asked to vote on:

- the election of four directors for a three year term and one director for a one year term;
- the ratification of the selection of our independent auditor for 2004;
- a proposal to approve an amended employee stock compensation plan;
- a proposal to reaffirm performance goals under an employee stock compensation plan; and
- a proposal submitted by shareholders.

How many votes must be present to hold the annual meeting?

A majority of the votes that may be cast, or 242,668,952 votes, present in person or represented by proxy, is needed to hold the annual meeting. We urge you to vote by proxy even if you plan to attend the meeting. That will help us to know as soon as possible that enough votes will be present to hold the meeting.

How do I vote?

You may vote at the annual meeting by proxy or in person.

If you are a *holder of record* (that is, if your shares are registered in your own name with our transfer agent), you may vote by mail using the enclosed proxy card, by telephone, on the Internet or by attending the meeting and voting in person as described below.

If you hold your shares in *street name* (that is, you hold your shares through a broker, bank or other holder of record), please refer to the information on the voting instruction form forwarded to you by your bank, broker or other holder of record to see which voting options are available to you.

Vote by Mail

What is the record date for the annual meeting?

The close of business on March 17, 2004 is the record date for determining those shareholders who are entitled to vote at the annual meeting and at any adjournment or postponement.

How many votes can be cast by all shareholders?

A total of 485,337,903 votes may be cast, consisting of one vote for each share of our common stock, par value $1.00 per share, which were outstanding on the record date.

There is no cumulative voting.
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If you choose to vote by mail, simply mark, sign and date your proxy card and return it in the enclosed postage pre-paid envelope.

Vote by Telephone

You can vote by calling the toll-free number on your proxy card or voting instruction form.

Vote on the Internet

You can also choose to vote on the Internet. The website and directions for internet voting are on your proxy card or voting instruction form.

Vote at the Annual Meeting

If you want to vote in person at the meeting and you hold your shares in street name, you must obtain an additional proxy from your bank, broker or other holder of record authorizing you to vote. You must bring this proxy to the meeting.

How many votes will be required to elect a director or to adopt the proposals?

To elect directors to the Board, a plurality of the votes cast at the annual meeting. A plurality means that the five nominees receiving the largest number of votes cast will be elected.

To ratify the selection of our independent auditors, approve the amended employee stock compensation plan, the reaffirmation of performance goals under the employee stock compensation plan, the proposal from shareholders and any other matters properly raised at the meeting, a majority of the shares represented at the meeting and entitled to vote.

Can I change or revoke my proxy?

Yes, you may change your vote or revoke your proxy at any time before it is exercised. To do so, you should:

send in a new proxy card with a later date;

send a written revocation to the Corporate Secretary;

cast a new vote by telephone or internet; or

attend the annual meeting and vote in person.

Written revocations of a prior vote must be sent by mail to Maura A. Smith, Corporate Secretary, at International Paper Company, 400 Atlantic Street, Stamford, CT 06921. If you attend the annual meeting and vote in person, your vote will revoke any previously submitted proxy.

What if I do not indicate my vote for one or more of the matters on my proxy card?

If you return a signed proxy card without indicating your vote, your shares will be voted:

for the election of the five persons named under the caption Election of Five Directors;

for the ratification of the selection of our independent auditor;

for the approval of the amended employee stock compensation plan;

for the reaffirmation of the performance goals under the employee stock compensation plan; and

against the shareholder proposal.

What if I withhold my vote or I vote to abstain?

In the election of directors, you can vote for the five directors named on the proxy card, or you can indicate that you are *withholding* your vote from one or more of the directors. *Withheld* votes will not affect the vote on the election of directors.

In connection with the proposals to ratify the selection of our independent auditor, approve the amended employee stock compensation plan and reaffirm the performance goals under the employee stock compensation plan and the shareholder proposal, you may vote *for* or *against* the proposals, or you may *abstain* from voting on the proposals. Abstentions on the proposal to ratify the selection of our independent auditor, approve the amended employee stock compensation plan, reaffirm the performance goals under the employee stock compensation plan or the shareholder proposal will have the same effect as a vote *against* the proposals.

What happens if I do not vote?

If you do not vote shares held in your name, those shares will not be voted.

If your shares are held through a broker, your shares can be voted on the election of directors, the ratification of the selection of our independent auditor and the proposal to reaffirm the performance goals under the employee stock compensation plan in your broker s discretion.

No broker may vote your shares on the proposal to approve the amended employee stock compensation plan, or the shareholder proposal without your specific instructions.

If your broker votes your shares on some, but not all, of the proposals, the votes will be broker non-votes for any proposal on which they are not voted. Broker non-votes will have no effect on the election of directors, the ratification of the selection of the independent auditor, the proposal to approve the amended employee stock compensation plan, the proposal to reaffirm performance goals under the employee stock compensation plan or the shareholder proposal.

If your shares are held in the International Paper Salaried Savings Plan or the International Paper Hourly Savings Plan, your shares can be voted on any of the matters to be considered at the annual meeting in the discretion of the trustee under each of the plans.

Will my vote be confidential?

Yes. We have a policy of confidentiality in the voting of shareholder proxies and your vote will not be disclosed to our directors or employees.

What if there is voting on other matters?

Our by-laws require prior notification of a shareholder s intent to vote on other matters at the meeting. The deadline has passed and we have not received any notifications. If other matters properly arise at the meeting for consideration, the persons named in the proxy will have the discretion to vote on those matters for you.

Will the Company s independent auditor be present at the annual meeting?

Yes, representatives of Deloitte & Touche LLP will attend the meeting to answer your questions and will have the opportunity to make a statement, if they desire to do so. The Board of Directors has approved the appointment of Deloitte & Touche LLP as our independent auditor for the 2004 fiscal year, subject to ratification by shareholders.

Will the directors attend the annual meeting?

Yes. The Company s corporate governance principles state that directors are expected to attend the annual meeting of shareholders. This principle was adopted in the past year. Two of the directors attended last year s annual meeting.

How can I attend the annual meeting?

Only shareholders as of the record date, March 17, 2004, (or their proxy holders) may attend the annual meeting. If you plan to attend the meeting or appoint someone to attend as your proxy, please check the box on your proxy card, or, if you are voting by telephone or internet, follow the instructions provided to indicate your plan to attend. You or your proxy holder will then need to show photo identification to pick-up your admittance card at the shareholders admittance desk at the meeting.

If you do not inform us in advance that you plan to attend the meeting, you will need to bring with you:

photo identification and,

if you hold your shares in street name, proof of ownership of your shares as of the record date, such as a letter or account statement from your broker or bank.

What happens if the annual meeting is postponed or adjourned?

Your proxy will still be valid and may be voted at the postponed or adjourned meeting. You will still be able to change or revoke your proxy until it is voted.

Do any shareholders beneficially own more than 5% of our common stock?

Yes. According to public filings, there are two holders that beneficially own more than 5% of our common stock:

State Street Bank and Trust Company, as trustee of various International Paper Company employee benefit plans and as trustee and as discretionary advisor to third party trusts and employee benefit plans related accounts; and

Capital Research and Management Company, as discretionary advisor to third party investment companies.

For further information, please see Stock Ownership Information on page 21.

How can I review the list of shareholders eligible to vote?

A list of shareholders as of the record date will be available for inspection and review upon request of any shareholder to our Corporate Secretary at our headquarters at 400 Atlantic Street, Stamford, Connecticut 06921. We will also make the list available at the Annual Meeting.

Who will pay the expenses incurred in connection with the solicitation of my vote?

The Company pays the cost of preparing proxy materials and soliciting your vote. Proxies may be solicited on our behalf by our directors, officers or employees by telephone, electronic or facsimile transmission or in person. We have hired Georgeson Shareholder Communications, Inc. to distribute and solicit proxies and we will pay for their solicitation services an estimated fee of $20,000, plus expenses.

INFORMATION ABOUT SHAREHOLDER PROPOSALS AND NOMINATIONS FOR OUR 2005 ANNUAL MEETING

How do I submit a proposal for the 2005 annual meeting?

If you want your proposal to be included in next year s proxy statement, you should send it to the Corporate Secretary at the Company s principal executive offices. We must receive your proposal by the close of business on December 20, 2004.

If you want to present your proposal for consideration at the 2005 annual meeting, but do not meet the deadline for inclusion in the proxy statement, our by-laws require that notice of your proposal be received by the Corporate Secretary between January 10, 2005 and February 9, 2005, if the 2005 annual meeting is held on May 10, 2005, and conform to the requirements in our by-laws.

How do I nominate a candidate for director at the 2005 annual meeting?

You must notify the Corporate Secretary at the Company s principal executive offices of your nomination between January 10, 2005 and February 9, 2005, if the 2005 annual meeting is held on May 10, 2005. Your notice must also conform to the requirements in our by-laws.

MATTERS TO BE CONSIDERED AT THE 2004 MEETING

1. ELECTION OF FIVE DIRECTORS

The Company s Restated Certificate of Incorporation, as amended, requires the Company to have at least nine directors but not more than 18. The number of directors is set by the Board. The Board has set the number of directors at 11. The Board is divided into three classes with three-year terms. New directors elected by the Board serve until the first annual meeting and are then assigned to a class for election by shareholders. At this meeting, four (4) directors are seeking election as Class I directors for a three-year term expiring in 2007 and one (1) director is seeking election as a Class II director for a one-year term expiring in 2005.

