

Potlatch Holdings, Inc.
Form S-4/A
December 19, 2005
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As Filed with the Securities and Exchange Commission on December 19, 2005

Registration No. 333-128403

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

AMENDMENT NO. 3 TO

FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

POTLATCH HOLDINGS, INC.

(Exact Name of Registrant as Specified in its Governing Instrument)

Delaware
(State or Other Jurisdiction
of Incorporation or Organization)

6798
(Primary Standard Industrial
Classification Code Number)

82-0156045
(I.R.S. Employer
Identification No.)

601 West Riverside Avenue, Suite 1100

Spokane, WA 99201

(509) 835-1500

(Address, Including Zip Code, and Telephone Number, Including Area Code, of

Registrant's Principal Executive Offices)

Ralph M. Davisson, Esq.

Vice President and General Counsel

Potlatch Corporation

601 West Riverside Avenue, Suite 1100

Spokane, WA 99201

(509) 835-1500

(Name, Address, Including Zip Code, and Telephone Number,

Including Area Code, of Agent For Service)

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Approximate Date of Commencement of Proposed Sale of the Securities to the Public: As soon as practicable after the effective date of this Registration Statement.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. "

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this proxy statement/prospectus is not complete and may be changed. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. Potlatch Holdings may not sell these securities until the registration statement is effective. This proxy statement/prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject To Completion, dated December 19, 2005

Proxy Statement/Prospectus

POTLATCH CORPORATION

Dear Potlatch Stockholder:

I am pleased to invite you to attend a special meeting of stockholders of Potlatch Corporation, a Delaware corporation, which will be held at Hotel Lusso, North One Post Street, Spokane, Washington, on [●], 2006 at 10:00 a.m., local time.

I am also pleased to report that the Potlatch board of directors has unanimously approved a plan to restructure the business operations of Potlatch to allow for Potlatch to be taxed as a real estate investment trust, or REIT, for federal income tax purposes. This restructuring plan, which we refer to as the REIT conversion, is expected to be effective on January 1, 2006.

In connection with the REIT conversion, we are asking you to approve the merger of Potlatch into Potlatch Operating Company, a recently formed Delaware corporation. Potlatch Operating Company is a wholly owned subsidiary of Potlatch Holdings, Inc., referred to as Potlatch Holdings, a wholly owned subsidiary of Potlatch, which was recently formed in connection with the proposed merger. Following the merger, Potlatch Holdings will be renamed Potlatch Corporation and will hold, directly or through its subsidiaries, the assets currently held by Potlatch and will conduct the existing businesses of Potlatch through Potlatch Operating Company and its subsidiaries. In the merger, you will receive one share of Potlatch Holdings common stock for each share of Potlatch common stock you own. We anticipate that the shares of Potlatch Holdings common stock will trade on the New York Stock Exchange, the Chicago Stock Exchange and the Pacific Stock Exchange under the symbol PCH.

We cannot complete the merger unless the holders of at least a majority of the outstanding shares of Potlatch common stock vote in favor of the merger agreement. After careful consideration, your board of directors has unanimously approved the merger and recommends that all stockholders vote **FOR** the adoption of the merger agreement.

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This proxy statement/prospectus is a prospectus of Potlatch Holdings as well as a proxy statement for Potlatch and provides you with detailed information about the REIT conversion, the merger and the special meeting. This proxy statement/prospectus also covers shares of Potlatch Holdings common stock that may be issued in the special distribution of our accumulated earnings and profits as described in this proxy statement/prospectus. **We encourage you to read carefully this entire proxy statement/prospectus, including all its annexes, and we especially encourage you to read the section on Risk Factors beginning on page 22.**

Sincerely,

L. Pendleton Siegel

Chairman of the Board and

Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the shares of common stock to be issued by Potlatch Holdings under this proxy statement/prospectus or passed upon the accuracy or adequacy of the disclosures contained in this proxy statement/prospectus. Any representation to the contrary is a criminal offense.

This proxy statement/prospectus is dated [•], 2005, and is being first mailed to stockholders on or about [•], 2005.

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POTLATCH CORPORATION

601 West Riverside Avenue, Suite 1100

Spokane, WA 99201

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

[•], 2005

Potlatch Corporation will hold a Special Meeting of Stockholders on [•], 2006, at 10:00 a.m., local time, at Hotel Lusso, North One Post Street, Spokane, Washington, for the following purposes:

(1) To vote upon the adoption and approval of the agreement and plan of merger dated as of September 19, 2005 among Potlatch, Potlatch Holdings, Inc., a newly formed wholly owned subsidiary of Potlatch, and Potlatch Operating Company, a newly formed wholly owned subsidiary of Potlatch Holdings, Inc.; and

(2) To vote upon an adjournment of the special meeting, if necessary, to solicit additional proxies.

The proposed merger is being undertaken in connection with Potlatch's conversion to a real estate investment trust, or REIT, which is expected to take effect on January 1, 2006. Potlatch reserves the right to cancel or defer the merger even if stockholders of Potlatch vote to adopt the merger agreement and the other conditions to the consummation of the merger are satisfied or waived, if the board of directors determines that the merger or the REIT conversion is no longer in the best interests of Potlatch and its stockholders.

If you were a stockholder of record at the close of business on [•], 2005, you are entitled to notice of, and to vote at, the special meeting. **Your vote is important.** To vote your shares, please refer to the instructions on the enclosed proxy card or voting instruction form, or review the section titled "Voting and Proxies" on page 35 of the accompanying proxy statement/prospectus.

By Order of the Board of Directors,

Malcolm A. Ryerse

Corporate Secretary

[•], 2005

Spokane, Washington

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WHERE YOU CAN FIND ADDITIONAL INFORMATION

Potlatch Corporation, or Potlatch, files annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission, or SEC. You may read and copy any reports, proxy statements and other information at the SEC Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information about the SEC Public Reference Room. The SEC also maintains a website that contains these reports and other documents at <http://www.sec.gov>.

Potlatch Holdings, Inc., or Potlatch Holdings, has filed a registration statement on Form S-4 to register with the SEC the Potlatch Holdings common stock that Potlatch stockholders will receive in connection with the merger if the merger is approved. This proxy statement/prospectus is part of the registration statement of Potlatch Holdings on Form S-4 and is a prospectus of Potlatch Holdings and a proxy statement of Potlatch for its special meeting.

This proxy statement/prospectus incorporates important business and financial information about Potlatch from documents filed with the SEC that are not included in or delivered with this proxy statement/prospectus. The SEC permits us to incorporate by reference important information by referring you to another document filed separately with the SEC. This means that the information incorporated by reference is deemed to be part of this proxy statement/prospectus, unless superseded by information contained directly in this proxy statement/prospectus or by information in documents that we incorporate by reference now but do not actually file with or furnish to the SEC until later.

Specifically, this proxy statement/prospectus incorporates by reference the documents set forth below, all of which have been previously filed with the SEC.

Potlatch SEC Filings (File No. 1-5313)

Period or Filing Date

Annual Report on Form 10-K	Year ended December 31, 2004
Quarterly Report on Form 10-Q	Quarter ended March 31, 2005
Quarterly Report on Form 10-Q	Quarter ended June 30, 2005
Quarterly Report on Form 10-Q	Quarter ended September 30, 2005
Current Report on Form 8-K	February 28, 2005
Current Report on Form 8-K	May 4, 2005
Current Report on Form 8-K	November 7, 2005
Current Report on Form 8-K	December 6, 2005
Current Report on Form 8-K	December 9, 2005

In addition, we also incorporate by reference into this proxy statement/prospectus additional information that Potlatch may file with the SEC under Sections 13(a), 13(c), 14 and 15(d) of the Securities Exchange Act of 1934, as amended, between the date of this proxy statement/prospectus and the date of the special meeting. These documents include Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as proxy statements.

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You may not have some of the documents incorporated by reference, but you can obtain any of them through the SEC as described above or from us at no cost by directing a written or oral request to us at Potlatch Corporation, 601 West Riverside Avenue, Suite 1100, Spokane, Washington 99201, Attention: Corporate Secretary, or by telephone at 509-835-1500, or email at investorinfo@potlatchcorp.com, or at our website at <http://www.potlatchcorp.com>. Except for the documents described above, information on our website is not otherwise incorporated by reference into this proxy statement/prospectus.

If you would like to request documents from us, please do so by [•], 2005 in order to receive them prior to the special meeting.

Upon consummation of the merger, Potlatch Holdings will be required to file annual, quarterly and special reports, proxy statements and other information with the SEC.

You should rely only on the information in or incorporated by reference into this proxy statement/prospectus. No one has been authorized to provide you with different information. You should not assume that the information contained in this proxy statement/prospectus is accurate as of any date other than the date on the front page. We are not making any offer to sell (or soliciting any offer to buy) any securities, or soliciting any proxy, in any state where it is unlawful to do so.

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QUESTIONS AND ANSWERS ABOUT THE REIT CONVERSION AND THE MERGER

Q: What is Potlatch planning to do?

A: The board of directors of Potlatch has approved a plan to restructure Potlatch's business operations so that Potlatch can elect to be treated as a real estate investment trust, or REIT, for federal income tax purposes. We refer to this restructuring plan as the REIT conversion. The Potlatch board has determined that this restructuring will be in the best interests of Potlatch and its stockholders. The REIT conversion is comprised of the following key components:

A restructuring of Potlatch's business operations to enable it to qualify as a REIT and the subsequent election to be taxed as a REIT for federal income tax purposes.

