VERITAS DGC INC
Form 10-K
May 02, 2005

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ITEM 8. Consolidated Financial Statements and Supplementary Data
PART IV

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

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

For the fiscal year ended July 31, 2004

OR

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

For the transition period from to

Commission file number 1-7427

Veritas DGC Inc.

(Exact name of registrant as specified in its charter)

Delaware	**76-0343152**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
10300 Town Park **Houston, Texas**	**77072**
(Address of principal executive offices)	(Zip Code)

(832) 351-8300

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on Which Registered**
Common Stock, $.01 par value	New York Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes o No ý

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Securities and Exchange Act of 1934). Yes ý No o

The aggregate market value of the registrant's voting stock held by non-affiliates of the registrant was $412,830,734 as of January 30, 2004.

The number of shares of the Company's common stock, $.01 par value, outstanding at March 31, 2005 was 33,849,816 (including 155,370 Veritas Energy Services Inc. exchangeable shares which are identical to the Common Stock in all material respects).

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Restatement of Financial Statements

The historical financial information in this document has been restated due to accounting errors in prior periods. In September 2004, we found various types of errors in our balance sheet related primarily to clerical and account reconciliation errors associated with the intercompany transfers of property and foreign currency items. In addition, we found errors in the accounting for certain customer contracts that contained provisions for customer payment of equipment mobilization fees, revenue sharing with customers and certain other contingencies. Correction of these errors resulted in a decrease of net income of $1.4 million relating to the first three fiscal quarters of fiscal 2004 and $2.6 million related to periods prior to fiscal 2004, as shown in the table below. Since recording the required adjustments in the fourth quarter of fiscal 2004 would have had a material impact on the financial statements of the fourth quarter and those of the full fiscal year, we determined that a restatement of our prior years' financial statements was appropriate. The effect of this restatement on prior periods is given in detail in Notes 16 and 18 of Notes to Consolidated Financial Statements. Item 9A. Controls and Procedures contains information related to our internal control weaknesses and steps we are taking to correct them. A summary of the effects of the restatement is presented in the following table:

	Increase / (Decrease) from Previously Reported Amounts for the Years Ended July 31,				
	2003	**2002**	**2001**	**2000**	**Before 2000**
	(In thousands, except per share amounts)				
Statement of Operations Data:					
Revenues	$ (1,180)	$ (3,500)	$ (662)	$ (50)	$
Operating income (loss)	545	266	(1,138)	(899)	(628)
Income (loss) before provision for income taxes	1,010	(861)	(1,306)	(920)	(627)
Income taxes expense (benefit)	183	40	(288)	(12)	(33)
Net income (loss)	827	(901)	(1,018)	(908)	(594)
Income (loss) per common share diluted	.03	(.03)	(.03)	(.04)	
Balance Sheet Data:					
Total assets	$ 2,583	$ 622	$ (563)	$ (583)	$ (211)

The restatement has not caused us to be in default under any of our financial debt covenants or lease agreements. We obtained waivers from our lenders under our Credit Agreement related to the timing of our delivery of financial statements to them, extending the due date to May 15, 2005. Additionally, the restatement has delayed the registration of our Convertible Senior Notes, resulting in our payment of liquidated damages to the holders of the Convertible Senior Notes in the amount of $2,153 per day from August 31, 2004 until the registration is completed.

This annual report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements include, among other things, business strategy and expectations concerning industry conditions, market position, future operations, margins, profitability, liquidity and capital resources. Forward-looking statements generally can be identified by the use of terminology such as "may," "will," "expect," "intend," "estimate," "anticipate" or "believe" or similar expressions or the negatives thereof. These expectations are based on management's assumptions and current beliefs based on currently available information. Although we believe that the expectations reflected in such statements are reasonable, we can give no assurance that such expectations will be correct. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this annual report on Form 10-K. Our operations are subject to a number of uncertainties, risks and other influences, many of which are outside our control, and any one of which, or a combination of which, could cause our actual results of operations to differ materially from the forward-looking statements. Important factors that could cause actual results to differ materially from our expectations are disclosed in Item 1. "Business" and Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations Risk Factors" and elsewhere in this annual report on Form 10-K.

PART I

ITEM 1. *Business*

General

We are a leading provider of integrated geophysical services to the petroleum industry worldwide. Our customers include major, national and independent oil and gas companies that utilize geophysical technologies to:

- Identify new areas where subsurface conditions are favorable for the production of hydrocarbons.
- Determine the size and structure of previously identified oil and gas fields.
- Optimize development and production of hydrocarbon reserves.

We acquire, process, and interpret geophysical data and produce geophysical surveys that are either 2D or 3D images of the subsurface geology in the survey area. We also produce 4D surveys by repeating specific 3D surveys over time. Our customers use the differences between these subsequent recordings for reservoir characterization. Additionally, we use geophysical data for reservoir characterization to enable our customers to maximize their recovery of oil and natural gas.

Services and Markets

We conduct geophysical surveys on both a contract and a multi-client basis. When we conduct surveys on a contract basis, we acquire and process data for a single client who pays us to conduct the survey and owns the data we acquire. When we conduct surveys on a multi-client basis, we acquire and process data for our own account and license that data and associated products to multiple clients. The high cost of acquiring and processing geophysical data on an exclusive basis has prompted many oil and gas companies to license surveys on a multi-client basis. In response to this demand, we have built a large library of surveys consisting of 201,550 line kilometers of 2D data and 194,536 square kilometers of 3D data. Our marine data library includes surveys in the Gulf of Mexico, the North Atlantic, Southeast Asia, West Africa, North Africa, Canada and Brazil. Our land data library includes surveys in Texas, Mississippi, Oklahoma, Wyoming and Utah in the United States as well as Alberta and British Columbia in Canada. The portion of our revenue generated from the sale of multi-client data licenses is influenced by a number of factors and, as a result, will fluctuate from year to year. Approximately half of our fiscal 2004 revenue was generated through the licensing of multi-client data.

The following tables describe our revenues by contract type and geographic area:

Revenues by Contract Type	2004	2003 Restated	2002 Restated
		Years Ended July 31,	
		(In thousands)	
Contract work	$ 289,404	$ 283,873	$ 229,358
Licensing of multi-client data	275,065	217,948	222,825
Total	$ 564,469	$ 501,821	$ 452,183

Revenues by Geographic Area	2004	2003 Restated	2002 Restated
		Years Ended July 31,	
		(In thousands)	
United States	$ 245,144	$ 190,898	$ 182,705
Canada	88,283	71,911	75,449
Latin America	57,210	113,754	94,910
Europe	79,182	33,713	47,224
Middle East/Africa	32,513	54,201	25,546
Asia Pacific	62,137	37,344	26,349
Total	$ 564,469	$ 501,821	$ 452,183

In fiscal 2004, 2003 and 2002, 57%, 62% and 60%, respectively, of our revenues were attributable to non-U.S. operations and export sales. (See Note 14 of Notes to Consolidated Financial Statements for additional geographic and segment information.)

Principal Operating Assets

We acquire, process, and interpret geophysical information utilizing a wide array of assets as follows:

Land Acquisition

Our land acquisition activities are performed with technologically advanced geophysical equipment. As of July 31, 2004, our land survey equipment had a combined recording capacity of approximately 45,000 channels. We typically deploy equipment in North and South America and Oman by crews of varying size. Our crew count varies widely as land acquisition is a seasonal activity in many markets, primarily due to weather.

Our land operations include surveying crews, which lay out the lines to be recorded and mark the sites for shot-hole placement or equipment location, and recording crews, which use explosive or mechanical vibrating units to produce acoustic impulses and recording units to synchronize the shooting and capture the seismic signals via geophones. On a land survey where explosives are used, the recording crew is supported by several drill crews, which are typically furnished by third parties under short-term contracts. Drill crews operate in advance of the recording crew and bore shallow holes for explosive charges which, when detonated by the recording crew, produce the necessary acoustic impulse.

Marine Acquisition

Our marine acquisition crews operate from both owned and chartered vessels that have been modified or equipped to our specifications. All of the vessels we utilize are equipped to perform both 2D and 3D geophysical surveys. During the last several years, the majority of the marine

geophysical

data acquisition services we performed involved 3D surveys. The following table contains certain information concerning the geophysical vessels we operate.

Vessel	Year Entered Service	Length	Beam	Charter Expiration
Pacific Sword	1999	189 feet	40 feet	October 2005
Seisquest	2001	300 feet	60 feet	May 2006
Veritas Viking	1998	305 feet	72 feet	May 2006
Veritas Viking II	1999	305 feet	72 feet	May 2007
Veritas Vantage	2002	305 feet	72 feet	April 2010
Veritas Searcher	1982	217 feet	44 feet	Owned

Each vessel is equipped with geophysical recording instrumentation, digital geophysical streamer cable, cable location and geophysical data location systems, multiple navigation systems, a source control system that controls the synchronization of the energy source and a firing system that generates the acoustic impulses. Streamer cables contain hydrophones that receive the acoustic impulses reflected by variations in the subsurface strata.

At present, five of our vessels are equipped with multiple streamers and multiple energy sources. These vessels acquire more lines of data with each pass, which reduces completion time and the acquisition cost. The Veritas Vikings and the Veritas Vantage are each capable of deploying 12 streamers simultaneously, although each is currently equipped to tow eight. The Veritas Vikings, Veritas Vantage and Veritas Searcher are equipped with solid streamers that offer numerous advantages over oil-filled streamers. The solid streamers allow these vessels to work in rougher seas and record more desirable frequencies with less noise and less downtime than is possible with oil-filled streamers. (See Note 15 of the Notes to Consolidated Financial Statements for a subsequent event related to the Veritas Viking.)

Data Processing and Interpretation

We operate 15 data processing centers capable of processing 2D and 3D data. Most of our data processing services are performed on 3D seismic data. The centers process data received from the field, both from our own and from other geophysical crews, to produce an image of the earth's subsurface using proprietary computer software and techniques. We also reprocess older geophysical data using new techniques designed to enhance the quality of the data. Our data processing centers have opened at various times since 1966 and are at present located in:

North America	South America	Europe/Africa/ Middle East	Asia Pacific
Houston, Texas	Buenos Aires, Argentina	Crawley, England	Singapore
Calgary, Canada	Caracas, Venezuela	Stavanger, Norway	Perth, Australia
		Aberdeen, Scotland	Jakarta, Indonesia
		Lagos, Nigeria	Kuala Lumpur, Malaysia
		Luanda, Angola	
		Pau, France	
		Milan, Italy	

Our processing centers operate high capacity, advanced technology data processing systems on high-speed networks. These systems run our proprietary data processing software. The marine and land data acquisition crews have software compatible with that utilized in the processing centers, allowing for ease in the movement of data from the field to the data processing centers. Our centers can

generally process both land and marine data and we tailor the equipment and software deployed in an area to meet the local market demands.

We operate visualization centers in Houston, Calgary, Perth, and Crawley. These four centers allow teams of our customers' geoscientists and engineers to view and interpret large volumes of complex 3D data. The visualization centers have imaging tools used for advanced interpretive techniques that enhance the understanding of regional as well as detailed reservoir geology. These visualization centers allow us to offer our expertise combined with the type of collaborative geophysical model building that is enabling oil companies to explore areas of complex geology such as the large sub-salt plays in the deepwater Gulf of Mexico.

We have groups of scientists and engineers located in Calgary, Houston, and Leoben, Austria who perform advanced geophysical interpretation on a contract basis. These geophysical experts work around the world, using third-party and our proprietary software to create subsurface models for our clients and advise our clients on how best to exploit their reservoirs. Their work is related to exploration as well as production activities. Additionally, we license the proprietary software obtained through our acquisition of Hampson-Russell to companies desiring to do their own geophysical interpretation.

Technology and Capital Expenditures

The geophysical industry is highly technical, and the requirements for the acquisition and processing of geophysical data have evolved continuously during the past 50 years. Accordingly, it is critical that our technological capabilities are comparable or superior to those of our competitors. We maintain our technological capabilities through continuing research and development, strategic alliances with equipment manufacturers, and by acquiring technology from others.

Currently, we employ approximately 100 people in our research and development activities, substantially all of whom are scientists, engineers or programmers. Our research and development efforts focus on new acquisition technologies and processes and on our core processing and imaging software. In 2004, we formed a group to develop and apply technologies to record, process and interpret multi-component waveforms, an area of growing interest among our customers. During fiscal 2004, 2003 and 2002, research and development expenditures were $15.5 million, $11.6 million and $11.5 million, respectively. Our research and development budget for fiscal 2005 is approximately $18 million.

During fiscal 2004, 2003 and 2002, capital expenditures for equipment were $30.5 million, $30.5 million and $87.1 million, respectively. The higher capital spending in 2002 was due primarily to the outfitting of a new seismic vessel. Our original capital expenditure budget for equipment in fiscal 2005 was $43 million, however, we currently expect to spend approximately $79 million, with the majority of the difference due to the replacement of lost equipment on the Veritas Viking (see Note 15 of Notes to Consolidated Financial Statements.) Most of this additional spending should be reimbursed through our insurance coverage. Most of our fiscal 2005 capital budget is allocated to replacement and upgrading of existing equipment. During fiscal 2004, 2003 and 2002, our cash multi-client investment, net of capitalized depreciation, was $126.3 million, $151.8 million and $169.2 million, respectively. For fiscal 2005, we are planning a cash multi-client investment of approximately $128 million. Our total planned cash investment in the company of $171 million is significantly less than our planned cash flow from operations and, therefore, we expect to generate a significant increase in our cash balance during fiscal 2005. At January 31, 2005, our cash balance had increased to $205 million.

Competition

The acquisition and processing of geophysical data for the oil and gas industry has historically been highly competitive worldwide. Success in marketing geophysical services is based on several factors,

including price, crew experience, equipment availability, technological expertise, reputation for quality and dependability and, in the case of multi-client surveys, availability of surveys in the area of current customer interest.

Our largest global competitors are Western-Geco (a joint venture between Schlumberger and Baker Hughes), Compagnie Générale de Géophysique S.A. and Petroleum Geo-Services ASA. Additionally, there are a large number of seismic companies, mostly small and local, in the land acquisition and land data processing areas where financial and technical barriers to entry are minimal. In the multi-client library business, we compete with the full-service seismic companies mentioned above, as well as with specialty library companies such as TGS Nopec Geophysical Company ASA and Seitel Inc.

We compete to a lesser degree with large, state-affiliated companies such as BGP of China. These companies are large providers of seismic services in their home countries and have recently been expanding their operations to include other parts of the world. They are particularly aggressive in price sensitive markets, such as those involving large tenders to national oil companies, where low price is of paramount importance.

Due to the constantly changing configurations of seismic crews and the immense numbers of channels in the market, it is impossible to discuss the global competition in land acquisition in any quantitative fashion. Tracking is easier in the marine acquisition market. As of July 31, 2004, our competitive analysis showed a total of 66 towed-streamer vessels working in the world, including: 26 3D vessels capable of towing eight or more streamers, 18 smaller 3D vessels and 22 2D vessels. Additionally, we estimate that there are approximately 17 vessels conducting ocean bottom cable seismic operations, a service we do not offer. In 2004, global vessel capacity exceeded demand, often resulting in aggressive price competition in this business, although temporary and local shortages of vessels with specific capabilities occasionally offered margin improvement opportunities. Between contract and multi-client work, we have been able to obtain relatively full utilization of our fleet with very little downtime between projects.

Backlog

At July 31, 2004, our backlog of commitments for future revenue was $146.6 million, compared with $173.2 million at July 31, 2003. Approximately 29% of this backlog is related to multi-client surveys. We anticipate that the vast majority of the July 31, 2004 backlog will be completed in fiscal 2005. At January 31, 2005, our backlog had increased to approximately $300 million. This backlog consists of written orders or firm commitments. Contracts for services are subject to modification by mutual consent and in certain instances are cancelable by the customer on short notice without penalty. As a result of these factors, our backlog as of any particular date may not be indicative of our actual operating results for any succeeding period.

Significant Customers

Our customers include major oil and gas companies, national oil companies and independent oil and gas companies. In fiscal 2004 and fiscal 2003, no customer accounted for 10% or more of our total revenue. In fiscal 2002, Petroleo Brasileiro S.A., the national oil company of Brazil, accounted for 12% of our revenue due to their licensing of several multi-client surveys in Brazil.

Employees

During fiscal 2004, we employed an average of 2,871 people on a full-time basis. Our number of employees varies greatly due to activity changes in our land acquisition business and during fiscal 2004 ranged from a low of 2,307 to a high of 3,561. This variation typically occurs on a seasonal basis, with higher employee counts and higher revenues occurring during our second and third fiscal quarters,

coinciding with the winter seismic acquisition seasons in Alaska and Canada. However, performance of large land surveys in South America or other locales can cause a marked shift from this pattern. A total of 7 employees in Argentina, and 32 in Singapore are subject to collective bargaining agreements. We consider our relations with our employees to be good.

Our SEC Reporting

We electronically file certain documents with the SEC. We file annual reports on Form 10-K; quarterly reports on Form 10-Q; current reports on Form 8-K (as appropriate) and proxy statements; along with any related amendments and supplements thereto. From time-to-time, we may also file registration statements pertaining to equity or debt offerings. You may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, DC 20549. You may obtain information regarding the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an internet website at www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file with the SEC.

We provide electronic access to our periodic and current reports on our internet website, www.veritasdgc.com. These reports are available on our website as soon as reasonably practicable after we electronically file such materials with the SEC. You may also contact our investor relations department at 832-351-8821 for paper copies of these reports free of charge.

ITEM 2. ***Properties***

Our headquarters is located in Houston, Texas in a 218,151 square foot office and warehouse complex, which is leased. The complex houses data processing operations, as well as executive, accounting, research and development and operating personnel. This lease expires in the beginning of fiscal 2016. We lease additional space, aggregating approximately 658,360 square feet, which is used by our operations around the world, including the locations identified under Item 1. Business Principal Operating Assets Data Processing and Interpretation. These leases expire at various times through fiscal 2013. We also own and charter seismic acquisition vessels as listed under Item 1. Business Principal Operating Assets Marine Acquisition.

ITEM 3. ***Legal Proceedings***

On occasion, we are named as a defendant in litigation relating to our normal business operations. Although we are insured against various business risks to the extent we believe prudent, there is no assurance that the nature and amount of such insurance will be adequate in every case. As of March 31, 2005, we are not a party to any legal proceeding that we believe to be material.

ITEM 4. ***Submission of Matters to a Vote of Security Holders***

No matter was submitted to a vote of security holders during the fourth quarter of the fiscal year ended July 31, 2004.

PART II

ITEM 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

Our common stock is listed on the New York Stock Exchange under the symbol "VTS." The following table sets forth the high and low sales prices for our common stock as reported by the New York Stock Exchange for the fiscal periods shown.

	Fiscal Period	High	Low
2004	4th Quarter	$ 25.01	$ 17.62
	3rd Quarter	23.55	12.05
	2nd Quarter	13.80	8.49
	1st Quarter	9.41	7.58
2003	4th Quarter	11.60	6.85
	3rd Quarter	8.45	6.10
	2nd Quarter	9.58	6.70
	1st Quarter	13.50	7.45

On March 31, 2005, the last reported sales price for our common stock on the New York Stock Exchange was $29.96 per share. On March 31, 2005, there were approximately 345 record holders of common stock.

Two shares of our special voting stock are authorized and outstanding, each existing as a series of our common stock. The shares were issued in 1996 and 1999 in connection with business combinations. These special voting shares possess a number of votes equal to the number of Veritas Energy Services Inc. Exchangeable Shares and Veritas Energy Services Inc. Class A Exchangeable Shares, Series 1 outstanding at any time. Veritas Energy Services Inc. is a wholly owned subsidiary. These exchangeable shares were issued to provide beneficial Canadian tax treatment for the Canadian shareholders of the Canadian corporations participating in the combination transactions. The exchangeable shares may be exchanged on a one-for-one basis for our common stock and when coupled with the voting rights afforded by the special voting shares are virtually identical to our common stock. Any reference to our shares in this annual report refers to all shares, including the exchangeable shares, unless the reference expressly excludes the exchangeable shares.

Our common stock and the exchangeable shares are listed on the Toronto Stock Exchange. Although our common stock and exchangeable shares continue to be listed on the Toronto Stock Exchange, trading in our common stock and our exchangeable shares is currently not allowed in any of the provinces within which the shares were registered, including the Provinces of Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland, Nova Scotia, Ontario, Quebec and Saskatchewan Canada. The securities commissions in those provinces have each issued orders that trading in our common stock and exchangeable shares cease until such time as we file with them our financial statements for the fiscal year ended July 31, 2004 and the quarters ended October 31, 2004 and January 31, 2005 and obtain an order reinstating trading. We intend to file our financial statements with each provincial securities commission and seek such orders reinstating trading as soon as the financial statements are completed.

Issuer Purchases of Equity Securities

The following table summarizes stock repurchases for the fiscal year ended July 31, 2004:

Period	Total Number of Shares Purchased(1)	Average Price Paid per Share	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs(2)	Maximum (or Approximate Value) of Shares (or Units) that were Purchased Under Plans or Programs(2)
August 2003	3,486	$ 8.17		
September 2003	1,168	8.39		
October 2003	339	8.27		
February 2004	272	13.00		
March 2004	1,222,590(3)	16.36		
June 2004	218	19.14		

(1) During the year ended July 31, 2004, we repurchased an aggregate of 5,579 shares other than as a part of a publicly announced plan or program. We repurchased these securities in connection with our stock compensation plans, which allow participants to use shares to satisfy tax liabilities arising from the vesting of restricted stock. The number above does not include unvested shares forfeited back to us pursuant to the terms of our stock compensation plans.

(2) As of July 31, 2004, there were no publicly announced plans or programs to repurchase stock.

(3) Includes 1,222,494 shares repurchased in connection with the issuance of our Convertible Senior Notes. (See Note 5 to the Notes to Consolidated Financial Statements.)

We have not paid any dividends on our common stock during the two most recent fiscal years and have no current plans to pay any dividends. The payment of any future dividends on our common stock would depend upon our financial condition and upon a determination by our Board of Directors that the payment of dividends would be desirable. Our current bank debt agreement prohibits the payment of cash dividends.

Equity Compensation Plan Information

Information related to our equity compensation plans for both non-employee directors and key employees as of July 31, 2004, and information related to potential ownership dilution as of such date, may be found under "Equity Compensation Plan Information" in Item 12.

Our stock option and restricted stock plans are described further in Note 9 of Notes to Consolidated Financial Statements.

ITEM 6. ***Selected Consolidated Financial Data***

	Years Ended July 31,				
	2004(1)	2003(2) Restated(3)	2002(5) Restated(3)	2001 Restated(4)	2000 Restated(4)
	(In thousands, except per share amounts)				
Statement of Operations Data:					
Revenues	$ 564,469	$ 501,821	$ 452,183	$ 476,640	$ 353,029
Income (loss)	5,221	(59,097)	(24,051)	21,440	5,573
Income (loss) per common share basic	.16	(1.77)	(.74)	.70	.22
Income (loss) per common share diluted	.15	(1.77)	(.74)	.68	.21
Balance Sheet Data:					
Total assets	$ 776,246	$ 790,945	$ 781,403	$ 796,389	$ 609,109
Long-term debt (including current maturities)	155,000	194,225	140,000	135,000	135,106

(1) Fiscal 2004 included charges of $22.1 million related to a change in multi-client accounting and $7.4 million related to debt refinancing. The change in multi-client accounting may affect the comparability between periods and is more fully described in Note 1 of Notes to Consolidated Financial Statements.

(2) Fiscal 2003 included charges of $39.3 million for goodwill impairment, $4.9 million for impairment of a multi-client survey, $7.6 million loss related to the sale of our $(RC)^2$ software operations and $21.0 million related to deferred tax asset valuation allowances.

(3) Periods prior to fiscal 2004 have been restated to reflect correction of certain accounting errors as described in Note 16 of Notes to Consolidated Financial Statements.

(4) The results of fiscal years 2001 and 2000 have been restated for correction of clerical and account reconciliation errors described in Note 16 of Notes to Consolidated Financial Statements, with the restatement decreasing net income in both years by $1.0 million and $0.9 million respectively.

(5) Fiscal 2002 included charges of $55.3 million for impairment of multi-client surveys, $14.6 million for costs of a terminated merger and $6.5 million valuation allowance for Argentine deferred tax assets.

ITEM 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

Overview

Seismic spending during fiscal 2004 followed different patterns than in the past, with large numbers of seismic vessels being operated in the Asia Pacific region and employed by national oil companies. Major petroleum resource holders such as ONGC in India, PEMEX in Mexico and Petronas Carigali in Malaysia, together utilized up to 15 out of an estimated global fleet of 66 towed-streamer seismic vessels. In June 2004, 24 vessels, or 36% of the estimated global towed-streamer seismic fleet, were operating in Asia, leaving some areas of the world, such as the North Sea, capacity constrained for the first time in many years. Due to the time lag between bidding and actual performance of work, this short-term supply imbalance did not affect pricing of fiscal 2004 work. However, we are currently experiencing price improvement in some markets and

believe pricing in the overall industry should improve during the remainder of fiscal 2005.

Multi-client investment by the seismic industry has declined precipitously over the last two to three years. In years past, it was common to find half of the global seismic fleet occupied on multi-client

work; now we estimate the figure is in the 20% range. Today, many seismic companies are striving for the immediate and relatively certain cash flows offered by contract work versus the potentially higher but riskier cash flows offered by multi-client investments. Ordinarily, a shift out of multi-client work of this magnitude would have led to a severe downturn in the industry. However, large-scale contract projects sponsored by national oil companies have utilized much of the shifted capacity.

Assuming that oil and gas prices remain near the current historically high range, we believe that the demand for seismic data will increase on a global basis. The national oil companies, in general, are currently very active in exploring for oil, and are venturing beyond their own borders to do so. Independent oil and gas companies also seem very optimistic about exploration and, from our experience, are very willing to exploit the advantages offered by multi-client data: its immediate availability and relatively low price as compared to proprietary surveys. Accessing large reserves in the Middle East and former Soviet Union is proving more complicated than anticipated, fueling growing concerns about reserve replacement and production sustainability, particularly among the largest oil and gas companies. We are seeing an increase in exploration expenditures by oil and gas companies, which, if the trend continues, bodes well for the seismic industry. Oil and gas companies have started to react to this surge of exploration activity, trying to secure drilling rigs and seismic vessels several months in advance, a pattern that we have not seen in the recent past because of industry overcapacity.

We believe that we are well positioned to take advantage of a market upturn. We have a large, strategically positioned data library that includes many surveys that have not only been acquired and processed with the latest technology, but that have been enhanced with secondary processing techniques such as pre-stack depth migration. We have invested heavily in new technology, both in the acquisition and in the processing areas, and we now find that our solid streamer equipped vessels and advanced processing capabilities are in demand where the highest data quality and latest processing techniques are required. As the positive trends in the market continue, we believe we will generate improved results over recent years in the form of higher revenue, earnings and cash flow.

Restatement

As described on page 1 of this annual report, we have restated our financial statements to correct certain accounting errors. The restatement has not caused us to be in default under any of our debt covenants. We obtained waivers from our lenders related to the timing of our delivery of financial statements to them, extending the due date to May 15, 2005. As of March 31, 2005, the total amount utilized under our Credit Agreement was $2.4 million, all in the form of letters of credit. Additionally, the restatement has delayed the registration of our Convertible Senior Notes, resulting in our payment of liquidated damages to the holders of the Convertible Senior Notes in the amount of $2,153 per day from August 31, 2004 until the registration is completed.

Results of Operations

Fiscal 2004 Compared with Fiscal 2003 (Restated)

Revenues. Revenues increased 12%, from $501.8 million in fiscal 2003 to $564.5 million in fiscal 2004. Multi-client revenues were responsible for most of the increase, growing by 26%. Contract revenues increased by a net 2% due to a shift of our vessels from multi-client to contract work, offset by a decline in our contract land acquisition revenue in South America. In response to this decline, we are reducing our land acquisition presence in South America and redeploying our assets and key personnel into other markets.

Revenues consisted of the following:

	Years Ended July 31,		
	2004	2003 Restated	% Change
	(Dollars in millions)		
Multi-client:			
Land	$ 66.0	$ 56.6	17%
Marine	209.1	161.3	30%
Subtotal	275.1	217.9	26%
Contract:			
Land	154.0	157.2	(2%)
Marine	135.4	126.7	7%
Subtotal	289.4	283.9	2%
Total Revenues	$ 564.5	$ 501.8	12%

Operating income (loss). Operating income increased by $39.9 million, from a loss of $12.1 million in fiscal 2003 to operating income of $27.8 million in fiscal 2004. Fiscal 2003 included charges of $51.8 million related to asset impairments and reserves while fiscal 2004 included a $22.1 million charge related to a change in accounting for multi-client library. The difference in the amount of these charges had the effect of increasing our operating income by $29.7 million. The remaining $10.2 million increase in operating income is the result of increased multi-client margins of $10.4 million, increased contract margins of $1.9 million and reduced general and administrative costs of $1.8 million partially offset by $3.9 million of additional R&D spending.

In fiscal 2003, contract margin included a $2.9 million charge to establish a reserve against an account receivable from one of our customers. This receivable was settled in the first quarter of fiscal 2004 resulting in a gain of $0.6 million.

General and administrative expense decreased by $1.8 million. The decrease was due primarily to lower severance cost in the current year, partially offset by expenses associated with requirements of the Sarbanes-Oxley Act and related rules.

Research and development expense increased by $3.9 million. A substantial amount of the increase was due to work on multi-component (pressure and shear wave) acquisition and processing. We spend the majority of our research budget on developing advanced processing techniques.