NOMINEES FOR ELECTION

Each nominee is currently a director of the Company. The terms of the present Class I directors expire at the adjournment of the 2004 annual meeting.

Class I Directors Term Expiring in 2007

Martha F. Brooks, 44, president and chief executive officer of Alcan Rolled Products Americas and Asia since August 2002, senior vice president of Alcan, Inc. since August 2002 and president of Alcan Aluminum Corporation since August 2002. Ms. Brooks served as vice president of Cummins Inc. from May 1996 to June 2002. Ms. Brooks is a trustee of the Yale-China Association since June 1997, a Trustee of Manufacturers Alliance/MAPI since October 2002.

Director since December 9, 2003

James A. Henderson, 69, retired chairman and chief executive officer of Cummins Inc. since December 1999. From 1995 to 1999, Mr. Henderson served as chairman and chief executive officer of Cummins Inc. Mr. Henderson is a director of SBC Communications Inc., Rohm and Haas Company, Ryerson Tull, Inc., Nanophase Technologies Corporation, and is also a member of The Business Council.

Director since February 1, 1999

Robert D. Kennedy, 71, retired chairman of the board and chief executive officer of Union Carbide Corporation, a position he held from 1986 to 1995. Mr. Kennedy was retired from 1995 until March 1998 when he became chairman of UCAR International, Inc. a position he held until September 1999. Mr. Kennedy is on the board of Sunoco Inc., and Hercules, Inc. He is also on the Advisory Board of The Blackstone Group and RFE Investment Partners.

Mr. Kennedy plans to retire from the Board on November 8, 2004.

Director since May 4, 1999

W. Craig McClelland, 69, retired chairman of the board and chief executive officer of Union Camp Corporation since April 1999, a company acquired by International Paper Company. Mr. McClelland served as president and chief operating officer of Union Camp from 1989 to 1994. Mr. McClelland is a director of Allegheny Technologies Inc., Water Pik Technologies, Inc., and Counselor-for-life of The Conference Board and Global Advisory Council.

Director since May 4, 1999

Class II Director Term Expiring in 2005

The one nominee for election at this meeting as a Class II Director is:

Robert M. Amen, 54, president of International Paper Company since November 1, 2003. Previously, he served as executive vice president responsible for the company s papers business, technology and corporate marketing from 2000 through 2003. He also served as president of International Paper-Europe from 1996 to 2000 and as vice president of various International Paper businesses, including consumer packaging, bleached board, folding carton and label from 1990 to 1996. He has also held various positions in the finance organization, including serving as vice president and corporate controller from 1989 to 1990

Director since November 1, 2003

DIRECTORS NOT UP FOR ELECTION

Class II Directors Term Expiring in 2005

Samir G. Gibara, 64, was chairman and chief executive officer of The Goodyear Tire & Rubber Company, a position he held since 1996. He retired as chief executive officer on December 31, 2002 and remained as non executive chairman of the board until June 30, 2003. Prior to 1996, Mr. Gibara served that company in various managerial posts prior to being elected president and chief operating officer in 1995.

Director since March 9, 1999

Jane C. Pfeiffer, 71, management consultant. Mrs. Pfeiffer is a director of Ashland, Inc., J.C. Penney Company, Inc., The MONY Group, and the MONY Life Insurance Co. Mrs. Pfeiffer is a senior member of The Conference Board, a Trustee of the University of Notre Dame, and a member of The Council on Foreign Relations.

Ms. Pfeiffer plans to retire from the Board on September 29, 2004.

Director since June 14, 1977

Charles R. Shoemate, 64, retired chairman, president and chief executive officer of Bestfoods since 2000. Mr. Shoemate was elected president and a member of the board of directors of Bestfoods in 1988, chief executive officer in August 1990 and chairman in September 1990. Mr. Shoemate is a director of CIGNA Corporation and ChevronTexaco.

Director since November 1, 1994

John V. Faraci, 54, chairman and chief executive officer since November 1, 2003. Mr. Faraci served as president of International Paper from February 2003 through October 2003. From July 2000 to February 2003 he was executive vice president of the Company and from June 1999 to March 2003 he also served as its chief financial officer. Prior to that, he was the chief executive officer and managing director of Carter Holt Harvey Limited from 1995 to 1999 and deputy managing director of Carter Holt Harvey Limited in 1995.

Director since February 11, 2003

Class III Directors Term Expiring in 2006*

Robert J. Eaton, 64, retired chairman of the board of management of Daimler-Chrysler AG, since March 31, 2000. Mr. Eaton was chairman of Chrysler Corporation from 1993 to 1998. Mr. Eaton is a fellow of both the Society of Automotive Engineers and the Engineering Society of Detroit and a member of the National Academy of Engineering. Mr. Eaton is a director of ChevronTexaco.

Director since January 10, 1995

Donald F. McHenry, 67, Distinguished Professor of Diplomacy at Georgetown University since 1981. Mr. McHenry is president of the IRC Group LLC and a director of AT&T, The Coca-Cola Company, Fleet Boston Financial, the Fleet National Bank, Glaxo SmithKline plc and the Institute for International Economics, and the Institute of International Education.

Director since April 14, 1981

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE *FOR* THE ELECTION OF EACH OF THE FIVE DIRECTORS.

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* Mr. Patrick F. Noonan retired from the Board of Directors on February 5, 2004

2. RATIFICATION OF DELOITTE & TOUCHE LLP AS THE COMPANY S INDEPENDENT AUDITOR FOR 2004.

The Board of Directors, upon the recommendation of the Audit and Finance Committee, has approved the selection of Deloitte & Touche LLP (Deloitte & Touche) to serve as our independent auditor for 2004, subject to ratification by our shareholders.

Our By-laws do not require that our shareholders ratify the selection of Deloitte & Touche as the independent auditor. The Board of Directors will consider the outcome of this vote in its decision to appoint an independent auditor next year, but is not bound by the shareholders vote. Even if the selection of Deloitte & Touche is ratified, the Board of Directors may change the appointment at any time during the year if it determines that a change would be in the best interest of the Company and its shareholders.

Representatives of Deloitte & Touche will be present at the Annual Meeting to answer questions and will have the opportunity to make a statement if they desire to do so.

For information concerning the selection of Deloitte & Touche, see Report of the Audit and Finance Committee of the Board of Directors on page 40. For information concerning fees paid to Deloitte & Touche, see Fees Paid to Our Independent Auditor on page 41.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE *FOR* THE RATIFICATION OF DELOITTE & TOUCHE AS OUR INDEPENDENT AUDITOR FOR 2004.

3. APPROVAL OF AMENDED LONG-TERM INCENTIVE COMPENSATION PLAN

The Company s Long-Term Incentive Compensation Plan (the Plan) was approved by the shareholders in 1989, and amendments were approved by shareholders in

1994, 1999, 2000 and 2003. The Plan is administered by the Management Development and Compensation Committee of the Board (the Committee), which is composed solely of independent directors. The purpose of this Plan is to provide incentive to senior management, officers and certain employees to improve the performance of the Company on a long-term basis. The Plan allows for these incentives to be provided in the form of stock options, performance- based restricted stock pursuant to the Performance Share Plan (PSP), and other restricted stock. The Board of Directors believes that the Plan has promoted the Company s interests and those of shareholders by providing opportunities to attract, retain, and motivate key employees. Further, the Board believes that the Company should continue utilizing awards under the Plan as part of our competitive compensation program and to further align employee interests with those of shareholders.

The following amendments were previously approved by shareholders:

The 1994 amendment reserved for issuance under the Plan (adjusted for the two- for-one stock split in 1995) 10,000,000 shares, with 4,600,000 shares carried forward from previously authorized amounts, plus the addition of shares forfeited, exchanged or not delivered under the Plan, and shares purchased in the open market with stock option proceeds;

The 1999 amendment reserved for issuance under the Plan an additional 25,500,000 shares, together with a restriction that no more than 3,000,000 of these shares be issued as restricted stock;

The 2000 amendment added return on investment as a performance measure for awards under the PSP, and amended language to allow awards made under PSP to be deductible by the Company; and

The 2003 amendment reserved for issuance under the Plan an additional 10,000,000 shares, together with a restriction that no more than 100,000 of these shares be issued as restricted stock, as well as the limitation that future awards have a term not to exceed 10 years.

The 2003 share authorization for additional shares was intended to enable the Company to continue its current stock option program through April 2004, pending the results of a review by the Committee of the overall structure of the Company s compensation programs. The comprehensive review was made in light of various factors, including the pending expensing of stock options. Following this review the Committee determined to approve a significant shift from the utilization of stock options to that of performance-based restricted stock. This shift directly correlates to the focus on performance under the new leadership of the Company. The restructured equity programs will essentially eliminate the use of stock options and expand the use of performance-based restricted stock to reinforce the Company s goals for long-term financial performance and shareholder return. This shift will be phased in over the next two years, with the elimination of stock options for executive management (approximately 120 employees) in 2004 and, subsequently, with the elimination of stock options for essentially all other eligible employees in 2005. The number of employees participating in the Company s equity compensation programs will also be significantly reduced from approximately 5,000 to approximately 1,200 participants.

