

POTLATCH FOREST HOLDINGS, INC.

NOTICE OF TIMBER SALE - INVITATION TO BID

SALE NAME: Flat Patch East

Sale Number: 2007-3-1

Sale Type: Pay as Cut – Oral Auction.

Date/Place of Sale: Oral Auction for Qualified Bidders will be held at:
Date: 3/20/07
Time: 10:30 am
Address: Potlatch Main Lewiston Office
805 Mill Road
P.O. Box 1388
Lewiston, ID 83501
Large Conference Room / Check-in at Front Desk

Timber Sale Location: Approximately 1 air-mile west of Pierce, Idaho

See sale area maps for location.

Legal Description: Parts of Section 10, Township 36 North,
Range 5 East

The Timber Sale includes the following Species, Volume, and Price Estimates. **Estimated Volume Summary is to a 5 1/2" top dib and 10' minimum log length for sawlogs:**

<u>Species</u>	<u>Appraised Value/Unit</u>	<u>Estimated Net Volume</u>	<u>Total Estimated Value</u>
Grand Fir	\$ <u>235.00</u> /mbf	<u>3080</u> mbf	\$ <u>723,800.00</u>
Western Hemlock **	\$ <u>235.00</u> /mbf	<u>0</u> mbf	\$ <u>0.00</u>
Douglas-Fir	\$ <u>325.00</u> /mbf	<u>331</u> mbf	\$ <u>107,575.00</u>
Larch	\$ <u>325.00</u> /mbf	<u>36</u> mbf	\$ <u>11,700.00</u>
Cedar *	\$ <u>535.00</u> /mbf	<u>11</u> mbf	\$ <u>5,885.00</u>
Ponderosa Pine **	\$ <u>200.00</u> /mbf	<u>0</u> mbf	\$ <u>0.00</u>
White Pine *	\$ <u>325.00</u> /mbf	<u>57</u> mbf	\$ <u>18,525.00</u>
Lodgepole Pine **	\$ <u>215.00</u> /mbf	<u>0</u> mbf	\$ <u>0.00</u>
Engelmann Spruce **	\$ <u>215.00</u> /mbf	<u>0</u> mbf	\$ <u>0.00</u>
Subalpine Fir **	\$ <u>215.00</u> /mbf	<u>0</u> mbf	\$ <u>0.00</u>
Total Net Saw		<u>3515</u> mbf	\$ <u>867,485.00</u>
Cedar Products (opt.) *	\$ <u>95.00</u> /mbf	<u>5</u> mbf	\$ <u>0.00</u>
Pulp (opt.) *	\$ <u>10.00</u> /ton	<u>210</u> tons	\$ <u>0.00</u>
Tonwood (opt.) *	\$ <u>10.00</u> /ton	<u>756</u> tons	\$ <u>0.00</u>
Total Estimated Gross Sale Value			\$ <u>867,485.00</u>

Development Costs \$ 0.00

Total Estimated Net Sale Value \$ 867,485.00

* Overbids shall not be applied to these species/products.

** Volumes not estimated for these species

POTLATCH FOREST HOLDINGS, INC. MAKES NO WARRANTY OR REPRESENTATION AS TO THE ACTUAL QUANTITY OR QUALITY OF TIMBER IN THE SALE AREA.

Sale Description:

Flat Patch East (Sale No. 2007-3-1) is a well-roaded timber sale located approximately 1 air mile west of Pierce, Idaho. It is a 100% ground skid unit (see Site Activity Plan for harvest equipment restrictions). The sale is accessed from Highway 11 via ½ mile of dirt road.

Developments

There are no developments in this sale.

Cost and Charges

1. Day of Sale - Prospective bidders must present a certified check, cashiers check, or bid bond in an acceptable form made payable to Potlatch Forest Holdings, Inc., in the amount of **ten percent (10%)** of the Total Estimated Net Sale Value stated above as a **Bid Guaranty**. For the successful bidder, the Bid Guaranty will be held until the signed contract and Cash Deposit have been completed, returned and approved by Potlatch. Unsuccessful bidders will have the Bid Guaranty returned after award of the sale.