The fiscal 2004 charge of $22.1 million is included in cost of services on the "Consolidated Statements of Operations and Comprehensive Income (Loss)" and relates to a change in accounting for our multi-client library. This charge represents the adjustment necessary to reduce each of our surveys as of August 1, 2003, the first day of fiscal 2004, to a balance no greater than that which would have been recorded had we been using the new method. While the sales forecast method remains our primary means of expensing multi-client surveys, we have now established a minimum cumulative amortization for each survey based upon straight-line amortization over five years. The monthly expense recognized for each survey is the greater of the amount derived by the sales forecast method or the amount of minimum amortization. This is a change from the prior method that provided for a minimum amortization only during the last two years of the survey's book life.

The fiscal 2003 charge of $51.8 million includes an impairment of multi-client surveys of $4.9 million, an impairment and severance expense related to the sale of $(RC)^2$, our reservoir characterization software business, of $7.6 million, and an impairment charge for goodwill of $39.3 million, with each charge described more fully below.

We periodically review the carrying value of the multi-client data library to assess whether there has been a permanent impairment of value and record losses when it is determined that estimated sales would not be sufficient to cover the carrying value of the asset. In fiscal 2003, we recognized a $4.9 million pretax impairment charge related to a survey in the Gulf of Mexico that we have been unable to license. This survey was acquired at right angles to an existing survey and customers have not been willing to pay for the moderately increased resolution.

We had not been satisfied with the results of the software operation acquired with the (RC)^2 business in February 2001. We were not making the software sales projected in our acquisition plan and were ineffective at bringing any new products to market. In the fourth quarter of fiscal 2003, we decided to sell this operation and entered into a letter of intent with Seismic Micro-Technology, Inc., a company more focused on software development. We took a charge in fiscal year 2003 of $7.6 million related to these operations, of which $5.9 million was applied to reduce the carrying value of the (RC)^2 software to its estimated market value of $2.0 million. The remaining $1.7 million primarily related to employee severance and facility costs. The sales agreement allows us to continue using the (RC)^2 suite of software in our reservoir consulting business. In addition, we have entered into an agreement that allows us to continue as sales agents of the software. The sale closed in September 2003.

Our reduced earnings in fiscal year 2003, coupled with the instability in our industry, led to a sharp decline in our stock price in fiscal year 2003, leaving our market value below our book value. As a result of our continued weak stock price and the sale of the (RC)^2 software business, we performed an evaluation of our existing goodwill balance at the end of fiscal 2003. This analysis indicated our goodwill was impaired and, as a result, we recognized an impairment charge of $39.3 million, an amount equal to our entire goodwill balance.

Income taxes. Our provision for income taxes decreased by $24.5 million from fiscal 2003 to fiscal 2004 due principally to two reasons. First, fiscal 2003 was negatively impacted by unbenefited net operating losses, non-deductibility of our goodwill impairment and increased valuation allowances on our deferred tax assets. Second, fiscal 2004 was positively affected by the reduction of certain tax contingencies and resolution of certain tax matters in early calendar year 2005, due to the extended open period of fiscal 2004 caused by our restatement. (See Note 7 of Notes to Consolidated Financial Statements for further information on income taxes.)

Fiscal 2003 (Restated) Compared with Fiscal 2002 (Restated)

Revenues. Revenues increased 11%, from $452.2 million in fiscal 2002 to $501.8 million in fiscal 2003. Multi-client revenues decreased 2% primarily due to lower sales of completed surveys in the Gulf of Mexico and Canada offshore, partially offset by increased revenue from the Canadian foothills, Nigeria and Brazil. Contract revenues increased 24% due to projects in the Gulf of Mexico, Trinidad, Asia Pacific and U.S. onshore. Contract revenue represented 57% of the total revenue in fiscal 2003, compared to 51% in 2002.

Revenues consisted of:

	Years Ended July 31,		
	2003 Restated	2002 Restated	% Change
	(Dollars in millions)		
Multi-client:			
Land	$ 56.6	$ 48.8	16%
Marine	161.3	174.1	(7%)
Subtotal	217.9	222.9	(2%)
Contract:			
Land	157.2	142.5	10%
Marine	126.7	86.8	46%
Subtotal	283.9	229.3	24%
Total Revenues	$ 501.8	$ 452.2	11%

Operating income (loss). Our operating loss increased from $0.8 million in fiscal 2002 to $12.1 million in fiscal 2003. Fiscal 2003 includes an impairment charge for goodwill of $39.3 million, an impairment of multi-client surveys of $4.9 million and a reserve for the sale of $(RC)^2$ of $7.6 million. Fiscal 2002 included a $55.3 million impairment of multi-client surveys and a $14.6 million charge related to our proposed merger with Petroleum Geo-Services ASA. The total charges described above were $51.8 million in fiscal 2003 and $69.9 million in fiscal 2002, which had the effect of decreasing our operating loss from fiscal 2002 to fiscal 2003 by $18.1 million. Several other items offset this positive change. Although contract margins increased due to higher pricing and favorable geographic mix, overall margins declined due to lower margins from multi-client revenue caused by lower sales of fully amortized, 100% margin, surveys. Operating income in fiscal 2003 was further reduced by $10.6 million of forced amortization of slow moving multi-client surveys, as compared to $5.3 million of forced amortization in fiscal 2002. Forced amortization is the amortization required to reduce the book value of a survey to the value that would have been recorded had the survey been subject to straight-line amortization over the last 24 months of book life, rather than amortization resulting from application of the sales forecast method. (See Note 1 of Notes to Consolidated Financial Statements for a detailed description of multi-client accounting.) Forced amortization does not indicate that a survey is impaired, only that sales-to-date have been insufficient to maintain a minimum cumulative amortization. Our operating loss in fiscal 2003 was increased by $2.9 million as a result of a charge to establish a reserve against our account receivable from one of our customers. Our balance sheet exposure to this claim was $2.9 million, as of July 31, 2003. This issue was resolved in the first quarter of fiscal 2004, resulting in a gain of $0.6 million.

We periodically review the carrying value of the multi-client data library to assess whether there has been a permanent impairment of value and record losses when it is determined that estimated sales would not be sufficient to cover the carrying value of the asset. In fiscal 2003, we recognized a $4.9 million pretax impairment charge related to a survey in the Gulf of Mexico that we have been unable to license. This survey was acquired at right angles to an existing survey, and while a technical success, customers have not been willing to pay for the increased resolution.

In fiscal 2002, we recognized a $55.3 million pretax impairment charge related to 11 of our multi-client library surveys. Seven of these were land surveys located in the Gulf Coast region. Exploration spending was very low in this region since we completed these surveys, and we did not anticipate any sales of these surveys in the foreseeable future. Therefore, these surveys were written off, with a net charge of $28.8 million. We have one survey in the Gulf of Mexico that was shot at a cost significantly exceeding its original budget. As we did not forecast enough sales to amortize the remainder of the

cost of the survey, we wrote it down by $16.0 million. This left $10.0 million of cost for this survey, an amount we believed to be the fair value of the survey based on future estimated sales. In the Shetland-Faroes area of the North Sea, we have a large survey that has been troubled by an ongoing territorial dispute. When the dispute was settled, nine-year concessions were awarded to various licensees. Given the length of the license period, we did not foresee significant near-term additional licensing of this survey, and we wrote it off with a net charge of $9.4 million. We also have two small 2D surveys that were written off with a net charge of $1.1 million.

We had not been satisfied with the results of the software operation acquired with the $(RC)^2$ business in February 2001. We were not making the software sales projected in our acquisition plan and were ineffective at bringing any new products to market. In the fourth quarter of fiscal 2003, we decided to sell this operation and entered into a letter of intent with Seismic Micro-Technology, Inc., a company more focused on software development. We took a charge in the fourth quarter of fiscal 2003 of $7.6 million related to these operations, of which $5.9 million of this charge was applied to reduce the carrying value of the $(RC)^2$ software to its estimated market value of $2 million. The remaining $1.7 million primarily relates to employee severance and facility costs. The sales agreement allows us to continue using the $(RC)^2$ suite of software in our reservoir consulting business. The sale closed in September 2003.

Our reduced earnings, coupled with the instability in our industry, led to a sharp decline in our stock price, leaving our company's market value below our book value. As a result of our weak stock price and the sale of the $(RC)^2$ software business, we performed an evaluation of our existing goodwill balance at the end of fiscal 2003. This analysis indicated our goodwill was impaired and, as a result, we recognized an impairment charge of $39.3 million, an amount equal to our entire goodwill balance.

General and administrative expense increased by $3.4 million from the prior year primarily due to severance costs related to our overhead reduction efforts.

Interest expense increased by 36%, or $4.9 million, due to the increased average balance of outstanding long-term debt and the expensing of the remainder of unamortized debt issuance costs associated with our senior notes, which were retired in the third quarter of fiscal 2003.

Other (income) expense, net. Other (income) expense, net decreased from $4.4 million in fiscal 2002 to $0.2 million in fiscal 2003. Foreign exchange losses in Argentina and Canada contributed $4.0 million of net expense to fiscal 2002. Additionally, a loss on an investment contributed $1.4 million of additional expense in fiscal 2002. This was partially offset by a decrease in interest income from $1.4 million in fiscal 2002 to $1.0 million in fiscal 2003 as a result of lower cash balances in the first half of the fiscal 2003 as compared to fiscal 2002. Additionally, our unconsolidated joint venture in Indonesia incurred a loss of $1.1 million in fiscal 2003 compared to income of $0.2 million in fiscal 2002. (See Note 1 of Notes to Consolidated Financial Statements for information related to the consolidation of our joint venture.)

Income taxes. Our provision for income taxes increased by $23.0 million from fiscal 2002 to fiscal 2003 due primarily to the impact in fiscal 2003 of unbenefited net operating losses, non-deductibility of our goodwill impairment and increased valuation allowances on our deferred tax assets.

Liquidity and Capital Resources

Sources and Uses

Our internal sources of liquidity are cash, cash equivalents and cash flow from operations. External sources include public and private debt financing, equity sales, equipment financing and our revolving loan facility and trade credit. We believe that our current cash balance and cash flow from operations are adequate to meet our liquidity needs for the next twelve months and expect to increase our cash balance during fiscal 2005.

For the past three fiscal years, cash provided by our operating activities has increased while combined expenditures for capital equipment and multi-client surveys have declined. We expect spending to increase modestly in fiscal 2005, but also expect that cash provided by operating activities will again exceed our investment in our operations. For fiscal 2005, we budgeted capital expenditures of approximately $43 million and cash multi-client library investment of approximately $128 million for a combined investment of approximately $171 million. These amounts are relatively flexible and will be adjusted to meet the needs of the business. We expect replacement of equipment lost from the Veritas Viking will increase our capital expenditures for fiscal 2005 to approximately $79 million, but we expect reimbursement of most of this additional amount in the form of insurance proceeds. In addition to these amounts, we plan to spend approximately $18 million for research and development. During the six months ended January 31, 2005, we have spent $17.2 million on capital expenditures, $58.7 million for multi-client library investment and $9.1 million on research and development.

Debt Structure

On March 3, 2004, we sold $125.0 million aggregate principal amount of Floating Rate Convertible Senior Notes Due 2024 to an initial purchaser in a private placement. On March 11, 2004, we sold an additional $30.0 million of these Convertible Senior Notes to the initial purchaser. The notes are our senior unsecured obligations and are convertible under certain circumstances described below into a combination of cash and our common stock at a fixed conversion price of $24.03 (subject to adjustment in certain circumstances), which is equivalent to an initial conversion ratio of approximately 41.6 shares of our common stock per $1,000 principal amount of Convertible Senior Notes, or a maximum of approximately 6.5 million shares for the $155.0 million aggregate principal amount outstanding. In general, upon conversion of a note, the holder of such note will receive cash equal to the $1,000 principal amount of the note and shares of our common stock for the note's conversion value in excess of such principal amount. We used $129.0 million of net proceeds from the sale of the Convertible Senior Notes to repay in full the term C loan and to prepay portions of the term A and B loans under our credit facility described below. The remaining $20.0 million of net proceeds from the Convertible Senior Notes was used to repurchase, in negotiated transactions, 1,222,494 shares of our common stock sold by certain purchasers of the Convertible Senior Notes in connection with the offering.

The Convertible Senior Notes bear interest at a per annum rate which is equal to the three-month LIBOR rate, adjusted quarterly, minus a spread of 0.75%. The interest rate of the notes, from March 15, 2005 through June 14, 2005, is 2.26%, based on a LIBOR rate of 3.01%. The notes will mature on March 15, 2024 and may not be redeemed by us prior to March 20, 2009. Holders of the notes may require us to repurchase some, or all, of the notes on March 15, 2009, 2014 and 2019. They could also require repurchase upon a change of control (as defined in the indenture under which the Convertible Senior Notes were issued.)

Under certain circumstances and at the option of the holder, the Convertible Senior Notes are convertible prior to the maturity date into cash and shares of our common stock. Certain of these circumstances may result in classification of the Convertible Senior Notes as current on our balance sheet. These circumstances include.

(1) the closing sale price of our common stock is over 120% of the conversion price for a specified number of trading days;

(2) if we called the notes for redemption and the redemption has not occurred;

(3) the occurrence of a five consecutive trading day period in which the trading price of the notes was less than 95% of the closing sale price of our common stock on such day multiplied by the number of shares our common stock issuable upon conversion of the notes; or

(4) the occurrence of specified corporate transactions.

The Convertible Senior Notes were sold to Deutsche Bank Securities, Inc., the initial purchaser, under an exemption provided by section 4(2) of the Securities Act. The initial purchaser concurrently sold the notes only to qualified institutional buyers in accordance with Rule 144A under the Securities Act of 1933, as amended. The notes and the underlying common stock issuable upon conversion have not been registered under the Securities Act or any applicable state securities laws and may not be offered or sold in the United States absent registration or an applicable exemption from such registration requirements. We entered into a registration rights agreement in which we agreed to file within 90 days of March 3, 2004 a registration statement with the SEC to register resales of the notes and the underlying shares of common stock. We filed a registration statement on May 28, 2004 in compliance with the registration rights agreement; however, due to the delay in filing required reports as a result of our restatement of our financial information the registration statement is not yet effective. Because we are required to pay liquidated damages in the event the registration statement was not effective on or before August 31, 2004, or under certain other circumstances, we have been incurring such damages in the amount of $2,153 per day since August 31.

On February 14, 2003, we entered into a Credit Agreement (the "Credit Agreement") with Deutsche Bank AG, New York Branch, as Administrative Agent, Deutsche Bank AG, Canada Branch, as Canadian Administrative Agent, and certain other lending institutions. The Credit Agreement provided term financing of $195.0 million under term A, term B and term C tranches (the "Term Loans"), a revolving loan facility aggregating $55.0 million, including a facility for swing line loans of up to $10.0 million and the issuance of letters of credit in an aggregate amount of up to $40.0 million. Proceeds from the Term Loans were used to satisfy the obligations under our previous credit agreement and our Senior Notes due October 2003. We used $129.0 million of net proceeds from the Convertible Senior Notes described above to repay in full the term C loan and to prepay portions of the term A and B loans. In addition, we prepaid the remaining $51.3 million of Term Loans using cash on hand. We recorded $7.4 million in charges relating to the retirement of the $180.3 million Term Loans which included expensing of debt issuance costs, cancellation of interest rate swaps and prepayment penalties. These charges are included in interest expense on the "Consolidated Statement of Operations and Comprehensive Income (Loss)." The revolving loan facility is still available to us, although not currently drawn upon. Loans made under the revolving loan facility, including swing-line loans, bear interest at a variable rate determined on the date of borrowing that is related to various base rates and margins depending upon our leverage ratio and the location of the borrowing. The revolving loan facility expires in February 2006.

As of July 31, 2004, there were $2.7 million in letters of credit outstanding under the revolving loan facility, leaving $52.3 million available for borrowings. In addition to the revolving loan facility, we have various unsecured lines of credit with lending institutions that operate in geographic areas not covered by the lending institutions in our revolving loan facility, totaling $8.5 million that may be used exclusively for the issuance of letters of credit and bank guarantees. As of July 31, 2004, $4.1 million in letters of credit were outstanding under these lines. The Credit Agreement prohibits us from, among other things, paying cash dividends.

Borrowings under the Credit Agreement are secured by assets, including equipment, vehicles, multi-client data library, intellectual property, and stock of certain material subsidiaries, owned by us and certain of our subsidiaries. At July 31, 2004, the carrying value of the secured assets, including intercompany receivables, was $1.1 billion. The Credit Agreement and related documents contain a number of covenants, including financial covenants relating to interest coverage, leverage and net worth. These covenants relate to measurements as of quarter ending dates; as of July 31, 2004 and as of our last fiscal quarter, ended January 31, 2005, we were in compliance of these financial covenants. During March 2005, we obtained waivers from our lenders under the Credit Agreement related to the late filing of our financial statements. The waivers allow us to deliver our required reports for fiscal 2004 and for the first and second quarters of fiscal 2005 to the lenders by no later than May 15, 2005.

If we are unable to meet this deadline or are unable to extend it further, our ability to borrow under the Credit Agreement may be restricted.

The following table presents our contractual obligations as of July 31, 2004 for the specified periods:

	Payments Due				
Contractual Obligations	**Total**	**Less than 1 year**	**1 - 3 years**	**3 - 5 years**	**More Than 5 years**
	(In thousands)				
Long-term debt	$ 155,000	$	$	$	$ 155,000
Estimated interest payments(1)	68,894	3,503	7,006	7,006	51,379
Operating leases	147,029	44,992	56,540	19,579	25,918
Potential payments under letters of credit	6,811	6,014	797		
Other long-term liabilities(2)	11,854		139	165	11,550

(1) The interest rate on our debt is LIBOR less 0.75%. For purposes of this table we used our current interest rate of 2.26% based on a LIBOR rate of 3.01%. Each 100 basis point increase in LIBOR will increase our annual interest expense by $1.55 million per year.

(2) Includes income tax, deferred revenue, pension and retirement obligations for which the timing of payment is uncertain.

While we believe that we have adequate sources of funds to meet our liquidity needs, our ability to meet our obligations depends on our future performance, which, in turn, is subject to many factors beyond our control. Key internal factors affecting future results include utilization levels of acquisition and processing assets and the level of multi-client data library licensing, all of which are driven by the external factors of exploration spending and, ultimately, underlying commodity prices.

Off-Balance Sheet Arrangements

As of July 31, 2004, we had no off-balance sheet instruments. Our limited hedging program has consisted of off-balance sheet instruments to fix the U.S. dollar value of foreign currency payments to be made under a Norwegian vessel charter and interest rate swap contracts that effectively fixed the interest rate on $80.0 million of our variable rate long-term bank debt. These instruments are described in detail in Item 7A. "Quantitative and Qualitative Disclosures Regarding Market Risk" as well as in Note 10 of Notes to Consolidated Financial Statements included elsewhere in this report.

Critical Accounting Policies

While all of our accounting policies are important in assuring that we adhere to current accounting standards, certain policies are particularly important due to their impact on our financial statements or the degree of subjectivity inherent in the assumptions required by the policies. These are described in detail below.

Revenue Recognition

Customer contracts for our services vary in terms and conditions. We review the deliverables in each contract and, where applicable, apply the accounting guidance contained in EITF 00-21, "Accounting for Revenue Contracts with Multiple Deliverables (EITF 00-21)".

For most contract services, we recognize revenue on a proportional performance method based upon output measures as work is performed. This method requires that we recognize revenue based upon quantifiable measures of progress, such as kilometers shot or processed. In contracts where our

customer pays separately for the mobilization of equipment, EITF 00-21 requires us to recognize such mobilization fees as revenue during the performance of the seismic acquisition.

Revenues from the licensing of multi-client surveys are based upon agreed rates set forth in the contract and are recognized upon physical delivery of, or customer access to, the surveys. During the acquisition and processing phase of a multi-client survey, in most cases we recognize revenue on in-process multi-client surveys after obtaining a signed license agreement that gives the customers access to survey results as they occur, based upon a proportional performance method, using quantifiable measures of progress, such as kilometers shot or processed. After completion of a multi-client survey, we recognize revenue upon delivery of data to our customer or the customer's designee. Provisions exist in certain contracts with our customers that provide for a full refund if certain deadlines are not met or provide for a revenue sharing arrangement with the customer such that the final sales price is not fixed or determinable. For contracts with these provisions, we will not recognize the revenue under the proportional performance method for that contract and, instead, will defer revenue recognition until performance is complete or the sales price is fixed or determinable.

Multi-Client Data Library

We collect and process geophysical data for our own account and retain all ownership rights. We license the data to clients on a non-transferable basis. In some circumstances, we have sold on a non-exclusive basis rights to data prior to our collecting and processing such data, i.e., we have made the first of what we anticipate will be multiple discrete sales of licenses to the same data.

We capitalize costs associated with acquiring and processing the data as an investment in our multi-client data library. The capitalized costs of multi-client data are charged to cost of services in the period sales of licenses occur based upon the greater of the percentage of total costs to total estimated sales for the first five years multiplied by actual sales, a process called the sales forecast method, or five-year straight-line amortization from the date of survey completion. Effective August 1, 2003, we changed our minimum amortization policy with regard to multi-client data and recorded a charge of $22.1 million, included in cost of services in our Consolidated Statement of Operations. Under the prior method, capitalized costs of multi-client surveys were charged to cost of services in the period sales occurred, using the sales forecast method, over an estimated five-year useful life. However, during the last 24 months of a survey's useful life, amortization was the greater of the amount resulting from the sales forecast method or straight-line amortization of the remaining book value over the remaining portion of the original five-year estimated useful life. Under the new method, capitalized costs of multi-client surveys are charged to cost of services over an estimated five-year useful life based upon the greater of the result (higher expense) under the sales forecast method or cumulative straight-line amortization from survey completion over an estimated five-year useful life. However, the sales forecast method remains our primary method of calculating cost of services. We believe this method of amortizing the capitalized costs aligns the amount of amortization to the period in which the economic benefits of the capitalized costs are consumed.

Estimated sales are determined based upon discussions with our clients, our experience and our knowledge of industry trends. Changes in sales estimates may have the effect of changing the percentage relationship of cost of services to revenues. In applying the sales forecast method, an increase in the projected sales of a survey will result in lower cost of services as a percentage of revenue, and higher earnings when revenue associated with that particular survey is recognized, while a decrease in projected sales will have the opposite effect.

Assuming that the overall volume of sales, mix of surveys generating revenue in the period and minimum amortization amounts were held constant in fiscal 2004, an increase of 10% in the sales forecasts of all of our surveys would have decreased our cost of services by approximately 2%, or approximately $10 million.

Our ability to accurately forecast sales of our library surveys for several years into the future is affected by unforeseeable changes in commodity prices, exploration success in the area of the survey and the overall investment decisions of our customers. Therefore, we update our sales forecast for surveys with a significant book value on a quarterly basis to ensure that the most current market information is considered.

The total amortization period of 60 months represents the minimum period over which benefits from these surveys are expected to be derived. We have determined the amortization period of 60 months based upon our historical experience that indicates that the majority of our revenues from multi-client surveys are derived during the acquisition and licensing phases and during the 5 years subsequent to survey completion. Any future decrease in the minimum amortization period would have the effect of increasing cost of services and reducing the carrying value of the multi-client data library.

We periodically review the carrying value of the multi-client data library to assess whether there has been a permanent impairment of value and record losses when it is determined that estimated sales would not be sufficient to cover the carrying value of the asset. Any future reductions in sales estimates may result in an impairment charge that increases cost of services and reduces the carrying value of the multi-client data library. For example, in fiscal 2003, we recognized a $4.9 million pretax impairment charge related to a survey in the Gulf of Mexico that we had been unable to license.

Deferred Tax Asset

Deferred taxes result from the effect of transactions that are recognized in different periods for financial and tax reporting purposes. A valuation allowance, by tax jurisdiction, is established when it is more likely than not that some portion or all of the deferred tax assets will not be realized. The valuation allowance is then adjusted if the realization of deferred tax assets subsequently becomes more likely than not.

During fiscal 2004, our valuation allowances increased $11.9 million principally because historical losses indicated that future taxable income may not be sufficient to realize deferred tax benefits. If we do not record cumulative losses in future periods, we may determine that the realization of tax assets is more likely than not and revise our valuation allowance. As of July 31, 2004, we had recorded $73.0 million in valuation allowances, all of which are subject to periodic evaluation.

Since our quasi-reorganization on July 31, 1991 with respect to Digicon Inc., the tax benefits of net operating loss carryforwards existing at the date of the quasi-reorganization have been recognized through a direct addition to additional paid-in capital, when realization is more likely than not. Additionally, the utilization of the net operating loss carryforwards existing at the date of the quasi-reorganization is subject to certain limitations. During fiscal 2004, we did not recognize any amount related to these benefits.

Software Capitalization and Amortization

Software available for sale is included in other assets on our consolidated balance sheets. Software acquired through the purchase of software companies is capitalized at estimated fair market value through the allocation of the purchase price. For internally developed software, we capitalize costs associated with the development of the product from the time the product reaches technological feasibility until it is ready for commercial release.

The amortization of capitalized software is the greater of the amount computed using (a) the ratio that current gross revenues for a product bear to the total of current and anticipated future gross revenues for that product or (b) the straight-line method over the remaining estimated economic life of the product including the period being reported on. The period of amortization begins when the

software is released to the market. Estimated useful lives of our software products range from three to five years.

Estimated sales are determined based upon discussions with our clients, our experience and our knowledge of industry trends. Changes in sales estimates will have the effect of changing cost of services. An increase in projected sales will result in lower cost of services as a percentage of sales and higher earnings. A decrease in projected sales will result in higher cost of services as a percentage of sales and lower earnings. Any future increases or decreases in our estimates of useful lives will have the effect of decreasing or increasing future cost of services with an inverse effect on earnings.

Recent Accounting Pronouncements

We maintain stock-based compensation plans that are accounted for using the intrinsic value based method allowed by APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations. Under that method, compensation expense is recorded in the consolidated financial statements when the quoted market price of the underlying stock at the grant date or other measurement date exceeds the amount an employee must pay to acquire the stock. Our plans do not permit us to grant stock options at a price lower than market, therefore, we do not record any compensation expense related to stock options. In December 2004, the Financial Accounting Standards Board released SFAS No. 123R, a revision to SFAS No. 123, "Accounting for Stock-Based Compensation." SFAS 123R, which will become effective for us beginning with our first quarter of fiscal 2006, will require us to record the cost of stock options and other equity-based compensation in our income statement based upon the estimated fair value of those awards. As required by SFAS No. 148, "Accounting for Stock-Based Compensation," we disclose the pro forma effect of stock-based compensation expense on net income and earnings per share that would have been recorded had we used the fair value based method. As presented in Note 1 of the Notes to Consolidated Financial Statements, adoption of SFAS No. 123R will likely reduce our reported net income or increase our reported net loss in future periods.

In December 2003, the Financial Accounting Standards Board issued FIN 46R, a revision to FIN 46 "Consolidation of Variable Interest Entities". FIN 46R replaces FIN 46 and provides additional clarification on the application of ARB No. 51, "Consolidated Financial Statements", to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. We adopted FIN 46R on April 30, 2004. Adoption did not have a material effect on our financial position or results of operations, however, it required consolidation as of April 30, 2004 on a prospective basis of our 80% owned Indonesian joint venture, which was accounted for under the equity method prior to adoption of FIN 46R. The 80% owned joint venture provides processing and acquisition services and licenses to our multi-client data. This change is reflected in an increase of multi-client data of $2.3 million, an increase in current assets net of current liabilities of $0.6 million and a decrease in investment in and advances to joint ventures of $3.1 million.

In December 2003, the Financial Accounting Standards Board issued SFAS No. 132 (Revised 2003), "Employer's Disclosures about Pension and Other Postretirement Benefits." This statement retains the disclosures required by SFAS No. 132 and adds additional disclosures. Those disclosures include information describing the types of plan assets, investment strategy, measurement date(s), plan obligations, cash flows, and components of net periodic benefit cost recognized during interim periods. We adopted SFAS No. 132 (Revised 2003) in the quarter ended April 30, 2004.

Risk Factors

As a provider of geophysical technologies, our business is substantially dependent on the level of capital expenditures by oil and gas companies, and is more specifically dependent on exploration expenditures.

Capital expenditures by oil and gas companies are affected by several factors including actual and forecasted petroleum commodity prices and the companies' own short term and strategic plans. These capital expenditures may also be affected by worldwide economic conditions. Should there be a sustained period of substantially reduced exploration expenditures by oil and gas companies the demand for geophysical services likely will drop, adversely affecting our results of operations and cash flow during the affected period. In recent years, many of our customers have been using a substantial portion of their discretionary cash to pay down debt, buy back their stock, drill low-risk prospects and maximize production from existing fields rather than exploring for new prospects. While we believe this trend has ended, due to recent commodity price increases and current supply and demand forecasts, there can be no guarantee that oil and gas companies will engage in substantial or prolonged exploration programs involving seismic spending. While petroleum commodity prices are currently high from a historical perspective, history has shown these prices to be very volatile.

Weak demand or technological obsolescence could impair the value of our multi-client data library.

We have invested significant amounts in acquiring and processing multi-client data and expect to continue to do so for the foreseeable future. There is no assurance that we will recover all the costs of such surveys. Technological, regulatory or other industry or general economic developments could render all or portions of our multi-client data library obsolete or reduce its value. For example, in fiscal 2003 and fiscal 2002 we incurred $4.9 million and $55.3 million, respectively, in impairment charges related to slow moving surveys in our multi-client library. These surveys were found to be impaired for various reasons, including slow acreage turnover in the case of U.S. land surveys, a border dispute in the case of a Shetland-Faroes survey and excessive acquisition cost in the case of a Gulf of Mexico survey. Additionally, our individual surveys have a book life of five years, so particular surveys may undergo significant amortization even though sales of licenses are weak or non-existent, reducing the profits of the company.