As a result of this shift, the Company is recommending that the shareholders approve amendments to the Plan that will:

authorize an additional 14,000,000 shares for issuance under the Plan to provide for sufficient shares for the restructured equity programs, all of which may be granted in the form of restricted shares, including grants of performance-based restricted stock, as well as stock options, SARS and performance-based restricted stock units.

increase the maximum number of awards that can be earned to 660,000 for the performance share component of the Plan for any one individual in each award period; and

make additional technical revisions to the Plan to enable the Company to continue to utilize shares exchanged or delivered, as well as shares purchased in the open market with stock option proceeds, under the Plan for an additional ten years in compliance with recently adopted New York Stock Exchange rules.

As of December 31, 2003, there were approximately 15 million shares reserved for issuance under the Plan of which only approximately 2.3 million shares may be used to grant restricted stock. During 2004, we expect to use 10 million shares for stock option grants and 1.5 million shares for restricted stock grants, leaving a total of approximately 3.5 million shares under the Plan, comprised of 2.7 million shares for stock option grants and SARs and 800,000 shares for grants of restricted stock. Because of the shift from stock options to performance-based restricted stock, the remaining 800,000 shares reserved for restricted stock will not be sufficient to cover future awards under the Plan. Therefore, the Company is requesting that shareholders approve an additional 14.0 million shares under the plan. If approved, the additional 14.0 million plus the remaining 3.5 million shares will provide approximately 17.5 million shares available for future grants under the Plan, of which 14,800,000 will be available for restricted shares, including grants of performance-based restricted stock, as well as awards of stock options, SARs and performance-based restricted share units. This amendment would enable the Company to continue issuing awards under the Plan through 2009. This amendment will not have any effect on the administration, operations, or distributions under the Plan, other than providing the Company with additional shares.

Currently, the maximum number of awards that can be earned for the performance share component of the Plan is limited to 100,000 performance shares for any one individual in each award period. Due to the shift from stock options, 100% of the long-term incentives for executives will be provided in the form of performance-based restricted stock. Therefore, we are recommending that the maximum awards for the performance share component of the Plan be increased to 660,000 performance shares for any one individual in each three-year award period (as described in Section 12 of the Plan). Currently, only the CEO could qualify for this maximum award.

We are asking shareholders to approve an amended Plan reflecting the amendments described above.

The following summary describes the principal features of the amended Plan. The summary does not purport to be complete and is qualified in its entirety by reference to the terms of the amended Plan, a copy of which is attached as Appendix B.

Eligibility. Management and other key employees of the Company and its subsidiaries, as determined by the Committee or its delegates, are eligible to participate in the Plan. As of December 31, 2003, approximately 5,000 individuals were eligible to participate in the Plan. Beginning in 2005, the number of individuals eligible to participate will be significantly reduced to approximately 1,200. Participants are not required to provide consideration to the Company or its subsidiaries for the granting or extension of awards under the Plan, other than to continue to be employed by the Company or its subsidiaries.

Shares Underlying Awards. The shares underlying awards granted under the Plan are shares of International Paper Company common stock, par value $1.00 per share. The market value of the 14 million additional shares included in the amended Plan, as of December 31, 2003, was $603,540,000.

Stock Available for the Plan. The Plan permits the award of an aggregate of 14 million shares, together with any shares previously authorized by shareholders under the Plan that have not yet been issued. Shares covered by awards which are not earned, which are settled in cash or which are forfeited, and options which expire unexercised or are exchanged for other awards, are again available for grant. In addition, shares received by the Company on or prior to May 11, 2014 in connection with the exercise of options or the payment of withholding taxes through the delivery of shares, as well as shares purchased on or prior to May 11, 2014 in the open market with stock option proceeds, will also be available for awards.

Awards. The Plan permits the grant of stock options, performance share awards, continuity awards (including restricted stock) and stock appreciation rights (SARs).

Stock Option Awards. Stock options may be in the form of incentive stock options (within the meaning of Section 422 of the U.S. Internal Revenue Code) or options which do not qualify for favorable federal tax treatment (nonqualified stock options). The Committee determines the elected officer recipients of stock options, the number of shares covered by these awards, and the other terms and conditions of the options, except that the exercise price cannot be less than the fair market value of a share of the Company s common stock at the time of award grant; the Committee, or the chief executive officer as its delegate for all employees other than elected officers, determines all of the above items for stock options. Restrictions on the exercise of options lapse upon a change of control of the Company, or upon death, regular retirement under the Company s Pension Plan, or permanent disability. At the discretion of the Committee, stock appreciation rights may be granted separately or in combination with options granted under the Plan.

Options may be exercised by payment of the option price in cash or, at the discretion of the Committee, by delivering stock of the Company. At the discretion of the Committee, a plan participant who exercises any option may receive a replacement option in accordance with the term and conditions of each options award.

Performance Share Awards. Performance Share Awards are shares of our common stock contingently awarded and issued with transfer restrictions which are earned by participants over a specified award period as determined by the Committee based on the measurements described under Item 4 on page 13, Reaffirm the performance goals used for performance awards under the Long-Term Incentive Compensation Plan. During an award period, the participant is the beneficial owner of the performance shares and is entitled to vote the shares. Dividends are reinvested in additional shares of restricted stock.

In the event of a participant's death, disability, or retirement (subject to certain age and service requirements), the restrictions may be removed on a pro-rata portion of the outstanding performance shares. In the event of a change of control of the Company, all restrictions will be removed on earned awards and on a pro rata portion of the outstanding contingent awards.

Continuity Awards. The Plan provides specifically for two types of continuity awards: an executive continuity award and a regular continuity award. An executive continuity award consists of a tandem award of an option and restricted stock; a regular continuity award consists of restricted stock. The Committee or its delegate determines the recipients and terms of this type of restricted stock award. Continuity awards may not have a term in excess of ten years. Voting rights and dividends for restricted shares granted as a regular continuity award or as part of an executive continuity award are the same as for performance shares described above. At the discretion of the Committee, stock appreciation rights may be awarded separately or in combination with other awards or grants.

Upon attainment of an age determined by the Committee, or the permanent disability or death of the executive, or upon a change of control of the Company, the restrictions on an executive continuity award are removed and the award will vest, except as otherwise determined by the Committee, based upon the relative value of the option and restricted stock portions of the award. If the realizable gain on the option exceeds the value of the related shares of restricted stock, then such shares of restricted stock will be canceled and the stock option will continue for its remaining term; if the value of the shares of restricted stock is greater than the realizable gain on the related stock option, then the option will be canceled and the restrictions will be removed from all of the related shares of restricted stock.

If the tandem option is exercised prior to an age determined by the Committee, then the related shares of restricted stock will be canceled, and the shares issued upon the exercise of the option will be restricted and subject to forfeiture or repurchase by the Company for a certain period of time.

If there is a change of control of the Company, all restrictions on the executive continuity award and regular continuity awards will be removed.

As described under Stock Option Awards above, a tandem option may be exercised for cash or stock and replacement options may be granted.

Plan Benefits. Future grants under the Plan, if any, that will be made to eligible participants are subject to the discretion of the Committee or its delegates and, therefore, are not determinable at this time.

Amendments. The Board of Directors may amend the Plan to take into account or comply with any changes in applicable securities or tax laws and regulations, and may otherwise modify the Plan, without shareholder approval, except that no modification shall increase the total number of shares for which awards and stock options may be granted under the Plan without shareholder approval.

Federal Income Tax Consequences. The following discussion is a summary of the material U.S. federal income tax consequences of awards granted under the Plan under U.S. federal income tax laws as currently in effect.

Incentive Stock Options. Neither the grant nor the exercise of an incentive stock option will be a taxable event to the optionee, except that the alternative minimum tax may apply at the time of exercise.

The optionee will recognize long-term capital gain or loss on a disposition of shares acquired upon exercise of an incentive stock option, provided that the optionee does not dispose of such shares within two years from the date the incentive stock option was granted and within one year after the shares were acquired by the optionee. For purposes of determining such gain or loss, the optionee s basis in such shares will, in general, be the exercise price of the incentive stock option. If the optionee satisfies both of the holding periods described above, then the Company will not be allowed a deduction by reason of the exercise of the incentive stock option. If the optionee disposes of the shares acquired upon exercise before satisfying the holding period requirements discussed above (a disqualifying disposition), his or her gain recognized on the disqualifying disposition will be taxed as ordinary income to the extent of the difference between the fair market value of the shares on the date of exercise and exercise price of the incentive stock option, and the Company will be entitled to a deduction in this amount. The gain (if any) in excess of the amount recognized as ordinary income on a disqualifying disposition will be long-term or short-term capital gain, depending upon the length of time the optionee held the shares.

Currently, there are no outstanding incentive stock options.

