

EDGAR PDF COVER PAGE  
Company: INTERNATIONAL PAPER COMPANY  
Description:  
FORM 10-Q

Proof Date: 14-NOV-2001

This EDGAR PDF proof differs from our EDGAR paper proof in the following respect:  
It is reformatted for 8.5 x 11 in the event that you wish to print it out.

PRIVILEGE AND CONFIDENTIALITY NOTICE

This electronic document is intended solely for use of the duly authorized individual or entity to which it has been made available and contains information that is privileged, confidential and exempt from disclosure under applicable law. If the reader of this document is not the intended recipient or the duly authorized employee or agent responsible for delivering this transmission to the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. If you have received this transmission in error, please notify us immediately by collect telephone call to (212) 741-7444 and delete and/or destroy any electronic or hard copies thereof.

\*\*\*\*\*  
AUTHORIZATION FOR EDGAR FILING

R.S. Rosenbaum & Co. requires your written authorization for each EDGARized document we file with the SEC on your behalf. Please be aware that the SEC accepts or rejects EDGAR filings based, in part, upon the information in the Submission Header. This Submission Header information MUST match the information on the cover page of your filing. Before proceeding, check all tags and values as well as the contents of your EDGAR proof.

In order for us to submit your filing, we must receive a copy of this page, by HAND DELIVERY or fax to (212) 229-8664, with the form below signed and dated. You will need to confirm our receipt of this Authorization with your assigned Customer Service Representative.

\_\_\_\_\_  
I have reviewed the submission referred to below and authorize R.S. Rosenbaum & Co. to transmit this EDGAR filing to the SEC.

Date: \_\_\_\_\_ Time: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Signature: \_\_\_\_\_

\*\*\*\*\*

a31572.sub seq: 1 14-NOV-2001 17:47 International Paper CHKSM:13659  
R.S. Rosenbaum & Co., Inc. 212-741-7444 Fax: 212-229-8664

<PAGE>

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2001

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period From \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-3157

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

<TABLE>

<S>	<C>
New York (State or other jurisdiction of incorporation of organization)	13-0872805 (I.R.S. Employer Identification No.)
400 Atlantic Street, Stamford, CT (Address of principal executive offices)	06921 (Zip Code)

</TABLE>

Registrant's telephone number, including area code: (203) 541-8000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No  
-----

The number of shares outstanding of the registrant's common stock as of October 31, 2001 was 481,960,115

---

<PAGE>

INTERNATIONAL PAPER COMPANY

INDEX

<TABLE>  
<CAPTION>

	Page No.
	-----
PART I. Financial Information	<C>
Item 1. Financial Statements	
Consolidated Statement of Earnings - Three Months and Nine Months Ended September 30, 2001 and 2000	1
Consolidated Balance Sheet - September 30, 2001 and December 31, 2000	2
Consolidated Statement of Cash Flows - Nine Months Ended September 30, 2001 and 2000	3
Consolidated Statement of Common Shareholders' Equity - Nine Months Ended September 30, 2001 and 2000	4
Notes to Consolidated Financial Statements	5
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	18
Financial Information by Industry Segment	27
Item 3. Quantitative and Qualitative Disclosures About Market Risk	29
PART II. Other Information	
Item 1. Legal Proceedings	30
Item 2. Changes in Securities and Use of Proceeds	31
Item 3. Defaults upon Senior Securities	*
Item 4. Submission of Matters to a Vote of Security Holders	*
Item 5. Other Information	32
Item 6. Exhibits and Reports on Form 8-K	33
Signatures	33

</TABLE>

\* Omitted since no answer is called for, answer is in the negative or inapplicable.

<PAGE>

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

INTERNATIONAL PAPER COMPANY  
Consolidated Statement of Earnings  
(Unaudited)  
(In millions, except per share amounts)

<TABLE>  
<CAPTION>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>
Net Sales	\$ 6,529	\$ 7,801	\$ 20,109	\$ 20,952
Costs and Expenses				
Cost of products sold	4,789	5,549	14,841	14,805
Selling and administrative expenses	530	553	1,696	1,637
Depreciation and amortization	474	578	1,407	1,443
Distribution expenses	287	335	840	872
Taxes other than payroll and income taxes	67	63	213	187
Merger integration costs	-	15	42	27
Restructuring and other charges	481	125	946	196
(Gains) losses on sales and impairments of businesses held for sale	(47)	-	38	-
Total Costs and Expenses	6,581	7,218	20,023	19,167
Reversal of reserves no longer required	-	6	-	6
Earnings (Loss) Before Interest, Income Taxes, Minority Interest, Extraordinary Items and Cumulative Effect of Accounting Change	(52)	589	86	1,791
Interest expense, net	235	278	718	565
Earnings (Loss) Before Income Taxes, Minority Interest, Extraordinary Items and Cumulative Effect of Accounting Change	(287)	311	(632)	1,226
Income tax provision (benefit)	(45)	71	(174)	349
Minority interest expense, net of taxes	33	65	112	188
Earnings (Loss) Before Extraordinary Items and Cumulative Effect of Accounting Change	(275)	175	(570)	689
Gains (losses) on sales of investments and businesses, net of taxes and minority interest	-	(310)	(46)	(176)
Cumulative effect of change in accounting for derivatives and hedging activities, net of taxes and minority interest	-	-	(16)	-
Net Earnings (Loss)	\$ (275)	\$ (135)	\$ (632)	\$ 513
Basic and Diluted Earnings Per Common Share				
Net earnings (loss) before extraordinary items and accounting change	\$ (0.57)	\$ 0.36	\$ (1.18)	\$ 1.57
Extraordinary items	-	(0.64)	(0.10)	(0.40)
Cumulative effect of accounting change	-	-	(0.03)	-
Net earnings (loss)	\$ (0.57)	\$ (0.28)	\$ (1.31)	\$ 1.17
Average Shares of Common Stock Outstanding	482.9	481.6	482.9	438.9
Cash Dividends Per Common Share	\$ 0.25	\$ 0.25	\$ 0.75	\$ 0.75

</TABLE>

The accompanying notes are an integral part of these financial statements.

<PAGE>

INTERNATIONAL PAPER COMPANY  
Consolidated Balance Sheet  
(Unaudited)  
(In millions)

<TABLE>  
<CAPTION>

	September 30, 2001	December 31, 2000
	----- <C>	----- <C>
<S>		
Assets		
Current Assets		
Cash and temporary investments	\$ 2,019	\$ 1,198
Accounts and notes receivable, net	3,083	3,433
Inventories	2,740	3,182
Assets of businesses held for sale	999	1,890
Other current assets	1,092	752
	-----	-----
Total Current Assets	9,933	10,455
	-----	-----
Plants, Properties and Equipment, net	14,833	16,011
Forestlands	4,389	5,966
Investments	256	269
Goodwill	6,536	6,310
Deferred Charges and Other Assets	3,395	3,098
	-----	-----
Total Assets	<u>\$ 39,342</u>	<u>\$ 42,109</u>
Liabilities and Common Shareholders' Equity		
Current Liabilities		
Notes payable and current maturities of long-term debt	\$ 1,203	\$ 2,115
Accounts payable	1,710	2,113
Accrued payroll and benefits	436	511
Liabilities of businesses held for sale	231	541
Other accrued liabilities	2,239	2,133
	-----	-----
Total Current Liabilities	5,819	7,413
	-----	-----
Long-Term Debt	13,364	12,648
Deferred Income Taxes	4,186	4,699
Other Liabilities	1,978	2,155
Minority Interest	1,350	1,355
International Paper - Obligated Mandatorily Redeemable Preferred Securities of Subsidiaries Holding International Paper Debentures	1,805	1,805
Common Shareholders' Equity		
Common stock, \$1 par value, 484.2 shares in 2001 and 2000	484	484
Paid-in capital	6,459	6,501
Retained earnings	5,315	6,308
Accumulated other comprehensive income (loss)	(1,330)	(1,142)
	-----	-----
	10,928	12,151
	-----	-----
Less: Common stock held in treasury, at cost, 2001 - 2.3 shares, 2000 - 2.7 shares	88	117
	-----	-----
Total Common Shareholders' Equity	10,840	12,034
	-----	-----
Total Liabilities and Common Shareholders' Equity	<u>\$ 39,342</u>	<u>\$ 42,109</u>

</TABLE>

The accompanying notes are an integral part of these financial statements.

<PAGE>

INTERNATIONAL PAPER COMPANY  
Consolidated Statement of Cash Flows  
(Unaudited)  
(In millions)

<TABLE>  
<CAPTION>

	Nine Months Ended September 30,	
	2001	2000
<S>	<C>	<C>
Operating Activities		
Net earnings (loss)	\$ (632)	\$ 513
Cumulative effect of accounting change	16	-
Depreciation and amortization	1,407	1,443
Deferred income tax benefit	(369)	(34)
Payments related to restructuring reserves, legal reserves and merger integration costs	(315)	(192)
Merger integration costs	42	27
Restructuring and other charges	946	196
Reversal of reserves no longer required	-	(6)
Impairment losses on businesses to be sold	135	460
Net gains on sales of investments and businesses	(24)	(385)
Other, net	(10)	152
Changes in current assets and liabilities		
Accounts and notes receivable	4	(313)
Inventories	283	(63)
Accounts payable	(221)	(115)
Accrued liabilities	(128)	207
Other	(108)	(10)
Cash Provided by Operations	1,026	1,880
Investment Activities		
Invested in capital projects	(688)	(908)
Mergers and acquisitions, net of cash acquired	(150)	(5,618)
Proceeds from divestitures	1,552	1,393
Other	(86)	44
Cash Provided by (Used for) Investment Activities	628	(5,089)
Financing Activities		
Issuance of common stock	20	43
Issuance of debt	2,753	6,328
Reduction of debt	(2,996)	(1,896)
Change in bank overdrafts	(176)	(202)
Dividends paid	(361)	(327)
Other	2	105
Cash (Used for) Provided by Financing Activities	(758)	4,051
Effect of Exchange Rate Changes on Cash	(75)	(124)
Change in Cash and Temporary Investments	821	718
Cash and Temporary Investments		
Beginning of the period	1,198	453
End of the period	\$ 2,019	\$ 1,171

</TABLE>

The accompanying notes are an integral part of these financial statements.

<PAGE>

INTERNATIONAL PAPER COMPANY  
Consolidated Statement of Common Shareholders' Equity  
(Unaudited)  
(In millions, except share amounts in thousands)

Nine Months Ended September 30, 2001

<TABLE>  
<CAPTION>

	Common Shares	Stock Issued Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Shares	Stock Amount	Total Common Shareholders' Equity
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, December 31, 2000	484,160	\$ 484	\$ 6,501	\$ 6,308	\$ (1,142)	2,690	\$ 117	\$ 12,034
Issuance of stock for various plans	52	-	(42)	-	-	(1,656)	(73)	31
Repurchase of stock	-	-	-	-	-	1,240	44	(44)
Cash dividends - Common stock (\$0.75 per share)	-	-	-	(361)	-	-	-	(361)
Comprehensive income (loss):								
Net loss	-	-	-	(632)	-	-	-	(632)
Change in cumulative foreign currency translation adjustment	-	-	-	-	(139)	-	-	(139)
Unrealized gain (loss) on cash flow hedging derivatives	-	-	-	-	(49)	-	-	(49)
Total comprehensive income (loss)	-	-	-	-	-	-	-	(820)
Balance, September 30, 2001	<u>484,212</u>	<u>\$ 484</u>	<u>\$ 6,459</u>	<u>\$ 5,315</u>	<u>\$ (1,330)</u>	<u>2,274</u>	<u>\$ 88</u>	<u>\$ 10,840</u>

</TABLE>

Nine Months Ended September 30, 2000

<TABLE>  
<CAPTION>

	Common Shares	Stock Issued Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Shares	Stock Amount	Total Common Shareholders' Equity
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, December 31, 1999	414,584	\$ 415	\$ 4,078	\$ 6,613	\$ (739)	1,216	\$ 63	\$ 10,304
Issuance of stock for merger	68,706	69	2,360	-	-	-	-	2,429
Issuance of stock for various plans	818	-	35	-	-	(184)	(9)	44
Repurchase of stock	-	-	-	-	-	1,710	66	(66)
Cash dividends - Common stock (\$0.75 per share)	-	-	-	(327)	-	-	-	(327)
Comprehensive income (loss):								
Net earnings	-	-	-	513	-	-	-	513
Change in cumulative foreign currency translation adjustment	-	-	-	-	(325)	-	-	(325)
Total comprehensive income (loss)	-	-	-	-	-	-	-	188
Balance, September 30, 2000	<u>484,108</u>	<u>\$ 484</u>	<u>\$ 6,473</u>	<u>\$ 6,799</u>	<u>\$ (1,064)</u>	<u>2,742</u>	<u>\$ 120</u>	<u>\$ 12,572</u>

</TABLE>

The accompanying notes are an integral part of these financial statements.

<PAGE>

INTERNATIONAL PAPER COMPANY  
Notes to Consolidated Financial Statements  
(Unaudited)

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and, in the opinion of Management, include all adjustments (consisting only of normal recurring accruals), which are necessary for the fair presentation of results for the interim periods. It is suggested that these consolidated financial statements be read in conjunction with the audited financial statements and the notes thereto incorporated by reference in International Paper's Annual Report on Form 10-K for the year ended December 31, 2000, which has previously been filed with the Securities and Exchange Commission.

On June 20, 2000, International Paper acquired Champion International Corporation (Champion) in a transaction accounted for as a purchase. Champion's results of operations are included in the consolidated statement of earnings beginning on the date of acquisition.

NOTE 2 - EARNINGS PER COMMON SHARE

Earnings per common share before extraordinary items and cumulative effect of accounting change were computed by dividing earnings before extraordinary items and cumulative effect of accounting change by the weighted average number of common shares outstanding. Earnings per common share before extraordinary items and cumulative effect of accounting change, assuming dilution, were computed assuming that all potentially dilutive securities were converted into common shares at the beginning of each period. A reconciliation of the amounts included in the computation of earnings per common share before extraordinary items and cumulative effect of accounting change, and earnings per common share before extraordinary items and cumulative effect of accounting change, assuming dilution, is as follows:

<TABLE>  
<CAPTION>

In millions, except per share amounts	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>
Net earnings (loss) before extraordinary items and cumulative effect of accounting change	\$ (275)	\$ 175	\$ (570)	\$ 689
Effect of dilutive securities				
Preferred securities of subsidiary trust	-	-	-	12
Net earnings (loss) before extraordinary items and cumulative effect of accounting change - assuming dilution	\$ (275)	\$ 175	\$ (570)	\$ 701
Average common shares outstanding	482.9	481.6	482.9	438.9
Effect of dilutive securities				
Preferred securities of subsidiary trust	-	-	-	8.3
Stock options	-	0.1	-	0.3
Average common shares outstanding - assuming dilution	482.9	481.7	482.9	447.5
Earnings (loss) per common share before extraordinary items and cumulative effect of accounting change	\$ (0.57)	\$ 0.36	\$ (1.18)	\$ 1.57
Earnings (loss) per common share before extraordinary items and cumulative effect of accounting change - assuming dilution	\$ (0.57)	\$ 0.36	\$ (1.18)	\$ 1.57

</TABLE>

Note: If an amount does not appear in the above table, the security was antidilutive for the period presented.

<PAGE>

NOTE 3 - MERGERS, ACQUISITIONS AND DIVESTITURES

Mergers and Acquisitions:  
-----

In April 2001, Carter Holt Harvey acquired Norske Skog's Tasman Kraft pulp manufacturing business for \$130 million in cash.

