

Potlatch Corporation Receives Certification on Nearly Half Million Acres of Arkansas Forestlands

WILL PROVIDE SOUTHERN YELLOW PINE DIMENSIONAL LUMBER

[NEW CERTIFICATION] Potlatch Corporation (NYSE: PCH) Chairman and Chief Executive Officer L. Pendleton Siegel was presented last month with the FSC forest management certificate for the company's 473,000 acres of forestland in Arkansas. SmartWood, an FSC-accredited certifier, and program of the Rainforest Alliance, granted the certification

In addition, the company's pine sawmill at Warren, Arkansas, has received FSC's chain-of-custody certification and is therefore authorized to market its southern yellow pine dimensional lumber products with the FSC label.

The Arkansas certification follows by one year the precedent-setting FSC certification of Potlatch's 667,000 acres in Idaho along with chain-of-custody certification of the company's Idaho lumber and plywood manufacturing operations.

Roger Dower, President of FSC-US, stated, "I am happy that Potlatch continues to show their commitment to the Principles of FSC by seeking certification for their lands in Arkansas. There is an ever-increasing demand for FSC-certified wood in the forest products marketplace, and the wood harvested from this land will be a great boon in helping to meet that demand. The certification of Potlatch lands in Arkansas is a perfect demonstration of how the FSC system can change the practice of forestry through the marketplace."

"There appears to be a growing trend among large building products retailers, secondary manufacturers, architects, contractors and governments at all levels toward preferences for certified products, including FSC-certified products," Siegel stated. He noted that Arkansas Governor Huckabee had recently signed legislation that promotes the conservation of natural resources through the use of sustainable building rating systems. "This trend fits well with Potlatch's commitment to forestland stewardship, and we expect to grow with it," he said. He added that third-party certification demonstrates the company's commitment publicly

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Loy Jones (I), Smartwood Senior Forester, is pictured presenting Penn Siegel, Chairman and CEO of Potlatch Corporation, with documentation of the company's certification of its 473,000 acres in Arkansas under the standards of the internationally recognized Forest Stewardship Council - US.

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Q&A: Rainforest Action Network

FSC MEMBER RAN HELPS TO FACILITATE POLICIES WITH MAJOR FINANCIAL INSTITUTIONS

[NEWS] Rainforest Action Network (RAN) has been a member of FSC since 1996. RAN facilitated a recent policy announcement by financial giant JP Morgan Chase that could have a great potential positive impact on forests globally. In effect, the policy gives preference for investment in forestry operations that are FSC-certified. They also specifically state that they will not knowingly finance companies that are involved in illegal logging, and notes that compliance with the FSC Controlled Wood Standard is one tool that they will employ to ensure a company's claims.

FSC-US recently interviewed Ilyse Hogue, Global Finance Campaign Director, about RAN's programs and the impact of the JP Morgan Chase policy.

Q: Please give us a brief introduction to RAN and what your position is with RAN.

Rainforest Action Network is a grassroots organization that campaigns to transform the global marketplace. We seek to shift markets away from endeavors that destroy the world's remaining old growth forests, threaten their traditional inhabitants, and accelerate climate destabilization. For the last 5 years, I have been the Global Finance Campaign Director, focusing on Wall Street's role in financing unsustainable projects in endangered ecosystems and advocating for large private banks to use their economic leverage to promote sustainable alternatives.

Q: What does RAN see as the biggest threats to the conservation of natural forests?

In an increasingly global and complicated world, I think we cannot identify a single threat to the remaining forests; specific threats vary regionally — in some parts of the world, the expansion of soy crops are the primary threat; in others, it is extraction of fossil fuels; still, in others, it is unchecked industrial expansion forcing poverty stricken people further into pristine areas. The common denominator is an export economy, where those involved in the decision-making and consumption of forest products are removed and insulated from the real impacts of their choices.

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The Forestland Group Earns Certification on 1.5M Acres

FIRST TIMO IN THE WORLD TO HAVE ENTIRE PORTFOLIO FSC-CERTIFIED

[NEW CERTIFICATION] The Forestland Group, LLC (TFG) earned FSC forest management certification last month for the approximately 1.5 million acres it currently manages in eleven states — Michigan, New York, Pennsylvania, West Virginia, Tennessee, Virginia, Kentucky, North Carolina, Texas, Missouri and Maryland. SmartWood, a program of the Rainforest Alliance, granted the certification. TFG originally earned FSC certification for a 32,000-acre tract of land along the Emory River in Tennessee. Five years later, TFG is the only timberland investment management organization (TIMO) in the world to preside over an entire portfolio that has been certified according to the terms of the FSC.

