

POTLATCH CORP
 Form 4
 November 12, 2004

FORM 4

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

OMB APPROVAL

OMB Number: 3235-0287
 Expires: January 31, 2005
 Estimated average burden hours per response... 0.5

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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)
11/10/2004

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)
			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 Acquired	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Security (Instr. 3 and 4)
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(Instr. 3)	Price of Derivative Security	(Month/Day/Year)	(Instr. 8)	(A) or Disposed of (D) (Instr. 3, 4, and 5)							
			Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	
Employee Stock Option (right to buy)	\$ 41.25	11/10/2004	D	(1)		3,350	(1)	12/07/2005	Common Stock	3,350	
Employee Stock Option (right to buy)	\$ 39.2939	11/10/2004	A	(1)	3,517		(1)	12/07/2005	Common Stock	3,517	
Employee Stock Option (right to buy)	\$ 44.375	11/10/2004	D	(1)		4,500	(1)	12/05/2006	Common Stock	4,500	
Employee Stock Option (right to buy)	\$ 42.2707	11/10/2004	A	(1)	4,724		(1)	12/05/2006	Common Stock	4,724	
Employee Stock Option (right to buy)	\$ 48.25	11/10/2004	D	(1)		3,450	(1)	12/04/2007	Common Stock	3,450	
Employee Stock Option (right to buy)	\$ 45.9619	11/10/2004	A	(1)	3,622		(1)	12/04/2007	Common Stock	3,622	
Employee Stock Option (right to buy)	\$ 37.75	11/10/2004	D	(1)		5,800	(1)	12/03/2008	Common Stock	5,800	
Employee Stock Option (right to buy)	\$ 35.9599	11/10/2004	A	(1)	6,089		(1)	12/03/2008	Common Stock	6,089	

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Employee Stock Option (right to buy)	\$ 41.375	11/10/2004	D ⁽¹⁾	13,000	(1)	12/02/2009	Common Stock	13,000
Employee Stock Option (right to buy)	\$ 39.413	11/10/2004	A ⁽¹⁾	13,647	(1)	12/02/2009	Common Stock	13,647
Employee Stock Option (right to buy)	\$ 24.88	11/10/2004	D ⁽¹⁾	6,500	(1)	12/05/2012	Common Stock	6,500
Employee Stock Option (right to buy)	\$ 23.7002	11/10/2004	A ⁽¹⁾	6,823	(1)	12/05/2012	Common Stock	6,823
Employee Stock Option (right to buy)	\$ 33.18	11/10/2004	D ⁽¹⁾	4,000	(1)	12/04/2013	Common Stock	4,000
Employee Stock Option (right to buy)	\$ 31.6066	11/10/2004	A ⁽¹⁾	4,199	(1)	12/04/2013	Common Stock	4,199

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

11/12/2004

__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 October 25, 2004, the Board of Directors of Potlatch Corporation (the "Company") declared a special cash dividend to stockholders of record on November 10, 2004. The Company's applicable stockholder-approved stock incentive plans require proportionate adjustment of the exercise price and the number of shares of common stock covered by outstanding awards under such plans in a manner determined by

- (1) the Executive Compensation and Personnel Policies Committee of the Company's Board of Directors to reflect the declaration of the special cash dividend. The adjustment of the outstanding 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. The original option provided for vesting in two equal annual installments following the date of grant.
- (2) The 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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