In June 2000, International Paper completed the acquisition of Champion, a leading manufacturer of paper for business communications, commercial printing and publications with significant market pulp, plywood and lumber manufacturing operations. Champion shareholders received \$50 in cash and \$25 worth of International Paper common stock for each Champion share. The acquisition was completed for approximately \$5 billion in cash and 68.7 million shares of International Paper common stock having a market value of \$2.4 billion. Approximately \$2.8 billion of Champion debt was assumed.

In April 2000, Carter Holt Harvey purchased CSR Limited's medium density fiberboard and particleboard businesses and its Oberon sawmill for approximately \$200 million in cash.

In March 2000, International Paper acquired Shorewood Packaging Corporation, a leader in the manufacture of premium retail packaging, for approximately \$640 million in cash and the assumption of \$280 million of debt.

All of these acquisitions were accounted for using the purchase method with the related operating results included in the consolidated statement of earnings from the dates of acquisition.

Divestitures:  
-----

During the third quarter of 2001, International Paper completed the previously announced divestitures of Masonite Corporation (Masonite) to Premdor Inc. of Toronto, Canada for approximately \$300 million in cash and a note receivable with a face value of \$108 million, its Flexible Packaging business to Exo-Tech Packaging, LLC, a company sponsored by the Sterling Group, L.P., for approximately \$85 million in cash and its Curtis/Palmer hydroelectric generating project in Corinth, New York to TransCanada Pipelines Limited for approximately \$285 million in cash. These transactions resulted in a net pre-tax gain of \$97 million (\$30 million after taxes) in the 2001 third quarter, which is included with the \$50 million impairment loss for Chemical Cellulose (see Note 6) in "(Gains) Losses on Sales and Impairments of Businesses Held for Sale" in the accompanying consolidated statement of earnings. Each of these divestitures is subject to post-closing adjustments that could result in a change in the amount realized by International Paper.

In March 2001, International Paper received \$500 million in proceeds from the sale of approximately 265,000 acres of forestlands in the state of Washington to Ranier Timber Company, LLC.

In January 2001, International Paper conveyed its oil and gas properties and fee mineral and royalty interests to Pure Resources, Inc. and its affiliates in a transaction valued at approximately \$260 million, resulting in an extraordinary loss of \$8 million after taxes. International Paper also completed the sale of its interest in Zanders Feinpapiere AG, a European coated paper business, to M-Real (formerly Metsa Serla) for approximately \$120 million and the assumption of \$80 million of debt. This transaction resulted in an extraordinary loss of \$245 million after taxes and minority interest, which was recorded in the fourth quarter of 2000 when the decision was made to sell this business below book value.

In November 2000, International Paper sold its interest in Bush Boake Allen for \$640 million, resulting in an extraordinary gain of \$183 million after taxes and minority interest.

In January 2000, International Paper sold its equity interest in Scitex for \$79 million, and Carter Holt Harvey sold its equity interest in Compania de Petroleos de Chile for just over \$1.2 billion. These sales resulted in a combined extraordinary gain of \$134 million after taxes and minority interest.

<PAGE>

In 2000, International Paper announced a divestment program following the Champion acquisition and the completion of a strategic analysis to focus on International Paper's core businesses. Through September 30, 2001, approximately \$2.6 billion has been realized under the program, including cash and notes received plus debt assumed by the buyers.

See Note 6 for additional information related to these divestitures.

NOTE 4 - SPECIAL ITEMS INCLUDING RESTRUCTURING AND OTHER CHARGES

Restructuring and Other Charges:

During the third quarter of 2001, restructuring and other charges totaling a net pre-tax charge of \$481 million (\$341 million after taxes) were recorded. These items included a \$256 million pre-tax charge (\$195 million after taxes) for asset shutdowns of excess internal capacity and cost reduction actions, and a \$225 million pre-tax charge (\$146 million after taxes) for additional Masonite legal reserves. The \$256 million pre-tax charge included \$183 million of asset write-downs and \$73 million of severance and other charges as shown below:

<TABLE>  
 <CAPTION>

In millions		Asset Write- Downs	Severance and Other	Total
<S>	<C>	<C>	<C>	<C>
Printing Papers	(a)	\$ 92	\$ 43	\$ 135
Consumer Packaging Distribution	(b)	89	27	116
	(c)	2	3	5
		\$ 183	\$ 73	\$ 256

</TABLE>

- (a) The Printing Papers business approved a plan to permanently shut down the Erie, Pennsylvania mill due to excess capacity in pulp and paper; and non-competitive cost of operations. Charges associated with the Erie shutdown included \$92 million to write the assets down to their estimated salvage value, \$24 million of severance costs covering the termination of 797 employees, and other cash costs of \$19 million.
- (b) The Consumer Packaging business implemented a plan to exit the Aseptic packaging business. This plan includes the permanent shutdown or sale of various Aseptic packaging facilities. Included in this charge are \$89 million to write the assets down to their estimated realizable value, \$15 million of severance covering the termination of 300 employees, and \$12 million of other cash costs.
- (c) The Distribution business (xpedx) approved the permanent shut down of its Nationwide Kansas City, Missouri distribution center to eliminate excess internal capacity. The xpedx Olathe, Kansas facility will continue to service Kansas City and outlying cities in the states of Missouri and Kansas. Charges associated with the shutdown include \$2 million of asset write-downs, \$2 million of severance costs covering the termination of 79 employees, and other cash costs of \$1 million.

The \$225 million charge represents an addition to the reserves for claims relating to product manufactured by Masonite that was the subject of certain class action lawsuits discussed in Note 11.

During the second quarter of 2001, a restructuring charge of \$465 million before taxes and minority interest (\$300 million after taxes and minority interest) was recorded. The \$465 million charge was specifically for asset shutdowns of excess internal capacity and cost reduction actions and included \$240 million of asset write-downs and \$225 million of severance and other charges as shown below:

<PAGE>

<TABLE>  
<CAPTION>

In millions		Asset Write- Downs	Severance and Other	Total
<S>	<C>	<C>	<C>	<C>
Printing Papers	(a)	\$ 9	\$ 23	\$ 32
Consumer Packaging	(b)	151	69	220
Industrial Packaging	(c)	62	20	82
Industrial Papers	(d)	3	5	8
Forest Products	(e)	1	12	13
Distribution	(f)	4	21	25
Carter Holt Harvey	(g)	10	-	10
Administrative Support Groups	(h)	-	75	75
		-----	-----	-----
		\$ 240	\$ 225	\$ 465
		=====	=====	=====

</TABLE>

- (a) The Printing Papers business permanently shut down the Hudson River mill No. 3 paper machine located in Corinth, New York due to excess internal capacity. The machine was written down by \$9 million to its estimated fair value of zero. A severance charge of \$10 million was recorded to cover the termination of 208 employees. At September 30, 2001, 164 employees had been terminated. Also, the Printing Papers business implemented a plan to streamline and realign administrative functions at several of its locations. Charges associated with this plan included \$6 million of severance costs covering the termination of 82 employees, and other cash costs of \$7 million. At September 30, 2001, 77 employees had been terminated.
- (b) In June 2001, the Consumer Packaging business permanently shut down the Moss Point, Mississippi mill and announced the permanent shut down of its Clinton, Iowa facility due to excess internal capacity. Charges associated with the Moss Point shutdown included \$138 million to write the assets down to their estimated salvage value, \$21 million of severance costs covering the termination of 363 employees, and other cash costs of \$20 million. At September 30, 2001, 357 employees had been terminated. Charges associated with the Clinton shutdown included \$7 million to write the assets down to their estimated salvage value, \$7 million of severance costs covering the termination of 327 employees, and other cash costs of \$3 million. At September 30, 2001, 102 employees had been terminated. Additionally, the Consumer Packaging business implemented a plan to reduce excess internal capacity and streamline administrative functions at several of its locations. Charges associated with this plan included \$6 million of asset write-downs, \$15 million of severance costs covering the termination of 402 employees, and other cash costs of \$3 million. At September 30, 2001, 184 employees had been terminated.
- (c) The Industrial Packaging business permanently shut down the Savannah, Georgia mill No. 2, No. 4 and No. 6 paper machines due to excess internal capacity. The machines were written down by \$62 million to their estimated fair value of zero, with severance charges of \$11 million also recorded to cover the termination of 290 employees. At September 30, 2001, 168 employees had been terminated. Also, Industrial Packaging implemented a plan to streamline and realign administrative functions at several of its locations, resulting in a severance charge of \$9 million covering the termination of 146 employees. At September 30, 2001, 80 employees had been terminated.
- (d) Industrial Papers implemented a plan to reduce excess internal capacity and streamline administrative functions at several of its locations. Charges associated with this plan included asset write-downs of \$3 million and severance costs of \$5 million covering the termination of 123 employees. At September 30, 2001, 52 employees had been terminated.
- (e) The Forest Products business charge of \$13 million reflects the reorganization of its regional operating structure and streamlining of administrative functions. The charge included \$1 million of asset write-

<PAGE>

downs, \$9 million of severance costs covering the termination of 100 employees, and other cash costs of \$3 million. At September 30, 2001, 64 employees had been terminated.

- (f) xpedx implemented a plan to consolidate duplicate facilities and eliminate excess internal capacity. Charges associated with this plan included \$4 million of asset write-downs, \$14 million of severance costs covering the termination of 394 employees, and other cash costs of \$7 million. At September 30, 2001, 219 employees had been terminated.
- (g) The Carter Holt Harvey charge of \$10 million was recorded to write down the assets of its Mataura mill to their estimated fair value of zero as a result of the decision to permanently shutdown this facility, which had previously been indefinitely idled.
- (h) During the second quarter of 2001, International Paper implemented a cost reduction program to realign its administrative functions across all business and staff support groups. As a result, a \$75 million severance charge was recorded covering the termination of 985 employees. At September 30, 2001, 590 employees had been terminated.

The following table presents a roll forward of the cumulative severance and other costs included in the 2001 reserves for excess internal capacity and cost reduction:

<TABLE>  
 <CAPTION>

Dollars in millions	Severance and Other
-----	-----
<S>	<C>
Opening balance - second quarter 2001 (3,420 employees)	\$ 225
Additions - third quarter 2001 (1,176 employees)	73
Cash charges - third quarter 2001 (2,057 employees)	(62)
	-----
Balance, September 30, 2001 (2,539 employees)	<u>\$ 236</u>

</TABLE>

During the third quarter of 2000, International Paper recorded a special pre-tax charge of \$125 million (\$80 million after taxes) that represents an addition to the reserves for claims relating to product manufactured by Masonite that was the subject of certain class action lawsuits discussed in Note 11.

During the second quarter of 2000, a \$71 million pre-tax charge (\$42 million after taxes and minority interest) was recorded for asset shutdowns of excess internal capacity and cost reduction actions.

During the fourth quarter of 2000, International Paper recorded an additional charge of \$753 million before taxes and minority interest (\$467 million after taxes and minority interest) for asset shutdowns of excess internal capacity and cost reduction actions. The following table presents a roll forward of the cumulative severance and other costs included in these charges:

<TABLE>  
 <CAPTION>

Dollars in millions	Severance and Other
-----	-----
<S>	<C>
Opening balance - second quarter 2000 (1,056 employees)	\$ 31
Additions - fourth quarter 2000 (3,187 employees)	217
Cash charges - 2000 (991 employees)	(19)
	-----
Balance, December 31, 2000 (3,252 employees)	229
Cash charges - first quarter 2001 (1,744 employees)	(86)
Cash charges - second quarter 2001 (655 employees)	(37)
Cash charges - third quarter 2001 (169 employees)	(11)
	-----
Balance, September 30, 2001 (684 employees)	<u>\$ 95</u>

</TABLE>

In addition, \$13 million of 1999 reserves, primarily relating to severance, which remained at the end of 2000 was paid during the first quarter of 2001.



<PAGE>

Also during the fourth quarter of 2000, International Paper recorded a pre-tax credit of \$28 million (\$17 million after taxes) for excess 1999 second and fourth quarter restructuring reserves no longer required.

International Paper continually evaluates its operations for improvement. When any such plans are finalized, costs or charges may be incurred in future periods related to the implementation of these plans.

Merger Integration Costs:

During the second and first quarters of 2001, International Paper recorded pre-tax charges of \$32 million (\$22 million after taxes) and \$10 million (\$6 million after taxes), respectively, for Champion merger integration costs. During the third quarter of 2000, International Paper recorded a pre-tax charge of \$15 million (\$9 million after taxes), for merger integration costs related to the Champion acquisition. Additionally, a \$6 million pre-tax credit (\$4 million after taxes) was recorded in the 2000 third quarter for the reversal of merger-related termination benefits no longer required. During the second and first quarters of 2000, International Paper recorded pre-tax charges of \$4 million (\$3 million after taxes) and \$8 million (\$5 million after taxes), respectively, for merger integration costs resulting from the Union Camp acquisition. In the fourth quarter of 2000, an additional \$27 million pre-tax charge (\$16 million after taxes) was recorded for merger integration costs related to the Champion acquisition.

These merger integration costs consisted primarily of systems integration, product line rationalization, employee retention, travel and other cash costs related to the integrations of Champion and Union Camp.

NOTE 5 - INVENTORIES

Inventories by major category include:

<TABLE>  
<CAPTION>

In millions	September 30, 2001	December 31, 2000
<S>	<C>	<C>
Raw materials	\$ 353	\$ 431
Finished pulp, paper and packaging products	1,658	1,912
Finished lumber and panel products	190	261
Operating supplies	476	473
Other	63	105
Total	<u>\$ 2,740</u>	<u>\$ 3,182</u>

</TABLE>

NOTE 6 - BUSINESSES HELD FOR SALE

During 2000, International Paper announced a divestment program to sell certain assets that are not strategic to its core businesses. The decision to sell these businesses and certain other assets resulted from International Paper's acquisition of Champion and the completion of its strategic analysis to focus on its core businesses of Paper, Packaging and Forest Products.

Businesses in the divestment program being marketed at September 30, 2001 included Arizona Chemical, Chemical Cellulose, Decorative Products and other smaller businesses. Sales and operating earnings for each of the nine-month periods ended September 30, 2001 and 2000 for these businesses were:

<TABLE>  
<CAPTION>

In millions	Nine Months Ended September 30,	
	2001	2000
<S>	<C>	<C>
Sales	\$ 1,020	\$ 1,161
Operating earnings (loss)	(4)	70

</TABLE>

<PAGE>

The sales and operating earnings (losses) for these businesses, plus the results of businesses sold during the first three quarters of 2001, are shown in "Other Businesses" in Management's Discussion and Analysis. The assets of these businesses, totaling \$999 million at September 30, 2001 and \$1.9 billion at December 31, 2000, are included in "Assets of Businesses Held for Sale" in current assets in the accompanying consolidated balance sheet. The liabilities of these businesses, totaling \$231 million at September 30, 2001 and \$541 million at December 31, 2000, are included in "Liabilities of Businesses Held for Sale" in current liabilities in the accompanying consolidated balance sheet. The decreases in these balances since December 31, 2000 reflect divestitures and impairment charges recorded in 2001.

In the third quarter of 2001, a pre-tax impairment loss of \$50 million (\$32 million after taxes) was recorded related to the Chemical Cellulose assets. In the second quarter of 2001, a pre-tax impairment loss of \$85 million (\$55 million after taxes) was recorded related to the Flexible Packaging assets. These charges were recorded to reduce the carrying values of the assets of these businesses to their expected realizable values based on preliminary offers received. These charges are included in "(Gains) Losses on Sales and Impairments of Businesses Held for Sale" in the accompanying consolidated statement of earnings.

During the first quarter of 2001, an extraordinary pre-tax charge of \$60 million (\$38 million after taxes) was recorded for impairment losses to reduce the assets of Masonite to their estimated realizable value based on offers received.

