



Maximizing Shareholder Value
October 2011

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Executive Summary

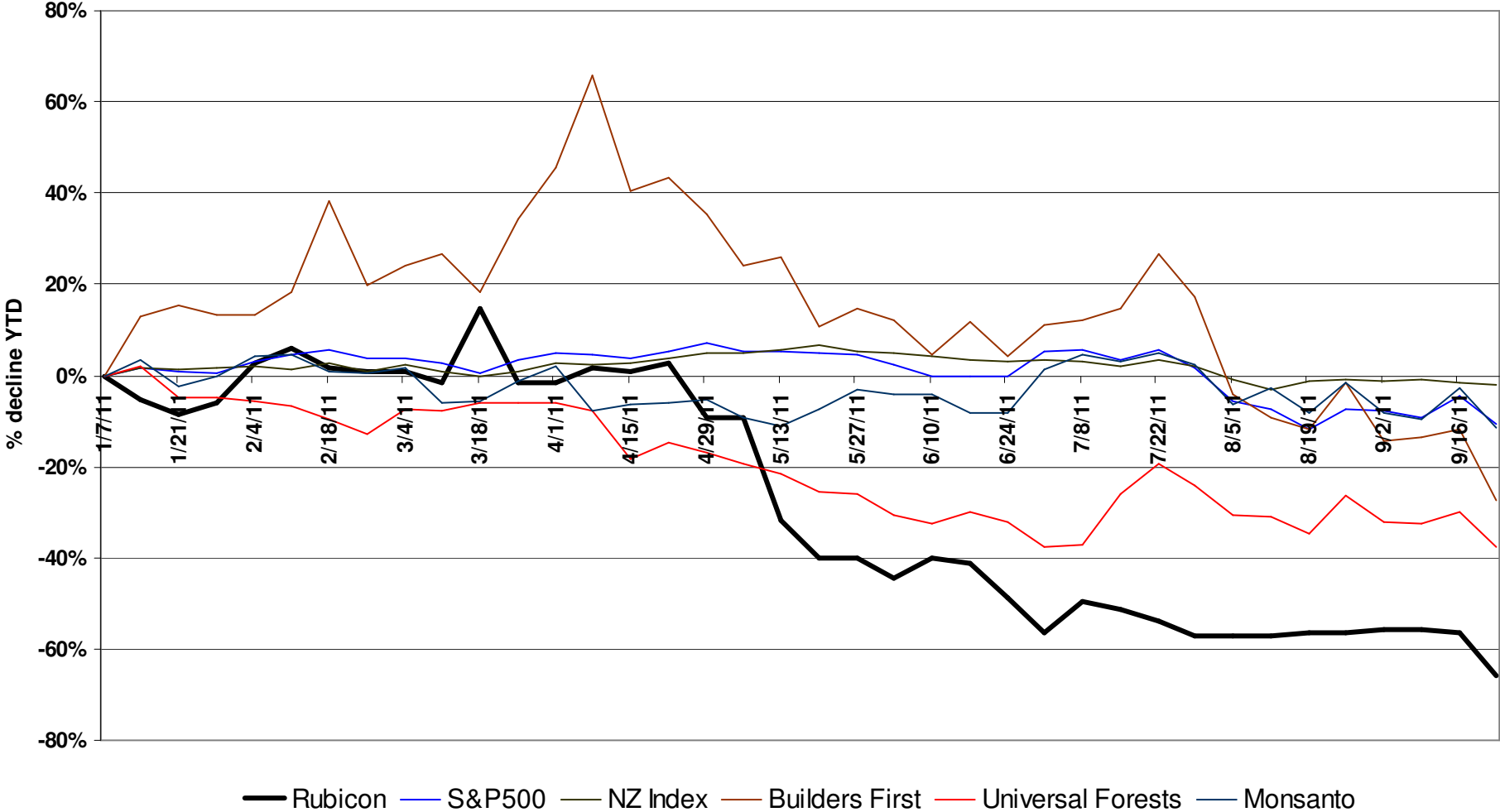
Maximizing Shareholder Value

- ◆ Sandell Asset Management Corp. (“SAMC”) and the private funds advised by SAMC are the owners of 41.1m shares of Rubicon (“RBC”) which accounts for a substantial stake of approximately 14.4% of the total outstanding capital.
- ◆ SAMC has been a shareholder in RBC for more than 10 years and during this investment period we have been financially and strategically supportive.
- ◆ However, the withdrawal of the ArborGen IPO came as a grave disappointment and as a result we urge the Board to find alternative solutions to put RBC back on the track of creating shareholder value.
- ◆ RBC’s current share price represents only a fraction of what we view to be its fundamental value of NZD1.20 per share (representing c200% upside). Furthermore, valuing ArborGen and Tenon as strategic targets, we believe RBC could fetch as much as NZD1.65 per share (representing in excess of 300% upside from the current market price).
- ◆ SAMC proposes to the Board of Directors that they review, as a matter of urgency, value creation alternatives to highlight RBC’s full valuation. In particular the Board should immediately explore:
