INTERNATIONAL PAPER CO /NEW/
Form 11-K
June 27, 2008
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 11-K

FOR ANNUAL REPORTS OF EMPLOYEE STOCK PURCHASE, SAVINGS AND SIMILAR PLANS PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark One):

x ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2007

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ______________ to ______________

Commission file number **1-3157**

INTERNATIONAL PAPER COMPANY

SALARIED SAVINGS PLAN

(Full title of the plan)

INTERNATIONAL PAPER COMPANY

6400 Poplar Avenue

Memphis, TN 38187

Telephone: (901) 419-9000

(Name of issuer of the securities held pursuant to the plan and

the address of its principal executive office)

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INTERNATIONAL PAPER COMPANY SALARIED SAVINGS PLAN

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NOTE: All other schedules required by 29 CFR 2520.103-10 of the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

EXHIBIT

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Plan Administrator

International Paper Company

Salaried Savings Plan

We have audited the accompanying statements of net assets available for benefits of International Paper Company Salaried Savings Plan (the Plan) as of December 31, 2007 and 2006, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2007 and 2006, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2007, is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan s management. Such supplemental schedule has been subjected to the auditing procedures applied in our audit of the basic financial statements as of and for the year ended December 31, 2007 and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

/s/ Deloitte & Touche, LLP

Memphis, TN

June 25, 2008

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INTERNATIONAL PAPER COMPANY SALARIED SAVINGS PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

DECEMBER 31, 2007 AND 2006

(Amounts in thousands)

	2007	2006
ASSETS:		
Investments, at fair value Plan interest in Master Trust		
(Notes 1, 2, 3, 4, and 5):		
Participant-directed investments	$ 3,309,072	$ 3,313,047
Participant loans	56,154	56,963
Total investments Plan interest in Master Trust	3,365,226	3,370,010
Receivables:		
Participants contributions	4,525	5,356
Employer s contributions	2,349	2,706
Total receivables	6,874	8,062
LIABILITIES:		
Accrued expenses	(805)	(1,219)
Excess contributions payable	(6)	(53)
Total liabilities	(811)	(1,272)
NET ASSETS AVAILABLE FOR BENEFITS, at fair value	3,371,289	3,376,800
Adjustments from fair value to contract value for fully benefit-responsive investment contracts	354	4,833
NET ASSETS AVAILABLE FOR BENEFITS	$ 3,371,643	$ 3,381,633

See notes to financial statements.

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INTERNATIONAL PAPER COMPANY SALARIED SAVINGS PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

YEARS ENDED DECEMBER 31, 2007 AND 2006

(Amounts in thousands)

	2007	2006
ADDITIONS:		
Contributions:		
Participants contributions	$ 102,588	$ 113,732
Employer s contributions	48,623	52,229
Total contributions	151,211	165,961
Investment income Plan interest in Master Trust		
(Notes 1, 2, 3, 4, and 5)	203,128	327,420
Net transfers from other plans (Note 7)	1,456	
Total additions	355,795	493,381
DEDUCTIONS:		
Benefits paid to participants	362,075	317,103
Administrative expenses	3,710	4,608
Net transfers to other plans (Note 7)		12,043
Total deductions	365,785	333,754
NET (DECREASE) INCREASE	(9,990)	159,627
NET ASSETS AVAILABLE FOR BENEFITS:		
Beginning of year	3,381,633	3,222,006
End of year	$ 3,371,643	$ 3,381,633

See notes to financial statements.

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INTERNATIONAL PAPER COMPANY SALARIED SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 AND 2006

1. DESCRIPTION OF THE PLAN

The following description of the International Paper Company Salaried Savings Plan (the Plan) provides only general information about the provisions of the Plan. Participants should refer to the Plan document or the Plan s summary plan description for a more complete description of the Plan s provisions.

General The Plan is a defined contribution plan providing retirement benefits to the salaried employees and certain hourly employees of International Paper Company and its subsidiaries (the Company) who work in the United States, or who are United States citizens or residents working outside the United States. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

The assets of the Plan are held by State Street Bank and Trust Company (the Trustee) in the International Paper Company Defined Contribution Plans Master Trust (the Master Trust), a master trust established by the Company and administered by the Trustee.

