Mensa, INC.

(A fictional company)

Mensa, Inc. was a firm with a long and uneven history. It was started in 1974 and at one time or another had been a competitor in more than two dozen industries with varied success. Each of the several CEOs had developed a different strategy and over the decades the firm had had many manifestations. The only real constant in Mensa's strategy had been a commitment to the packaging business in its several forms. But, even in this business there had been any number of changes in direction which diluted the impact of capital spending and had the effect of Mensa never achieving a strong position in any of the packaging segments although, briefly, in the early 1980s Mensa's total packaging revenues made it the largest packaging company in the world. The lack of a competitive advantage in any of the large packaging segments resulted in Mensa being pushed into producing commodity products which had them penned between powerful steel and tinplate suppliers and powerful food and beverage producers as customers. Also, as their large customers grew there was pressure for them, especially in the low margin food business, to build their own packaging facilities, especially can plants. The long term effect of this was to cause Mensa's packaging profitability to lag its better positioned competitors.

At one time or another during the 1980s and 1990s the company produced auto parts, electrical equipment, power equipment, electric motors, metal alloys, airplane wings, furniture, appliances, communications equipment, specialty chemicals, and consumer products, to name only the most important of their many businesses. They also bought several regional retail chains. None of these businesses worked out well and all were either sold or liquidated at a loss. The financial and human capital devoted to these businesses was largely lost. Further, the problems they caused diverted capital and management attention from better opportunities.

NEW STRATEGIES FOR THE 21st Century

By the late 1990s under still another new CEO a management consensus had developed. The consensus was to (1) reduce holdings in operations that fall short of performance goals or do not fit the long-term strategy of the company; a target of realizing $600-$700 million from the sale of such assets was established, (2) reinvest these funds in areas promising profitable growth, (3) improve return on equity over the long term as a consequence of this reinvestment strategy, and (4) strengthen Mensa's balance sheet and credit standing. The new benchmarks for the firm included having a well balanced BCG matrix that considered fast growing industries to be those that were growing at more than 10% per year. The end result would be a firm with four main businesses: financial services, energy, packaging and forest products. The latter was primarily a paper, fiber drum, and cardboard business that also generated about 25% of revenues from selling lumber and wood chips.

This strategy was followed and many businesses were sold although the amount of money received for the businesses fell short of the $700 million target by almost $250 million. The businesses sold were all either small competitors in their industry or were in industries that suffered from overcapacity and low returns.

The New Mensa

By 2XX1 the sales were complete and most of the realized funds had been redeployed into Mensa's four main business groups, resulting in a firm that management thought met their goals. The Chairman stated in the 2XX0 *Annual Report* that Mensa was ready to move on to a new phase:

> "Our primary task is now the efficient production of quality goods and services within our restructured business segments: packaging, forest products, insurance, and energy. Further details on Mensa's posture are contained in the attached operating and financial statements. Our overall strategy is to achieve the competitive advantages that can result from increased productivity, market focus, and innovation."

By the beginning of 2XX5 management believed that it was well positioned strategically for future growth and profitability. They had pared their operations to four main businesses: Financial Services, Energy, Packaging, and Forest products. The review for each segment was done by top management with the assistance of outside consultants who were all experienced top-level executives in each industry. Some of the consultants were retired and some of them were still active, but they all had long and successful experience in the industry they were consulting on. There is also an outlook section for each industry segment that includes estimates of profitability, cash flow, and needed investment in the next 10 years. The outlooks were done entirely by the consultants.

Financial Services

Mensa's first foray into financial services came in the early 2000s when a large investment bank brought the opportunity to buy Columbus Financial Corporation to the attention of the firm. Mensa had hired the investment banker to help with the sale of the unwanted businesses and they knew that Mensa was looking to redeploy the assets generated from the sale of the assets. Initially Mensa was cool to the idea because it was so far removed from their expertise, but on examination it appeared that the insurance business had good profitability and cash flow characteristics so when the existing management was persuaded to stay on the purchase was made. From this base the Financial Services group added more insurance operations to include American Life Insurance Company, with its 49 master brokerage general agents and 13,000 independent brokers and agents. The firm also added a mortgage company, a mortgage insurance company, a number of title insurance companies and several title companies to form the core of the real estate-related financial services area. By the end of 2XX2 Mensa Financial Services underwrote insurance in three broad segments: life and real estate as well as property and casualty insurance. The firm was strongly positioned in the Financial Services business, but competition was tough.