Based in Chapel Hill, NC, TFG was formed in 1995 to pursue investments primarily in naturally regenerating hardwood and pine forests for institutional investors. The firm focuses on naturally regenerating hardwood and pine forests containing considerable volumes of intermediately aged, vigorous timber stands. Carefully administered harvesting during the management phase enables TFG to generate periodic cash flow for investors and accelerate the biological growth of the



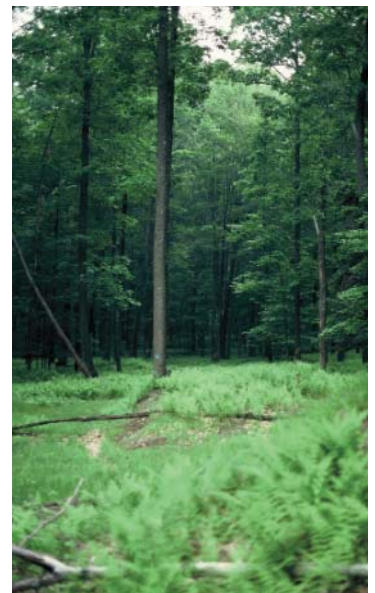
remaining timber. The primary product of the firm's acquisition and management strategies is valuable saw timber. Using proven financial and forest management concepts, TFG creates value for investors and works to achieve good financial returns on diversified portfolios of forestland.

TFG believes in being a responsible steward of the land and follows the principles of sustainable forestry. Forestland management plans are designed on a tract-by-tract basis, paying careful attention to each property's unique biological habitat and diversity. The firm's goal is to seek competitive returns while maintaining the productive capacity of the forest.

Today, TFG is one of a steadily growing number of TIMOs that have emerged to organize and manage partnerships of institutional investors. "With all of the turnover in forest ownership, TIMOs are playing an increasingly important role by channeling investment money from pension funds and other investors into the forest. If managed appropriately, they can provide income to investors and manage land sustainably, and [FSC] certification provides the assurance they are managing according to our standards," SmartWood Senior Forester Loy Jones.

According to TFG's Director of Forest Information Systems Kaarsten Turner Dalby, FSC certification is helping TFG to:

- Differentiate their product in the marketplace;
- Differentiate their private equity funds for investors as well as provide a level of comfort and accountability to their limited partners;
- Eliminate extensive negotiations in conservation easement agreements;
- Possibly reduce certain stringent characteristics of potential future state legislation.



According to SmartWood Director and Chief of Forestry Richard Z. Donovan, "there are times when you need leaders to set the stage for changes throughout an industry. In the TIMO sector, and for commercial forestland managers in general, TFG has stepped up to fulfill that role. Fortunately they are not alone — we are seeing other TIMOs also move in this direction. But being first only happens once, and TFG is the first TIMO in the world to have the breadth and depth of vision to try and show that commercial forestland management, forest conservation and FSC certification make sense."

For more information, visit www.forestlandgroup.com
Rainforest Alliance contributed to this report.

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Q: Please describe RAN's work with financial institutions, and why RAN thinks it is important for these institutions to develop policies around forest lending?

The private financial sector has evolved to the key determinant in what projects move forward around the globe and where. Regardless of the industry or location, all projects that threaten the forests share the need for capital investment, which is increasingly provided by Wall Street, which has historically had no mechanism by which to factor in environmental effects in lending decisions. Policies in the financial sector around lending in old growth forests, in effect, represent a holistic solution to a complicated problem. By

shifting the way investment choices are weighed, we can hope to begin the construction of an economy based on restoration and not destruction.

Q: Please briefly describe the recent announcement by JP Morgan, RAN's involvement, and why this announcement is important.