Non-Qualified Stock Options. The grant of a non-qualified stock option will not be a taxable event to the optionee. The optionee generally will recognize ordinary income upon exercise of the non-qualified stock option, in an amount equal to the excess of the fair market value of the shares received at the time of exercise (including any option shares withheld by the Company to satisfy tax withholding obligations) over the exercise price of the non-qualified stock option, and the Company will be allowed a deduction in this amount. Upon disposition of the shares received upon exercise of the non- qualified stock option, the optionee will recognize long-term or short-term capital gain or loss, depending upon the length of time he or she held such shares. The amount of long-term or short-term capital gain or loss recognized by the optionee upon disposition of the shares will be an amount equal to the difference between the amount realized on the disposition and the optionee s basis in the shares (which basis is ordinarily the fair market value of the shares on the date the option was exercised).

Special tax rules may apply if an optionee uses previously owned shares to pay the exercise price of an option.

Stock Appreciation Right (SAR). The grant of a SAR will not be a taxable event to the employee. The employee generally will recognize ordinary income upon exercise of the SAR, in an amount equal to the excess of the fair market value of a share at the time of exercise over the exercise price of the SAR, and the Company will be allowed a deduction in this amount. Payment upon exercise of a SAR may be in the form of cash, or restricted stock, or unrestricted stock, or a combination. Upon disposition of the shares received upon exercise of the stock appreciation right, the employee will recognize long-term or short-term capital gain or loss, depending upon the length of time he or she held such shares. The amount of long-term or short-term capital gain or loss recognized by the employee upon disposition of the shares will be an amount equal to the difference between the amount realized on the disposition and the employee s basis in the shares (which basis is ordinarily the fair market value of the shares on the date the SAR was exercised).

Performance Shares or Restricted Stock. The grant of performance shares or restricted stock will not be a taxable event to the employee. The employee will generally recognize ordinary income upon the vesting of the award equal to the fair market value at that time of the shares received and the Company will be allowed a deduction in that amount. Upon disposition of the shares, the employee would recognize either long-term or short-term capital gain or loss, depending upon the length of time he or she held such shares. The amount of long-term or short-term capital gain or loss recognized by the optionee upon disposition of the shares will be an amount equal to the difference between the amount realized on the disposition and the employee s basis in the shares (which basis is ordinarily the fair market value of the shares on the date the award vests).

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE *FOR* THIS PROPOSAL.

4. REAFFIRM THE PERFORMANCE GOALS USED FOR PERFORMANCE AWARDS UNDER THE LONG-TERM INCENTIVE COMPENSATION PLAN.

Under Section 162(m) of the U.S. Internal Revenue Code (IRC), the Company cannot deduct certain compensation in excess of $1 million paid in any taxable year to our executive officers unless shareholders approve the material terms of such compensation, including eligibility, the maximum amounts payable to any one individual in any one taxable year and the incentive compensation performance goals that we have identified.

Eligibility for participation in the performance awards under the Long-Term Incentive Compensation Plan (the Plan), attached hereto as Appendix B is limited to senior management, officers, and certain other key employees of the Company. Maximum awards for the performance shares component of the Plan are currently limited to 100,000 performance shares per individual in each Award Period (as described in Section 12 of the Plan.) If the amendments to the Plan proposed in Item 3 are adopted, the maximum awards will increase to 660,000 performance shares for any one individual in each award period. See the description of the Approval of Amended Long-Term Incentive Compensation Plan on page 9. For the award period commencing on January 1, 2004, the Management Development and Compensation Committee of the Board (the Committee) set the maximum award of performance shares at 300% of target for seven of the most senior executives and 250% of target for all other participants. The Company must be ranked first in its peer group with respect to previously selected performance goals.

In 1999, shareholders reaffirmed the performance goals used for performance awards under the Plan to satisfy the requirements for full deductibility of compensation paid under the performance share award component of the Plan. Section 12 of the Plan provides that the performance goals include any one or more of the following:

- earnings per share
- return on investment
- return on stockholders equity
- return on assets
- growth in earnings
- growth in sales revenue
- shareholder returns

As set forth in Section 12 of the Plan, the Company s achievement of these goals may be measured based solely on the Company s results or a comparison between the Company s results and the performance of a group of peer companies selected by the Committee. The Committee must establish the applicable performance goals within the time period required for the compensation to qualify as performance-based under Section 162(m). Future grants under the Plan, if any, that will be made to eligible participants are subject to the discretion of the Committee or its delegates and, therefore, are not determinable at this time.

The other material terms and provisions of the Plan are described under Item 3 above, Approval of Amended Long-Term Incentive Compensation Plan.

The IRC requires that shareholders reaffirm these goals every five years. We are asking shareholders to reaffirm the existing performance goals and other Plan terms described in this proposal, which will carry the performance share component through the next five years.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE *FOR* THIS PROPOSAL

5. SHAREHOLDER PROPOSAL

We expect the following proposal to be presented by a shareholder at the annual meeting. The names, addresses and share holdings of the proponent and co-filers will be provided upon receiving oral or written request to our Corporate Secretary.

RESOLVED: The shareholders urge the Board of Directors:

To limit the compensation paid to the CEO in any fiscal year to no more than 100 times the average Compensation paid to the company s Non-Managerial Workers in the prior fiscal year, unless the shareholders have approved paying the CEO a greater amount;

In any proposal for shareholder approval, to provide that the CEO can receive more than the 100-times amount only if the company achieves one or more goals that would mainly reflect the CEO s contributions; and

In that proposal, to provide for grants to the CEO of stock options or other equity only if the company provides equity compensation to all full time employees such that they would participate proportionately in stock performance.

Compensation means salary, bonus, the grant-date present value of stock options, the grant-date present value of restricted stock, payments under long-term incentive plans, and other annual and all other compensation as those categories are defined for proxy statement purposes. Non-Managerial Workers means those employees of the company worldwide whose work would put them in the categories of Blue-Collar Occupations or Service Occupations of the Sales and Administrative Support components of White-Collar Occupations as used by the Bureau of Labor Statistics in its National Compensation Surveys.

The statement of this shareholder is as follows:

U.S. CEO compensation is often excessive and often tempts CEOs to undertake self serving ventures and often degrades long-term stock performance. The ratio of average CEO pay to average-worker pay has skyrocketed from about 40 in 1980 to at least several hundred currently.

International Paper appears to be part of this national problem. Both Business Week and Forbes gave the Company their second worst rankings in their studies of CEO compensation versus stock performance. Another study shows the Company s 2002 CEO compensation to be 351 times the pay of an average U.S. worker.

We believe that the system for compensating CEOs would markedly improve if companies would take three steps. First, restore a reasonable relationship to average-worker pay. Second, include company stock or options in the CEO s compensation only if the company provides that same type of compensation to all fulltime workers on a basis that would avoid increasing the pay gap. Third, link CEO compensation to meeting specific performance requirements that would mainly reflect the contributions of the CEO rather than of the work force or the economy in general.

In our opinion, a huge CEO-to-worker pay gap not only degrades worker and therefore company performance but also violates the dignity and worth of every human being that is the foundation of Catholic social teaching and common moral principles.

POSITION OF YOUR COMPANY S BOARD OF DIRECTORS

The Board of Directors believes that the Management Development and Compensation Committee of the Board (the Committee), a committee consisting wholly of independent directors, is in the best position to determine compensation for the chief executive officer that is competitive and provides incentive opportunities linked to Company performance. The Committee reviews and approves all compensation for the chief executive officer, including annual incentive compensation.

The Company s Management Incentive Plan (MIP) directly links payment of annual cash bonuses for the chief executive officer to well-defined quantitative and qualitative performance measures. MIP takes into account well defined financial performance measures for the Company, as well as the performance of the chief executive officer against specific objectives and goals determined annually. In 2003, 70% of the performance of the Company was determined by its ROI improvement and its relative rank against its industry competitors, while the remaining 30% of Company performance was determined by specific and measurable goals around people, customers and operational excellence.

The Board of Directors, upon the recommendation of the Committee, determined in 2003 to discontinue the Company s stock option plan for executive management and substitute in its place restricted shares under the Company s PSP beginning in 2004. The

PSP is wholly performance-based, using criteria, which measure the Company s financial performance against that of its competitors, to determine the size of the grant.

The Board of Directors believes that limiting the compensation of the chief executive officer to no more than 100 times the average compensation paid to non-managerial workers would not provide sufficient flexibility to remain competitive in attracting the most qualified individuals as the chief executive officer.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE *AGAINST* THIS PROPOSAL.

INFORMATION ABOUT OUR CORPORATE GOVERNANCE

Governance Practices

The Board of Directors believes that good corporate governance is critical to achieve business success. The Board has adopted a set of Corporate Governance Principles to enhance its own effectiveness and to implement best practices for the Company s corporate governance. These principles are reviewed from time to time for possible revision to respond to changing regulatory requirements, evolving best practices, and the concerns of our shareholders. Our Corporate Governance Principles are published on our website at www.internationalpaper.com. Highlights of our corporate governance practices are described below:

Independence of the Board of Directors

A substantial majority of the Board are independent directors (9 of 11 members) as defined under The New York Stock Exchange rules.

The Audit and Finance Committee, Management Development and Compensation Committee and Governance Committee are composed solely of independent directors.