Mensa's Financial Services division was not large by national standards, but the firm was a surprisingly nimble and successful middleweight in the industry. The management of this business had done an efficient job of integrating their many acquisitions into the financial services operation, had proven their ability to pick their target markets, and avoided serious

head-to- head competition with bigger and more powerful rivals. The future prospects of the division looked good.

Financial Services Outlook. The consultants that looked at the financial services business believed that the financial services business would be a good one for a long time. It was, relatively speaking, a low capital intensity industry with improving returns and strong positive cash flow characteristics. Although Mensa invested more capital per dollar of sales than most of their competitors the consultants thought this problem would be solved by increasing the size of the operation. They believed that Mensa could increase their sales in the division by about 15% per year and increase returns on segment assets to between 15% and 18%. They also expected division sales to increase by at least 15% per year for the next decade if they made the needed investment in the business. They recommended that the firm invest heavily in the business because they were small and would benefit from additional size. Their largest competitor was about double the size of Mensa and growing at about 10% per year. The consultants believed that for the firm to remain successful in the business which means increasing the segment earnings to assets ratio from the current 13% to 18%, they would need to invest at least, and they stressed at least, $250,000,000 per year in the business initially and increase gradually to $300,000,000 in 5-7 years at which time investment could probably decline to $100,000,000 per year. This investment would more than double the assets committed to the business within five years. They forecast cash flow from the division, assuming the recommended investments are made by the company to be negative $250,000,000 per year for years 1-3, negative $50,000,000 in years 4 and 5, positive $200,000,000 in years 6 and 7, and positive $300,000,000 in future years. The consultants believed that Mensa could sell the financial services business for about $1,000,000,000 if it were put up for sale and if the firm was patient.

Energy

In 2XX4 Mensa made its first major acquisition in the energy business when they bought EasyGas Energy which became the core of their Energy Division. This acquisition allowed Mensa to enter several areas of the energy business. EasyGas was active in exploration, development, and production of oil and gas, operated an interstate natural gas pipeline system extending from the Texas-Mexico border to the southern tip of Florida, and also extracted and sold propane and butane from natural gas. Prior to the acquisition of EasyGas, Mensa had small working interests in offshore and onshore gas and oil properties in the Gulf of Mexico and in Mississippi which they purchased in the late 1990s to try to develop a better understanding of the business. These were merged into the new energy division. EasyGas was the sole supplier of natural gas to peninsular Florida and was one of only six U.S. companies selected by PEMEX, the Mexican National Oil Company, to purchase gas from that prime source. The company's pipeline operations offered a strong cash flow at relatively low risk.

Prior to the purchase of EasyGas Mensa's nascent energy division had begun investigating a number of major and very expensive projects including a 1,500-mile slurry pipeline that would transport coal from Eastern Appalachia and the Illinois basin to the Southeast. If approved, this project would call for $2-3 billion in financing over seven years. The company was also considering joining with Shell and Mobil in the construction of a 502-rnile carbon dioxide pipeline in which the company would have a 13% interest at a cost to Mensa of $50,000,000 per

year for 5 years, and was considering converting an 890-mile segment of its 4,300-mile natural gas pipeline to petroleum products (while maintaining its natural gas deliveries to the Florida market), at a cost of $100,000,000 spread evenly over 5 years. They were also considering participating in four major offshore natural gas pipeline projects in the Gulf of Mexico to connect into the Florida Gas Transmission system. Their share of these projects would cost about $400,000,000 spread over 10 years. The senior management of the firm was reluctant to curb the enthusiasm of the pipeline managers, but they were worried about the possible risks of such large ventures and were counting on the management of EasyGas, who had agreed to join Mensa and run the Energy Division, to advise them on these possible investments.