 - Sale of RBC in its entirety;
 - Separation of ArborGen through the sale of the controlling interest in Tenon via an auction process, creating a pure-play biotech player to be re-listed in the US.
- ◆ Additionally, despite external factors, we believe that the Board is ultimately accountable for the recent string of failures at RBC and the absolutely poor share price performance. In our opinion, a decline in share price of this magnitude (almost 66% loss year to date) reflects a significant loss of confidence in the management, especially since the underlying operational performance has not materially changed.
- ◆ SAMC further proposes that the Board of Directors have better shareholder representation and are therefore proposing the Board be expanded and add three (3) shareholder representatives to the current Board of Directors.

Executive Summary

Unacceptable share price performance

- ◆ Year to date, RBCs share price has significantly underperformed all comparable companies and indices. It is among the worst performers in the NZX All-Index.



Executive Summary

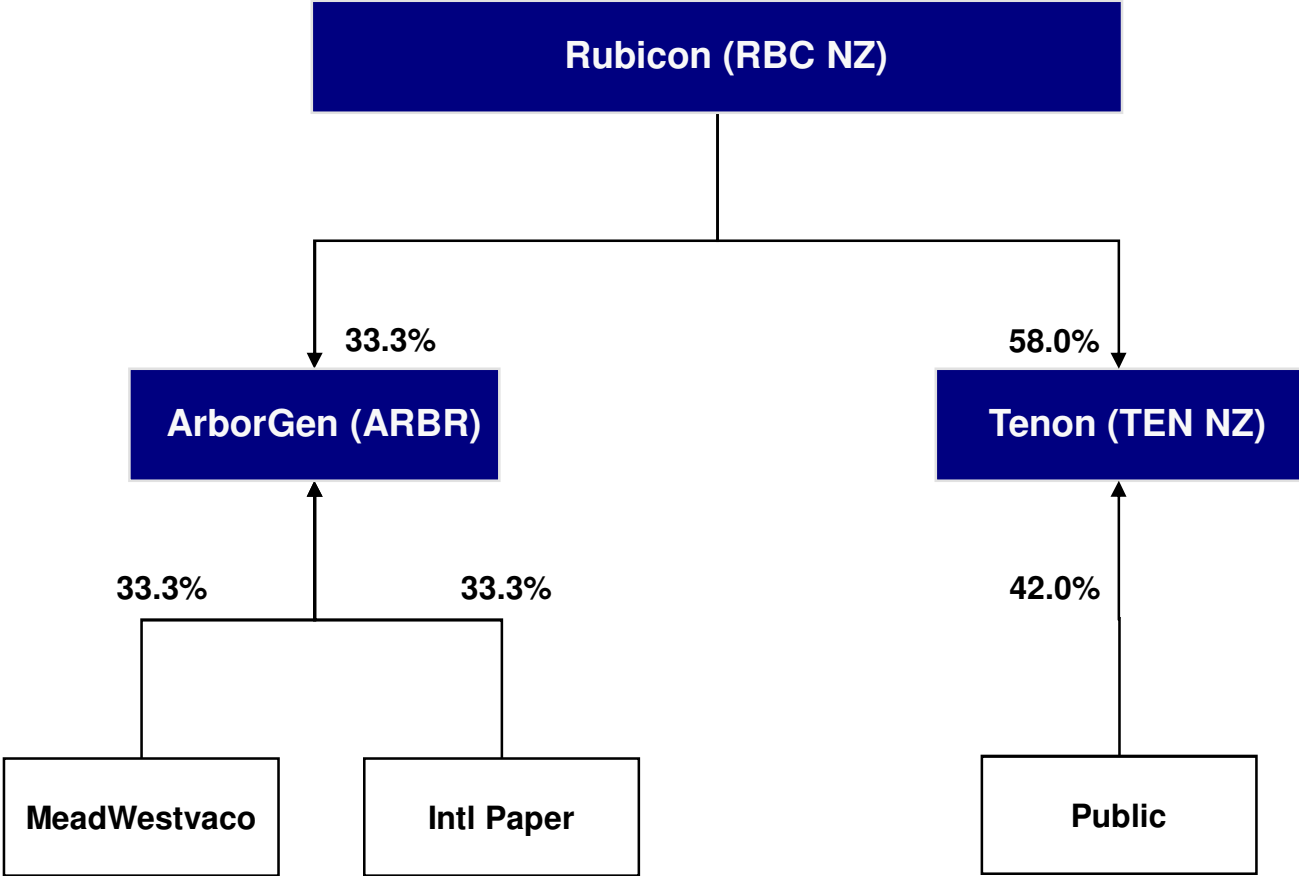
Board has ultimate responsibility for share price underperformance