Each standing committee is chaired by an independent director.

None of the independent directors receives any consulting or other non-director fees from the Company.

Shareholder Access and Rights

Shareholders are being asked to ratify the selection of the independent auditor at our annual meeting.

Shareholder approval is required for any future severance agreement for a senior executive providing for cash payments exceeding two (2) times the executive s base salary plus target bonus.

All equity compensation plans have been approved by shareholders.

Shareholder approval is required for any future change of control agreement pro- viding for aggregate payments exceeding 2.99% times the individual s highest gross income in any one of the three prior years.

Shareholders may recommend candidates for consideration as director to the Governance Committee by writing to the Governance Committee c/o Maura A. Smith, Senior Vice President, General Counsel and Corporate Secretary, at 400 Atlantic Street, Stamford, CT 06921. The Governance Committee then reviews those candidates qualifications in the context of the Board s needs and makes a determination whether to recommend the candidates for election. Final approval of a candidate is determined by the full Board.

Shareholders may communicate directly with the full Board or any of the independent board members by writing to the above address. All communications involving the interest of the Company or its shareholders, other than solicitations, are forwarded to the intended directors.

All communications relating to the Company s accounting, internal controls or auditing matters are immediately forwarded to the Chairman of the Audit and Finance Committee and are investigated and responded to in accordance with the procedures established by the Audit and Finance Committee.

All directors are expected to attend the annual meeting of shareholders.

See Information About Our 2005 Annual Meeting for the deadlines and process by which you may submit director nominees for consideration by the Governance Committee for the 2005 annual meeting of shareholders.

Board Practices

Independent directors meet privately in executive sessions at least two times per year with the chairman of the Governance Committee presiding.

The Board performs an annual assessment of its structure and performance, including reviewing the Board s activities against those set out in its Corporate Governance Principles and committee charters and making recommendations for changes or improvements in practices or structure.

Independent directors have unlimited access to senior managers and regular contact with other employees through facility visits.

Director training sessions are scheduled regularly with senior management, our independent auditor and compensation consultants to keep the Board updated on changes in the Company s businesses, its markets and best practices in general. Directors are also offered the opportunity to attend director education programs offered by third parties.

Independent directors receive a significant portion of their annual compensation in equity to further align our directors with the interests of our shareholders.

Independent directors have unlimited access to independent legal, financial, accounting and other advisors as they may deem appropriate and reasonable, without obtaining management approval.

The Governance Committee reviews incumbent directors prior to recommending the slate for election. The review emphasizes directors commitment to serving the Company, attendance at meetings and commitment to shareholders, employees and other constituencies served by the Company.

Committee chairs and members are rotated from time to time to give the directors a broader knowledge of the Company s affairs.

Retirement age for directors is 70 (for directors first elected or appointed after July 13, 1999) and 72 for all directors elected before then.

Committees report on their activities to the Board at each Board meeting.

Materials related to agenda items are provided to directors sufficiently in advance of meetings to allow the directors to prepare for discussion of the items.

Ethical Guidelines and Stock Ownership Guidelines for Officers and Directors

The Company has adopted a Code of Business Ethics applicable to all directors, officers and employees.

Stock ownership guidelines require officers to hold company stock in an amount equal to a multiple of their base salary, based upon their title, for current officers, and within four years of election or appointment for new officers. See Report of the Management Development and Compensation Committee of the Board of Directors Specific Compensation Programs Stock Ownership Guidelines.

Stock ownership information of directors is shown in the table on page 21.

Board Membership Changes During 2003

During 2003, the Board consisted of 12 directors, including Mr. John T. Dillon, who retired as Chairman of the Board and Chief Executive Officer on October 31, 2003 after more than 38 years of service to the Company. Mr. Robert M. Amen and Ms. Martha F. Brooks were elected to the Board in November and December 2003, respectively. Mr. Patrick F. Noonan retired from the Board on February 5, 2004, after more than ten years of service to the Company. At that time, the size of the Board was reduced to 11 directors.

Board Committees

In order to fulfill its responsibilities, the Board has delegated certain authority to its committees. There are four standing committees and an executive committee. During 2003, the Board held eight (8) regular meetings and each of our directors attended at least 75% of the total number of meetings of the Board of Directors and the Committees on which he or she served. Following Mr. Noonan s retirement, Mr. McClelland agreed to serve as Acting Chairman of the Public Policy and Environment Committee until a Chairman could be appointed by the Board following the annual meeting of shareholders. The following table shows the membership of, and the number of meetings held by, each of the committees during 2003.

Directors	Audit and Finance	Public Policy and Environment	Governance	Management Development and Compensation	Executive
Amen, R.M.		X			
Brooks, M.F.		X			
Eaton, R.J.	X			X*	X
Faraci, J.V.					X*
Gibara, S.G.	X		X		
Henderson, J.A.	X			X	
Kennedy, R.D.	X			X	
McClelland, W.C.		X**	X		X
McHenry, D.F.			X*	X	X
Pfeiffer, J.C.		X	X		
Shoemate, C.R.	X*			X	X
Number of Meetings	6	4	4	7	0

* Chairman of the Committee
** Acting Chairman of the Committee

A brief description of the Board committees and their functions is set forth below. Additional information about the committees can be found in the committee charters, which are available on the Investor Relations Corporate Governance section of our website at www.internationalpaper.com. In addition, the Governance Committee charter is attached as Appendix C to this proxy statement.

Audit and Finance Committee

The Audit and Finance Committee:

Assists the Board in monitoring the integrity of the financial statements of the Company and financial reporting procedures.

Oversees management s accounting for the Company s financial results and reviews the timeliness and adequacy of the reporting of those results and related judgments.

Oversees the internal audit function and makes inquiry into the audits of the Company s books made internally and by outside independent auditors.

Appoints and replaces the independent auditor, oversees the independent auditor and is responsible for the compensation of the independent auditor.

The Audit and Finance Committee pre-approves services to be performed by the independent auditor. A copy of the Committee s guidelines for pre-approving those services is included with this proxy statement as Appendix A.

Informs the Board of any significant accounting matters, including critical accounting policies and judgments.

Establishes procedures for the receipt, retention and treatment of complaints relating to accounting, internal accounting controls, and for the confidential, anonymous submission by employees of concerns regarding accounting or auditing matters.

May, to the extent it deems necessary or appropriate, retain independent legal, accounting or other advisors.

Reviews and reports to the Board on the Company s management of its financial resources.

Reviews the performance of the Committee.

Each member of our Audit Committee is independent under the rules of the Securities and Exchange Commission (SEC) and the New York Stock Exchange listing rules and qualifies as an audit committee financial expert as defined by the SEC.

Management Development and Compensation Committee

The Management Development and Compensation Committee:

Annually reviews and makes recommendations to the Board with respect to the compensation of directors.

Annually reviews candidates for elected officer positions, and endorses nominees for election by the Board.

Has the authority to retain and terminate consultants to assist in the evaluation and compensation of directors, the Chief Executive Officer and elected officers; and it has the authority to approve consultants fees and other retention terms.

Reviews at least annually senior management succession planning, and reviews Company policies for the development of management personnel.

Approves annual and long-term incentive compensation plans of the Company.

Annually reviews and approves for elected officers of the Company who are not also directors, annual base salary, annual incentive compensation, and long-term incentive compensation.

Recommends to the independent directors the compensation of the Chief Executive Officer based on the independent directors evaluation of the Chief Executive Officer and the Company s financial performance, shareholder return, competitive compensation data and other factors, and also recommends to the independent directors the compensation of any other officer who is also a director.

Reviews and approves employment agreements, severance agreements and change in control agreements, and any additional special or supplemental benefits for elected officers who are not also directors; any such agreements or benefits for elected officers who are also directors are approved by the independent directors.

Reviews the performance of the Committee.

Each member of our Management Development and Compensation Committee is independent under the New York Stock Exchange listing rules.

Governance Committee

The Governance Committee:

Reviews the structure of the Board, its committee structure and overall size.

Develops and recommends for Board approval standards for director independence.

Recommends for Board approval assignments of Board members to Committees.

Actively seeks individuals qualified to become Board members, and reviews and recommends possible candidates for Board membership, taking into account such criteria as independence, diversity, age, skills, occupation and experience in the context of the needs of the Board.

Reviews affiliations of directors and director candidates for possible conflicts of interest.

Establishes a process pursuant to which the independent directors annually evaluate the performance of the Chief Executive Officer.

Determines a schedule for regular executive sessions of the Board in which non-management directors meet without management participation.

Oversees and assesses the processes by which management provides information to the Board, as well as the quality and timeliness of the information received.

Reviews the performance of the Committee.

Each member of our Governance Committee is independent under the New York Stock Exchange listing rules.

Public Policy and Environment Committee

The Public Policy and Environment Committee:

Reviews the Company s mission and objectives consistent with the responsibilities of good corporate citizenship.

Reviews the Company s process for identifying contemporary and emerging public policy issues.

Reviews technology issues pertinent to the Company.

Reviews the Company s policies, plans and performance relating to the environment, safety, and health to insure continuous improvement and compliance with applicable rules and regulations.

