

KELLY RICHARD K
Form 4
February 21, 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)
02/21/2006

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 Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price
Common Stock	02/21/2006		M		9,770	A	\$ 16.5501
Common Stock	02/21/2006		S		9,770	D	\$ 36.2518
Common Stock	02/21/2006		M		6,014	A	\$ 22.0713
Common Stock	02/21/2006		S		6,014	D	\$ 36.2518

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

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The reporting person was granted stock options on December 5, 2002, which vested in two equal annual installments on the anniversary date of the grant. The grant was made under the stockholder-approved Potlatch Corporation 1995 Stock Incentive Plan.

- (2) The stock option, after exercise, was sold at an average price of \$36.2518 per share.
- (3) The reporting person was granted stock options on December 4, 2003, which vested in two equal annual installments on the anniversary date of the grant. The grant was made under the stockholder-approved Potlatch Corporation 2000 Stock Incentive Plan.

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

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.