

POTLATCH CORP  
Form 8-K  
September 27, 2004

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, DC 20549**

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**FORM 8-K**

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**CURRENT REPORT PURSUANT**  
**TO SECTION 13 OR 15(d) OF THE**  
**SECURITIES EXCHANGE ACT OF 1934**

**Date of Report: September 22, 2004**

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**POTLATCH CORPORATION**

(Exact name of registrant as specified in its charter)

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

**1-5313**  
(Commission File Number)

**82-0156045**  
(I.R.S. Employer

Identification Number)

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

**99201**  
(Zip Code)

**509-835-1500**

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(Registrant's telephone number, including area code)

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 2.01. Completion of Acquisition or Disposition of Assets**

On August 25, 2004, Potlatch Corporation announced that it had signed a definitive agreement for the sale of Potlatch's three oriented strand board (OSB) manufacturing facilities and related assets in Bemidji, Cook and Grand Rapids, Minnesota, to Ainsworth Lumber Co. Ltd. The announcement was included in a Current Report on Form 8-K filed with the Commission on August 30, 2004.

On September 22, 2004, Potlatch Corporation completed the previously announced sale. In consideration for the transfer of the assets, Ainsworth Lumber Co. Ltd. paid Potlatch Corporation approximately \$454.7 million in cash and assumed certain working capital liabilities and other liabilities related to the OSB business. Actual cash proceeds are subject to various post-closing adjustments, principally with respect to changes in working capital. There is no material relationship, other than in respect of the transaction, between Ainsworth Lumber Co. Ltd. and Potlatch Corporation or any of its affiliates, or a director or officer of Potlatch Corporation, or any associate of any such director or officer.

**Item 9.01. Financial Statements and Exhibits**

(a) *Financial Statements of Businesses Acquired.*

Not applicable.

(b) *Pro Forma Financial Information.*

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Potlatch Corporation and Consolidated Subsidiaries

Pro Forma Statements of Operations

Six Months Ended June 30, 2004

Unaudited (Dollars in thousands - except per-share amounts)

|   | <u>Historical</u> | <u>Pro Forma<br/>Adjustments (a)</u> | <u>Pro Forma<br/>Results</u> |
|---|-------------------|--------------------------------------|------------------------------|
| Net sales   | \$ 893,061        | \$ (233,287)                         | \$ 659,774                   |
| Costs and expenses:   |                   |                                      |                              |
| Depreciation, amortization and cost of fee timber harvested | 52,124            | (7,793)                              | 44,331                       |
| Materials, labor and other operating expenses               | 652,554           | (106,380)                            | 546,174                      |
| Selling, general and administrative expenses                | 45,477            | (2,491)                              | 42,986                       |
| Restructuring charges                                       | 1,193             |                                      | 1,193                        |
|   | <u>751,348</u>    | <u>(116,664)</u>                     | <u>634,684</u>               |
| Earnings from operations                                    | 141,713           | (116,623)                            | 25,090                       |
| Interest expense  | (24,338)          |                                      | (24,338)                     |
| Interest income   | 619               |                                      | 619                          |
| Earnings before taxes                                       | 117,994           | (116,623)                            | 1,371                        |
| Provision for taxes   | 46,608            | (46,066)                             | 542                          |
| Earnings from continuing operations                         | 71,386            | (70,557)                             | 829                          |
| Discontinued operations:                                    |                   |                                      |                              |
| Earnings from discontinued operations                       |                   | 116,623                              | 116,623                      |
| Income tax provision  |                   | 46,066                               | 46,066                       |
| Net earnings  | <u>\$ 71,386</u>  | <u>\$</u>                            | <u>\$ 71,386</u>             |
| Earnings per common share from continuing operations:       |                   |                                      |                              |
| Basic   | \$ 2.43           | \$ (2.40)                            | \$ .03                       |
| Diluted   | 2.42              | (2.39)                               | .03                          |
| Net earnings per common share:                              |                   |                                      |                              |
| Basic   | 2.43              |                                      | 2.43                         |
| Diluted   | 2.42              |                                      | 2.42                         |
| Average shares outstanding (in thousands):                  |                   |                                      |                              |
| Basic   | 29,372            |                                      | 29,372                       |
| Diluted   | 29,487            |                                      | 29,487                       |

(a) see Explanatory Notes

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Potlatch Corporation and Consolidated Subsidiaries

Pro Forma Statements of Operations

Year Ended December 31, 2003

Unaudited (Dollars in thousands - except per-share amounts)