Reviews legal matters pertinent to the Company, and the Company s compliance with its legal and regulatory obligations, including its adherence to, and adequacy of, its Code of Business Ethics.

Reviews and recommends to the Board action with respect to the indemnification of Company officers and directors in any pending or threatened legal action or proceeding.

Reviews the Company s policies with respect to charitable and political contributions.

Reviews the performance of the Committee.

Executive Committee

In 2004, the Board adopted a charter for its Executive Committee.

The Executive Committee:

Acts for the Board when Board action is required and a quorum of the Board cannot be covened on a timely basis.

Membership consists of the Chairman of the Board and the respective Chairmen of the Audit and Finance, Governance, Management Development and Compensation and Public Policy and Environment Committees. The Chairman of the Board acts as the Chairman of the Executive Committee.

When acting for the Board, the Executive Committee must meet any independence requirements that would apply if the action were taken by the Board.

Related Transaction

In October 2000, Jerome N. Carter, senior vice president-human resources, in connection with his relocation to the Company s headquarters, borrowed $200,000 interest-free from the Company. The loan was made prior to the prohibition of loans to insiders pursuant to the Sarbanes-Oxley Act of 2002. During 2003, the largest outstanding amount of this loan was $120,000. On December 31, 2003, the outstanding balance of the loan was $80,000. As of March 17, 2004, a balance of $40,000 is due to the Company, which is payable in accordance with the loan s terms on or before the last business day of February 2005.

STOCK OWNERSHIP INFORMATION

We encourage our officers to hold shares of the Company. See The Report of the Management Development and Compensation Committee of the Board of Directors Stock Ownership Guidelines for information about the amount of stock officers are required to hold. We believe that this helps to align their interests with your interests, as shareholders.

The following table shows, as of March 17, 2004, the number of shares of Company common stock beneficially owned by each director, each named executive officer included in the Summary Compensation Table on page 31, and by all directors and executive officers of the Company as a group. To the best of our knowledge, as of December 31, 2003, no person or group beneficially owned more than 5% of our common stock except as set forth in the table below.

Stock Ownership

Name of Beneficial Owner*	Shares of Common Stock Owned(1)	Stock Units Owned(2)	Stock Options Owned(3)
Robert M. Amen	229,206	10,575	279,000
Martha F. Brooks	0	1,426	0
John T. Dillon	297,508	42,278	1,382,237
Robert J. Eaton	10,800	25,184	0
John V. Faraci	426,046	4,435	309,000
Samir G. Gibara	3,116	5,512	0
James A. Henderson	10,675	5,509	0
Robert D. Kennedy	19,625	1,819	0
Christopher P. Liddell	64,843	209	52,500
W. Craig McClelland	24,664	3,486	125,648
Donald F. McHenry	11,361	20,816	0
James P. Melican	79,463	1,039	515,087
Jane C. Pfeiffer	15,884	9,364	0
Charles R. Shoemate	7,500	24,404	0
Maura A. Smith	69,492	0	65,000

	Shares Owned	Percent of Class
All directors and executive officers as a group	1,270,183	*

Owners of More than 5% of Our Common Stock

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Capital Research and Management Company (4) 333 South Hope Street Los Angeles, CA 90071	52,951,740	11.0 %
State Street Bank and Trust Company (5) 225 Franklin Street Boston, MA 02110	37,432,253	7.8 %

* All directors and executive officers as a group own less than 1% of common stock outstanding.

Footnotes to Stock Ownership

(1) Ownership shown includes securities over which the individual has or shares, directly or indirectly, voting or investment powers, including certain relatives and ownership by trusts for the benefit of such relatives; certain individuals may disclaim beneficial ownership of some of these shares, but they are included for the purpose of computing the holdings and the percentages of common stock owned. These numbers do not include shares represented by stock options granted to executive officers under the Long-Term Incentive Compensation Plan.

(2) Ownership shown represents the non-voting stock-equivalent units owned by the named individuals under the Non-funded Deferred Compensation Plan for Non-Employee Directors or the International Paper Company Deferred Compensation Savings Plan.

(3) The column which includes all stock options held by the current and former executive officers, includes 2,363,472 stock options that are exercisable as of the record date or within sixty days of the record date. The number of stock options exercisable as of the record date or within sixty days of the record date for the named individuals are as follows:

Robert M. Amen	170,000
John T. Dillon	1,382,237
John V. Faraci	170,500
Christopher P. Liddell	0
W. Craig McClelland	125,648
James P. Melican	515,087
Maura A. Smith	0

(4) This information is as of December 31, 2003, and was derived from a Schedule 13G/A filed on February 13, 2004 with the Securities and Exchange Commission by Capital Research and Management Company, an investment adviser registered under Section 203 of the Investment Advisers Act of 1940 (Capital Research). According to its filing, Capital Research held shares of common stock of the Company as a result of acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940.

(5) This information is as of December 31, 2003, and was derived from a Schedule 13G filed on February 5, 2004 with the Securities and Exchange Commission by State Street Bank and Trust Company. According to its filing, State Street Bank and Trust Company held shares of common stock of the Company as the independent trustee in trust funds for employee savings, thrift, and similar employee benefit plans of the Company and its subsidiaries (Company Trust Funds). In addition, State Street Bank and Trust Company is trustee for various third party trusts and employee benefit plans and is a registered investment advisor. As a result of its holdings, in all capacities, State Street Bank and Trust Company is the record holder of 37,432,253 shares of common stock of the Company. The trustee disclaims beneficial ownership of all such shares, except 17,112,019 shares of which it has sole power to dispose or to direct the disposition. The common stock held by the Company Trust Funds is allocated to participants accounts and such stock or the cash equivalent will be distributed to participants upon termination of employment or pursuant to withdrawal rights. The trustee votes the shares of common stock held in the Company Trust Funds in accordance with the instructions of the participants; shares for which no instructions are received are voted in the trustee s discretion.

COMPENSATION OF DIRECTORS

Fees and Deferrals

Each non-employee director receives an annual retainer of $52,000, which may be converted to restricted stock at a 20% premium. In addition, non-employee directors receive an annual grant of 1,750 shares of restricted stock having a value as of March 17, 2004, equal to $72,660. These shares vest one year following grant. The restricted stock awards are made under the Non-Employee Directors Restricted Stock Plan. Committee chairmen also receive an additional $5,000 in cash or restricted stock. Directors may defer receipt of all or a portion of their remuneration until a later date under a Non-funded Deferred Compensation Plan for Non-Employee Directors.

In addition, under this Plan each non-employee director, 54 years or older, is credited with 300 deferred stock units (DSUs) each year. The DSUs remain in the plan until death, disability or retirement at which time, the DSUs are paid in cash based on the then prevailing stock price. The DSUs held in the non-employee director s account are credited with dividend equivalents.

Restricted stock awards and DSUs credited in 2003 in connection with non-employee director compensation described above were as follows for each non-employee director:

Director*	Shares/DSUs
M.F. Brooks	1,416**
R.J. Eaton	3,831
S.G. Gibara	2,050
J.A. Henderson	2,050
R.D. Kennedy	2,875
W.C. McClelland	3,400
D.F. McHenry	2,940
J.C. Pfeiffer	2,875
C.R. Shoemate	3,831

* Mr. Patrick F. Noonan retired from the Board of Directors on February 5, 2004.

** The restricted stock grant for Ms. Brooks was made in January 2004 following her election to the Board and represents a pro-rata award for the May 2003 grant.

Any director who is also an employee of the Company receives no compensation for services as a director or for attendance at Board or Committee meetings.

Other

We have established a directors planned gift program to promote charitable giving to education and assist corporate recruiting and research efforts. Pursuant to this program, we will donate $1 million over a ten-year period to one or more qualifying universities or colleges recommended by an individual director. Individual directors derive no financial benefit from this program since charitable deductions accrue solely to the Company.

Insurance and Indemnification Contracts

We provide liability insurance for our directors and officers at an annual cost of approximately $2.5 million and have contractual indemnification arrangements with our directors and certain of our officers under which we agree, in certain circumstances, to compensate them for costs and liabilities incurred in actions brought against them while acting as directors or officers of the Company.

The principal underwriter of the current coverage, which extends until June 15, 2004, is Federal Insurance Company, a subsidiary of Chubb Group. No monies have been paid by the carriers or by the Company under these contractual arrangements or policies.

REPORT OF THE MANAGEMENT DEVELOPMENT AND COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

The Committee s Role and Responsibilities

The Management Development and Compensation Committee of the Board of Directors (the Committee) is responsible for shaping the principles, strategies and compensation philosophy that guide the design of the Company s employee compensation plans and programs. The Committee is composed entirely of the following independent, non-employee directors of the Board: Robert J. Eaton (Chairman), James A. Henderson, Robert D. Kennedy, Donald F. McHenry, and Charles R. Shoemate. In 2003, the Committee met seven (7) times with 100% attendance.

The Committee determines compensation of the Company s elected officers, and makes recommendations to the independent members of the Board of Directors (the Board) on the compensation of the Chairman and Chief Executive Officer (CEO), the President and the non-employee Directors. The independent members of the Board approve all compensation actions regarding both the CEO and the President.