- ◆ Share price underperformance has occurred despite no significant change in the operational outlook for ArborGen or Tenon leading us to believe that the primary cause for the underperformance was the mis-management of both the ArborGen IPO and shareholder expectations with respect to Tenon.
- ◆ The mis-management of the ArborGen IPO was significant in our opinion. Among the worst offenses:
 - An executive team that seemed ill-prepared to communicate the excitement of the ArborGen story;
 - Prospective shareholders and potential research analysts categorizing ArborGen as a forestry business as opposed to a revolutionary, high-growth biotech with multiple end markets and end customers; and
 - A junior, indifferent underwriting team that did little to identify and target the correct prospective shareholder base for a unique asset such as ArborGen.
- ◆ The mis-management of expectations with respect to Tenon was primarily related to the following:
 - Consistent reduction in EBITDA estimates with a slow moving “One-Company” efficiency program;
 - Uncertainty around corporate leadership with CEO resignation last April;
 - Poor execution of FX hedging program; and
 - Stale corporate marketing and virtually no sell-side coverage.
- ◆ As a result, we believe it is prudent to have direct shareholder representation on the Board of Directors.
- ◆ Regardless of these issues, we believe there is significant strategic value in both Tenon as one of the largest, vertically-integrated distributors of building products in the US (with an enviable position at Lowes) as well as ArborGen as one of the only global biotech plays focused on the genetically modified tree seedling market (with the possibility of being the Monsanto of its biotech niche.)

Rubicon Overview

Rubicon has 2 unique and valuable assets

- ◆ Rubicon (RBC) is a holding company with 1) 58% ownership of publicly traded shares of Tenon (TEN) and 2) 33% ownership of private ArborGen (ARBR) with leading industry players MeadWestvaco and International Paper.



Rubicon Overview

At current levels, RBC has significant upside

- ◆ ARBR is nearing the end stages of commercializing its biotech seedling business in which it will have a significant competitive advantage at providing genetically modified tree seedlings for the global commercial forestry and biomass industry. Our valuation uses a discounted cash flow (DCF) methodology.
- ◆ TEN is a leading, vertically-integrated player in the US building products distribution business. Its recent results have been battered by the low level of large discretionary remodelling activity in the US as well as the strong NZD/USD making its products less competitive in the global market place. Given the operating leverage in this business, current EBITDA of USD8m could surpass historic highs of USD20m in a normalized environment. Our valuation uses an EBITDA multiple methodology.

Rubicon Valuation					
Normalized Valuation			Strategic Target Valuation		
TEN	Target EBITDA (USD)	23.0	Target EBITDA	23.0	TEN
	EBITDA multiple	9.00x	EBITDA multiple	11.25x	
	Enterprise value (USDm)	207.0	Enterprise value	258.8	
	less: outstanding debt	30.0	less: outstanding debt	30.0	
	Equity value (USDm)	177.0	Equity value	228.8	
	% owned by RBC	58%	% owned by RBC	58%	
	Contribution to RBC	102.6	Contribution to RBC	132.6	
ARBR	DCF Equity Valuation (USDm)	500.0	Equity value	\$700.0	ARBR
	% owned by RBC	33%	% owned by RBC	33%	
	Contribution to RBC (USDm)	166.5	Contribution to RBC	233.1	
RBC	Combined TEN & ARBR (USDm)	269.1	Combined TEN & ARBR	365.7	RBC
	less: outstanding debt (USDm)	8.0	less: outstanding debt	8.0	
	Equity value (USDm)	261.1	Equity value	357.7	
	NZD/USD	1.32	NZD/USD	1.32	
	Equity value (NZD)	343.7	Equity value (NZD)	470.8	
	Value / share (NZD)	1.21	Value / share (NZD)	1.65	
	% prem to current price	202%	% prem to current price	313%	