The making of a one-time special distribution, expected to be made in the first quarter of 2006, of earnings and profits accumulated prior to the REIT conversion.

The REIT conversion is expected to be approved by the board of directors of Potlatch on December 20, 2005 and take effect on January 1, 2006. You are not being asked to vote on the REIT conversion and the REIT conversion is not conditioned upon stockholder approval of the merger described below. If the REIT conversion receives approval by our board of directors on December 20, 2005, then the REIT restructuring transactions described on page 46 will be implemented before January 1, 2006 and Potlatch will begin operating as a REIT as of that date. You are being asked to vote on the merger, which if approved will generally restrict a stockholder's ownership of our common stock to 9.8% of the outstanding shares to facilitate compliance with the REIT rules and will increase the number of authorized shares. If for any reason Potlatch elects not to convert to a REIT, then Potlatch would not proceed with the merger.

Q: What is a REIT?

A: A REIT is a company that derives most of its income from investments in real estate, including timberlands. If a corporation qualifies as a REIT, it generally will not be subject to U.S. federal corporate income taxes on income and gain from investments in real estate that it distributes to its stockholders, thereby reducing its corporate-level taxes and substantially eliminating the double taxation on income and gain that usually results in the case of a distribution by a regular C corporation. Double taxation occurs where a non-REIT corporation, such as a C corporation, is first taxed upon its income and then a separate tax is imposed on the corporation's stockholders when distributions are made. We intend to form a REIT that principally invests in timberlands. We will continue to be required to pay federal corporate income tax on earnings from our non-real estate investments, principally our manufacturing operations.

Q: What happens in the REIT conversion?

A: By December 31, 2005, in order to comply with certain REIT qualification requirements, we intend to transfer various assets and businesses that under the REIT tax rules cannot be held or operated directly by Potlatch to a wholly owned subsidiary named Potlatch Forest Products Corporation, which we refer to as Potlatch TRS. The transferred assets and businesses will consist primarily of Potlatch's 14 manufacturing facilities engaged in the manufacturing of wood products, pulp and paperboard and tissue products, assets used by Potlatch for the harvesting of timber and the sale of logs, and selected land parcels that Potlatch expects to sell or develop for higher and better use purposes following the REIT conversion. Potlatch TRS will elect to be treated as a taxable REIT subsidiary, or TRS, effective upon the REIT conversion. Income after taxes from Potlatch TRS will be either distributed to Potlatch, where it will contribute to income available for distribution to our stockholders or be reinvested by us in our timberlands, or be retained by Potlatch TRS and used to fund its operations.

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Q: What happens in the merger?

- A. After the REIT conversion, Potlatch will merge into Potlatch Operating Company, a recently formed Delaware corporation, which we refer to in this proxy statement/prospectus as the Operating Subsidiary. Potlatch Holdings, Inc., which we refer to as Potlatch Holdings, is a wholly owned subsidiary of Potlatch and owns all of the shares of the Operating Subsidiary. The Operating Subsidiary will be the surviving entity in the merger and will succeed to and continue the business of Potlatch.

As a consequence of the merger:

each outstanding share of common stock of Potlatch will be converted into one share of common stock of Potlatch Holdings;

Potlatch Holdings will be renamed Potlatch Corporation and will become the publicly traded, New York Stock Exchange, Chicago Stock Exchange and Pacific Stock Exchange listed parent company that will succeed to and continue to operate, directly or indirectly, all of the existing business of Potlatch;

the existing board of directors of Potlatch and the executive management of Potlatch will be the board of directors and executive management, respectively, of Potlatch Holdings; and

the rights of the stockholders of Potlatch Holdings will be governed by the restated certificate of incorporation and bylaws of Potlatch Holdings. The restated certificate of incorporation of Potlatch Holdings is substantially similar to Potlatch's restated certificate of incorporation, with the principal differences being that it provides for (i) 60 million additional authorized shares of common stock that will, among other things, provide additional shares for any future stock splits, to use as currency in connection with any future acquisitions, to issue in equity offerings to raise capital for any future acquisitions or other corporate purposes and, if necessary for the stock portion of the special E&P distribution described below; and (ii) restrictions on ownership of Potlatch Holdings common stock to facilitate compliance with the REIT rules. These ownership restrictions could delay, defer or prevent a transaction or a change of control of Potlatch Holdings that might involve a premium price for common stock of Potlatch Holdings or otherwise be in the best interests of its stockholders. The bylaws of Potlatch Holdings are substantially similar to Potlatch's bylaws, except that they will provide that physical certificates representing shares of Potlatch Holdings common stock will not be issued and instead shares will be issued electronically in book-entry form by way of direct registration.

We have attached to this proxy statement/prospectus a copy of the merger agreement as Annex A and a copy of the form of restated certificate of incorporation of Potlatch Holdings as Annex B.

Q: What is a taxable REIT subsidiary?

- A: A taxable REIT subsidiary, or TRS, is a taxable corporate subsidiary of a REIT that pays corporate tax at regular rates on its taxable income. Through Potlatch TRS, we will be able to hold and operate our non-timberland assets and businesses that cannot be operated directly by a REIT. These assets are comprised primarily of our 14 manufacturing facilities engaged in the manufacturing of wood products, pulp and paperboard and tissue products, assets used by Potlatch for the harvesting of timber and the sale of logs, and selected land parcels that we expect to sell or develop for higher and better use purposes following the REIT conversion.

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Our ability to receive dividends from Potlatch TRS is limited by the rules with which we must comply to maintain our status as a REIT. In particular, at least 75% of our gross income for each taxable year as a REIT must be derived from sales of our standing timber and other types of real

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estate income. No more than 25% of our gross income may consist of dividends from Potlatch TRS and other non-qualifying types of income. This limitation on our ability to receive dividends from Potlatch TRS will impact our ability to fund distributions to stockholders using cash flows from Potlatch TRS and, if Potlatch TRS were to become highly profitable, it would limit our ability to receive dividends from Potlatch TRS in an amount required to fund distributions to our stockholders commensurate with that profitability.

The aggregate value of all securities of TRSs held by a REIT may not exceed 20% of the value of the REIT's total assets. This limitation may affect our ability to make investments in our manufacturing operations or in other non-REIT qualifying operations. We will not seek a ruling from the Internal Revenue Service, or IRS, to the effect that we have satisfied the REIT asset tests. Under regulations promulgated by the U.S. Department of the Treasury, referred to in this proxy statement/prospectus as Treasury regulations, the value of the securities of Potlatch TRS may be established by a good faith determination of our board of directors. We believe that the value of the securities of Potlatch TRS will be determined to be substantially less than 20% of the value of the REIT's total assets. The board of directors will make a final determination with respect to compliance with this test prior to electing REIT status. If our board of directors concludes that we satisfy the REIT asset tests, the IRS may not agree with this determination and may assert that we fail to meet the REIT asset tests.

Q: Why do we intend to become a REIT?

A: We are planning to convert to a REIT primarily for the following reasons:

we expect to be better able to compete for timberland acquisitions against partnerships, timber REITs and other entities that are not subject to a corporate-level tax on timberland income distributed to stockholders and thus we benefit from a lower cost of capital compared to a regular C corporation;

the market tends to value highly the benefits of the REIT structure, together with the discipline of a higher distribution rate, based on the fact that the stocks of publicly held timber REITs generally trade at prices reflecting a higher multiple of cash flows compared to forest products companies that operate as regular C corporations;

as a REIT we expect to increase substantially our distributions to stockholders and as a result our stockholder base may expand to include investors attracted by yield as well as asset quality, resulting in greater liquidity for our common stock;

our stockholders are expected to benefit from increased distributions that we expect to make as a REIT;

a substantial portion of our taxable income is expected to be treated as net capital gains, which generally are eligible for the lower 15% income tax rate when distributed by us to individual stockholders or provide each stockholder a refundable tax credit when retained by us; and

our common stock may receive a higher stock market valuation as a result of increased cash flows and our ability to tax-efficiently increase our distributions.

To review the background of and the reasons for the REIT conversion in greater detail, and the related risks associated with the restructuring, see [Background of the REIT Conversion and Merger](#) beginning on page 38, [Our Reasons for the REIT Conversion and the Merger](#) beginning on page 40, and [Risk Factors](#) beginning on page 22.

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Q: Who will be our board of directors and executive management after the REIT conversion and the merger?

A: Until the time of the merger, we do not anticipate any changes in the existing board of directors or the executive management of Potlatch. After the merger, the existing board of directors of Potlatch and the executive management of Potlatch will be the board of directors and executive management, respectively, of Potlatch Holdings.

Q: What will I receive in connection with the merger? When will I receive it?

A: *Shares of Potlatch Holdings Common Stock*

At the time of the completion of the merger, you will receive one share of the new Potlatch Holdings common stock in exchange for each of your currently outstanding shares of Potlatch common stock.