In addition, the Committee has general responsibility for insuring that the Company has in place policies and programs for the development and succession of senior management. A more complete description of the Committee functions is set forth under the heading Information About Our Corporate Governance: Board Committees Management Development and Compensation Committee on page 18.

Compensation Philosophy

The Company s compensation programs for salaried employees are designed to attract and retain top talent, and to reward and motivate employees to achieve business results. Guided by principles that reinforce the Company s pay-for-performance philosophy, compensation typically includes a base salary, eligibility for annual cash bonuses and long-term incentives. Bonus eligibility and the amount of any awards are determined on the basis of individual and Company performance. This pay-for-performance philosophy is designed to improve shareholder returns by establishing and then evaluating actual performance against key performance drivers. These drivers, and the Company s performance against them, are discussed in more detail below under the headings Base Salary, Annual Bonus Incentives, and Long-term Incentive Compensation. The Committee s role is to ensure that the Company s compensation philosophy is aligned with these performance drivers and metrics.

To assist in designing the Company s compensation programs, the Committee retains the services of independent compensation consultants who report directly to the Committee. The Committee considers compensation data from a group of eight companies included in the forest products and paper industry (the peer group), and a select group of large manufacturing companies to benchmark the appropriateness and competitiveness of the Company s compensation programs.

As described in more detail below, the Committee has selected certain companies in the peer group against which the Company s return on investment (ROI) and total shareholder returns (TSR), two of the key performance drivers, are compared.

<u>2003 Peer Group</u>

Boise Cascade Corporation
Georgia-Pacific Corporation
International Paper
MeadWestvaco Corporation
Smurfit-Stone Container Corporation
Stora Enso Corporation
UPM
Weyerhaeuser Company

Starting in 2004, the Committee has added Domtar, Inc. to the peer group that will be used to compare the Company s ROI performance (the ROI Peer Group). It has also created a second larger group of comparably-sized manufacturing companies, adding Domtar, Inc., as well as Alcoa, Inc. and Dow Chemical Company, against which to compare the Company s total shareholder return (the TSR Peer Group).

2004 ROI Peer Group For ROI	**2004 Peer Group for TSR**
Boise Cascade Corporation	Alcoa Inc.
Domtar Inc.	Boise Cascade Corporation
Georgia-Pacific Corporation	Domtar Inc
International Paper	Dow Chemical Company
MeadWestvaco Corporation	Georgia-Pacific Corporation
Smurfit Stone Container Corporation	International Paper
Stora Enso Corporation	Mead Westvaco
UPM Corporation	Smurfit Stone Container Corporation
Weyerhaeuser Company	Stora Enso Corporation
	UPM Corporation
	Weyerhaeuser Company

Committee s Comprehensive Review of Equity Compensation

Commencing in late 2002 and continuing throughout 2003, with the assistance of the Committee s consultants, the Committee reviewed the Company s equity compensation programs, taking into account emerging accounting and regulatory trends. The Committee also surveyed the Company s employees in early 2003 to assist in evaluating the effectiveness of the Company s programs in achieving its business results. This review, along with employee feedback, supported the Committee s decision to discontinue issuing stock options for senior executives in 2004, and for other employees in 2005. In lieu of stock options, the Committee approved expansion of the Company s performance-based restricted share program. Employees who will no longer receive compensation in the form of stock options may be eligible to receive either performance-based restricted shares or increased cash compensation under the Company s annual cash bonus program.

The Committee is recommending that the shareholders authorize an additional 14,000,000 shares to be available for issuance under the Company s Long-Term Incentive Compensation Plan in order to accomplish the shift from stock options to the issuance of performance-based restricted shares in 2004 and beyond. See Long-Term Incentives below for additional information on our equity programs.

Executive Compensation Programs

Base Salary

Base salaries for the CEO and the other elected officers are established based on the underlying scope of their respective responsibilities, taking into account competitive market compensation paid by other companies for similar positions. Base salaries are reviewed annually, and adjusted from time to time to recognize outstanding individual performance, promotions and competitive compensation levels. The 2003 salaries paid to the named executive officers are shown in the Salary column of the Summary Compensation Table below.

Annual Bonus Incentives

Annual bonuses for the CEO and elected officers are designed to reward continuous improvement in both financial performance as well as other key performance drivers. The Company s annual cash bonus incentives are paid in accordance with the Company s Management Incentive Plan (MIP). Each employee s target opportunity is based on his or her position level, established in reference to skill level, position experience and scope of responsibilities. The amount of payment, in relation to target opportunity, is determined on the basis of Company and individual performance.

Annually, the Committee approves the MIP performance objectives and goals for the upcoming year. After year-end results are finalized, the Committee reviews the performance results and approves payment of the earned awards based on achievement against the approved metrics.

In 2003, the Company paid bonuses under its Management Incentive Plan based on achieving 63.4% of its targeted performance goals. Target payments under MIP were calculated in reference to the following metrics:

Return on investment compared to the Peer Group (30% weighting)

Actual financial performance compared to planned financial goals (40% weighting); and

Actual performance compared to other non-financial performance drivers (30% weighting).

In 2004, the weighting of the metrics used to evaluate performance has been adjusted. The weighting of the Company s performance compared to the 2004 ROI Peer Group has increased to 50%, and the weighting of its performance relative to planned financial goals has decreased to 20%.

Long-Term Incentives

Each year the Committee reviews and approves the issuance of stock options and performance-based restricted stock to eligible employees who participate in the Company s long-term incentive plans, and makes recommendations to independent members of the Board with respect to the CEO and President.

Historically, stock options have been granted twice per year to approximately 5,000 participants based on annual target grant guidelines developed from a review of competitive market compensation. Actual grants are adjusted to reflect individual performance, retention considerations and other special circumstances. Stock options are granted at fair market value defined as the closing price on the business day immediately preceding the date of grant, and vest two years after the date of grant. Stock options expire on the tenth anniversary of the grant.

As explained previously, the Committee has decided to discontinue the stock option program in 2004 for members of executive management, and in 2005 for all other eligible employees. The program will be replaced with performance-based restricted shares for approximately 1,200 eligible employees.

The Company s performance-based restricted shares have been granted annually under its Performance Share Plan to approximately 120 executives in leadership and strategic positions. Under this Plan, performance shares have been granted at the beginning of each year and paid at the end

of a three-year performance period based on the achievement of defined performance objectives.

For each of the awards issued under the Performance Share Plan through 2003, the Company s performance was measured against the Peer Group, weighted as follows:

75% for return on investment, and

25% for total shareholder return.

For the 2001-2003 performance period, the Company ranked third for ROI and fifth for TSR in the Peer Group. Had the Company ranked below six of the eight companies in the Peer Group, no performance shares would have been earned. Had the Company ranked first within the Peer Group, the payout could have been as high as 250% of the target award.

Commencing with the 2004 Performance Share Plan awards, the Committee will evaluate the Company s performance against both the 2004 ROI Peer Group and the 2004 TSR Peer Group The Company must rank at least fifth out of nine in ROI and sixth out of eleven in TSR for performance shares to be awarded at 50% of target. If the Company s ranking falls below fifth for ROI or sixth for TSR, no performance shares will be earned.

At the discretion of the Committee, performance awards may be reduced if the Company s actual ROI or TSR is a negative number. In addition, to further align rewards with shareholders interests, the Committee has adjusted the weighting of the metrics for the CEO, the President, and five direct reports of the CEO. For this senior group of executives, the metrics will be equally weighted between return on investment and total shareholder return, and the maximum payout will be increased from 250% to 300%, if the Company ranks first within the Peer Group.

Other Equity Incentives

The Company has an additional restricted stock program, which is utilized solely for recruitment, retention and special recognition purposes. Awards under this program generally vest based on continued employment. Award sizes and vesting periods vary to allow flexibility as deemed appropriate for each award. The Committee may recommend awards for the CEO and the President for approval by the independent members of the Board. The CEO may recommend awards for elected officers for approval by the Committee. The Committee has also authorized the Senior Vice President of Human Resources, with the approval of the CEO, to approve awards of restricted stock under the program to non-elected officers and other employees.

Stock Ownership Guidelines

In January 2003, the Company implemented stock ownership guidelines to further align the long-term financial interests of the Company's shareholders and its senior management. These guidelines require officers to hold Company stock valued at a multiple of their base pay based upon their title, as follows:

CEO	5x base pay
President	4x base pay
Executive Vice President	3x base pay
Senior Vice President	2x base pay
Vice President	1x base pay

Current officers are expected to meet these ownership guidelines by January 1, 2007, and new officers are expected to comply within four years of election or appointment, absent unusual circumstances. In addition, commencing in 2004, the Company implemented holding requirements that prohibit officers from disposing of more than 20% of their Company stock ownership position in the Company in any one year without the prior approval of the CEO, and, in the case of senior vice presidents and above, without prior approval of the Committee.

