

CARTER TERRY L  
Form 4  
February 14, 2006

**FORM 4**

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

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

**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 \*  
CARTER TERRY L

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

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

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

\_\_\_\_ Director \_\_\_\_\_ 10% Owner  
 Officer (give title below) \_\_\_\_\_ Other (specify below)  
Controller

(Street)  
SPOKANE, WA 99201

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

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

(City) (State) (Zip)

**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)	\$ 42.2707	02/14/2006	D <sup>(1)</sup>	2,519	<u>(1)</u>	12/05/2006	Common Stock	2,519
Stock Option (right to buy)	\$ 29.5181	02/14/2006	A <sup>(1)</sup>	3,608	<u>(1)</u>	12/05/2006	Common Stock	3,608
Stock Option (right to buy)	\$ 45.9619	02/14/2006	D <sup>(1)</sup>	2,205	<u>(1)</u>	12/04/2007	Common Stock	2,205
Stock Option (right to buy)	\$ 32.0957	02/14/2006	A <sup>(1)</sup>	3,158	<u>(1)</u>	12/04/2007	Common Stock	3,158
Stock Option (right to buy)	\$ 35.9599	02/14/2006	D <sup>(1)</sup>	3,884	<u>(1)</u>	12/03/2008	Common Stock	3,884
Stock Option (right to buy)	\$ 25.1112	02/14/2006	A <sup>(1)</sup>	5,562	<u>(1)</u>	12/03/2008	Common Stock	5,562
Stock Option (right to buy)	\$ 39.413	02/14/2006	D <sup>(1)</sup>	3,674	<u>(1)</u>	12/02/2009	Common Stock	3,674
Stock Option (right to buy)	\$ 27.5226	02/14/2006	A <sup>(1)</sup>	5,262	<u>(1)</u>	12/02/2009	Common Stock	5,262
Stock Option (right to buy)	\$ 30.5421	02/14/2006	D <sup>(1)</sup>	3,118	<u>(1)</u>	12/07/2010	Common Stock	3,118
Stock Option	\$ 21.3279	02/14/2006	A <sup>(1)</sup>	4,466	<u>(1)</u>	12/07/2010	Common Stock	4,466



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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.

(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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