

POTLATCH CORP  
Form DEF 14A  
April 01, 2013

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934  
(Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant "

Check the appropriate box:

- |   |   |
|---|---|
| <input type="checkbox"/> Preliminary Proxy Statement                  | <input type="checkbox"/> Confidential, for Use of the Commission Only (as permitted by Rule 14a-6 (e)(2)) |
| <input checked="" type="checkbox"/> Definitive Proxy Statement        |   |
| <input type="checkbox"/> Definitive Additional Materials              |   |
| <input type="checkbox"/> Soliciting Material Pursuant to § 240.14a-12 |   |

POTLATCH CORPORATION

---

(Name of Registrant as Specified In Its Charter)

---

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

"Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid

.. Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

---

POTLATCH CORPORATION  
ANNUAL MEETING OF STOCKHOLDERS  
MAY 6, 2013

---

NOTICE OF ANNUAL MEETING  
AND  
PROXY STATEMENT

---



TABLE OF CONTENTS

	Page
<u>ANNUAL MEETING INFORMATION</u>	<u>1</u>
<u>PROPOSAL 1 - ELECTION OF DIRECTORS</u>	<u>4</u>
<u>BOARD OF DIRECTORS</u>	<u>5</u>
<u>CORPORATE GOVERNANCE</u>	<u>8</u>
<u>COMPENSATION OF NON-EMPLOYEE DIRECTORS</u>	<u>16</u>
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	<u>18</u>
<u>AUDIT COMMITTEE REPORT</u>	<u>21</u>
<u>PROPOSAL 2 - RATIFICATION OF THE APPOINTMENT OF KPMG LLP AS OUR INDEPENDENT AUDITORS FOR 2013</u>	<u>23</u>
<u>COMPENSATION DISCUSSION AND ANALYSIS</u>	<u>24</u>
<u>REPORT OF THE EXECUTIVE COMPENSATION AND PERSONNEL POLICIES COMMITTEE</u>	<u>40</u>
<u>EXECUTIVE COMPENSATION TABLES</u>	<u>41</u>
<u>PROPOSAL 3 - ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION</u>	<u>55</u>
<u>GENERAL INFORMATION</u>	<u>56</u>

## ANNUAL MEETING INFORMATION

This proxy statement and the enclosed proxy card are being furnished to stockholders of Potlatch Corporation in connection with the solicitation of proxies by our Board of Directors for use at the 2013 Annual Meeting of Stockholders, which is described below. We expect to mail this proxy statement, the Notice of Meeting, and the form of proxy enclosed, on or about April 1, 2013.

### Date, time and place of the meeting

The 2013 Annual Meeting of Stockholders will be held on Monday, May 6, 2013, at 9:00 a.m., local time, at the Potlatch Corporation Corporate Offices, 601 West First Ave, Suite 1600, Spokane Washington 99201.

### Purpose of the meeting

The purpose of the meeting is to vote upon three proposals. These proposals and the vote required for approval of each proposal are as follows:

**Election of Directors.** The first proposal requests the election of three directors to our Board. Because this is an uncontested election, the affirmative vote of a majority of the common stock present in person or by proxy at the Annual Meeting and entitled to vote is required to elect each of the nominees for director.

**Independent Auditor.** The second proposal requests the ratification of the appointment of KPMG LLP as our independent auditors for 2013. The affirmative vote of a majority of the common stock present in person or by proxy at the Annual Meeting and entitled to vote is required to ratify the appointment of our independent auditors.

**Executive Compensation.** The third proposal requests a non-binding, advisory vote to approve executive compensation. The affirmative vote of a majority of the common stock present in person or by proxy at the Annual Meeting and entitled to vote is required to approve, by an advisory vote, executive compensation.

The inspector of election will tabulate affirmative and negative votes, abstentions and broker non-votes. Abstentions will have the same effect as negative votes. Broker non-votes (described below under the heading "Shares" held in "street" or "nominee" name) will not be counted in determining the number of votes necessary for approval.

### Recommendation of the Board of Directors

Our Board unanimously recommends that you vote

FOR each director nominee

FOR the ratification of the appointment of KPMG LLP as our independent auditors for 2013

FOR advisory approval of our executive compensation

### Who may vote

Stockholders who owned common stock at the close of business on March 15, 2013, the record date for the Annual Meeting, may vote at the meeting. For each share of common stock held, stockholders are entitled to one vote for as many separate nominees as there are directors to be elected and one vote on any other matter presented.

### Quorum

On March 15, 2013, the record date, we had 40,489,526 shares of common stock outstanding. Voting can take place at the Annual Meeting only if stockholders owning a majority of the total number of shares outstanding on the record date are present either in person or by proxy. Abstentions and broker non-votes will both be treated as present for purposes of determining the existence of a quorum.

#### Proxy solicitation

Certain of our directors, officers and employees and our proxy solicitor, D.F. King & Co., also may solicit proxies on our behalf by mail, phone, fax, email or in person. We will bear the cost of the solicitation of proxies, including D.F. King's fee of \$10,500 plus out-of-pocket expenses, and we will reimburse banks, brokers, custodians, nominees and fiduciaries for their reasonable charges and expenses to forward our proxy materials to the beneficial owners of Potlatch stock. No additional compensation will be paid to our directors, officers or employees who may be involved in the solicitation of proxies.

#### Tabulation of votes—Inspector of Election

Our transfer agent, Computershare Shareowner Services LLC, will act as the inspector of election at the Annual Meeting and we will reimburse reasonable charges and expenses related to the tabulation of votes.

#### Voting

You may vote your shares in one of several ways, depending upon how you own your shares.

Shares registered directly with Potlatch (in your name):

• Via Internet: Go to [www.envisionreports.com/PCH](http://www.envisionreports.com/PCH) and follow the instructions. You will need to enter the Holder Account Number and Proxy Access Number printed on the enclosed proxy card.

• By Telephone: Call toll-free 1-800-652-8683 (VOTE) and follow the instructions. You will need to enter the Holder Account Number and Proxy Access Number printed on the enclosed proxy card.

• In Writing: Complete, sign, date and return the enclosed proxy card in the envelope provided, or provide it or a ballot distributed at the Annual Meeting directly to the inspector of election at the Annual Meeting when instructed.

Shares held in a Potlatch 401(k) Savings Plan (through Mercer Trust Company):

• Via Internet: If you are a participant in the Potlatch Hourly 401(k) Plan or the Potlatch Salaried 401(k) Plan, go to [www.envisionreports.com/PCH](http://www.envisionreports.com/PCH) and follow the instructions. You will need to enter the Control Number printed on the enclosed voting instruction form.

• By Telephone: Call toll free 1-800-652-8683 (VOTE) and follow the instructions. You will need to enter the Control Number printed on the enclosed voting instruction form.

• In Writing: Complete, sign, date and return the enclosed proxy card in the envelope provided. To vote in person at the Annual Meeting, you must obtain a proxy, executed in your favor, from the holder of record.

Shares held in "street" or "nominee" name (through a bank, broker or other nominee):

You may receive a separate voting instruction form with this proxy statement from your bank, broker or nominee, or you may need to contact your bank, broker or nominee to determine whether you will be able to vote electronically using the Internet or telephone. To vote in person at the Annual Meeting, you must obtain a proxy, executed in your favor, from the holder of record.

If you are the beneficial owner of shares held in "street name" by a broker, then the broker must vote those shares in accordance with your instructions. If you do not give specific voting instructions to the broker, under Nasdaq rules your broker cannot vote your shares on "non-discretionary" items. On "non-discretionary" items for which you do not give voting instructions, the votes will be considered "broker non-votes."

The election of directors is a “non-discretionary” item. This means that the election of directors may not be voted upon by your broker if you do not give voting instructions for the shares held on your behalf.

The advisory vote to approve executive compensation is also a “non-discretionary” item and may not be voted upon by your broker if you do not give voting instructions for the shares held on your behalf.

The ratification of the appointment of KPMG LLP as our independent auditors for 2013 is a “discretionary” item. This means that this proposal may be voted upon by your broker if you do not give voting instructions for the shares held on your behalf.

If you return your proxy card by mail or vote via the Internet or by telephone but do not select a voting preference, the individuals named as proxies on the enclosed proxy card or voting instruction form will vote your shares FOR the election of the three nominees for director identified in this proxy statement, FOR the ratification of the appointment of KPMG LLP as our independent auditors for 2013 and FOR advisory approval of our executive compensation. If you have any questions or need assistance in voting your shares, please contact D.F. King & Co., toll-free at 1-800-697-6975.