Exploration and Production. Mensa undertook a joint acquisition (with Allied Corporation) of Suppan Energy Corp. at a cost of more than $400 million. This acquisition increased the company's proven reserves of oil and gas by approximately 50% and its undeveloped acreage by 50%. Suppan's emphasis on development drilling also complemented Mensa's activities and strengthened its position in domestic natural gas. In joint ventures with Shell Oil, Mensa acquired additional offshore leases and participated in extensive exploratory drilling activities. In 2XX6 it spent some $400 million on exploration, but was now focusing on developing existing fields to improve the firm's cash flow to try to offset the impact of all the investments in the energy business. An industry analyst said of Mensa's energy business:

> "Although the company is a baby to the industry giants, it has a strong position in some segments. It is the largest supplier of energy to the State of Florida, one of the nation's fastest growing states and that is a good business. However, in exploration and production they have no such protected position in an industry that is rapidly consolidating into giant firms with the financial resources to make, and lose, big bets in exploration. With the looming oil shortage proven reserves is where the money will be and Mensa is probably just too small to make the needed investments and, more importantly, take the risks associated with exploring in deep water and/or hostile environments like Siberia. They have the right idea, but their small size, their major competitors were 8 to 10 times the size of Mensa's exploration and production unit, makes an inherently risky business even more risky. A loss that would be immaterial to an Exxon Mobil could sink Mensa's exploration business."

Energy Outlook. In 2XX8 the future of the energy business looked pretty bright and this view was emphasized by the consultants that Mensa brought in to review their energy business. Growth in China and India practically guaranteed that worldwide demand would grow much faster than was true in the past. The supply problem for the U. S. was exacerbated by the fact that China was negotiating long-term contracts to buy oil and gas from countries that had traditionally been U. S. suppliers, Canada, Mexico, Venezuela, and Norway. China was rapidly ensuring their future access to oil and the effect could be to cause future shortages for everyone else. The consultants believed that the long-term, worldwide supply and demand picture for oil and gas was extremely favorable for those firms that had either reserves or the cash flow to find and develop them. They felt that oil prices would not drop below $50 per barrel for very long and 10%-15% annual price increases was a minimum estimate and the possibility of much larger price increases was also more likely than anyone could have guessed even in 2XX7. They

stressed that this forecast did not envision any significant disruption in supplies from the middle-east or elsewhere. In the event of a major disruption prices could easily exceed $175 per barrel. Their view was that only a really huge new oil field discovery, which was unlikely, or a world-wide recession of major proportions would derail their forecast and even the recession would only delay the increase in the price of oil. They also mentioned that U. S. oil production had peaked in the early 1970s and that one reasonable estimate was that worldwide oil production would peak in the early 2000s (2002-2010). If this latter prediction were true future increases in the price of oil would be hard to predict but could be ruinous until a transition to some other energy source was complete. The consultants stressed that given their size Mensa could never hope to grow to a competitive size in the industry, but their existing proven reserves and promising land holdings would only become more valuable as time passed and the supply/demand situation became tighter and tighter. They did not recommend major new investment in either exploration or production for the reasons given by the analyst quoted above.

Florida Pipeline. They felt that for Mensa to prosper in the new energy environment they would need to build pipeline capacity into Florida because of the tremendous population growth in the state. Their estimate of capital investment needs in the Florida market was about $50,000,000 per year for the next 4 years. Beyond that time the investment needs would be determined by the longer term population growth. Some demographic and real estate experts believe that the recent rapid increase in housing prices in Florida would cause population growth to moderate from the current 365,000 people per year to a more sustainable rate of maybe 150, 000 per year. If these estimates proved to be true the consultants expected cash flow to be negative $50,000,000 per year for years 1-4 and increase slowly to positive $300,000,000 from a positive $100,000,000 in year 5.