Rubicon Overview

Board should conduct a comprehensive strategic review of assets to maximize shareholder value

◆ Sale of Rubicon

- RBC holding company structure is not efficient, creating an additional layer of expenses on top of the operating businesses and it is difficult to value for outside, passive public investors.
- Immediately reimburses shareholders for the liquidity discount factored into the RBC share price as a result of 1) New Zealand listing for primarily US assets causing the stock to be orphaned from both sets of potential shareholders and 2) virtually no sell-side coverage and institutional investor support.
- Strategic buyer can fund both ARBRs research and development needs as well as TENs growth/acquisition plans realizing even higher potential valuations.

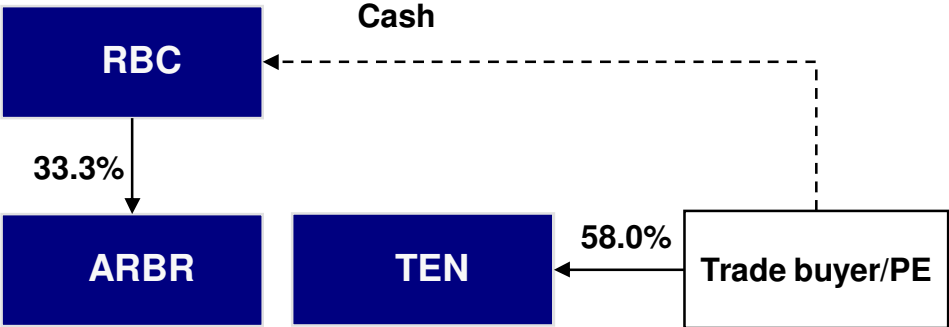
◆ Separation of ArborGen

- Immediately sell TEN in global auction. New owner may be able to better manage TENs foreign exchange exposure as well as invest growth capital to take advantage of the currently weak environment in the US.
- List ArborGen in the US to take advantage of the existing network of small cap investors and sell-side coverage for similar companies. A small cap company such as ArborGen would most likely attract sell side coverage from niche players such as Stephens Inc., Morgan Keegan, Sidoti & Company and BB&T Capital Markets.

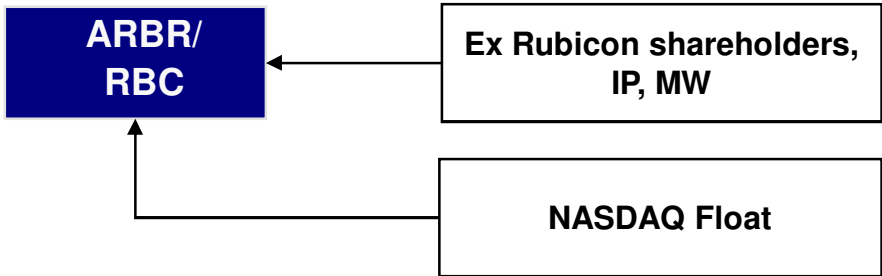
Rubicon Overview

Value Creation Alternatives – Separation of ArborGen

- ◆ The sale of TEN could circumvent a formal IPO process for ArborGen given current equity market conditions.
- ◆ Step 1: Disposal of TEN via auction process. The cash proceeds from the Tenon disposal will be used to repay Tenon's debt and finance the ARBRs research and development.



- ◆ Step 2: Reverse merger of ARBR into RBC. List new entity on NASDAQ



ArborGen Overview

Leading Developer of Biotech Tree Seedlings

- ◆ Established in February 2000 as the only integrated global commercial seedling company.
- ◆ Founding shareholders have an equal stake in the company: Rubicon (33.3%), International Paper (33.3%) and MeadWestvaco (33.3%).
- ◆ The largest provider of tree seedlings to the commercial forestry industry in the world. 27% share of the total seedling market in the Southeastern United States, including 31% share of the loblolly pine market. 36% share of the total seedling market in New Zealand, including 41% share of the radiata pine market and a significant share of the Australian pine seedling market⁽¹⁾.
- ◆ Customers include 13 of the 20 largest land owners and managers in the United States and seven of the ten largest land owners and managers in New Zealand⁽¹⁾.
- ◆ The first company to introduce biotech products to the commercial forestry industry with a strong biotechnology product pipeline - ArborGen's biotech seedlings can potentially have an impact on productivity and economics of the forestry industry similar to the impact that biotechnology crops have had on agricultural industry.