We are dependent on achieving and maintaining technological advances, which creates risks regarding technological obsolescence, requirements for substantial future capital expenditures, the unavailability of necessary technology and the failure of new technologies.

The development of geophysical data acquisition and processing equipment has been characterized by rapid technological advancements in recent years. We expect this trend to continue. We will be required to invest substantial capital in the future to maintain our technology. Furthermore, manufacturers of geophysical equipment may develop new systems that render our equipment, even if recently acquired, obsolete or less desirable, requiring significant additional capital expenditures. Because some of our competitors are themselves leading designers and manufacturers of seismic equipment, we may not have access to their technology. Even if critical new and advanced equipment is available to us, we may not have funds available or be able to obtain necessary financing on acceptable terms to acquire it. Further, any investment we may make in a perceived technological advance may not be effective, economically successful or otherwise accepted in the market.

We face intense competition in our industry, which could adversely affect our results.

Competition among geophysical service providers historically has been, and we expect will continue to be, intense. Competitive factors in recent years have included price, crew experience, equipment availability, technological expertise and reputation for quality, safety and dependability. Some of our

competitors operate substantially more data acquisition crews and have significantly greater financial and other resources than we do. These larger and better-financed operators could enjoy an advantage over us in a competitive environment for contract awards and data sales and in the development of new technologies. Other competitors operate with extremely low overhead and compete vigorously on price in certain markets where that is the determining factor in awarding work. These low-cost competitors can have a competitive advantage over us in these markets.

High fixed costs could result in operating losses.

Our business has high fixed costs. As a result, downtime or low productivity due to reduced demand, weather interruptions, equipment failures or other causes can result in significant operating losses. Low utilization rates may hamper our ability to recover the cost of necessary capital investments.

Our revenues are subject to fluctuations that are beyond our control, which could adversely affect our results of operations in any financial period.

Our operating results vary in material respects from quarter to quarter and will most likely continue to do so in the future. Factors that cause variations include the timing of the receipt and commencement of contracts for data acquisition, customers' budgetary cycles, the timing of offshore lease sales and the effect of such timing on the demand for geophysical activities, seasonal factors and the timing of sales of geophysical data from our multi-client data library, which may be significant to us and which are not typically made in a linear or consistent pattern. Combined with our high fixed costs, these revenue fluctuations could produce unexpected adverse results of operations in any fiscal period.

We may be unable to attract and retain key employees, which could adversely affect our business.

Our success depends upon attracting and retaining highly skilled professionals and technical personnel. A number of our employees are highly skilled scientists and highly trained technicians, and our failure to continue to attract and retain such individuals could adversely affect our ability to compete in the geophysical services industry. We may confront significant and potentially adverse competition for key personnel, particularly during periods of increased demand for geophysical services. In addition, our success will depend to a significant extent upon the abilities and efforts of members of our senior management, the loss of whom could adversely affect our business.

We are still in the process of improving our internal controls and procedures, which we determined were materially weak.

As disclosed in the explanatory note on page 1, Item 9A. "Controls and Procedures," we have identified material weaknesses in our internal controls that have allowed accounting errors to occur and remain undetected for lengthy periods of time. In response to these deficiencies in our internal controls, we have begun the process of improving our internal control structure and internal control procedures across our company. Full implementation of these improvements will be accomplished over a period of time, but until these efforts are successfully completed, we could experience future accounting and financial reporting problems. Accounting and financial reporting problems could result in, among other things, securities litigation claims, investigations by the SEC and possible fines and penalties, and a loss of investor confidence which could adversely affect the trading prices of our debt and equity securities and adversely affect our ability to access financing sources.

We face risks associated with our foreign revenue generating activities.

Substantial portions of our revenues are derived from foreign activities. During the fiscal year ended July 31, 2004, approximately 57% of our revenue, or $319.3 million, was attributable to activities outside the United States. During the fiscal year ended July 31, 2004, we recognized revenue from the

following foreign countries that represented 1% or more of our consolidated revenue on a gross basis for the fiscal year:

Country of Origin	Revenue
	(in millions)
Argentina	$ 21.5
Australia	25.6
Brazil	32.4
Canada	88.3
India	17.1
Italy	6.4
Malaysia	7.7
Netherlands	10.6
Nigeria	7.5
Norway	10.5
Oman	19.0
United Kingdom	43.3

Foreign revenues are subject to certain risks, including those related to rates of currency exchange, border disputes, war, terrorism, civil disturbances, embargo, and government activities such as radical changes in tax regulations or investment laws. We are exposed to these risks in all of our foreign operations to some degree, and our exposure could be material to our financial condition and results of operations where the political and legal environment is less stable and we generate significant revenue or have large local investments, such as in Argentina, Brazil, Nigeria, and Oman.

Revenue generating activities in certain foreign countries may require prior United States government approval in the form of an export license and otherwise be subject to tariffs and import/export restrictions. These laws change over time and may result in limitations on our ability to compete globally. In addition, non-U.S. persons employed by our separately incorporated foreign subsidiaries conduct business in foreign jurisdictions that are subject to U.S. trade embargoes, have been identified by the U.S. government as state sponsors of terrorism or are subject to sanctions by the U.S. Office of Foreign Assets Control. For example, during fiscal 2004 we generated $1.5 million of revenue from Libyan customers, $428,000 of revenue from Iranian customers and $9,000 of revenue from a Syrian customer. We have typically generated revenue in these countries through the performance of data processing, reservoir consulting services and the sale of software licenses and software maintenance. The governments of Libya, Iran and Syria have been identified by the U.S. government as state sponsors of terrorism and are subject to sanctions by the U.S. Office of Foreign Assets Control and either directly or indirectly control the activities of our customers within their borders. Our relations with customers in these countries are current and on going. We have procedures in place to conduct these operations in compliance with applicable U.S. laws. However, failure to comply with U.S. laws on foreign operations could result in material fines and penalties.

Finally, some of our operational activities result in accounts receivable or accounts payable that are denominated in foreign currencies and, therefore, subject to fluctuations in foreign currency exchange rates. There can be no assurance that we will not experience difficulties in connection with future foreign revenue generation and, in particular, adverse effects from foreign currency fluctuations.

We operate under hazardous conditions that subject us to risk of damage to property or personal injuries and may interrupt our business.

Our seismic data acquisition activities involve operating under extreme weather and other hazardous conditions. These operations are subject to risks of loss to property and injury to personnel from fires, accidental explosions, ice floes, and high seas. On January 18, 2005, our seismic vessel

Veritas Viking experienced an engine failure, which resulted in interrupting an ongoing project and damage to her trailing equipment. See Note 15 of Notes to Consolidated Financial Statements. These types of events could result in an interruption of our business or significant liability. We may not obtain insurance against all risks or for certain equipment located from time to time in certain areas of the world.

The trading price of our securities could be subject to significant fluctuations.

The trading prices of our securities fluctuate. Factors such as fluctuations in our financial performance, and that of our competitors, as well as general market conditions could have a significant impact on the future trading prices of our securities. The trading prices also may be affected by weakness in oil prices, changes in interest rates and other factors beyond our control. These factors may have an adverse effect on the trading price of our securities.

We may be unable to repurchase our Convertible Senior Notes as required upon a change in control or on the specified dates at the option of the holder or to pay the required cash upon conversion of the notes.

Upon a change in control, as defined in the indenture governing our Convertible Senior Notes, and on March 15, 2009, 2014 and 2019, the holders of the notes have the right to require us to repurchase the notes for cash. In addition, upon conversion of the notes, the holders will have the right to receive a cash payment. If we do not have sufficient funds to pay the repurchase price for all of the notes tendered upon a change in control, the cash due upon repurchases of the notes on March 15, 2009, 2014 or 2019 or the cash due upon conversion, an event of default under the indenture governing the notes would occur as a result of such failure. In addition, cash payments in respect of notes tendered for repurchase or conversion are subject to limits and might be prohibited, or create an event of default, under our Credit Agreement as well as other agreements relating to borrowings that we may enter into from time to time. Our failure to make cash payments in respect of the Convertible Senior Notes could result in an event of default under our Credit Agreement. There can be no guarantee that our available sources of cash will be sufficient to allow us to make the required cash payments.

Our business is subject to governmental regulation, which may adversely affect our future operations or the accounting thereof.

Our operations are subject to a variety of federal, provincial, state, foreign and local laws and regulations, including environmental laws. We invest financial and managerial resources to comply with these laws and related permit requirements. Failure to timely obtain the required permits may result in crew downtime and operating losses. Because laws and regulations change frequently, we cannot predict the impact of government regulations on our future operations. The adoption of laws and regulations that have the effect of curtailing exploration by oil and gas companies could also adversely affect our operations by reducing the demand for our geophysical services.

We follow the generally accepted accounting principles of the United States (GAAP) as promulgated and/or enforced by the Financial Accounting Standards Board, the Securities and Exchange Commission and other organizations. GAAP is subject to change, with such changes occurring at a rapid rate in recent years. Changes in GAAP can affect the reporting of our future results.

Certain provisions of our charter, Delaware law and our shareholder rights plan may make it difficult for a third party to acquire us, even in situations that may be viewed as desirable by our stockholders.

The General Corporation Law of the State of Delaware contains provisions that may delay or prevent an attempt by a third party to acquire control of the company. Our certificate of incorporation

and bylaws contain provisions that authorize the issuance of preferred stock, and establish advance notice requirements for director nominations and actions to be taken at stockholder meetings. These provisions could also discourage or impede a tender offer, proxy contest or other similar transaction involving control of us, even if viewed favorably by stockholders. In addition, we have adopted a stockholder rights plan that would likely discourage a hostile attempt to acquire control of us.

The amounts we amortize from our data library each period may fluctuate significantly, and these fluctuations can have a significant effect on our reported results of operations.

How we account for our multi-client data library has a significant effect on our reported results of operations. We amortize the cost of our multi-client library based primarily upon our estimates of future sales of licenses to data, known as the sales forecast method. Although we also employ a minimum amortization for each survey in our data library based on straight-line amortization over five years, this amortization is secondary to that derived from the sales forecast method. The estimates used in the sales forecast method are inherently imprecise and may vary from period to period depending upon market developments and our expectations. We update our estimates on a quarterly basis and change our amortization rates accordingly. Substantial changes in amortization rates can have a significant effect on our reported results of operations.

ITEM 7A. ***Quantitative and Qualitative Disclosures Regarding Market Risk***

At July 31, 2004, we had limited market risk related to foreign currencies. From time to time, we enter into financial transactions designed to reduce our exposure to foreign currency. In May 2004 and July 2004, we entered into contracts in which we receive payments in pounds sterling. In order to minimize our exposure to currency risk, we purchased several put and call options. As of July 31, 2004, we had realized a loss of $249,000 from these transactions.

On February 25, 2003, we entered into interest rate swaps in order to reduce our exposure to the variable interest rates under our Credit Agreement described above. These swaps, with notional amounts totaling $80.0 million, effectively hedged 41% of our exposure to interest rate changes for the two-year term of the swaps and had no value at inception. On March 29, 2004, upon prepayment of amounts outstanding under our bank credit facility, the swap agreement was amended to an amount totaling $10.9 million. On June 10, 2004, upon final payment of amounts outstanding under our bank credit facility, the interest rate swap was terminated. The amendment and subsequent termination of the swap resulted in an expense of $441,000 and is included in interest expense for fiscal 2004 on the "Consolidated Statements of Operations and Comprehensive Income (Loss)."

In March 2001, we entered into a contract requiring payments in Norwegian Kroner to charter the seismic vessel M/V Seisquest. The contract required 36 monthly payments commencing on June 1, 2001. To protect against exposure to exchange rate risk, we entered into multiple forward contracts as cash flow hedges effectively fixing our exchange rate for Norwegian Kroner to the U.S. dollar. This contract expired on April 30, 2004.

As of July 31, 2004, we had $155.0 million Convertible Senior Notes bearing interest at LIBOR less 0.75% with a fair value of $199.0 million, based upon the trading price of 128.375 on July 29, 2004. These notes are not hedged and represent our total exposure to interest rate risk. Each 100 basis point increase in the LIBOR rate will increase our interest expense by $1.6 million per year.

ITEM 8. ***Consolidated Financial Statements and Supplementary Data***

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm
Consolidated Statements of Operations and Comprehensive Income (Loss) for each of the Three Years in the Period Ended July 31, 2004
Consolidated Balance Sheets as of July 31, 2004 and 2003
Consolidated Statements of Cash Flows for each of the Three Years in the Period Ended July 31, 2004
Consolidated Statements of Changes in Stockholders' Equity for each of the Three Years in the Period Ended July 31, 2004
Notes to Consolidated Financial Statements
Financial Statement Schedule Valuation and Qualifying Accounts and Reserves

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Veritas DGC Inc.:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Veritas DGC Inc. and its subsidiaries at July 31, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended July 31, 2004 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Notes 1 and 16 to the consolidated financial statements, the Company has restated its consolidated financial statements for the fiscal years ended July 31, 2003 and 2002.

As discussed in Note 1 to the consolidated financial statements, the Company changed its accounting for amortization of its multi-client data library on August 1, 2003.

PricewaterhouseCoopers LLP

Houston, Texas
April 28, 2005

VERITAS DGC INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(In thousands, except per share amounts)

	For the Years Ended July 31,		
	2004	2003 Restated	2002 Restated
Revenues	$ 564,469	$ 501,821	$ 452,183
Cost of services	495,709	423,271	347,866
Research and development	15,536	11,630	11,475
General and administrative	25,454	27,218	23,763
Loss on $(RC)^2$ sale		7,627	
Impairment of multi-client surveys		4,924	55,305
Cost of terminated merger			14,607
Impairment of goodwill		39,263	
Operating income (loss)	27,770	(12,112)	(833)
Interest expense	18,851	18,534	13,628
Other (income) expense, net	(17)	216	4,358
Income (loss) before provision for income taxes	8,936	(30,862)	(18,819)
Provision for income taxes	3,715	28,235	5,232
Net income (loss)	$ 5,221	$ (59,097)	$ (24,051)
Net income (loss), per share:			
Basic:			
Weighted average common shares	33,572	33,305	32,409
Income (loss) per common share	$ .16	$ (1.77)	$ (.74)
Diluted:			
Weighted average common shares	34,260	33,305	32,409
Income (loss) per common share	$ .15	$ (1.77)	$ (.74)
Comprehensive income (loss)			
Net income (loss)	$ 5,221	$ (59,097)	$ (24,051)
Other comprehensive income (loss) (net of tax, $0 in all periods):			
Foreign currency translation adjustments	3,835	12,339	(1,867)
Unrealized gain (loss) on investments-available for sale	(588)	944	(1,354)
Unrealized loss on investments-available for sale recognized as expense			1,368
Unrealized gain (loss) on hedge transactions	145	(939)	1,215
Minimum pension liability adjustment	338	(1,577)	
Total other comprehensive income (loss)	3,730	10,767	(638)
Comprehensive income (loss)	$ 8,951	$ (48,330)	$ (24,689)

See Notes to Consolidated Financial Statements

VERITAS DGC INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

(Dollars in thousands, except par value)

	July 31,	
	2004	**2003 Restated**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 116,299	$ 72,097
Restricted cash investments	111	205
Accounts and notes receivable (net of allowance for doubtful accounts: 2004, $1,109; 2003, $7,953)	166,810	131,019
Materials and supplies inventory	4,198	5,014
Prepayments and other	15,599	14,263
Income taxes receivable	12,617	13,019
Total current assets	315,634	235,617
Property and equipment:		
Land	7,005	7,006
Geophysical equipment	312,429	316,617
Data processing equipment	87,792	93,745
Geophysical ship	8,331	8,331
Leasehold improvements and other	64,082	66,505
Total	479,639	492,204
Less accumulated depreciation	357,976	342,551
Property and equipment, net	121,663	149,653
Multi-client data library	313,153	373,059
Investment in and advances to joint ventures		4,608
Deferred tax asset, net	1,223	708
Other assets	24,573	27,300
Total	$ 776,246	$ 790,945
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$	$ 13,908
Accounts payable, trade	44,907	43,191
Accrued interest	156	551
Accrued and deferred income taxes	7,145	
Other accrued liabilities	67,494	41,922
Total current liabilities	119,702	99,572
Non-current liabilities:		
Long-term debt	155,000	180,317
Other non-current liabilities	11,854	23,539
Total non-current liabilities	166,854	203,856

Commitments and Contingent Liabilities (Note 8)

	July 31,	
Stockholders' equity:		
Common stock, $.01 par value; authorized: 78,500,000 shares; issued: 34,821,298 shares in 2004 and 32,156,781 shares in 2003 (excluding Exchangeable Shares of 185,921 in 2004 and 1,443,411 in 2003)	348	322
Additional paid-in capital	441,982	428,402
Accumulated earnings (from August 1, 1991 with respect to Digicon Inc.)	63,144	57,923
Accumulated other comprehensive income:		
Cumulative foreign currency translation adjustment	7,331	3,496
Other	(883)	(778)

Uhael J. Covey and Eric J. Cremers were also employees of the company. As a result, Mr. Covey, Chairman and Chief Executive Officer, and Mr. Cremers, President and Chief Operating Officer, did not receive compensation for their services as directors during 2018. For compensation received by Mr. Covey and Mr. Cremers as named executive officers of the company please see “Executive Compensation Tables-2018 Compensation- 2018 Summary Compensation Table.”

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July 31,

Retainer and Fees. Our non-employee directors were paid at the following rates:

Annual Retainer Fee	$50,000
Supplemental annual retainer fee for Lead Director	$20,000
Supplemental annual retainer fee for Audit Committee Member	$12,000
Supplemental annual retainer fee for Audit Committee Chair	$15,000
Supplemental annual retainer fee for Exec. Comp. & Personnel Policies Committee Member	$7,500
Supplemental annual retainer fee for Exec. Comp. & Personnel Policies Committee Chair	$10,000
Supplemental annual retainer fee for Nominating and Corp. Governance Committee Member	$5,000
Supplemental annual retainer fee for Nominating and Corp. Governance Committee Chair	$5,000
Supplemental annual retainer fee for Finance Committee Member	$2,500
Supplemental annual retainer fee for Finance Committee Chair	$5,000

During 2018, we paid our non-employee directors, or deferred on their behalf, an aggregate total of $652,474 in fees. Directors may defer receiving all or any portion of their fees under the terms of our Directors Plan. When a director elects to defer fees, he or she elects to have those fees converted into common stock units or, if not converted, then credited with annual interest at 120% of the applicable long-term federal rate, with quarterly compounding. The common stock units are credited with amounts in common stock units equal in value to the distributions that are paid on the same amount of common stock. During 2018, we also reimbursed directors for their reasonable out-of-pocket expenses for attending Board and committee meetings and educational seminars and conferences in accordance with our Director Education Program.

Long-Term Incentive Awards. At the annual meeting on May 9, 2018, each of the non-employee directors serving after the meeting was granted restricted stock units under the company’s long-term incentive plan having a value of $75,000 for an aggregate amount of $750,000. Under the terms of the grant, each director received 1,573 restricted stock units based on the price of the common stock on the date of the grant. These restricted stock units vest on the first anniversary of the grant date provided the director’s service has not terminated other than as a result of death, disability or failure to stand for reelection at the next annual stockholder meeting. The restricted stock units are then credited with amounts in common stock units equal in value to the distributions that are paid on the same amount of common stock.

July 31,

Other Benefits. We provide coverage for directors under our Director and Officer Liability Insurance Policy and Accidental Death and Dismemberment Insurance Policy. Directors may, at their own expense, purchase coverage for their spouses under the Accidental Death and Dismemberment Insurance Policy. Directors are eligible to participate in our Matching Gifts to Education Program, available to all company employees, which matches contributions of up to $1,500 per year to eligible educational institutions. We made no donations on behalf of any of our directors to organizations with which any director was affiliated as an executive officer or director in excess of the amounts matched by us under this program.

Director Stock Ownership Guidelines. In order to promote and increase equity ownership by our directors and to further align their interests with those of our stockholders, the Board has adopted stock ownership guidelines that require each non-employee director to own beneficially company shares with a value of at least $250,000 including common stock units granted under the Directors Plan, by the fifth anniversary of his or her election as a director. As of December 31, 2018, all non-employee directors met the guidelines on an incremental basis.

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July 31,

SECURITY OWNERSHIP

Security Ownership of More than 5% Stockholders

This table shows the number of shares beneficially owned as of December 31, 2018, by each owner of more than 5% of our common stock. The number of shares reported is based on data provided to us by the beneficial owners of the shares. The percentage ownership data is based on 67,569,799 shares of our common stock outstanding as of December 31, 2018. Under SEC rules, beneficial ownership includes shares over which the indicated beneficial owner exercises voting or investment power. Except as noted, each owner has sole voting and investment power over the shares shown in this table.

	Number of Shares Beneficially Owned (#)	Right to Acquire (#)	Total Shares Beneficially Owned (#)	Percent of Class (%)
Stockholders Owning More than 5%				
The Vanguard Group 100 Vanguard Blvd. Malvern, PA 19355	9,405,850(1)	n/a	9,405,850	14.98
BlackRock, Inc. 55 East 52nd Street New York, NY 10055	8,538,697(2)	n/a	8,538,697	13.6
Long Leaf Partners Small-Cap Fund Southeastern Asset Management, Inc. Mr. O. Mason Hawkins	4,629,363(3)	n/a	4,629,363	7.4

July 31,

c/o Southeastern Management, Inc. 6410 Poplar Avenue, Suite 900 Memphis, TN 38119				
Wellington Management Group LLP c/o Wellington Management Company LLP 280 Congress Street Boston, MA 02210	3,321,428(4)	n/a	3,321,428	5.29

(1) Based upon the Schedule 13G/A filed with the SEC on February 12, 2019 by The Vanguard Group, on behalf of itself and as a parent holding company/control person of Vanguard Fiduciary Trust Company and Vanguard Investments Australia, LTD. The Vanguard Group has sole voting power over 65,946 shares, shared voting power over 19,677 shares, sole dispositive power over 9,327,280 shares and shared dispositive power over 78,570 shares.

(2) Based upon the Schedule 13G/A filed with the SEC on January 31, 2019 by BlackRock, Inc. as a parent holding company/control person of the following affiliates: BlackRock (Netherland) B.V., BlackRock Advisors, LLC, BlackRock Asset Management Canada Limited, BlackRock Asset Management Ireland Limited, BlackRock Asset Management Schweiz AG, BlackRock Financial Management, Inc., BlackRock Fund Advisors, BlackRock Institutional Trust Company, N.A., BlackRock Investment Management (Australia) Limited, Blackrock Investment Management (UK) Ltd., BlackRock International Limited, BlackRock (Luxembourg) S.A. and BlackRock Investment Management, LLC, Blackrock Life Limited, and Blackrock Japan Co., Ltd. BlackRock, Inc., has sole voting power over 8,375,521 shares and sole dispositive power over 8,538,697 shares.

(3) Based upon the Schedule 13G filed with the SEC on February 14, 2019 by Southeastern Asset Management, Inc., Longleaf Partners Small-Cap Fund and O. Mason Hawkins as a registered investment adviser, investment company and control person, respectively. Southeastern Asset Management has sole dispositive power over 44,985 shares. Southeastern Asset Management and Longleaf Partners Small-Cap Fund have shared voting and dispositive power over 4,584,378 shares. Mr. O. Mason

July 31,

Hawkins, Chairman of the Board and CEO of Southeastern Asset Management, may be deemed to beneficially own the shares held by Southeastern Asset Management; Mr. Hawkins disclaims beneficial ownership of such shares.

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(4) Based upon the Schedule 13G filed with the SEC on February 12, 2019 by Wellington Management Group LLP, a parent holding company of certain holding companies (Wellington Group Holdings LLP, Wellington Investment Advisers LLP and Wellington Management Global Holdings, Ltd.) and the following Wellington Investment Advisers: Wellington Management Company, LLP, Wellington Management Canada LLC, Wellington Management Singapore Pte Ltd., Wellington Management Hong Kong Ltd., Wellington Management International Ltd., Wellington Management Japan Pte Ltd. and Wellington Management Australia Pty Ltd. Wellington Investment Advisors Holdings LLP controls directly, or indirectly through Wellington Management Global Holdings, Ltd., the foregoing Wellington Investment Advisers. Wellington Investment Advisors Holdings LLP is owned by Wellington Group Holdings LLP, and Wellington Group Holdings LLP is owned by Wellington Management Group LLP. Wellington Management Group LLP, Wellington Group Holdings LLP and Wellington Investment Advisors Holdings LLP hold shared voting power over 2,557,307 shares and shared dispositive power over 3,321,428 shares. Wellington Management Company LLP holds shared voting power over 2,542,311 shares and shared dispositive power over 3,232,350 shares.

Security Ownership of Directors and Executive Officers

This table shows the number of shares beneficially owned as of March 1, 2019, by each of our directors, each executive officer for whom compensation is reported in this proxy statement, and all directors and executive officers as a group. The number of shares reported is based on data provided to us by the beneficial owners of the shares. The percentage ownership data is based on 67,865,766 shares of our common stock outstanding as of March 1, 2019. Under SEC rules, beneficial ownership includes shares over which the indicated beneficial owner exercises voting or investment power. Except as noted, and subject to applicable community property laws, each owner has sole voting and investment power over the shares shown in this table.

ors and Named Executive ers	Number of Shares Beneficially Owned (#)	Right to Acquire (1)	Total Shares Beneficially Owned (#)	Percent of Class (%)	Common Stock Units (#)(2)
R. Ball	9,442(3)	—	9,422	*	—

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M. Breard	—	—	—	*	4,891
el J. Covey	143,525(4)	87,084	230,609	*	32,910
Cremers	98,253	3,608	101,861	*	—
m L. Driscoll	332,648(5)	—	332,648	*	45,525
es P. Grenier	2,136	—	2,136	*	9,058
oph Keller, III	460,444(6)		460,444	*	—
S. Moody	—	—	—	*	31,338
rk Leland	8,443		8,443	*	—
ence S. Peiros	9,341(7)	—	9,341	*	37,055
nter Pierson	748,273(8)	—	748,273	1	—
ry L. Quesnel	2,888(9)	—	2,888	*	35,172
W. Richards	36,423(10)	5,224	41,647	*	—
e M. Sullivan	7,451	—	7,451	*	—
as J. Temple	47,122(11)	1,678	48,800	*	—
ors and Executive Officers roup (20 persons)	2,016,156(12)	99,826	2,115,982	3	195,949

*Less than 1%

(1) Amounts for Mr. Covey and Mr. Richards represent shares of common stock issuable under restricted stock units that are currently vested, have been deferred and will be paid out to Mr. Covey and Mr. Richards upon their respective separations from the company. Amounts for Mr. Covey, Mr. Cremers and Mr. Temple and Directors and Executive Officers as a group include restricted stock units from 2017-2019 and 2018-2020 grants that are not subject to forfeiture under the Company's 2014 Long-Term Incentive Plan and are payable following the respective retirements of Mr. Covey, Mr. Cremers, Mr. Temple and other executive officers. See "Executive Compensation Tables-Potential Payments Upon Termination or Termination following a Change in Control-Potential Payments Upon Termination in Connection with Retirement, Death or Disability."

(2) Represents common stock units as of March 1, 2018. These stock units are not actual shares of common stock and have no voting power. In the case of our directors, these stock units are credited, along with accrued dividend equivalents, on a one-for-one basis with

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our common stock pursuant to our Director Plan (see “Compensation of Non-Employee Directors”). The units represent deferred director's fees for Mr. Driscoll and Mr. Peiros, and annual stock unit awards granted in December 2004-2017 to all outside directors. For Mr. Covey the units represent deferred annual incentive plan award payments. Mr. Covey's units are converted into cash and paid according to an election Mr. Covey made prior to deferring fees or incentives. Mr. Driscoll's and Mr. Peiros’ units representing deferred director fees will be paid in shares of company common stock according to the elections made by Mr. Driscoll and Mr. Peiros, respectively, prior to deferring fees. The annual deferred awards granted to the outside (non-employee) directors are paid in shares of company common stock upon separation from service as a director.

(3) Includes 2,055 shares of common stock held for Mr. Ball’s account under our 401(k) employee savings plan.

(4) Comprised of the following: (i) 75,582 shares held directly by Mr. Covey; (ii) 67,943 shares of common stock held in a trust, of which Mr. Covey has sole voting and investment power; and (iii) 205 shares of common stock held for Mr. Covey's individual account under our 401(k) employee savings plan.

(5) Includes 64,358 shares held directly by Mr. Driscoll, 136,078 shares held by trusts of which Mr. Driscoll is a trustee and shares voting power, 126,981 shares held by trusts of which Mr. Driscoll is a trustee and shares voting and investment power. Also includes 5,231 shares held by a limited liability company of which Mr. Driscoll is manager with both voting and dispositive powers. Mr. Driscoll disclaims beneficial ownership of all shares except those held directly by him. Mr. Driscoll has the power to substitute other assets for 13,867 PotlatchDeltic Corporation shares in a trust that he has created over which he currently has no voting or investment power.

(6) Includes 115,003 shares held directly by Rev. Keller, 126,212 shares held by trusts under which Rev. Keller is a beneficiary, and as to 33,296 shares, also the trustee, and 219,229 shares held by family trusts for which Rev. Keller is trustee or co-trustee and as to which Rev. Keller disclaims beneficial ownership.