Exploration and Production. The experts believed that Mensa was too small to compete long term in the exploration and production area unless they were willing to build oil reserves and production capacity simultaneously. This would be an expensive undertaking that could easily take $500,000,000-$600,000,000 per year for the next decade but the impact on earnings and cash flow could be expected to be dramatic, but probably not for 5-7 years because of the long lead time for investments in reserves and refinery capacity to come on line. And, they noted, investments in exploration were risky investments and there could be many dry holes. They thought that returns on assets would improve from the recent 5% level to the 8%-12% level at best. They also felt that the value of the proven reserves could easily increase from the present $500,000,000 to the $1,000,000,000 to $1,500,000,000 level over the nest 8-12 years. The entire division could probably be sold for about $1,560,000,000 at the present time and could be worth as much as $2,000,000,000 within 5 to 6 years. They expected revenues to increase by about 8% per year in the absence of the major investment outlined for the exploration and production division. If the recommended investments were made they expected revenues to increase annually from the 10% range to the 15% range during the next 10 years. They were further advised against frittering away capital on non-energy enterprises and focus on building supplies of both oil and gas. Given the needed investments the expert consultants expected the exploration and production operation, assuming the needed investments were made, to be cash flow negative by at least $400,000,000 per year for the next 6-9 years after which it would turn cash flow positive within 2-3 years and generate cash flow of about $150,000,000 per year for the foreseeable future.

Packaging

In December 2XX2, the Mensa Packaging Division had been reorganized to facilitate a new strategy stressing market rather than product orientation. As the Packaging Division Vice President told *New England Business:*

> "We will start to look at our franchise not as the manufacture of blow-molded bottles, or twopiece aluminum cans, but as our relationship with the big package group marketers. Hitching Packaging's wagon to big customers like General Foods makes more sense than latching on to a particular technology or shape or structure that will inevitably change. We do understand that such a relationship will require substantial capital expenditures every time a new packaging technology is demanded by our customers but we believe that the firm will generate cash flow adequate to the division needs."

The new packaging organization operated in three major markets: Food and Beverage, Specialty Packaging, and International. Its cost reduction and productivity programs included closing a number of plants, which were unable to meet long-term profitability standards, while improving capacity utilization and line efficiencies at other facilities. Basic research expenditures were reduced and emphasis directed towards business development and marketing. Mensa Packaging had a major position in the fastest growing segment of the can industry the-two-piece aluminum can. However, both the short and long-term results of the packaging business would be determined by (1) the success of new product introductions, (2) continued emphasis on cost cutting even after demand reaccelerated, (3) whether or not metal cans would be besieged by another fundamental change in design and (4) the bargaining power of their customers. Those 7 issues were very uncertain and hard to forecast especially given the strategic focus on a relatively few very large customers who would have substantial bargaining power.

Packaging Outlook. The packaging business was, in the main, an economically sensitive oligopolistic industry that mainly sold commodity products. It was very difficult to establish any kind of long-term competitive advantage other than cost and delivery reliability and other firms were positioned to do this as effectively as Mensa. The firm's decision to tie themselves to large customers while understandable and probably wise was likely to create serious pressures to reduce price and also make the packaging division less flexible because of the location decisions needed to cater to large customers. The consultants did not believe that either sales growth or profitability would grow much faster than GDP in the future and felt that the cash needs of the division could be very high when the customers demanded new technology. Building the new technology into the plants would not reduce the push for lower prices by customers. The consultants felt that profitability would not increase over the next 10 years but would decline by about 50% and the Packaging Division's cash flow would decline rapidly, from about $230,000,000 currently to zero by year five and be negative $100,000,000 in year 6 and get worse by about 20% per year thereafter. They forecast revenues to increase at the recent rate for the next decade. If the entire division were to be sold it would probably bring about $1,200,000,000 or about 70% of book value.

Forest Products

The Vice President of the Forest Products Division told *The Wall Street Journal* at the time some of the lumber operations were sold off:

> "Our forest products business will be reduced in scale but will now be made up of specialty businesses in which we are competitive and we will work to develop world class and to some extent proprietary positions backed by a natural resource of immense and growing value."

Mensa was a large producer of bleached folding carton board and ranked sixth in total production of bleached paperboard in the U.S. Mensa's largest competitors in this business had more than twice the sales of Mensa. Its bleached paperboard plants had an annual capacity of 430,000 tons and were carried on the books at $500 million. The firm thought they could sell them for about $650,000,000. They were also a major factor in the production of fiber drums with 12 plants which had a book value of $120,000,000. It still owned 1.45 million acres of timberland located in the Southeast (of which 868,000 acres were in pine plantation targeted for continuing harvest that began in 1998), carried on the books at $115 million but with a market value (conservatively estimated by management) of at least $600 million. Mensa's 2XX7 *Annual Report* noted that the timberland which previously supplied the divested mills could now be managed as a non-integrated profit center.