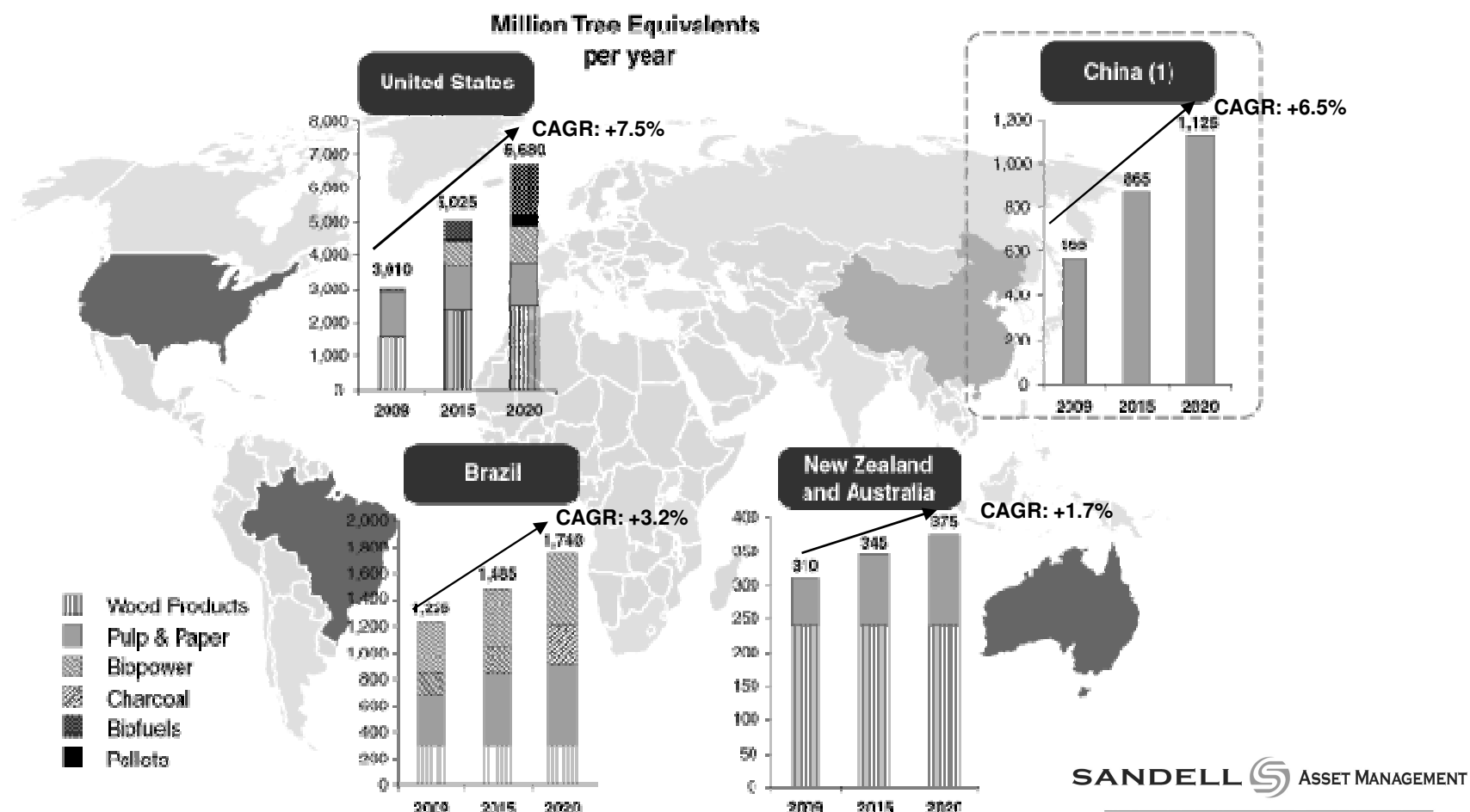
Bioitech Product Pipeline	Target End-Markets and Geographies ⁽²⁾												
	Pulp and Paper			Wood Products			Biofuels			Biopower			Charcoal
	U.S.	SA	ANZ	U.S.	SA	ANZ	U.S.	SA	ANZ	U.S.	SA	ANZ	SA
Freeze-Tolerant Eucalyptus (Tropical)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Short Rotation Populus (1 st and 2 nd Generation)	✓						✓		✓	✓		✓	
Short Rotation Loblolly Pine (1 st , 2 nd , 3 rd and 4 th Generation)	✓			✓			✓			✓			✓
Short Rotation Eucalyptus (Tropical)	✓	✓					✓	✓		✓	✓		✓
Improved Pulping Eucalyptus (Tropical)	✓	✓					✓						
Short Rotation Loblolly Pine – Brazil (1 st and 2 nd Generation)		✓			✓			✓			✓		✓
Short Rotation Radiata Pine (1 st and 2 nd Generation)		✓	✓		✓	✓		✓	✓		✓	✓	
Improved Pulping Eucalyptus (Tropical) Plus Growth	✓	✓						✓					
Freeze-Tolerant Eucalyptus (Tropical) Plus Growth	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