Regular Quarterly Distributions

Following the REIT conversion and beginning in the first quarter of 2006, we expect to make regular, aggregate quarterly distributions of approximately \$19 million to our stockholders, or \$0.65 per share of Potlatch Holdings common stock based on approximately 29.2 million shares of Potlatch common stock outstanding as of September 30, 2005. This represents annual aggregate distributions of approximately \$76 million to our stockholders, or \$2.60 per share based on shares of Potlatch common stock outstanding as of September 30, 2005. The per share amount of the expected annual distribution will be less than \$2.60 per share because of the issuance of additional shares in the special E&P distribution. The actual annual distribution rate per share is expected to be equal to approximately \$76 million divided by the number of outstanding shares. The actual amount of Potlatch Holdings quarterly distributions will be determined and declared by our board of directors and will depend on, among other factors, our financial condition and earnings.

We estimate that, on an annual basis, we will have sufficient cash flow to make the expected distributions from the cash flows from our timber sales and manufacturing operations. This expectation is based primarily on our assumptions that our timberland portfolio and manufacturing operations will perform in the future similar to the manner they have performed in the past and that we will qualify for REIT status beginning on January 1, 2006. If our actual financial performance differs from our estimates or we fail to qualify for REIT status, our actual distributions could differ from our estimate. Factors that may influence our financial performance include timber prices, which fluctuate from time to time, and prices of our manufactured products, which have at times been volatile. **If you dispose of your shares before the record date for the first quarter distribution, you will not receive the first quarter distribution or any other regular quarterly distribution.**

Special E&P Distribution

A REIT is not permitted to retain earnings and profits accumulated during years when the company or its predecessor was taxed as a regular C corporation. Therefore, in order to qualify as a REIT, we plan to distribute these earnings and profits by making a one-time special distribution to stockholders payable, at the election of each stockholder, in cash, shares of Potlatch Holdings common stock, or a combination of both. We refer to this distribution as the special E&P distribution.

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We expect that the special E&P distribution will be declared and paid in the first quarter of 2006. We currently estimate that the aggregate value of the special E&P distribution will be in the range of approximately \$440 million to \$480 million, consisting of a combination of Potlatch Holdings common stock and cash. This may be adjusted by any amount that the board of directors

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determines is appropriate to protect Potlatch Holdings' ability to qualify as a REIT. We expect that we will need to borrow between \$36 million at the low end of the range, \$40 million at the middle of the estimated range, and \$44 million at the high end of the estimated range, in order to make the special E&P distribution, with the remaining approximately \$52 million made from cash on hand.

We will limit the total amount of cash payable in the special E&P distribution to a maximum of 20% of the total value of the special E&P distribution, or approximately \$88 million at the low end of the estimated range and \$96 million at the high end of the estimated range. The balance of the special E&P distribution, or approximately \$352 million at the low end of the estimated range and \$384 million at the high end of the estimated range, will be in the form of Potlatch Holdings common stock. The value attributable to the Potlatch Holdings common stock will be the average of the closing sales price of Potlatch Holdings common stock on the New York Stock Exchange as reported by The Wall Street Journal on the three trading days following the date election forms are due. If the total amount of cash elected by our stockholders exceeds 20% of the total value of the special E&P distribution, then each stockholder electing to receive 20% or less of the stockholder's portion in the form of cash will receive the elected portion, and each stockholder electing to receive more than 20% in the form of cash will receive 20% in the form of cash and an additional amount of cash, if any, determined by prorating the cash portion of other elections in excess of 20%. For example, if all of our stockholders elect to receive all cash, then 20% of the total value of the special E&P distribution to each stockholder would be in the form of cash and 80% would be in the form of Potlatch Holdings common stock.

Based on the number of shares of Potlatch common stock outstanding on September 30, 2005 and a \$460 million aggregate special E&P distribution, the middle point of our estimated range, the special E&P distribution would be approximately \$15.76 per share in cash or in Potlatch Holdings common stock. In this example, if every stockholder elected to receive 100% cash and if the average of the closing sales price of Potlatch Holdings common stock on the New York Stock Exchange as reported by The Wall Street Journal on the three trading days following the date election forms were due was \$47.00, each stockholder would receive \$3.15 in cash and 0.2682 shares of Potlatch Holdings common stock for each share of Potlatch Holdings common stock held on the record date for the special E&P distribution. If the holders of vested options to purchase Potlatch common stock were to exercise all vested options prior to the record date for the special E&P distribution, the per share amount would be reduced by \$0.54 per share to approximately \$15.22 per share in cash or in Potlatch Holdings common stock. In this case and using the assumptions in the previous example, each stockholder would receive \$3.04 in cash and 0.2591 shares of Potlatch Holdings common stock for each share of Potlatch Holdings common stock held on the record date for the special E&P distribution. Cash will be paid in lieu of any fractional shares otherwise resulting from the special E&P distribution calculation. The actual number of shares of Potlatch Holdings common stock distributed in the special E&P distribution will depend on the average of the closing sales price of Potlatch Holdings common stock on the New York Stock Exchange as reported by The Wall Street Journal on the three trading days following the date election forms are due.

The total amount of cash distributed will depend upon the extent to which our stockholders elect to receive cash rather than shares of Potlatch Holdings common stock, subject to the 20% limit on the total amount of cash to be distributed.

We have estimated our current and accumulated earnings and profits as of the end of 2005 using our historic tax returns through 2004. Our estimated 2005 taxable income is based on our current business plans and performance but will vary depending on, among other items, the timing of taxable transactions.

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If you dispose of your shares of Potlatch Holdings common stock before the record date for the special E&P distribution, you will not receive the special E&P distribution.

Q: What are some of the risks associated with the REIT conversion and the merger?

A: There are a number of risks relating to the REIT conversion, including the following:

if Potlatch Holdings fails to qualify as a REIT or fails to remain qualified as a REIT, we will have reduced funds available for distribution to our stockholders and our income will be subject to taxation at regular corporate rates without a deduction for dividends paid;

there is no assurance that the operating performance of our timberlands and manufacturing businesses will allow us to maintain or increase the expected initial distribution rate;

income from our REIT operations is expected to consist primarily of net capital gains and we could elect or be obligated under lending arrangements to retain rather than distribute these gains and still qualify as a REIT, causing our distribution amounts to fluctuate and resulting in smaller distributions relative to most other REITs whose income consists primarily of ordinary income;

the REIT conversion may not be completed, which could harm the price of Potlatch's common stock;

our use of Potlatch TRS may harm the price of Potlatch Holdings common stock relative to the stock prices of other REITs, which may not use TRSs as extensively as we will use Potlatch TRS;

there will be restrictions on ownership of Potlatch Holdings common stock; and

our management has no experience operating a REIT and we cannot assure you that our management will be able to manage successfully our business as a REIT.

To review the risks associated with the REIT conversion and the merger, see [Our Reasons for the REIT Conversion and the Merger](#) beginning on page 40 and [Risk Factors](#) beginning on page 22.

Q: When do we expect to complete the merger?

A: We expect to complete the merger and have it effective on or about January 27, 2006 or as soon as possible thereafter.

However, Potlatch reserves the right to cancel or defer the merger even if stockholders of Potlatch vote to adopt the merger agreement and the other conditions to the consummation of the merger are satisfied or waived if the board of directors determines that the merger is no longer in the best interests of Potlatch and its stockholders.

Q: When do we expect to convert to a REIT?

A: We expect to elect REIT status effective January 1, 2006. You are not being asked to vote on the REIT conversion and the REIT conversion is not conditioned upon stockholder approval of the merger. We reserve the right to cancel or defer the REIT conversion if the board of directors determines that it is not in the best interests of Potlatch's stockholders. Factors that would cause the board of directors to make this determination include an unanticipated event that adversely and materially impacts the economic benefits to Potlatch or its stockholders that are otherwise expected to result from the REIT conversion or an unanticipated event that is likely to result in Potlatch's or Potlatch Holdings' inability to qualify as a REIT.

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Q: Who can vote on adopting and approving the merger agreement and what vote is required?

A: Holders of Potlatch common stock at the close of business on [•], 2005, may vote at the special meeting to adopt and approve the merger agreement. The adoption and approval of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of Potlatch's common stock.

Q: How does the board of directors recommend I vote on the proposals?

A: Your board of directors believes that the merger is advisable and in the best interests of Potlatch and its stockholders. Your board of directors unanimously recommends that you vote **FOR** the adoption and approval of the merger agreement and **FOR** the adjournment of the special meeting, if necessary, to solicit additional proxies.

Q: Am I entitled to dissenters' rights?

A: Under Delaware law, you are not entitled to any dissenters' rights of appraisal in connection with the merger. You are not being asked to vote on the REIT conversion.

Q: When and where is the special meeting?

A: The special meeting will take place on [•], 2006 at 10:00 a.m., local time, at Hotel Lusso, North One Post Street, Spokane, Washington.

Q: Can I attend the special meeting and vote my shares in person?

A: Yes. All stockholders are invited to attend the special meeting. Stockholders of record on [•], 2005 can vote in person at the special meeting. If your shares are held through a broker, bank or other nominee, then you are not the stockholder of record and you must obtain a proxy, executed in your favor, from the record holder.

Q: If my shares are held in street name by my broker, will my broker vote my shares for me?

A: Your broker will provide you with instructions on voting your shares, and you should instruct your broker to vote your shares according to those instructions. Under the rules of the New York Stock Exchange, your broker is not permitted to vote your shares with respect to the proposals without your voting instructions.

Q: What do I need to do now?