Forest Products' activities were balanced as follows:

Fibre Drum 25%	Fibre drum shipping containers, steel drums, plastic pails, laminator paper, fiber partition and DualPak (polyethylene bottle in corrugated box) for the chemical, pharmaceutical, plastic, food and other industries.
Bleach System 46%	Bleached Folding carton grades for folding carton manufacturers; coated bleached bristols and cover stock for the domestic and international printing industry; and cup and other stock for the food service industry.
Woodlands 29%	Wood raw materials for paper mills and sawmills.

Forest Products Outlook:

Paperboard. The experts hired by Mensa had some reservations about this rosy outlook. In their report they wrote that they had visited the bleached paperboard plants and concluded that many of them were using near obsolete technology. They further said that Mensa's plants showed signs of poor preventive maintenance practices and some signs of inadequate training. They doubted that the plants could produce 430,000 tons per year. In their opinion the plants would do well to produce 380,000 tons on a consistent basis. Based on this they believed that the market value of the plant was overstated by at least $200,000,000 and that the value would decline by about $8,000,000 per year for the next five years and then decline even more rapidly as plants in the planning and design neared completion. The consultants said that competitors were building two

paperboard plants in the south with expected completion dates of 2XX1 and 2XX2 and two more in the planning and design stage that should be on line by 2XX3/2XX4. All of these plants would produce higher quality products at costs 10%-20% lower than Mensa's plant. When these plants and two more planned for the western U. S. came fully on line in the next 10 years total paper board capacity in the U. S. would be increased by at least 50% or much more than the expected increase in demand of 35%. They did not consider that the fiber drum and cardboard box businesses would be able to maintain either their current level of profitability or cash flow. In fact, their estimate was that ROI would rapidly decline to near zero over the next 5 or 6 years, and decline rapidly afterwards and would become uneconomic and would need to be closed. The cost to build a new, competitive plant at that time would total about $1,000,000,000 and would take about 6 years from the initiation of planning until the plant went on line. Under any decision scenario the consultants expected the paperboard business to be a drain on cash of about $50,000,000 per year for the next five years after which the expectation was for cash flows in the range of negative $100,000,000 to negative $125,000,000. If the paperboard operations were put up for sale they would probably bring about book value or $600,000,000.

Timber. All of the experts consulted thought that the timberland was a valuable asset as long as the firm was in the paperboard business because the availability of timber from 9 their own holdings would help to protect them against fluctuations in timber prices. In the event they exited the paperboard business they did not think they were large enough to wring good returns from the timber in the face of competition from their much larger competitors some of them being more than ten times the size of Mensa's timber business. These firms and some smaller ones would have advantages of scale economies and much greater market power with customers. In any event they saw revenues growing at 3%-6% per year. They also thought the market value of the timber assets of the division were overvalued by about $100,000,000, but they did think they could be sold for $300,000,000 compared to a $200,000,000 book value. They estimated that the value of these assets would increase by about 20% during the next six years and by about 60% in ten years.

Some Financial Notes.

1. The firm's debt is structured so that at least 40% of the net sale price of any assets must be paid to the debt holders.

2. In the most recent 4 years the corporate overhead costs have been about $200,000,000.

EXHIBIT 1

Financial and Operating Statistics

Mensa, Inc.: Financial Statistics over the last 29 years
($ millions)

