

# Potlatch

**Richard B. Madden**  
Chairman and Chief Executive Officer

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November 25, 1986

Securities and Exchange Commission  
ATTN: Jonathan G. Katz, Secretary  
450 Fifth Street, N. W.  
Washington, D. C. 20549

RE: File No. SR-NYSE-86-17

Dear Commissioners:

As Chairman of the Board and Chief Executive Officer of Potlatch Corporation, a New York Stock Exchange listed company, I am writing to register the support of the Company and its Board of Directors for the proposed rule change relating to Amendments to the Exchange's Voting Rights Listing Standards for Domestic Companies, notice of which appeared in the Federal Register on Wednesday, October 22, 1986. In addition to registering our support, I can also advise you that at a special meeting of the stockholders, held on December 12, 1985 (proxy statement dated October 22, 1985, enclosed), a majority of the Company's public stockholders and all of its independent directors (13 of a total of 15 directors) approved an amendment to the Company's Restated Certificate of Incorporation to permit "time phased voting" in connection with our single class of common stock.

The Company believes that in recent years short-term speculative investors have exercised undue influence in the governance of publicly traded companies. This has caused some companies to be overly concerned with short-term performance at the expense of the long-term best interests of such companies and their stockholders.

Potlatch Corporation is solely in the forest products business which is a cyclic industry. It takes many years to grow a tree and to receive a return on the heavy investment required for its harvest and conversion into wood and pulp-based products. Our Board of Directors and a majority of our stockholders share a commitment to a long-term view in the management of the Company's affairs even in the face of changing economic cycles within the industry. Thus, for many decades Potlatch has emphasized long-range planning and the dedication of the Company's resources to long-term goals.

"Time phased voting" gives such long-term committed stockholders a greater voice in the Company's affairs than short-term investors. On the date of the charter amendment, all

beneficial owners of the Company's common stock were considered long-term holders and became entitled to four votes per share. After that date, as shares have been sold, new owners have one vote per share until they have indicated their long-term commitment to the Company by holding their stock for four years, after which they are entitled to four votes per share. Therefore, a raider can gain immediate control of the Company by acquiring 81% of the stock whereas an investor can gain control by buying 51% of the stock and holding it for four years.

We believe, and events since the passage of the Company's "time phased voting" amendment have demonstrated, that many of the arguments advanced against adoption of the proposed rule change are without merit:

1. Corporate democracy has not been sacrificed; public stockholders and the Company's independent Directors should, and have, decided its course;
2. Neither the Board of Directors nor management is insulated or entrenched but remains accountable to the Company's committed stockholders who will not be likely to tolerate mismanagement or loss of corporate opportunity;
3. The adoption of "time phased voting" has not caused any apparent discount in the price of the Company's common stock;
4. The volume of trading in the Company's common stock has not been affected by the fact that new stockholders have only one vote per share until the share is held for four years.

As a result of our immediate past experience, we support the Exchange's belief that "if issues and circumstances change, it must be prepared to re-examine and revise standards and policies which may no longer be relevant." We also support the Exchange's view that "the world is changing very rapidly . . . and the changes in the competitive environment that have brought the issue [one share, one vote] to prominence are national in scope", in fact, we believe, international in scope.

In the light of this changing world, greater flexibility must be permitted to the Exchange and to its member corporations to manage their affairs. At the same time, investor safeguards and continuing stockholder participation in the formulation of corporate policy must be maintained. We believe the proposed rule accomplishes both these ends. It allows the flexibility which (1) will permit the Exchange to remain competitive as a market for corporate securities, (2) will permit new companies to encourage and reward innovation while securing adequate financing, and (3) will permit existing companies to adopt structural changes which allow them to continue their commitment to long-term growth rather than quick profit. It also assures that a majority of a corporation's public stockholders and independent directors, those board members most closely identified with the public's interest, will control the decision with respect to disparate voting rights. After such a decision has been made, the investing public can assess the existence of such voting rights before electing to participate and can determine the extent to which a company's securities are attractive as an investment vehicle.

The proposed rule has our support despite the anomaly that independent directors, a majority of whom must approve a restructuring proposal, are, together with their immediate families, apparently disenfranchised from having their vote as stockholders counted.

In closing, it is suggested that the proposed rule is premised upon a democratic corporate governance procedure whereby stockholders, operating in a changing world, may cast their votes for new strategies which may make their corporation more viable and innovative and not subject to the harrassment of short-term speculators.

Sincerely,

Richard B. Madden

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Enclosure