

POTLATCH CORP
 Form 4
 February 14, 2006

FORM 4

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549**

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
KELLY RICHARD K

(Last) (First) (Middle)
 601 W. RIVERSIDE AVENUE, SUITE 1100
 (Street)

SPOKANE, WA 99201

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
POTLATCH CORP [PCH]

3. Date of Earliest Transaction (Month/Day/Year)
02/14/2006

4. If Amendment, Date Original Filed (Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

___ Director ___ 10% Owner
 Officer (give title below) ___ Other (specify below)
 Vice President

6. Individual or Joint/Group Filing (Check Applicable Line)
 Form filed by One Reporting Person
 ___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
				(A) or (D)	Code V Amount (D) Price		

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security	2. Conversion or Exercise	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any	4. Transaction Code	5. Number of Derivative Securities	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)
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(Instr. 3)	Price of Derivative Security	(Month/Day/Year)	(Instr. 8)		Date Exercisable	Expiration Date	Title	Amount or Number of Shares
			Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	Code V				
Stock Option (right to buy)	\$ 23.7002	02/14/2006	D ⁽¹⁾	6,823	<u>(1)</u>	12/05/2012	Common Stock	6,823
Stock Option (right to buy)	\$ 16.5501	02/14/2006	A ⁽¹⁾	9,770	<u>(1)</u>	12/05/2012	Common Stock	9,770
Stock Option (right to buy)	\$ 31.6066	02/14/2006	D ⁽¹⁾	4,199	<u>(1)</u>	12/04/2013	Common Stock	4,199
Stock Option (right to buy)	\$ 22.0713	02/14/2006	A ⁽¹⁾	6,014	<u>(1)</u>	12/04/2013	Common Stock	6,014
Stock Option (right to buy)	\$ 50.75	02/14/2006	D ⁽¹⁾	4,510	<u>(1)</u>	12/02/2014	Common Stock	4,510
Stock Option (right to buy)	\$ 35.4393	02/14/2006	A ⁽¹⁾	6,459	<u>(1)</u>	12/02/2014	Common Stock	6,459

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
KELLY RICHARD K 601 W. RIVERSIDE AVENUE SUITE 1100 SPOKANE, WA 99201			Vice President	

Signatures

Malcolm A. Ryerse,
Attorney-in-fact

02/14/2006

__Signature of Reporting Person

Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

- On February 3, 2006, the Board of Directors of Potlatch Corporation, formerly known as Potlatch Holdings, Inc. (the "Company"), declared a special distribution of \$15.15 per share representing the Company's historical, accumulated earnings and profits (the "Special E&P Distribution"), to stockholders of record as of February 14, 2006. The Company's applicable stockholder-approved stock incentive plans require proportionate adjustment of the exercise price and the number of shares of stock covered by outstanding stock option awards under such plans in a manner determined by the Executive Compensation and Personnel Policies Committee of the Company's Board of Directors to reflect the declaration of the Special E&P Distribution. The adjustment of the outstanding stock option award is being reported as a deemed cancellation and regrant of the original stock option to clarify the change in the exercise price and number of shares covered by the subject stock option.
- (1) plans require proportionate adjustment of the exercise price and the number of shares of stock covered by outstanding stock option awards under such plans in a manner determined by the Executive Compensation and Personnel Policies Committee of the Company's Board of Directors to reflect the declaration of the Special E&P Distribution. The adjustment of the outstanding stock option award is being reported as a deemed cancellation and regrant of the original stock option to clarify the change in the exercise price and number of shares covered by the subject stock option.
 - (2) The stock option has no purchase or sale price, therefore Column 8 has been left blank.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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