#### Revoking your proxy

If you are a stockholder of record, you may revoke your proxy at any time before the Annual Meeting by giving our Corporate Secretary written notice of your revocation or by submitting a later-dated proxy, and you may revoke your proxy at the Annual Meeting by voting by ballot. Attendance at the meeting, by itself, will not revoke a proxy. If shares are registered in your name, you may revoke your proxy by telephone by calling 1-800-652-8683 (VOTE) and following the instructions or via the Internet by going to [www.envisionreports.com/PCH](http://www.envisionreports.com/PCH) and following the instructions.

If your shares are held in a Potlatch 401(k) Savings Plan (through Mercer Trust Company), you may revoke your proxy by telephone by calling 1-800-652-8683 (VOTE) and following the instructions or via the Internet by going to [www.envisionreports.com/PCH](http://www.envisionreports.com/PCH) and following the instructions. If you are a stockholder whose shares are held in “street” or “nominee” name, you may revoke your voting instructions by informing the bank, broker or other nominee in accordance with that entity’s procedures for revoking your voting instructions.

#### Annual Meeting attendance

We cordially invite and encourage all of our stockholders to attend the Annual Meeting. Persons who are not stockholders may attend only if invited by us. If you own shares in “street” or “nominee” name, you must bring proof of ownership (for example, a current broker’s statement) in order to be admitted to the meeting.

#### Other matters presented at the Annual Meeting

We do not expect any matters, other than those included in this proxy statement, to be presented at the 2013 Annual Meeting. If other matters are presented, the individuals named as proxies on the enclosed proxy card will have discretionary authority to vote your shares on such matters.

#### Directions to the Annual Meeting

If you need directions to the Annual Meeting, please contact D.F. King & Co., toll-free at 1-800-697-6975.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON MAY 6, 2013.** This proxy statement and the 2012 Annual Report are available at [www.envisionreports.com/PCH](http://www.envisionreports.com/PCH).



PROPOSAL 1 – ELECTION OF DIRECTORS

We recommend a vote FOR each nominee.

Our Board of Directors is divided into three classes serving staggered three-year terms. Each of the nominees listed below has been nominated unanimously by our Board of Directors at the recommendation of our Nominating and Corporate Governance Committee in accordance with the Committee's Director Nomination Policy and our Corporate Governance Guidelines.

The individuals named as proxies on the enclosed proxy card will vote FOR the election of all nominees unless you direct them to vote against any nominee or abstain from voting for any nominee. Mr. Covey and Mr. Quesnel are now members of the Board. Mr. Grenier is a new director nominee, as further described under "Corporate Governance - Nominees for Director." If any nominee becomes unable to serve as a director before the meeting (or decides not to serve), the individuals named as proxies may vote for a substitute nominee proposed by the Board or we may reduce the number of members of the Board. We recommend a vote FOR each nominee listed below.

Nominees for Election at This Meeting for a Term Expiring in 2016

Michael J. Covey

Age 55, a director since February 2006

Charles P. Grenier

Age 63, a new director nominee

Gregory L. Quesnel

Age 64, a director since September 2000

The affirmative vote of a majority of the shares of common stock present in person or represented by proxy and entitled to vote at the Annual Meeting is required to elect each of the nominees for director listed in Proposal 1.

## BOARD OF DIRECTORS

Our Board of Directors is divided into three classes serving staggered three-year terms. The Board of Directors is authorized to fix the number of directors within the range of 7 to 15 members, and has fixed the number at 9. At the Annual Meeting, you and the other stockholders will elect three individuals to serve as directors until the 2016 Annual Meeting. See “Proposal No. 1—Election of Directors.” Our Bylaws require our directors to be elected by a majority vote of the shares of common stock present or represented by proxy and entitled to vote at the Annual Meeting.

With the exception of Mr. Grenier, the nominees are current directors of the company. Mr. Grenier is a new director nominee, as further described under “Corporate Governance - Nominees for Directors,” and he has indicated that he will serve if elected. Below are the names and ages of our eight directors as of the date of this proxy statement and our new director nominee, the year each of them became or will become a director, their principal occupation or employment for at least the past five years, and certain of their other directorships. In addition, set forth below for each director and our new director nominee is a description of the particular experience, qualifications, attributes or skills that led the Board to conclude that the person should serve as a director for the company. If you do not select a voting preference, the persons named as proxies in the accompanying proxy will vote for the election of the nominees listed below. We have no reason to believe that any of these nominees will be unable to serve as a director. If any of the nominees becomes unable to serve, however, the persons named as proxies will have discretionary authority to vote for a substitute nominee.

### Nominees for Election at this Meeting for a Term Expiring in 2016 (Class II)

Michael J. Covey (age 55) has been a director since February 2006. Our Chief Executive Officer since since February 2006 and President and Chief Executive Officer from 2006 to 2013, Mr. Covey has been Chairman since January 1, 2007. Prior to joining Potlatch in February 2006, he was employed for 23 years by Plum Creek Timber Company, Inc. (NYSE:PCL), a publicly traded real estate investment trust (REIT), where he served as Executive Vice President from August 2001 until shortly before joining Potlatch in February 2006.

As our Chief Executive Officer, Mr. Covey has a deep understanding of all aspects of our business and operations. Mr. Covey has a strong background in timberland real estate and forest products, with extensive executive-level experience in financial and operational management of timberlands and wood products and other manufacturing facilities. In addition, Mr. Covey has experience managing a REIT, with an operational understanding of the requirements associated with maintaining REIT status. We believe Mr. Covey’s deep knowledge of our industry and his deep understanding of our business and operations enables him to facilitate the Board’s oversight role.

Charles P. Grenier (age 63) is a new director nominee. Mr. Grenier served as Executive Vice President of Plum Creek Timber Company, Inc. (NYSE:PCL), a publicly traded REIT, from 1994 to 2000, as a director from 1995 to 2000, as Vice President, Rocky Mountain Region from 1989 to 1994, and Vice President of Manufacturing from 1986 to 1989. Since 2002 Mr. Grenier has served as a director of Northwest Regional Health Care, a regional hospital and related health care facilities in Kalispell, Montana. He served as a director of the IX Ranch Company, a large, privately held cattle ranch in Big Sandy, Montana from 2002 to 2011, as a director of Winter Sports, Inc., dba The Big Mountain Resort, formerly a publicly traded company, from 1998 to 2005, and from 2003 to 2009 as a director and member of the audit committee of Semitool, Inc., a manufacturer of tools for the production of electronic chips formerly traded on Nasdaq.

Having served for five years as a member of the board of directors, six years as Executive Vice President and eight years as Vice President, of a large, publicly traded timber REIT, Mr. Grenier has a strong background in timberland real estate and forest products, with extensive executive-level experience in publicly traded REITs, financial and operational management of timberlands and wood products and other manufacturing facilities. We believe Mr. Grenier’s deep knowledge of our industry and his deep understanding of our business and operations will contribute greatly to our Board’s oversight of the company. Mr. Grenier’s service on the boards of two other public companies provides him additional corporate governance, leadership and oversight experience.

Gregory L. Quesnel (age 64) has been a director since September 2000. Mr. Quesnel served as President, Chief Executive Officer and a director of CNF, Inc. (NYSE: CNW), a supply chain logistics management company, from 1998 to 2004, and as Executive Vice President and Chief Financial Officer from 1994 to 1998, and Senior Vice President and Chief Financial Officer from 1991 to 1994. He serves as a director of Synnex Corporation (NYSE: SNX), a business process services company, and Ross Stores, Inc. (NASDAQ: ROST), a clothing retailer. Having served for seven years as Chief Executive Officer and a member of the board of directors, and seven years as Chief Financial Officer, of a global supply chain management company, Mr. Quesnel has extensive operational and oversight experience with regard to corporate strategic planning, mergers and acquisitions, risk management, finance, accounting, administration, technology, investor relations and procurement. Mr. Quesnel's service on the boards of two other public companies provides him additional corporate governance, leadership and oversight experience.

Directors Continuing in Office until 2014 (Class III)

Jerome C. Knoll (age 70) has been a director since December 2001. Mr. Knoll has been Chairman of the Board and Chief Executive Officer of Marathon Industries, Inc., a distributor of polyurethane and pneumatic tires and other products, since January 2000. He also served as Vice President of Genie Industries, Inc., a manufacturer of aerial work platforms, from 1989 through December 2007 and served as its Chief Financial Officer from 1989 through April 2001.