(1)(2) Source: ArborGen. (2) SA: South America. ANZ: Australia and New Zealand

ArborGen Overview

The Market Opportunity

- ◆ In our view tremendous market opportunity growth across sectors and geographies.
- ◆ US: 7.5% CAGR; China: 6.5% CAGR; Brazil: 3.2% CAGR for the next 20 years for tree equivalents in the primary end-markets (Wood products, Pulp & Paper, Bio-power, Bio-fuels, Charcoal and Pellets).
- ◆ Sole Biopower 2020 CAGR in US is estimated to be at 24%, with an estimated tree equivalents of 1,500m.
- ◆ ARBR very recently named as a core member of the Southeast Partnership for Integrated Biomass Supply System highlights the crucial role ARBR will have in woody biomass production



Source: ArborGen. RISI

(1) Does not include wood consumption in China for wood products, biofuel and biopower end-markets

SANDELL ASSET MANAGEMENT

CASTLERIGG INVESTMENTS

ArborGen Overview

Valuation: A revolutionary asset worth USD500m-700m unknown to the equity market

Key DCF valuation assumptions are based on:

- ◆ Average selling price growing at significant rate with potential to increase 10x-20x in the long term

	2008A	2009A	2010A
Average selling price per 1000 seedlings (USD)	65	83	90
Average selling price per seedling (USD)	0.065	0.083	0.090
<i>y-o-y growth</i>		27.7%	8.4%

- Conventional seedlings (OP)⁽¹⁾ are priced in the range of USD0.05-0.07 per seedling.
- More advance products such as MCPs⁽²⁾ sell within the range of USD0.23-0.40 per seedling.
- Upon USDA and other approvals, biotech products have the potential to sell up to USD1.90 per seedling. This is an astonishing 21x the current average price per seedling
- ◆ Increasing adoption of advanced products first and biotech products later by existing clients represents a massive source of potential growth. Currently advance products represent 15%-20% of total seedlings sold. In New Zealand (approx. 7% of the total seedlings sold) 75% of sales are advanced products. In the US market instead only 13% of total sales are advance products and the US accounts for more than 90% of total seedlings sold by ARBR
- ◆ The potential end market size is extraordinary large. ARBR's products will find applications in traditional end market like Pulp and Paper, Wood products and energy end markets such as Biofuel, Biopower, Pellets and Charcoal. The demand for woody biomass only in the US South-east by 2025 is estimated to be 400m-500m of seedlings equivalent every year. This is 2x ARBR's current volume sold, only from one end market.
- ◆ WACC on Biotech pipeline at 15-20%, 10% on Non-Biotech products
- ◆ Ramp-up of Biotech products mainly based on RBC's indicative guidelines (AGM Nov 2009)

ARBR DCF Sensitivity (USDm)

		WACC					
		15%	16%	17%	18%	19%	20%
"g" ⁽³⁾	1.5%	693	641	596	557	524	494
	2.0%	699	645	600	560	526	496
	2.5%	705	650	603	563	528	498
	3.0%	712	655	607	566	531	500

ARBR DCF Sensitivity per RBC share (NZD)

		WACC					
		15%	16%	17%	18%	19%	20%
"g" ⁽³⁾	1.5%	1.04	0.97	0.90	0.84	0.79	0.75
	2.0%	1.05	0.97	0.90	0.84	0.79	0.75
	2.5%	1.06	0.98	0.91	0.85	0.80	0.75
	3.0%	1.07	0.99	0.92	0.85	0.80	0.75

(1) Open pollination; (2) Mass-control pollination; (3) Perpetuity growth

Source: ArborGen, Rubicon. SAMC's analysis

Tenon Overview

Well positioned to capitalize from restructuring and recovery of the US housing market