During the third quarter of 2000, International Paper recorded an extraordinary loss of \$460 million before taxes (\$310 million after taxes) to reflect the estimated losses on the planned sales of Masonite and Zanders.

See Note 3 for additional information on the divestitures that have closed.

During the second quarter of 2001, a decision was made to continue to operate the Fine Papers business that was previously held for sale. Accordingly, industry segment information for prior periods has been restated to include this business in the Printing Papers segment.

#### NOTE 7 - TEMPORARY INVESTMENTS

Temporary investments with a maturity of three months or less are treated as cash equivalents and are stated at cost. Temporary investments totaled \$1.6 billion and \$581 million at September 30, 2001 and December 31, 2000, respectively.

#### NOTE 8 - SUPPLEMENTAL FINANCIAL STATEMENT INFORMATION

Interest payments made during the nine-month periods ended September 30, 2001 and 2000 were \$784 million and \$487 million, respectively. Capitalized net interest costs were \$10 million for the nine months ended September 30, 2001 and \$19 million for the nine months ended September 30, 2000. Total interest expense was \$855 million for the nine months ended September 30, 2001 and \$628 million for the nine months ended September 30, 2000. The increase reflects debt incurred in the acquisition of Champion. Income tax payments of \$326 million were made during the first three quarters of 2001 and \$210 million during the first three quarters of 2000. Distributions paid under all of International Paper's preferred securities of subsidiaries were \$102 million and \$108 million for the nine months ended September 30, 2001 and 2000, respectively, and are included in minority interest expense.

Accumulated depreciation was \$16.5 billion at September 30, 2001 and \$16.1 billion at December 31, 2000. The allowance for doubtful accounts was \$131 million at September 30, 2001 and \$128 million at December 31, 2000.

<PAGE>

#### NOTE 9 - LONG-TERM DEBT AND CONVERTIBLE DEBENTURES

In August 2001, International Paper issued \$1 billion principal amount of 6.75% Senior Unsecured Notes due September 1, 2011, which yielded net proceeds of \$993 million under a previously filed shelf registration statement. These notes carry a fixed interest rate with interest payable semi-annually on March 1 and September 1 of each year, commencing on March 1, 2002. Most of the proceeds of this issuance were used on October 8, 2001 to retire \$800 million of money market notes due in 2002.

In June 2001, International Paper completed a private placement offering of \$2.1 billion principal amount at maturity zero-coupon Convertible Senior Debentures due June 20, 2021, which yielded net proceeds of approximately \$1.0 billion. The debt accretes to face value at maturity at a rate of 3.75% per annum, subject to upward adjustment if International Paper's stock price falls below a certain level for a specified period. Also, the securities are convertible into shares of International Paper common stock at the option of debenture holders upon an upward change in International Paper's stock price in relation to the accreted value of the debentures, or if the bond rating agencies downgrade International Paper's debt below investment grade, or upon the debentures being called for redemption by International Paper, or upon the occurrence of certain other corporate events as defined in the debt agreement. International Paper may be required to repurchase the securities on June 20th in each of the years 2004, 2006, 2011, and 2016 at a repurchase price equal to the accreted principal amount to the repurchase date. International Paper also has the option to redeem the securities on or after June 20, 2006 under certain circumstances. The net proceeds of this issuance were used to retire higher interest rate commercial paper borrowings.

#### NOTE 10 - RECENT ACCOUNTING DEVELOPMENTS

In October 2001, the Financial Accounting Standards Board issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". This statement is effective for fiscal years beginning after December 15, 2001 and supersedes SFAS No. 121 and the accounting and reporting provisions of APB No. 30. In August 2001, the Financial Accounting Standards Board issued SFAS No. 143, "Accounting for Asset Retirement Obligations". This statement is effective for fiscal years beginning after June 15, 2002. International Paper has not yet evaluated the impacts of adopting SFAS Nos. 144 and 143 on its consolidated financial position.

In June 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations", and SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS No. 141 requires that all business combinations initiated after June 30, 2001 be accounted for using the purchase method, thus eliminating the use of pooling-of-interests accounting for business combinations. SFAS No. 142 changes the accounting for goodwill, eliminating the periodic charge to earnings for goodwill amortization for fiscal years beginning after December 15, 2001. Instead, the statement will require an annual assessment of goodwill for impairment, or more frequent assessments if circumstances indicate a possible impairment. Additionally, SFAS No. 142 prescribes the accounting for identifiable intangible assets acquired in a business combination. Whereas SFAS No. 141 is effective for all business combinations initiated after June 30, 2001, SFAS No. 142 requires companies to continue to amortize goodwill existing at June 30, 2001 through the end of the current fiscal year, with periodic amortization ceasing effective January 1, 2002. Goodwill amortization charges for the nine-month period ended September 30, 2001 were \$137 million. This amortization charge will be discontinued on January 1, 2002. International Paper is currently evaluating other possible impacts of adopting the provisions of SFAS No. 142, including potential impairment of existing goodwill balances, but has not yet quantified the impact on its consolidated financial position.

On January 1, 2001, International Paper adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended by SFAS Nos. 137 and 138. These statements require that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured by its fair value. These statements also establish new accounting rules for hedge transactions, which depend on the nature of the hedge relationship.

<PAGE>

The cumulative effect of adopting SFAS No. 133 was a \$25 million charge to net earnings before taxes and minority interest (\$16 million after taxes and minority interest), and a net decrease of \$9 million after taxes to Other Comprehensive Income (OCI). The charge to net earnings primarily resulted from recording the fair value of certain interest rate swaps, which do not qualify under the new rules for hedge accounting treatment. The decrease to OCI primarily resulted from adjusting the foreign currency contracts used as hedges of net investments in foreign operations to fair value.

International Paper periodically uses derivatives and other financial instruments to hedge exposures to interest rate, commodity and currency risks. For hedges, which meet the SFAS No. 133 criteria, International Paper, at inception, formally designates and documents the instrument as a hedge of a specific underlying exposure, as well as the risk management objective and strategy for undertaking each hedge transaction. Because of the high degree of effectiveness between the hedging instrument and the underlying exposure being hedged, fluctuations in the value of the derivative instruments are generally offset by changes in the value or cash flows of the underlying exposures being hedged. Derivatives are recorded in the consolidated balance sheet at fair value in other current or noncurrent assets or liabilities. The earnings impact resulting from the change in fair value of the derivative instruments is recorded in the same line item in the consolidated statement of earnings as the underlying exposure being hedged. The financial instruments that are used in hedging transactions are assessed both at inception and quarterly thereafter to ensure they are effective in offsetting changes in either the fair value or cash flows of the related underlying exposures. The ineffective portion of a financial instrument's change in fair value, if any, would be recognized currently in earnings together with the changes in fair value of derivatives not designated as hedges.

The counterparties to International Paper's contracts consist of a number of major international financial institutions. International Paper monitors its positions with, and the credit quality of, these financial institutions and does not expect nonperformance by the counterparties.

#### Interest Rate Risk

Interest rate swaps may be used to manage interest rate risks associated with International Paper's fixed rate debt. Some of these instruments qualify for hedge accounting in accordance with SFAS No. 133 and others do not. Interest rate swap agreements with a total notional amount of approximately \$1 billion and maturities ranging from one to 23 years do not qualify as hedges under SFAS No. 133 and, consequently, were recorded at fair value on the transition date by a charge to net earnings. For the three-month and nine-month periods ended September 30, 2001, the change in fair value of the swaps was immaterial. Future changes in fair value of these swaps are not expected to have a material impact on earnings, although some volatility in a quarter is possible due to unforeseen market conditions.

During the quarter ended September 30, 2001, International Paper entered into a series of fixed-to-floating interest rate swap agreements with a notional amount of \$450 million that qualify as fair value hedges under SFAS No. 133. The objective of these transactions was to take advantage of favorable interest rates. These agreements had a fair value of \$10 million at the end of the quarter. Maturity dates range between four and six years. At September 30, 2001, International Paper had \$2.6 billion of floating rate debt with interest rates that fluctuate based on market conditions and credit ratings.

International Paper's long-term debt is rated BBB by Standard & Poors and Baa2 by Moody's Investor Services, both with a stable outlook. In August 2001, Moody's Investor Services lowered International Paper's long-term debt rating from Baa1 negative outlook to Baa2 stable. Short-term debt ratings remained unchanged at A-2 by Standard & Poors and P-2 by Moody's Investor Services.

#### Commodity Risk

To manage risks associated with future variability in cash flows attributable to certain commodity purchases, International Paper currently uses natural gas swap contracts with maturities of 12 months or less. Such cash flow hedges are accounted for by deferring the quarterly change in fair value of the outstanding contracts in

<PAGE>

accumulated OCI. On the date a contract matures, the deferred gain or loss is reclassified into cost of products sold concurrently with the recognition of the commodity purchased. For the three-month and nine-month periods ended September 30, 2001, International Paper reclassified after-tax losses of \$19 million and \$20 million, respectively, from OCI to cost of products sold. Such amounts represent the cash settlements on the maturing hedge contracts. Unrealized after-tax losses of \$9 million and \$68 million, respectively, were charged to OCI during the three-month and nine-month periods ended September 30, 2001. An estimated additional \$23 million of losses after taxes is expected to be reclassified to earnings by the end of 2001. The fair value of the swap contracts as of September 30, 2001 is a \$64 million liability.

#### Foreign Currency Risk

International Paper's policy has been to hedge certain investments in foreign operations with borrowings denominated in the same currency as the operation's functional currency or by entering into long-term cross-currency and interest rate swaps, or short-term foreign exchange contracts. These financial instruments are effective as a hedge against fluctuations in currency exchange rates. Gains or losses from changes in the fair value of these instruments, which are offset in whole or in part by translation gains and losses on the net assets hedged, are recorded as translation adjustments in accumulated OCI. Upon liquidation or sale of the net assets hedged, the accumulated gains or losses from the revaluation of the hedging instruments would be included in earnings.

Long-term cross-currency and interest rate swaps and short-term currency swaps are used to mitigate the risk associated with changes in foreign exchange rates, which will affect the fair value of debt denominated in a foreign currency. Some of these hedges have been designated as fair value hedges and others have not. As of September 30, 2001, the fair value of these derivatives not designated as hedges is an asset of \$36 million.

Foreign exchange contracts (including forward, swap and purchase option contracts) are also used to hedge certain transactions, primarily trade receipts and payments denominated in foreign currencies, to manage volatility associated with these transactions and to protect International Paper from currency fluctuations between the contract date and ultimate settlement. These contracts, most of which have been designated as cash flow hedges, had maturities of five years or less as of September 30, 2001. For the nine-month period ended September 30, 2001, net charges totaling \$5 million after taxes and minority interest were recorded in accumulated OCI, net of reclassifications to earnings of \$1 million expense after taxes and minority interest. An estimated \$2 million loss after taxes and minority interest is expected to be reclassified to earnings by the end of 2001. Other contracts are used to offset the earnings impact relating to the variability in exchange rates on certain monetary assets and liabilities denominated in non-functional currencies and are not designated as hedges. Changes in the fair value of these instruments are recognized currently in earnings to offset the remeasurement of the related assets and liabilities.

#### NOTE 11 - COMMITMENTS AND CONTINGENCIES

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

The first suit alleged that hardboard siding manufactured by Masonite fails prematurely, allowing moisture intrusion that in turn causes damage to the structure underneath the siding (Hardboard Lawsuit). The class consisted of all U.S. property owners having Masonite hardboard siding installed on and incorporated into buildings between 1980 and January 15, 1998. The Court granted final approval of the settlement on January 15, 1998. The settlement provides for monetary compensation to class members meeting the settlement requirements on a claims-made basis. It also provides for the payment of attorneys' fees equaling 15% of the settlement amounts paid to class members, with a non-refundable advance of \$47.5 million plus \$2.5 million in costs.

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

<PAGE>

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

The Court granted final approval of the settlements of the Omniwood and Woodruf Lawsuits on January 6, 1999. The settlements provide for monetary compensation to class members meeting the settlement requirements on a claims-made basis, and provide for payment of attorneys' fees equaling 13% of the settlement amounts paid to class members with a non-refundable advance of \$1.7 million plus \$75,000 in costs for each of the two cases. During the third quarter of 2000, a determination was made that an additional \$125 million provision was required to increase existing reserve balances to cover an expected shortfall, resulting primarily from a higher than anticipated number of claims relating to the Hardboard Lawsuit. This trend started in the second half of 1999 and continued into 2000. The \$125 million increase was based on an independent third party statistical study of future costs, which analyzed trends in the claims experience through May 30, 2000. Four statistical outcomes developed by the independent third party were reviewed as the basis for the determination of the amount of the reserve, resulting in future claims projections for the Hardboard Lawsuit ranging from \$95 million to \$175 million. Management and the independent third party statistician concluded that, based on the recent claims history, future claims of \$175 million represented the most probable outcome. After deducting existing reserves and considering the impact of the financial collar discussed below, a provision of \$125 million was recorded in the third quarter of 2000. Reserves for these matters totaled \$92 million at December 31, 2000 (\$66 million for claims relating to the Hardboard Lawsuit, \$22 million for claims relating to the Omniwood Lawsuit and \$4 million for claims relating to the Woodruf Lawsuit). The reserve balance for claims relating to the Hardboard Lawsuit is net of \$43 million of expected insurance recoveries remaining from an initial estimate of insurance recoveries of \$70 million, which amount was estimated for purposes of establishing a reserve for the claims related to the Hardboard Lawsuit. In 1995, International Paper initiated a lawsuit against certain of its insurance carriers because of their refusal to indemnify International Paper for the settlement relating to the Hardboard Lawsuit. Because of the uncertainties inherent in the litigation, International Paper is unable to estimate the amount that it will recover against those insurance carriers, but it does not expect the recovery to be less than the amount initially projected.

During the third quarter of 2001, an additional \$225 million was added to the reserve for these matters (\$187 million for claims relating to the Hardboard Lawsuit, \$16 million for claims relating to the Woodruf Lawsuit and \$22 million for claims relating to the Omniwood Lawsuit). This increase was based on an analysis undertaken by the independent statistician to evaluate the drivers of these claims and the adequacy of the existing reserve balances. Three statistical outcomes developed by the independent statistician were reviewed as the basis for the determination of the amount of the reserve, resulting in total projected costs for these settlements ranging from \$655 million to \$933 million. After discussion with the independent statistician and considering the recent claims history and all available evidence, management concluded that total projected costs of \$755 million represented the most probable outcome. After deducting payments made to date and existing reserve balances, and considering the impact of the financial collar discussed below, a provision of \$225 million was recorded in the third quarter of 2001 (\$187 million for the Hardboard Lawsuit, \$22 million for the Omniwood Lawsuit and \$16 million for the Woodruf Lawsuit).

Following the \$225 million additional provision, reserves for these matters totaled \$252 million at September 30, 2001, including \$208 million for the Hardboard Lawsuit, \$10 million for the Woodruf Lawsuit and \$34 million for the Omniwood Lawsuit. The Hardboard Lawsuit amount is net of \$43 million of expected insurance recoveries remaining from initial estimated insurance recoveries of \$70 million.

Under a "financial collar" agreement, International Paper contracted with a third party for payment in an amount up to \$100 million for certain costs relating to the Hardboard Lawsuit if payments by International Paper with respect thereto exceeded \$165 million. As of September 30, 2001, International Paper had received the \$100 million. The arrangement with the third party is in excess of insurance otherwise available to International Paper, which is the subject of the separate litigation referred to above. Accordingly, International Paper believes that the obligation

<PAGE>

of the third party with respect to this "financial collar" does not constitute "other valid and collectible insurance" that would either eliminate or otherwise affect its right to collect insurance coverage available to it and Masonite under the insurance policies that are the subject of this separate litigation.