A: You should carefully read and consider the information contained in this proxy statement/prospectus including its annexes. It contains important information about what the board of directors of Potlatch considered in evaluating the REIT conversion and the merger agreement.

You should then complete and sign your proxy card and return it in the enclosed envelope as soon as possible so that your shares will be represented at the special meeting, or vote your proxy by telephone or the Internet in accordance with the instructions on your proxy card. If your shares are held through a broker, bank or other nominee, you should receive a separate voting instruction

form with this proxy statement/prospectus.

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Q: Can I change my vote after I have mailed my signed proxy card?

A: Yes. You may change your vote at any time before your proxy is voted at the special meeting. If you are a stockholder of record, you can do this by giving written notice to our corporate secretary, by submitting another proxy with a later date, by attending the meeting and voting in person, via the Internet or by telephone. If you are a stockholder in street or nominee name, you should consult with the bank, broker or other nominee regarding that entity's procedures for revoking your voting instructions. See "Voting and Proxies" beginning on page 35.

Q: Should I send in my stock certificates now?

A: No. After the merger is completed, we will send to you instructions for surrendering your stock certificates that currently represent your existing Potlatch common stock for a statement listing the Potlatch Holdings common stock credited to your book-entry account.

Q: Will I receive physical certificates representing shares of Potlatch Holdings common stock following the merger?

A: No. Following the merger, physical certificates representing shares of Potlatch Holdings common stock will not be issued. Instead, Potlatch Holdings common stock will be issued electronically in book-entry form by way of direct registration, which will eliminate the physical handling and safekeeping responsibilities inherent in owning physical stock certificates and the need to return a duly executed stock certificate to effect a transfer. Many public companies are converting their share ownership to paperless, electronic registration because it is viewed as safer, cheaper and more convenient for stockholders than dealing with stock certificates. Computershare Investor Services, LLC, who will act as the registrar and transfer agent for Potlatch Holdings after the merger, will mail you a book-entry confirmation statement of your shares of Potlatch Holdings common stock.

Q: Where will my new Potlatch Holdings common stock be traded?

A: Potlatch Holdings will apply to list the new shares of Potlatch Holdings common stock on the New York Stock Exchange, the Chicago Stock Exchange and the Pacific Stock Exchange upon consummation of the merger. We expect that the new Potlatch Holdings common stock will trade under our current symbol "PCH" on each of these exchanges.

Q: Whom should I call with questions?

A: If you have any questions about the merger or if you would like additional copies of this proxy statement/prospectus, or a new proxy card, or if you have questions or need assistance with the completion of your proxy card, you should call D.F. King & Co., Inc., our proxy solicitor, at 1-800-207-3158.

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STRUCTURE OF THE TRANSACTION

In order to help you better understand the merger and how it will affect Potlatch, Potlatch Holdings, the Operating Subsidiary and Potlatch TRS, the charts below illustrate, in simplified form, the following:

Before: the organizational structure of Potlatch, Potlatch Holdings, the Operating Subsidiary and Potlatch TRS, and the transfer of manufacturing and other non-REIT assets to Potlatch TRS before the merger;

Merger and REIT Restructuring Transactions: the steps involved in, and the effects of, the merger of Potlatch with and into the Operating Subsidiary and the exchange of shares of Potlatch common stock for shares of Potlatch Holdings common stock; and

After: the organizational structure of Potlatch Holdings, the Operating Subsidiary and Potlatch TRS, but excluding other operating subsidiaries of the Operating Subsidiary, immediately after the completion of the transactions.

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SUMMARY

This summary highlights selected information from this proxy statement/prospectus and may not contain all of the information that is important to you. In order to fully understand the REIT conversion and the merger, you should carefully read this entire proxy statement/prospectus, the merger agreement attached as Annex A and the form of restated certificate of incorporation attached as Annex B. The form of restated certificate of incorporation attached as Annex B will be the restated certificate of incorporation governing your rights as a stockholder of Potlatch Holdings following the merger. For information about Potlatch and Potlatch's business, you should see the section entitled "Where You Can Find Additional Information" in the front part of this proxy statement/prospectus. For a discussion of the risk factors that you should carefully consider, see the section entitled "Risk Factors" beginning on page 22. Most items in this summary include a page reference directing you to a more complete description of that item.

The information contained in this proxy statement/prospectus, unless otherwise indicated, assumes the REIT conversion and all the transactions related to the REIT conversion, including the merger, will occur. When used in this proxy statement/prospectus, unless otherwise specifically stated or the context otherwise requires, the terms Company, Potlatch, we, our and us refer to Potlatch Corporation and its subsidiaries with respect to the period prior to the merger, and Potlatch Holdings and its subsidiaries including Potlatch Operating Company and Potlatch TRS with respect to the period after the merger.

The Companies

Potlatch Corporation

601 West Riverside Avenue, Suite 1100

Spokane, WA 99201

(509) 835-1500

www.potlatchcorp.com

Potlatch Corporation, or Potlatch, is a Delaware corporation that is a vertically integrated and diversified forest products company. Potlatch owns and manages approximately 1.5 million acres of timberlands and operates 14 manufacturing facilities engaged in the manufacturing of wood products, pulp and paperboard and tissue products. Potlatch's timberland is located in Arkansas, Idaho, Minnesota and Oregon and its manufacturing facilities are located in Arkansas, Idaho, Illinois, Michigan, Minnesota and Nevada. It is engaged principally in growing and harvesting timber and converting wood fiber into the two broad product lines of commodity wood products and bleached pulp products.

Potlatch's business is organized into four operating segments:

Resource, which manages Potlatch's 1.5 million acres of timberlands and supplies fiber from Potlatch's timberlands, as well as fiber purchased from outside sources, to its manufacturing facilities and manufacturing facilities owned by third

parties;

Wood Products, which manufactures and markets lumber, plywood and particleboard;

Pulp and Paperboard, which produces and markets bleached paperboard and bleached pulp; and

Consumer Products, which produces and markets household tissue products.

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Potlatch Holdings, Inc.

601 West Riverside Avenue, Suite 1100

Spokane, WA 99201

(509) 835-1500

Potlatch Holdings, Inc. is a Delaware corporation and is referred to in this proxy statement/prospectus as Potlatch Holdings. After the merger described below, Potlatch Holdings will be renamed Potlatch Corporation. Potlatch Holdings is a wholly owned subsidiary of Potlatch and was organized in Delaware on September 9, 2005 to succeed to and continue the business of Potlatch upon consummation of the merger of Potlatch into Potlatch Operating Company, which we refer to as the Operating Subsidiary. Prior to the merger, Potlatch Holdings will conduct no business other than that incident to the merger. Potlatch Holdings, the sole stockholder of the Operating Subsidiary, will conduct substantially all of the timberland and manufacturing operations currently conducted by Potlatch, directly or indirectly, through the Operating Subsidiary.

Potlatch Operating Company

601 West Riverside Avenue, Suite 1100

Spokane, WA 99201

(509) 835-1500

The Operating Subsidiary is a Delaware corporation organized on September 13, 2005. Potlatch Holdings is the sole stockholder of the Operating Subsidiary. Upon consummation of the merger, the Operating Subsidiary will hold, directly or indirectly, substantially all of Potlatch's assets. The Operating Subsidiary will be treated as a disregarded entity for federal income tax purposes. As a disregarded entity, all assets, liabilities, and items of income, deduction, and credit of the Operating Subsidiary will be treated as assets, liabilities, and items of income, deduction, and credit of Potlatch Holdings itself, including for purposes of the gross income and asset tests that will be applicable to Potlatch Holdings as described under the section titled Material Federal Income Tax Consequences beginning on page 109.

Potlatch Forest Products Corporation

601 West Riverside Avenue, Suite 1100

Spokane, WA 99201

(509) 835-1500

Potlatch Forest Products Corporation, which we refer to as Potlatch TRS, is a Delaware corporation organized on October 7, 2005. Potlatch is the sole stockholder of Potlatch TRS. On or prior to December 31, 2005, Potlatch will transfer to Potlatch TRS all of Potlatch's non REIT-qualifying assets and businesses, which are comprised primarily of Potlatch's 14 manufacturing facilities engaged in the manufacturing of wood products, pulp and paperboard and tissue products, assets used by Potlatch for the harvesting of timber and the sale of logs, and selected land parcels that Potlatch expects to sell or develop for higher and better

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use purposes following the REIT conversion. Potlatch TRS will elect to be treated as a taxable REIT subsidiary following the transfer. Although the net income of Potlatch TRS will be subject to corporate level federal income tax, the use of Potlatch TRS will enable Potlatch Holdings to continue to hold interests in these assets.

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General

The board of directors of Potlatch has approved a plan to restructure Potlatch's assets and business operations so that Potlatch will qualify as a REIT for federal income tax purposes. In this proxy statement/prospectus, we refer to the election of REIT status by Potlatch, the transfer by Potlatch to Potlatch TRS of Potlatch's non REIT-qualifying assets and businesses, and making of the special E&P distribution as the REIT conversion. The merger is designed to facilitate compliance with the REIT rules by implementing ownership limitations that generally restrict stockholders from owning more than 9.8% of our outstanding shares and increase the number of authorized shares. If we qualify as a REIT, we generally will not be subject to federal corporate income taxes on that portion of our capital gain or ordinary income from our REIT operations that is distributed to our stockholders. This treatment would substantially eliminate the federal double taxation on earnings from REIT operations, or taxation once at the corporate level and again at the stockholder level, that generally results from investment in a regular C corporation. However, as explained more fully below, our manufacturing operations, including our wood products, pulp and paperboard and tissue businesses, would continue to be subject to federal corporate income taxes.