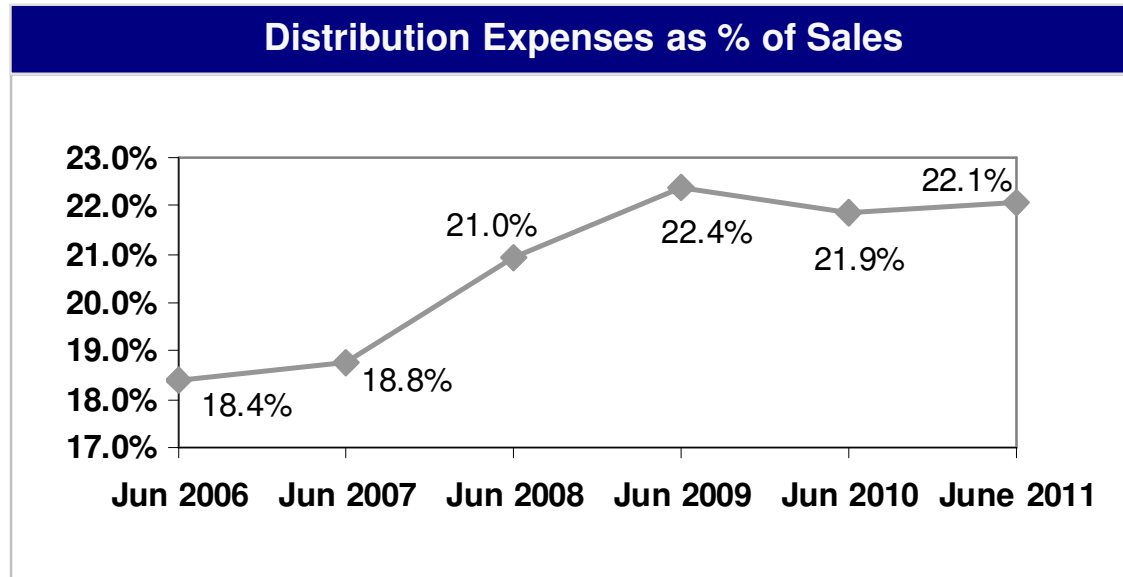
- ◆ Tenon EBITDA running at low cycle of USD8m vs peak of USD20m. Margin improvement potential from restructuring, new products launch, new geographies and housing market recovery could drive an EBITDA pick-up to USD23m.
- ◆ Restructuring plan:
 - Reduction of physical inventory location to 11 from 18
 - Restructuring the Asian sourcing function
 - New DYI product range
 - Restructuring of the New Zealand operations
 - Geographical expansion in China, Australia and Europe
- ◆ Positive macro fundamental indicators of US housing market:
 - Affordability at 40-year lows
 - New home inventories at 40-year lows
 - US mortgage rate remain at 40-year lows
 - Aging house stock, with 2/3 of the total being more than 25 years old

FY June (USDm)	2006A	2007A	2008A	2009A	2010A	2011A
Revenue	370	394	377	322	329	326
EBITDA	20	20	16	10	10	8
<i>EBITDA Margin</i>	5.4%	5.1%	4.2%	3.1%	3.0%	2.5%