(7) These shares are held in a trust under which Mr. Peiros shares voting and investment power with his spouse.

(8) Includes 86,258 shares held directly by Mr. Pierson, 153,607 shares directly owned by Mr. Pierson’s spouse as beneficiary of trust(s), and 508,408 shares over which Mr. Pierson’s spouse is a trustee for others and/or are owned by a corporation or other organization of which Mr. Pierson’s spouse is an officer, director, partner or member and has sole or shared investment power. Mr. Pierson disclaims beneficial ownership of all shares except those held directly by him.

(9) These shares are held in a trust under which Mr. Quesnel shares voting and investment power with his spouse.

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(10) Includes 4,613 shares of common stock held for Mr. Richard's individual account under our 401(k) employee savings plan.

(11) Includes 4,124 shares of common stock held for Mr. Temple's individual account under our 401(k) employee savings plan.

(12) Includes 25,902 an aggregate of shares of common stock held for the executive officers' benefit under our 401(k) employee savings plan.

Section 16(a) Beneficial Ownership Reporting Compliance

Under U.S. securities laws, directors, certain executive officers and any person holding more than 10% of our common stock must report their initial ownership of the common stock and any changes in that ownership to the SEC. The SEC has designated specific due dates for these reports and we must identify in this proxy statement those persons who did not file these reports when due. Based solely on our review of copies of the reports filed with the SEC and written representations of our directors and executive officers, we believe all persons subject to reporting filed the required reports on time in 2018.

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AUDIT COMMITTEE REPORT

The Audit Committee of the Board of Directors is composed of five outside (non-employee) directors, all of whom meet Nasdaq listing standards for audit committee independence. The Audit Committee is an “audit committee” for purposes of Section 3(a)(58) of the Securities Exchange Act of 1934. The Committee’s charter is reviewed periodically by the Audit Committee, which recommends appropriate changes to the Board of Directors.

The Committee is responsible for providing oversight on matters relating to PotlatchDeltic’s accounting, financial reporting, internal controls, auditing, legal and regulatory compliance and financial risk management. In performing its functions, the Committee acts only in an oversight capacity and necessarily relies on the work and assurances of management, which has the primary responsibility for financial statements and reports, and the reports of the independent registered public accounting firm, who, in its reports, expresses an opinion on the conformity of the company’s annual financial statements to generally accepted accounting principles in the United States and an opinion on the effectiveness of internal control over financial reporting. During fiscal year 2018, the Committee met seven times.

In connection with the audit process, the Committee has received from our independent registered public accounting firm, KPMG LLP, or KPMG, the written disclosures and the letter required by the Public Company Accounting Oversight Board (PCAOB) regarding KPMG’s communications with the Audit Committee concerning independence, and has discussed with KPMG its independence. The Committee also discussed the quality and adequacy of the company’s internal controls with management, the Internal Audit Director and the independent registered public accounting firm. The Committee reviewed with KPMG and the Internal Audit Director their respective audit plans, audit scope and identification of audit risks, and reviewed and discussed the results of the internal audit examinations with the Internal Audit Director.

The Committee reviewed and discussed the audited consolidated financial statements for the fiscal year ended December 31, 2018, with management and with KPMG outside the presence of management. The Committee also discussed with KPMG the matters required to be discussed by PCAOB Auditing Standard No. 1301, "Communications with Audit Committees."

Based on these reviews and discussions with management, KPMG and the Internal Audit Director, the Committee recommended to the Board that the company’s audited consolidated financial statements be included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2018, for filing with the Securities and Exchange Commission.

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The Committee Members

Linda M. Breard (Chair)
Charles P. Grenier
D. Mark Leland
Gregory L. Quesnel
Lenore M. Sullivan

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Fees Paid to Independent Registered Public Accounting Firm in 2018 and 2017

The Audit Committee has considered and determined that the services provided by KPMG in fiscal year 2018 are compatible with the auditor independence requirements. The following table shows fees for professional services rendered by KPMG for audit services for the years ended December 31, 2018 and 2017, and fees billed for other services rendered by KPMG during each of these years.

Year	Audit Fees ($)(1)	Audit-Related Fees ($)	Tax Fees ($)(2)	All Other Fees ($)
2018	2,037,360	—	728,655	—
2017	925,725	—	—	—

(1) Audit Fees represent fees for the audit of our annual financial statements, the audit of our internal control over financial reporting and reviews of the quarterly financial statements. Audit fees for 2018 include $900,000 for audit services related to the Deltic merger and regulatory filings made by the company in connection with the merger.

(2) Tax fees were for services rendered in connection with a tax study on Deltic's earnings and profits, Deltic tax return compliance and compensation and benefits tax consulting for Deltic compensation arrangements.

The Audit Committee is required to pre-approve the audit, audit related, tax and all other services provided by our independent registered public accounting firm in order to assure that the provision of such services does not impair the auditor's independence. The Audit Committee pre-approved all such services in 2018 and concluded that such services performed by KPMG LLP were compatible with the maintenance of their independence in the performance of its auditing functions. The Audit Committee Policy for Pre-Approval of Independent Auditor Services and Fees provides for pre-approval of audit, audit-related, tax and other services specifically described by the Policy on an annual basis. A copy of the Policy can be found on our public web site by going to www.potlatchdeltic.com, and selecting

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"Investor Resources," then "Corporate Governance," and then "Audit Committee Pre-Approval Policy." Under the terms of the Policy, unless a type of service to be provided by the independent registered public accounting firm has received general pre-approval, it will require specific pre-approval by the Audit Committee. In addition, any proposed services anticipated to exceed pre-approved cost levels must be separately approved. The Policy authorizes the Audit Committee to delegate to one or more of its members pre-approval authority with respect to permitted services. The member or members to whom such authority has been delegated must report any pre-approval decisions to our Audit Committee at its next scheduled meeting.

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PROPOSAL 2 – RATIFICATION OF THE APPOINTMENT OF KPMG LLP AS OUR INDEPENDENT AUDITORS FOR 2019

We recommend a vote FOR this proposal.

KPMG LLP, a registered public accounting firm, currently serves as our independent registered public accounting firm and has conducted the audit of our consolidated financial statements and internal control over financial reporting for fiscal year 2018. A summary of the fees paid by us to KPMG in connection with its audits for 2018 and 2017 can be found in the section titled, "Fees Paid to Independent Registered Public Accounting Firm in 2018 and 2017" in this proxy statement.

Based upon its review of KPMG's qualifications, independence and performance, the Audit Committee of the Board of Directors has appointed KPMG to serve as our independent registered public accounting firm for 2019.

The appointment of our independent registered public accounting firm is not required to be submitted for ratification by the stockholders. The listing standards of the Nasdaq Global Select Market provide that the Audit Committee is solely responsible for the appointment, compensation, evaluation and oversight of our independent registered public accounting firm. However, as a matter of good corporate governance, the Audit Committee is submitting its appointment of KPMG as independent registered public accounting firm for 2019 for ratification by the stockholders.

If the stockholders fail to ratify the appointment of KPMG, the Audit Committee may reconsider whether to retain KPMG, and may continue to retain that firm or appoint another firm without resubmitting the matter to the stockholders. Even if the stockholders ratify the appointment of KPMG, the Audit Committee may, in its discretion, appoint a different independent registered public accounting firm if it determines that such a change would be in the best interests of our company and our stockholders.

The affirmative vote of a majority of the common stock present in person or represented by proxy and entitled to vote at the Annual Meeting is required to ratify the appointment of KPMG LLP as our independent auditors for 2019.

Representatives of KPMG are expected to attend the Annual Meeting, will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

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COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis describes the compensation policies and decisions of the Executive Compensation and Personnel Policies Committee with respect to our senior executives, including the officers named in the Summary Compensation Table for 2018 (the "named executive officers"). For 2018 our named executive officers and the offices they held were:

- Michael J. Covey, Chairman and Chief Executive Officer
- Jerald W. Richards, Vice President and Chief Financial Officer
- Eric J. Cremers, President and Chief Operating Officer
- Thomas J. Temple, Vice President, Wood Products
- Darin R. Ball, Vice President, Resource

Executive Summary

Summary of 2018 Results

2018 was a very successful year for the company. We grew meaningfully with the completion of the Deltic merger in February, achieved our targeted synergy annual run rate of $50 million per year ahead of schedule, and we generated $122.9 million of net income or $141.4 million before special items, on revenues of $974.6 million. We distributed $147 million of cash to stockholders through our quarterly distribution and our special distribution of Deltic’s earnings and profits in November 2018 and increased our regular quarterly dividend by 7.7% in the fourth quarter of 2018. On December 20, 2018 we signed an Asset Purchase and Sale Agreement with Roseburg Forest Products Co. for the sale of our medium density fiberboard plant in El Dorado, Arkansas for a purchase price of approximately $92 million.

A summary of the company's 2018 performance compared to the company’s financial performance targets is set forth below.

	Performance Metric	2018 Actual ($ in millions)	2018 Target ($ in millions)	% of Target
Company	FFO	237.4	228.1	104
Real Estate	EBITDDA	40.3	42.0	96
Resource	EBITDDA	169.8	165.3	103

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Wood Products	EBITDDA	130.6	121.1	108	

The company's total shareholder return ("TSR") during the three-year period from 2016 to 2018 exceeded the median of the group of five forest products companies that we refer to as our "performance peer group" by over 12.0% and ranked us 56th in the NAREIT All Equity REIT Index Companies. (See "2018 Long-Term Equity Incentive Awards – Peer Group" below).

Summary of Key 2018 Compensation Decisions

2018 Base Salary After considering company performance and competitive pay practices, the Committee approved base salary increases of 2.97% for Mr. Covey, 3.00% for Mr. Cremers and Mr. Richards, and 4.00% for Mr. Temple. Mr. Ball was named to Vice President, Resource in December 2017. Mr. Ball previously served as the Idaho Resource Unit Manager. Upon his promotion, Mr. Ball received a base salary increase of 43.21% in recognition of the increased scope and prominence of his new role.

2018 Annual Incentive Award The company's FFO for 2018 was $237.4 million or 104% of the budgeted target of $228.1 million which resulted in a calculated multiplier of 1.15. See "2018 Annual Cash Incentive Awards" below.

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2016-2018 Long-Term Equity Incentives The company's annualized TSR for the 2016-2018 performance period was 9.33%, which ranked the company approximately 12% above the median performance of the company's performance peers during the performance period, and the company's aggregate TSR for the 2016-2018 performance period was 30.74%, which ranked the company at 56th compared to the NAREIT All Equity REITS Index Companies. These relative TRS outcomes resulted in the vesting of 167.7% of the 2016-2018 Performance Shares awarded to participants under the company's long-term incentive program, including named executive officers, plus dividends credited pursuant to the terms of the award. See "2018 Long-Term Equity Incentive Awards - PotlatchDeltic Corporation TSR Comparison" below.

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Advisory Shareholder Vote Our stockholders approved the compensation of our named executive officers as described in our 2018 proxy statement with an approval rate of approximately 98%. See “2018 Stockholder Advisory Vote to approve Executive Compensation” below.

Summary of Executive Compensation Program and Practices

The Compensation Committee, working with company management, has adopted compensation policies and procedures that represent strong corporate governance, including the following:

- Independent Compensation Committee. The Compensation Committee is composed solely of independent directors within the meaning of Nasdaq listing rules relating to compensation committees.
- Independent Compensation Consultant. In 2018 the Compensation Committee was advised by Semler Brossy, an independent compensation consultant that provides no other services to the company and has no prior relationship with any of the named executive officers.
- Competitive Market Assessments. The Compensation Committee requests that its independent consultant conduct a review of the company's executive compensation program at least every two years to evaluate whether it is comparable to compensation programs of companies of similar size.
- Peer Group Review. The competitive market and the peer group of companies used for benchmarking company TSR is carefully reviewed annually by the Compensation Committee with input from its independent consultant. Changes to the peer group require Compensation Committee approval.
- Annual Stockholder Advisory Vote. The company seeks an annual stockholder advisory vote to approve executive compensation, the results of which are considered by the Compensation Committee in determining executive compensation.
- Compensation Risk Assessment. Company management and the Compensation Committee’s independent consultant complete a risk assessment of the company's executive compensation programs annually to evaluate whether they are designed and administered in a manner that discourages undue risk-taking by employees. The assessment is reviewed by the Compensation Committee.
- Double-Trigger Acceleration. A “double trigger” is required before severance benefits are paid and equity awards vest in connection with a change in control event.
- Limited Perquisites. The company does not provide perquisites or other personal benefits to officers or senior employees, such as aircraft for personal use, paid parking spaces, or company cars, with the exception of payment of premiums for accidental death and dismemberment insurance. The company's health care and other medical insurance programs and its

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salaried employee 401(k) Plan are the same for all salaried employees, including officers.

- Executive Stock Ownership Guidelines. The company has a robust stock ownership policy. The company's Chief Executive Officer and President and Chief Operating Officer are required to achieve minimum stock ownership that is five times their respective base salaries and the other named executive officers are required to achieve minimum stock ownership that is two times their respective base salaries.
- Clawback Policy. The company has an incentive compensation recovery policy to recover compensation earned as a result of a material financial restatement that resulted from fraud or misconduct by a company employee.
- Hedging Policy. Under the company's insider trading policy, directors, officers and employees are prohibited from speculating in company securities or engaging in transactions designed to hedge their ownership interests.
- Pledging Policy. Under the company's insider trading policy, directors and executive officers are prohibited from pledging company securities as collateral except under limited circumstances and with approval by the Compensation Committee.

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2018 Stockholder Advisory Vote to approve Executive Compensation

At our annual meeting of stockholders in May 2018, we held our annual stockholder advisory vote to approve the compensation of our named executive officers (say-on-pay). Our stockholders approved the compensation of our named executive officers as described in our 2018 proxy statement with an approval rate of approximately 98% (calculated based on the number of shares voted "For" this proposal divided by the number of shares voted "For" and "Against" this proposal). As we evaluated our compensation practices throughout 2018, we considered the strong support our stockholders expressed for our executive compensation program. As a result, the Compensation Committee decided to retain our general approach to executive compensation.

Compensation Consultants

Pursuant to its charter, the Compensation Committee has the sole authority to retain, terminate and approve the fees and other retention terms of compensation consultants and other advisers to assist it in its ongoing development and evaluation of company compensation policies and practices and the Committee's determination of compensation awards. For 2018, the Committee engaged Semler Brossy as its independent compensation consultant. The Compensation Committee's independent compensation consultant reports directly to the Committee and not to management. Semler Brossy is independent from our company, has not provided any services to our company other than to the Compensation Committee and Nominating Committee and receives compensation from our company only for services provided to the Committees. The Compensation Committee has assessed the independence of Semler Brossy pursuant to SEC rules and has concluded that Semler Brossy's work has not raised any conflict of interest. The Compensation Committee's independent compensation consultant:

- attends Committee meetings upon request;
- meets with the Committee without management present;
- provides third-party data, advice and expertise on proposed executive compensation and executive compensation plan designs;
- reviews briefing materials prepared by management and outside advisers to management and advises the Committee on the matters included in these materials, including the consistency of proposals with the Committee's compensation philosophy, risks inherent in proposals and comparisons to programs at other companies;
- prepares for the Committee at least every two years an assessment of the company's compensation programs, including positioning of the programs in the competitive market, to assist the Committee in its analysis of each component of each of our executive officers' compensation packages to

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assess the proper balance and competitiveness of the tools used to accomplish the objective of each compensation component;

- reviews drafts of the Compensation Discussion and Analysis; and
- advises the Nominating Committee on director compensation.

All of the decisions with respect to determining the amount and form of executive compensation under our compensation programs are ultimately made by the Compensation Committee and may reflect factors and considerations other than the information and advice provided by the Committee's independent compensation consultant.

The company has retained Mercer (U.S.) Inc. (Mercer) to advise company management on compensation plan design and performance measures for incentive compensation. In addition to advising company management on Health and Welfare benefits and compensation matters, Mercer provides investment advice to the company's investment committee that oversees pension investments. Mercer recommendations related to executive compensation are reviewed for the Committee by the Committee's independent compensation consultant.

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Competitive Market Assessments

As part of determining compensation levels for named executive officers, the Committee reviews information regarding the median compensation paid by other companies of comparable size both in our industry and generally. At least every two years the Committee asks its independent compensation consultant to provide it with a market assessment that utilizes blended market data from the most relevant compensation surveys available. In its most recent review in December 2018, the consultant referenced the Forest Products Industry Compensation Association Survey for industry-specific market data and a survey from Mercer for general industry market data representing similarly-sized companies. The Committee also reviews compensation data from companies within our performance peer group (see "2018 Long-Term Equity Awards - Peer Group").

Competitive compensation survey data is gathered by the Committee's compensation consultant and analyzed to most closely reflect competitive pay levels for companies of comparable size and, where possible, similar business focus to our company.

Management Input

Each year, the company's Chief Executive Officer, President and Chief Operating Officer, and Vice President, Human Resources, recommend to the Compensation Committee changes to base salaries and target amounts for annual cash incentive awards and long-term equity incentive awards for each named executive officer, except the Chief Executive Officer. These recommendations are based on the principal duties and responsibilities of each executive officer, competitor pay levels within our industry, pay levels for comparable companies of similar size within regional and national markets, internal pay equity, and individual performance. In addition, each year our Vice President, Human Resources provides the Committee with a detailed review of the actual results of the company's corporate and operating divisions compared to the performance goals established at the beginning of the year under our annual incentive plan, and the resulting awards proposed to be made to the named executive officers. Our Chief Executive Officer and our President and Chief Operating Officer present evaluations of executives who report to them and make recommendations to the Committee regarding executive base salary and annual cash incentive compensation and long-term equity compensation for executive officers, and compensation packages for executives being hired or promoted. Our Chief Executive Officer and our President and Chief Operating Officer also recommend performance targets for the upcoming year for the Compensation Committee to consider.

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The Compensation Committee determines any change to the base salary, annual cash bonus and equity awards for the Chief Executive Officer based upon its evaluation of the Chief Executive Officer's performance and advice from the Committee's independent compensation consultant.

Risk Assessment

Company management provides ongoing information to the Compensation Committee regarding aspects of our executive compensation program that could mitigate or encourage excessive risk-taking by company executives. In addition, the Committee periodically requests that its independent compensation consultant provide an assessment of the company's executive compensation program along with recommended modifications, if any. Among the attributes of our executive compensation program that management and the Committee take into consideration in assessing the risks arising from our compensation policies and procedures are:

- the balance between annual and long-term incentives;
- the existence of caps on annual and long-term incentive awards;
- the use of different metrics for annual and long-term incentive awards;
- the use of rolling performance periods and laddered equity vesting to reduce pressure on any one performance period or vesting date;
- the ability of company management and the Committee to consider non-financial and other qualitative performance factors such as safety and environmental performance in determining actual compensation packages;
- stock ownership guidelines that are reasonable and align our executives' interests with those of our stockholders;
- the company's insider trading policy that prohibits employees from speculating in company securities or engaging in transactions designed to hedge their ownership interests; and
- the company's Incentive Compensation Recovery Policy.

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Compensation Objectives and Elements of Compensation

Compensation Philosophy and Objectives. Our compensation philosophy is to provide all of our executives a fair and competitive incentive-based compensation package that is tied to the performance of both the individual and the company. We also believe that a significant portion of total compensation for our senior executives should be at risk and dependent on the achievement of target levels of performance. In addition, we believe that in order to maintain fiscal discipline, incentive compensation should be subject to thresholds and caps. The key objectives of our compensation program are aimed at helping us to recruit, motivate and retain talented and experienced executives, ensure our incentive compensation is aligned with short-term and long-term company performance and to align our employees' interests with those of our stockholders.

Compensation Components. We balance our executives' compensation packages among three components:

- base salary;
- annual cash incentives; and
- long-term equity incentives.

Salaries are provided to employees as compensation for basic services to the company and to meet the objective of attracting and retaining the talent needed to run our business. Our annual cash incentives reward employees for helping us achieve annual financial targets, and our long-term equity incentives reward employees for helping us to achieve the company’s overall long-term business objectives and perform at a level of TSR that exceeds that of our performance peers. We compensate executives with higher levels of responsibility with a higher proportion of at-risk incentive compensation and equity compensation, so their interests are closely aligned with those of our stockholders. Depending upon an executive officer's pay grade, approximately 55%-75% of the officer's compensation is composed of a combination of annual cash incentive awards based on operational performance goals, and long-term equity incentive grants. Seventy-five percent of our 2018 long-term incentive awards to our named executive officers vest based on performance, which is measured based on achievement of relative TSR over a three-year period. See “Summary Comparison of 2018 Target and Actual Compensation” below for each named executive officer's specific compensation mix for 2018.

To ensure fiscal discipline, we set threshold performance levels so that no incentive awards are made if performance results fall below threshold levels, and we set caps on the aggregate amount of incentive compensation that we pay, regardless of actual performance results.

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2018 Base Salary

As part of determining executive base salaries, the Compensation Committee reviews information regarding median base salaries for companies of comparable size, both in our industry and generally, and also considers the individual executive's job performance, long-term potential and tenure. Base salary ranges are established for each pay grade of salaried employees, including our Chief Executive Officer. We determine an executive's rate of pay within the salary range for his or her position based upon the executive's level of experience and performance relative to his or her individual written performance plan. Each executive's individual performance plan contains operational and financial objectives determined by the executive together with his or her supervisor. Our Chief Executive Officer's base salary is set by the Committee in its sole discretion after consultation with its independent compensation consultant and the Committee approves the base salaries of the other named executive officers after discussions with the Chief Executive Officer and President and Chief Operating Officer.

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In 2018, the Compensation Committee approved base salary increases of 2.97% for Mr. Covey, and 3.00% for Mr. Cremers and Mr. Richards, and 4.00% for Mr. Temple based in part upon its review of competitive market data. Mr. Ball received a base salary increase of 43.21% in connection with his promotion to Vice President, Resource based upon the Committee's review of competitive pay benchmarks for similar positions in the December 2016 review by the committee's compensation consultant.

	Base Salary Increase	Base Salary 2018	Base Salary 2017
Name	(% Increase)	($)	($)
Michael J. Covey	2.97	867,000	842,000
Jerald W. Richards	3.00	376,764	365,790
Eric J. Cremers	3.00	579,643	562,760
Thomas J. Temple	4.00	353,288	339,700
Darin R. Ball	43.21	276,000	192,730

2018 Annual Cash Incentive Awards

Pursuant to the terms of the company's Annual Incentive Plan, each year the Compensation Committee establishes target annual bonuses for our executive officers as a percentage of base salary, corresponding to the pay grade of each officer's position, based in part on the recommendations of management and the Committee's independent compensation consultant after a review of the compensation practices of companies of comparable size both in our industry and generally. These targets are set forth below under "Summary Comparison of 2018 Target and Actual Compensation."

Annual bonuses are subject to adjustment based on corporate and operating division financial performance. At the beginning of each year the Committee, with input from our Chief Executive Officer and our President and Chief Operating Officer, approves a scale of modifiers for our executive officers based on a range of possible financial performance outcomes. At the end of the year, actual financial performance is compared to the Committee's pre-approved performance scale to determine the modifiers to apply to the target awards. Awards may be further adjusted based on the results of the individual employee's annual performance review, the operating division's performance, the company's overall performance or unusual, extraordinary or infrequently occurring items. The Committee also considers safety performance, environmental performance and other factors when approving awards. Under the Annual Incentive Plan, the Committee also has discretionary authority to reduce awards to executive officers to zero or

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increase awards to executive officers up to 200% of target.

In order to reflect both our REIT structure and our wood products operations, we used the following performance measures for purposes of the 2018 annual cash incentive awards:

- Funds from operations, or FFO, measured at the corporate level against a pre-defined target; and
- Earnings before interest, taxes, depreciation, depletion and amortization, or EBITDDA, measured at each operating division against pre-defined targets.

We define FFO as net income, plus depletion, depreciation and amortization, basis of real estate sold, and net, non-cash asset impairment and eliminations. The use of this measure is intended to focus eligible employees on generating profits by both increasing revenues and controlling costs. In addition, FFO is the primary measure used by the investment community to measure REIT performance. We believe that profitable growth reflected in our FFO and EBITDDA measures will drive stockholder value over time. Furthermore, the Committee believes that at the division level, measuring EBITDDA rather than FFO is a simpler approach and provides more transparency to employees, as the divisions do not make capital allocation decisions.

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Pursuant to our Annual Incentive Plan, at the beginning of 2018, a target incentive pool value was calculated based on the sum of the target annual incentive amounts for each participant in the plan. Based upon the company's 2018 budget approved by our Board and on the input and recommendations of management, the Committee approved the following FFO performance scale and the corresponding incentive pool modifiers for 2018:

Performance Level	2018 FFO Performance (Versus 2017 FFO Budgeted Target)	Incentive Pool Multiplier (Multiple of Target Pool)
Threshold	80% of $228.1 million FFO Budget, or $182.5 million FFO	0.25 x Target Pool
Target	100% of $228.1 million FFO Budget	1.00 x Target Pool
Maximum	126.7% of $228.1 million FFO Budget, or $289.00 million FFO	2.00 x Target Pool

The incentive pool multiplier for FFO performance proportionately increases or decreases between threshold and target levels and between target and maximum levels. The incentive pool is not funded for FFO performance below threshold level. The funding scale is determined each year with consideration to the ration of incentive dollars to FFO dollars above threshold and up to maximum.

The company's actual 2018 FFO can be calculated from the audited consolidated statements of cash flows included in our 2018 Annual Report Form 10-K. At the end of 2018, the company's actual FFO was $237.4 million, or 104% of the budgeted target of $228.1 million, which resulted in a calculated incentive pool multiplier of 1.15.

The overall funded incentive pool was allocated to create incentive pools for corporate and operating divisions based on the following:

- Corporate: corporate FFO performance, modified based on the achievement of measurable strategic objectives; and
-

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Operating Divisions: operating division EBITDDA performance (weighted 75%) and corporate FFO performance (weighted 25%).

The operating division allocation is based in part on corporate FFO performance to motivate a division to maximize its contribution to company FFO in the event that for reasons beyond the division's control (e.g., a market downturn) division EBITDDA goals cannot be met. The Committee has discretion to adjust FFO and EBITDDA calculations for extraordinary items, as appropriate, and to reduce or increase awards.

The actual 2018 EBITDDA performance for each operating division relative to the target 2018 EBITDDA performance was as follows:

Operating Division	Actual 2018 EBITDDA ($ in millions)(1)	Target 2018 EBITDDA ($ in millions)	Percent of Target Achieved (%)
Real Estate	40.3	42.0	96
Resource	169.8	165.3	103
Wood Products	130.6	121.1	108

(1) Each of our operating division's actual 2018 EBITDDA can be calculated from the amounts shown in Note 21 to the audited consolidated financial statements included in our 2018 Annual report on Form 10-K. Actual 2018 EBITDDA for each of the Resource and Wood Products divisions can be calculated by taking the division's operating income and adding depreciation, depletion and amortization. Actual 2018 EBITDDA for the Real Estate division can be calculated by taking the division's operating income and adding the basis of real estate sold before eliminations and adjustments plus depreciation.

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Executive officer annual bonuses are also subjected to further limits on allowable bonus amounts. For the executive officers, the maximum annual bonus allowable is calculated based upon a bonus pool equal to 84.45% of annual net income for the year which is defined as net income for external financial reporting purposes as reflected in the company's 2018 Annual Report on Form 10-K. The maximum annual bonus amount for each executive officer equals the lesser of an assigned percentage of this bonus pool and a maximum dollar amount. The executive officers will not receive any annual bonus payments unless the company has positive annual net income, and may not receive any annual bonus payments that exceed specified individual maximums.

Determination of 2018 Annual Incentive Award Payment. The Compensation Committee made awards from the applicable funded incentive pool to our named executive officers based on recommendations from the Chief Executive Officer and President and Chief Operating Officer, competitive data provided by independent compensation consultant and the results of individual performance reviews

In determining the Chief Executive Officer's award, the Committee considered its evaluation of Mr. Covey's performance against his financial, operational and strategic goals of 2018. The Committee discussed this evaluation in executive session without Mr. Covey being present. The Committee noted that under Mr. Covey's leadership, the company successfully concluded a merger with Deltic and achieved target synergies ahead of schedule. The company also negotiated the sale of its medium density fiberboard business. The company distributed $147 million in cash to shareholders in the form of quarterly dividends and the special dividend of Deltic's earnings and profits, and increased the company's regular quarterly dividend by 7.7% in the fourth quarter.

The recommendations of the Chief Executive Officer and the President and Chief Operating Officer to the Committee concerning the payment of awards for each of the other executive officers were based on the individual performance evaluations of those officers. These evaluations took into account objective criteria in the form of operating results against budget, and subjective criteria such as performance against strategic goals which involve the exercise of discretion and judgment in assessing performance attainment.

Mr. Richards' annual incentive award reflected his skill and leadership in the Deltic merger and subsequent integration, and restructuring of the company's debt following the merger.

In determining Mr. Cremers' annual incentive award, the Committee noted Mr. Cremer's skill and leadership with the Deltic merger and subsequent

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integration, his successful negotiation of the sale of the medium density fiberboard business and the strong performance of the Resource, Wood Products and Real Estate Divisions in achieving target synergies.

Mr. Temple's annual incentive award reflected the successful integration of Deltic operations into the Wood Products Division, synergy capture, and his successful negotiation of the sale of the medium density fiberboard business.

In determining Mr. Ball's annual incentive award, the Committee noted the successful integration of Deltic operations into the Resource Division and synergy capture.