CEO Compensation

The year 2003 was a year of transition for International Paper. Mr. Dillon served as Chairman and CEO for the first ten months of the year, and retired after a 38-year career with the Company. On November 1, 2003, Mr. Faraci became the Chairman and CEO. The fiscal year 2003 compensation for Mr. Dillon and Mr. Faraci consisted of base salary, annual bonus, and long-term incentives. The Committee determined, and recommended to the independent members of the Board for approval, CEO compensation, using methods consistent with those used for other senior executives.

In April 2003, Mr. Dillon s base salary was increased to $1,300,000 in recognition of his service and past accomplishments. Mr. Faraci s base salary increased in February 2003 to $650,000, when he was promoted to President, and then to $965,000 when he was promoted to Chairman and CEO.

In 2003, Mr. Dillon and Mr. Faraci were eligible for award payments under both the annual and long-term incentive compensation programs. Mr. Dillon s annual cash incentive award was paid at target for a full year of service in light of his valuable contributions to the Company, and his 2001-2003 performance-based restricted share award was also paid at target but pro-rated through the date of his retirement. Mr. Faraci s awards under these incentive programs were paid in accordance with the terms of the plan. The actual awards paid in 2003 are shown in the Summary Compensation Table.

In 2003, both Mr. Dillon and Mr. Faraci received an annual grant of performance-based restricted stock under the Performance Share Plan and semi-annual grants of stock options. In January 2003, Mr. Dillon was awarded 50,000 restricted shares under the Performance Share Plan. Mr. Dillon was also granted 125,000 stock options in April 2003 and, in appreciation for his long service and valuable contributions to the Company, he was granted 187,500 stock options in October 2003, the maximum award for his position. In 2003, Mr. Faraci was awarded 64,277 performance-based restricted shares, which included pro-rated adjustments to outstanding awards for his promotions to President and then to CEO. Mr. Faraci was also granted 53,000 and 48,000 stock options, respectively, in April and October 2003. Additionally, in recognition of his promotion to CEO, Mr. Faraci was granted 35,000 restricted shares that vest five years from the date of the grant.

Mr. Dillon s eligible compensation for purposes of calculating his Unfunded Supplemental Retirement benefit included his base salary rate at retirement, his target award under the MIP, and his incentive award paid under the Champion Integration CEO Performance Incentive Plan as shown under Retirement Benefits . In connection with Mr. Dillon s retirement, the Board approved certain payments in recognition of his contributions to the Company, including his monthly base pay for the remainder of 2003. The Board also approved reimbursing legal fees and other incidental out-of-pocket expenses incurred by Mr. Dillon in connection with his retirement. The Board also approved reimbursement of expenses incurred for office space and administrative support for a period of ten years following his retirement. The Company signed a one-year consulting agreement with Mr. Dillon, commencing November 1, 2003. This agreement permits the Chairman and CEO to request Mr. Dillon s services on an as needed basis at the rate of $5,500 per day. The one-year term may be extended at the discretion of the Company. Consulting fees paid to Mr. Dillon in 2003 are included in Other Income in the Summary Compensation Table.

Deductibility of Executive Compensation

The Committee has considered the provisions of Section 162(m) of the Internal Revenue Code which allows the Company an income tax deduction for certain compensation exceeding $1,000,000 paid in any taxable year to named executive officers. The Company s shareholders are being asked to reaffirm the material terms of the performance goals under the Long-Term Incentive Compensation Plan. The Committee endorsed amendments to the Long-Term Incentive Compensation Plan to make certain sections of the Plan compatible with these performance goals. The Committee believes, however, that it is appropriate to maintain flexibility to make adjustments under the Management Incentive Plan, despite the fact that certain amounts paid to executives in excess of $1,000,000 will not be tax deductible by the Company.

Summary

The Committee believes the Company s compensation philosophy and programs are designed to foster a performance-oriented culture that aligns employees interests with those of its shareholders. The Committee believes that the compensation of the Company s executives is both appropriate and responsive to the goal of improving shareholder returns

THE MANAGEMENT DEVELOPMENT AND COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

Robert J. Eaton, Chairman
James A. Henderson
Robert D. Kennedy
Donald F. McHenry
Charles R. Shoemate

Compensation Committee Interlocks and Insider Participation

No executive officer or other employee of the Company served as a member of the Committee or as a member of the compensation committee on the board of any company where an executive officer of such company is a member of the Committee.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Company s executive officers and directors to file reports of ownership and changes in ownership of Company stock with the Securities and Exchange Commission (Commission) and the New York Stock Exchange. Copies of these reports must also be furnished to the Company.

As a result of an administrative oversight, John V. Faraci inadvertently omitted to report one transaction in March 2003 under the revised rules of the Commission relating to reporting such transaction. Mr. Faraci subsequently reported the transaction in March 2003 under Form 4.

As a result of an administrative oversight, Robert J. Grillet inadvertently omitted to report one transaction in April 2003 under the revised rules of the Commission relating to reporting such transaction. Mr. Grillet subsequently reported the transaction in April 2003 under Form 4.

As a result of an administrative oversight, each officer who is a Section 16 filer of the Company inadvertently omitted to report one transaction in April 2003 under the revised rules of the Commission relating to reporting such transaction. The officers subsequently reported the transactions in April 2003 under Form 4.

As a result of an administrative oversight, two current officers Robert J. Grillet and Christopher Liddell and one former officer James Melican, inadvertently omitted to report one transaction in April 2003 under the revised rules of the Commission relating to reporting such transaction. Messrs. Grillet, Liddell and Melican subsequently reported the transactions in April 2003 under Form 4.

Based solely upon a review of the copies of the forms filed under Section 16(a) and furnished to the Company, or written representations from reporting persons, the Company believes that all other filing requirements applicable to its executive officers and directors were complied with during 2003.

PERFORMANCE GRAPH

The following graph compares a $100 investment in Company stock with a similar investment in a peer group of five key competitor companies and the S&P 500. The peer group used to compare shareholder returns in this graph does not include the non-U.S. companies from the peer group used for compensation purposes. The graph portrays total return, 1998-2003, assuming reinvestment of dividends.

COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN
FIVE YEARS ENDED DECEMBER 31, 2003*

International Paper

S&P 500 Index

Peer Group

60

80

100

120

140

160

180

200

1998

1999

2000

2001

2002

2003

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	1998	1999	2000	2001	2002	2003
International Paper	100	129	96	97	86	109
S&P 500 Index	100	121	110	97	76	97
Peer Group **	100	150	108	110	93	131

Assumes $100 invested on December 31, 1998.

* Total return assumes reinvestment of dividends.

** Includes Boise Cascade Corporation, MeadWestvaco Corporation, Georgia-Pacific Corporation, Smurfit-Stone Container Corporation, and Weyerhaeuser Company.

ADDITIONAL INFORMATION
REGARDING EXECUTIVE COMPENSATION

The compensation of the Company s executive officers is approved by the Management Development and Compensation Committee except for the compensation of the officers who are also directors of the Company. Their compensation is first recommended by the Management Development and Compensation Committee and then approved by the Board of Directors.

The following tables set forth information with respect to the two people who served as Chief Executive Officer during 2003 and the four most highly compensated executive officers of the Company for the years 2001 - 2003.

SUMMARY COMPENSATION TABLE

					Long-Term Compensation			
		Annual Compensation			Awards		Payouts	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
				Other	Restricted			
				Annual	Stock		LTIP	All Other
		Salary	Bonus	Compensation	Awards	Options	Payouts	Compensation
Name and Position	**Year**	**($) (1)**	**($) (2)**	**($) (3)**	**($) (4)**	**(#) (5)**	**($) (6)**	**($) (7)**
Robert M. Amen	2003	$ 562,500	$ 410,300	$ 1,478,493	$ 590,250	71,500	$ 628,922	$ 94,821
President	2002	500,000	700,000			75,000	544,856	62,521
	2001	447,417	217,000	98,766		23,000	1,029,909	59,273
John T. Dillon	2003	$ 1,260,000	$ 1,285,400	$	$	312,500	$ 5,718,725	$ 713,212
Chief Executive Officer (8)	2002	1,140,000	1,800,000			450,000	1,986,516	128,039
(retired 10/31/03)	2001	1,130,625	600,000			150,000	2,145,246	255,742
John V. Faraci	2003	$ 690,000	$ 815,000	$	$ 1,377,250	101,000	$ 767,393	$ 119,513
Chairman of the Board and								
Chief Executive Officer	2002	500,000	700,000			75,000	544,856	63,635
	2001	447,417	217,000			23,000	1,029,909	58,089
Christopher P. Liddell	2003	$ 470,833	$ 413,500	$ 349,648	$	45,000	$ 664,482	$ 56,642
Senior Vice President (9)	2002	442,140	275,072			7,500	238,382	
and Chief Financial Officer	2001	399,837	161,202					
James P. Melican	2003	$ 591,850	$ 470,800	$	$	75,000	$ 1,194,158	$ 191,318
Executive Vice President (10)	2002	567,400	550,000			55,000	476,764	72,204
(retired 12/31/03)	2001	563,250	169,000			223,000	1,029,909	103,274
Maura A. Smith	2003	$ 358,049	$ 660,100	$ 87,274	$ 173,150	65,000	$ 467,608	$ 37,994
Senior Vice President, (11)								
General Counsel and								