10 Percent Bid Guaranty = \$ 86,749.00

2. Upon execution of the contract, Purchaser will submit a **Cash Deposit** acceptable to Potlatch Forest Holdings, Inc., in an amount equal to **ten percent (10%)** of the Total Estimated Net Sale Value as bid.
3. Prior to start of timber sale operations, Purchaser shall provide a **Performance Guaranty** which assures Purchaser's performance of this Contract in accordance with its terms. The Performance Guaranty may be in the form of a performance bond or Evergreen (Irrevocable) letter of credit, cashiers check or certified check in an amount equal to **fifteen percent (15%)** of the Total Estimated Net Sale Value as bid.
4. Prior to start of timber sale operations, the Purchaser will either: (a) pay for the timber covered by the contract in advance of cutting or (b) in addition to the Performance Guaranty described above, post a **Payment Bond**, Evergreen (Irrevocable) letter of credit, cashiers check or certified check in an amount equal to **fifteen percent (15%)** of the Total Estimated Net Sale Value as bid.

Remittance Requirements

All financial guaranties will name Potlatch Forest Holdings, Inc., P.O. Box 1388, Lewiston, ID 83501 as payee/obligee.

Hazard Management / Road Maintenance

Purchaser will be responsible to perform hazard management and road maintenance activities as specified in the timber sale contract.

Duration of Sale

All Contract requirements must be completed by 3/31/08 (expiration date).

Remarks

This prospectus gives only a brief description of the sale and consequently may not conform entirely to the timber sale contract. If there are differences between the prospectus and the contract, the contract shall be final and binding. Additional information regarding the sale may be obtained from the Potlatch website: <http://timbersales.potlatchcorp.com/id> or by direct contact to:

Don Rayner
Potlatch Forest Holdings, Inc
HC64 Box 1009
Headquarters, ID 83546

Phone: 208-464-2521
Email: Don.Rayner@potlatchcorp.com

Potlatch Forest Holdings, Inc does not warrant the volume, quality, or grade of the forest products listed, the correctness of any estimate of surface conditions, harvest appraisals, or any other pre-bid documents prepared by Potlatch Forest Holdings, Inc. The purchaser has had the opportunity to inspect the forest products and sale area and should rely on their own examination and appraisal. The descriptions, volumes, and appraisals prepared by Potlatch Forest Holdings are for appraisal purposes only. The forest products will be conveyed "as is".

Bidding Procedure

Bidders must be pre-qualified through an application and approval process. Procedures and application forms are available on the Potlatch website:

<http://timbersales.potlatchcorp.com/id>.

Qualified Bidders must:

1. Present a Bid Guaranty in the form of a certified check, cashiers check, or acceptable bid bond in an amount equal to Ten Percent (10%) of the Total Estimated Net Sale Value as stated above.
2. Follow Oral Auction Bid Procedures as posted on the website.

All bids are irrevocable for five business days after they are tendered. Potlatch Forest Holdings, Inc., is not obligated to accept the highest bid and reserves the right to reject any and all bids.

The successful bidder will be required to execute a Pay as Cut Timber Sale Contract in a form available for review on the Potlatch website and provide the Cash Deposit within fourteen (14) days of notice of acceptance of the bid.

Payment

Purchaser will be responsible for scaling of all delivered products using Idaho State Board of Scaling Practices. Terms and conditions of scaling process will require written mutual agreement. Seller reserves the right to check scale delivered loads at its sole discretion. Scale receipts will be delivered weekly to the contract specified address.

Twice-monthly as billed by Potlatch Forest Holdings, Inc., the Purchaser will pay for stumpage delivered. Penalty fees and interest will be charged for late payments.

Other Conditions of Sale

For a full listing of all sale requirements see the Pay as Cut Timber Sale Contract and the Site Activity Plan.

1. **Insurance Required:** \$1,000,000 Commercial General Liability, \$1,000,000 Automobile Liability and \$1,000,000 Loggers Broad Form, Statutory worker's compensation insurance covering owners/employee's.
2. **Logger Certification:** All logging contractors and sub-contractors, including contractors doing felling, yarding and truck loading, are required to be accredited under the Idaho Pro-Logger Program.
3. **Contractor Approval:** Buyer shall submit to Potlatch for approval a list of all contractors and subcontractors who will be conducting logging operations related to the timber sale prior to start of any operations. Contractors currently on Potlatch's "Approved Contractors List" are automatically approved. All other contractors must be approved in writing by Potlatch prior to start of harvest operations.
4. **Environmental Guidelines/Training:** Buyer shall comply with the requirements set forth in Potlatch's Environmental Management System: **Policy and Management Guidelines for Forest Operations** (available at request). Buyers and contractors (key personnel) that have not previously received annual training on these guidelines must complete a mandatory training session (approximately 2-4 hours in length) before being approved for timber sale operations.
5. **Utilization Specifications:** Purchaser is required to remove all merchantable material as specified within Pay as Cut Timber Sale Contract.