J.P. Morgan Retirement Plan Services (the Recordkeeper) is the recordkeeper for the Plan.

Eligibility to Participate An employee is generally eligible to participate in the Plan upon date of hire if the employee is a salaried employee, or a non-bargained hourly employee at a designated location, and is employed on a non-temporary basis. Participation in the Plan is voluntary. New employees are automatically enrolled in the Plan 45 days from the date they become eligible to participate, unless they otherwise decline participation or make alternative contribution and/or investment elections.

Participant Contributions Participant contributions may be made on either a before-tax or after-tax basis, or in any combination, and are subject to certain Internal Revenue Code (the Code) limitations. The maximum rate of participant contributions is 85% of annual compensation as defined by the Plan.

Effective August 1, 2006, the Plan was amended to allow participants to make Roth 401(k) contributions in addition to before-tax and after-tax contributions.

Company Matching Contributions The Company matches all participant contributions at 70% on the first 4% of participant contributions and 50% on the next 4% of participant contributions.

Retirement Savings Account Effective July 1, 2004, the Plan was amended to add the Retirement Savings Account (RSA) provisions applicable to employees hired on or after July 1, 2004. The Company makes an RSA contribution equal to 2.75% of each eligible employee s compensation.

Rollover Contributions The Plan is authorized to accept rollover contributions and direct trust-to-trust transfers of amounts which participants are entitled to receive from other qualified profit-sharing, stock bonus, and savings plans or traditional individual retirement accounts.

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Investments Participants direct the investment of their contributions and RSA contributions into various investment options offered by the Plan. The Plan currently offers several diversified portfolios and pooled funds, a fixed income option referred to as the Stable Value Fund, an open brokerage window, and the Company s common stock as investment options for participants.

Company matching contributions are invested 50% in the Company Stock Fund and 50% as directed by the participant into the various investment options offered by the Plan, and participants may immediately transfer Company matching contributions from the Company Stock Fund to any of the other investment options.

ESOP Portion of the Plan The Company Stock Fund, excluding contributions made in the current Plan year, is designated as an employee stock ownership plan (ESOP). With respect to dividends paid on shares of Company stock held in the ESOP portion of the Plan, participants are permitted to elect to receive cash payouts of the dividends or to leave the dividends in the Plan to be reinvested in shares of Company stock.

Participant Accounts Individual accounts are maintained for each Plan participant. Each participant s account is credited with the participant s contributions, the Company matching contributions, RSA contributions and an allocation of Plan earnings, and is charged with benefit distributions, if applicable, and allocations of Plan losses and administrative expenses. The benefit to which a participant is entitled is the benefit that can be provided from the participant s vested account.

Vesting Participants are immediately vested in their participant contributions and rollover contributions, plus earnings thereon. Participants become 100% vested in Company matching contributions and RSA contributions, plus earnings thereon, after three years of service.

Participants also are fully vested in their Company contribution accounts, plus earnings thereon, upon attainment of age 65, termination of employment due to death or disability, or termination of employment due to permanent closure or sale of an employee s work facility. The vesting schedule of a merged plan shall be substituted for the Plan schedule if it is more favorable to an employee who was participating in such plan on the merger date. Forfeited balances of terminated participants are used to reduce future Company contributions.

Loans to Participants Participants, including participants who are no longer employed by the Company, may borrow from their accounts an amount not to exceed (on a cumulative outstanding basis) the lesser of (1) 50% of the value of a participant s contributions, rollover accounts, and the vested portion of his Company contributions account, less any restricted portions of such accounts or (2) $50,000 reduced by the excess of the participant s largest outstanding balance of all loans during the 12 months preceding the date the loan is to be made over the outstanding balance of loans on the date such loan is made.