Mr. Knoll's role as Vice President of a large heavy equipment manufacturing company and Chief Executive Officer of a manufacturing and distribution company provides him significant executive-level management and oversight skills and experience. Mr. Knoll has experience managing and overseeing numerous customer and distributor relationships, as well as manufacturing, supply chain and sales logistics. Mr. Knoll also has experience with accounting and auditing matters.

John S. Moody (age 64) has been a director since September 2006. Mr. Moody is President of Parkside Capital, LLC in Houston, which is the general partner and manager of Parkside Capital Land Fund, LTD, a Texas real estate private equity firm. From 2004 through 2005, he served as President and Chief Executive Officer of HRO Asset Management, LLC, a real estate advisory business. From 2001 to 2004, Mr. Moody was President of Marsh & McLennan Real Estate Advisors, Inc., a business that directed real estate projects and transactions for Marsh & McLennan. He also serves as a director of Huron Consulting Group (NASDAQ: HURN), a publicly held integrated strategic services provider, and Hines Global REIT, Inc., a commercial real estate REIT. From 2000 to 2005, Mr. Moody served on the board of directors of Equity Office Properties Trust, and from 2004 to 2006, he served on the board of directors of CRIIMI MAE, Inc., both of which were publicly traded REITs.

Mr. Moody has substantial real estate and real estate services experience, including evaluating investment opportunities, advising on real estate acquisitions and dispositions, and managing and overseeing real estate development and properties. Mr. Moody also has extensive experience with publicly traded REITs, having previously served in executive and board roles.

Lawrence S. Peiros (age 57) has been a director since February 2003. Mr. Peiros served as Executive Vice President and Chief Operating Officer of The Clorox Company (NYSE: CLX), a household consumer products company, from 2011 until his retirement on April 1, 2013. Previously, he served as Executive Vice President and Chief Operating Officer for North America from 2007 to 2011, and as Group Vice President of The Clorox Company, a position he held from February 1999. Mr. Peiros serves as a director of Ross Stores, Inc. (NASDAQ: ROST), a clothing retailer, and Annie's, Inc. (NYSE: BNNY), a natural food company.

Mr. Peiros has significant leadership, operational and risk oversight skills, as well as extensive sales, marketing, product supply and research and development experience. Having served as a senior executive at a major consumer products company, Mr. Peiros also has experience overseeing global operating

divisions. Mr. Peiro's service on the boards of two other public companies provides him additional corporate governance, leadership and oversight experience.

Directors Continuing in Office until 2015 (Class I)

Boh A. Dickey (age 68) has been a director since July 2000. Until his retirement in 2001, Mr. Dickey was the President, Chief Operating Officer and a director of SAFECO Corporation, an insurance and financial services company. He also serves as Chairman of the Board and a director of Clearwater Paper Corporation (NYSE: CLW). Having previously served as the Controller and Chief Financial Officer of SAFECO Corporation, as well as an audit partner at a public accounting firm, Mr. Dickey has substantial financial reporting expertise as well as an understanding of internal controls. Mr. Dickey also has significant oversight and executive-level management experience, having been responsible for multiple divisions and subsidiaries at SAFECO Corporation as well as serving on the boards of directors of four public companies in the past 15 years.

William L. Driscoll (age 50) has been a director since January 2004. He is currently a partner with Pointe Group Management Company, a private commercial real estate and management company. In March 2008, Mr. Driscoll was recalled to active duty in the United States Marine Corps Reserve as a Civil Affairs officer and deployed to Afghanistan through November 2008. Mr. Driscoll also spent approximately nine months in 2006 serving in Iraq with the United States Marine Corps. Prior to that time, he was a marketing and business consultant for ID Micro, a radio frequency technology company with which he had been associated beginning in January 2005. Mr. Driscoll was Vice President of Strategic Accounts for PACCESS, a packaging solutions company, from December 2002 to December 2004. Mr. Driscoll is on the board of directors of Greenwood Resources, Inc., a company that invests in and manages high yield, short rotation, sustainable tree farms in the United States, Asia, Europe and South America.

Mr. Driscoll has extensive experience with evaluating, establishing and managing major commercial relationships such as joint ventures, with particular skills in real estate and commercial property management. In addition, Mr. Driscoll has strong strategic planning and financial analysis skills, including global purchase and supply chain management skills. He also has experience operating in the domestic and international forestry and wood products industries.

Eric J. Cremers (age 49) has been a director since March 2013. Mr. Cremers is President, Chief Operating Officer and Chief Financial Officer of the company. From February 2012 until March 2013, Mr. Cremers served as Executive Vice President and Chief Financial Officer, with additional responsibilities for management of the company's Idaho Resource division. Mr. Cremers joined the company in 2007 as Vice President and Chief Financial Officer. Prior to joining the company, Mr. Cremers was Senior Vice President, Corporate Strategy and Business Development for Albertsons, Inc., a retail grocery chain from 2002 to 2006.

Mr. Cremers has strong strategic planning and financial analysis skills, including evaluating investment opportunities and mergers and acquisitions. He also has experience operating in the domestic forestry and wood products industries. As our President, Chief Operating Officer and Chief Financial Officer, Mr. Cremers has a deep understanding of all aspects of our business and operations. In addition, Mr. Cremers has experience managing a REIT, with an operational understanding of the requirements associated with maintaining REIT status.

## CORPORATE GOVERNANCE

Potlatch Corporation is committed to sound principles of corporate governance and high ethical standards. Our Board reevaluates our policies on an ongoing basis to ensure they address our company's needs. Information is provided below regarding certain key corporate governance and ethics policies and practices which we believe enable us to manage our business in accordance with sound principles of corporate governance and high ethical standards and in the best interests of our stockholders. Copies of our corporate governance documents and policies are available for downloading or printing by going to our public web site at [www.potlatchcorp.com](http://www.potlatchcorp.com), and selecting "Investor Resources," then "Corporate Governance," and then selecting the appropriate link. You may also obtain a printed copy of any of the materials referred to below by contacting us at the following address:

Potlatch Corporation

Attention: Corporate Secretary

601 West First Ave., Suite 1600

Spokane, Washington 99201

Telephone: (509) 835-1500

Corporate Governance Guidelines; Corporate Conduct and Ethics Code

Our Board of Directors and management operate within our comprehensive plan of corporate governance that defines our Board's and executives' responsibilities, sets high standards for their professional and personal conduct, and provides for monitoring of their compliance with those responsibilities and other legal standards. Our Board has adopted Corporate Governance Guidelines, or Governance Guidelines, which provide standards and practices of corporate governance that we have designed to help contribute to our success and to assure public confidence in our company. In addition, all committees of the Board operate under charters that describe the responsibilities and practices of each committee.

We have adopted a Corporate Conduct and Ethics Code, or Ethics Code, which provides ethical standards and policies that apply to all of our directors, officers and employees. Our Ethics Code requires that our directors, officers and employees avoid conflicts of interest, comply with laws and other legal requirements, conduct business honestly and ethically, provide full and accurate reporting to us, and otherwise act with integrity and in our best interests. We have also established procedures so that complaints regarding our accounting and auditing matters, conflicts of interests, securities violations and other matters can be submitted confidentially and anonymously. See "Communications with Directors" below.

Copies of the Ethics Code and the Governance Guidelines are available for downloading or printing by going to our public web site at [www.potlatchcorp.com](http://www.potlatchcorp.com), and selecting "Investor Resources," then "Corporate Governance," and then selecting the appropriate link.

### Majority Voting in Director Elections

We have adopted majority voting procedures for the election of directors in uncontested elections. In an uncontested election, each nominee is elected by the vote of a majority of the voting power of the capital stock issued and outstanding, present in person or by proxy and entitled to vote for the election of directors. As provided in our bylaws, an "uncontested election" is one in which the number of nominees equals the number of directors to be elected in such election. The Board may nominate or elect as a director only persons who agree to tender, promptly following his or her election or re-election to the Board, an irrevocable resignation that will be effective upon (i) the failure of the candidate to receive the required vote at the next annual meeting at which he or she faces re-election and (ii) the acceptance by the Board of such resignation. If an incumbent director fails to receive the required vote for re-election in an uncontested election, the Nominating and Corporate Governance Committee determines whether such director's resignation should be accepted and makes a recommendation to the Board, which makes the final determination whether to accept the resignation. The Board must publicly disclose its decision within 90 days from the date of certification of the election results. If a director's resignation is accepted by the Board, then the Board may fill the resulting vacancy or may decrease the size of the Board.