The recent announcement by JP Morgan Chase (JPMC) is significant on two discreet levels. First, in the most sophisticated approach that we have seen yet from the sector, the financial institution has made commitments to honor the definitions of the science based Wye River Process to determine endangered forests and has placed those forests

off limits for investments in industrial extraction. This will further a multi-stakeholder process to determine and protect those regions in the global forests that are most in peril. Additionally, this is the first policy from a US financial institution that shows clear preference for FSC, thus protecting a wider range of forestland and promoting good stewardship practices. The second level of significance is that the JPMC policy is the third from a major US financial institution, representing a tipping point in the industry. Other policies have been announced by City Group and Bank of America. The writing is now clearly on Wall Street; the only choice left is which side of history the remaining banks will go down on.



MN Logger Coop First in Nation to be FSC-Certified

GAP IN SUPPLY CHAIN FILLED BY FOREST MANAGEMENT SYSTEMS COOPERATIVE

[NEW CERTIFICATION] A major gap in the sustainable wood industry was filled in April when, for the first time in the U.S., a Minnesota logger's cooperative received certification from an international certification body. The certification paves the way for much greater volume of certified wood to be delivered to companies seeking it.

The certification came from the SmartWood program of the Rainforest Alliance, which is accredited to certify under the Forest Stewardship Council's (FSC) standards of ecologically sound forestry. FSC certification provides assurance that the forestry being practiced meets the highest available economic, social, and environmental standards of good forestry. Forest products from certified forests are marketed worldwide using the FSC trademark.

"Loggers play a central role in the management of millions of acres of forest land in the U.S.," said Roger Dower, President of FSC-US. "FSC-US is extremely pleased that this cooperative representing nine loggers has made the decision to seek FSC certification. The very nature of a certified logging cooperative represents a unique approach to promoting efficient use of resources for the good of the forest."

The Aurora-based Forest Management Systems Cooperative is composed of nine companies located from Brainerd to the Iron Range to Finland. Previously, there was only one FSC-certified chain-of-custody logging and trucking company in the whole state of Minnesota.

"We're doing things sustainably, we're an environmentally conscious group, and we hope to set a new standard in logging," said Cari Johnson, a forester who worked with the cooperative on the certification process. "We're hoping in the future it will help supply the local mills with much needed certified wood."

Jerry Birchem, owner of Birchem Logging, Inc. said, "we are confident that this also increases the level of trust between private landowners and



loggers by assuring that the wood harvested is accurately accounted."

"Our customers are very pleased that we have achieved this certification" said David Wallin, Executive Director of the Cooperative. "In addition, our Cooperative members are pursuing Master Logger Certification. This will make it possible to certify smaller tracts of private land, which is becoming more important as the demand increases for certified forest products."

Many of the Co-op's customers have expressed a concern about future requirements of certified wood. Fred Souba Jr, Vice President Wood Procurement at Stora Enso said, "I wish to congratulate FMS on receiving their FSC chain-of-custody certification that will track their wood from harvest sites to a mill. Stora Enso believes it is important to develop certified chain-of-custody and tracing systems that will help meet customer requirements. I appreciate the proactive approach taken by FMS and in the future would anticipate other wood producers developing similar programs."

"The certification of this logger's cooperative could ultimately result in a 10-fold increase in certified wood that is available in the marketplace," said Don Arnosti, Director of the Institute for Agriculture and Trade Policy's Community Forest Resource Center. CFRC helped finance the FSC certification process for the logger's cooperative with funds from the McKnight Foundation.

For more information, go to: www.forestrycenter.org.

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in ways that can benefit shareholders as well as society and the environment.

Siegel added that the company's third-party certifications continue to be instrumental in securing public and private support for cooperative conservation easements, which produce additional value for Potlatch shareholders. Conservation easements are currently under consideration in Arkansas, with the goal of maintaining private forestland for sustainable management and public access. "We expect our FSC certification to provide additional benefits in that area by making our lands more attractive candidates for easement purchases," he said.

The Potlatch Chief Executive Officer also praised the company's dedicated resource professionals and foresters in Arkansas. "In the final analysis, it is our forestry professionals, working on the ground, that make it possible for us to earn third party certifications," he said. "It is their commitment to stewardship in the forest that makes the difference," said Siegel.

"By certifying its forest land in Arkansas as sustainably managed, Potlatch is once again raising the bar for the entire timber industry. This illustrates that sustainable forestry can and should be a part of any successful timber industry business plan," stated David Carruth, a National Wildlife Federation Board Member.

For more information see Potlatch Corporation's website at www.potlatchcorp.com.



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