Loans are repaid through payroll deduction, beginning as soon as administratively practicable after the effective date of the loan, with a minimum loan period of one year. The maximum repayment period is five years, unless for the purchase of a principal residence, in which case the maximum repayment period is 10 years. It is permissible to have two loans outstanding at any one time, but only one principal residence loan is allowed at a time. The interest rate is determined by the Plan administrator based on the prime interest rate as published in *The Wall Street Journal* plus 1%. Interest rates on loans outstanding ranged from 5.0% to 10.5% at December 31, 2007 and 2006, respectively. For participants who are no longer employed by the Company, loans are repaid by direct payments to the Plan.

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Withdrawals A participant may make a general withdrawal in the following order: (1) the value of the after-tax contributions made before the preceding 24-month period and the unmatched after-tax contributions made within the preceding 24-month period with no suspension penalty or contribution suspension; (2) the value of the matched after-tax contributions made during the preceding 24 months with a 3-month suspension penalty period during which no Company matching contributions are made; (3) the value of any rollover account; and (4) the value of certain prior Company matching contributions as detailed in the appendix to the Plan document.

If the total amount available to a participant for a general withdrawal is insufficient to meet his financial needs, a participant who has not attained age 59-1/2 may apply for a hardship withdrawal of vested Company matching contributions and earnings thereon, before-tax contributions and pre-1989 earnings on before-tax contributions.

To demonstrate necessity for a hardship withdrawal, a participant s contributions to the Plan are suspended for six months. As an alternative method of demonstrating necessity, a participant may file a certification of financial hardship.

Participants who have attained age 59-1/2 may withdraw the value of before-tax contributions and the value of vested Company matching contributions, in addition to all amounts available under a general withdrawal.

Payment of Benefits Distributions may be made when a participant retires, terminates employment, or dies. With the exception of the Company Stock Fund, distributions are in cash for the value of the participant s account. Distributions from the Company Stock Fund are made in shares of Company common stock, in cash, or in a combination of shares and cash, as selected by the participant.

Upon termination of employment, a participant may elect a distribution in a lump-sum payment or through installments over 5 to 20 years. Terminated participants may defer distribution to a date occurring on or prior to the date the participant attains age 70-1/2.

The Plan requires an automatic lump-sum distribution to a terminated participant whose account balance is $5,000 or less. An automatic lump-sum distribution in excess of $1,000 is automatically distributed to a rollover Individual Retirement Account (IRA) unless the participant timely elects another form of distribution.

Death benefits to a beneficiary are paid in either a lump-sum payment within five years of the participant s death or in installment payments commencing within one year of the participant s death, as elected by the beneficiary. If the beneficiary is the participant s spouse, the beneficiary may elect to defer the distribution to the date the participant would have been age 70-1/2.

Administrative Expenses All administrative fees and expenses are charged to the Plan. The Recordkeeper nets the Master Trust administrative expenses of each plan with the investment income or loss of the Master Trust. Plan level expenses are included in administrative expenses in the accompanying statements of changes in net assets available for benefits.

Forfeited Accounts At December 31, 2007 and 2006, forfeited nonvested accounts totaled $19,372 and $51,197, respectively. These accounts are used to reduce future employer contributions. For the years ended December 31, 2007 and 2006, employer contributions were reduced by approximately $1,385,000 and $1,216,000, respectively, from forfeited nonvested accounts.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires Plan management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Investment Valuation and Income Recognition The Plan s interest in the Master Trust is stated at fair value. The benefit-responsive investment contracts are stated at fair value and then adjusted to contract value (Note 3). If available, quoted market prices are used to value investments. The fair value of benefit-responsive contracts is calculated by discounting the related cash flows based on current yields of similar instruments with comparable durations. Pooled accounts are valued at the net asset value of units held by the Plan at year end. Shares of the open brokerage window and the Company s common stock are valued at quoted market prices. Participant loans are valued at the outstanding loan balances.

In accordance with Financial Accounting Standards Board Staff Position, FSP AAG INV-1 and SOP 94-4-1, *Reporting of Fully Benefit-Responsive Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans* (the FSP), the statements of net assets available for benefits present investment contracts at fair value as well as an additional line item showing an adjustment of fully benefit-responsive contracts from fair value to contract value. The statements of changes in net assets available for benefits is presented on a contract value basis and is not affected by the FSP.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Management fees and operating expenses charged to the Master Trust for investments in Master Trust investment accounts and the open brokerage window are deducted from income earned on a daily basis and are not separately reflected. Consequently, management fees and operating expenses are reflected as an adjustment to net appreciation (depreciation) in fair market value for such investments.