#### Nominees for Director

Our Nominating and Corporate Governance Committee, or Nominating Committee, is responsible for identifying, evaluating, recruiting and recommending qualified candidates to our Board for nomination or election. The Board nominates directors for election at each annual meeting of stockholders, and elects new directors to fill vacancies if they occur.

Our Board strives to find directors who are experienced and dedicated individuals with diverse backgrounds, perspectives and skills. Our Governance Guidelines contain membership criteria that call for candidates to be selected for their ability to act on behalf of all stockholders and their character, judgment, business acumen and diversity of experience, backgrounds, perspective and skills. With respect to a candidate's diversity of backgrounds, perspective and skills, the Board is particularly interested in maintaining a mix of directors that includes the following backgrounds:

- active or retired chief executive officers and senior executives,
- members of boards of directors of other public companies,
- individuals with forest products industry experience,
- individuals with real estate investment and development experience,
- individuals with substantial compliance, financial reporting, audit, tax or compensation and benefits experience, and
- individuals with capital markets experience.

In addition, we expect each director to be committed to enhancing stockholder value and to have sufficient time to effectively carry out his or her duties as a director. Our Nominating Committee also seeks to ensure that a majority of our Board members are independent under Nasdaq rules, as required by our Governance Guidelines, and that at least one Board member meets the criteria for an "audit committee financial expert" under Securities and Exchange Commission, or SEC, rules.

The Nominating Committee periodically reviews the qualification standards for directors as outlined in the company's Corporate Governance Guidelines and recommends to the Board any changes deemed appropriate by the Committee. In addition, the Board reviews the effectiveness of its membership criteria and board composition annually through its Board performance evaluation.

Prior to each annual meeting of stockholders, our Nominating Committee identifies director nominees first by evaluating the current directors whose terms will expire at the annual meeting and who are willing to continue in service. These candidates are evaluated based on the criteria described above, the candidate's prior service as a director, and the needs of the Board for any particular talents and experience. If a director no longer wants to continue in service, the Nominating Committee decides not to re-nominate the director, or if a vacancy is created on the Board because of a resignation or an increase in the size of the Board or other event, then the Nominating Committee considers various candidates for Board membership, including those suggested by the Nominating Committee members, by other Board members, by any director search firm engaged by the Nominating Committee and by our stockholders.

Following the announcement by Ruth Ann M. Gillis of her decision to retire from the Board and not stand for re-election at the 2013 Annual Meeting of Stockholders, our Chief Executive Officer recommended that the Nominating Committee consider Mr. Grenier as a new director candidate. Other candidates were identified by members of the Nominating Committee. Members of the Committee and other directors interviewed the candidates. The Nominating Committee unanimously recommended to the full Board that Mr. Grenier be approved as a director nominee. The Board unanimously approved the Committee's recommendation.

A stockholder who wishes to recommend a prospective nominee to the Board for consideration by the Nominating Committee should notify our Corporate Secretary in writing at our principal office. Such notice must be delivered to our offices by the deadline set forth in our Bylaws. Each notice must include the information about the stockholder and the prospective nominee, which must be updated as necessary, as would be required if the stockholder were nominating a person to the Board under our Bylaws, including the following information:

- the name and address of the stockholder;
- the shares of Potlatch common stock owned by the stockholder or the prospective nominee, and a description of any derivative or short positions or similar hedging transactions with respect to Potlatch's common stock held by the stockholder or the prospective nominee;
- a description of any arrangements to which the stockholder is a party with respect to the nomination of the prospective nominee;
- the name, age, business address and residence address of the prospective nominee;
- the principal occupation of the prospective nominee;
- a statement whether the prospective nominee, if elected, intends to tender an irrevocable resignation effective upon (i) his or her failure to receive the required vote for re-election and (ii) acceptance of such resignation by the Board;
- a description of all compensation and other relationships during the past three years between the stockholder and the prospective nominee;
- any other information relating to the prospective nominee or stockholder required to be disclosed pursuant to Section 14 of the Securities and Exchange Act of 1934, as amended, or Exchange Act; and
- the prospective nominee's written consent to serve as a director if elected.

The company may require any prospective nominee recommended by a stockholder to furnish such other information as may reasonably be required by the company to determine the eligibility of such person to serve as an independent director or that could be material to a reasonable stockholder's understanding of the independence, or lack thereof, of such person.

The foregoing is only a summary of the detailed requirements set forth in our Bylaws regarding director nominations by stockholders. A copy of our Bylaws is available for downloading or printing by going to our public web site at [www.potlatchcorp.com](http://www.potlatchcorp.com), and selecting "Investor Resources," and then "Corporate Governance."

#### Director Independence

The role of our Board is to oversee and provide policy guidance on our business and affairs. The Board believes that it will best serve our stockholders if the majority of its members are independent. As of March 15, 2013, all but two of our Board members are outside (non-employee) directors. Our remaining members are Michael J. Covey who serves as our Chairman and Chief Executive Officer, and Eric J. Cremers, who serves as our President, Chief Operating Officer and Chief Financial Officer.

With the exception of Mr. Covey and Mr. Cremers, the Board has determined that all of our directors and director nominees are independent within the meaning of Nasdaq corporate governance standards and our Director Independence Policy, a copy of which can be found on our public web site by going to [www.potlatchcorp.com](http://www.potlatchcorp.com), and selecting "Investor Resources," and then "Corporate Governance." Each of the following committees is composed entirely of independent directors: the Audit Committee, the Nominating and Corporate Governance Committee and the Executive Compensation and Personnel Policies Committee.



### Board Leadership Structure

Mr. Covey is our Chief Executive Officer, and also serves as Chairman of our Board. John S. Moody is the Lead Director and Vice Chair of our Board and acts as lead independent director of the independent Board members. The Board has structured the role of our lead independent director to strike an appropriate balance to the combined chairman and chief executive officer role and to fulfill the important requirements of independent leadership on the board. The lead independent director's principal responsibility is to contribute to the independence of the Board in the discharge of its responsibilities including risk oversight. As lead independent director, Mr. Moody:

- presides at all meetings of the Board at which the Chairman is not present;
- presides at executive sessions of the independent directors;
- may call special meetings of the Board;
- consults with the Chairman in the development of meeting agendas;
- acts as a facilitator in effectively communicating director concerns, agenda items and issues to management;
- coordinates communications between the independent directors and stockholders and other interested parties;
- works with the Chairman of the Board and the Committee chairs in developing and monitoring the Board's overall approach to governance issues; and
- coordinates the annual performance evaluation of the Board.

Our Board has determined that the leadership structure of the Board, in particular having Mr. Covey serve as the Chairman and Mr. Moody serve as the lead independent director, is appropriate and in the best interests of the company because it allows the Board's meeting agendas to be established, in consultation with a lead independent director, by an individual with a deep understanding of our business and operations. Given the size of the Board and the scope of our business, Mr. Covey's insight into our business relative to his role as Chairman enables him to facilitate the Board's oversight role, while Mr. Moody's participation in the agenda setting process, together with his presiding over executive sessions, contributes to the independence of the Board in the discharge of its responsibilities. At each of its in-person meetings and, as necessary, telephonic meetings, the Board meets in executive session without members of management present. The lead independent director presides over these executive sessions. Each committee of the Board, except for the Finance Committee, also schedules an executive session without members of management present for every in-person meeting and, as necessary, at telephonic meetings.

### Risk Oversight

Our company has an enterprise risk management program overseen by senior management. The Board oversees the company's business, the risks associated with its business and the steps that senior management is taking to manage and mitigate those risks. This oversight is supported by the Board's leadership structure which provides for oversight of strategic risks by the full Board under the leadership of the Chairman and the lead independent director, and oversight and evaluation of discrete risks in committees.