2018 Long-Term Equity Incentive Awards

Our long-term incentive program is intended to link compensation to long-term company performance. Under our long-term incentive program we grant two types of equity awards:

- performance shares, which reward employees for company performance over a three-year period that exceeds the applicable performance peer group, encourage employees to focus on the creation of long-term stockholder value and align the interests of employees with those of our stockholders; and
- restricted stock units, which vest on December 31 immediately preceding the third anniversary of the grant date, and aid in the recruitment and retention of key employees.

The effective grant date for equity awards is the day of the Compensation Committee meeting at which the awards are approved, typically in February of each year. These meetings are scheduled well in advance of the actual meeting date and are not coordinated with the release of any material, non-public information. Equity grants to executive officers who are hired during the year are generally effective upon the executive's start date.

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Long-Term Equity Incentive Award Guidelines. The Compensation Committee has approved “guideline” long-term incentive values for each executive pay grade eligible for long-term equity incentive awards other than the Chief Executive Officer. These guideline values initially were established at the median of competitive practice, based on a 2016 assessment of compensation programs of comparably sized companies by the Committee's independent compensation consultant. The assessment shows that our guidelines currently continue to align closely with competitive medians. Guideline values are converted to performance shares and restricted stock units in a given year by dividing the values by an amount equal to the closing price of company common stock on the grant date. The actual number of equity awards granted to eligible employees is further subject to an increase or decrease from the guideline value at the Committee's discretion, based upon management's assessment of an individual employee's past contributions and potential future contributions to the company. In the case of the company's Chief Executive Officer, the Committee determines in its sole discretion the number of equity awards to be granted based on a review by the Committee's independent compensation consultant of competitive practice and the Committee's evaluation of the Chief Executive Officer's performance.

Restricted Stock Units. Restricted stock units vest on December 31 immediately preceding the third anniversary of the grant date unless the officer's employment with the company is terminated for any reason other than death, disability or retirement. See "Potential Payments upon Termination or Termination Following a Change in Control." We have also granted restricted stock units to newly hired executives to replace the value of equity awards that were forfeited when they left their prior employer and to align the interests of new executives to those of our stockholders.

Performance Shares. Performance shares are earned based on the company's TSR over a three-year performance period relative to the median TSR of performance peer group (weighted 50%) and the company's TSR percentile ranking relative to all companies within the NAREIT All Equity REITs Index (of which we are a member) (weighted 50%) over such performance period. TSR is calculated based on stock price appreciation plus cash and share distributions. See "2018 Long-Term Equity Incentive Awards Peer Group."

Threshold, Target and Maximum. The Compensation Committee believes that for purposes of measuring company performance for awarding performance shares:

- performance measures should be subject to thresholds so that an executive officer's compensation should be at risk if minimal performance is not achieved;
-

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performance measures at which 100% of target amounts are earned should be established at median levels, consistent with our philosophy of compensating executives at or near the median compensation paid by companies of comparable size; and

- performance-based compensation should be capped at 200% of target amounts in order to maintain fiscal discipline and reduce risk-taking.

2018 Long-Term Equity Incentive Awards. In 2018, the Compensation Committee approved long-term incentive awards for all eligible employees consisting of performance shares (75%) and restricted stock units (25%).

The performance shares granted to the Chief Executive Officer, the President and Chief Operating Officer and other employees are earned based upon company performance over a three-year period ending December 31, 2020. For the 2018-2020 performance period the Compensation Committee determined to continue to measure company performance based on two factors, each of which is weighted 50% (i) company TSR, relative to the median TSR of our performance peers group and (ii) the company's TSR percentile ranking relative to all companies within the NAREIT All Equity REITs Index. The following table sets forth the relative TSR performance scale and the corresponding number of shares earned as a percentage of the weighted targets that were set by the Committee. The percentage of performance shares earned is the sum of the percentage multiple in each column divided by two.

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POTLATCHDELTIC CORPORATION TSR COMPARISON

n TSR of Five Performance	Percent of Shares Issued (%)	TSR Percentile Ranking NAREIT All Equity REITS Index	Percent of Shares Issued (%)
nted 50%)		(weighted 50%)	
v Threshold	—	Below Threshold	—
hold (Median - 7.5%)	25	Threshold (33rd percentile)	25
t (Median)	100	Target (50th percentile)	100
num (Median + 15%)	200	Maximum (85th percentile)	200

The number of performance shares earned for each factor proportionately increases or decreases between threshold and target levels for the factor and between target and maximum levels for the factor. The Committee continues to believe that no performance shares should be earned with respect to a performance factor for performance below the applicable threshold performance level.

Adjustments to Performance Share Awards. The Compensation Committee reserves the right to reduce or eliminate any performance share award to an executive, or to all executives as a group for any reason. The Committee did not exercise this authority for 2018.

Performance Peer Group. As a specialized REIT, we consider our peer companies for purposes of TSR comparisons to consist of “pure play” timber REITs and other forest product companies. Five forest product companies are used for benchmarking our TSR when determining performance share outcomes. The forest product companies used for benchmarking in 2018 are as follows:

Company	Annual Revenue ($)(1)	Market Capitalization ($)(2)	GICS Sub Industry
Weyerhaeuser	7,476	18,379	Specialized REITs
Universal Forest Products	4,491	1,890	Building Products
Rayonier	816	3,829	Specialized REITs

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St. Joe	110	946	Real Estate Mgmt. & Dev.
Catchmark Timber Trust	98	466	Specialized REITs
PotlatchDeltic Corporation	975	2,413	Specialized REITs

(1) In millions, for the 2018 fiscal year, based on publicly available information.

(2) In millions as of March 1, 2019, except as otherwise noted.
As the number of publicly-traded forest products companies has declined, we supplemented our peer group starting in 2015 with the NAREIT All Equity REIT Index.

Summary Comparison of 2018 Target and Actual Compensation

The following table shows the target and the actual amounts for salary and annual and long-term incentive awards for our named executive officers, along with the 2018 percentage of total direct compensation represented by the amount of each component (i.e., the mix of pay).

	TARGET 2018 TOTAL DIRECT COMPENSATION(1)			ACTUAL 2018 TOTAL DIRECT COMPENSATION(1)		
Name	Salary ($) (% of Total)	Target short-term incentive award ($)(cash) (% of Total)	Guideline long-term incentive grant value ($)(equity)(2) (% of Total)	Salary ($)(3) (% of Total)	Actual short-term incentive award ($)(cash) (% of Total)	Actual long-term incentive grant value ($)(equity) (% of Total)
Michael J. Covey	867,000 25.0	867,000 25.0	1,734,000 50.0	863,154 21.1	1,500,000 36.6	1,734,000 42.3
Jerald W. Richards	376,764 40.8	188,382 20.4	357,600 38.75	375,076 36.2	303,300 29.3	357,600 34.5
Eric J. Cremers	579,643 36.1	405,750 25.3	619,900 38.6	577,046 30.4	699,900 36.9	619,900 32.7
Thomas J. Temple	353,288 44.2	158,980 19.9	286,200 35.84	351,198 37.5	299,300 24.2	286,200 38.6
Darin R. Ball	276,000 40.2	124,200 18.1	286,200 41.7	276,000 37.2	179,600 24.2	286,200 38.6

(1) Total direct compensation is the sum of base salary, annual cash incentives and long-term equity incentives.

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(2) These amounts represent the dollar value of the restricted stock unit award granted in February 2018, and the target value of the performance shares granted in February 2018 for the performance period 2018-2020, in each case computed by multiplying the guideline value by the individual performance modifier. Such amounts may or may not be paid out depending on the company's performance or the executive's continued employment, as applicable, over the three-year vesting and performance period. See "2018 Long-Term Equity Incentive Awards" for a description of performance measures and threshold, target and maximum goals for performance share awards.

(3) This column includes salary paid for the full or partial year the employee worked. Actual salaries differ from target due to timing of merit increase fulfillment.

Other Elements of the Executive Compensation Program

We do not provide perquisites or other personal benefits to our named executive officers, such as aircraft for personal use, paid parking spaces, or company cars, with the exception of payment of insurance premiums for accidental death and dismemberment insurance. The company reimburses named executive officers for certain relocation expenses pursuant to a relocation program. Pursuant to the company's relocation program, reimbursement of the employee's loss on sale of his or her home is capped and the relocating employee's home is only purchased if not sold within 90 days and then only at a purchase price equal to the average of two independent appraisals of fair market value. Our health care and other medical insurance programs, as well as our 401(k) Plan, are the same for all salaried employees, including officers.

Salaried Retirement Plan. Our Salaried Retirement Plan provides a pension to our salaried and certain other eligible employees who were participants in the plan before January 1, 2011, including certain of our named executive officers. We believe this plan is competitive with our peers and is intended to provide a source of income for our salaried and certain other eligible employees following retirement. This plan is discussed in detail on page 47. Effective January 1, 2011 our Salaried Retirement Plan was closed to new entrants.

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Supplemental Plan II. Our Salaried Supplemental Benefit Plan II (Supplemental Plan) provides retirement benefits to our eligible salaried employees including our named executive officers, based upon the benefit formula of our Salaried Retirement Plan and our Salaried 401(k) Plan but without regard to the IRS compensation and benefit limitations applicable to these tax-qualified plans. We believe this plan is competitive with our peers and companies of comparable size, and is intended to provide a retirement benefit commensurate with participant compensation, as we do for other employees. This plan is discussed in detail on pages 46 to 47.

401(k) Plans. Our Salaried 401(k) Plan permits our salaried and certain other eligible employees, including our named executive officers, to make voluntary pre-tax and after-tax contributions to the plan, subject to applicable tax limitations. We match $0.70 for every $1.00 that a participant contributes to our Salaried 401(k) Plan, up to the first 6% of his or her eligible compensation, subject to applicable tax limitations. Eligible employees who elect to participate in the plan are 100% vested in the matching contributions upon completion of two years of service. In connection with the closure of our Salaried Retirement Plan to new employees in 2011, we amended our Salaried 401(k) Plan to provide for annual company contributions equal to 3% of eligible compensation for employees hired between January 1, 2011 and June 1, 2015, in addition to the company match. Employees hired after June 1, 2015 only receive the company match.

Health and Welfare Benefits. All full-time employees, including our named executive officers, may participate in our health and welfare benefit programs, including medical, dental and vision care coverage, disability insurance and life insurance.

Post-Termination Severance Benefits. The company maintains a severance program that provides severance benefits to our named executive officers and certain other officers and executive employees. Benefits are payable under the severance program both in connection with a termination of the executive officer's employment with us and in connection with a separation of employment following a change in control. The Committee believes the severance program is competitive with those of our peer companies and serves our recruitment and retention efforts. The section entitled "Potential Payments Upon Termination or Termination Following a Change in Control" provides additional information regarding the severance program and the estimated potential incremental benefits under the program for the named executive officers.

Officer Stock Ownership Guidelines

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In the interest of promoting and increasing equity ownership by our senior executives and to further align our executives' long-term interests with those of our stockholders, we have adopted the following stock ownership guidelines:

Chief Executive Officer	Value of Shares = 5 x Base Salary
President and Chief Operating Officer	Value of Shares = 5 x Base Salary
Chief Financial Officer	Value of Shares = 2 x Base Salary
Vice President	Value of Shares = 2 x Base Salary

Each executive must acquire within five years of his or her becoming an executive officer subject to the stock ownership guidelines, a minimum number of shares based on the applicable value shown above. To meet the requirements, an executive must increase his or her stock holdings each year by at least 20% of the required amount until the minimum number is acquired. Shares held in a brokerage account, an account with our transfer agent or in our 401(k) Plan, common stock units owned as a result of deferred awards paid under our annual incentive program and any vested restricted stock units all count towards the ownership requirement. Shares subject to unvested restricted stock units or unearned performance shares, however, do not count toward the ownership guidelines. If an executive does not meet the incremental stock ownership requirement in any of the five years, or the ownership requirement is not maintained after it is initially met, incentive awards made to the executive under our annual incentive program will be paid 50% in cash and 50% in stock, and any shares issued upon settlement of performance share awards must be retained to the extent necessary to meet the stock ownership guidelines.

As of March 1, 2019, all of our named executive officers met their incremental stock ownership requirements. See “Security Ownership of Directors and Executive Officers.”

A copy of our officers' stock ownership guidelines is available by going to our public web site at www.potlatchdeltic.com, and selecting “Investor Resources,” then “Corporate Governance,” and “Officer Stock Ownership Guidelines."

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Prohibition on Hedging and Pledging

The company's insider trading policy prohibits directors, officers and employees from speculating in company securities or engaging in transactions designed to hedge their ownership interests. The policy also prohibits directors and executive officers from pledging company securities except under limited circumstances and with the approval of the Compensation Committee.

A copy of our insider trading policy is available by going to our public web site at www.potlatchdeltic.com, and selecting “Investor Resources,” then “Corporate Governance,” and “Securities Law Compliance and Insider Trading Policy.”

Recovery of Incentive Compensation

In 2009, the Compensation Committee approved a “clawback” policy, which was amended and restated on February 13, 2014. The policy provides that all incentive awards granted to executive officers after December 31, 2009 will provide our Board of Directors the discretion to require that the executive officer reimburse the company if:

- payment was predicated upon the achievement of specific financial results that were subsequently the subject of a material financial restatement;
- in the Board's view, a company employee engaged in fraud or misconduct that caused or partially caused the need for such material financial restatement by the company; and
- lower payment, settlement, grant or vesting would have occurred based upon the restated financial results.

The amount to be reimbursed is the amount by which any incentive awards previously paid, settled, granted or vested on the basis of previously stated financial results within the two year period preceding the date of disclosure of the material financial restatement, exceeded the lower amounts that would have been paid, settled, granted or vested based on the restated financial results.

A copy of our Incentive Compensation Recovery Policy is available by going to our public web site at www.potlatchdeltic.com, and selecting “Investor Resources,” then “Corporate Governance,” and “Incentive Compensation Recovery Policy.”

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Tax Considerations

The exemption from Section 162(m)'s deduction limit for performance-based was repealed, effective for taxable years beginning after December 31, 2017, such that compensation paid to our covered executive officers in excess of $1 million will not be deductible unless it qualifies for transition relief applicable to certain arrangements in place as of November 2, 2017 and not materially modified. We have determined that none of our covered executive officers have such arrangements. While the Compensation Committee considers the impact of Section 162(m) as well as other tax and accounting consequences when developing and implementing the Company's executive compensation programs, the Committee retains the flexibility to design and administer compensation programs that are in the best interests of the Company and its shareholders. Because of the importance of linking pay and performance, grants of long-term equity awards made for 2018 continued to impose performance conditions.

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REPORT OF THE EXECUTIVE COMPENSATION AND PERSONNEL POLICIES COMMITTEE

The Executive Compensation and Personnel Policies Committee of the Board of Directors has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference into our 2018 Annual Report on Form 10-K.

The Committee Members

Lawrence S. Peiros (Chair)
Linda M. Breard
Christoph Keller, III
D. Mark Leland
John S. Moody
Gregory L. Quesnel

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EXECUTIVE COMPENSATION TABLES

2018 Compensation

2018 Summary Compensation Table

The table below sets forth information regarding the compensation for each of our named executive officers for the years 2018, 2017 and 2016 except in the case of Mr. Ball, who was not a named executive officer in 2017 or 2016. The information contained in the Summary Compensation Table should be viewed together with the "2018 Grants of Plan-Based Awards" table, which includes target levels for annual incentive awards and long-term performance share awards, to obtain the most accurate representation of annual and long-term incentive compensation elements and the total compensation provided to our named executive officers.

ne and Principal tion	Year	Salary ($)	Stock Awards ($)(1)	Non-Equity Incentive Plan Compensation ($)(2)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(3)	All Other Compensation ($)(4)	Total ($)
hael J. Covey	2018	863,154	2,248,648	1,500,000	228,663	107,457	4,947,922
irman and	2017	838,615	2,117,353	1,684,000	782,572	77,946	5,500,486
ef Executive							
cer	2016	816,923	1,834,572	1,013,520	176,778	34,472	3,876,265
ld W. Richards	2018	375,076	463,733	303,300	—	53,550	1,195,659
e President and	2017	364,152	409,015	365,800	—	40,859	1,179,826
ef Financial							
cer	2016	353,548	372,180	201,200	—	17,666	944,594
J. Cremers	2018	577,046	803,916	699,900	137,330	56,710	2,274,902
ident and	2017	560,239	708,945	787,900	370,385	43,540	2,471,009
ef Operating							
cer	2016	543,921	645,227	472,700	294,774	23,005	1,979,627
mas J. Temple	2018	351,198	371,146	299,300	84,366	27,784	1,133,794
e President,							
od Products	2017	334,949	327,268	305,700	178,878	21,860	1,168,655
	2016	307,888	297,897	181,800	162,031	13,065	962,681

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n R. Ball	2018	276,000	371,146	179,600	45,925	76,338(5)	949,009
e President,							
ource	2017	194,801	57,291	105,900	102,719	11,160	471,871
	2016	184,767	52,135	68,100	79,472	7,862	392,336

(1) This column shows the aggregate grant date fair value, computed in accordance with FASB Topic 718, but excluding the effect of any estimated forfeitures, of performance shares (at target) and restricted stock units granted in 2016, 2017 and 2018. In accordance with FASB Topic 718, the grant date fair value reported for all restricted stock units was computed by multiplying the number of shares subject to the restricted stock unit award by the closing price of our stock on the grant date. The grant date fair values reported for performance shares were based upon the probable outcome of the TSR condition, which amounts were determined consistent with the estimate of the aggregate compensation cost to be recognized over the performance period determined as of the grant date under FASB Topic 718, excluding the effect of estimated forfeitures. The estimate of the aggregate compensation cost to be recognized over the performance period was determined by using a Monte Carlo simulation model, yielding a value of $75.37 per share for the 2018 grant, $53.85 per share for the 2018 grant, $30.03 per share for the 2016 grant. The assumptions made in connection with this estimate are discussed in Note 17 to our Financial Statements included in our 2018 Form 10-K.

(2) This column includes the cash awards under our annual incentive plan.

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(3) Amounts shown represent the aggregate annual change in the actuarial present value of accumulated pension benefits under all of our defined benefit and actuarial plans. No portion of the amounts shown in this column is attributable to above market or preferential earnings on deferred compensation.

(4) 2018 amounts shown include 401(k) company match of $11,550 for Mr. Covey, $11,550 for Mr. Cremers, $19,800 for Mr. Richards, $11,550 for Mr. Ball, and $11,550 for Mr. Temple, allocations under the 401(k) Plan Supplemental Benefit portion of our Salaried Supplemental Benefit Plan II of $95,430 for Mr. Covey, $44,841 for Mr. Cremers, $33,543 for Mr. Richards, $4,489 for Mr. Ball, and $16,039 for Mr. Temple, and premiums paid for life and accidental death and dismemberment insurance.

(5) the amount shown for Mr. Ball also includes the following payments and reimbursements made pursuant to our salaried employee relocation program; (i) $16,105 of relocation expenses, (ii) tax gross-up of $12,113 relating to reimbursed amounts included in gross income and (iii) $ 31,927 in aggregate incremental costs paid by the company in connection with the sale of Mr. Ball's home.

2018 Grants of Plan-Based Awards

The table below provides information regarding 2018 grants of annual and long-term incentive awards for the named executive officers, including the range of estimated possible payouts under our annual incentive plan and estimated future payouts under our performance share program and the grant date fair value of restricted stock units. The following table excludes any dividend equivalents that may become payable with respect to the awards.

Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)	Estimated Future Payouts Under Equity Incentive Plan Awards (2)	All Other Stock Awards: Number of Shares of Stock or Units (#)(3)	Grant Date Fair Value ($)(4)

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		Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)		
chael Covey	2/15/2018				6,021	24,083	48,166		1,815,136
	2/15/2018							8,028	433,512
		216,750	867,000	3,468,000					
rald W. chards	2/15/2018				1,242	4,967	9,934		374,363
	2/15/2018							1,655	89,370
		47,096	188,382	753,528					
ic J. emers	2/15/2018				2,153	8,610	17,220		648,936
	2/15/2018							2,870	154,980
		101,438	405,750	1,623,000					
omas mple	2/15/2018				994	3,975	7,950		299,596
	2/15/2018							1,325	71,550
		39,745	158,980	635,918					
rin R. ll	2/15/2018				994	3,975	7,950		299,596
	2/15/2018							1,325	71,550
		31,050	124,200	496,800					

(1) Actual amounts paid under our annual incentive plan for performance in 2018 were paid in February 2019 (unless deferred under our Management Deferred Compensation Plan), and are reflected in the 2018 Summary Compensation Table in the column titled “Non-Equity Incentive Plan Compensation.” Awards granted under our annual incentive plan range from zero to 2.0 times target, based on company performance for the year multiplied by individual modifiers ranging from zero to 2.0. The amounts shown are for target performance. To show the lowest and highest awards available, the amounts shown for threshold assume .25 times target and those for maximum assume 2.0 times target. See the column titled “Non-Equity Incentive Plan Compensation” in the 2018 Summary Compensation Table. The annual incentive plan is described in "Compensation Discussion and Analysis" on page 26.

(2) Amounts shown represent the threshold, target and maximum performance shares for the 2018-2020 performance period. Performance shares are granted at target performance level. The performance share program is described in "Compensation Discussion and Analysis" on page 26.

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(3) This column includes Restricted Stock Units (RSUs) granted in 2018 that vest on December 31 immediately preceding the third anniversary of the grant date unless the officer's employment with the company is terminated for any reason other than death, disability or retirement or in connection with a Change in Control. See "Potential Payments upon Termination or Termination Following a Change in Control."

(4) As described more fully in footnote (1) to the Summary Compensation Table, the grant date fair value of the restricted stock units has been calculated using the closing price of our common stock on the grant date (February 15, 2018) of $54.00. The grant date fair value of the performance shares awards has been calculated based on the probable outcomes of the TSR condition as of the grant date, consistent with FASB topic 718, yielding a value of $75.37 per performance share.

Current Equity Holdings

2018 Outstanding Equity Awards at Fiscal Year-End

The table below sets forth information regarding the outstanding unvested or unearned stock awards held by the named executive officers as of December 31, 2018. The market value of unvested stock awards is based on the closing stock price of company common stock of $31.64 on December 31, 2018, the last trading day of the year.

	Stock Awards			
Name	Number of Shares or Units of Stock That Have Not Vested (#)(1)	Market Value of Shares or Units of Stock That Have Not Vested ($)(2)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(3)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(4)
Michael J. Covey				
Performance Share Grant			40,748	1,289,279

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(2017-2019)				
Performance Share Grant (2018-2020)			15,625	494,388
RSU Grant (2017-2019) (5)	11,840	374,616		
RSU Grant (2018-2020) (6)	9,024	285,533		
Jerald W. Richards				
Performance Share Grant (2017-2019)			7,871	249,045
Performance Share Grant (2018-2020)			3,223	101,965
RSU Grant (2017-2019) (5)	2,343	74,123		
RSU Grant (2018-2020) (6)	1,884	59,605		
Eric J. Cremers				
Performance Share Grant (2017-2019)			13,643	431,675
Performance Share Grant (2018-2020)			5,586	176,750
RSU Grant (2017-2019) (5)	3,959	125,276		
RSU Grant (2018-2020) (6)	3,226	102,078		
Thomas J. Temple				
Performance Share Grant (2017-2019)			6,299	199,286
Performance Share Grant (2018-2020)			2,579	81,601
RSU Grant (2017-2019) (5)	1,836	58,100		

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RSU Grant (2018-2020) (6)	1,493	47,241		
Darin R. Ball				
Performance Share Grant (2017-2019)			1,103	34,894
Performance Share Grant (2018-2020)			2,579	81,601
RSU Grant (2017-2019) (5)	328	10,371		
RSU Grant (2018-2020) (6)	1,508	47,720		

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(1) Includes number of restricted stock units granted, plus dividend equivalents through December 31, 2018. Also includes restricted stock units that are not subject to forfeiture and will be paid out upon the officers' separation from the company.
(2) Value of restricted stock units calculated using the $31.64 per share closing price of our common stock on December 31, 2018.
(3) This column shows performance shares granted, plus dividend equivalents accrued through December 31, 2018. Dividend equivalents were calculated using the closing price of our common stock on the dividend payment date. The award grants for the 2017-2019 performance period are shown at 112% of the target grant based on company performance to date above target performance from the start of the performance period that ends on December 31, 2019. The award grants for the 2018-2020 performance period are shown at 57% of the target grant based on company performance to date below target performance from the start of the performance period that ends on December 31, 2020. The actual number of shares that could be issued upon settlement of these awards may be more or less than the amounts shown in the table.
(4) Value of performance shares calculated using the $31.64 per share closing price of our common stock on December 31, 2018.
(5) 100% of the shares listed will vest on December 31, 2019.
(6) 100% of the shares listed will vest on December 31, 2020.

2018 Stock Vested Table

For the year 2018, the table below provides, for each of our named executive officers, the number of stock awards vested and the value realized due to the vesting.

	Stock Awards	
	Number of Shares Acquired on Vesting	Value Realized on Vesting
Name	(#)(1)	($)(2)
Michael J. Covey	116,099	4,064,626
Jerald W. Richards	23,696	829,597
Eric J. Cremers	40,827	1,429,353
Thomas J. Temple	18,873	660,744
Darin R. Ball	3,320	116,233

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(1) This column shows the gross number of performance shares earned for the performance period 2016-2018, plus dividends accrued during the performance period. During the performance period, the company's annualized TSR was 9.33%, which ranked the company approximately 12 % above the median performance of the company's performance peers during the performance period, and the company's aggregate TSR for the 2016-2018 performance period was 30.74%, which ranked the company at 56th compared to the NAREIT All Equities REIT Index companies , resulting in a multiplier of 167.7% being applied to the target grant of performance shares. The Compensation Committee approved settlement of the performance shares in February 2019 and actual settlement occurred in the same month, which included withholding for tax purposes and the resulting receipt of fewer shares by each named executive officer than shown in the table. Additionally, this column includes restricted stock units that vested in 2018 plus dividends accrued during the vesting period.

(2) The value of the performance shares was calculated using the $35.01 per share closing price of company common stock on February 14, 2019 (the date Compensation Committee approved payment of the awards). The dividend equivalents were calculated using the closing stock price on the dividend payment dates. Restricted stock units are calculated using the market value of the underlying shares on the vesting date, including the market value of any dividend equivalents that have accrued on the underlying shares as of the vesting date. Dividend equivalents for restricted stock units are calculated using the closing price of our common stock on the dividend payment dates.

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Post-Employment Compensation

2018 Pension Benefits Table

The table below shows the actuarial present value of each named executive officer's accumulated benefit payable on retirement under our tax-qualified Salaried Retirement Plan, or Retirement Plan, and under the Retirement Plan Supplemental Benefit portion of our non-qualified Salaried Supplemental Benefit Plan II, or Supplemental Plan. Effective January 1, 2011, the company closed the Retirement Plan and the Supplemental Plan to employees hired on or after that date.

Name	Plan Name	Number of years credited service (#)	Present value of accumulated benefit ($)(2)
Michael J. Covey	Supplemental Plan II	12.90	3,930,936
	Salaried Plan	12.90	647,259
Jerald W. Richards (1)	Supplemental Plan II	—	—
	Salaried Plan	—	—
Eric J. Cremers	Supplemental Plan II	11.46	1,408,664
	Salaried Plan	11.46	451,849
Thomas J. Temple	Supplemental Plan II	10.16	466,653
	Salaried Plan	10.16	527,715
Darin R. Ball	Supplemental Plan II	15.72	50,593
	Salaried Plan	15.72	515,601

(1) Mr. Richards joined the company in August 2013 and therefore does not participate in the Salaried Retirement Plan.
(2) The present value of accumulated benefits was computed by Milliman, Inc., the company's pension actuary, utilizing the following assumptions:
Discount rate of 4.40%;

Zero percent future salary growth;

Normal retirement age of 62 or current age, if greater (age 55 is assumed for Mr. Covey under the Supplemental Plan);

Service as of the fiscal year-end;

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RP-2014 Annuitant Mortality and MP 2014 Annuitant Mortality Tables updated to reflect MP 2018 mortality improvement projections; and

IRS limitations and Social Security covered compensation as of the measurement date.

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Summary of Plan Benefits

Salaried and other eligible employees (including the named executive officers) generally are eligible to receive retirement benefits under the Retirement Plan. For purposes of calculating the Retirement Plan benefit, earnings generally include base salary and annual cash bonus awards or annual cash incentive awards, whichever is higher. Benefits paid under the Retirement Plan are calculated as follows:

Benefit	Benefit Available If:	Benefit Amount
Normal Retirement	Employment with company terminates after eligible employee attains age 65	Normal monthly benefit calculation final average monthly earnings (highest consecutive 60 months of final 120 months earnings divided by 60) multiplied by 1%, multiplied by years of credited service, plus portion of final average monthly earnings that exceeds the Social Security Benefit Based multiplied by 1/2% multiplied by years of credited service up to 35
Early Retirement	Employment with company terminates after eligible employee turns 55 and has ten or more years of vesting service	Calculate the monthly normal retirement benefit (as described above), then reduce that amount by 1/12 of 5% (5% per year) for each month the retirement age is less than age 62

Required survivor benefits are paid under the Retirement Plan. Benefits generally are paid in the form of a life annuity. Alternate annuity forms of payment are available subject to the actuarial equivalence factors used for all salaried employees in the Retirement Plan.