The Master Trust utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Payment of Benefits Benefit payments to participants are recorded upon distribution.

Excess Contributions Payable The Plan is required to return contributions to participants in the event certain discrimination tests defined under the Code are not satisfied. For the year ended December 31, 2007, approximately $6,000 of contributions were refundable to Plan participants whose annual additions to the Plan exceeded the Code 415 limits and are included in excess contributions payable in the accompanying 2007 statement of net assets available for benefits. During 2006, the Plan did not pass the non-discrimination requirements of Code Section 401(k) (the ADP Test) for employees eligible to participate in the Plan. As a result, for the year ended December 31, 2006, approximately $53,000 of contributions were refundable to certain Plan participants and are included in excess contributions payable in the accompanying 2006 statement of net assets available for benefits.

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Derivatives Master Trust investments include various derivative instruments, such as swaps, options, forwards and futures, that are employed as asset class substitutes for managing asset/liability mismatches, or for bona fide hedging or other appropriate risk management purposes, to achieve investment objectives in an efficient and cost-effective manner as follows:

Market Exposure To gain exposure to a particular market or alter asset class exposures (e.g., tactical asset allocation) quickly and at low cost.

To alter the risk/return characteristics of certain investments in the Master Trust. For example, in fixed income accounts, derivatives may be used to alter the duration of the investment portfolio. Investment managers are also permitted to use derivatives to enhance returns by selecting instruments that will perform better than underlying securities under certain scenarios.

Foreign Currency Exposure Management Investment managers may use derivatives, such as currency forwards, in order to manage foreign currency exposures.

The extent to which investment managers are permitted to use derivatives (and the manner in which they are used) is specified within investment manager investment guidelines. Derivative exposure is monitored regularly to ensure that derivatives are used in a prudent and risk-controlled fashion.

New Accounting Pronouncements In September 2006, the FASB issued Statement on Financial Accounting Standards No. 157 (SFAS No. 157), Fair Value Measurements. SFAS No. 157 established a single authoritative definition of fair value, sets a framework for measuring fair value and requires additional disclosures about fair value measurement. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 17, 2007. Plan management has not completed the process of evaluating the impact that will result from adopting SFAS No. 157. Plan management is therefore unable to disclose the impact that adopting SFAS No. 157 will have on its net assets available for benefits and changes in net assets available for benefits for defined contribution plans when such statement is adopted.

3. MASTER TRUST

The Plan s investment assets are held in a trust account by the Trustee and consist of an undivided interest in an investment account of the Master Trust. Use of the Master Trust permits the commingling of trust assets with the assets of other plans sponsored by the Company for investment and administrative purposes. Although assets of the plans are commingled in the Master Trust, the Recordkeeper maintains supporting records for the purpose of allocating the net gain or loss of the investment account to the participating plans. The net investment income or loss of the investment assets and administrative expenses are allocated by the Recordkeeper to each participating plan based on the relationship of the interest of each plan to the total of the interests of the participating plans.

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The net assets of the Master Trust at December 31, 2007 and 2006, are summarized as follows (in thousands):