As of September 30, 2001, there were \$46 million of costs associated with claims inspected but not paid (\$39 million for the Hardboard Lawsuit, \$3 million for the Omniwood Lawsuit and \$4 million for the Woodruf Lawsuit); \$56 million of costs associated with claims in process but not yet inspected (\$47 million for the Hardboard Lawsuit, \$4 million for the Omniwood Lawsuit and \$5 million for the Woodruf Lawsuit) and \$12 million for Omniwood opt-out settlements in process. The reserve for these matters at September 30, 2001, excluding expected insurance recoveries, was \$295 million. The excess of \$181 million over pending claims represents unasserted claims that are probable of assertion.

While International Paper believes that it has provided for the most likely assumptions using appropriate statistical modeling techniques, because of the inherent uncertainties involved in estimating future claims and the outcome of insurance litigation, additional future adjustments to these reserves are possible. While International Paper believes that the reserve balances established for these matters are adequate, and that additional amounts will be recovered from its insurance carriers in the future relating to these claims, we are unable to estimate at this time the amount of additional charges, if any, that may be required for these matters in the future.

Through September 30, 2001, cumulative net settlement payments totaled \$359 million (\$294 million for the Hardboard Lawsuit, \$31 million for the Woodruf Lawsuit and \$34 million for the Omniwood Lawsuit), including approximately \$51 million of non-refundable advances of attorneys' fees (\$47.5 million for the Hardboard Lawsuit and \$1.7 million for each of the Omniwood Lawsuit and the Woodruf Lawsuit). Also, payments of \$5 million have been made to the attorneys for the plaintiffs in the Omniwood and Woodruf Lawsuits. International Paper has the right to terminate each of the settlements after seven years from the dates of final approval.

<PAGE>

The following table shows certain claims statistics as of September 30, 2001, December 31, 2000 and September 30, 2000, and for the nine-month periods ended September 30, 2001 and September 30, 2000:

CLAIMS STATISTICS  
 -----

<TABLE>  
 <CAPTION>

	Hardboard -----	Omniwood -----	Woodruf -----
<S> <C>	<C>	<C>	<C>
No. of Claims Pending:			
Sep. 30, 2001	34,692	1,585	1,659
Dec. 31, 2000	20,390	1,160	1,349
Sep. 30, 2000	20,894	1,381	1,759
No. of Claims Filed:			
9 mos. ending			
Sep. 30, 2001	41,978	1,999	1,571
9 mos. ending			
Sep. 30, 2000	26,044	1,896	2,158
No. of Claims Dismissed, Settled or Otherwise Resolved:			
9 mos. ending			
Sep. 30, 2001	27,676	1,574	1,261
9 mos. ending			
Sep. 30, 2000	19,189	1,783	2,269
No. of Claims Paid Included in Above Categories:			
9 mos. ending			
Sep. 30, 2001	19,568	1,226	987
9 mos. ending			
Sep. 30, 2000	14,019	1,453	1,800
Average Settlement Cost Per Claim:			
9 mos. ending			
Sep. 30, 2001	\$ 4,449	\$ 6,576	\$ 5,340
9 mos. ending			
Sep. 30, 2000	\$ 5,377	\$ 6,335	\$ 5,178

</TABLE>

<PAGE>

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

---

Results of Operations

International Paper's consolidated results of operations include Champion International Corporation (Champion) from the date of acquisition, June 20, 2000.

Third quarter 2001 earnings before special items were \$68 million, or \$.14 per share. Earnings before special and extraordinary items for the same period a year earlier were \$260 million, or \$.53 per share. Second quarter 2001 earnings before special items were \$64 million, or \$.13 per share. The earnings increase in the third quarter of 2001 compared with the second quarter of 2001 was due mainly to declining costs, including lower energy and wood costs, and improved operating efficiencies. The strengthening of the Euro versus the dollar during the quarter was not sufficient to reverse the downward trend in export revenues. International Paper took approximately 380,000 tons of market-related downtime throughout our mill systems as we continue to balance internal production with demand. This excludes capacity that was shut down at the Savannah, Georgia mill at the end of the second quarter. We also decided to permanently close our Erie, Pennsylvania mill to better utilize more competitive pulp, paper and converting within International Paper's pulp and uncoated freesheet system. The shut down costs are part of the third quarter special items discussed below.

In the third quarter of 2001, International Paper reported a net loss of \$275 million, or \$.57 per share, after special items. This compared with a net loss of \$135 million, or \$.38 per share, in the third quarter of 2000 after special and extraordinary items. In order for the 2000 third-quarter earnings per share to add up to the year-to-date earnings per share, a loss of \$.38 per share is required. Earnings per share calculated using the weighted-average number of shares outstanding for the third quarter results in a loss per share of \$.28. The difference between the two calculations relates to the 68.7 million shares that were issued in June 2000 in connection with the Champion acquisition. International Paper reported a net loss of \$313 million, or \$.65 per share, in the second quarter of 2001 after special items.

Special items in the third quarter of 2001 included an after tax gain of \$137 million on the sale of the Curtis/Palmer hydroelectric facility, and an after tax loss of \$139 million on the sales of Masonite Corporation and our Flexible Packaging business and a writedown to expected realizable value of the Chemical Cellulose assets held for sale. Other special items in the third quarter of 2001 included expenses of \$195 million after taxes for restructuring and business improvement charges and a \$146 million after tax charge for additional Masonite legal reserves. Special items in the third quarter of 2000 totaled \$85 million after taxes, consisting of a charge for additional Masonite legal reserves and merger related expenses. Extraordinary items in the 2000 third-quarter included a charge of \$310 million after taxes to reduce the book values of businesses to be sold to their estimated realizable values.

International Paper posted net sales in the third quarter of 2001 of \$6.5 billion, compared with \$7.8 billion in the third quarter of 2000 and \$6.7 billion in the second quarter of 2001. Third-quarter 2001 net sales were reduced by approximately \$350 million from 2000 third-quarter net sales as a result of divestitures. Prices eroded slightly in most businesses in the third quarter of 2001 versus the second quarter of 2001 but these decreases were partly offset by higher paper volumes.

International Paper continues to face tough competitive conditions and soft demand. The economic slowdown in the United States and other regions of the global economy continues to adversely impact demand for paper, packaging and wood products. We experienced business interruptions during the week of the September 11 terrorist attacks, and the long-term impact on International Paper as a result of these tragic events and subsequent worldwide developments, is still undetermined.

The following segment discussions for the third quarter of 2001 are based on results before special items.

<PAGE>

Printing and Communications Papers

<TABLE>  
<CAPTION>

In millions	2001			2000		
	3rd Quarter	2nd Quarter	Nine Months	3rd Quarter	2nd Quarter	Nine Months
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Sales	\$ 1,945	\$ 1,945	\$ 5,975	\$ 2,235	\$ 1,440	\$ 5,145
Operating Profit	146	119	419	297	204	673

Printing Papers net sales of \$1.9 billion for the third quarter of 2001 were flat compared with the second quarter of 2001 and down slightly from the \$2.2 billion in the third quarter of 2000. The segment reported operating profit of \$146 million for the third quarter of 2001 compared with \$119 million for the second quarter of 2001 and \$297 million for the third quarter of 2000. Third quarter 2001 operating profits were higher than the second quarter of 2001 as a result of higher coated paper volumes reflecting increased seasonal demand. Slowing economies and seasonal factors adversely impacted European paper demand. Operating improvements were driven by improved mill efficiencies, reductions in indirect costs and lower raw material costs. During the quarter, International Paper took market-related downtime of about 110,000 tons for bristols and pulp and 23,000 tons for coated and supercalendered papers that reduced inventory levels and helped balance internal supply to demand. The segment continues to pursue improvement initiatives to reduce direct and indirect manufacturing costs and to improve machine efficiencies.

Industrial and Consumer Packaging

<TABLE>  
<CAPTION>

In millions	2001			2000		
	3rd Quarter	2nd Quarter	Nine Months	3rd Quarter	2nd Quarter	Nine Months
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Sales	\$ 1,665	\$ 1,695	\$ 5,070	\$ 1,810	\$ 1,865	\$ 5,340
Operating Profit	133	143	392	194	236	622

Industrial and Consumer Packaging net sales of \$1.7 billion for the third quarter of 2001 were flat compared with net sales in the second quarter of 2001 and slightly lower than net sales of \$1.8 billion for the third quarter of 2000. The segment reported operating profit of \$133 million for the third quarter of 2001 compared with \$143 million in the second quarter of 2001 and \$194 million reported in the third quarter of 2000. The decline in operating profit in the third quarter of 2001 versus the second quarter of 2001 reflected lower prices and volumes. Cost reduction initiatives and operating improvements partially offset weakening demand across most of the segment. Soft domestic market conditions continue to negatively impact results versus the comparable prior year period. Industrial Packaging continued to take extensive market-related downtime, which totaled almost 150,000 tons in the third quarter of 2001. For the remainder of the year, the segment will focus on controllable items including manufacturing efficiency programs, cost containment initiatives and customer development objectives.

Distribution

<TABLE>  
<CAPTION>

In millions	2001			2000		
	3rd Quarter	2nd Quarter	Nine Months	3rd Quarter	2nd Quarter	Nine Months
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Sales	\$ 1,665	\$ 1,710	\$ 5,175	\$ 1,930	\$ 1,700	\$ 5,380
Operating Profit	5	12	31	32	35	97

Distribution net sales of \$1.7 billion for the third quarter of 2001 were slightly lower than net sales of \$1.9 billion in the third quarter of 2000 and were even with net sales in the second quarter of 2001. Operating profit of \$5 million for the third quarter of 2001 was down from the \$12 million in the second quarter of 2001 as a result of continued weak printing markets and slowing sales in packaging and industrial supplies. Operating profit for the third quarter of 2000 was \$32 million. Segment sales, which started to improve in late summer, weakened significantly following the terrorist attacks of

September 11 due to disruptions in sourcing, delivery and general business conditions. The year-over-year sales increase attributable to the addition of Champion's Nationwide facilities was essentially offset by lower overall demand across the United States. The segment continued to make progress in the third quarter on operating expense reductions, mainly through facility closures, consolidations, and business process changes. Inventory reductions have helped the business make significant progress in working capital management. Further cost reduction efforts through consolidation of facilities will continue to be a focal point for the remainder of this year.



In millions	3rd Quarter	2nd Quarter	Nine Months	3rd Quarter	2nd Quarter	Nine Months
Sales	\$ 415	\$ 565	\$ 1,575	\$ 965	\$ 955	\$ 2,865
Operating Profit	10	21	36	51	65	176

<PAGE>

The Other Businesses segment includes the operating results for those businesses identified in International Paper's divestiture program. Businesses held for sale at the end of the third quarter of 2001 include Arizona Chemical, the Chemical Cellulose business, Decorative Products, and certain other minor businesses. In addition, operating results for Bush Boake Allen, Zanders, Masonite, International Paper's Petroleum and Minerals business, the Curtis/Palmer hydroelectric facility, and the Flexible Packaging business are included in this segment for periods prior to their sale. Net sales for this segment for the third quarter of 2001 were \$415 million compared with \$565 million in the 2001 second quarter and \$965 million in the 2000 third quarter. Operating profit was \$10 million for the third quarter of 2001 compared with \$21 million for the second quarter of 2001 and \$51 million in the third quarter of 2000. The declines in 2001 third quarter net sales and earnings from the third quarter of 2000 reflect the sale of certain businesses in late 2000 and during 2001 as well as a weaker U.S. economy.

#### Liquidity and Capital Resources

Cash provided by operations totaled \$1.0 billion in the first nine months of 2001 compared with \$1.9 billion for the 2000 nine-month period. Lower earnings from operations were the main factor in the year-to-year decrease. Working capital requirements reduced operating cash flow by \$170 million and \$294 million for the 2001 and 2000 nine-month periods, respectively.

Investments in capital projects totaled \$688 million and \$908 million for the 2001 and 2000 nine-month periods, respectively.

Financing activities for the 2001 nine-month period included a \$243 million net reduction in debt compared to a \$4.4 billion net increase in debt in the comparable 2000 nine-month period. During the 2001 third quarter, we took advantage of favorable capital markets and issued \$1 billion in aggregate principal amount of ten-year 6.75% fixed rate Senior Unsecured Notes. The majority of the proceeds were subsequently used in October to retire \$800 million of money market notes due in 2002. Net debt reductions totaled over \$1 billion following this retirement. In addition, in June 2001, International Paper completed a private placement offering of \$2.1 billion principal amount at maturity zero-coupon Convertible Senior Debentures due June 20, 2021. The net proceeds of approximately \$1 billion were used to retire higher interest rate commercial paper borrowings. International Paper's long-term debt is rated BBB by Standard & Poors and Baa2 by Moody's Investor Services, both with a stable outlook. In August 2001, Moody's Investor Services lowered International Paper's long-term debt rating from Baa1 negative outlook to Baa2 stable. Short-term debt ratings remained unchanged at A-2 by Standard & Poors and P-2 by Moody's Investor Services. Common stock dividend payments totaled \$361 million, or \$.75 per share, for the first nine months of 2001 compared to \$327 million, or \$.75 per share, for the 2000 nine-month period.

At September 30, 2001, cash and temporary investments totaled \$2.0 billion, \$800 million of which was used in October to reduce debt, compared with \$1.2 billion at December 31, 2000.

#### Mergers, Acquisitions and Divestitures

##### Mergers and Acquisitions:

-----

In April 2001, Carter Holt Harvey acquired Norske Skog's Tasman Kraft pulp manufacturing business for \$130 million in cash.

In June 2000, International Paper completed the acquisition of Champion, a leading manufacturer of paper for business communications, commercial printing and publications with significant market pulp, plywood and lumber manufacturing operations. Champion shareholders received \$50 in cash and \$25 worth of International Paper common stock for each Champion share. The acquisition was completed for approximately \$5 billion in cash and 68.7 million shares of International Paper common stock having a market value of \$2.4 billion. Approximately \$2.8 billion of Champion debt was assumed.

<PAGE>

In April 2000, Carter Holt Harvey purchased CSR Limited's medium density fiberboard and particleboard businesses and its Oberon sawmill for approximately \$200 million in cash.

In March 2000, International Paper acquired Shorewood Packaging Corporation, a leader in the manufacture of premium retail packaging, for approximately \$640 million in cash and the assumption of \$280 million of debt.

All of these acquisitions were accounted for using the purchase method with the related operating results included in the consolidated statement of earnings from the dates of acquisition.

Divestitures:  
-----

During the third quarter of 2001, International Paper completed the previously announced divestitures of Masonite Corporation (Masonite) to Premdor Inc. of Toronto, Canada for approximately \$300 million in cash and a note receivable with a face value of \$108 million, its Flexible Packaging business to Exo-Tech Packaging, LLC, a company sponsored by the Sterling Group, L.P., for approximately \$85 million in cash and its Curtis/Palmer hydroelectric generating project in Corinth, New York to TransCanada Pipelines Limited for approximately \$285 million in cash. These transactions resulted in a net pre-tax gain of \$97 million (\$30 million after taxes) in the 2001 third quarter, which is included with the \$50 million impairment loss for Chemical Cellulose (see Note 6) in "(Gains) Losses on Sales and Impairments of Businesses Held for Sale" in the accompanying consolidated statement of earnings. Each of these divestitures is subject to post-closing adjustments that could result in a change in the amount realized by International Paper.

In March 2001, International Paper received \$500 million in proceeds from the sale of approximately 265,000 acres of forestlands in the state of Washington to Ranier Timber Company, LLC.