We are distributing this proxy statement/prospectus to you as a holder of Potlatch common stock in connection with the solicitation of proxies by your board of directors for your approval of a proposal to approve and adopt the merger agreement. A copy of the merger agreement is attached to this proxy statement/prospectus as Annex A.

Potlatch reserves the right to cancel or defer the merger even if its stockholders vote to adopt the merger agreement and the other conditions to the consummation of the merger are satisfied or waived if the board of directors determines that the merger is no longer in the best interests of Potlatch and its stockholders. Potlatch reserves the right to cancel or defer the REIT conversion if the board of directors determines that it is not in the best interests of Potlatch's stockholders. Factors that would cause the board of directors to make this determination include an unanticipated event that adversely and materially impacts the economic benefits to Potlatch or its stockholders that are otherwise expected to result from the REIT conversion or an unanticipated event that is likely to result in Potlatch's or Potlatch Holdings' inability to qualify as a REIT.

We estimate that one-time transaction costs incurred or to be incurred in connection with the REIT conversion will be approximately \$8.3 million in the aggregate.

Board of Directors and Executive Management of Potlatch Holdings

Until the time of the merger, we do not anticipate any changes in the existing board of directors or the executive management of Potlatch. After the merger, the existing board of directors of Potlatch and the executive management of Potlatch will be the board of directors and executive management, respectively, of Potlatch Holdings.

Regulatory Approvals (See page 44)

We are not aware of any federal, state or local regulatory requirements that must be complied with or approvals that must be obtained prior to consummation of the merger pursuant to the merger agreement, other than compliance with applicable federal and state securities laws, the filing of a certificate of merger as required under the Delaware General Corporation Law and various

state governmental authorizations.

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Comparison of Rights of Stockholders of Potlatch and Potlatch Holdings (See page 102)

Your rights as a Potlatch stockholder are currently governed by the Delaware General Corporation Law, which we refer to as Delaware Corporate Law, Potlatch's restated certificate of incorporation and the bylaws of Potlatch. If the merger agreement is adopted and approved by Potlatch's stockholders and the merger is consummated, you will become a stockholder of Potlatch Holdings and your rights as a stockholder of Potlatch Holdings will be governed by Delaware Corporate Law, the restated certificate of incorporation of Potlatch Holdings and the bylaws of Potlatch Holdings. The bylaws of Potlatch Holdings will be substantially similar to Potlatch's bylaws, except that they will provide that physical certificates representing shares of Potlatch Holdings common stock will not be issued and instead shares will be issued electronically in book-entry form by way of direct registration. The restated certificate of incorporation of Potlatch Holdings, a form of which is attached as Annex B, is substantially similar to Potlatch's restated certificate of incorporation, except for two principal differences.

The first principal difference is that, primarily to satisfy requirements under the Internal Revenue Code that are applicable to REITs in general, the restated certificate of incorporation of Potlatch Holdings generally will prohibit any stockholder from owning more than 9.8% of the outstanding shares of Potlatch Holdings common stock or any other class or series of Potlatch Holdings preferred stock. There is an exception from this limitation for certain widely held mutual funds, which may own up to 20% of the outstanding shares of Potlatch Holdings common stock or any other class or series of Potlatch Holdings preferred stock. These limitations are subject to waiver or modification by the board of directors of Potlatch Holdings. These ownership restrictions could delay, defer or prevent a transaction or a change of control of Potlatch Holdings that might involve a premium price for common stock of Potlatch Holdings or otherwise be in the best interests of its stockholders.

The second principal difference is that Potlatch Holdings will possess a greater number of authorized but unissued shares of common stock. Potlatch's restated certificate of incorporation currently authorizes 40 million shares of common stock, approximately 29.2 million of which are outstanding as of September 30, 2005, and authorizes four million shares of preferred stock, none of which are outstanding as of September 30, 2005. Potlatch Holdings' restated certificate of incorporation will authorize 100 million shares of common stock and four million shares of preferred stock. This means that Potlatch Holdings will initially have 60 million more authorized shares of common stock than Potlatch. This increase in the number of authorized shares of common stock is intended to provide Potlatch Holdings with additional shares for any future stock splits, to use as currency in connection with any future acquisitions or to issue in equity offerings to raise capital for any future acquisitions or other corporate purposes. The additional shares will also provide Potlatch Holdings shares to fund the stock portion of the special E&P distribution in the event the approximately 10.8 million shares of Potlatch common stock available for issuance as of September 30, 2005 are less than the total number of shares to be distributed in the special E&P distribution.

Material Federal Income Tax Consequences of the Merger (See page 109)

Potlatch has received an opinion of counsel to the effect that the merger will qualify as a tax-free reorganization within the meaning of Section 368(a)(1)(F) of the Internal Revenue Code, and accordingly:

no gain or loss will be recognized by Potlatch, the Operating Subsidiary or Potlatch Holdings as a result of the merger;

you will not recognize any gain or loss upon the conversion of your shares of Potlatch common stock into Potlatch Holdings common stock, except possibly for certain stockholders

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who are not considered U.S. persons for purposes of the Internal Revenue Code and who own or have owned in excess of 5% of Potlatch's outstanding common stock;

the tax basis of the shares of Potlatch Holdings common stock that you receive pursuant to the merger in the aggregate will be the same as your adjusted tax basis in the shares of Potlatch common stock being converted in the merger, subject to any adjustment resulting from the special E&P distribution as discussed below; and

the holding period of shares of Potlatch Holdings common stock that you receive pursuant to the merger will include your holding period with respect to the shares of Potlatch common stock being converted in the merger, assuming that your Potlatch common stock was held as a capital asset at the effective time of the merger.

The federal income tax treatment of holders of our stock depends in some instances on determinations of fact and interpretations of complex provisions of federal income tax law for which no clear precedent or authority may be available. In addition, the tax consequences of holding our stock to any particular stockholder will depend on the stockholder's particular tax circumstances. You are urged to consult your tax advisor regarding the specific tax consequences, including the federal, state, local, and foreign tax consequences, to you in light of your particular investment or tax circumstances of acquiring, holding, exchanging or otherwise disposing of our stock.

Material Federal Income Tax Consequences of the Special E&P Distribution (See page 110)

Generally, the special E&P distribution will be a taxable distribution to you to the extent that the special E&P distribution is made out of your share of the portion of the current and accumulated earnings and profits of Potlatch and Potlatch Holdings allocable to the special E&P distribution, regardless of whether you elect to receive cash, shares of Potlatch Holdings common stock or a combination of both. For federal income tax purposes, any distribution in excess of your portion of the current and accumulated earnings and profits of Potlatch Holdings allocable to the special E&P distribution will first constitute a tax free return of capital, to the extent of your basis in your shares of Potlatch Holdings common stock, and then as capital gain, assuming you hold your shares as capital assets.

Taxation of Potlatch Following the REIT Conversion (See page 111)

We expect to qualify as a REIT for federal income tax purposes effective for our taxable year commencing January 1, 2006 and ending December 31, 2006. If we so qualify, we will be permitted to deduct distributions paid to our stockholders, allowing the income represented by such distributions to avoid taxation at the entity level and to be taxed only at the stockholder level, although the earnings of Potlatch TRS, which will hold our manufacturing operations, will be subject to federal corporate income tax. We will also be permitted to treat retained net capital gains in a manner so that such gains are taxed at the corporate level but are effectively passed through as a refundable credit at the stockholder level. We will, however, be subject to a separate corporate income tax on any gains recognized during the ten years following the REIT conversion that are attributable to built-in gain with respect to the assets that we own on January 1, 2006. This separate tax would be paid by us. Our ability to qualify as a REIT will depend upon our continuing compliance following the REIT conversion with various requirements, including requirements related to the nature of our assets, the sources of our income and the distributions to our stockholders. If we fail to qualify as a REIT, we will be subject to federal income tax at regular corporate rates. Even if we qualify for taxation as a REIT, we may be subject to some federal, state and local taxes on our income and property.

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Recommendation of the Board of Directors (See page 35)

Your board of directors believes that the merger is advisable for Potlatch and its stockholders and unanimously recommends that you vote **FOR** the adoption and approval of the merger agreement and **FOR** the adjournment of the special meeting, if necessary, to solicit additional proxies.

Date, Time, Place and Purpose of Special Meeting (See page 35)

The special meeting will be held at Hotel Lusso, North One Post Street, Spokane, Washington, on [•], 2006 at 10:00 a.m., local time, to consider and vote upon the proposals described in the notice of special meeting of stockholders of Potlatch.

Stockholders Entitled to Vote (See page 35)

The board of directors has fixed the close of business on [•], 2005 as the record date for the determination of stockholders entitled to receive notice of, and to vote at, the special meeting. As of [•], 2005, there were [•] shares of Potlatch common stock outstanding and entitled to vote and [•] holders of record.

Vote Required; No Dissenters' Rights (See pages 37 and 45)

The affirmative vote of a majority of the shares of Potlatch common stock entitled to vote at the special meeting is required to adopt the merger agreement. Under Delaware Corporate Law, you will not be entitled to dissenters' rights of appraisal as a result of the merger. You are not being asked to vote on the REIT conversion.