										2XX0	2XX2	2XX4	2XX6	2XX8
	Y_{-28}	Y_{-26}	Y_{-24}	Y_{-22}	Y_{-20}	Y_{-18}	Y_{-16}	Y_{-14}	Y_{-12}	Y_{-10}	Y_{-8}	Y_{-6}	Y_{-4}	Y_{-2}	Y_{0}
Operating revenues	1,858.8	2,092.6	2,293.0	2,306.6	2,308.0	2,251.2	2,795.2	3,560.0	4,163.2	5,079.4	6,203.8	7,321.8	9,021.8	11,636.0	11,044.0
Gross margin	297.0	299.2	301.6	309.8	342.8	415.6	491.0	625.6	613.8	749.4	792.2	924.8	1,080.0	1,300.8	892.0
Net (after tax) profit	77.4	82.0	80.0	72.2	80.2	118.4	156.2	180.8	145.8	194.0	214.4	287.6	369.2	468.0	398.0
Total assets	1,137.8	1,328.2	1,501.4	1,577.0	1,623.8	1,841.8	2,025.2	2,399.0	3,142.2	3,553.8	3,926.2	5,447.6	7,190.6	8,271.8	7,306.0
Long-term debt/equity	0.33	0.34	0.32	0.39	0.35	0.30	0.24	0.24	0.39	0.50	0.45	0.40	0.69	0.53	0.48
Return on sales	4.2	3.9	3.5	3.1	3.5	4.8	5.6	5.1	3.5	3.8	3.5	3.9	4.1	4.5	4.1
Return on assets	6.8	6.2	5.3	4.6	4.9	6.4	7.7	7.5	4.6	5.5	5.5	5.3	5.1	5.7	5.4
Return on equity	10.9	10.4	8.9	7.8	8.2	11.3	12.8	12.9	9.3	13.1	12.4	11.2	14.6	14.9	13.0
Share price (high-low)	29 ½ - 24	32 - 25 ¼	39 - 29 ¼	32 ½ - 23 ¼	32 - 27 ⅛	42 ¼ - 32 ¼	40 ⅝ - 27 ¼	52 ⅛ - 41 ⅜	45 ¼ - 26 ⅛	30 ⅞ - 19 ½	29 ⅝ - 22 ⅝	37 ⅜ - 30 ¼	31 ⅞ - 25 ⅝	40 ½ - 30 ¼	54 ½ - 32 ¾

Source: Data drawn from various years of *Moody's Industrial Manual*.

EXHIBIT 1
(continued)

Five-Year Summary, 2XX4 - 2XX8
(dollars in millions, except per share amounts)

	2XX8	2XX7	2XX6	2XX5	2XX4
Results of Operations					
Revenues	$11,044	$10,024	$11,588	$10,240	$9,022
Net earnings	398	360	468	400	370
Per common share					
Net earnings	7.32	6.40	8.48	7.14	6.84
Dividends	3.46	3.46	3.34	3.20	3.00
Financial Position at Year End					
Current assets	$2,080	$2,090	$2,498	$2,446	$2,476
Total assets	7,306	8,398	8,270	8,172	8,060
Current liabilities	1,464	1,556	1,670	1,740	1,688
Long-term debt	1,452	2,012	1,922	1,926	1,990
Redeemable preferred shares	498	550	562	592	592
Common stockholders equity per share	71.98	66.38	63.74	60.32	57.40
Common shares outstanding (in thousands)	84,856	97,880	98,374	98,444	97,980
After-tax return on average common stockholders' equity	11.5%	10.6%	15.0%	13.7%	14.1%
Number of Employees at Year End	39,700	46,900	51,400	56,700	59,800

EXHIBIT 1
(continued)

Consolidated Balance Sheet, December 31, 2XX7 - 2XX8
(in millions)

	2XX8	2XX7		2XX8	2XX7
ASSETS			**LIABILITIES AND EQUITY**		
Current assets			**Current liabilities**		
Cash	$ 352	$ 132	Accounts payable	$ 744	$ 730
Receivables	954	1080	Short-term debt	58	64
Inventories, at LIFO cost			Taxes payable	72	148
Current cost	684	1512	Accrued payrolls and employee benefits	348	320
Excess over LIFO cost	(664)	(768)	Other	242	294
	620	744		**1,464**	**1,556**
Deferred income taxes and other assets	154	134	**Long-term debt, less current portion**	**1,452**	**2,012**
	2,080	**2,090**	**Other liabilities**		
Investments and advances			Retirement benefits	552	516
Insurance operations	1162	1096	Deferred income taxes	112	324
Unicon Producing Company	362	308	Other	164	182
Other	196	332		**828**	**1,022**
	1,720	**1,736**	**Redeemable preferred shares**	**498**	**550**
Property, plant, and equipment, at cost			**Preferred and common stockholders' equity**		
Buildings and equipment	3818	5432	$4.25 cumulative preferred stock	10	10
Accumulated depreciation	(2,184)	(2,844)	Common stock (issued:		
	1634	2588	2004 – 49,239,000 shares;		
Oil and gas properties, net	1152	1248	2003 – 48,940,000 shares adjusted		
Timberlands, net of timber harvested	276	228	for 3-for-2 stock split)	98	66
Construction in progress	110	144	**Additional paid in capital**	686	694
Land	34	40	Common stock in treasury	(438)	---
Other assets	300	324	Net unrealized investment gains	144	80
	$7,306	**$8,398**	Foreign currency adjustments	78	110
			Retained earnings	2,486	2,298
				3,064	**3,258**
				$7,306	**$8,398**