In January 2001, International Paper conveyed its oil and gas properties and fee mineral and royalty interests to Pure Resources, Inc. and its affiliates in a transaction valued at approximately \$260 million, resulting in an extraordinary loss of \$8 million after taxes. International Paper also completed the sale of its interest in Zanders Feinpapiere AG, a European coated paper business, to M-Real (formerly Metsa Serla) for approximately \$120 million and the assumption of \$80 million of debt. This transaction resulted in an extraordinary loss of \$245 million after taxes and minority interest, which was recorded in the fourth quarter of 2000 when the decision was made to sell this business below book value.

In November 2000, International Paper sold its interest in Bush Boake Allen for \$640 million, resulting in an extraordinary gain of \$183 million after taxes and minority interest.

In January 2000, International Paper sold its equity interest in Scitex for \$79 million, and Carter Holt Harvey sold its equity interest in Compania de Petroleos de Chile for just over \$1.2 billion. These sales resulted in a combined extraordinary gain of \$134 million after taxes and minority interest.

In 2000, International Paper announced a divestment program following the Champion acquisition and the completion of a strategic analysis to focus on International Paper's core businesses. Through September 30, 2001, approximately \$2.6 billion has been realized under the program, including cash and notes we have received plus debt assumed by the buyers.

Special Items Including Restructuring and Other Charges

Restructuring and Other Charges:  
-----

During the third quarter of 2001, restructuring and other charges totaling a net pre-tax charge of \$481 million (\$341 million after taxes) were recorded. These items included a \$256 million pre-tax charge (\$195 million after taxes) for asset shutdowns of excess internal capacity and cost reduction actions, and a \$225 million pre-tax

<PAGE>

charge (\$146 million after taxes) for additional Masonite legal reserves. The \$256 million pre-tax charge included \$183 million of asset write-downs and \$73 million of severance and other charges as shown below:

<TABLE>  
<CAPTION>

In millions	Asset Write- Downs	Severance and Other	Total
<S>	<C>	<C>	<C>
Printing Papers	(a) \$ 92	\$ 43	\$ 135
Consumer Packaging	(b) 89	27	116
Distribution	(c) 2	3	5
	<u>\$ 183</u>	<u>\$ 73</u>	<u>\$ 256</u>

</TABLE>

- (a) The Printing Papers business approved a plan to permanently shut down the Erie, Pennsylvania mill due to excess capacity in pulp and paper; and non-competitive cost of operations. Charges associated with the Erie shutdown included \$92 million to write the assets down to their estimated salvage value, \$24 million of severance costs covering the termination of 797 employees, and other cash costs of \$19 million.
- (b) The Consumer Packaging business implemented a plan to exit the Aseptic packaging business. This plan includes the permanent shutdown or sale of various Aseptic packaging facilities. Included in this charge are \$89 million to write the assets down to their estimated realizable value, \$15 million of severance covering the termination of 300 employees, and \$12 million of other cash costs.
- (c) The Distribution business (xpedx) approved the permanent shut down of its Nationwide Kansas City, Missouri distribution center to eliminate excess internal capacity. The xpedx Olathe, Kansas facility will continue to service Kansas City and outlying cities in the states of Missouri and Kansas. Charges associated with the shutdown include \$2 million of asset write-downs, \$2 million of severance costs covering the termination of 79 employees, and other cash costs of \$1 million.

The \$225 million charge represents an addition to the reserves for claims relating to product manufactured by Masonite that was the subject of certain class action lawsuits discussed in Note 11.

During the second quarter of 2001, a restructuring charge of \$465 million before taxes and minority interest (\$300 million after taxes and minority interest) was recorded. The \$465 million charge was specifically for asset shutdowns of excess internal capacity and cost reduction actions and included \$240 million of asset write-downs and \$225 million of severance and other charges as shown below:

<TABLE>  
<CAPTION>

In millions	Asset Write- Downs	Severance and Other	Total
<S>	<C>	<C>	<C>
Printing Papers	(a) \$ 9	\$ 23	\$ 32
Consumer Packaging	(b) 151	69	220
Industrial Packaging	(c) 62	20	82
Industrial Papers	(d) 3	5	8
Forest Products	(e) 1	12	13
Distribution	(f) 4	21	25
Carter Holt Harvey	(g) 10	-	10
Administrative Support Groups	(h) -	75	75
	<u>\$ 240</u>	<u>\$ 225</u>	<u>\$ 465</u>

</TABLE>

- (a) The Printing Papers business permanently shut down the Hudson River mill No. 3 paper machine located in Corinth, New York due to excess internal capacity. The machine was written down by \$9 million to its estimated fair value of zero. A severance charge of \$10 million was recorded to cover the termination of

<PAGE>

208 employees. At September 30, 2001, 164 employees had been terminated. Also, the Printing Papers business implemented a plan to streamline and realign administrative functions at several of its locations. Charges associated with this plan included \$6 million of severance costs covering the termination of 82 employees, and other cash costs of \$7 million. At September 30, 2001, 77 employees had been terminated.

- (b) In June 2001, the Consumer Packaging business permanently shut down the Moss Point, Mississippi mill and announced the permanent shut down of its Clinton, Iowa facility due to excess internal capacity. Charges associated with the Moss Point shutdown included \$138 million to write the assets down to their estimated salvage value, \$21 million of severance costs covering the termination of 363 employees, and other cash costs of \$20 million. At September 30, 2001, 357 employees had been terminated. Charges associated with the Clinton shutdown included \$7 million to write the assets down to their estimated salvage value, \$7 million of severance costs covering the termination of 327 employees, and other cash costs of \$3 million. At September 30, 2001, 102 employees had been terminated. Additionally, the Consumer Packaging business implemented a plan to reduce excess internal capacity and streamline administrative functions at several of its locations. Charges associated with this plan included \$6 million of asset write-downs, \$15 million of severance costs covering the termination of 402 employees, and other cash costs of \$3 million. At September 30, 2001, 184 employees had been terminated.
- (c) The Industrial Packaging business permanently shut down the Savannah, Georgia mill No. 2, No. 4 and No. 6 paper machines due to excess internal capacity. The machines were written down by \$62 million to their estimated fair value of zero, with severance charges of \$11 million also recorded to cover the termination of 290 employees. At September 30, 2001, 168 employees had been terminated. Also, Industrial Packaging implemented a plan to streamline and realign administrative functions at several of its locations, resulting in a severance charge of \$9 million covering the termination of 146 employees. At September 30, 2001, 80 employees had been terminated.
- (d) Industrial Papers implemented a plan to reduce excess internal capacity and streamline administrative functions at several of its locations. Charges associated with this plan included asset write-downs of \$3 million and severance costs of \$5 million covering the termination of 123 employees. At September 30, 2001, 52 employees had been terminated.
- (e) The Forest Products business charge of \$13 million reflects the reorganization of its regional operating structure and streamlining of administrative functions. The charge included \$1 million of asset write-downs, \$9 million of severance costs covering the termination of 100 employees, and other cash costs of \$3 million. At September 30, 2001, 64 employees had been terminated.
- (f) xpedx implemented a plan to consolidate duplicate facilities and eliminate excess internal capacity. Charges associated with this plan included \$4 million of asset write-downs, \$14 million of severance costs covering the termination of 394 employees, and other cash costs of \$7 million. At September 30, 2001, 219 employees had been terminated.
- (g) The Carter Holt Harvey charge of \$10 million was recorded to write down the assets of its Mataura mill to their estimated fair value of zero as a result of the decision to permanently shutdown this facility, which had previously been indefinitely idled.
- (h) During the second quarter of 2001, International Paper implemented a cost reduction program to realign its administrative functions across all business and staff support groups. As a result, a \$75 million severance charge was recorded covering the termination of 985 employees. At September 30, 2001, 590 employees had been terminated.

The following table presents a roll forward of the cumulative severance and other costs included in the 2001 reserves for excess internal capacity and cost reduction:

<PAGE>

<TABLE>  
<CAPTION>

Dollars in millions	Severance and Other
<S>	<C>
Opening balance - second quarter 2001 (3,420 employees)	\$ 225
Additions - third quarter 2001 (1,176 employees)	73
Cash charges - third quarter 2001 (2,057 employees)	(62)
	-----
Balance, September 30, 2001 (2,539 employees)	\$ 236
	=====

</TABLE>

During the third quarter of 2000, International Paper recorded a special pre-tax charge of \$125 million (\$80 million after taxes) that represents an addition to the reserves for claims relating to product manufactured by Masonite that was the subject of certain class action lawsuits discussed in Note 11.

During the second quarter of 2000, a \$71 million pre-tax charge (\$42 million after taxes and minority interest) was recorded for asset shutdowns of excess internal capacity and cost reduction actions.

During the fourth quarter of 2000, International Paper recorded an additional charge of \$753 million before taxes and minority interest (\$467 million after taxes and minority interest) for asset shutdowns of excess internal capacity and cost reduction actions. The following table presents a roll forward of the cumulative severance and other costs included in these charges:

<TABLE>  
<CAPTION>

Dollars in millions	Severance and Other
<S>	<C>
Opening balance - second quarter 2000 (1,056 employees)	\$ 31
Additions - fourth quarter 2000 (3,187 employees)	217
Cash charges - 2000 (991 employees)	(19)
	-----
Balance, December 31, 2000 (3,252 employees)	229
Cash charges - first quarter 2001 (1,744 employees)	(86)
Cash charges - second quarter 2001 (655 employees)	(37)
Cash charges - third quarter 2001 (169 employees)	(11)
	-----
Balance, September 30, 2001 (684 employees)	\$ 95
	=====

</TABLE>

In addition, \$13 million of 1999 reserves, primarily relating to severance, which remained at the end of 2000 was paid during the first quarter of 2001.

Also during the fourth quarter of 2000, International Paper recorded a pre-tax credit of \$28 million (\$17 million after taxes) for excess 1999 second and fourth quarter restructuring reserves no longer required.

International Paper continually evaluates its operations for improvement. When any such plans are finalized, costs or charges may be incurred in future periods related to the implementation of these plans.

Merger Integration Costs:

During the second and first quarters of 2001, International Paper recorded pre-tax charges of \$32 million (\$22 million after taxes) and \$10 million (\$6 million after taxes), respectively, for Champion merger integration costs. During the third quarter of 2000, International Paper recorded a pre-tax charge of \$15 million (\$9 million after taxes), for merger integration costs related to the Champion acquisition. Additionally, a \$6 million pre-tax credit (\$4 million after taxes) was recorded in the 2000 third quarter for the reversal of merger-related termination benefits no longer required. During the second and first quarters of 2000, International Paper recorded pre-tax charges of \$4 million (\$3 million after taxes) and \$8 million (\$5 million after taxes), respectively, for merger integration costs resulting from the Union Camp acquisition. In the fourth quarter of 2000, an additional \$27 million pre-tax charge (\$16 million after taxes) was recorded for merger integration costs related to the Champion acquisition.

<PAGE>

These merger integration costs consisted primarily of systems integration, product line rationalization, employee retention, travel and other cash costs related to the integrations of Champion and Union Camp.

Other

The effective income tax rate for both the 2001 and 2000 third quarters was 31%. The effective income tax rate after special items, but before extraordinary items and the cumulative effect of an accounting change, was 27% and 28% for the 2001 and 2000 nine-month periods, respectively. The following table presents the components of pre-tax earnings and losses and the related income tax expense or benefit for each of the nine-month periods ended September 30, 2001 and 2000.

<TABLE>  
<CAPTION>

In millions	2001			2000		
	Earnings (Loss) Before Income Taxes and Minority Interest	Income Tax Provision (Benefit)	Effective Tax Rate	Earnings (Loss) Before Income Taxes and Minority Interest	Income Tax Provision (Benefit)	Effective Tax Rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Before special and extraordinary items and cumulative effect of accounting change	\$ 394	\$ 123	31%	\$ 1,443	\$ 429	30%
Merger integration costs	(42)	(14)	33%	(27)	(10)	37%
Restructuring and other charges	(984)	(282)	29%	(196)	(72)	37%
Reversal of reserves no longer required	-	-	-	6	2	33%
After special items	<u>\$ (632)</u>	<u>\$ (173)</u>	27%	<u>\$ 1,226</u>	<u>\$ 349</u>	28%

</TABLE>

The decreases in forestlands and deferred income taxes and the increase in goodwill as of September 30, 2001 compared with December 31, 2000 reflect forestland sales and the finalization of purchase accounting adjustments related to the Champion acquisition.

#### Forward-Looking Statements

The statements under "Management's Discussion and Analysis" and other statements contained herein that are not historical facts are forward-looking statements (as such term is defined under the Private Securities Litigation Reform Act of 1995). Forward-looking statements reflect our expectations or forecasts of future events. These include statements relating to future actions, future performance or the outcome of contingencies, such as legal proceedings and financial results. Any or all of the forward-looking statements that we make in this report may turn out to be wrong. They can be influenced by inaccurate assumptions we might make or by known or unknown risks and uncertainties. No forward-looking statements can be guaranteed and actual results may vary materially. Factors which could cause actual results to differ include, among other things, whether our efforts relating to capacity rationalization, internal reorganizations and realignment initiatives will have the results anticipated, whether expected merger savings will be realized and whether our divestiture program will realize anticipated proceeds. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

<PAGE>

Financial Information by Industry Segment  
(Unaudited)  
(In millions)

Net Sales by Industry Segment (1)

<TABLE>  
<CAPTION>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>
Printing Papers	\$ 1,945	\$ 2,235	\$ 5,975	\$ 5,145
Industrial and Consumer Packaging	1,665	1,810	5,070	5,340
Distribution	1,665	1,930	5,175	5,380
Forest Products	725	755	2,130	1,715
Carter Holt Harvey	455	435	1,250	1,305
Other Businesses (2)	415	965	1,575	2,865
Corporate and Intersegment Sales	(341)	(329)	(1,066)	(798)(3)
Net Sales	<u>\$ 6,529</u>	<u>\$ 7,801</u>	<u>\$ 20,109</u>	<u>\$ 20,952</u>

</TABLE>

Operating Profit by Industry Segment (1)

<TABLE>  
<CAPTION>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>
Printing Papers	\$ 146	\$ 297	\$ 419	\$ 673
Industrial and Consumer Packaging	133	194	392	622
Distribution	5	32	31	97
Forest Products	184	162	502	445
Carter Holt Harvey (4)	(1)	21	5	61
Other Businesses (2)	10	51	36	176
Corporate	-	-	-	26 (3)
Operating Profit	477	757	1,385	2,100
Interest expense, net	(235)	(278)	(718)	(565)
Minority interest adjustment (4)	(6)	32	7	94
Corporate items, net	(89)	(66)	(280)	(186)
Merger integration costs	-	(15)	(42)	(27)
Restructuring and other charges	(481)	(125)	(946)	(196)
Gains (losses) on sales and impairments of businesses held for sale	47	-	(38)	-
Reversal of reserves no longer required	-	6	-	6
Earnings (loss) before income taxes, minority interest, extraordinary items and cumulative effect of accounting change	<u>\$ (287)</u>	<u>\$ 311</u>	<u>\$ (632)</u>	<u>\$ 1,226</u>

</TABLE>

- (1) Certain reclassifications and adjustments have been made to current year and prior year amounts.
- (2) Includes businesses identified in International Paper's divestiture program.
- (3) Includes results of operations from Champion, which was acquired on June 20, 2000, for the ten days ended June 30, 2000.
- (4) Includes equity earnings (in millions) of \$1 for each of the three-month periods ended September 30, 2001 and 2000, and \$3 and \$10 for the nine months ended September 30, 2001 and 2000, respectively (half in the Carter Holt Harvey segment and half in the minority interest adjustment).