	2007	2006
Master Trust net assets:		
At fair value:		
Company Stock Fund Master Trust Investment Account	$ 422,869	$ 550,503
RIC Master Trust Investment Account:		
Conservative Smartmix Fund	70,359	60,434
Moderate Smartmix Fund	334,873	324,953
Aggressive Smartmix Fund	232,613	187,936
Cash	2,253	1,911
Total RIC Master Trust Investment Account	640,098	575,234
Commingled Investment Group Trust		
Master Trust Investment Accounts:		
U.S. Fixed Income Bond Pool	102,358	95,946
Emerging Market Fixed Income Pool	46,428	47,916
Emerging Market Equity Pool	290,755	188,195
High Yield Bond Pool	22,868	20,961
Non-U.S. Developed Equity Pool	210,391	213,594
U.S. Small Cap Pool	144,419	154,035
U.S. Mid Cap Pool	167,481	164,835
U.S. Large Cap Pool	707,844	782,665
Total Commingled Investment Group Trust		
Master Trust Investment Accounts	1,692,544	1,668,147
Open Brokerage Window	86,407	79,806
SSGA FDS Money Market Fund	837	795
Participant loans	110,956	114,330
Stable Value Fund Master Trust Investment Account	1,416,767	1,420,362
Total Master Trust net assets, at fair value	4,370,478	4,409,177
Adjustments from fair value to contract value for fully benefit-responsive investment contracts	494	6,833
Total Master Trust net assets	$ 4,370,972	$ 4,416,010
Plan interest in the Master Trust, at fair value	$ 3,365,226	$ 3,370,010
Plan interest in the Master Trust as a percentage of total	77%	76%

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The net investment income of the Master Trust for the years ended December 31, 2007 and 2006, is summarized below (in thousands):

	2007	2006
Master Trust investment income:		
Net (depreciation) appreciation of investments at fair value:		
Company Stock Fund Master Trust Investment Account	$ (7,257)	$ 14,448
RIC Master Trust Investment Account:		
Conservative Smartmix Fund	2,599	4,139
Moderate Smartmix Fund	19,071	40,870
Aggressive Smartmix Fund	13,205	27,747
Commingled Investment Group Trust		
Master Trust Investment Accounts:		
U.S. Fixed Income Bond Pool	5,115	4,264
Emerging Market Fixed Income Pool	2,537	4,259
Emerging Market Equity Pool	70,294	42,151
High Yield Bond Pool	805	1,495
Non-U.S. Developed Equity Pool	7,372	37,129
U.S. Small Cap Pool	6,474	21,137
U.S. Mid Cap Pool	7,872	22,404
U.S. Large Cap Pool	36,527	96,017
Open Brokerage Window	6,196	6,639
Net depreciation of investments at contract value -		
Stable Value Fund Master Trust Investment Account	(4,030)	(3,733)
Total net appreciation	166,780	318,966
Interest and dividends:		
Company Stock Fund Master Trust Investment Account	13,442	17,848
RIC Master Trust Investment Account:		
Conservative Smartmix Fund	83	51
Moderate Smartmix Fund	424	252
Aggressive Smartmix Fund	1,091	251
Commingled Investment Group Trust		
Master Trust Investment Accounts:		
U.S. Fixed Income Bond Pool	1	1
Emerging Market Equity Pool	2	2
Non-U.S. Developed Equity Pool	2	2
U.S. Small Cap Pool	1	2
U.S. Mid Cap Pool	2	2
U.S. Large Cap Pool	7	9
Participant loans	8,562	

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Current Text	Proposed Amendment
Article 35. (Dividends)	Article 37. (Dividends from surplus)
Dividends shall be paid to the shareholders or registered pledgees appearing in writing or digitally on the register of shareholders as of the closing thereof on the 31st day of March each year.	Year-end dividends shall be paid to the shareholders or registered stock pledgees appearing in writing or digitally on the register of shareholders as of the closing thereof on the 31st day of March each year.
Article 36. (Interim dividends)	Article 38. (Interim dividends)
The Company may, by a resolution of the Board of Directors, pay interim dividends to the shareholders or registered pledgees whose names appear in wiring or digitally on the register of shareholders as of the closing thereof on the 30th day of September each year.	The Company may, by a resolution of the Board of Directors, pay interim dividends to the shareholders or registered stock pledgees whose names appear in wiring or digitally on the register of shareholders as of the closing thereof on the 30th day of September each year.
Article 37. (Prescription period for dividends)	Article 39. (Prescription period for dividends)
The Company shall be exempted from the obligation to pay dividends or interim dividends after three (3) years have elapsed from the date on which the payment of the dividends or interim dividends commenced.	The Company shall be exempted from the obligation to pay year-end dividends or interim dividends after three (3) years have elapsed from the date on which the payment of the dividends or interim dividends commenced.