Potlatch reserves the right to cancel or defer the merger even if its stockholders vote to adopt the merger agreement and the other conditions to the consummation of the merger are satisfied or waived if the board of directors determines that the merger is no longer in the best interests of Potlatch and its stockholders. Potlatch reserves the right to cancel or defer the REIT conversion if the REIT conversion cannot be completed by December 31, 2005 or if the board of directors determines that it is not in the best interests of Potlatch's stockholders.

Table of Contents**Historical Market Price and Dividend Data of Potlatch Common Stock**

Potlatch common stock is listed on the New York Stock Exchange, or NYSE, the Chicago Stock Exchange and the Pacific Stock Exchange under the symbol PCH.

The following table presents the reported high and low sale prices of Potlatch common stock on the NYSE and dividend data, in each case for the periods presented and as reported in the New York Stock Exchange Composite Transaction report. On September 16, 2005, the last full trading day prior to the public announcement of the proposed REIT conversion, the closing sale price of Potlatch common stock on the NYSE was \$55.69 per share. On [•], 2005, the latest practicable date before the printing of this proxy statement/prospectus, the closing sale price of Potlatch common stock on the NYSE was \$[•] per share. You should obtain a current stock price quotation for Potlatch common stock.

	<u>High</u>	<u>Low</u>	<u>Dividend</u>
Year Ending December 31, 2005			
Fourth Quarter (through December 15, 2005)	\$ 52.88	\$ 43.45	\$ 0.15
Third Quarter	59.07	51.39	0.15
Second Quarter	54.70	44.68	0.15
First Quarter	50.25	45.39	0.15
Year Ended December 31, 2004			
Fourth Quarter*	\$ 51.90	\$ 44.00	\$ 0.15
Third Quarter	46.81	37.61	0.15
Second Quarter	41.83	34.77	0.15
First Quarter	43.55	35.46	0.15
Year Ended December 31, 2003			
Fourth Quarter	\$ 35.95	\$ 29.90	\$ 0.15
Third Quarter	31.90	25.35	0.15
Second Quarter	26.10	20.00	0.15
First Quarter	25.10	18.75	0.15

* In addition to the regular quarterly dividend payments, a special dividend in the amount of \$2.50 per share of common stock was paid in the fourth quarter of 2004. The dividend represented one part of Potlatch's board of directors' authorization to return to stockholders a portion of the proceeds received from the September 2004 sale of Potlatch's oriented strand board, or OSB, operations.

It is expected that, upon consummation of the merger, the Potlatch Holdings common stock will be listed and traded on the NYSE, the Chicago Stock Exchange and the Pacific Stock Exchange in the same manner as shares of Potlatch common stock currently trade on each of these exchanges. The historical trading prices of Potlatch's common stock are not necessarily indicative of the future trading prices of Potlatch Holdings common stock because, among other things, the current stock price of Potlatch reflects the current market valuation of Potlatch's current business and assets, including the cash or stock to be distributed in connection with the special E&P distribution, and does not necessarily take into account the changes in Potlatch's business and operations that will occur in connection with the REIT conversion. See Risk Factors. The current market price of our common stock may not be indicative of the market price of our common stock following the REIT conversion and the special E&P distribution on page 24.

Table of Contents**SUMMARY UNAUDITED PRO FORMA CONDENSED FINANCIAL DATA**

The following table presents selected financial data from the unaudited pro forma consolidated statement of operations for the year ended December 31, 2004 and nine months ended September 30, 2005 and from the unaudited pro forma consolidated balance sheet as of September 30, 2005 included in this proxy statement/prospectus. The unaudited pro forma balance sheet is presented as if the REIT conversion, including the expected special E&P distribution, had occurred on September 30, 2005. The unaudited pro forma consolidated statement of operations for the year ended December 31, 2004 and for the nine months ended September 30, 2005 presents the effects of the anticipated transactions as though they occurred at the beginning of 2004, but calculated as they are expected to occur based on actual data as of September 30, 2005. The unaudited pro forma condensed financial data are based on the estimates and assumptions set forth in the notes to such statements, which are preliminary and have been made solely for the purposes of developing such pro forma information. The unaudited pro forma condensed financial data are not necessarily indicative of the financial position or operating results that would have been achieved had the REIT conversion, including the expected special E&P distribution, been consummated as of the dates indicated, nor are they necessarily indicative of future financial position or operating results. This information should be read in conjunction with the unaudited pro forma consolidated financial statements and related notes and the historical financial statements and related notes of Potlatch included in or incorporated by reference into this proxy statement/prospectus.

Potlatch expects to make a special E&P distribution of between \$440 million and \$480 million, comprised of a combination of cash and Potlatch Holdings common stock, in conjunction with the proposed REIT election. This distribution is currently projected to be paid in the first quarter of 2006. Depending on actual cash versus stock elections by existing stockholders, the cash versus stock components of the special E&P distribution could vary. The potential results are shown below in the All Stock and Expected columns. The All Stock columns assume a special E&P distribution of \$460 million, which is the middle of the estimated range, comprised entirely of Potlatch Holdings common stock. The Expected columns assume a special E&P distribution of \$460 million, comprised of 20% cash, or \$92 million, and 80% stock, or \$368 million in Potlatch Holdings common stock. For purposes of the value of the Potlatch Holdings common stock portion of the special E&P distribution, an assumed per share price of \$52.12 was used, which was the closing sale price of Potlatch common stock on the NYSE on September 30, 2005. These and other assumptions used in the following pro forma consolidated financial data are described under Pro Forma Financial Information beginning on page 64.

	Pro forma		Pro forma	
	For the year ended December 31, 2004		For the nine months ended September 30, 2005	
	Range of results		Range of results	
	All Stock	Expected	All Stock	Expected
(in thousands)				
Statement of Operations				
Net sales	\$ 1,353,714	\$ 1,353,714	\$ 1,110,564	\$ 1,110,564
Costs and expenses	1,260,985	1,260,985	1,053,498	1,053,498
Income from operations	92,729	92,729	57,066	57,066
Interest expense, net	(45,863)	(47,563)	(21,722)	(22,997)
Debt retirement costs	(25,186)	(25,186)		
Interest income	3,617	2,733	1,827	657
Provision (benefit) for taxes	(9,001)	(9,350)	(3,044)	(3,494)
Income from continuing operations	34,298	32,063	40,215	38,220

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	Pro forma	
	As of September 30, 2005	
	All Stock	Expected
(in thousands)		
Balance Sheet		
Cash and short-term investments	\$ 63,066	\$ 11,066
Receivables, net of allowance for doubtful accounts	115,024	115,024
Inventories	201,231	201,231
Total current assets	396,514	344,514
Plant and equipment, at cost less accumulated depreciation	595,665	595,665
Timber, timberlands and related logging facilities	405,022	405,022
Total assets	1,628,919	1,576,919
Total current liabilities	167,565	167,565
Long-term debt	333,087	373,087
Other long-term obligations	243,344	243,344
Total stockholders' equity	741,358	649,358

Comparative Historical and Pro Forma Per Share Data

The following tables set forth selected historical per share data for Potlatch and selected unaudited pro forma per share data after giving effect to the REIT conversion, including the expected special E&P distribution at an assumed aggregate amount of \$460 million, the middle of the estimated range. You should read this information in conjunction with the selected historical financial information included elsewhere in this proxy statement/prospectus and the historical financial statements and related notes that are incorporated in this proxy statement/prospectus by reference. The pro forma per share amounts have been computed using the assumptions described on page 64 under Pro Forma Financial Information. The unaudited pro forma consolidated financial data are presented for informational purposes only. You should not rely on the pro forma financial data as an indication of the financial position or results of operations of future periods or the results that actually would have been realized had the REIT conversion occurred prior to the periods presented.

Historical Data Per Share

The historical book value per share data presented below is computed by dividing total stockholders' equity of \$671.4 million and \$692.0 million on December 31, 2004 and September 30, 2005, respectively, by the number of shares outstanding on those dates.

	As of or for the year ended December 31, 2004	As of or for the nine months ended September 30, 2005
Income from continuing operations per share:		
Basic	\$ 0.52	\$ 0.79
Diluted	0.52	0.79
Dividends	3.10	0.45

Book value per share	23.22	23.70
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Unaudited Pro Forma Per Share Data

The range of pro forma book value per share data is computed by dividing pro forma total stockholders' equity of \$741.4 million and \$649.4 million by 38.0 million and 36.3 million for the all stock and expected pro forma assumptions, respectively, representing the range of pro forma shares of common stock that would have been outstanding on September 30, 2005.

	<u>Year ended</u> <u>December 31, 2004</u>		<u>Nine months ended</u> <u>September 30, 2005</u>	
	<u>Pro forma range</u>		<u>Pro forma range</u>	
	<u>All stock</u>	<u>Expected</u>	<u>All stock</u>	<u>Expected</u>
Income from continuing operations per share:				
Basic	\$ 0.90	\$ 0.88	\$ 1.06	\$ 1.06
Diluted	0.89	0.87	1.05	1.05
Dividends(1)	3.10	3.10	0.45	0.45
Book value per share(2)			19.50	17.91

(1) Pro forma results exclude calculation of distributions that would be required for a REIT.

(2) Pro forma book value per share is only calculated for a September 30, 2005 conversion date.