<PAGE>

Sales Volumes by Product (1) (2)

<TABLE>  
<CAPTION>

2001 (3)	1st Quarter	2nd Quarter	3rd Quarter	Year-To- Date
<S>	<C>	<C>	<C>	<C>
Printing Papers (In thousands of short tons)				
Uncoated Papers and Bristols	1,653	1,608	1,589	4,850
Coated Papers	533	493	587	1,613
Market Pulp	536	618	699	1,853
Packaging (In thousands of short tons)				
Containerboard	524	531	527	1,582
Bleached Packaging Board	307	316	296	919
Kraft	153	122	148	423
Industrial and Consumer Packaging	1,203	1,217	1,138	3,558
Forest Products (In millions)				
Panels (sq. ft. 3/8" - basis)	688	760	819	2,267
Lumber (board feet)	976	1,025	1,056	3,057
MDF and Particleboard (sq. ft. 3/4" - basis)	156	149	183	488

</TABLE>

<TABLE>  
<CAPTION>

2000 (3)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Full Year
<S>	<C>	<C>	<C>	<C>	<C>
Printing Papers (In thousands of short tons)					
Uncoated Papers and Bristols	1,369	1,319	1,677	1,592	5,957
Coated Papers	337	322	732	671	2,062
Market Pulp	404	396	642	554	1,996
Packaging (In thousands of short tons)					
Containerboard	657	625	548	517	2,347
Bleached Packaging Board	352	343	321	323	1,339
Kraft	113	107	135	134	489
Industrial and Consumer Packaging	1,317	1,318	1,245	1,255	5,135
Forest Products (In millions)					
Panels (sq. ft. 3/8" - basis)	485	496	701	698	2,380
Lumber (board feet)	657	696	990	959	3,302
MDF and Particleboard (sq. ft. 3/4" - basis)	102	175	196	181	654

</TABLE>

- (1) Includes third party and inter-segment sales.  
(2) Includes sales volumes for Champion from July 1, 2000.  
(3) Sales volumes for divested businesses are included through the date of sale.

<PAGE>

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information relating to quantitative and qualitative disclosures about market risk are shown in Notes 9 and 10 of this Form 10-Q, and on pages 27 - 29 of International Paper's Annual Report to Shareholders for the year ended December 31, 2000 as previously filed on Form 10-K, which information is incorporated herein by reference.

<PAGE>

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The following matters discussed in previous filings under the Securities Exchange Act are updated as follows:

Masonite Litigation

A discussion of developments relating to the financial impact of certain class action lawsuits that were settled in 1998 and 1999 is found in Note 11 in this Form 10-Q.

Other Litigation

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

Environmental

On June 19, 2000, before International Paper completed the acquisition of Champion, Champion entered into a Consent Order with the Maine Department of Environmental Protection that resolved allegations of past wastewater and reporting deficiencies at Champion's lumber mills in Milford and Passadumkeag, Maine. The U.S. EPA and the U.S. Attorney's Office in Maine commenced a grand jury investigation of the same allegations. On August 15, 2001, the U.S. Attorney's Office in Maine notified International Paper that it would not prosecute the matters earlier resolved with the Maine Department of Environmental Protection.

<PAGE>

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

- (c) In August 2001, International Paper issued \$1 billion principal amount of 6.75% Senior Unsecured Notes due September 1, 2011, which yielded net proceeds of \$993 million under a previously filed shelf registration statement. These notes carry a fixed interest rate with interest payable semi-annually on March 1 and September 1 of each year, commencing on March 1, 2002. The net proceeds of this issuance were used on October 8, 2001 to retire \$800 million of money market notes due in 2002.

<PAGE>

ITEM 5. OTHER INFORMATION

Masonite Corporation sued Employers Insurance of Wausau (Wausau) in 1995 in California Superior Court in San Francisco (Declaratory Judgment case) seeking among other things, a Declaratory Judgment that Wausau was obligated to pay for the cost of defending Masonite in a nationwide class action then pending in Mobile County, Alabama concerning the Hardboard Lawsuit. In this same insurance coverage lawsuit, International Paper and Masonite also sought a declaration that Wausau and various other insurers must indemnify International Paper and Masonite for amounts paid to settle the Hardboard Lawsuit and certain other hardboard siding lawsuits.

From September 1979 through September 1985, Wausau was the primary insurance carrier of Masonite, then an International Paper subsidiary. Each Wausau policy contained a provision for the insurance company to provide a defense to Masonite in the event of litigation that asserted claims potentially covered by the insurance policy. In 1998 Masonite amended its complaint to add a claim that Wausau had acted in "bad faith" in failing to fulfill its obligation to pay for Masonite's defense. On November 2, 2001, the jury returned a verdict in the Declaratory Judgment case. The jury found Wausau had breached its obligation to defend Masonite in the Hardboard Lawsuit, and also found that Wausau had acted in bad faith and was therefore liable for Masonite's attorneys' fees in this Declaratory Judgment case. The jury also found that Wausau acted with "fraud, malice, or oppression", and therefore that Masonite was entitled to punitive damages.

As a result of its findings, the jury awarded Masonite: (a) the \$13.1 million it had spent in the defense of the Hardboard Lawsuit; (b) \$12.1 million as damages for Wausau's bad faith including interest on the bad faith award; and (c) \$68 million in punitive damages. Masonite has requested an additional \$1.7 million in bad faith-related damages that have been incurred since the jury rendered its verdict as well as an additional \$4.6 million in pre-judgment interest. As of November 14, 2001, the Court has not ruled upon these additional requests. Entry of the judgment is subject to the Court's legal ruling that (i) the Hardboard Lawsuit raised the potential for coverage as of April 17, 1995 when the case was tendered to Wausau and (ii) Wausau's motions for non-suit, directed verdict, and mistrial are without merit. As of November 14, 2001, the judgment had not been entered because the Court had not resolved these matters. Following entry of the judgment, Wausau will have the right to seek appellate review of the judgment.

During the third quarter of 2001, International Paper completed its divestiture of Masonite. International Paper retains liability for matters arising out of the Hardboard Lawsuit and, pursuant to an agreement with Premdor, Inc., the purchaser of Masonite, Premdor, Inc. has assigned all rights and claims under any insurance policy relating to the Hardboard Lawsuit, including the right to receive proceeds from the Declaratory Judgment case, to International Paper.

<PAGE>

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

<TABLE>

<S>	<C>	
4.1		6.75% Notes due 2011 Supplemental Indenture between International Paper Company and The Bank of New York
10.1		Agreement by and between C.W. Smith and International Paper Company
11		Statement of Computation of Per Share Earnings
12		Computation of Ratio of Earnings to Fixed Charges

</TABLE>

(b) Reports on Form 8-K

Reports on Form 8-K were filed on July 17, 2001 and October 17, 2001 under Item 5 reporting earnings for the quarters ended June 30, 2001 and September 30, 2001, respectively.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

INTERNATIONAL PAPER COMPANY  
(Registrant)

Date: November 14, 2001	By /s/ JOHN V. FARACI ----- John V. Faraci Executive Vice President and Chief Financial Officer
Date: November 14, 2001	By /s/ ANDREW R. LESSIN ----- Andrew R. Lessin Vice President-Finance and Chief Accounting Officer

<PAGE>

Exhibit 4.1

-----  
6.75% NOTES DUE 2011  
SUPPLEMENTAL INDENTURE  
between  
INTERNATIONAL PAPER COMPANY  
and  
THE BANK OF NEW YORK  
Dated as of August 27, 2001  
-----

TABLE OF CONTENTS  
-----

<TABLE> <CAPTION>		PAGE
<S>	<C>	<C>
ARTICLE 1 DEFINITIONS		
SECTION 1.01.	Definition of Terms.....	2
ARTICLE 2 GENERAL TERMS AND CONDITIONS OF THE NOTES		
SECTION 2.01.	Designation and Principal Amount.....	3
SECTION 2.02.	Maturity.....	3
SECTION 2.03.	Form; Denomination.....	3
SECTION 2.04.	Legend.....	4
SECTION 2.05.	Special Transfer Provisions.....	4
SECTION 2.06.	Interest.....	5
ARTICLE 3 REDEMPTION OF THE NOTES		
SECTION 3.01.	Optional Redemption by Company.....	6
SECTION 3.02.	No Sinking Fund.....	8
ARTICLE 4 MODIFICATION		
SECTION 4.01.	Modification of Indenture and Supplemental Indenture.....	8
ARTICLE 5 FORM OF NOTE		
SECTION 5.01.	Form of Note.....	9
ARTICLE 6 ORIGINAL ISSUE OF NOTES		
SECTION 6.01.	Original Issue of Notes; Further Issuances.....	18
ARTICLE 7 MISCELLANEOUS		

</TABLE>

<TABLE>  
<S> <C> <C>  
SECTION 7.01. Ratification of Indenture.....18  
SECTION 7.02. Trustee Not Responsible for Recitals.....18  
SECTION 7.03. Governing Law.....18  
SECTION 7.04. Separability.....18  
SECTION 7.05. Counterparts.....19  
</TABLE>

SUPPLEMENTAL INDENTURE, dated as of August 27, 2001 (the "Supplemental Indenture"), between International Paper Company, a New York corporation (the "Company"), and The Bank of New York, as trustee (the "Trustee") under the Indenture, dated as of April 12, 1999, between the Company and the Trustee (the "Indenture").

WHEREAS, the Company executed and delivered the Indenture to the Trustee to provide, among other things, for the future issuance of the Company's unsecured Securities to be issued from time to time in one or more series as might be determined by the Company under the Indenture, in an unlimited aggregate principal amount which may be authenticated and delivered as provided in the Indenture;

WHEREAS, Section 9.1 of the Indenture provides for various matters with respect to any series of Securities issued under the Indenture to be established in an indenture supplemental to the Indenture;

WHEREAS, Section 9.1(7) of the Indenture provides for the Company and the Trustee to enter into an indenture supplemental to the Indenture to establish the form or terms of Securities of any series as provided by Sections 2.1 and 3.1 of the Indenture;

WHEREAS, the Board of Directors of the Company has duly adopted resolutions authorizing the Company to execute and deliver this Supplemental Indenture;

WHEREAS, pursuant to the terms of the Indenture, the Company desires to provide for the establishment of a new series of its Securities to be known as its 6.75% Notes due 2011 (the "Notes"), the form and substance of such Notes and the terms, provisions and conditions thereof to be set forth as provided in the Indenture, and this Supplemental Indenture;

WHEREAS, the Company has requested that the Trustee execute and deliver this Supplemental Indenture and all requirements necessary to make (i) this Supplemental Indenture a valid instrument in accordance with its terms, and (ii) the Notes, when executed by the Company and authenticated and delivered by the Trustee, the valid obligations of the Company, have been performed, and the execution and delivery of this Supplemental Indenture has been duly authorized in all respects:

NOW THEREFORE, in consideration of the purchase and acceptance of the Notes by the Holders thereof, and for the purpose of setting forth, as provided in the Indenture, the form and substance of the Notes and the terms, provisions and conditions thereof, the Company covenants and agrees with the Trustee as follows:

ARTICLE 1  
DEFINITIONS

SECTION 1.01. Definition of Terms.

Unless the context otherwise requires:

- (a) a term defined in the Indenture has the same meaning when used in this Supplemental Indenture unless the definition of such term is amended and supplemented pursuant to this Supplemental Indenture;
- (b) a term defined anywhere in this Supplemental Indenture has the same meaning throughout;
- (c) the singular includes the plural and vice versa;
- (d) a reference to a Section or Article is to a Section or Article of this Supplemental Indenture;
- (e) headings are for convenience of reference only and do not affect interpretation;
- (f) the following terms have the meanings given to them in this Section 1.01(f):
  - "Business Day" shall have the meaning set forth in Section 3.01(b).
  - "Comparable Treasury Issue" shall have the meaning set forth in Section 3.01(b).
  - "Comparable Treasury Price" shall have the meaning set forth in Section 3.01(b).
  - "Global Note" shall have the meaning set forth in Section 2.03(a).
  - "Independent Investment Banker" shall have the meaning set forth in Section 3.01(b).
  - "Notes" shall have the meaning set forth in the recitals above.

<PAGE>

"Reference Treasury Dealer" shall have the meaning set forth in Section 3.01(b).

"Reference Treasury Dealer Quotations" shall have the meaning set forth in Section 3.01(b).

"Remaining Life" shall have the meaning set forth in Section 3.01(b).

"Securities Act" means the Securities Act of 1933, as amended.

"Stated Maturity Date" has the meaning set forth in Section 2.02.

"Treasury Rate" shall have the meaning set forth in Section 3.01(b).

## ARTICLE 2

### GENERAL TERMS AND CONDITIONS OF THE NOTES

#### SECTION 2.01. Designation and Principal Amount.

There is hereby authorized a series of Securities designated the "6.75% Notes due 2011" initially offered in aggregate principal amount of \$1,000,000,000 which amount shall be as set forth in any written order of the Company for the authentication and delivery of the Notes pursuant to Section 3.3 of the Indenture.

#### SECTION 2.02. Maturity.

(a) The Notes will mature on September 1, 2011 (the "Stated Maturity Date").

#### SECTION 2.03. Form; Denomination.

(a) The Notes shall be issued initially in the form of one or more permanent Global Notes in registered form, substantially in the form herein below recited (each and collectively, the "Global Note"), deposited with the Trustee, as custodian for the Depository, duly executed by the Company and authenticated by the Trustee as herein provided.

The aggregate principal amount of the Global Note may from time to time be increased or decreased by adjustments made on the records of the Trustee, as custodian for the Depository or its nominee, as hereinafter provided.

(b) The Notes shall be issuable in denominations provided for in the form of Note recited below. The Notes shall be numbered, lettered, or otherwise

distinguished in such manner or in accordance with such plans as the officers of the Company executing the same may determine with the approval of the Trustee.

SECTION 2.04. Legend. Each Global Note shall bear the following legend on the face thereof:

UNLESS THIS GLOBAL NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), NEW YORK, NEW YORK, TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY GLOBAL NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO., OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.

SECTION 2.05. Special Transfer Provisions. (a) A Global Note may be transferred, in whole but not in part, only to another nominee of the Depository, or to a successor Depository selected or approved by the Company or to a nominee of such successor Depository.

(b) If at any time the Depository notifies the Company that it is unwilling or unable to continue as Depository or if at any time the Depository for such series shall no longer be registered or in good standing under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation, and a successor Depository for such series is not appointed by the Company within 90 days after the Company receives such notice or becomes aware of such condition, as the case may be, the Company will execute, and, subject to Article III of the Indenture, the Trustee, upon written notice from the Company, will authenticate and make available for delivery the Notes in definitive registered form without coupons, in authorized denominations, and in an aggregate principal amount equal to the principal amount of the Global Note in exchange for the Global Note. In addition, the Company may at any time determine that the Notes shall no longer be

represented by a Global Note. In such event the Company will execute, and subject to Section 3.5 of the Indenture, the Trustee, upon receipt of an Officers' Certificate evidencing such determination by the Company, will authenticate and deliver the Notes in definitive registered form without coupons, in authorized denominations, and in an aggregate principal amount equal to the principal amount of the Global Note in exchange for the Global Note. Upon the exchange of the Global Note for such Notes in definitive registered form without coupons, in authorized denominations, the Global Note shall be cancelled by the Trustee. Such Notes in definitive registered form issued in exchange for the Global Note shall be registered in such names and in such authorized denominations as the Depository, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee. The Trustee shall deliver such Notes to the Depository for delivery to the Persons in whose names such Notes are so registered.

SECTION 2.06. Interest.

(a) Each Note will bear interest at the rate of 6.75% per annum (the "Coupon Rate") from the original date of issuance until the principal thereof becomes due and payable, and on any overdue principal and (to the extent that payment of such interest is enforceable under applicable law) on any overdue installment of interest at the Coupon Rate, compounded semi-annually, payable semi-annually in arrears on March 1 and September 1 of each year (each, an "Interest Payment Date") commencing on March 1, 2002, to the Person in whose name such Note or any predecessor Note is registered, at the close of business on the regular record date for such interest installment, which shall be the close of business on the February 15 or August 15 (whether or not a Business Day), as the case may be, immediately preceding such Interest Payment Date.