The benefits payable under the Retirement Plan and our Salaried 401(k) Plan, or the 401(k) Plan, are supplemented by benefits paid under the Supplemental Plan for certain salaried and other eligible employees (including the named executive officers). Benefits paid under the Supplemental Plan are calculated in accordance with the normal retirement benefit formula or early retirement formula described in the table above with respect to the Retirement Plan,

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taking into account the benefit that would have been paid under the Retirement Plan if:

- the limitations imposed by the Internal Revenue Code on maximum eligible annual earnings ($275,000 in 2018) and maximum annual retirement benefits ($220,000 in 2018) did not apply; and
- any deferred bonus awards were paid to the eligible employee in the year deferred.

From this sum, the benefit paid under the Retirement Plan is subtracted to determine the benefit paid under the Supplemental Plan.

For example, in 2018, the maximum compensation allowed under the Retirement Plan was $275,000. For an executive earning $300,000 in 2018, the Retirement Plan uses compensation of $275,000 in the benefit formula, while the Supplemental Plan uses the full $300,000, producing a higher total benefit value.

Eligible employees become vested in this Supplemental Plan on the completion of five years of vesting service. Benefits paid under the Supplemental Plan are paid beginning no later than 90 days after the date the eligible employee turns 55 or terminates employment, whichever is later and, at the eligible employee's election, in one of the annuity forms available under the Retirement Plan, except benefits with total actuarial present value of $50,000 or less are paid in a lump sum.

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2018 Nonqualified Deferred Compensation Table

The table below shows the fiscal year contributions made by and on behalf of each of the named executive officers under the 401(k) Plan Supplemental Benefit portion of the Supplemental Plan, as well as amounts deferred during the fiscal year under our Management Deferred Compensation Plan. The amounts shown for aggregate earnings, aggregate withdrawals/distributions and aggregate balance include all such amounts for these plans as well as the Supplemental Plan and certain other predecessor deferred compensation plans in which the named executive officer participates.

Name	Executive Contributions in Last FY ($)	Registrant Contributions in Last FY ($)(1)	Aggregate Earnings in Last FY ($)(2)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last FYE (12/31/18) ($)(3)
Michael J. Covey	—	95,430	(1,469,684)	—	4,846,535
Jerald W. Richards	—	33,543	(63,662)	—	262,353
Eric J. Cremers	—	45,778	(61,243)	—	365,182
Thomas J. Temple	—	16,040	(4,031)	—	105,211
Darin R. Ball	—	4,490	(231)	—	4,258

(1) Amounts shown in the Registrant Contributions column above are also included in the “All Other Compensation” column in the 2018 Summary Compensation Table.
(2) None of the Aggregate Earnings reported in this table are included in the 2018 Summary Compensation Table for the 2018 fiscal year because they do not represent above-market or preferential earnings.
(3) The following amounts of registrant contributions in 2018, 2017 and 2016 included in the Aggregate Balance column above have been reported as compensation to the named executive officers in the Summary Compensation Tables for 2018, 2017 and 2016:

Name	2018	2017	2016

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	($)	($)	($)
Michael J. Covey	95,430	66,450	24,505
Jerald W. Richards	33,543	21,265	6,375
Eric J. Cremers	45,778	32,043	12,597
Thomas J. Temple	16,040	10,363	1,801
Darin R. Ball	4,490	—	—

In addition to the retirement benefits described above, the Supplemental Plan also provides supplemental benefits under the 401(k) Plan to the extent that an eligible employee has made the maximum contributions permitted under the 401(k) Plan and the eligible employee's allocations of “company contributions” are reduced under the 401(k) Plan due to Internal Revenue Code limits or because the eligible employee has deferred an award under our annual incentive plan. For years after 2004, eligible employees are credited with contributions under the Supplemental Plan equal to the difference between the amount of company contributions and allocable forfeitures actually allocated to the eligible employee under the 401(k) Plan for the year and the amount of company contributions and allocable forfeitures that would have been allocated to the eligible employee under the 401(k) Plan if the eligible employee had made “participating contributions” equal to 6% percent of his or her earnings determined without regard to the Internal Revenue Code limit on maximum eligible compensation ($275,000 in 2018) and without regard to deferral of any award otherwise payable under our annual incentive plan. Amounts credited to the Supplemental Plan on behalf of eligible employees are deemed to be invested in certain investments allowed under the 401(k) Plan.

Eligible employees become vested in this supplemental benefit upon the earliest of completion of two years of service, attainment of age 65 while an employee, or total and permanent disability. The supplemental benefits are paid in 10 or fewer annual installments or in a lump sum, at the eligible employee's election, following separation from service. Benefit payments made under the Supplemental Plan to “key employees,” as defined under the Internal Revenue Code, will be delayed for a minimum of six months following their separation date. Account balances that are equal to less than the annual 401(k) contribution limit ($18,500 in 2018) on the date the eligible employee separates from service are paid in a lump sum without regard to the employee's election.

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Certain eligible employees, including the named executive officers, who earn awards under our annual incentive plan are permitted to defer receipt of those awards. These employees may defer receipt of a minimum of 50% and a maximum of 100% of the award pursuant to rules established under our Management Deferred Compensation Plan. Eligible employees, including the named executive officers, may also defer up to 50% of their base salary under the Management Deferred Compensation Plan. At the employee's election, deferrals may be deemed invested in a stock unit account, a directed investment account with certain deemed investments available under the 401(k) Plan or a combination of these investment vehicles. If stock units are elected, dividend equivalents are credited to the units.

At the time of his hiring, Mr. Covey received a grant of restricted stock units to replace the value of certain earned incentives that would have been available to him from his former employer. Pursuant to the terms of this grant, which vested in 2009, Mr. Covey elected to defer receipt of 44,818 shares. He was allocated 44,818 stock units in a deferral account maintained by us. The stock units are credited with dividend equivalents and will be settled in shares of company common stock upon his termination of employment.

Potential Payments Upon Termination or Termination Following a Change in Control

Severance Program for Executive Employees. The Severance Program for Executive Employees, or Severance Program, provides severance benefits to our named executive officers and certain other officers and certain executive employees. Benefits are payable under the Severance Program both in connection with a termination of the executive officer's employment with us and in connection with a separation of employment following a change in control.

Termination Other Than in Connection with Change in Control, Retirement, Death or Disability. The following table sets forth the severance benefits payable to each of our named executive officers under the Severance Program if the named executive officer's employment is terminated in the circumstances described below. No benefits are payable if the termination of service is voluntary or for cause, and a separate set of provisions apply when termination is a result of retirement, death or disability. The following table assumes the termination of employment occurred on December 31, 2018.

Name	Cash	Pro-Rata	Value of Equity	Benefit Continuation	Total

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	Severance Benefit ($)(1)	Annual Bonus ($)(2)	Acceleration ($)(3)	($)(4)	($)
Michael J. Covey	867,000	—	—	21,708	888,708
Jerald W. Richards	376,764	—	—	21,708	398,472
Eric J. Cremers	579,643	—	—	21,708	601,351
Thomas J. Temple	353,288	—	—	21,708	374,996
Darin R. Ball	276,000	—	—	21,708	297,708

(1) The executive officers receive severance benefits pursuant to the Severance Program.
(2) Under the Annual Incentive Plan, if the executive is not employed by the company on the date of the award payout (February 2019), for reasons other than death, disability or retirement the annual incentive plan award payout is forfeited.
(3) Unvested performance shares and restricted stock units will be forfeited outside of a change in control, death, disability or retirement termination.
(4) The executive officers receive a lump sum cash benefit in consideration of future health needs pursuant to the Severance Program.

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Under the Severance Program, basic severance benefits generally are payable to each eligible employee when his or her employment terminates in the following circumstances:

- involuntary termination of the employee's employment for any reason other than death, disability or misconduct;
- the subsidiary employing the employee ceases to be a participating company in the Severance Program due to a sale to a third party or a spin-off of the subsidiary, in a transaction that is also a change in ownership or effective control of PotlatchDeltic Corporation or a change in ownership of a substantial portion of PotlatchDeltic Corporation's assets (but no benefits are payable if the employee continues employment with or is offered the same or better employment terms by the purchaser or spun-off company, and the purchaser or spun-off company maintains a severance plan that is equivalent in all material respects to the Severance Program); or
- separation from service by the employee within 24 months
  of a material reduction in his or her authority or responsibility,
  of a material reduction in his or her base salary,
  of being required to relocate his or her principal place of business to a place that is 50 miles or more from the prior principal place of business, or
  of a material reduction in his or her benefits under cash or equity-based incentive plans, as compared to all other similarly situated employees unless the reduction applies to all similarly situated employees.

Upon the occurrence of any of the events described above, (which expressly excludes a termination by the employee outside of the reasons noted above) the following basic severance benefits are payable to the named executive officers:

- Cash Severance Payment A cash payment equal to three weeks of the executive officer's base compensation for each full year of service. The minimum cash benefit is twelve months of base compensation.
- Unused and Accrued Vacation Payment of the executive officer's unused and accrued vacation.
- Benefits Payment A cash benefit in consideration of future health care needs (i.e., medical and dental) in an amount equal to the total monthly premium for such coverage times 12.
- Outplacement Services Reimbursement for up to 12 months of expenses incurred for outplacement services.

Termination of an employee's employment (for reasons other than in connection with a change in control or upon death, disability or retirement) will result in the automatic termination of any unvested performance shares and restricted stock units.

No basic severance benefits are payable under the Severance Program in connection with an eligible employee's termination generally if (1) the

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employee separates from service on or after his or her normal retirement date, (2) during the two-year period immediately before retirement, the employee is an eligible employee under the Severance Program, and (3) the employee is entitled to benefits under the Retirement Plan, the 401(k) Plan (excluding benefits representing employee contributions) and the Supplemental Plan which, when converted into a straight life annuity, equal to at least $44,000 in the aggregate. The Severance Program document also states that no severance benefits will be payable if the eligible employee is receiving long-term or permanent disability benefits under the company's disability income plan.

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Termination Following a Change in Control. The following table sets forth the severance benefits payable to each of our named executive officers under the Severance Program upon a termination of employment in connection with a change in control. The following table assumes the termination of employment and a change in control each occurred on December 31, 2018.

Name	Cash Severance Benefit ($)(1)	Pro-Rata Annual Bonus ($)(2)	Value of Equity Acceleration ($)(3)	Benefit Continuation ($)(4)	Enhancement of Retirement Benefits ($)	Total ($)
Michael J. Covey	5,202,000	867,000	2,678,637	21,708	—	8,769,345
Jerald W. Richards	1,412,865	188,382	534,976	21,708	—	2,157,931
Eric J. Cremers	2,463,483	405,750	922,866	21,708	—	3,813,807
Thomas J. Temple	1,280,669	158,980	426,434	21,708	—	1,887,790
Darin R. Ball	1,000,500	124,200	232,405	21,708	—	1,378,813

(1) Mr. Covey receives a severance benefit equal to three times the sum of his base salary and target annual cash incentive award. The other executive officers receive severance benefits equal to 2.5 times the sum of their respective base salaries and target annual cash incentive awards.

(2) All executive officers would be entitled to a payment of the pro-rata portion of their annual cash incentive awards, based on the company's actual performance. As the termination event would occur on December 31, 2018, we have shown the full year target annual cash incentive award.

(3) The Equity Acceleration column is comprised of the realizable value upon acceleration of vesting of unearned performance share awards for the 2017-2019 and 2018-2020 performance periods and acceleration of vesting of restricted stock unit awards, which require a "double trigger," or a change in control coupled with an involuntary loss of employment or voluntary termination of employment for Good Reason (as defined in the Plan document) within one month prior to or two years after the change in control for settlement to be due. All equity awards have been calculated using the company's closing stock price on December 31, 2018 of $31.64.

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(4) The executive officers receive a lump sum cash benefit in consideration of future health needs pursuant to the severance program.

Under the Severance Program, benefits are payable to each of our named executive officers upon termination following a change in control. Unless the Committee determines otherwise with respect to an award at the time it is granted or unless otherwise defined for purposes of an award in a written employment, services or other agreement between a participant and us, a change in control of the company generally means the occurrence of any of the following events:

Consummation of a merger or consolidation involving the company (excluding any transaction where following such transaction,

- all or substantially all of the individuals and entities who were the beneficial owners of the then outstanding shares of common stock of the company and the then outstanding voting securities of the company entitled to vote generally in the election of directors immediately prior to such transaction beneficially own, directly or indirectly, more than 50% of such securities of the successor company, or
- no person (other than the successor company or any employee benefit plan sponsored or maintained by the company or any of its subsidiaries or the successor company) beneficially owns, directly or indirectly, 30% or more of such securities (excluding ownership resulting from ownership of such securities immediately prior to the transaction), or
- at least a majority of the members of the board of directors of the successor company were members of the Board of Directors at the time of the execution of the initial agreement providing for, or of the action of the Board of Directors to approve, such transaction); or
- Individuals who as of May 6, 2013 constitute the Board of Directors (or whose later nomination or election to the Board of Directors was not approved by at least a majority of such incumbent directors or who was initially nominated as a result of an actual or threatened election contest, solicitation of proxies or consents, or other action by, or on behalf of any person other than the Board of Directors) cease for any reason to constitute at least a majority of the Board of Directors subsequent to May 6, 2013; or

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- Any person acquires beneficial ownership of 30% or more of either the outstanding shares of common stock of the company or the outstanding voting securities of the company entitled to vote generally in the election of directors (excluding any acquisition by the company, any employee benefit plan (or related trust) sponsored or maintained by the company, or corporation pursuant to a transaction that would be excluded from the definition of a merger or consolidation noted above; or
- Consummation of the sale, lease or exchange of all or substantially all of the assets of the company.

Upon a change in control, the performance period for outstanding unvested performance share awards for the 2017-2019 and 2018-2020 performance periods will be deemed concluded on the effective date of the change of control, and target awards of such performance shares plus dividend equivalents will be converted to restricted stock units that vest at the end of the respective performance period.

In addition, other change in control benefits are payable to our named executive officers if, within two years following a change in control, one of the following events occurs:

- involuntary termination of the employee's employment for any reason other than death, disability or misconduct;
- the company employing the employee ceases to be a participating company in the Severance Program due to a sale to a third party or a spin-off of the company, in a transaction that is also a change in ownership or effective control of PotlatchDeltic Corporation or a change in ownership of a substantial portion of PotlatchDeltic Corporation's assets (but no benefits are payable if the employee continues employment with or is offered the same or better employment terms by the purchaser or spun-off company, and the purchaser or spun-off company maintains a severance plan that is equivalent in all material respects to the Severance Program);
- separation from service by the employee within 24 months
  of a material reduction in his or her authority or responsibility,
  of a material reduction in his or her base salary,
  of being required to relocate his or her principal place of business to a place that is 50 miles or more from the prior principal place of business, or
  of a material reduction in his or her benefits under cash or equity-based incentive plans, as compared to all other similarly situated employees unless the reduction applies to all similarly situated employees.

Upon the occurrence of any of the events described above within two years following a change of control, the following change of control severance benefits are payable to our named executive officers:

- Cash Severance Payment. A cash benefit equal to the employee's base compensation plus his or her base compensation multiplied by his or her

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standard bonus percentage, determined as of the date of the change in control or the effective date the employee separates from service, whichever produces the larger amount, multiplied by 3 with respect to our Chief Executive Officer, and 2.5 with respect to all other eligible executive officers;

- Prorated Annual Incentive Award. A cash bonus under our annual incentive plan for the fiscal year of termination, determined based on the executive officer's target or standard bonus and prorated for the number of months during the fiscal year in which the employee was employed;
- Benefits Payment. A cash benefit in consideration of future health care needs (i.e., medical and dental) in an amount equal to the total monthly premium for such coverage times 12;
- Outplacement Services. Reimbursement of up to 12 months of expenses incurred for outplacement services;
- Enhancement of Retirement Benefits. A lump sum cash benefit equal to the value of the unvested portion, if any, of the employee's 401(k) account and the unvested portion of the employee's “401(k) plan supplemental benefit” account under the Supplemental Plan. A lump sum cash benefit equal to the present value of the employee's “normal retirement benefit” and “retirement plan supplemental benefit” determined under the Retirement Plan and the Supplemental Plan, respectively, if the employee is not entitled to a vested benefit under the Retirement Plan at the time he or she separates from service; and
- Vesting of Restricted Stock Units. All unvested restricted stock units awarded upon conversion of outstanding performance share awards or awarded at least six months prior to the change in control shall become immediately vested upon the employee's termination.

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Benefits Protection Trust Agreement. We have entered into a Benefits Protection Trust Agreement, or Trust, which provides that in the event of a change in control the Trust will become irrevocable and within 30 days of the change in control we will deposit with the trustee enough assets to ensure that the total assets held by the Trust are sufficient to cover any anticipated trust expenses and to guarantee payment of the benefits payable to our employees under the Supplemental Plan; the Management Performance Award Plan and Management Performance Award Plan II (predecessor plans to our current annual incentive plan); the Annual Incentive Plan (our current annual incentive plan); the Severance Program; the Management Deferred Compensation Plan; the Deferred Compensation Plan for Directors; the Deferred Compensation Plan for Directors II; the Directors' Retirement Plan; the Severance Program; and certain agreements between us and certain of our former employees. At least annually after the initial funding of the Trust, an actuary will be retained to re-determine the benefit commitments and expected fees. If the Trust assets do not equal or exceed 110% of the re-determined amount, then we are, or our successor is, obligated to deposit additional assets into the Trust.

Potential Payments Upon Termination in Connection with Retirement, Death or Disability. The following table summarizes the value as of December 31, 2018, of annual incentive plan awards, the number and value of performance shares that our named executive officers would be entitled to receive at the end of the applicable performance periods, and the number and value of restricted stock units for which vesting would have been accelerated, assuming the respective officer's employment terminated on December 31, 2018, in connection with death, disability or retirement.

Name	Pro-Rata Annual Bonus ($)(1)	Pro-Rated Number of Shares Issued at End of Performance Period (#)(2)	Value of Performance Shares as of December 31, 2018 ($)	Accelerated Number of RSUs (#)(3)	Value of RSUs as of December 31, 2018 ($)(4)	Total ($)
Michael J. Covey	867,000	33,393	1,056,544	10,901	344,921	2,268,465

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Jerald W. Richards	188,382	6,570	207,870	2,190	69,284	465,535
Eric J. Cremers	405,750	11,388	360,312	3,715	117,543	883,605
Thomas J. Temple	158,980	5,257	166,342	1,722	54,480	379,802
Darin R. Ball	124,200	2,165	68,490	721	22,821	215,511

(1) All executive officers are entitled to a payment of the pro-rata portion of their annual cash incentive award, based on the company's actual performance. As the termination event would occur on December 31, 2018, we have shown the full year actual annual cash incentive award.

(2) Performance share awards for the 2017-2019 and 2018-2020 performance periods are paid out on a pro-rata basis, based on "actual" performance. Actual performance may range from 0% to 200%. We have illustrated these awards, on a pro rata basis, assuming target performance, as these awards are mid-cycle. The number of shares represented in this column includes dividend equivalents through December 31, 2018.

(3) The number of restricted stock units, or RSUs, shown in this column reflects the accelerated vesting of RSUs pursuant to the terms of the RSU award grant agreements. The number of shares represented in this column includes dividend equivalents through December 31, 2018. RSUs that vested during 2018 pursuant to the regular vesting schedule for such RSU awards are reflected in the 2018 Stock Vested Table above.

(4) The amounts shown in this column were calculated using the company's closing stock price on December 31, 2018 of $31.64.

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Annual Incentive Plan. Under our annual incentive plan, upon the death or disability of an employee, the employee or his or her beneficiary or estate, is entitled to a pro rata portion of the employee's target annual cash incentive award.

Long-Term Equity Incentive Plan. If an employee's employment terminates during the performance period because of retirement, disability or death, the employee, or his or her beneficiary, is entitled to a prorated number of the performance shares subject to the award. The prorated number of performance shares earned is determined at the end of the performance period based on the ratio of the number of completed calendar months the employee is employed during the performance period to the total number of months in the performance period. The prorated number of performance shares, plus dividend equivalents equal to the cash distributions that would have been paid on the shares earned had the employee owned the shares during the three-year period, are paid at the end of the applicable performance period. With respect to restricted stock units, if the employee's employment terminates because of retirement, disability or death, and the vesting of the employee's restricted stock units is to occur in its entirety as of a single date, the employee, or his or her beneficiary, will be entitled to a pro rata portion of the restricted stock units. If the vesting is to occur ratably, such as 20%, 20% and 60% over a three-year period, the employee, or his or her beneficiary, will receive the already vested restricted stock units as well as the next tranche of restricted stock units scheduled to vest.

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PROPOSAL 3 - ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION

We recommend a vote FOR this proposal.

Section 14A of the Exchange Act enables our stockholders to vote to approve, on an advisory (non-binding) basis, the compensation of our named executive officers as disclosed in this proxy statement.

As described under the heading “Compensation Discussion and Analysis,” commencing on page 26, our key compensation objectives are to recruit, motivate and retain talented and experienced executives, ensure our incentive compensation is aligned with short-term and long-term company performance and align our employees’ interests with those of our stockholders. Our executive compensation programs are designed to provide all of our executives a fair and competitive incentive-based compensation package that is tied to the performance of both the individual and the company. We target our compensation levels to be at, or near, the median compensation paid by other comparable companies in our industry. A significant portion of total compensation for our senior executives is at risk and dependent on the achievement of target levels of performance. In addition, in order to maintain fiscal discipline, incentive compensation includes thresholds and caps. We urge stockholders to read the “Compensation Discussion and Analysis” for a more detailed discussion of our executive compensation programs and how they reflect our philosophy and are linked to company performance.

We are asking our stockholders to approve our named executive officer compensation as described in this proxy statement by voting “FOR” the following advisory resolution at the Annual Meeting:

RESOLVED, that the company’s stockholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in the “Compensation Discussion and Analysis," the “Summary Compensation Table” and the related compensation tables, notes and narratives in the company’s proxy statement for the 2019 Annual Meeting of Stockholders.

The say-on-pay vote is advisory, and therefore not binding on the company, the Compensation Committee or our Board of Directors. However, our Board and our Compensation Committee value the opinions of our stockholders and will consider the outcome of the vote when making future executive compensation decisions.

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Our Board of Directors has adopted a policy providing for an annual say-on-pay vote until the next required stockholder vote on the frequency of such votes.

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CEO PAY RATIO

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and Item 402(u) of Regulation S-K, we are providing the following information about the relationship of the annual total compensation of our employees and the annual total compensation of Mr. Covey, our Chairman and Chief Executive Officer (our "CEO).

Mr. Covey had 2018 annual total compensation of $4,947,922 as reflected in the Summary Compensation Table included in this Proxy Statement. Our CEO's annual total compensation was approximately 93.3 times that of our median employee.

	Pay Ratio President and CEO ($)	Median Employee ($)
Base Salary	863,154	51,223
Stock Awards	2,248,648	—
Non-Equity Incentive Plan Compensation	1,500,000	—
Change in Pension Value and Nonqualified Deferred Compensation Earnings	228,663	—
All Other Compensation	107,457	1,793
TOTAL	4,947,922	53,016
CEO Pay to Median Employee Pay Ratio	93.3	

We determined the median employee as follows:

- We looked at the earnings for each company employee reported on Form W-2 for 2018 and excluded therefrom 2018 AIP awards and 2015 RSUs and performance share awards settled in 2019;

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- We annualized earnings for all employees that had less than one year of employment in 2018;
- We added to the 2018 W-2 earnings AIP awards for 2018 which were settled in 2019;
- We added, where applicable, the projected increase in value of employee pension benefits in 2018; and
- We sorted the resulting earnings from high to low to identify the median employee.

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PROPOSAL 4 - APPROVAL OF THE POTLATCHDELTIC CORPORATION

2019 LONG-TERM INCENTIVE PLAN

We recommend a vote FOR this proposal.

We are asking our stockholders to approve the PotlatchDeltic Corporation 2019 Long-Term Incentive Plan, which we refer to as the 2019 Plan. Our Board of Directors adopted the 2019 Plan as recommended by our Executive Compensation and Personnel Policies Committee, subject to stockholder approval.

If our stockholders approve the 2019 Plan, it will replace the PotlatchDeltic Corporation 2014 Long-Term Incentive Plan, or the Prior Plan, and no new awards will be granted under the Prior Plan. If our stockholders do not approve the 2019 Plan, the Prior Plan will remain available for new grants to the extent shares are available. The 2019 Plan authorizes the issuance of 1.2 million new shares of our common stock. In addition, as of March 15, 2019, 167,557 shares were reserved and available for issuance under the Prior Plan that will become available for grant under the 2019 Plan. Also, as of March 15, 2019, up to 833,950 shares are subject to outstanding awards granted under the Prior Plan, which will become available for grant under the 2019 Plan to the extent subject to awards that expire or are canceled or forfeited without shares actually being issued and delivered. As of March 15, 2019, we had a total of 67,866,904 shares of our common stock outstanding.

Based on an estimated usage rate, we anticipate depleting the shares currently available for issuance under the Prior Plans in 2019, leaving an insufficient number of shares available for our anticipated grants in 2020. In order to continue to have an appropriate supply of shares for long-term equity incentives to successfully recruit, hire and retain the talent we require to successfully execute our business plans, our Board of Directors believes that we will need the additional 1.2 million new shares to be available under the 2019 Plan. Although the additional 1.2 million new shares to be available under the 2019 Plan will increase the potential dilution to our stockholders from our long-term equity incentive compensation programs, our Board believes our equity compensation plans are well-managed and below norms for our industry. We expect that with the additional 1.2 million new shares to

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be available under the 2019 Plan for which we are seeking stockholder approval, we will have sufficient shares for our equity compensation program until the 2022 annual meeting of stockholders, and we plan to seek stockholder approval for additional shares at that time.

Under applicable rules of the Nasdaq Stock Market, we are required to obtain stockholder approval of the 2019 Plan.

A copy of the 2019 Plan is attached to this proxy statement as Appendix A and is incorporated by reference. The following description of the 2019 Plan is a summary and does not purport to be a complete description. See Appendix A for more detailed information.

Description of the 2019 Plan

Purpose

The purpose of the 2019 Plan is to attract, retain and motivate our employees, officers and directors by providing them with the opportunity to acquire a proprietary interest in our company and to align their interests and efforts to the long-term interests of our stockholders.

Administration

The Executive Compensation and Personnel Policies Committee (the “Compensation Committee” of our Board of Directors administers the 2019 Plan with respect to most participants, and the Nominating and Corporate Governance Committee of the Board administers the 2019 Plan with respect to our nonemployee directors. The Board or Compensation Committee may delegate to one or more officers of the company the authority to grant awards under the 2019 Plan to employees who are not officer. The Committee or delegee granting awards under the 2019 Plan is referred to as the “committee.”

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Eligibility

Awards may be granted under the 2019 Plan to employees, officers and directors of the company or a related company. As of March 15, 2019 approximately 25 employees, 11executive officers, and 10 non-employee directors were eligible to receive awards under the 2019 Plan.

Number of Shares

The number of shares of common stock authorized for issuance under the 2019 Plan is 1.2 million shares. In addition, any shares that are available for grant under the Prior Plans on the effective date of the 2019 Plan, and any shares subject to outstanding awards under the Prior Plans on that date that later cease to be subject to these awards (other than from exercise or settlement of the awards in shares), will automatically become available for issuance under the 2019 Plan, up to an aggregate maximum of 1,001,507 shares. Including the number of shares that may become available for issuance under the 2019 Plan from the Prior Plan, the total number of shares that may be issued under the 2019 Plan will be up to 2,201,507shares.

The following shares will be available again for issuance under the 2019 Plan:

- shares subject to awards that lapse, expire, terminate or are canceled prior to issuance of the underlying shares; and

- shares subject to awards that are subsequently forfeited to us.

Awards granted in assumption of or substitution for previously granted awards in acquisition transactions will not reduce the number of shares authorized for issuance under the 2019 Plan.

Shares withheld by or tendered to us as payment for the purchase price of an award or to satisfy tax withholding obligations related to an award, or shares

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related to an award that is settled in cash or in another manner where some or all of the shares covered by the award are not issued, will not be available again for issuance under the 2019 Plan.

If any change in our stock occurs by reason of any stock dividend, stock split, spin-off, recapitalization, merger, consolidation, combination or exchange of shares, distribution to stockholders other than a normal cash dividend, the declaration of a dividend payable in cash that has a material effect on the price of issued shares, or other change in our corporate or capital structure, the committee will make proportional adjustments to (a) the maximum number and kind of securities available for issuance under the 2019 Plan, (b) the maximum number and kind of securities subject to applicable minimum vesting requirements described below, and (C) the number and kind of securities that are subject to any outstanding Award and, if applicable, the per share price of such securities.

Types of Awards

The 2019 Plan permits the grant of any or all of the following types of awards.

Stock Awards, Restricted Stock and Stock Units. The committee may grant awards of shares of common stock, or awards designated in units of common stock, under the 2019 Plan. These awards may be made subject to repurchase or forfeiture restrictions at the committee's discretion. The restrictions may be based on continuous service or the achievement of specified performance criteria, as determined by the committee.

Performance Awards. The committee may grant performance awards in the form of performance shares or performance units. Performance shares are units valued by reference to a designated number of shares of common stock, and performance units

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are units valued by reference to a designated amount of cash. Either may be payable in stock or cash, or a combination of stock and cash, upon the attainment of performance criteria and other terms and conditions as established by the committee.

Other Stock or Cash-Based Awards. The committee may grant other incentives payable in cash or in shares of common stock, subject to the terms of the 2019 Plan and any other terms and conditions determined by the committee.

Minimum Vesting Requirements. The committee may not grant awards with respect to more than 5% of the shares authorized under the plan (subject to adjustment) that vest based solely on continuous services over less than one year or based on other factors over less than one year.