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RISK FACTORS

*In addition to the other information in this proxy statement/prospectus, you should carefully consider the following risk factors relating to the proposed REIT conversion and the merger in determining whether or not to vote for adoption of the merger agreement. You should carefully consider the additional risks described in Potlatch's annual, quarterly and current reports, including those identified in Potlatch's annual report on Form 10-K for the year ended December 31, 2004. See the section entitled *Where You Can Find Additional Information*. This section includes or refers to certain forward-looking statements. You should refer to the explanation of the qualifications and limitations on these forward-looking statements on page 34.*

Risks and Effects of the Merger and the REIT Conversion

If we fail to qualify as a REIT or fail to remain qualified as a REIT, we will have reduced funds available for distribution to our stockholders and our income will be subject to taxation at regular corporate rates.

We are not currently a REIT. Our board of directors has authorized us to take the steps necessary to elect to be taxed as a REIT, effective for our taxable year commencing January 1, 2006. In order to qualify as a REIT, we will need to transfer our non-qualifying REIT businesses and assets to Potlatch TRS. These non-qualifying REIT businesses and assets consist primarily of our 14 manufacturing facilities engaged in the manufacturing of wood products, pulp and paperboard and tissue products, assets used by us for the harvesting of timber and the sale of logs, and selected land parcels that we expect to sell or develop for higher and better use purposes following the REIT conversion. We might not complete the REIT conversion by January 1, 2006.

Although we do not intend to request a ruling from the Internal Revenue Service, or IRS, as to our qualification as a REIT, we have received an opinion of Skadden, Arps, Slate, Meagher & Flom LLP to the effect that following completion of the proposed transactions for the REIT conversion, and as of January 1, 2006, we will be organized in conformity with the requirements for qualification as a REIT under the Internal Revenue Code of 1986, as amended, or the Code, and our proposed method of operation will enable us to meet the requirements for qualification and taxation as a REIT. Investors should be aware, however, that opinions of counsel are not binding on the IRS or any court. The opinion of Skadden, Arps represents only the view of our counsel based on our counsel's review and analysis of existing law and on certain representations as to factual matters and covenants made by us, including representations relating to the values of our assets and the sources of our income and the future conduct of our business operations. Given the highly complex nature of the rules governing REITs, the ongoing importance of factual determinations, and the possibility of future changes in our circumstances, no assurance can be given by Skadden, Arps or us that we will so qualify for any particular year. The opinion of Skadden, Arps as to our qualification as a REIT is expressed as of the date issued and does not cover subsequent periods. Counsel will have no obligation to advise us or the holders of our stock of any subsequent change in the matters stated, represented or assumed, or of any subsequent change in the applicable law. You should be aware that the IRS could challenge the conclusions set forth in such opinions.

Furthermore, both the validity of the opinion of Skadden, Arps and our qualification as a REIT will depend on our satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis, all of the results of which will not be monitored by Skadden, Arps. Our ability to satisfy the asset tests will depend upon our analysis of the fair market values of our assets, some of which are not susceptible to a precise determination. Our compliance with the REIT income and quarterly asset requirements also depends upon our ability to successfully manage the composition of our income and assets on an ongoing basis. The IRS could contend that any interests in Potlatch TRS or securities of other issuers would give rise to a violation of the REIT requirements.

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If in any taxable year we fail to qualify as a REIT,

we will not be allowed a deduction for dividends to stockholders in computing our taxable income; and

we will be subject to federal income tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates.

Any such corporate tax liability could be substantial and would reduce the amount of cash available for distribution to our stockholders, which in turn could have an adverse impact on the value of our common stock. In addition, we will be disqualified from treatment as a REIT for the four taxable years following the year during which the qualification was lost, unless we are entitled to relief under certain statutory provisions. As a result, net income and the funds available for distribution to our stockholders could be reduced for up to five years or longer, which would have an adverse impact on the value of our common stock.

Our cash distributions are not guaranteed and may be less than the expected distribution rate.

Because of the expected nature of our income from our REIT operations, we may not be required to distribute material amounts of cash to qualify as a REIT. REITs generally are required to distribute only 90% of their ordinary taxable income and not their net capital gains income. We expect that for the foreseeable future, our income from our REIT operations will consist primarily of net capital gains resulting from payments we receive under timber cutting contracts. As a result, in contrast to REITs that principally earn ordinary income, we could elect to retain rather than distribute all or a portion of our net long-term capital gains and still maintain our status as a REIT. To the extent that we elect to retain our net capital gains:

we would be required to pay the tax on such gains at regular corporate rates;

our stockholders, although required to include their proportionate share of the undistributed long-term capital gain in income, would receive a refundable credit for their share of the tax paid by us; and

the basis of a stockholder's stock would be increased by the amount of the undistributed long-term capital gains (minus the amount of the tax on capital gains paid by us which was included in income by the stockholder).

Our board of directors has indicated its current intention to make distributions at an aggregate quarterly rate of approximately \$19 million, or \$0.65 per share based on shares outstanding as of September 30, 2005. The actual quarterly distribution amounts per share will be proportionately reduced after additional shares are issued in connection with the special E&P distribution and as a result will be less than \$0.65 per share. If our cash available for distribution falls short of our estimates, we may be unable to maintain the proposed initial distribution rate or have to borrow money to make the distribution. Our board of directors, in its sole discretion, will determine, on a quarterly basis, the actual amount of distributions to be made to our stockholders based on consideration of a number of factors including, but not limited to, our results of operations, cash flow and capital requirements, economic conditions, tax considerations, borrowing capacity and other factors, including debt covenant restrictions that may impose limitations on cash payments, future acquisitions and divestitures, harvest levels and changes in the price and demand for timber and our manufactured products. Consequently, our distribution levels may fluctuate. If we lower our distribution amount or elect or are required to retain rather than distribute our income, our stock price could be adversely affected.

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As a REIT, we will be limited in our ability to fund distributions using cash generated through Potlatch TRS.

Our ability to receive dividends from Potlatch TRS is limited by the rules with which we must comply to maintain our status as a REIT. In particular, at least 75% of our gross income for each taxable year as a REIT must be derived from sales of our standing timber and other types of real estate income. No more than 25% of our gross income may consist of dividends from Potlatch TRS and other non-qualifying types of income. Our pro forma gross income from REIT operations for tax purposes for the twelve months ended September 30, 2005 was approximately \$110 million. Assuming our gross income from REIT operations in any taxable year was \$110 million, then the maximum amount of dividends we would be able to receive in that year from Potlatch TRS, together with other non-qualifying types of income, would be limited to approximately \$36 million. This limitation on our ability to receive dividends from Potlatch TRS will impact our ability to fund distributions to stockholders using cash flows from Potlatch TRS and, if Potlatch TRS were to become highly profitable, it would limit our ability to receive dividends from Potlatch TRS in an amount required to fund distributions to our stockholders commensurate with that profitability. The net income of Potlatch TRS is not required to be distributed to us, and income that is not distributed to us will not be subject to the 90% income distribution requirement.

The current market price of our common stock may not be indicative of the market price of our common stock following the REIT conversion and the special E&P distribution.

Our current share price may not be indicative of how the market will value our common stock following the REIT conversion because of the effect of the actual distribution of shares of our common stock and cash in connection with the special E&P distribution, the change in our organization from a taxable C corporation to a REIT and the change in our distribution policy, when implemented. Our current stock price does not necessarily take into account these effects and changes in our business and operations, and the stock price after the REIT conversion and the special E&P distribution could be lower than the current price. Furthermore, one of the factors that may influence the price of our common stock will be the yield from distributions by us on our common stock compared to yields on other financial instruments. If, for example, an increase in market interest rates results in higher yields on other financial instruments, the market price of our common stock could be adversely affected.

Because the timing of the REIT conversion is not certain, we may not realize the anticipated tax benefits from the REIT conversion effective January 1, 2006.

The timing of the REIT conversion will depend on our ability to complete successfully the required transactions for qualification as a REIT. We anticipate that the REIT conversion will be effective on January 1, 2006, but the effective date of the conversion could be delayed. If the transactions contemplated by the conversion are delayed, we may not be qualified to elect REIT status effective January 1, 2006. In that event, the benefits attributable to our status as a REIT, including our ability to reduce our corporate-level federal income tax, would not commence January 1, 2006, and we would continue to pay corporate-level income taxes on all of our income. In addition, any delay in our ability to qualify as a REIT could affect our ability to increase our distributions to stockholders over historical levels until the time, if ever, the REIT conversion occurs.

There are uncertainties relating to the estimate of our special E&P distribution, which could result in our disqualification as a REIT.

In order to qualify as a REIT, we will be required to distribute to our stockholders all of our accumulated non-REIT tax earnings and profits, or E&P, prior to the end of our first taxable year as a REIT, which we expect will be the taxable period ending December 31,

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2006. Failure to make the special E&P distribution before December 31, 2006 would result in our disqualification as a REIT. The determination of the amount to be distributed in the special E&P distribution is a complex factual and

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legal determination. We may have less than complete information at the time we undertake our analysis or may interpret the applicable law differently than the IRS. We currently believe and intend that our special E&P distribution will equal the amount required to be distributed in order to satisfy the requirements relating to the distribution of E&P. There are, however, substantial uncertainties relating to the determination of our special E&P distribution, including the possibility that the IRS could, in any audits for tax years through 2005, successfully assert that our taxable income should be increased, which would increase our E&P. Thus, we might fail to satisfy the requirement that we distribute all of our E&P by the close of our first taxable year as a REIT. Moreover, although there are procedures available to cure a failure to distribute all of our E&P, we cannot now determine whether we will be able to take advantage of them or the economic impact on us of doing so.