EXHIBIT 1
(continued)

Segment Earnings, 2XX6 - 2XX8
(in millions)

Years Ended December 31	Packaging	Forest Products	Insurance	Energy		Divested Operations	Combined
				Pipeline Operations	Exploration and Production		
2XX8							
Revenues	$5,770	$1,034	$1,404	$1,444	$ 180	$1,212	$11,044
Operating and equity earnings	$ 280	$ 82	$ 138	$ 154	$ 36	$ ---	$ 690
Disposals/writedowns	(40)	---	---	---	(190)	222	(8)
Corporate expense	(38)	(8)	(6)	(8)	(4)	(6)	(70)
Realized investment gains, net of tax	---	---	16	---	---	---	16
Segment earnings	$ 202	$ 74	$ 148	$ 146	$(158)	216	628
2XX7							
Revenues	$5,764	$932	$1,170	$1,382	$ 160	$1,806	$11,214
Operating and equity earnings	$ 228	$ 82	$ 118	$ 184	$ 38	$ 28	$ 678
Disposals/writedowns	---	---	---	---	---	104	104
Corporate expense	(40)	(10)	(6)	(6)	(2)	(16)	(80)
Realized investment gains, net of tax	---	---	---	---	---	---	---
Segment earnings	$ 188	$ 72	$ 112	$ 178	$ 36	$ 116	$ 702
2XX6							
Revenues	$5,834	$1,018	$1,200	$1,148	$134	$2,302	$11,636
Operating and equity earnings	$ 150	$ 136	$ 160	$ 134	$ 56	$ 204	$ 840
Disposals/writedowns	---	---	---	---	---	32	32
Corporate expense	(40)	(10)	(6)	(6)	(2)	(18)	(82)
Realized investment gains, net of tax	---	---	4	---	---	---	4
Segment earnings	$ 110	$ 126	$ 158	$ 128	$ 54	$ 218	$ 794

EXHIBIT 1
(continued)

Other Segment Information 2XX6 - 2XX8
(in millions)

Years Ended December 31	Packaging	Forest Products	Insurance	Energy: Pipeline Operations	Energy: Exploration and Production	Divested Operations	Corporate	Combined
2XX8								
Identifiable assets	$2,218	$930		$586	$1,276	$ ---	$640	$5,650
Equity investments	98	4	$1162	---	362	$ ---	30	1,656
Total assets	$2,316	$934	$1162	$586	$1,638	$ ---	$670	$7,306
Depreciation, depletion and amortization	$ 156	$ 54		$ 44	$ 132	$ 68	$ 6	$ 460
Capital expenditures	176	108		34	228	46	2	594
2XX7								
Identifiable assets	$2,316	$852		$570	$1,380	$1,290	$358	$6,766
Equity investments	82	40	$1,096	---	308	---	106	1632
Total assets	$2,398	$892	$1,096	$570	$1,688	$1,290	$464	$8,398
Depreciation, depletion and amortization	$ 154	$ 50		$ 42	$ 110	$ 92	$ 6	$ 454
Capital expenditures	162	90		24	428	164	6	874
2XX6								
Identifiable assets	$2,304	$838		$612	$1,100	$1,302	$742	$6,898
Equity investments	104	36	1,090	---	---	42	100	1,372
Total assets	$2,408	$874	$1,090	$612	$1,100	$1,344	$842	$8,270
Depreciation, depletion and amortization	$ 160	$ 50		$ 46	$ 78	$ 124	$ 10	$ 468
Capital expenditures	130	74		82	370	124	32	812

Source: The Mensa, Inc., ***Annual Report***, 2XX8.