Maximum Awards: Limit on Non-Employee Director Compensation. No employee may be granted awards other than performance units in the aggregate in any calendar-year period with respect to more than 300,000 shares of company common stock for such awards, except that the company may make additional one-time grants of such awards for up to 300,000 shares to newly hired or newly promoted employees. The maximum dollar value payable with respect to performance units or other awards payable in cash granted to any employee in any calendar-year period is $10,000,000.

The maximum grant date value of shares subject to awards granted to any individual non-employee director during any calendar year, taken together with any cash fees payable to such non-employee director for services rendered during such year, shall not exceed $600,000 in total value.
The Board in its discretion may provide any non-employee director with an additional retainer or fee, including for service on a specific purpose committee or for any other special service.

Change in Control

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Under the 2019 Plan, unless otherwise provided in the instrument evidencing an award or in a written employment, services or other agreement between the participant and us, in the event of a change in control:

- If awards (excluding awards subject to vesting based on the achievement of specified performance goals) are not converted, assumed, substituted for or replaced by the successor company, or the change in control is not a reorganization, merger or consolidation, such awards shall become fully vested and exercisable or payable, and all applicable restrictions or forfeiture provisions shall lapse, immediately prior to the change in control and then terminate at the effective time of the change in control.

- Awards subject to vesting based on the achievement of specified performance goals:

  that that are earned and outstanding as of the date of the change in control and for which the payout level has been determined will be payable in full in accordance with the payout schedule pursuant to the instrument evidencing the award or a program adopted pursuant to the 2019 Plan; and

  for which the payout level has not been determined shall be payable in accordance with the terms and payout schedule pursuant to the instrument evidencing the award.

  Any existing deferrals or other restrictions not waived by the committee will remain in effect.

- In the event of certain reorganizations, mergers or consolidations, the committee may in its discretion instead provide that a participant's outstanding awards will be cashed out.

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Definition of Change in Control. Unless the committee determines otherwise with respect to an award at the time it is granted or unless otherwise defined for purposes of an award in a written employment, services or other agreement between a participant and us, a change in control of the company generally means the occurrence of any of the following events:

- Consummation of a merger or consolidation involving the company (excluding any transaction where following such transaction,

  all or substantially all of the individuals and entities who were the beneficial owners of the then outstanding shares of common stock of the company and the then outstanding voting securities of the company entitled to vote generally in the election of directors immediately prior to such transaction beneficially own, directly or indirectly, more than 50% of such securities of the successor company,

  no person (other than the successor company or any employee benefit plan sponsored or maintained by the company or any of its subsidiaries or the successor company) beneficially owns, directly or indirectly, 30% or more of such securities (excluding ownership resulting from ownership of such securities immediately prior to the transaction), or

  at least a majority of the members of the board of directors of the successor company were members of the Board of Directors at the time of the execution of the initial agreement providing for, or of the action of the Board of Directors to approve, such transaction; or

- Individuals who as of May 9, 2018 constitute the Board of Directors (or whose later nomination or election to the Board of Directors was not approved by a at least a majority of such incumbent directors or who was initially nominated as a result of an actual or threatened election contest, solicitation of proxies or consents, or other action by, or on behalf of any person other than the Board of Directors) cease for any reason to constitute at least a majority of the Board of Directors subsequent to May 9, 2018; or

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- Any person acquires of beneficial ownership of 30% or more of either the outstanding shares of common stock of the company or the outstanding voting securities of the company entitled to vote generally in the election of directors (excluding any acquisition by the company, any employee benefit plan (or related trust) sponsored or maintained by the company, or corporation pursuant to a transaction that would be excluded from the definition of a merger or consolidation noted above; or

- Consummation of the sale, lease or exchange of all or substantially all of the assets of the company.

Amendment and Termination

Our Board of Directors or the Compensation Committee may amend the 2019 Plan, except that if any applicable statute, rule or regulation requires stockholder approval for an amendment to the 2019 Plan, then to the extent so required, stockholder approval will be obtained. The Board or the Compensation Committee may also suspend or terminate all or any portion of the 2019 Plan at any time, but any suspension or termination may not, without a participant's consent, materially adversely affect any rights under any outstanding award. Unless sooner terminated by the Board or the Compensation Committee, the 2019 Plan will terminate ten years after the date of stockholder approval of the 2019 Plan.

U.S. Federal Income Tax Information

The following is a brief summary of the U.S. federal income tax consequences of the 2019 Plan generally applicable to us and to participants in the 2019 Plan who are subject to U.S. federal taxes. The summary is based on the applicable Treasury Regulations and administrative and judicial interpretations thereof, each as in effect on the date of this proxy statement and is, therefore, subject to future changes in the law, possibly with retroactive effect. The summary is general in nature and does

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not purport to be legal or tax advice. Furthermore, the summary does not address issues relating to any U.S. gift or estate tax consequences or the consequences of any state, local or foreign tax laws.

Unrestricted Stock Awards. Upon receipt of an unrestricted stock award, a participant generally will recognize compensation taxable as ordinary income in an amount equal to the excess of the fair market value of the shares at such time over the amount, if any, paid by the participant with respect to the shares.

Restricted Stock Awards. Upon receipt of a restricted stock award, a participant generally will recognize compensation taxable as ordinary income when the shares cease to be subject to restrictions in an amount equal to the excess of the fair market value of the shares at such time over the amount, if any, paid for the shares. Instead of postponing the federal income tax consequences of a restricted stock award until the restrictions lapse, a participant may elect to recognize compensation taxable as ordinary income in the year of the award in an amount equal to the fair market value of the shares at the time of receipt. This election is made under Section 83(b) of the Code. In general, a Section 83(b) election is made by filing a written notice with the Internal Revenue Service within 30 days of the date of grant of the restricted stock award for which the election is made and must meet certain technical requirements.

The tax treatment of a subsequent disposition of restricted stock will depend upon whether a participant has made a timely and proper Section 83(b) election. If a participant makes a timely and proper Section 83(b) election, when the participant sells the restricted shares, the participant generally will recognize short-term or long-term capital gain or loss, as the case may be, equal to the difference between the amount the participant receives from the sale and the tax basis of the shares sold. If no Section 83(b) election is made, any disposition after the restriction lapses generally will result in short-term or long-term capital gain or loss, as the case may be, equal to the difference between the amount the participant received from the sale and the tax basis of the shares sold. The tax basis of the shares generally will be equal to the amount, if any, the participant paid for the shares plus the amount of taxable ordinary income recognized either at the time the restrictions lapsed or at the time of the Section 83(b) election, if an election was made. If a participant has to forfeit the shares to us (e.g., upon the participant's termination prior to

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expiration of the restriction period), the participant may not claim a deduction for the amount of compensation income recognized as a result of making the Section 83(b) election, and the participant generally will have a capital loss equal to the amount, if any, paid for the shares.

Restricted Stock Units. A participant generally will not recognize income at the time a stock unit is granted. When any part of a stock unit is issued or paid, the participant generally will recognize compensation taxable as ordinary income at the time of such issuance or payment in an amount equal to the then fair market value of any shares, cash or property the participant receives.

Performance Shares and Performance Units. A participant generally will not recognize income upon the grant of performance shares or performance units. Upon the distribution of cash, shares or other property to the participant pursuant to the terms of the performance shares or units, the participant generally will recognize compensation taxable as ordinary income equal to the excess of the amount of cash or the fair market value of any property transferred to the participant over any amount paid by the participant with respect to the performance shares or units.

Tax Consequences to the Company. In the foregoing cases, we generally will be entitled to a deduction at the same time and in the same amount as a participant recognizes ordinary income, subject to certain limitations imposed under the Code.

Code Section 409A. We intend that awards granted under the 2019 Plan comply with, or otherwise be exempt from, Code Section 409A, but make no representation or warranty to that effect.

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Tax Withholding. We are authorized to deduct or withhold from any award granted or payment due under the 2019 Plan, or require a participant to remit to us, the amount of any withholding taxes due in respect of the award or payment and to take such other action as may be necessary to satisfy applicable withholding taxes or other obligations. We are not required to issue any shares of common stock or otherwise settle an award under the 2019 Plan until all tax withholding obligations are satisfied.

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Plan Benefits

All awards to employees, officers and directors under the 2019 Plan are made at the discretion of the committee. Therefore, the benefits and amounts that will be received or allocated under the 2014 Plan are not determinable at this time. However, please refer to the description of grants made to our named executive officers in the last fiscal year described in the "2018 Grants of Plan-Based Awards" table. Grants made to our non-employee directors in the last fiscal year are described in "Director Compensation." A total of 21,807 RSUs and 56,420 PSUs were awarded to current executive officers as a group in 2018 (consisting of 11 individuals). A total of 10,777 RSUs and 11,327 PSUs were awarded to employees other than executive officers during 2018. The closing price of our common stock, as reported on the Nasdaq Stock Market on March 1, 2019, was $36.21 per share.

Equity Compensation Plan Information

The following table provides certain information as of December 31, 2018 with respect to our equity compensation plans.

ORY	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS OR RIGHTS1	WEIGHTED AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS OR RIGHTS2	NUMBER OF SECURITIES REMAINING AVAILABLE FOR FUTURE ISSUANCE UNDER EQUITY COMPENSATION PLANS
ation plans approved ers	767,095	—	344,582
ation plans not urity holders	—	—	—
	767,095	—	344,582

1 The number of performance shares issued, as a percentage of the amount subject to the performance share award, could range from 0% to 200%. The number of performance shares to be issued is based on 124% of vested and unvested shares, which was 325,723. Also included are 112,370 RSUs and

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246,271 deferred compensation stock equivalent units.

2 Performance shares and RSUs do not have exercise prices and are therefore not included in the weighted average exercise price calculation.

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GENERAL INFORMATION

Stockholder Proposals for 2020

We anticipate that the next Annual Meeting of Stockholders will be held in May of 2020. In order to be considered for inclusion in our 2020 proxy statement, stockholder proposals must comply with SEC Rule 14a-8 regarding the inclusion of stockholder proposals in company-sponsored proxy materials and must be submitted in writing to: Office of the Corporate Secretary, PotlatchDeltic Corporation, 601 West First Ave., Suite 1600, Spokane, WA 99201. Proposals must be received on or prior to November 30, 2019.

Our Bylaws require that any stockholders who intend to present an item of business, including nominees for candidates for election as directors, at the 2020 Annual Meeting of Stockholders (other than a stockholder proposal submitted for inclusion in our 2020 proxy statement) must provide notice of such business to the Office of the Corporate Secretary at the address above not earlier than January 8, 2020 and not later than the close of business on February 7, 2020. Proposals should include the information set forth in our Bylaws. A copy of our Bylaws is available for downloading or printing by going to our public web site at www.potlatchdeltic.com, and selecting "Investor Resources," and then "Corporate Governance."

Other Information

We will make available to a stockholder, free of charge, any of the following documents at the stockholder's request:

Filings with the Securities and Exchange Commission

- Annual Reports on Form 10-K
- Quarterly Reports on Form 10-Q
- Current Reports on Form 8-K
- Registration Statements
- Beneficial Ownership Reports for Directors and Executive Officers

Charter Documents

- Amended and Restated Bylaws
- Third Restated Certificate of Incorporation

Committee Charters

- Audit Committee Charter
- Executive Compensation and Personnel Policies Committee Charter
- Finance Committee Charter

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- Nominating and Corporate Governance Committee Charter

Governance Documents

- Corporate Conduct and Ethics Code
- Corporate Governance Guidelines
- Director Nomination Policy
- Audit Committee Pre-Approval Policy
- Officer Stock Ownership Guidelines
- Related Person Transactions Policy
- Audit Committee Hiring Policy
- Audit Committee Independence and Financial Expert Policy
- Securities Law Compliance and Insider Trading Policy
- Director Independence Policy

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- Director Stock Ownership Guidelines
- Incentive Compensation Recovery Policy

These documents are available for downloading or printing by going to our public web site at www.potlatchdeltic.com, and selecting “Investor Resources,” and then “Corporate Governance.” You may also submit a request for printed copies by email to investorinfo@potlatchdeltic.com or by mail to the following address:

PotlatchDeltic Corporation

Attn: Corporate Secretary

601 West First Ave., Suite 1600

Spokane, WA 99201

APPEXDIX A

POTLATCHDELTIC CORPORATION

2019 LONG-TERM INCENTIVE PLAN

SECTION 1. PURPOSE

The purpose of the PotlatchDeltic Corporation 2019 Long-Term Incentive Plan is to attract, retain and motivate employees, officers and directors of the Company and its Related Companies by providing them the opportunity to acquire a proprietary interest in the Company and to align their interests and efforts to the long-term interests of the Company's stockholders.

SECTION 2. DEFINITIONS

As used in the Plan, the following definitions apply to the terms indicated below:

"Acquired Entity" means any entity acquired by the Company or a Related Company or with which the Company or a Related Company merges or combines.

"Award" means any Stock Award, Restricted Stock, Stock Unit, Performance Share, Performance Unit, cash-based award or other incentive payable in cash or in shares of Common Stock as may be designated by the Committee from time to time.

"Board" means the Board of Directors of the Company.

"Business Combination" has the meaning set forth in the definition of Change in Control.

"Cause," unless otherwise defined in the instrument evidencing an Award or in a written employment, services or other agreement between the Participant and the Company or a Related Company, means dishonesty, fraud, serious or willful misconduct, unauthorized use or disclosure of confidential information or trade secrets, or conduct prohibited by law (except minor violations), in each case as determined by the Company's Vice President, Human Resources or other person performing that function or, in the case of directors and executive officers, the Committee, whose determination shall be conclusive and binding.

“Change in Control,” unless the Committee determines otherwise with respect to an Award at the time the Award is granted or unless otherwise defined for purposes of an Award in a written employment, services or other agreement between the Participant and the Company, means the occurrence of any of the following events:

(i)The consummation of a merger or consolidation involving the Company (a “Business Combination”), in each case, unless, following such Business Combination,

(A)all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the then outstanding shares of common stock of the Company (the “Outstanding Common Stock”) and the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Outstanding Voting Securities”) immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the corporation or other entity resulting from such Business Combination (including, without limitation, a corporation or other entity which as a result of such transaction owns the Company either directly or through one or more subsidiaries),

(B)no individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act (a “Person”) (excluding any corporation or other entity resulting from such Business Combination or any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its subsidiaries or such other corporation or other entity resulting from such Business Combination) beneficially owns, directly or indirectly, 30% or more of, respectively, the then outstanding shares of common stock or common equity of the corporation or other entity resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation or other entity except to the extent that such ownership is based on the beneficial ownership, directly or indirectly, of Outstanding Common Stock or Outstanding Voting Securities immediately prior to the Business Combination, or

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(C)at least a majority of the members of the board of directors or similar governing body of the corporation or other entity resulting from such Business Combination were members of the Board at the time of the execution of the initial agreement providing for, or of the action of the Board to approve, such Business Combination; or

(ii)Individuals who, as of May 9, 2018 constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director of the Company subsequent to May 9, 2018 whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors of the Company then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors of the Company, an actual or threatened solicitation of proxies or consents or any other actual or threatened action by, or on behalf of any Person other than the Board; or

(iii)The acquisition by any Person of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30% or more of either

(A)the then Outstanding Common Stock, or

(B)the combined voting power of the Outstanding Voting Securities,

provided, however, that the following acquisitions shall not be deemed to be covered by this paragraph (iii):

(1)any acquisition of Outstanding Common Stock or Outstanding Voting Securities by the Company;

(2)any acquisition of Outstanding Common Stock or Outstanding Voting Securities by any employee benefit plan (or related trust) sponsored or maintained by the Company; and

(3)any acquisition of Outstanding Common Stock or Outstanding Voting Securities by any corporation pursuant to a transaction that complies with clauses (A), (B) and (C) of paragraph (i) of this definition; or

(iv)The consummation of the sale, lease or exchange of all or substantially all of the assets of the Company.

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“Code” means the United States Internal Revenue Code of 1986, as amended from time to time.

“Committee” has the meaning set forth in Section 3.2.

“Common Stock” means the common stock, par value $0.001 per share, of the Company.

“Company” means PotlatchDeltic Corporation, a Delaware corporation.

“Compensation Committee” means the Executive Compensation and Personnel Policies Committee of the Board.

“Disability,” unless otherwise defined by the Committee for purposes of the Plan in the instrument evidencing an Award or in a written employment, services or other agreement between the Participant and the Company or a Related Company, means a Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, in each case as determined by the Company’s Vice President, Human Resources or other person performing that function or, in the case of directors and executive officers, the Committee, whose determination shall be conclusive and binding.

“Effective Date” has the meaning set forth in Section 16.

“Eligible Person” means any person eligible to receive an Award as set forth in Section 5.

“Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time.

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“Fair Market Value” means the closing price for the Common Stock on any given date during regular trading, or if not trading on that date, such price on the last preceding date on which the Common Stock was traded, unless determined otherwise by the Committee using such methods or procedures as it may establish.

“Grant Date” means the later of (i) the date on which the Committee completes the corporate action authorizing the grant of an Award or such later date specified by the Committee and (ii) the date on which all conditions precedent to an Award have been satisfied, provided that conditions to the exercisability or vesting of Awards shall not defer the Grant Date.

“Incumbent Board” has the meaning set forth in the definition of Change in Control.

“Nonemployee Director” means a director who is not an employee of the Company.

“Outstanding Common Stock” has the meaning set forth in the definition of Change in Control.

“Outstanding Voting Securities” has the meaning set forth in the definition of Change in Control.

“Parent Company” means a company or other entity which as a result of a Business Combination owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries.

“Participant” means any Eligible Person to whom an Award is granted.

“Performance Award” means an Award of Performance Shares or Performance Units granted under Section 8.

“Performance Share” means an Award of units denominated in shares of Common Stock granted under Section 8.1.

“Performance Unit” means an Award of units denominated in cash or property other than shares of Common Stock granted under Section 8.2.

“Person” has the meaning set forth in the definition of Change in Control.

“Plan” means the PotlatchDeltic Corporation 2019 Long-Term Incentive Plan, as amended from time to time.

“Prior Plan” has the meaning set forth in Section 4.1(b).

“Related Company” means any corporation in which the Company owns, directly or indirectly, at least 50% of the total combined voting power of all classes of stock, or any other entity (including, but not limited to, limited liability companies, partnerships and joint ventures) in which the Company owns, directly or indirectly, at least 50% of the combined equity thereof.

“Restricted Stock” means an Award of shares of Common Stock granted under Section 7, the rights of ownership of which are subject to restrictions prescribed by the Committee.

“Restricted Stock Unit” means a Stock Unit subject to restrictions prescribed by the Committee.

“Retirement” means, unless otherwise defined in the instrument evidencing the Award or in a written employment, services or other agreement between the Participant and the Company or a Related Company, termination of employment after attaining age 65, or after attaining age 55 and completing ten years of credited service (as determined by the methodology set forth in such agreement or by the Committee in its sole discretion) with the Company and all Related Companies.

“Section 409A” means Section 409A of the Code, including regulations and guidance promulgated thereunder.

“Securities Act” means the Securities Act of 1933, as amended from time to time.

“Stock Award” means an Award of shares of Common Stock granted under Section 7, the rights of ownership of which are not subject to restrictions prescribed by the Committee.

“Stock Unit” means an Award denominated in units of Common Stock granted under Section 7 (including, without limitation, a Restricted Stock Unit).

“Substitute Awards” means Awards granted or shares of Common Stock issued by the Company in substitution or exchange for awards previously granted by an Acquired Entity.

“Successor Company” means the surviving company, the successor company or Parent Company, as applicable, in connection with a Business Combination.

"Termination of Service," unless the Committee determines otherwise with respect to an Award, means a termination of employment or service relationship with the Company or a Related Company for any reason, whether voluntary or involuntary, including by reason of death, Disability or Retirement. Any question as to whether and when there has been a Termination of Service for the purposes of an Award and the cause of such Termination of Service shall be determined by the Company's Vice President, Human Resources or other person performing that function or, with respect to directors and executive officers, by the Committee, whose determination shall be conclusive and binding. Transfer of a Participant's employment or service relationship between the Company and any Related Company shall not be considered a Termination of Service for purposes of an Award. Unless the Committee determines otherwise, a Termination of Service shall be deemed to occur if the Participant's employment or service relationship is with an entity that has ceased to be a Related Company. A Participant's change in status from an employee of the Company or a Related Company to a nonemployee director, of the Company or a Related Company or a change in status from a nonemployee director of the Company or a Related Company to an employee of the Company or a Related Company, shall not be considered a Termination of Service.

SECTION 3. ADMINISTRATION

3.1 Administration of the Plan

(a)The Plan shall be administered by (i) the Board or (ii) the Compensation Committee; provided, however, that with respect to Nonemployee Directors, the Plan shall be administered by the Nominating and Corporate Governance Committee of the Board unless otherwise determined by the Board.

(b)The members of the Compensation Committee shall meet the independence requirements of the applicable stock exchange upon which the Common Stock is listed. If any member of the Compensation Committee (or the Nominating and Corporate Governance Committee if applicable), does not qualify as a "non-employee director" for purposes of Rule 16b-3 promulgated under the Exchange Act, then Awards under the Plan for the executive officers of the Company and Nonemployee Directors shall be administered by a subcommittee consisting of each Compensation Committee member (or Nominating and Corporate Governance Committee members if applicable) who qualifies as a "non-employee director." If fewer than two Compensation Committee members (or Nominating and Corporate Governance Committee members if applicable) qualify as "non-employee directors," then the Board shall appoint one or more other Board members to such subcommittee who do qualify as "non-employee directors," so that the subcommittee will at all times consist of two or more members all of whom qualify as "non-employee directors" for purposes of Rule 16b-3 promulgated

under the Exchange Act.

3.2 Delegation

Notwithstanding the foregoing, the Board may also delegate concurrent responsibility for administering the Plan, including with respect to designated classes of Eligible Persons, to committees other than the Compensation Committee or the Nominating and Corporate Governance Committee consisting of one or more members of the Board, subject to such limitations as the Board deems appropriate, except with respect to grants of Awards to Participants who are subject to Section 16 of the Exchange Act. Members of any such committee shall serve for such term as the Board may determine, subject to removal by the Board at any time. To the extent consistent with applicable law, the Board or the Compensation Committee may authorize one or more officers of the Company to grant Awards to designated classes of Eligible Persons, within limits specifically prescribed by the Board or the Compensation Committee; provided, however, that no such officer shall have or obtain authority to grant Awards to himself or herself or to any person subject to Section 16 of the Exchange Act.

All references in the Plan to the "Committee" shall be, as applicable, to the Board, the Compensation Committee, the Nominating and Corporate Governance Committee of the Board or any other committee or any officer to whom authority has been delegated to administer the Plan.

3.3 Administration and Interpretation by Committee

(a)Except for the terms and conditions explicitly set forth in the Plan and to the extent permitted by applicable law, the Committee shall have full power and exclusive authority, subject to such orders or resolutions not inconsistent with the provisions of the Plan as may from time to time be adopted by the Board or a Committee composed of members of the Board, to (i) select the Eligible Persons to whom Awards may from time to time be granted under the Plan; (ii) determine the type or types of Awards to be granted to each Participant under the Plan; (iii) determine the number of shares of Common Stock to be covered by each Award granted under the Plan; (iv) determine the terms and conditions of any Award granted

under the Plan; (v) approve the forms of notice or agreement for use under the Plan; (vi) determine whether, to what extent and under what circumstances Awards may be settled in cash, shares of Common Stock or other property or canceled or suspended; (vii) determine whether, to what extent and under what circumstances cash, shares of Common Stock, other property and other amounts payable with respect to an Award shall be deferred either automatically or at the election of the Participant; (viii) interpret and administer the Plan and any instrument evidencing an Award, notice or agreement executed or entered into under the Plan; (ix) establish such rules, regulations and subplans as it shall deem appropriate for the proper administration and operation of the Plan; (x) delegate ministerial duties to such of the Company’s employees as it so determines; and (xi) make any other determination and take any other action that the Committee deems necessary or desirable for administration of the Plan.

(b)The effect on the vesting of an Award of a Company-approved leave of absence or a Participant’s reduction in hours of employment or service shall be determined by the Company’s Vice President, Human Resources or other person performing that function or, with respect to directors or executive officers, by the Committee, whose determination shall be final.

(c)Decisions of the Committee shall be final, conclusive and binding on all persons, including the Company, any Participant, any stockholder and any Eligible Person. A majority of the members of the Committee may determine its actions.

SECTION 4. SHARES SUBJECT TO THE PLAN

4.1 Authorized Number of Shares

Subject to adjustment from time to time as provided in Section 12.1, the aggregate maximum number of shares of Common Stock available for issuance under the Plan shall be:

(a)1,200,000 shares; plus

(b)(i) any shares set aside and reserved for issuance, but not issued or subject to outstanding awards, under the Company’s 2014 Long-Term Incentive Plan (the “Prior Plan”) on the Effective Date and (ii) any shares subject to outstanding awards under the Prior Plan on the Effective Date that cease to be subject to such awards following the Effective Date (other than by reason of exercise or settlement of the awards to the extent they are exercised for or settled in vested or nonforfeitable shares), which shares shall cease to be set aside or reserved for issuance pursuant to the Prior Plan, and shall instead be set aside and reserved for issuance pursuant to the Plan, effective on the respective dates on which such shares may be added to the Plan by reason of

this paragraph (b), up to an aggregate maximum of 1,002,529shares.

Shares issued under the Plan shall be drawn from authorized and unissued shares or shares now held or subsequently acquired by the Company as treasury shares.

4.2 Share Usage

(a)If any Award lapses, expires, terminates or is canceled prior to the issuance of shares thereunder or if shares of Common Stock are issued under the Plan to a Participant and thereafter are forfeited to the Company, the shares subject to such Awards and the forfeited shares shall again be available for issuance under the Plan. Any shares of Common Stock (i) tendered by a Participant or retained by the Company as full or partial payment to the Company for the purchase price of an Award or to satisfy tax withholding obligations in connection with an Award or (ii) covered by an Award that is settled in cash, or in a manner such that some or all of the shares of Common Stock covered by the Award are not issued, shall not be available for Awards under the Plan.

(b)The Committee shall also, without limitation, have the authority to grant Awards as an alternative to or as the form of payment for grants or rights earned or due under other compensation plans or arrangements of the Company.

(c)Notwithstanding any other provision of the Plan to the contrary, the Committee may grant Substitute Awards under the Plan. Substitute Awards shall not reduce the number of shares authorized for issuance under the Plan. In the event that an Acquired Entity has shares available for awards or grants under one or more preexisting plans not adopted in contemplation of such acquisition or combination, then, to the extent determined by the Board or the Committee, the shares

available for grant pursuant to the terms of such preexisting plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to holders of common stock of the entities that are parties to such acquisition or combination) may be used for Awards under the Plan and shall not reduce the number of shares of Common Stock authorized for issuance under the Plan; provided, however, that Awards using such available shares shall not be made after the date awards or grants could have been made under the terms of such preexisting plans, absent the acquisition or combination, and shall only be made to individuals who were not employees or directors of the Company or a Related Company prior to such acquisition or combination. In the event that a written agreement between the Company and an Acquired Entity pursuant to which a merger or consolidation is completed is approved by the Board and that agreement sets forth the terms and conditions of the substitution for or assumption of outstanding awards of the Acquired Entity, those terms and conditions shall be deemed to be the action of the Committee without any further action by the Committee, except as may be required for compliance with Rule 16b-3 under the Exchange Act, and the persons holding such awards shall be deemed to be Participants.

4.3 Limitations

(a) Limitations on Vesting. Notwithstanding any other provision of the Plan to the contrary, equity-based Awards granted under the Plan shall vest no earlier than the first anniversary of the date the Award is granted (excluding for this purpose, any Substitute Awards and shares delivered in lieu of fully vested cash Awards); provided, that the Committee may grant equity-based Awards with respect to up to 5% of the number of shares authorized for issuance under Section 4.1 as of the Effective Date without regard to the minimum vesting period set forth in this Section 4.2 (the “Carve-Out Exception”). To the extent Section 4.1 is amended to increase the number of Shares authorized for issuance under the Plan, then 5% of the shares subject to such increase shall be added to, and increase, the number of shares subject to the Carve-Out Exception. The foregoing restriction shall not apply to the Committee’s discretion to provide for accelerated exercisability or vesting of an Award in case of a Participant’s death, Disability [or Retirement]. The treatment of Awards in connection with a Change of Control shall be governed solely in accordance with the terms set forth in Section 12.3. In addition, if and to the extent the Committee accelerates vesting or exercisability of an Award or otherwise acts to waive or lapse any restriction on an Award, other than in connection with a Participant’s death, Disability or a Change in Control, the shares covered by such Committee action shall similarly count towards the foregoing 5% limitation.

(b)Limits on Awards to Participants. No employee may be granted Awards other than Performance Units in the aggregate in any calendar-year period with respect to more than 300,000 shares of Common Stock for such Awards, except that the Company may make additional one-time grants of such Awards for up to 300,000 shares to newly hired or newly promoted employees, which numbers shall be calculated and adjusted pursuant to Section 12.1. The maximum dollar value payable with respect to Performance Units or other Awards payable in cash granted to any employee in any calendar-year period is $10,000,000.

Notwithstanding anything contained herein to the contrary, no Participant may receive Common Stock pursuant to or in connection with the payment of any Award to the extent it would result in a violation of the stock ownership limitations set forth in the Company's Restated Certificate of Incorporation or would impair the Company's status as a "real estate investment trust" within the meaning of Sections 856 through 860 of the Code.