We intend that the special E&P distribution will be a taxable dividend, notwithstanding any elections by stockholders to receive all or part of their portions of the special E&P distribution in the form of stock rather than cash.

We intend that the entire amount of the special E&P distribution to be received by each stockholder will be treated for federal income tax purposes as a taxable dividend, regardless of whether a stockholder receives its portion of the special E&P distribution in the form of cash or shares of our common stock or a combination of cash and shares of our common stock. Therefore, a stockholder that receives its portion of the special E&P distribution entirely in the form of shares of our common stock would be treated for federal income tax purposes as having received a taxable dividend from us, as would a stockholder that receives its portion of the special E&P distribution entirely in cash or partly in cash and partly in the form of shares of our common stock. As a result, you may have to sell shares of Potlatch Holdings common stock or otherwise obtain funds to pay for the tax resulting from the special E&P distribution.

The extent of our proposed use of Potlatch TRS may affect the price of our common stock relative to the share price of other REITs.

Following our election to be taxed as a REIT, we intend to conduct our wood products, pulp and paperboard and tissue businesses through Potlatch TRS. We also intend to transfer to Potlatch TRS the assets used by Potlatch for the harvesting of timber and the sale of logs and selected land parcels that we expect to sell or develop for higher and better use purposes following the REIT conversion. The businesses and assets that will be transferred by us to Potlatch TRS primarily include the assets and operations of our Wood Products segment, Pulp and Paperboard segment and Consumer Products segment. These three segments collectively reported operating income of approximately \$36.7 million in the nine months ended September 30, 2005 and operating income of approximately \$69.2 million in the year ended December 31, 2004.

Our use of Potlatch TRS will enable us to engage in the non-REIT qualifying business activities described above. However, under the Code, no more than 20% of the value of the assets of a REIT may be represented by securities of one or more TRSs. This limitation may affect our ability to make investments in our manufacturing operations or in other non-REIT qualifying operations. Furthermore, the fact that the income of Potlatch TRS will be subject to corporate-level tax may cause the market to attribute less value to our common stock than to shares of other REITs, which may not use TRSs as extensively as we will and as a result generally are not subject to corporate taxes to the same extent as we may be.

Our management has never operated a REIT and our future returns could be lower as a result.

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No member of our management team has prior experience managing or operating a REIT. The federal income tax laws impose numerous constraints on the operations of REITs. Our management team's lack of experience in managing a portfolio of assets under such constraints may hinder our

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ability to maintain our distribution policy. In addition, maintaining our REIT qualification will limit the types of investments or business expansions we are able to make. Our management team's focus on compliance with the highly complex REIT rules may distract its attention from other business concerns. As a result, our management may not be able to replicate our historical performance, and we caution you that our returns in the future could be lower.

Certain of our business activities are potentially subject to prohibited transactions tax on 100% of our net income, which would reduce our cash flow and impair our ability to make distributions.

REITs are generally intended to be passive entities and can thus only engage in those activities permitted by the Code, which for us generally include: owning and managing a timberland portfolio; growing timber; and selling standing timber. Accordingly, the manufacture and sale by us of wood products, pulp and paperboard, tissue products, certain types of timberlands sales, if any, and the harvest and sale of logs will be conducted through Potlatch TRS because such activities generate non-qualifying REIT income and could constitute prohibited transactions if such activities were engaged in directly by the REIT. In general, prohibited transactions are defined by the Code to be sales or other dispositions of property held primarily for sale to customers in the ordinary course of a trade or business.

By conducting our business in this manner, we believe we will satisfy the REIT requirements of the Code and avoid the 100% tax that could be imposed if a REIT were to conduct a prohibited transaction. We may not always be successful, however, in limiting such activities to Potlatch TRS. Therefore, we could be subject to the 100% prohibited transactions tax if such instances were to occur, which would adversely affect our cash flow and impair our ability to make quarterly distributions.

We will have potential deferred and contingent tax liabilities, which could limit, delay or impede future sales of our properties.

Under regulations promulgated by the U.S. Department of the Treasury, referred to in this proxy statement/prospectus as Treasury regulations, if, during the ten-year period beginning on the first day of the first taxable year for which we qualified as a REIT, which is expected to be January 1, 2006, we recognize gain on the disposition of any property, other than the sale of standing timber pursuant to a timber cutting contract, that we held as of that date, then, to the extent of the excess of (i) the fair market value of such property as of that date over (ii) our adjusted income tax basis in such property as of that date, we will be required to pay a corporate level federal income tax on this gain at the highest regular corporate rate. There can be no assurance that these triggering dispositions will not occur and these regulations could limit, delay or impede future sales of our properties.

In addition, the IRS may assert liabilities against us for corporate income taxes for taxable years prior to the time we qualify as a REIT, in which case we will owe these taxes plus interest and penalties, if any. Moreover, any increase in taxable income will result in an increase in accumulated E&P, which could require us to pay an additional taxable distribution to our then-existing stockholders, if we qualify under rules for curing this type of default, or result in our disqualification as a REIT.

Legislative or other actions affecting REITs could have a negative effect on our business and our stock price.

The rules dealing with federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Department of the Treasury. Changes to the tax laws affecting REITs, which may have retroactive application,

could adversely affect our investors or us. We cannot predict how changes in the tax laws might affect our investors or us. Accordingly, we

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cannot assure you that new legislation, Treasury regulations, administrative interpretations or court decisions will not significantly affect our ability to qualify as a REIT or the federal income tax consequences of such qualification.

We may face other tax liabilities as a REIT that reduce our cash flow.

Even if we become qualified for taxation as a REIT, we may be subject to certain federal, state and local taxes on our income and assets, including state or local income, property and transfer taxes. Any of these taxes would decrease cash available for distribution to our stockholders. In addition, in order to meet the REIT qualification requirements, or to avert the imposition of a 100% tax that applies to certain gains derived by a REIT from prohibited transactions, such as sales of our manufactured products or sales of logs, we will hold some of our assets through Potlatch TRS. Potlatch TRS is a corporation that will be subject to corporate-level income tax at regular rates.

State tax laws may not conform to federal tax law and may result in less favorable tax treatment.

Though we expect to qualify as a REIT in 2006 for federal income tax purposes, our qualification as a REIT under the laws of each individual state will depend, among other things, on that state's conformity with federal tax law. If you live in a state whose tax laws do not conform to the federal tax treatment of REITs, even if we do not do business in that state, cash distributions to you may be characterized as ordinary income rather than capital gains for purposes of computing your state taxes. You should consult with your tax advisor concerning the state tax consequences of an investment in our common stock.

Distributions to non-U.S. stockholders generally are subject to federal income tax withholding.

Ordinary dividends received by non-U.S. stockholders that are not effectively connected with the conduct of a U.S. trade or business generally are subject to U.S. withholding tax at a rate of 30%, unless reduced by an applicable income tax treaty. We anticipate that our REIT distributions that are taxable to you, other than the special E&P distribution, will primarily be treated as capital gains. Under the provisions of the Foreign Investment in Real Property Tax Act, which applies to non-U.S. stockholders, capital gain distributions generally are subject to withholding at a rate of 35% to non-U.S. stockholders who own more than 5% of our common stock and 30% to other non-U.S. stockholders unless, in each case, reduced by an applicable income tax treaty. These distributions are treated as effectively connected income and may also be subject to a 30% branch profits tax in the hands of a non-U.S. stockholder that is a corporation.

Since the total cash payable to stockholders in the special E&P distribution will be limited, your receipt of cash is dependent on the election of others.

We plan to limit the total amount of cash to be distributed in connection with the special E&P distribution to 20% of the special E&P distribution. The total amount of cash distributed will depend upon the extent to which our stockholders elect to receive cash rather than shares of our common stock. If the total amount of cash elected by our stockholders exceeds the maximum amount of cash to be distributed in connection with the special E&P distribution, then the maximum amount of cash will be prorated among our stockholders making cash elections. Therefore, you may not receive the proportions of cash and stock that you elect.

We cannot assure you that we will have access to funds to meet our distribution and tax obligations.

In addition to the special E&P distribution requirement, we will be subject to a 4% nondeductible excise tax on the amount of our undistributed income if certain distribution requirements are not met.

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We also could be required to pay taxes attributable to periods and events prior to the REIT conversion and additional taxes in the event we were to fail to qualify as a REIT. In addition, unless we elect to retain earnings, we will generally be required to refinance debt that matures with additional debt or equity. The amount of funds available to us could be insufficient to meet our distribution and tax obligations.

Any future acquisitions may harm our results of operations and cash flow.

Among the reasons for the REIT conversion is that Potlatch Holdings will be better able to compete for acquisitions of timberlands against other entities that use tax-efficient structures. We cannot assure you, however, that any timberland acquisitions will occur or that any acquisition that is consummated will enhance our results of operations or cash flow. In addition, acquisitions typically involve many risks, including:

assumption of liabilities of which we are unaware at the time of acquisition;