

KELLY RICHARD K

Form 4

February 21, 2006

FORM 4**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

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

OMB APPROVAL

OMB
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(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
____X____ Officer (give title below) ____ Other (specify below)

Vice President

6. Individual or Joint/Group Filing(Check
Applicable Line)
____X____ 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 Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price		
Common Stock	02/21/2006		M		9,770	A	\$ 16.5501	9,770	D
Common Stock	02/21/2006		S		9,770	D	\$ 36.2518	0	D
Common Stock	02/21/2006		M		6,014	A	\$ 22.0713	6,014	D
Common Stock	02/21/2006		S		6,014	D	\$ 36.2518	0	D

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 (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Deemed Exercise Price (Instr. 5)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Stock Option (right to buy)	\$ 16.5501	02/21/2006		M		9,770		<u>(1)</u>	12/05/2012	Common Stock	9,770
Stock Option (right to buy)	\$ 22.0713	02/21/2006		M		6,014		<u>(3)</u>	12/04/2013	Common Stock	6,014

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

02/21/2006

 **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).

(1)

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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.

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