(b) The amount of interest payable for any period less than a full interest period will be computed on the basis of a 360-day year of twelve 30-day months and the actual days elapsed in a partial month in such period. In the event that any date on which interest is payable on the Notes is not a Business Day, then payment of the interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay) with the same force and effect as if made on the date such payment was originally payable, except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date.

(c) Accrued interest that is not paid on the applicable Interest Payment Date will bear additional interest on the amount thereof at the Coupon Rate, compounded semi-annually and computed on the basis of a 360-day year of twelve 30-day months and the actual days elapsed in a partial month in such period. The

amount of additional interest payable for any full interest period will be computed by dividing the Coupon Rate by two.

ARTICLE 3

REDEMPTION OF THE NOTES

SECTION 3.01. Optional Redemption by Company.

(a) Subject to the provisions of Section 3.01(b) and to the provisions of Article XI of the Indenture, except as otherwise may be specified in this Supplemental Indenture, the Company shall have the right to redeem the Notes, in whole or in part, at any time or from time to time, at a redemption price (the "Optional Redemption Price") equal to the greater of:

(i) 100% of the principal amount plus accrued and unpaid interest to the Redemption Date; or

(ii) the sum of the present values of the remaining scheduled payments of principal and interest (exclusive of interest accrued to the Redemption Date) discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months at the Treasury Rate plus 30 basis points plus accrued interest on the principal amount being redeemed to the Redemption Date.

Any redemption pursuant to the preceding paragraph will be made upon not less than 30 nor more than 60 days' prior notice before the Redemption Date to each Holder of the Notes, at the Optional Redemption Price. If the Notes are only partially redeemed pursuant to this Section 3.01(a), the Notes will be redeemed pro rata or by lot or by any other method utilized by the Trustee; provided, that if at the time of redemption the Notes are registered as a Global Note, the Depositary shall determine, in accordance with its procedures, the principal amount of such Notes held by each Holder of Notes to be redeemed. The Optional Redemption Price shall be paid prior to 12:00 noon, New York time, on the date of such redemption or at such earlier time as the Company determines provided that the Company shall deposit with the Trustee an amount sufficient to pay the Optional Redemption Price by 10:00 a.m., New York time, on the date such Optional Redemption Price is to be paid.

(b) The following terms have the meanings given to them in this Section 3.01(b).

"Business Day" means any calendar day that is not a Saturday, Sunday or legal holiday in New York, New York and on which commercial banks are open for business in New York, New York.

"Comparable Treasury Issue" means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term ("Remaining Life") of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes.

"Comparable Treasury Price" means, with respect to any Redemption Date, (A) the average of four Reference Treasury Dealer Quotations for such Redemption Date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (B) if the Independent Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such Quotations.

"Independent Investment Banker" means either one of the Reference Treasury Dealers or an independent investment banking institution of national standing appointed by the Company.

"Reference Treasury Dealer" means (i) each of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Salomon Smith Barney Inc., Banc of America Securities LLC and Deutsche Banc Alex. Brown, Inc. and their respective successors, provided, however, that if any of the foregoing shall cease to be a primary U.S. Government securities dealer in New York City (a "Primary Treasury Dealer"), we will substitute therefor another Primary Treasury Dealer and (ii) any other Primary Treasury Dealer selected by the Company.

"Reference Treasury Dealer Quotations" means, with respect to the Reference Treasury Dealer and any Redemption Date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by the Reference Treasury Dealer at 5:00 p.m. on the third Business Day preceding such Redemption Date.

"Treasury Rate" means, with respect to any Redemption Date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H.15 (519)" or any successor publication which is published weekly by the Board of

Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities," for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after the Remaining Life, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Redemption Date. The Treasury Rate shall be calculated on the third Business Day preceding the Redemption Date.

SECTION 3.02. No Sinking Fund.

The Notes are not entitled to the benefit of any sinking fund.

ARTICLE 4

MODIFICATION

SECTION 4.01. Modification of Indenture and Supplemental Indenture.

Section 9.2 of the Indenture, as it relates to this series of Notes, is hereby modified so that the reference to "not less than 66-2/3%" shall read "not less than a majority", except that in the case of increasing (or reopening) the principal amount, no consent of Holders will be required.

ARTICLE 5  
FORM OF NOTE

SECTION 5.01. Form of Note.

The Notes and the Trustee's Certificate of Authentication to be endorsed thereon are to be substantially in the following forms:

(FORM OF FACE OF NOTE)

[IF THE NOTE IS TO BE A GLOBAL NOTE, INSERT - UNLESS THIS GLOBAL NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), NEW YORK, NEW YORK, TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY GLOBAL NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO., OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.]

No. \_\_\_\_\_

CUSIP No. o

INTERNATIONAL PAPER COMPANY

6.75% NOTES DUE 2011

INTERNATIONAL PAPER COMPANY, a New York corporation (the "Company", which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to CEDE & Co. or registered assigns, the principal sum of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) on September 1, 2011, and to pay interest on said principal sum from the date of original issuance, or from the most recent interest payment date to which interest has been paid or duly provided for, semi-annually in arrears on March 1 and September 1 of each year (each such date, an "Interest Payment Date") commencing March 1, 2002, at the rate of 6.75% per annum until the principal hereof shall have become due and payable, and on any overdue principal and premium, if any, and (without duplication and to the extent that payment of such interest is enforceable under applicable law) on any overdue installment of interest at the same rate per annum compounded semi-annually. The amount of interest

payable for any period less than a full interest period will be computed on the basis of a 360-day year of twelve 30-day months and the actual days elapsed in a partial month in such period. In the event that any date on which interest is payable on the Notes is not a Business Day, then payment of the interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay) with the same force and effect as if made on the date such payment was originally payable, except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date. The interest installment so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture, be paid to the person in whose name this Note (or one or more Predecessor Securities, as defined in said Indenture) is registered at the close of business on the regular record date for such interest installment, which shall be the close of business on the February 15 or August 15 (whether or not a Business Day), as the case may be, immediately preceding such Interest Payment Date. Any such interest installment not punctually paid or duly provided for shall forthwith cease to be payable to the registered Holders on such regular record date and may be paid to the Person in whose name this Note (or one or more Predecessor Securities) is registered at the close of business on a special record date to be fixed by the Trustee for the payment of such defaulted interest, notice whereof shall be given to the registered Holders of this series of Notes not less than 10 days prior to such special record date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Notes may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture. The principal of (and premium, if any) and the interest on this Note shall be payable at the office or agency of the Trustee maintained for that purpose in any coin or currency of the United States of America that at the time of payment is legal tender for payment of public and private debts.

Accrued interest that is not paid on the applicable Interest Payment Date will bear additional interest on the amount thereof at the Coupon Rate, compounded semi-annually and computed on the basis of a 360-day year of twelve 30-day months and the actual days elapsed in a partial month in such period.

This Note shall not be entitled to any benefit under the Indenture hereinafter referred to, be valid or become obligatory for any purpose until the Certificate of Authentication hereon shall have been signed by or on behalf of the Trustee.

The provisions of this Note are continued on the reverse side hereof and such continued provisions shall for all purposes have the same effect as though fully set forth at this place.

IN WITNESS WHEREOF, the Company has caused this instrument to be  
executed on this \_\_\_ day of \_\_\_\_\_.

INTERNATIONAL PAPER COMPANY

By:.....  
Name:  
Title:

Attest:

By:.....  
Name:  
Title:

(FORM OF CERTIFICATE OF AUTHENTICATION)

CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated herein referred to in the within-mentioned Indenture.

Dated \_\_\_\_\_

The Bank of New York,  
as Trustee

By: \_\_\_\_\_ Authorized Signatory

(FORM OF REVERSE OF NOTE)

This Note is one of a duly authorized series of Notes of the Company (herein sometimes referred to as the "Notes"), specified in the Indenture, all issued or to be issued in one or more series under and pursuant to an Indenture dated as of April 12, 1999, duly executed and delivered between the Company and The Bank of New York as Trustee (the "Trustee"), as supplemented by the Supplemental Indenture dated as of August 27, 2001, between the Company and the Trustee (the Indenture, as so supplemented, the "Indenture"), to which Indenture and all Indentures supplemental thereto reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company and the Holders of the Notes. By the terms of the Indenture, the Notes are issuable in series that may vary as to amount, date of maturity, rate of interest and in other respects as provided in the Indenture. This series of Notes is initially offered in aggregate principal amount as specified in said Supplemental Indenture.

The Company shall have the right to redeem this Note at the option of the Company, without premium or penalty, in whole or in part (an "Optional Redemption"), at a redemption price (the "Optional Redemption Price") equal to the greater of:

(i) 100% of the principal amount plus accrued and unpaid interest to the Redemption Date; or

(ii) the sum of the present values of the remaining scheduled payments of principal and interest (exclusive of interest accrued to the Redemption Date) discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 30 basis points plus accrued interest on the principal amount being redeemed to the Redemption Date.

Any redemption pursuant to the preceding paragraph will be made upon not less than 30 nor more than 60 days prior notice before the Redemption Date to the Holders, at the Optional Redemption Price. If the Notes are only partially redeemed by the Company pursuant to an Optional Redemption, the Notes will be redeemed pro rata or by lot or by any other method utilized by the Trustee; provided that if at the time of redemption the Notes are registered as a Global Note, the Depositary shall determine, in accordance with its procedures, the principal amount of such Notes held by each Holder of Notes to be redeemed.

In the event of redemption of this Note in part only, a new Note or Notes of this series for the unredeemed portion hereof shall be issued in the name of the Holder hereof upon the cancellation hereof.

In case an Event of Default, as defined in the Indenture, shall have occurred and be continuing, the principal of all of the Notes may be declared, and upon such declaration shall become, due and payable, in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the Holders of not less than a majority in aggregate principal amount of the Notes of each series affected at the time outstanding, as defined in the Indenture, to execute supplemental indentures for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the indenture or of any supplemental indenture or of modifying in any manner the rights of the Holders of the Notes; provided, however, that no such supplemental indenture shall (i) extend the fixed maturity of any Notes of any series, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Holder of each Note so affected, or (ii) reduce the aforesaid percentage of Notes, the Holders of which are required to consent to any such supplemental indenture, without the consent of the Holders of each Note then outstanding and affected thereby. The Indenture also contains provisions permitting the Holders of a majority in aggregate principal amount of the Notes of any series at the time outstanding affected thereby, on behalf of all of the Holders of the Notes of such series, to waive any past default in the performance of any of the covenants contained in the Indenture, or established pursuant to the Indenture with respect to such series, and its consequences, except a default in the payment of the principal of or premium, if any, or interest on any of the Notes of such series. Any such consent or waiver by the registered Holder of this Note (unless revoked as provided in the Indenture) shall be conclusive and binding upon such Holder and upon all future Holders and owners of this Note and of any Note issued in exchange therefor or in place hereof (whether by registration of transfer or otherwise), irrespective of whether or not any notation of such consent or waiver is made upon this Note.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and premium, if any, and interest on this Note at the time and place and at the rate and in the money herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, this Note is transferable by the registered Holder hereof on the Security Register of the Company, upon surrender of this Note for registration of transfer at the office or agency of the Trustee in The City and State of New York accompanied by a written instrument or instruments of transfer in form satisfactory to the Company or the Trustee duly executed by the registered Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Notes of authorized denominations and for the same aggregate principal amount and series will be issued to the designated transferee or transferees. No service charge will be made for any such transfer, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in relation thereto.

Prior to due presentment for registration of transfer of this Note, the Company, the Trustee, any paying agent and the Security Registrar may deem and treat the registered Holder hereof as the absolute owner hereof (whether or not this Note shall be overdue and notwithstanding any notice of ownership or writing hereon made by anyone other than the Security Registrar) for the purpose of receiving payment of or on account of the principal hereof and premium, if any, and interest due hereon and for all other purposes, and neither the Company nor the Trustee nor any paying agent nor any Security Registrar shall be affected by any notice to the contrary.

No recourse shall be had for the payment of the principal of, premium, if any, or the interest on this Note, or for any claim based hereon, or otherwise in respect hereof, or based on or in respect of the Indenture, against any incorporator, stockholder, officer or director, past, present or future, as such, of the Company or of any predecessor or successor corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issuance hereof, expressly waived and released.

The Notes of this series are issuable only in registered form without coupons in denominations of \$1,000 and any integral multiple thereof. This Global Note is exchangeable for Notes in definitive form only under certain limited circumstances set forth in the Indenture. As provided in the Indenture and subject to certain limitations herein and therein set forth, Notes of this series so issued are exchangeable for a like aggregate principal amount of Notes of this series of a

different authorized denomination, as requested by the Holder surrendering the same.

All terms used in this Note that are defined in the Indenture shall have the meanings assigned to them in the Indenture.

THE INTERNAL LAWS OF THE STATE OF NEW YORK SHALL GOVERN THE INDENTURE AND THE NOTES WITHOUT REGARD TO CONFLICT OF LAW PROVISIONS THEREOF.

[FORM OF TRANSFER NOTICE]

FOR VALUE RECEIVED the undersigned registered holder hereby sell(s),  
assign(s) and transfer(s) unto

Insert Taxpayer Identification No.

-----  
Please print or typewrite name and address including zip code of assignee  
-----

the within Note and all rights thereunder, hereby irrevocably constituting and  
appointing \_\_\_\_\_ attorney to transfer said Note on the books of  
the Company with full power of substitution in the premises.

By: \_\_\_\_\_

Date: \_\_\_\_\_

[TO BE ATTACHED TO GLOBAL NOTES]

SCHEDULE OF INCREASES OR DECREASES IN GLOBAL NOTE

The following increases or decreases in this Global Note have been made:

<TABLE> <S>	<C>	<C>	<C>	<C>
Date of Exchange	Amount of decrease in Principal Amount of this Global Note	Amount of increase in Principal Amount of this Global Note	Principal Amount of this Global Note following such decrease or increase	Signature of authorized signatory of Trustee or Securities Custodian
</TABLE>				

ARTICLE 6

ORIGINAL ISSUE OF NOTES

SECTION 6.01. Original Issue of Notes; Further Issuances.

(a) Notes in the initial aggregate principal amount of \$1,000,000,000 may, upon execution of this Supplemental Indenture, be executed by the Company and delivered to the Trustee for authentication, and the Trustee shall thereupon authenticate and deliver said Notes to or upon the written order of the Company, signed by its Chairman, its Vice Chairman, its President, or any Vice President and its Treasurer or an Assistant Treasurer, without any further action by the Company.

(b) The Company may, without notice to or the consent of the Holders of the Notes, issue additional notes of the same tenor as the Notes, so that such additional notes and the Notes shall form a single series. Any such Notes referred to in this Section 6.01(b) will be issued under a further supplemental indenture.

ARTICLE 7

MISCELLANEOUS

SECTION 7.01. Ratification of Indenture.

The Indenture, as supplemented by this Supplemental Indenture, is in all respects ratified and confirmed, and this Supplemental Indenture shall be deemed part of the Indenture in the manner and to the extent herein and therein provided.

SECTION 7.02. Trustee Not Responsible for Recitals.

The recitals herein contained are made by the Company and not by the Trustee, and the Trustee assumes no responsibility for the correctness thereof. The Trustee makes no representation as to the validity or sufficiency of this Supplemental Indenture.

SECTION 7.03. Governing Law.

This Supplemental Indenture and each Note shall be governed by and construed in accordance with the laws of the State of New York without regard to conflicts of laws.

SECTION 7.04. Separability.