Each year, the Board of Directors receives a report on risk management, including management's assessment of risk exposures (including risks related to liquidity, credit, operations and regulatory compliance, among others), and the processes in place to monitor and control such exposures. The Board may also receive updates between meetings from the Chief Executive Officer relating to risk oversight matters. The Audit Committee, composed entirely of independent directors, also reports periodically to the Board on risk management matters. In accordance with Nasdaq requirements and pursuant to its charter, the Audit Committee provides oversight on matters relating to accounting, financial reporting, internal controls, auditing, risk management, and legal and regulatory compliance activities, including monitoring our compliance with the tax and other rules pertaining to REITs, and other matters as the Board deems appropriate. In carrying out its responsibilities, the Audit Committee oversees the appointment or replacement and compensation of personnel involved in the internal

audit function to provide ongoing assessments of the company's risk management processes and system of internal controls. The Internal Audit Director reports to the Audit Committee. The Audit Committee reviews with the Internal Audit Director the scope and plan of the work to be done by the internal audit function and the results of such work.

The Audit Committee also:

- establishes procedures for the receipt, retention and treatment of complaints received by the company regarding accounting, internal accounting controls, or auditing matters;
- establishes procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;
- discusses with the company's General Counsel any significant legal, compliance or regulatory matters that may have a material effect on the financial statements or the company's business, financial statements or compliance policies, including material notices to or inquiries received from governmental agencies;
- discusses the company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including discussing the guidelines and policies to govern the process by which management assesses and manages the company's exposure to risk; and
- reviews with the Board any issues that arise with respect to the quality or integrity of the company's financial statements, the company's compliance with legal or regulatory requirements, the performance and independence of the company's independent auditors, or the performance of the internal audit function.

The Audit Committee meets at least quarterly with the Internal Audit Director and other members of management.

The Executive Compensation and Personnel Policies Committee periodically reviews risks associated with our executive compensation program. See "Compensation Discussion and Analysis – Risk Assessment."

Based upon a comprehensive review of the company's executive compensation program by the Executive Compensation and Personnel Policies Committee's independent compensation consultant, Deloitte Consulting, L.L.P., or Deloitte, and the assessment of the company's other compensation programs for all employees by management, which is shared with the Committee, management does not believe that the risks arising from our compensation policies and practices are reasonably likely to have a material adverse effect on our company.

#### Transactions with Related Persons

Securities laws require us to disclose certain business transactions that are considered related person transactions. In order to comply with these requirements, our Audit Committee has adopted a Related Person Transactions Policy that applies to any director or executive officer of the company, any beneficial owner of more than 5% of our voting stock, any immediate family member of any of the foregoing persons, and any entity that employs any of the foregoing persons, or in which any of the foregoing persons is a general partner, principal or 10% or greater beneficial owner. Transactions covered by this policy are those in which (a) we or any of our subsidiaries participate, (b) the amount involved exceeds \$120,000, and (c) any related person had, has or will have a direct or indirect material interest, as defined in the policy.

Any proposed related person transaction is reviewed by our Audit Committee at its next regularly scheduled meeting, unless our Corporate Secretary determines that it is not practicable or desirable to wait until the next scheduled meeting for review of a particular transaction, in which case the Chair of the Audit Committee has the authority to review and consider the proposed transaction. Only those transactions determined to be fair and in our best interests are approved, after taking into account all factors deemed relevant by the Audit Committee, or its Chair, as the case may be. If the Chair approves any related person transaction, then that approval is reported to the Audit Committee at its next regularly scheduled meeting. The entire policy can be viewed by going to our public web site at [www.potlatchcorp.com](http://www.potlatchcorp.com), and selecting "Investor Resources," then "Corporate Governance."

There are no transactions with related persons in 2012 that require disclosure in this proxy statement or that required approval by the Audit Committee pursuant to the policy described above.

#### Board Meetings

During 2012, the Board met four times. All directors had 100% attendance records, attending all meetings of the Board and Committees on which such director served that were held while the director was a member of the Board, with the exception of Ruth Ann M. Gillis who attended 95% of Board and applicable Committee meetings. Ms. Gillis attended 100% of the Board meetings, and all Committee meetings with the exception of one Audit Committee meeting in May. The Board does not have a policy requiring director attendance at annual meetings of the stockholders. One of our directors attended the 2012 Annual Meeting of Stockholders.

#### Committees of the Board

Our Board currently has four standing committees, as described below. The current charters of each of these committees are available on our public web site at [www.potlatchcorp.com](http://www.potlatchcorp.com), by selecting “Investor Resources,” and then “Corporate Governance.”

The following table shows the membership of each Committee as of March 15, 2013:

Name	Audit Committee	Executive Compensation and Personnel Policies Committee	Finance Committee	Nominating and Corporate Governance Committee
Michael J. Covey			X	
Boh A. Dickey	X(Chair)		X	
William L. Driscoll			X	X
Ruth Ann M. Gillis*	X	X(Chair)	X	
Jerome C. Knoll	X	X		
John S. Moody		X	X	X
Lawrence S. Peiros		X		X(Chair)
Gregory L. Quesnel	X	X	X(Chair)	X

\*Ms. Gillis is retiring from our Board of Directors when her current term expires at our May 6, 2013 annual meeting of stockholders.

#### Audit Committee

Our Audit Committee consists of four outside (non-employee) directors, and is responsible for assisting the Board in its oversight of our accounting, financial reporting, internal controls, auditing, legal and regulatory compliance activities, including monitoring our compliance with the tax and other rules pertaining to REITs, and other matters as the Board deems appropriate. In accordance with Nasdaq requirements and pursuant to its charter, the Audit Committee also provides risk oversight as described above under the heading “Risk Oversight.” The Audit Committee has sole authority to retain, compensate and terminate our independent registered public accounting firm and our Internal Audit Director. In addition, the Audit Committee oversees and administers our Related Person Transactions Policy described above under the heading “Transactions with Related Persons.” The Committee has appointed KPMG LLP as our independent registered public accounting firm and pre-approves its audit fees and non-audit services and fees in accordance with criteria adopted by the Committee.

Our Board has determined that all members of our Audit Committee are independent within the meaning of the Nasdaq listing standards and our Director Independence Policy, and that all members are “financially literate.” The Board also has determined that Committee Chair Boh A. Dickey is an “audit committee financial expert” as defined by SEC rules.

Our Audit Committee met eight times in 2012. See “Audit Committee Report” in this proxy statement for a description of the Committee’s activities during 2012.



#### Executive Compensation and Personnel Policies Committee

Our Executive Compensation and Personnel Policies Committee, or Compensation Committee, is composed entirely of outside (non-employee) directors, all of whom are independent within the meaning of Nasdaq listing standards and our Director Independence Policy. The Compensation Committee oversees our executive compensation and benefits programs and general personnel policies and practices for our executives. It also helps determine our management succession planning, and annually reviews the performance of our Chief Executive Officer. In addition, the Compensation Committee reviews the “Compensation Discussion and Analysis” contained in this proxy statement and recommends its inclusion in the proxy statement to the full Board for approval.

The Compensation Committee, in accordance with the authority granted under its charter, has engaged Deloitte to serve as its outside compensation consultant to advise it on executive compensation matters. Deloitte does not perform other services for the company other than advising the Nominating and Corporate Governance Committee with respect to non-employee director compensation. The company has engaged Mercer (U.S.) Inc., or Mercer, to advise company management and make recommendations to the Compensation Committee on specific executive compensation design issues. The company's Chief Executive Officer makes recommendations to the Committee annually regarding base salaries and target amounts for annual cash bonuses and equity awards for each executive officer other than himself. See “Compensation Discussion and Analysis” in this proxy statement for a discussion of the Committee’s role in setting executive compensation.

Our Executive Compensation and Personnel Policies Committee met four times in 2012.

#### Finance Committee

Our Finance Committee reviews and makes recommendations to the Board with respect to financings and other financial matters and acts based on the Board’s delegation of authority with respect to specific financing transactions. The Committee consists of six directors—five outside (non-employee) directors and our Chairman, Michael J. Covey, who is the Chief Executive Officer of the company.

Our Finance Committee met one time in 2012.

#### Nominating and Corporate Governance Committee

Our Nominating and Corporate Governance Committee, or Nominating Committee, is composed entirely of outside (non-employee) directors, and is responsible for identifying, evaluating, recruiting and recommending to the Board nominees for election as directors, and for developing and recommending to the Board a set of corporate governance principles and related policies. It also oversees our compensation and benefits paid to our directors.

The Board has determined that all members of our Nominating Committee are independent within the meaning of the Nasdaq listing standards and our Director Independence Policy.

Our Nominating Committee met four times in 2012.

