

POTLATCH CORP  
Form 8-K  
May 09, 2006

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, DC 20549**  
**FORM 8-K**  
**CURRENT REPORT PURSUANT**  
**TO SECTION 13 OR 15(d) OF THE**  
**SECURITIES EXCHANGE ACT OF 1934**

Date of Report: May 8, 2006

**POTLATCH CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or Other Jurisdiction  
of Incorporation)

**001-32729**  
(Commission  
File Number)

**82-0156045**  
(I.R.S. Employer  
Identification Number)

**601 W. Riverside Avenue, Suite 1100, Spokane WA**  
(Address of principal executive offices)

**509-835-1500**

**99201**  
(Zip Code)

(Registrant's telephone number,  
including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- .. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

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“ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Item 2.02. Results of Operations and Financial Condition

Prior to our conversion to a Real Estate Investment Trust (REIT) on January 1, 2006, our businesses were organized into the following four reportable operating segments, as defined by SFAS No. 131, Disclosures About Segments of an Enterprise and Related Information: Resource; Wood Products; Pulp and Paperboard; and Consumer Products. Beginning in 2006, the REIT conversion resulted in the separation of the Resource segment into two reportable business segments. The new Resource segment consists of the following activities: managing our timberlands to optimize stumpage sales, the harvesting of our timber, the procurement of other wood fiber, log buying and selling, and entering into recreational and hunting leases. The new Land Sales and Development segment consists of the development and sale of selected land parcels, including sales for higher and better use purposes. Results for this segment depend on the timing of closing of transactions related to our efforts to identify, develop and market property with higher and better use values.

The following table presents segment revenue and operating income data for all reporting periods in 2005, reclassified to conform to our current reporting segments.

## Potlatch Corporation

## Reclassification of Business Segment Information

(Unaudited)

(Dollars in thousands)