|  | <u>Historical</u> | <u>Pro Forma<br/>Adjustments (a)</u> | <u>Pro Forma<br/>Results</u> |
|--|-------------------|--------------------------------------|------------------------------|
| Net sales  | \$ 1,506,634      | \$ (314,197)                         | \$ 1,192,437                 |
| Costs and expenses:  |                   |                                      |                              |
| Depreciation, amortization and cost of fee timber harvested  | 104,859           | (15,872)                             | 88,987                       |
| Materials, labor and other operating expenses                | 1,207,086         | (200,300)                            | 1,006,786                    |
| Selling, general and administrative expenses                 | 80,280            | (4,480)                              | 75,800                       |
| Restructuring charges  | (476)             |                                      | (476)                        |
|  | <u>1,391,749</u>  | <u>(220,652)</u>                     | <u>1,171,097</u>             |
| Earnings from operations                                     | 114,885           | (93,545)                             | 21,340                       |
| Interest expense   | (48,172)          |                                      | (48,172)                     |
| Debt retirement costs  | (248)             |                                      | (248)                        |
| Interest income  | 14,090            |                                      | 14,090                       |
| Earnings (loss) before taxes                                 | 80,555            | (93,545)                             | (12,990)                     |
| Provision (benefit) for taxes                                | 27,334            | (36,482)                             | (9,148)                      |
| Earnings (loss) from continuing operations                   | 53,221            | (57,063)                             | (3,842)                      |
| Discontinued operations:                                     |                   |                                      |                              |
| Earnings (loss) from discontinued operations                 | (4,089)           | 93,545                               | 89,456                       |
| Income tax provision (benefit)                               | (1,595)           | 36,482                               | 34,887                       |
| Net earnings   | <u>\$ 50,727</u>  | <u>\$</u>                            | <u>\$ 50,727</u>             |
| Earnings (loss) per common share from continuing operations: |                   |                                      |                              |
| Basic  | \$ 1.85           | \$ (1.98)                            | \$ (.13)                     |
| Diluted  | 1.85              | (1.98)                               | (.13)                        |
| Net earnings per common share:                               |                   |                                      |                              |
| Basic  | 1.77              |                                      | 1.77                         |
| Diluted  | 1.77              |                                      | 1.77                         |
| Average shares outstanding (in thousands):                   |                   |                                      |                              |
| Basic  | 28,706            |                                      | 28,706                       |
| Diluted  | 28,718            |                                      | 28,718                       |

(a) see Explanatory Notes

## Potlatch Corporation and Consolidated Subsidiaries

## Pro Forma Balance Sheet

June 30, 2004

Unaudited (Dollars in thousands)

|  | <u>Historical</u>   | <u>Pro Forma<br/>Adjustments (b)</u> | <u>Pro Forma<br/>Results</u> |
|--|---------------------|--------------------------------------|------------------------------|
| <b>Assets</b>  |                     |                                      |                              |
| Current assets:  |                     |                                      |                              |
| Cash   | \$ 9,981            | \$ 454,650                           | \$ 464,631                   |
| Short-term investments                                     | 194,625             |                                      | 194,625                      |
| Receivables, net   | 123,027             | (18,902)                             | 104,125                      |
| Inventories  | 138,219             | (24,834)                             | 113,385                      |
| Prepaid expenses   | 20,511              | (78)                                 | 20,433                       |
|  | <u>486,363</u>      | <u>410,836</u>                       | <u>897,199</u>               |
| Total current assets                                       | 486,363             | 410,836                              | 897,199                      |
| Land other than timberlands                                | 9,325               | (981)                                | 8,344                        |
| Plant and equipment, at cost less accumulated depreciation | 718,212             | (134,175)                            | 584,037                      |
| Timber, timberlands and related logging facilities         | 401,936             | (1,928)                              | 400,008                      |
| Other assets   | 119,479             | (215)                                | 119,264                      |
|  | <u>\$ 1,735,315</u> | <u>\$ 273,537</u>                    | <u>\$ 2,008,852</u>          |
| <b>Liabilities and Stockholders' Equity</b>                |                     |                                      |                              |
| Current liabilities:                                       |                     |                                      |                              |
| Current installments on long-term debt                     | \$ 1,106            | \$                                   | \$ 1,106                     |
| Accounts payable and accrued liabilities                   | 171,127             | 74,062                               | 245,189                      |
|  | <u>172,233</u>      | <u>74,062</u>                        | <u>246,295</u>               |
| Total current liabilities                                  | 172,233             | 74,062                               | 246,295                      |
| Long-term debt   | 617,194             |                                      | 617,194                      |
| Other long-term obligations                                | 271,999             |                                      | 271,999                      |
| Deferred taxes   | 118,331             | 32,034                               | 150,365                      |
| Stockholders' equity                                       | 555,558             | 167,441                              | 722,999                      |
|  | <u>\$ 1,735,315</u> | <u>\$ 273,537</u>                    | <u>\$ 2,008,852</u>          |

(b) see Explanatory Notes

Explanatory Notes

(a) The unaudited pro forma statements of operations presented herein reflect the results for Potlatch Corporation as historically reported, adjusted for the company's sale of its oriented strand board (OSB) manufacturing facilities and related assets in Bemidji, Cook and Grand Rapids, Minnesota, to Ainsworth Lumber Co. Ltd. Net sales, costs and expenses and the provision for taxes on income have been adjusted to remove from continuing operations for the respective periods the historical results for the OSB operations.

(b) The unaudited pro forma balance sheet presented reflects the financial position of Potlatch Corporation as of June 30, 2004, as historically reported, and as adjusted for the sale described in the previous paragraph as if it had occurred on the balance sheet date. Included in the balance sheet are assumed proceeds from the sale of the OSB manufacturing facilities of \$454.7 million and an estimated accrual for expenses related to the sale of \$8 million, as well as the corresponding effect on accrued income taxes, deferred income taxes and stockholders' equity for the resulting net gain.

The pro forma financial information is illustrative of the effects of the sale of the OSB manufacturing facilities on our operations and does not necessarily reflect the results of operations that would have been reported had the sale actually occurred on those dates. In addition, the pro forma financial information is not necessarily indicative of our future financial condition or results of operations.

(c) *Exhibits.*

The following exhibit is filed as part of this report:

- 2.1 Asset Purchase Agreement, dated as of August 25, 2004, between Potlatch Corporation and Ainsworth Lumber Co. Ltd. (the Registrant agrees to furnish supplementally to the Commission upon request a copy of any omitted schedule).

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: September 27, 2004

POTLATCH CORPORATION

By: /s/ Malcolm A. Ryerse

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Malcolm A. Ryerse  
Corporate Secretary



EXHIBIT INDEX

| <u>Exhibit</u> | <u>Description</u>   |
|----------------|--|
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