#### Compensation Committee Interlocks and Insider Participation

Ruth Ann M. Gillis, Jerome C. Knoll, Lawrence S. Peiros, Gregory L. Quesnel, John S. Moody and Judith M. Runstad\* served as members of our Compensation Committee during 2012. None of the members of the Compensation Committee is or has ever been an officer or employee of the company or its subsidiaries. During 2012, none of the members of the Compensation Committee was an executive officer of a business entity for which an executive officer of the company served as a member of the compensation committee or as a director.

\* Ms. Runstad served on our Compensation Committee until her retirement from the Board at our annual meeting of stockholders on May 7, 2012.

Communications with Directors

Stockholders may contact our non-management directors by email or by regular mail, as follows:

Email: non-managementdirectors@potlatchcorp.com

Mail: Lead Director or Non-Management Directors  
c/o Corporate Secretary  
Potlatch Corporation  
601 West First Ave., Suite 1600  
Spokane, WA 99201

All communications received will be processed by the Corporate Secretary. We forward all communications to the intended non-management director or directors. The lead independent director of the Board of Directors is responsible for facilitating an appropriate response. These procedures can also be viewed by going to our public web site at [www.potlatchcorp.com](http://www.potlatchcorp.com), and selecting "Investor Resources," then "Corporate Governance," and then "Board of Directors." Our Audit Committee has established procedures to address complaints and concerns about our accounting, internal controls and auditing matters for two different groups: (1) employees, who receive confidential and anonymous treatment; and (2) third parties (such as competitors, vendors and consumers), who are not entitled to confidential and anonymous treatment. All complaints and concerns are directed through an independent, third-party hotline provider and are routed directly to the Chair of the Audit Committee. The procedures and hotline numbers are available by going to our public web site at [www.potlatchcorp.com](http://www.potlatchcorp.com), and selecting "About Us," and then "Hotlines."

COMPENSATION OF NON-EMPLOYEE DIRECTORS

Our Nominating Committee reviews and makes recommendations to our Board regarding non-employee director compensation. Our philosophy regarding directors' compensation is to provide our directors a fair compensation package that is tied to the services they perform and is comparable to director compensation programs of companies of our size. We target our non-employee director compensation levels to be at, or near, the median compensation paid by other companies of comparable size both in our industry and generally. Our key objectives are to recruit and retain the best directors that we can and to align our directors' interests with those of our stockholders.

The following table sets forth certain information with respect to 2012 compensation for each of the company's non-employee directors.

Name	Fees Earned or Paid in Cash (\$)(1)	Stock Awards (\$)(2)	Option Awards (\$)(3)	All Other Compensation (\$)(4)	Total (\$)
Boh A. Dickey	69,500	65,000	—	152	134,652
William L. Driscoll	48,500	65,000	—	152	113,652
Ruth Ann M. Gillis*	64,000 (5)	65,000	—	1,652	130,652
Jerome C. Knoll	59,000	65,000	—	152	124,152
John S. Moody	73,000	65,000	—	152	138,152
Lawrence S. Peiros	55,500	65,000	—	1,652	122,152
Gregory L. Quesnel	71,500	65,000	—	152	136,652
Judith M. Runstad	24,500	—	—	485,692 (6)	510,192

\*Ms. Gillis is retiring from our Board of Directors when her current term expires at our May 6, 2013 annual meeting of stockholders.

(1) Represents annual retainer fee, as well as any amounts earned for service as Lead Director or Committee Chair and meeting attendance fees.

This column shows the aggregate grant date fair value, computed in accordance with FASB Topic 718, of stock units granted in 2012. In accordance with FASB Topic 718, the grant date fair value reported for all stock units was computed by multiplying the number of stock units by the closing price of our stock on the grant date. As of December 31, 2012, each non-employee director had accumulated 19,092 stock units in his or her account, with the exception of Mr. Driscoll, who had 20,487 stock units, and Mr. Moody, who had 16,289 units. The aggregate number for each director includes stock units that have been credited to the director over the years for service as a director and stock units credited as a result of reinvestment of dividend equivalents (including dividend equivalents credited in connection with spin-off of Clearwater Paper).

(2) The award of stock options as an element of non-employee director compensation was discontinued after December 31, 2004. As of December 31, 2012, directors held vested, unexercised stock options to purchase the following number of shares of our common stock: Ms. Gillis-1,680; Mr. Peiros-8,616; Mr. Quesnel-4,308; and Ms. Runstad-2,154.

(3) Consists of premiums paid for accidental death and dismemberment insurance and charitable contributions under the company's matching gift program.

(4) The amounts shown include fees deferred in 2012 pursuant to our Deferred Compensation Plan for Directors II, or Directors Plan. In connection with these deferrals, we credited 2,165 stock units to Ms. Gillis' account for fees deferred in 2012. Such amounts were determined separately for each fee payment, which include meeting fees and quarterly pro-rata payments of the director's annual retainer fee, by dividing the fee amount due by the appropriate per share closing stock price pursuant to the plan. In addition to these common stock award units, Ms. Gillis had an aggregate of 20,006 common stock units in

her deferred compensation account as of December 31, 2012. The foregoing common stock unit amounts reflect dividend equivalents.

Ms. Runstad retired from our Board of Directors at our annual meeting of stockholders on May 7, 2012. The amounts shown include cash received upon conversion of the common stock units in her deferred account into cash (6) in connection with her retirement. See "Compensation of Non-employee Directors - Long-Term Incentive Awards."

During 2012, one of our directors, Michael J. Covey, was also an employee of the company. As a result, Mr. Covey, Chief Executive Officer, did not receive compensation for his services as a director during 2012. For compensation received by Mr. Covey as a named executive officer of the company please see "Executive Compensation Tables-2012 Compensation- Summary Compensation Table."

Retainer and Fees. During 2012, our non-employee directors were paid at the following rates:

Annual retainer fee	\$35,000
Supplemental annual retainer fee (Lead Director only)	20,000
Annual retainer fee for Chair of the Audit Committee	15,000
Annual retainer fee for Chair of each other Committee	5,000
Attendance fee for each Board meeting	1,500
Attendance fee for each Committee meeting	1,500

During 2012, we paid directors, or deferred on their behalf, an aggregate total of \$465,500 in fees. Directors may defer receiving all or any portion of their fees under the terms of our Deferred Compensation Plan for Directors. When a director elects to defer fees, he or she elects to have those fees converted into common stock units or, if not converted, then credited with annual interest at 120% of the applicable long-term federal rate, with quarterly compounding. The common stock units are credited with amounts in common stock units equal in value to the distributions that are paid on the same amount of common stock. During 2012, we also reimbursed directors for their reasonable out-of-pocket expenses for attending Board and committee meetings and educational seminars and conferences in accordance with our Director Education Program.

Long-Term Incentive Awards. In December 2012, each of the non-employee directors was granted an award, consisting of a credit to an account established on behalf of each non-employee director under the Directors Plan in the amount of \$65,000, for an aggregate amount of \$455,000. Under the terms of the award, 1,669 common stock units were credited to each director's account based on the price of the common stock on the date of the grant. These common stock units are then credited with amounts in common stock units equal in value to the distributions that are paid on the same amount of common stock. Upon separation from service as a director, the common stock units held by the director in his or her deferred account will be converted to cash based upon the then market price of the common stock and will be paid to the director.

Other Benefits. We provide coverage for directors under our Director and Officer Liability Insurance Policy and Accidental Death and Dismemberment Insurance Policy. Directors may, at their own expense, purchase coverage for their spouses under the Accidental Death and Dismemberment Insurance Policy. Directors are eligible to participate in our Matching Gifts to Education Program, available to all company employees, which matches contributions of up to \$1,500 per year to eligible educational institutions. We made no donations on behalf of any of our directors to organizations with which any director was affiliated as an executive officer or director in excess of the amounts matched by us under this program.

Director Stock Ownership Guidelines. In order to promote and increase equity ownership by our directors and to further align their interests with those of our stockholders, the Board has adopted stock ownership guidelines that require each non-employee director to own beneficially at least 3,750 shares, including common stock units granted under the Directors Plan, by the later of January 1, 2009, or the fifth anniversary of his or her election as a director. As of December 31, 2012, all non-employee directors met the guidelines.



**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

This table shows the number of shares beneficially owned as of March 1, 2013, by each owner of more than 5% of our common stock, each of our directors, each executive officer for whom compensation is reported in this proxy statement, and all directors and executive officers as a group. The number of shares reported is based on data provided to us by the beneficial owners of the shares. The percentage ownership data is based on 40,487,008 shares of our common stock outstanding as of March 1, 2013. Under SEC rules, beneficial ownership includes shares over which the indicated beneficial owner exercises voting or investment power. Except as noted, and subject to applicable community property laws, each owner has sole voting and investment power over the shares shown in this table.