| Period ended                             | 3/31/05           | 3 months<br>6/30/05 | 6 months<br>6/30/05 | 3 months<br>9/30/05 | 9 months<br>9/30/05 | 3 months<br>12/31/05 | 12 months<br>12/31/05 |
|--|-------------------|---------------------|---------------------|---------------------|---------------------|----------------------|-----------------------|
| <b>Segment Revenue</b>                   |                   |                     |                     |                     |                     |                      |                       |
| Resource                                 | \$ 57,806         | \$ 60,595           | \$ 118,401          | \$ 90,794           | \$ 209,195          | \$ 71,489            | \$ 280,684            |
| Land sales and development               | 1,540             | 1,024               | 2,564               | 6,938               | 9,502               | 16,964               | 26,466                |
| <b>Wood Products</b>                     |                   |                     |                     |                     |                     |                      |                       |
| Lumber                                   | 83,378            | 102,429             | 185,807             | 103,795             | 289,602             | 95,025               | 384,627               |
| Plywood                                  | 12,336            | 14,918              | 27,254              | 12,943              | 40,197              | 12,280               | 52,477                |
| Particleboard                            | 4,756             | 4,494               | 9,250               | 4,036               | 13,286              | 4,360                | 17,646                |
| Other                                    | 7,036             | 9,706               | 16,742              | 10,183              | 26,925              | 9,362                | 36,287                |
|  | 107,506           | 131,547             | 239,053             | 130,957             | 370,010             | 121,027              | 491,037               |
| <b>Pulp and paperboard</b>               |                   |                     |                     |                     |                     |                      |                       |
| Paperboard                               | 113,328           | 126,176             | 239,504             | 133,178             | 372,682             | 127,942              | 500,624               |
| Pulp                                     | 13,259            | 13,959              | 27,218              | 18,099              | 45,317              | 19,252               | 64,569                |
| Other                                    | 210               | 265                 | 475                 | 206                 | 681                 | 241                  | 922                   |
|  | 126,797           | 140,400             | 267,197             | 151,483             | 418,680             | 147,435              | 566,115               |
| <b>Consumer Products</b>                 | 94,136            | 91,526              | 185,662             | 95,541              | 281,203             | 87,215               | 368,418               |
|  | 387,785           | 425,092             | 812,877             | 475,713             | 1,288,590           | 444,130              | 1,732,720             |
| Elimination of intersegment revenue      | (50,875)          | (56,619)            | (107,494)           | (70,173)            | (177,667)           | (55,672)             | (233,339)             |
| <b>Total consolidated revenue</b>        | <b>\$ 336,910</b> | <b>\$ 368,473</b>   | <b>\$ 705,383</b>   | <b>\$ 405,540</b>   | <b>\$ 1,110,923</b> | <b>\$ 388,458</b>    | <b>\$ 1,499,381</b>   |
| <b>Intersegment revenue or transfers</b> |                   |                     |                     |                     |                     |                      |                       |
| Resource                                 | \$ 35,758         | \$ 41,565           | \$ 77,323           | \$ 56,350           | \$ 133,673          | \$ 41,234            | \$ 174,907            |
| Wood products                            | 3,595             | 3,882               | 7,477               | 3,712               | 11,189              | 3,410                | 14,599                |
| Pulp and paperboard                      | 11,502            | 11,149              | 22,651              | 10,084              | 32,735              | 11,010               | 43,745                |
| Consumer products                        | 20                | 23                  | 43                  | 27                  | 70                  | 18                   | 88                    |
| <b>Total</b>                             | <b>\$ 50,875</b>  | <b>\$ 56,619</b>    | <b>\$ 107,494</b>   | <b>\$ 70,173</b>    | <b>\$ 177,667</b>   | <b>\$ 55,672</b>     | <b>\$ 233,339</b>     |
| <b>Operating Income (Loss)</b>           |                   |                     |                     |                     |                     |                      |                       |
| Resource                                 | \$ 9,502          | \$ 13,495           | \$ 22,997           | \$ 19,957           | \$ 42,954           | \$ 13,433            | \$ 56,387             |
| Land sales and development               | 988               | 465                 | 1,453               | 6,043               | 7,496               | 14,945               | 22,441                |
| Wood products                            | 8,564             | 13,705              | 22,269              | 5,943               | 28,212              | 382                  | 28,594                |
| Pulp and paperboard                      | 2,417             | (124)               | 2,293               | 402                 | 2,695               | (4,316)              | (1,621)               |
| Consumer products                        | (954)             | 1,805               | 851                 | 2,379               | 3,230               | 7,398                | 10,628                |
| Eliminations                             | 1,651             | 480                 | 2,131               | (1,506)             | 625                 | (1,935)              | (1,310)               |
|  | 22,168            | 29,826              | 51,994              | 33,218              | 85,212              | 29,907               | 115,119               |
| Corporate                                | (16,019)          | (16,535)            | (32,554)            | (15,487)            | (48,041)            | (19,438)             | (67,479)              |

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Consolidated earnings before taxes                   \$ 6,149   \$ 13,291   \$ 19,440   \$ 17,731   \$ 37,171   \$ 10,469   \$ 47,640

On March 31, 2006, the company paid a special earnings and profits distribution, consisting of approximately 9.1 million shares of common stock and \$89 million in cash, in association with the company's conversion to a Real Estate Investment Trust. Reflected below are pro forma results giving effect to the common stock distribution for diluted earnings per common share, as if the common stock distribution had occurred at the beginning of each period:

| Period ended                        | 3 months<br>3/31/05 | 3 months<br>6/30/05 | 6 months<br>6/30/05 | 3 months<br>9/30/05 | 9 months<br>9/30/05 | 3 months<br>12/31/05 | 12 months<br>12/31/05 |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|-----------------------|
| Net earnings (dollars in thousands) | 3,782               | 8,174               | 11,956              | 11,090              | 23,046              | 9,918                | 32,964                |
| Diluted earnings per share          |                     |                     |                     |                     |                     |                      |                       |
| As Reported                         | \$ 0.13             | \$ 0.28             | \$ 0.41             | \$ 0.38             | \$ 0.79             | \$ 0.34              | \$ 1.13               |
| Pro forma                           | 0.10                | 0.21                | 0.31                | 0.29                | 0.60                | 0.26                 | 0.86                  |

SIGNATURE

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 hereunto duly authorized.

Dated: May 9, 2006

POTLATCH CORPORATION

By: /s/ Malcolm A. Ryerse  
Malcolm A. Ryerse  
Corporate Secretary