EXHIBIT 1
(Continued)

Supplemental Oil and Gas Information, (Pre- 2XX6 - 2XX8)
(in millions)

	2XX8	2XX7	2XX6	Prior to 2XX6	Total
Lease acquisition costs	72	40	44	62	218
Exploration costs	12	10	---	---	22
Interest capitalized	20	22	14	4	60
	104	72	58	66	300

An analysis of Florida Exploration Company's costs of offshore properties not being amortized at December 31, 2XX4 (by year incurred) appears above.

These offshore properties are part of an ongoing exploration and development program and are expected to be evaluated over the next several years. Onshore properties currently not amortized were 78 million at December 31, 2XX8. These properties primarily represent lease acquisition costs in areas where the Company has an active exploration program.

Florida Exploration Company's oil and gas activities are accounted for on the full-cost method. The SEC full-cost accounting rules require that a "ceiling test" be applied to the cost of properties capitalized. The ceiling test limits the amount of costs capitalized to the present value of future new revenues from only proved reserves and the lower of cost or estimated fair value of unproved properties. The present value of future net revenues was computed by applying prices for oil and gas based upon current market conditions to year-end quantities of proved reserves only, using a 10% discount factor. Future price increases were only considered to the extent they were fixed and determinable. For Florida Exploration Company, curtailments and declining prices in 2008 lowered projected future net revenues and made certain unproved properties uneconomical to develop resulting in a writedown of $190 million ($100 million after tax). Unicon's oil and gas activities are accounted for on the successful efforts method. The amount realizable exceeds the carrying value of the Unicon properties.

Source: The Mensa, Inc., *Annual Report*, 2XX8.

EXHIBIT 1
(Continued)

Insurance – Summary of Operations, 2XX6 - 2XX8
(*in millions*)

Years Ended December 31	2XX8	2XX7	2XX6
Revenues	$1404	$1170	$1200
Life insurance	744	636	596
Real estate insurance	456	326	334
Property and casualty insurance	194	200	226
Other	10	8	44
	1404	1170	1200
Operating earnings			
Life insurance	94	98	106
Real estate insurance	36	4	36
Property and casualty insurance	8	14	20
Other	---	2	
	138	118	162
Gain on sale of subsidiaries	---	18	6
Interest expense	(34)	(38)	(48)
Mensa, Inc. overhead	(9)	(9)	(9)
Earnings before income taxes	98	92	120
Income tax benefit (provision)	6	8	(26)
Net realized investment gains	16		4
Net earnings	120	100	98
Dividends on preferred shares	(2)		
Company's equity in earnings	118	100	98
Dividends paid to Mensa, Inc.	100	98	38

Source: The Mensa, Inc., *Annual report.* 2XX8. Also see notes to table there.

EXHIBIT 1
(Continued)

Oil and Gas reserves, **2XX6 - 2XX8**

	2XX8		2XX7		2XX6	
	Oil (in thousands of barrels)	Natural Gas (in millions of cubic feet)	Oil (in thousands of barrels)	Natural Gas (in millions of cubic feet)	Oil (in thousands of barrels)	Natural Gas (in millions of cubic feet)
Proved Reserves						
Florida Exploration Company						
January 1	11,766	247,554	8,684	203,520	9,002	229,050
Revisions of previous estimates	(1,410)	20,958	1,884	15,342	(284)	(23,558)
Extensions, discoveries and other additions	2,668	63,372	3,020	71,220	1,182	40,264
Production	(2,926)	(40,200)	(1,822)	(42,528)	(1,216)	(42,236)
December 31	10,098	291,684	11,766	247,554	8,684	203,520
Unicon						
December 31	7,172	405,462	7,816	419,130		
Combined						
December 31	17,270	697,146	19,582	666,684		
Proved Developed Reserves at December 31						
Florida Exploration Company	5,690	174,952	11,392	232,698	7,906	167,880
Unicon	5,820	298,068	5,452	311,074		
Combined	11,510	473,020	16,844	543,772		

The Company's reserves are all within the United States and the Gulf of Mexico.

Source: The Mensa, Inc., *Annual Report.* 2XX8.