	Amount and Nature of Common Stock Beneficially Owned			Percent of Class	Common Stock Units(2)
	Number of Shares Beneficially Owned	Right to Acquire(1)	Total Shares Beneficially Owned		
<b>Stockholders Owning More than 5%</b>					
BlackRock, Inc 40 East 52nd Street New York, NY 10022	4,983,000(3)	n/a	4,983,000	12.34	% n/a
Janus Capital Management LLC 151 Detroit Street Denver, CO 80206	2,702,640(4)	n/a	2,702,640	6.7	% n/a
The Vanguard Group 100 Vanguard Blvd Malvern, PA 19355	2,129,923(5)	n/a	2,129,923	5.27	% n/a
<b>Directors and Named Executive Officers</b>					
Michael J. Covey	61,503(6)	56,094	117,597	*	30,030
Boh A. Dickey	15,000(7)	—	15,000	*	19,092
William L. Driscoll	210,350(8)	—	210,350	*	20,486
Ruth Ann M. Gillis (A)	3,038	1,680	4,718	*	39,286
Jerome C. Knoll	34,519(9)	—	34,519	*	19,092
John S. Moody	5,000	—	5,000	*	16,289
Lawrence S. Peiros	3,750(10)	—	3,750	*	19,343
Gregory L. Quesnel	2,888(11)	—	2,888	*	19,092
Judith M. Runstad (B)	12,161(12)	2,154	14,315	*	—
Eric J. Cremers	48,340	—	48,340	*	—
Lorrie D. Scott	6,569(13)	451	7,020	*	—
Brent L. Stinnett (C)	22,885(14)	—	22,885	*	2,102
Thomas J. Temple	19,874(15)	—	19,874	*	—
Directors and Executive Officers as a group (15 persons)	500,217(16)	60,379	560,596	1.38	% 184,812

\* Less than 1%

(A) Ms. Gillis is retiring from our Board of Directors when her current term expires at our May 6, 2013 annual meeting of stockholders.

(B) Ms. Runstad retired from our Board of Directors at our May 7, 2012 annual meeting of stockholders.



(C) Mr. Stinnett retired from the company on January 31, 2013.

Amounts for Mr. Covey and Ms. Scott represent shares of common stock issuable under restricted stock units that (1) are currently vested or vest within 60 days of March 1, 2013. (All other amounts represent shares of common stock underlying outstanding stock options, all of which are fully vested.)

Represents common stock units as of March 1, 2013. These stock units are not actual shares of common stock and have no voting power. In the case of our directors, these stock units are credited, along with accrued dividend equivalents, on a one-for-one basis with our common stock pursuant to our Deferred Compensation Plan for Directors II (see "Compensation of Non-Employee Directors"). The units represent deferred director's fees for Ms. (2) Gillis, and annual stock unit awards granted in December 2004-2012 to all outside directors. For Messrs. Covey and Stinnett, the units represent deferred annual incentive plan award payments. The units are converted into cash and paid according to an election the holder makes prior to deferring fees or incentives, except for the directors' annual deferred awards granted to the outside directors, which are converted to cash and paid upon separation from service as a director.

Based upon the Schedule 13G/A filed with the SEC on February 11, 2013 by BlackRock, Inc. as a parent holding company/control person the following affiliates: BlackRock Japan Co. Ltd, BlackRock Institutional Trust (3) Company, N.A., BlackRock Fund Advisors, BlackRock Asset Management Canada Limited, BlackRock Asset Management Australia Limited, BlackRock Advisors LLC, BlackRock Investment Management, LLC, BlackRock Asset Management Ireland Limited, BlackRock International Limited and BlackRock Investment Management (UK) Limited. BlackRock, Inc., has sole voting and dispositive power over all of such shares.

Based upon the Schedule 13G/A filed with the SEC on February 14, 2013 by Janus Capital Management LLC as a (4) registered investment adviser and a parent holding company/control person of Perkins Investment Management LLC and INTECH Investment Management. Janus Capital Management LLC has shared voting and dispositive power over 2,702,640 shares.

(5) Based upon the Schedule 13G/A filed with the SEC on February 11, 2013 by The Vanguard Group.

Comprised of the following: (i) 25,454 shares held directly by Mr. Covey; (ii) 35,898 shares of common stock held (6) in a trust, of which Mr. Covey has sole voting and investment power; and (iii) 151 shares of common stock held for Mr. Covey's individual account under our 401(k) employee savings plan.

(7) These shares are held in the name of Mr. Dickey and his spouse with whom Mr. Dickey shares voting and investment power.

Includes 38,842 shares held directly by Mr. Driscoll, 158,046 shares held by trusts of which Mr. Driscoll is a (8) trustee and shares voting power, 6,227 shares held by trusts of which Mr. Driscoll is a trustee and shares voting and investment power and 2,335 shares of common stock of which Mr. Driscoll is a trustee and has sole voting and investment power. Also includes 4,900 shares held by a limited liability company of which Mr. Driscoll is manager with both voting and dispositive powers. Mr. Driscoll disclaims beneficial ownership of all shares except those held directly by him.

(9) Includes 33,131 shares held in the name of Mr. Knoll and his spouse, with whom Mr. Knoll shares voting and investment power and 1,388 shares held in an individual 401(k).

(10) These shares are held in a trust under which Mr. Peiros shares voting and investment power with his spouse.

(11) These shares are held in a trust under which Mr. Quesnel shares voting and investment power with his spouse.

(12) Includes 5,986 shares owned by Ms. Runstad's spouse, of which Ms. Runstad disclaims beneficial ownership.

(13) Includes 4,369 shares of common stock held for Ms. Scott's individual account under our 401(k) employee savings plan.

- (14) Includes 706 shares of common stock held for Mr. Stinnett's individual account under our 401(k) employee savings plan.
- (15) Includes 3,019 shares of common stock held for Mr. Temple's individual account under our 401(k) employee savings plan.
- (16) Includes an aggregate of 25,733 shares of common stock held for the executive officers' benefit under our 401(k) employee savings plan.

Section 16(a) Beneficial Ownership Reporting Compliance

Under U.S. securities laws, directors, certain executive officers and any person holding more than 10% of our common stock must report their initial ownership of the common stock and any changes in that ownership to the SEC. The SEC has designated specific due dates for these reports and we must identify in this proxy statement those persons who did not file these reports when due. Based solely on our review of copies of the reports filed with the SEC and written representations of our directors and executive officers, we believe all persons subject to reporting filed the required reports on time in 2012, except for William L. Driscoll who filed one late report on Form 4 relating to a sale of 20 shares and Ruth Ann M. Gillis for whom one report on Form 4 relating to 188 common stock units credited to her deferred compensation account was filed late by the company.

AUDIT COMMITTEE REPORT

The Audit Committee of the Board of Directors is composed of four outside (non-employee) directors, all of whom meet Nasdaq listing standards for audit committee independence. The Audit Committee is an “audit committee” for purposes of Section 3(a)(58) of the Securities Exchange Act of 1934. The Committee’s charter is reviewed periodically by the Audit Committee, which recommends appropriate changes to the Board of Directors.

The Committee is responsible for providing oversight on matters relating to Potlatch’s accounting, financial reporting, internal controls, auditing, legal and regulatory compliance and risk management. In performing its functions, the Committee acts only in an oversight capacity and necessarily relies on the work and assurances of management, which has the primary responsibility for financial statements and reports, and the reports of the independent registered public accounting firm, who, in its reports, expresses an opinion on the conformity of the company’s annual financial statements to generally accepted accounting principles in the United States and an opinion on the effectiveness of internal control over financial reporting. During fiscal year 2012, the Committee met eight times.

In connection with the audit process, the Committee has received from our independent registered public accounting firm, KPMG LLP, or KPMG, the written disclosures and the letter required by the Public Company Accounting Oversight Board regarding KPMG’s communications with the Audit Committee concerning independence, and has discussed with KPMG its independence. The Committee also discussed the quality and adequacy of Potlatch’s internal controls with management, the Internal Audit Director and the independent registered public accounting firm. The Committee reviewed with KPMG and the Internal Audit Director their respective audit plans, audit scope and identification of audit risks, and reviewed and discussed the results of the internal audit examinations with the Internal Audit Director.