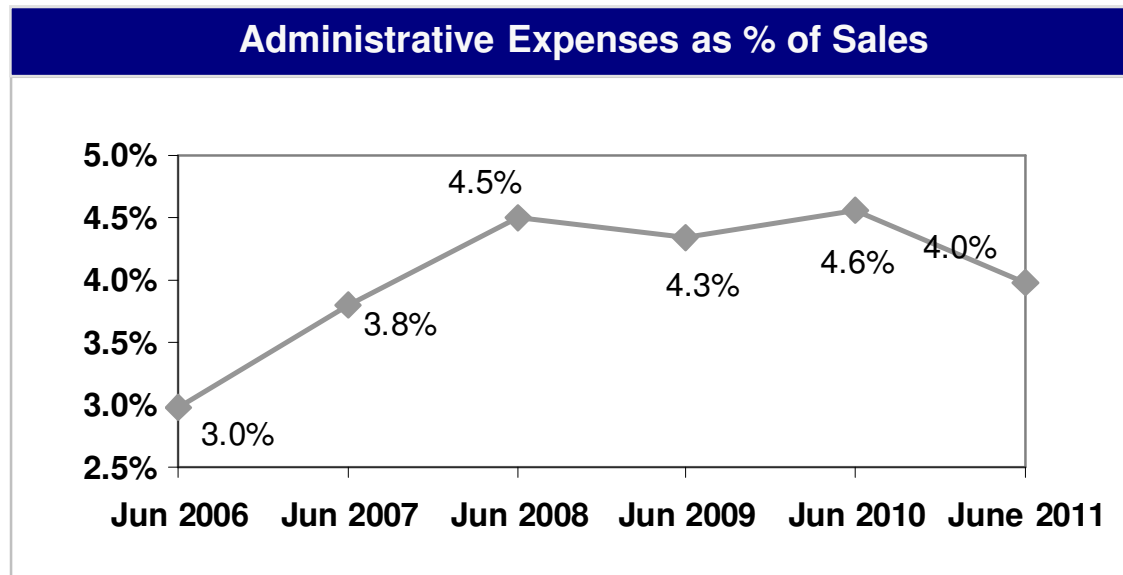
Source: Tenon

Tenon Overview

Significant cost cutting potential



Source: Tenon



Source: Tenon

- ◆ Although the “One-Company” program has already eliminated USD5m of costs per annum in administrative and back-office costs, there is still room to achieve additional efficiencies in both distribution and administrative areas.
- ◆ There is massive leverage at EBITDA level. A sole 1% reduction (as % of sales) at Distribution expenses level and 0.5% reduction (as % of sales) at Administrative expenses level would account for USD4.9m of extra EBITDA which accounts for a 61% increase of current EBITDA.
- ◆ The historical trends of the Distribution and Administrative expenses show that there is a significant reduction opportunity. In a high case scenario of both Distribution and Administrative expenses reduced to 2006-2007 levels, there is an equivalent potential to increase the EBITDA in the range of USD11m-15m taking the total EBITDA potentially to USD19m-23m.

Tenon Overview

Tenon Standalone Valuation

- ◆ Restructuring potential and housing market pick-up could take Tenon's EBITDA within a range of USD19m-23m.
 - Assuming a 9.0x EV/EBITDA normalized valuation, the implied equity would be in the NZD183m-230m range equivalent to NZD 0.37-0.47 per RBC share.
 - Assuming instead a disposal at 11.25x (25% take-out premium) for the same EBITDA generated, the implied equity for Tenon would be in the NZD239m-300m range, equivalent to NZD 0.49-0.61 per RBC share

TEN Normalized Valuation

TEN Normalized EBITDA (USDm)	19	20	22	23
EV/EBITDA	9.00x	9.00x	9.00x	9.00x
EV	171.0	180.0	198.0	207.0
Net Debt	-30.0	-30.0	-30.0	-30.0
Equity Value (\$m)	141.0	150.0	168.0	177.0
Equity Value (NZD)	183.3	195.0	218.4	230.1
# shares	66.9	66.9	66.9	66.9
Equity Value per share (NZD)	2.74	2.92	3.27	3.44
TEN upside	322%	349%	403%	429%
RBC stake (\$m)	81.7	86.9	97.4	102.6
RBC stake (NZDm)	106.2	113.0	126.6	133.4
Value per RBC share (NZD)	0.37	0.40	0.44	0.47

TEN Strategic Valuation

TEN Normalized EBITDA (USDm)	19	20	22	23
EV/EBITDA	11.25x	11.25x	11.25x	11.25x
EV	213.8	225.0	247.5	258.8
Net Debt	-30.0	-30.0	-30.0	-30.0
Equity Value (\$m)	183.8	195.0	217.5	228.8
Equity Value (NZD)	239.1	253.7	283.0	297.6
# shares	66.9	66.9	66.9	66.9
Equity Value per share (NZD)	3.58	3.80	4.23	4.45
TEN upside	450%	484%	551%	585%
RBC stake (\$m)	106.5	113.0	126.1	132.6
RBC stake (NZDm)	138.6	147.1	164.0	172.5
Value per RBC share (NZD)	0.49	0.52	0.58	0.61

- ◆ Additional sources of value:
 - USD26m in unrecognised tax losses under NZ IFRS. A buyer will have to explore the utilization of these tax losses.
 - GST claim on CNIFP sale. Court action has been instigated, Tenon may be entitled to receive approx. NZD90m, which is equivalent to 2x Tenon's current market cap or NZD 0.18 per Rubicon share⁽¹⁾.

(1) SAMC understands that the legal proceeding is being strongly resisted by the IRD and as a result, the outcome for Tenon is uncertain