In case any one or more of the provisions contained in this Supplemental Indenture or in the Notes shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Supplemental Indenture or of the Notes, but this Supplemental Indenture and the Notes shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein or therein.

SECTION 7.05. Counterparts.

This Supplemental Indenture may be executed in any number of counterparts each of which shall be an original; but such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, and the Company has caused its corporate seal to be hereunto affixed and attested, on the date or dates indicated in the acknowledgments and as of the day and year first above written.

INTERNATIONAL PAPER COMPANY

By /s/ Tobin J. Treichel  
.....  
Name: Tobin J. Treichel  
Title: Vice President-Finance

[Seal]

Attest:

By: /s/ Carol M. Samalin  
\_\_\_\_\_  
Carol M. Samalin  
Assistant Secretary

THE BANK OF NEW YORK  
as Trustee

By /s/ Michael C. Daly  
.....  
Name: Michael C. Daly  
Title: Assistant Vice President



<PAGE>

Exhibit 10.1

AGREEMENT

C. Wesley Smith and International Paper Company have reached the following Agreement. In this Agreement, "Employee" refers to C. Wesley Smith and "Company" refers to International Paper Company and its predecessors, subsidiaries, officers, directors, employees, agents, successors, and assigns.

Preamble

WHEREAS, Employee has provided valuable skills, expertise and leadership to the Company;

WHEREAS, Employee has reached an age where he is entitled to take early retirement and has indicated that he desires to do so;

WHEREAS, the Company desires to retain Employee through January 31, 2002, in order to continue to receive the benefit of Employee's full-time contributions to the Company and to assist the Company in connection with various matters beneficial to the Company;

WHEREAS, the Company has determined that it is in the best interests of the Company and its shareholders for the Employee to remain an employee through January 31, 2002; and

WHEREAS, the Employee is willing to continue as an employee of the Company in consideration for the promises set forth herein;

NOW THEREFORE, the parties agree as set forth below.

Terms of Agreement

1. For the Employee's agreement to remain in the employ of the Company through January 31, 2002, the Company agrees to pay the Employee a Special Termination Benefit of \$1,027,866.00. This Special Termination Benefit will be paid in a lump sum following Employee's termination of employment. The Company will deduct from Employee's Special Termination Benefit any taxes and other deductions the Company is by law required to make from payments to employees.

In the event the Employee dies before January 31, 2002, the Special Termination Benefit shall be payable as a Special Death Benefit as soon as practicable following Employee's death to Employee's beneficiary designated under the International Paper Company Group Insurance Plan.

The Company agrees that the Employee's award under the Performance Share Plan for 2001 will be as follows: 1st Tranch - 15,000 shares paid as earned; 2nd Tranch - 15,000 shares paid at pro-rata target (50% or 7,500 shares); and 3rd Tranch - 15,000 shares paid at pro-rata target (33% or 5,000 shares). In addition, the Employee will receive an award of 15,000 shares paid at target for 2002. Shares will be distributed within 30 days of Employee's last day of active employment.

The Company agrees to provide the Employee benefits as provided in Exhibit A.

These benefits are paid in exchange for the promises made by the Employee in this Agreement.

2. The Employee agrees to remain in the employ of the Company through January 31, 2002.
3. The Employee acknowledges and agrees that the Company is not required to pay the benefits described in Paragraph 1 under the Company's normal policies and practices.
4. Employee acknowledges that the Confidentiality and Non-Competition Agreement Employee entered into with the Company on June 3, 1994, remains in effect after Employee's last day of active employment and agrees to adhere to the specific continuing obligations set forth therein, including those relating to Confidentiality, Non-Compete and Non-Solicitation/Non-Hire.
5. The Company has made no promises to the Employee other than those in this Agreement.
6. This Agreement is null and void if the Employee does not work through January 31, 2002, provided, however, that the Special Death Benefit will be payable in the event of the Employee's death prior to such date.

THE EMPLOYEE ACKNOWLEDGES THAT HE HAS READ THIS AGREEMENT, UNDERSTANDS  
IT AND IS VOLUNTARILY ENTERING INTO IT. PLEASE READ THIS AGREEMENT  
CAREFULLY.

WITNESS:

/s/ Shirley A. Russell  
-----

/s/ C. Wesley Smith  
-----

Employee Signature

Date 9/28/01

Date 9/28/01

WITNESS:

FOR THE COMPANY

/s/ Beth Coffman  
-----

/s/ J.N. Carter  
-----

Date 9/27/01

Date 9/27/01

EXHIBIT A  
-----

EXECUTIVE BENEFITS  
-----

Stock Option Plan  
-----

You may continue to exercise outstanding vested options for the applicable period set forth in each option grant. During such period, you may continue to use Merrill Lynch Financial Advisors to exercise outstanding options. New stock option awards will not be granted after your last day of active employment. Replacement options will not be granted after your last day of active employment except for options granted in 2001.

All outstanding unvested options will immediately vest upon your last day of active employment. You may exercise these options for the period set forth in each option grant.

All outstanding options will be canceled at the end of the last business day of the applicable period during which you are entitled to exercise options as stated above.

Unfunded Retirement Plan for Senior Managers (SERP)  
-----

You will be entitled to SERP benefits upon your retirement from the company.

Termination Agreement (Change in Control)  
-----

The Termination Agreement you entered into with the Company will be canceled effective your last day of active employment.

Executive Supplemental Life Insurance  
-----

Upon your retirement, you have the following choices on the benefits you are to receive under this program: 1) life insurance equal to one times your base pay at no cost to you; 2) life insurance equal to two times your base pay at an additional cost to you; or 3) the cash surrender value of the policy.

Financial Counseling  
-----

You will be eligible to receive financial counseling services from the company-contracted provider for three years following your last day of active employment.

DISPOSITION OF OTHER BENEFITS  
-----

Pay in Lieu of Vacation and Personal/Floating Holidays  
-----

Pay for 2002 vacation and personal/floating holidays due but not yet taken at the time of termination will be paid in a lump sum within 30 days of your last day of active employment.

Medical and Dental Coverage  
-----

Medical and dental coverage will end January 31, 2002.

Health Care EBRA  
-----

Participation in the health care reimbursement account under the Employee Benefit Reimbursement Accounts (EBRA) will end on January 31, 2002. Charges incurred on or before January 31, 2002 will be eligible for reimbursement.

COBRA  
-----

The Consolidated Omnibus Budget Reconciliation Act (COBRA) permits you and any covered dependents to continue medical and dental coverage for up to 18 months from your qualifying event date and health care EBRA coverage through December 31, 2002. The COBRA coverage rate is 102 percent of the full cost of coverage. The COBRA period may be extended in certain cases of disability or in the event you or a covered dependent have a second qualifying event.

You will be allowed 60 days to choose COBRA coverage. This 60-day period begins with the date you are notified of your COBRA eligibility or the date of your qualifying event, whichever is later.

Additional information and necessary forms for enrolling in COBRA will be forwarded to you under separate cover, including the qualifying event date and list of events which terminate COBRA coverage.

Group Life Insurance  
-----

All insurance coverage (Basic Life/AD&D, Optional GUL and Travel Accident) will end on January 31, 2002..

You may convert Basic Life to a personal policy within 31 days of cessation of coverage without taking a medical exam or showing evidence of good health. Contact your local MetLife office by calling 1-800-MET-LIFE.

Any Optional GUL coverage may be continued under the portability provisions of the GUL policy with MetLife. MetLife will contact you directly on the process for GUL continuation.

There is no option for continuing AD&D or travel accident insurance.

#### Disability Plans

Your coverage under the salary continuance and long-term disability plans will cease on January 31, 2002. There is no conversion option available for these coverages.

#### Salaried Savings Plan (SSP)

Final Distribution/Deferrals - After your last day of active employment, you may request a distribution of your SSP account or may elect to defer receipt up to age 70 1/2, in which case your account will remain in the SSP until distribution. You should call the Savings Plan Service Center and request a Distribution and Deferral Form.

You may take a distribution of your SSP account in a lump sum or in the purchase of an annuity. As you are at least age 55 and have at least 10 years of vesting service, you may elect to receive your SSP account in installments over a period of five to 20 years or may elect to receive a combination of a lump sum payment and installments. The taxable portion of a distribution may be rolled over to an IRA or another employer's plan.

If you defer receipt, you can change the deferral date and payment option at anytime before payment begins. If you fail to complete a form, your SSP account will be distributed to you automatically in a lump sum payment at age 65.

Forms/Information - For forms and other information on your SSP account, you should contact the Savings Plan Service Center at 1-800-358-1018.

#### Unfunded Savings Plan (USP)

As you are eligible to retire at your last day of active employment, you may elect to defer distribution of your USP account up to age 70 1/2 and/or may request distribution in installment payments. This distribution election must be made before your last day of active employment. If no such election is made, your USP account will be distributed in a lump sum payment in January next following your last day of active employment.

For forms and other information on your USP account, you should contact the Savings Plan Service Center at 1-800-358-1018.

Retirement Plan  
-----

As you have at least 10 years of vesting service, you are eligible for retirement under the Retirement Plan of International Paper Company and are eligible to receive benefits the first day of any month up to age 65, as you elect. When you choose to retire, please notify Employee Service Center at least 90 days prior to the date of your retirement.

Post-Retirement Medical Coverage  
-----

You are eligible for post-retirement medical coverage. If you start pension payments, your retiree medical contributions will be deducted from your monthly pension checks. If you elect to defer pension payments, you must make the retiree medical contributions monthly to the Employee Service Center until your pension payments start.

The company established caps or limits on the company's contributions toward the cost of medical benefits for employees eligible for post-retirement medical benefits who retire after March 1, 1992. The maximum annual company contribution is \$3,600 for pre-Medicare coverage and \$900 for post-Medicare coverage. The maximum annual caps apply to you. Once the company's contribution reaches the cap, 100 percent of future cost increases are your financial responsibility.

Retiree Medical Savings Program  
-----

Your accounts will be used to reimburse you for the amount of your contribution to the Retiree Medical Plan. You may also be reimbursed for the payment of Medicare Part B premiums for you and your spouse, if you so choose.

Post-Retirement Life Insurance  
-----

Post-retirement life coverage will be provided to you at no cost to you.

<PAGE>

(Exhibit 11)

INTERNATIONAL PAPER COMPANY  
STATEMENT OF COMPUTATION OF PER SHARE EARNINGS  
(Unaudited)  
(In millions, except per share amounts)

<TABLE>  
<CAPTION>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>
Net earnings (loss) before extraordinary items and cumulative effect of accounting change	\$ (275)	\$ 175	\$ (570)	\$ 689
Effect of dilutive securities				
Preferred securities of subsidiary trust	-	-	-	12
Net earnings (loss) before extraordinary items and cumulative effect of accounting change - assuming dilution	\$ (275)	\$ 175	\$ (570)	\$ 701
Average common shares outstanding	482.9	481.6	482.9	438.9
Effect of dilutive securities				
Preferred securities of subsidiary trust	-	-	-	8.3
Stock options	-	0.1	-	0.3
Average common shares outstanding - assuming dilution	482.9	481.7	482.9	447.5
Earnings (loss) per common share before extraordinary items and cumulative effect of accounting change	\$ (0.57)	\$ 0.36	\$ (1.18)	\$ 1.57
Earnings (loss) per common share before extraordinary items and cumulative effect of accounting change - assuming dilution	\$ (0.57)	\$ 0.36	\$ (1.18)	\$ 1.57

</TABLE>

Note: If an amount does not appear in the above table, the security was  
antidilutive for the period presented.

<PAGE>

(Exhibit 12)

INTERNATIONAL PAPER COMPANY  
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES  
(Dollar amounts in millions)  
(Unaudited)

<TABLE>  
<CAPTION>

TITLE	For the Years Ended December 31,				
	1996	1997	1998	1999	2000
<S>	<C>	<C>	<C>	<C>	<C>
A) Earnings (loss) before income taxes, minority interest, extraordinary items and accounting change	\$ 939.0	\$ 143.0	\$ 429.0	\$ 448.0	\$ 723.0
B) Minority interest expense, net of taxes	(180.0)	(140.0)	(87.0)	(163.0)	(238.0)
C) Fixed charges excluding capitalized interest	802.1	826.6	866.7	820.9	1,151.5
D) Amortization of previously capitalized interest	34.2	37.0	38.8	17.0	23.5
E) Equity in undistributed earnings of affiliates	6.2	(40.4)	23.7	(41.6)	5.6
F) Earnings before income taxes, extraordinary items, accounting change and fixed charges	<u>\$1,601.5</u>	<u>\$ 826.2</u>	<u>\$1,271.2</u>	<u>\$1,081.3</u>	<u>\$ 1,665.6</u>
Fixed Charges					
G) Interest and amortization of debt expense	\$ 699.5	\$ 720.0	\$ 716.9	\$ 611.5	\$ 938.1
H) Interest factor attributable to rentals	79.0	83.0	80.7	76.3	72.8
I) Preferred dividends of subsidiaries	23.6	23.6	69.1	133.1	140.6
J) Capitalized interest	71.2	71.6	53.4	29.3	25.2
K) Total fixed charges	<u>\$ 873.3</u>	<u>\$ 898.2</u>	<u>\$ 920.1</u>	<u>\$ 850.2</u>	<u>\$ 1,176.7</u>
L) Ratio of earnings to fixed charges	<u>1.83</u>		<u>1.38</u>	<u>1.27</u>	<u>1.42</u>
M) Deficiency in earnings necessary to cover fixed charges		<u>\$ (72.0)</u>			

<CAPTION>

TITLE	Nine Months Ended September 30,	
	2000	2001
<S>	<C>	<C>
A) Earnings (loss) before income taxes, minority interest, extraordinary items and accounting change	\$1,226.0	\$(632.0)
B) Minority interest expense, net of taxes	(188.0)	(112.0)
C) Fixed charges excluding capitalized interest	790.9	964.4
D) Amortization of previously capitalized interest	15.6	21.5
E) Equity in undistributed earnings of affiliates	(2.4)	11.9
F) Earnings before income taxes,		

	extraordinary items, accounting change and fixed charges	<u>\$1,842.1</u>	<u>\$ 253.8</u>
	Fixed Charges		
G)	Interest and amortization of debt expense	\$ 632.7	\$ 807.9
H)	Interest factor attributable to rentals	52.9	57.3
I)	Preferred dividends of subsidiaries	105.3	99.2
J)	Capitalized interest	18.9	10.2
		-----	-----
K)	Total fixed charges	<u>\$ 809.8</u>	<u>\$ 974.6</u>
L)	Ratio of earnings to fixed charges	<u>2.27</u>	
M)	Deficiency in earnings necessary to cover fixed charges		<u>\$(720.8)</u>

</TABLE>

cover.sub seq: 1 14-NOV-2001 17:48 International Paper CHKSM:47238  
R.S. Rosenbaum & Co., Inc. 212-741-7444 Fax: 212-229-8664

<PAGE>

(LETTERHEAD OF INTERNATIONAL PAPER COMPANY)

400 ATLANTIC STREET  
STAMFORD, CT 06921  
Phone: 203-541-8000  
Fax: 203-541-8200

November 14, 2001

Securities and Exchange Commission  
Judiciary Plaza  
450 Fifth Street, N.W.  
Washington, DC 20549

Re: International Paper Company  
Form 10-Q for the Third Quarter of 2001

Gentlemen:

On behalf of International Paper Company, there is transmitted for filing under the Securities and Exchange Act of 1934, as amended, a Form 10-Q, including exhibits. Pursuant to Regulation S-T of the Securities and Exchange Commission, this Form 10-Q is being submitted electronically to the Commission.

Very truly yours,

/s/ Carol M. Samalin  
Assistant Secretary

Enclosures

cc: Ms. Judith McLeavy  
New York Stock Exchange