(c)Limits on Awards to Nonemployee Directors. Notwithstanding any other provision of this Plan to the contrary, the aggregate value of cash compensation and the grant date fair value of shares of Common Stock (computed as of the date of grant in accordance with applicable financial accounting rules) that may be awarded or granted during any calendar-year period to any Nonemployee Director in respect of the director's service as a member of the Board shall not exceed $600,000 (excluding awards made pursuant to deferred compensation arrangements in lieu of all or a portion of cash retainer fees). The Board may at any time provide any Nonemployee Director with a retainer or other fee in addition to the amount stated above, including for service on a specific purpose committee or for any other special service, in each case determined in the discretion of the Board.

SECTION 5. ELIGIBILITY

An Award may be granted to any employee, officer or director of the Company or a Related Company whom the Committee from time to time selects.

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SECTION 6. AWARDS

6.1 Form, Grant and Settlement of Awards

The Committee shall have the authority, in its sole discretion, to determine the type or types of Awards to be granted under the Plan. Such Awards may be granted either alone or in addition to or in tandem with any other type of Award. Any Award settlement may be subject to such conditions, restrictions and contingencies as the Committee shall determine.

6.2 Evidence of Awards

Awards granted under the Plan shall be evidenced by a written, including an electronic, instrument that shall contain such terms, conditions, limitations and restrictions as the Committee shall deem advisable and that are not inconsistent with the Plan.

6.3 Deferrals

The Committee may permit or require a Participant to defer receipt of the payment of any Award. If any such deferral election is permitted or required, the Committee, in its sole discretion, shall establish rules and procedures for such payment deferrals, which may include the grant of additional Awards or provisions for the payment or crediting of interest or dividend equivalents, including converting such credits to deferred stock unit equivalents. Deferral of any Award or payment thereunder shall satisfy the requirements for exemption from Section 409A or satisfy the requirements of Section 409A as determined by the Committee prior to such deferral.

6.4 Dividends and Distributions

Participants may, if the Committee so determines, be credited with dividends or dividend equivalents paid with respect to shares of Common Stock underlying an Award in a manner determined by the Committee in its sole discretion. The Committee may apply any restrictions to the dividends or dividend equivalents that the Committee deems appropriate. The Committee, in its sole discretion, may determine the form of payment of dividends or dividend equivalents, including cash, shares of Common Stock, Restricted Stock or Stock Units. Notwithstanding the foregoing, any dividends or dividend equivalents credited to an Award shall accrue and be paid only to the extent the Award becomes vested or payable. Also, notwithstanding the foregoing, the crediting of dividends or dividend equivalents must comply with or qualify for an exemption under Section 409A.

SECTION 7. STOCK AWARDS, RESTRICTED STOCK AND STOCK UNITS

7.1 Grant of Stock Awards, Restricted Stock and Stock Units

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The Committee may grant Stock Awards, Restricted Stock and Stock Units on such terms and conditions and subject to such repurchase or forfeiture restrictions, if any, which may be based on continuous service with the Company or a Related Company or the achievement of any performance goals, as the Committee shall determine in its sole discretion, which terms, conditions and restrictions shall be set forth in the instrument evidencing the Award.

7.2 Vesting of Restricted Stock and Stock Units

Upon the satisfaction of any terms, conditions and restrictions prescribed with respect to Restricted Stock or Stock Units, or upon a Participant's release from any terms, conditions and restrictions on Restricted Stock or Stock Units, as determined by the Committee, and subject to the provisions of Section 11, (a) the shares covered by each Award of Restricted Stock shall become freely transferable by the Participant, and (b) Stock Units shall be paid in shares of Common Stock or, if set forth in the instrument evidencing the Awards, in cash or a combination of cash and shares of Common Stock.

7.3 Waiver of Restrictions

The Committee, in its sole discretion, may waive the repurchase or forfeiture period and any other terms, conditions or restrictions on any Restricted Stock or Stock Unit under such circumstances and subject to such terms and conditions as the Committee shall deem appropriate.

SECTION 8. PERFORMANCE AWARDS

8.1 Performance Shares

The Committee may grant Awards of Performance Shares, designate the Participants to whom Performance Shares are to be awarded and determine the number of Performance Shares and the terms and conditions of each such Award. Performance Shares shall consist of a unit valued by reference to a designated number of shares of Common Stock, the value of which may be paid to the Participant by delivery of shares of Common Stock or, if set forth in the instrument evidencing the Award, of such property as the Committee shall determine, including, without limitation, cash, shares of Common Stock, other property, or any combination thereof, upon the attainment of performance goals, as established by the Committee, and other terms and conditions specified by the Committee. Notwithstanding the foregoing, the amount to be paid under an Award of Performance Shares may be adjusted on the basis of such further consideration as the Committee shall determine in its sole discretion.

8.2 Performance Units

The Committee may grant Awards of Performance Units, designate the Participants to whom Performance Units are to be awarded and determine the number of Performance Units and the terms and conditions of each such Award. Performance Units shall consist of a unit valued by reference to a designated amount of property other than shares of Common Stock, which value may be paid to the Participant by delivery of such property as the Committee shall determine, including, without limitation, cash, shares of Common Stock, other property, or any combination thereof, upon the attainment of performance goals, as established by the Committee, and other terms and conditions specified by the Committee. Notwithstanding the foregoing, the amount to be paid under an Award of Performance Units may be adjusted on the basis of such further consideration as the Committee shall determine in its sole discretion.

SECTION 9. OTHER STOCK OR CASH-BASED AWARDS

Subject to the terms of the Plan and such other terms and conditions as the Committee deems appropriate, the Committee may grant other incentives payable in cash or in shares of Common Stock under the Plan.

SECTION 10. WITHHOLDING

10.1 Payment of Tax Withholding and Other Obligations

The Company may require the Participant to pay to the Company or a Related Company, as applicable, the amount of (a) any taxes that the Company or a Related Company is required by applicable federal, state, local or foreign law

to withhold with respect to the grant, vesting or exercise of an Award ("tax withholding obligations") and (b) any amounts due from the Participant to the Company or to any Related Company ("other obligations"). Notwithstanding any other provision of the Plan to the contrary, the Company shall not be required to issue any shares of Common Stock or otherwise settle an Award under the Plan until such tax withholding obligations and other obligations are satisfied.

10.2 Payment Methods

The Committee may permit or require a Participant to satisfy all or part of the Participant's tax withholding obligations and other obligations by: (a) paying cash to the Company or a Related Company, (b) having the Company or a Related Company, as applicable, withhold an amount from any cash amounts otherwise due or to become due from the Company or a Related Company to the Participant, (c) having the Company withhold a number of shares of Common Stock that would otherwise be issued to the Participant (or become vested, in the case of Restricted Stock) having a Fair Market Value equal to the tax withholding obligations and other obligations, (d) surrendering a number of shares of Common Stock the Participant already owns having a value equal to the tax withholding obligations and other obligations, (e) selling shares of Common Stock issued under an Award on the open market or to the Company, or (f) taking such other action as may be necessary in the opinion of the Committee to satisfy any applicable tax withholding obligations or other obligations. The value of the shares so withheld or surrendered may not exceed the employer's minimum required tax withholding rate, or such other applicable rate as is necessary to avoid adverse treatment for financial accounting purposes, as determined by the Committee its sole discretion.

SECTION 11. ASSIGNABILITY

No Award or interest in an Award may be sold, assigned, pledged (as collateral for a loan or as security for the performance of an obligation or for any other purpose) or transferred by a Participant or made subject to attachment or similar proceedings otherwise than by will or by the applicable laws of descent and distribution, except to the extent, at the discretion of the Committee, the instrument evidencing the Award permits the Participant to designate one or more beneficiaries on a Company-approved form who may exercise the Award or receive payment under the Award after the Participant's death. Notwithstanding the foregoing, the Committee, in its sole discretion, may permit a Participant to assign or transfer an Award without consideration, subject to such terms and conditions as the Committee shall specify.

SECTION 12. ADJUSTMENTS

12.1 Adjustment of Shares

(a)In the event that, at any time or from time to time, a stock dividend, stock split, spin off, combination or exchange of shares, recapitalization, merger, consolidation, distribution to stockholders other than a normal cash dividend, or other change in the Company's corporate or capital structure results in (i) the outstanding shares of Common Stock, or any securities exchanged therefor or received in their place, being exchanged for a different number or kind of securities of the Company or (ii) new, different or additional securities of the Company or any other company being received by the holders of shares of Common Stock, or the declaration of a dividend payable in cash that has a material effect on the price of issued shares, then the Committee shall make proportional adjustments in (A) the maximum number and kind of securities available for issuance under the Plan; (B) the maximum number and kind of securities set forth in Section 4.3; and (C) the number and kind of securities that are subject to any outstanding Award and, if applicable, the per share price of such securities.

(b)Adjustments, if any, and any determinations or interpretations made by the Committee as to whether any adjustment shall be made, including any determination of whether a distribution is other than a normal cash dividend or is a cash dividend that will have a material effect on the price of issued shares, and the terms of any of the foregoing adjustments shall be conclusive and binding.

(c)Notwithstanding the foregoing, the issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, for cash or property, or for labor or services rendered, either upon direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon

conversion of shares or obligations of the Company convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to, outstanding Awards. Also notwithstanding the foregoing, a dissolution or liquidation of the Company or a Change in Control shall not be governed by this Section 12.1 but shall be governed by Sections 12.2 and 12.3, respectively.

12.2 Dissolution or Liquidation

To the extent not previously exercised or settled, and unless otherwise determined by the Committee in its sole discretion, Awards shall terminate immediately prior to the dissolution or liquidation of the Company. To the extent a vesting condition, forfeiture provision or repurchase right applicable to an Award has not been waived by the Committee, the Award shall be forfeited immediately prior to the consummation of the dissolution or liquidation.

12.3 Change in Control

Notwithstanding any other provision of the Plan to the contrary, unless the Committee shall determine otherwise in the instrument evidencing the Award or in a written employment, services or other agreement between the Participant and the Company or a Related Company, in the event of a Change in Control:

(a)If the Change in Control is a Business Combination in which Awards could be converted, assumed, substituted for or replaced by the Successor Company, then, if and to the extent that the Successor Company converts, assumes, substitutes or replaces an Award, other than Performance Shares, Performance Units and other outstanding Awards that are subject to vesting based on the achievement of specified performance goals, the vesting restrictions or forfeiture provisions applicable to such Award shall not be accelerated or lapse, and all such vesting restrictions or forfeiture provisions shall continue with respect to any shares of the Successor Company or other consideration that may be received with respect to such Award. If and to the extent that Awards, other than Performance Shares, Performance Units and other outstanding Awards that are subject to vesting based on the achievement of specified performance goals, are not converted, assumed,

substituted for or replaced by the Successor Company, such Awards shall become fully vested and exercisable or payable, and all applicable restrictions or forfeiture provisions shall lapse, immediately prior to the Change in Control and such Awards shall terminate at the effective time of the Change in Control.

If the Change in Control is not a Business Combination in which Awards could be converted, assumed, substituted for or replaced by the Successor Company, all outstanding Awards, other than Performance Shares, Performance Units and other outstanding Awards that are subject to vesting based on the achievement of specified performance goals, shall become fully vested and exercisable or payable, and all applicable restrictions or forfeiture provisions shall lapse, immediately prior to the Change in Control and such Awards shall terminate at the effective time of the Change in Control.

For the purposes of this Section 12.3(a), an Award shall be considered converted, assumed, substituted for or replaced by the Successor Company if following the Business Combination the right confers the right to purchase or receive, for each share of Common Stock subject to the Award immediately prior to the Business Combination, the consideration (whether stock, cash or other securities or property) received in the Business Combination by holders of Common Stock for each share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares); provided, however, that if such consideration received in the Business Combination is not solely common stock of the Successor Company, the Committee may, with the consent of the Successor Company, provide for the consideration to be received pursuant to the Award, for each share of Common Stock subject thereto, to be solely common stock of the Successor Company substantially equal in Fair Market Value to the per share consideration received by holders of Common Stock in the Business Combination. The determination of such substantial equality of value of consideration shall be made by the Committee, and its determination shall be conclusive and binding.

(b)All Performance Shares or Performance Units or other outstanding Awards that are subject to vesting based on the achievement of specified performance goals and that are earned and outstanding as of the date the Change in Control is determined to have occurred and for which the payout level has been determined shall be payable in full in accordance with the payout schedule pursuant to the instrument evidencing the Award or a program adopted pursuant to the Plan. Any remaining outstanding Performance Shares or Performance Units or other outstanding Awards that are subject to vesting based on the achievement of specified performance goals (including any applicable performance period) for which the payout level has not been

determined shall be payable in accordance with the terms and payout schedule pursuant to the instrument evidencing the Award. Any existing deferrals or other restrictions not waived by the Committee in its sole discretion shall remain in effect.

(c)Notwithstanding the foregoing, the Committee, in its sole discretion, may instead provide in the event of a Change in Control that is a Business Combination that a Participant's outstanding Awards shall terminate upon or immediately prior to such Business Combination and that such Participant shall receive, in exchange therefor, a cash payment equal to the amount (if any) by which (x) the value of the per share consideration received by holders of Common Stock in the Business Combination, or, in the event the Business Combination is one of the transactions listed under subsection (C) in the definition of Business Combination or otherwise does not result in direct receipt of consideration by holders of Common Stock, the value of the deemed per share consideration received, in each case as determined by the Committee in its sole discretion, multiplied by the number of shares of Common Stock subject to such outstanding Awards (to the extent then vested and exercisable or whether or not then vested and exercisable, as determined by the Committee in its sole discretion) exceeds (y) if applicable, the respective aggregate exercise price or grant price for such Awards.

(d)For the avoidance of doubt, nothing in this Section 12.3 requires all outstanding Awards to be treated similarly.

12.4 Further Adjustment of Awards

Subject to Sections 12.2 and 12.3, the Committee shall have the discretion, exercisable at any time before a sale, merger, consolidation, reorganization, liquidation, dissolution or change of control of the Company, as defined by the Committee, to take such further action as it determines to be necessary or advisable with respect to Awards. Such authorized action may include (but shall not be limited to) establishing, amending or waiving the type, terms, conditions or duration of, or restrictions on, Awards so as to provide for earlier, later, extended or additional time for exercise, lifting restrictions and other modifications, and the Committee may take such actions with respect to all Participants, to certain categories of Participants or only to individual Participants. The Committee may take such action before or after granting Awards to

which the action relates and before or after any public announcement with respect to such sale, merger, consolidation, reorganization, liquidation, dissolution or change of control that is the reason for such action.

12.5 No Limitations

The grant of Awards shall in no way affect the Company's right to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

12.6 No Fractional Shares

No fractional shares of Common Stock shall be issued under the Plan, and the Committee shall determine the manner in which fractional share value shall be treated.

12.7 Section 409A

Notwithstanding any other provision of the Plan to the contrary, (a) any adjustments made pursuant to this Section 12 to Awards that are considered "deferred compensation" within the meaning of Section 409A shall be made in compliance with the requirements of Section 409A and (b) any adjustments made pursuant to this Section 12 to Awards that are not considered "deferred compensation" subject to Section 409A shall be made in such a manner as to ensure that after such adjustment the Awards either (i) continue not to be subject to Section 409A or (ii) comply with the requirements of Section 409A.

SECTION 13. RECOVERY OF COMPENSATION

Notwithstanding any other provision of the Plan to the contrary and to the maximum extent allowed by law, Awards granted under the Plan shall be subject to (a) the PotlatchDeltic Corporation Incentive Compensation Recovery Policy, as it may be amended from time to time, and (b) any other compensation recovery policies as may be adopted from time to time by the Company to comply with applicable law and/or stock exchange requirements, or otherwise, to the extent determined by the Committee in its discretion to be applicable to a Participant.

SECTION 14. AMENDMENT AND TERMINATION

14.1 Amendment, Suspension or Termination

The Board or the Compensation Committee may amend, suspend or terminate the Plan or any portion of the Plan at any time and in such respects as it shall deem advisable; provided, however, that, to the extent required by applicable law, regulation or stock exchange rule, stockholder approval shall be required for any amendment to the Plan; and provided, further, that any amendment

that requires stockholder approval may be made only by the Board. Subject to Section 14.3, the Committee may amend the terms of any outstanding Award, prospectively or retroactively.

14.2 Term of the Plan

Unless sooner terminated as provided herein, the Plan shall automatically terminate ten years from the Effective Date. After the Plan is terminated, no future Awards may be granted, but Awards previously granted shall remain outstanding in accordance with their terms and conditions and the Plan's terms and conditions.

14.3 Consent of Participant

The amendment, suspension or termination of the Plan or a portion thereof or the amendment of an outstanding Award shall not, without the Participant's consent, materially adversely affect any rights under any Award theretofore granted to the Participant under the Plan. Notwithstanding the foregoing, any adjustments made pursuant to Section 12 shall not be subject to these restrictions.

SECTION 15. GENERAL

15.1 No Individual Rights

(a)No individual or Participant shall have any claim to be granted any Award under the Plan, and the Company has no obligation for uniformity of treatment of Participants under the Plan.

(b)Furthermore, nothing in the Plan or any Award granted under the Plan shall be deemed to constitute an employment contract or confer or be deemed to confer on any Participant any right to continue in the employ of, or to continue any other relationship with, the Company or any Related Company or limit in any way the right of the Company or any Related Company to terminate a Participant's employment or other relationship at any time, with or without cause.

15.2 Issuance of Shares

(a)Notwithstanding any other provision of the Plan, the Company shall have no obligation to issue or deliver any shares of Common Stock under the Plan or make any other distribution of benefits under the Plan unless, in the opinion of the Company's counsel, such issuance, delivery or distribution would comply with all applicable laws (including, without limitation, the requirements of the Securities Act or the laws of any state or foreign jurisdiction) and the applicable requirements of any securities exchange or similar entity.

(b)The Company shall be under no obligation to any Participant to register for offering or resale or to qualify for exemption under the Securities Act, or to register or qualify under the laws of any state or foreign jurisdiction, any shares of Common Stock, security or interest in a security paid or issued under, or created by, the Plan, or to continue in effect any such registrations or qualifications if made.

(c)The inability of the Company or impracticability for the Company, as determined by the Committee in its sole discretion, to obtain or maintain approval from any regulatory body having jurisdiction or to comply with applicable requirements, which approval and compliance are deemed by the Company's counsel to be necessary to the lawful issuance, delivery, and sale of any shares of Common Stock, shall relieve the Company of any liability in respect of the failure to issue, deliver, or sell such shares as to which the requisite approval has not been obtained or as to which any necessary requirements are not met.

(d)As a condition to the receipt of Common Stock pursuant to an Award under the Plan, the Company may require (i) the Participant to represent and warrant at the time of any such exercise or receipt that such shares are being purchased or received only for the Participant's own account and without any present intention to sell or distribute such shares and (ii) such other action or agreement by the Participant as may from time to time be necessary to comply with federal, state and foreign securities laws. At the option of the Company, a stop-transfer order against any such shares may be placed on the official stock books and records of the Company, and a legend indicating that such shares may not be pledged, sold or otherwise transferred, unless an

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opinion of counsel is provided (concurred in by counsel for the Company) stating that such transfer is not in violation of any applicable law or regulation, may be stamped on stock certificates to ensure exemption from registration. The Committee may also require the Participant to execute and deliver to the Company a purchase agreement or such other agreement as may be in use by the Company at such time that describes certain terms and conditions applicable to the shares.

(e)To the extent the Plan or any instrument evidencing an Award provides for issuance of stock certificates to reflect the issuance of shares of Common Stock, the issuance may be effected on a noncertificated basis, to the extent not prohibited by applicable law or the applicable rules of any stock exchange.

15.3 Indemnification

(a)Each person who is or shall have been a member of the Board, the Compensation Committee or a committee of the Board, or an officer of the Company to whom authority was delegated in accordance with Section 3, shall be indemnified and held harmless by the Company against and from any loss, cost, liability or expense that may be imposed upon or reasonably incurred by such person in connection with or resulting from any claim, action, suit or proceeding to which such person may be a party or in which such person may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by such person in settlement thereof, with the Company’s approval, or paid by such person in satisfaction of any judgment in any such claim, action, suit or proceeding against such person; provided, however, unless such loss, cost, liability or expense is a result of such person’s own willful misconduct or except as expressly provided by statute, that such person shall give the Company an opportunity, at its own expense, to handle and defend the same before such person undertakes to handle and defend it on such person’s own behalf.

(b)The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such person may be entitled under the Company's certificate of incorporation or bylaws, as a matter of law, or otherwise, or of any power that the Company may have to indemnify or hold harmless.

15.4 No Rights as a Stockholder

Unless otherwise provided by the Committee or in the instrument evidencing the Award or in a written employment, services or other agreement, no Award, other than a Stock Award or Restricted Stock Award, shall entitle the Participant to any cash dividend, voting or other right of a stockholder unless and until the date of issuance under the Plan of the shares that are the subject of such Award.

15.5 Compliance with Laws and Regulations

(a)The Plan and Awards granted under the Plan are intended to be exempt from the requirements of Section 409A to the maximum extent possible, whether pursuant to the short-term deferral exception described in Treasury Regulation Section 1.409A-1(b)(4) or otherwise. To the extent Section 409A is applicable to the Plan or any Award granted under the Plan, it is intended that the Plan and any Awards granted under the Plan comply with the deferral, payout and other limitations and restrictions imposed under Section 409A. Notwithstanding any other provision of the Plan or any Award granted under the Plan to the contrary, the Plan and any Award granted under the Plan shall be interpreted, operated and administered in a manner consistent with such intentions. Without limiting the generality of the foregoing, and notwithstanding any other provision of the Plan or any Award granted under the Plan to the contrary, (i) with respect to any payments and benefits under the Plan or any Award granted under the Plan to which Section 409A applies, all references in the Plan or any Award granted under the Plan to the termination of the Participant's employment or service are intended to mean the Participant's "separation from service," within the meaning of Section 409A(a)(2)(A)(i) of the Code, and (ii) each payment made under this Plan and any Award granted under the Plan shall be treated as a separate payment and the right to a series of installment payments under this Plan or any such Award shall be treated as a right to a series of separate payments. In addition, if the Participant is a "specified employee," within the meaning of Section 409A, then to the extent necessary to avoid subjecting the Participant to the imposition of any additional tax under Section 409A, amounts that would otherwise be payable under the Plan or any Award granted under the Plan during the six-month period immediately following the Participant's "separation from service," within the meaning of Section 409A(a)(2)(A)(i) of the Code, shall not be paid to the Participant during such period, but shall instead be accumulated and paid to the Participant (or, in the event of the Participant's death, the Participant's estate) in a lump sum on the first business

day after the earlier of the date that is six months following the Participant's separation from service or the Participant's death. Notwithstanding any other provision of the Plan to the contrary, the Committee, to the extent it deems necessary or advisable in its sole discretion, reserves the right, but shall not be required, to unilaterally amend or modify the Plan and any Award granted under the Plan so that the Award qualifies for exemption from or complies with Section 409A; provided, however, that the Committee makes no representations that Awards granted under the Plan shall be exempt from or comply with Section 409A and makes no undertaking to preclude Section 409A from applying to Awards granted under the Plan.

(b)Also notwithstanding any other provision of the Plan to the contrary, the Board or the Committee shall have broad authority to amend the Plan or any outstanding Award without the consent of the Participant to the extent the Board or the Committee deems necessary or advisable to comply with, or take into account, changes in applicable tax laws, securities laws, accounting rules or other applicable laws, rules or regulations.

15.6 Participants in Other Countries or Jurisdictions

Without amending the Plan, the Committee may grant Awards to Eligible Persons who are foreign nationals on such terms and conditions different from those specified in the Plan as may, in the judgment of the Committee, be necessary or desirable to foster and promote achievement of the purposes of the Plan and shall have the authority to adopt such modifications, procedures, subplans and the like as may be necessary or desirable to comply with provisions of the laws or regulations of other countries or jurisdictions in which the Company or any Related Company may operate or have employees to ensure the viability of the benefits from Awards granted to Participants employed in such countries or jurisdictions, meet the requirements that permit the Plan to operate in a qualified or tax-efficient manner, comply with applicable foreign laws or regulations and meet the objectives of the Plan.

15.7 No Trust or Fund

The Plan is intended to constitute an "unfunded" plan. Nothing contained herein shall require the Company to segregate any monies or other property, or shares of Common Stock, or to create any trusts, or to make any special deposits for any immediate or deferred amounts payable to any Participant, and no Participant shall have any rights that are greater than those of a general unsecured creditor of the Company.

15.8 Successors

All obligations of the Company under the Plan with respect to Awards shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all the business and/or assets of the Company.

15.9 Severability

If any provision of the Plan or any Award is determined to be invalid, illegal or unenforceable in any jurisdiction, or as to any person, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or, if it cannot be so construed or deemed amended without, in the Committee's determination, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, person or Award, and the remainder of the Plan and any such Award shall remain in full force and effect.

15.10 Choice of Law and Venue

The Plan, all Awards granted thereunder and all determinations made and actions taken pursuant hereto, to the extent not otherwise governed by the laws of the United States, shall be governed by the laws of the State of Washington without giving effect to principles of conflicts of law. Participants irrevocably consent to the nonexclusive jurisdiction and venue of the state and federal courts located in the State of Washington.

15.11 Legal Requirements

The granting of Awards and the issuance of shares of Common Stock under the Plan are subject to all applicable laws, rules and regulations and to such approvals by any governmental agencies or national securities exchanges as may be required, whether located in the United States or a foreign jurisdiction.

SECTION 16. EFFECTIVE DATE

The effective date (the "Effective Date") is the date on which the Plan is approved by the stockholders of the Company.

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1 1 12345678 12345678 12345678 12345678 12345678 12345678 12345678 12345678NAME THE COMPANY NAME INC. - COMMON 123,456,789,012.12345 THE COMPANY NAME INC. - CLASS A 123,456,789,012.12345 THE COMPANY NAME INC. - CLASS B 123,456,789,012.12345 THE COMPANY NAME INC. - CLASS C 123,456,789,012.12345 THE COMPANY NAME INC. - CLASS D 123,456,789,012.12345 THE COMPANY NAME INC. - CLASS E 123,456,789,012.12345 THE COMPANY NAME INC. - CLASS F 123,456,789,012.12345 THE COMPANY NAME INC. - 401 K 123,456,789,012.12345 x 02 0000000000 JOB # 1 OF 2 1 OF 2 PAGE SHARES CUSIP # SEQUENCE # THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED. KEEP THIS PORTION FOR YOUR RECORDS DETACH AND RETURN THIS PORTION ONLY TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS: Signature [PLEASE SIGN WITHIN BOX] Date Signature (Joint Owners) Date CONTROL # SHARES 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0000410078_1 R1.0.1.18 POTLATCHDELTIC CORPORATION ATTN: CORPORATE SECRETARY 601 WEST FIRST AVE., STE 1600 SPOKANE, WA 99201 Investor Address Line 1 Investor Address Line 2 Investor Address Line 3 Investor Address Line 4 Investor Address Line 5 John Sample 1234 ANYWHERE STREET ANY CITY, ON A1A 1A1 Investor Address Line 1 Investor Address Line 2 Investor Address Line 3 Investor Address Line 4 Investor Address Line 5 John Sample 1234 ANYWHERE STREET ANY CITY, ON A1A 1A1 VOTE BY INTERNET - www.proxyvote.com Use the Internet to transmit your voting instructions and for electronic delivery of information. Vote by 11:59 P.M. ET on 05/05/2019 for shares held directly and by 11:59 P.M. ET on 05/01/2019 for shares held in a Plan. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form. ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years. VOTE BY PHONE - 1-800-690-6903 Use any touch-tone telephone to transmit your voting instructions. Vote by 11:59 P.M. ET on 05/05/2019 for shares held directly and by 11:59 P.M. ET on 05/01/2019 for shares held in a Plan. Have your proxy card in hand when you call and then follow the instructions. VOTE BY MAIL Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717. The Board of Directors recommends you vote FOR the election of four Directors to serve

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until the 2022 Annual Meeting of Stockholders: 1. Election of Directors Nominees For Against Abstain 1a. Michael J. Covey 1b. Charles P. Grenier 1c. Gregory L. Quesnel 1d. R. Hunter Pierson The Board of Directors recommends you vote FOR proposals 2, 3 and 4. For Against Abstain 2. Ratification of the appointment of KPMG LLP as our independent auditors for 2019. 3. Advisory vote to approve executive compensation. 4. Approve the PotlachDeltic Corporation 2019 Long- Term Incentive Plan. NOTE: In their discretion, the proxies are authorized to vote on such other matters that may properly come before the 2019 Annual Meeting of Shareholders or any adjournment or postponement thereof. Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by authorized officer.

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0000410078_2 R1.0.1.18 Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting: The Proxy Statement, Shareholder Letter & Form 10-K are available at www.proxyvote.com POTLATCHDELTIC CORPORATION Annual Meeting of Stockholders May 6, 2019 9:00 AM This proxy is solicited by the Board of Directors The undersigned stockholder(s) hereby appoint Michael J. Covey, Jerald. W. Richards and Lorrie D. Scott, or any of them, as proxies, each with the power to appoint his/her substitute, and hereby authorizes them to represent and to vote all of the shares of Common Stock of POTLATCHDELTIC CORPORATION that the stockholder(s) are entitled to vote at the Annual Meeting of Stockholders to be held at 9:00 AM PST on May 6, 2019, at 601 West First Ave., Suite 1600, Spokane, WA 99201, as designated on the reverse side of this ballot and in their discretion upon all other matters that may properly come before such meeting or any adjournment or postponement thereof. This proxy, when properly executed, will be voted in the manner directed herein. If no such direction is made, this proxy will be voted in accordance with the Board of Directors' recommendations. Continued and to be signed on reverse side