The Committee reviewed and discussed the audited consolidated financial statements for the fiscal year ended December 31, 2012, with management and with KPMG outside the presence of management. The Committee also discussed with KPMG the matters required to be discussed by the Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

Based on these reviews and discussions with management, KPMG and the Internal Audit Director, the Committee recommended to the Board that the company’s audited consolidated financial statements be included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2012, for filing with the Securities and Exchange Commission.

The Audit Committee Members

Boh A. Dickey, Chair

Ruth Ann M. Gillis

Jerome C. Knoll

Gregory L. Quesnel

Fees Paid to Independent Registered Public Accounting Firm in 2012 and 2011

The Audit Committee has considered and determined that the services provided by KPMG in fiscal year 2012 are compatible with the auditor independence requirements. The following table shows fees for professional services rendered by KPMG for audit services for the years ended December 31, 2012 and 2011, and fees billed for other services rendered by KPMG during each of these years.

	Audit Fees(1)	Audit-Related Fees	Tax Fees	All Other Fees
2012	\$510,000	—	—	—
2011	\$649,308	—	—	—

(1) Audit fees represent fees for the audit of our annual financial statements, the audit of internal control over financial reporting and reviews of the quarterly financial statements.

All audit services and audit-related services for fiscal year 2012 were pre-approved by our Audit Committee. The Audit Committee Policy for Pre-approval of Independent Auditor Services and Fees provides for pre-approval of audit, audit-related, tax and other services specifically described by the Policy on an annual basis. A copy of the policy can be found on our public web site by going to [www.potlatchcorp.com](http://www.potlatchcorp.com), and selecting “Investor Resources,” then “Corporate Governance,” and then “Audit Committee Pre-Approval Policy.” Under the terms of the Policy, unless a type of service to be provided by the independent registered public accounting firm has received general pre-approval, it will require specific pre-approval by the Audit Committee. In addition, any proposed services anticipated to exceed pre-approved cost levels must be separately approved. The policy authorizes the Audit Committee to delegate to one or more of its members pre-approval authority with respect to permitted services. The member or members to whom such authority has been delegated must report any pre-approval decisions to our Audit Committee at its next scheduled meeting.

**PROPOSAL 2 – RATIFICATION OF THE APPOINTMENT OF KPMG LLP AS OUR INDEPENDENT AUDITORS FOR 2013**

We recommend a vote FOR this proposal.

KPMG LLP, a registered public accounting firm, currently serves as our independent registered public accounting firm and has conducted the audit of our consolidated financial statements and internal control over financial reporting for fiscal year 2012. A summary of the fees paid by us to KPMG in connection with its audits for 2012 and 2011 can be found in the section titled, “Fees Paid to Independent Registered Public Accounting Firm in 2012 and 2011” in this proxy statement.

Based upon its review of KPMG’s qualifications, independence and performance, the Audit Committee of the Board of Directors has appointed KPMG to serve as our independent registered public accounting firm for 2013.

The appointment of our independent registered public accounting firm is not required to be submitted for ratification by the stockholders. The listing standards of the Nasdaq Global Select Market provide that the Audit Committee is solely responsible for the appointment, compensation, evaluation and oversight of our independent registered public accounting firm. However, as a matter of good corporate governance, the Audit Committee is submitting its appointment of KPMG as independent registered public accounting firm for 2013 for ratification by the stockholders. If the stockholders fail to ratify the appointment of KPMG, the Audit Committee may reconsider whether to retain KPMG, and may continue to retain that firm or appoint another firm without resubmitting the matter to the stockholders. Even if the stockholders ratify the appointment of KPMG, the Audit Committee may, in its discretion, appoint a different independent registered public accounting firm if it determines that such a change would be in the best interests of our company and our stockholders.

The affirmative vote of a majority of the common stock present in person or represented by proxy and entitled to vote at the Annual Meeting is required to ratify the appointment of KPMG LLP as our independent auditors for 2013.

Representatives of KPMG are expected to attend the Annual Meeting, will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

## COMPENSATION DISCUSSION AND ANALYSIS

### Executive Summary

This Compensation Discussion and Analysis describes the compensation policies and decisions of the Executive Compensation and Personnel Policies Committee with respect to our senior executives, including the officers named in the Summary Compensation Table for 2012 (the "named executive officers"). In 2012 our named executive officers and the offices they held were

Michael J. Covey, Chairman, President and Chief Executive Officer

Eric J. Cremers, Executive Vice President and Chief Financial Officer

Lorrie D. Scott, Vice President, General Counsel and Corporate Secretary

Brent L. Stinnett, Vice President, Resource Management Division

Thomas J. Temple, Vice President, Wood Products and Arkansas Resource

In March 2013, Mr. Covey became Chairman and Chief Executive Officer and Mr. Cremers became President, Chief Operating Officer and Chief Financial Officer.

### Compensation Philosophy and Objectives

Our compensation philosophy is to provide all of our executives a fair and competitive incentive-based compensation package that is tied to the performance of both the individual and the company. We target our compensation levels to be at, or near, the median compensation paid by other companies of comparable size both in our industry and generally. We also believe that a significant portion of total compensation for our senior executives should be at risk and dependent on the achievement of target levels of performance. In addition, we believe that in order to maintain fiscal discipline, incentive compensation should be subject to thresholds and caps. The key objectives of our compensation program are aimed at helping us to recruit, motivate and retain talented and experienced executives, ensure our incentive compensation is aligned with short-term and long-term company performance and to align our employees' interests with those of our stockholders.

### Pay for Performance

Our executive compensation packages are closely aligned with the short-term and long-term performance of the company. Depending upon an executive officer's pay grade, approximately 60% to 70% of the officer's compensation is composed of a combination of annual cash incentive awards based on operational performance goals, and long-term equity incentive grants. In 2012, for our long-term incentive awards, 100% of our Chief Executive Officer's awards are performance vested, and 75% of the awards for the other named executive officers are performance vested, based on achievement of relative total shareholder return (TSR) over a three-year period. For 2013, both the Chief Executive Officer and the President and Chief Operating Officer will receive 100% of their long-term incentive awards as performance vested awards. Performance vested awards are earned upon the achievement of targets that are established by the Compensation Committee at the beginning of a three-year performance period, are subject to thresholds that require a minimum level of achievement for awards to be earned, and are capped at 200% of target. Annual incentive awards are contingent on achieving targets that are established and approved by the Compensation Committee at the beginning of the year, are subject to thresholds that require a minimum level of achievement for awards to be earned, and are also capped at 200% of target. The Committee has discretionary authority to decrease (but not increase) the amount and alter the timing and form of payment of annual awards.



The charts below show for our Chief Executive Officer and the other named executive officers the portion of 2012 compensation granted that was fixed and the portion that was performance-based.

In 2012, the U.S. housing market began to show signs of recovery, and despite sales of fewer acres of nonstrategic properties and a lower harvest volume the company generated \$42.6 million of net income from continuing operations, comparable to 2011. All of our operating divisions exceeded their targets for 2012. Operating results in our Wood Products Division were the highest they have been in the past eight years. Our Resource Division began to see improved pricing throughout the year. Our Real Estate Division sold fewer acres of low-basis nonstrategic land during the year, yet still contributed \$28.1 million of operating income for the year. The company's operating results allowed the company to end the year with \$80.1 million of cash and short-term investments and no borrowings outstanding under its bank facility. As a result of this performance, funds from operations (FFO), which is the basis upon which annual incentive compensation is awarded, was \$74 million, or 175% of the budgeted target of \$42.2 million, which resulted in a calculated multiplier of 200% in accordance with the caps set forth in the annual incentive plan. However, in view of the harvest deferrals and reduction of the company's dividend rate commencing in December 2011, the Compensation Committee capped the annual incentive pool modifier for named executive officers at 100% of the target pool, subject to the application of individual performance modifiers. Based upon the strong performance by the company and our Chief Executive Officer, our Chief Executive Officer received an individual performance modifier of 2.0 for 2012, which resulted in an annual cash incentive award to the Chief Executive Officer at 200% of target. See Analysis of 2012 Compensation - Individual Compensation.

#### Strong Corporate Governance Practices

The Compensation Committee, working with company management, has adopted compensation policies and procedures that represent strong corporate governance, including the following:

**Independent Compensation Committee** The Compensation Committee is composed solely of independent directors within the meaning of Nasdaq listing standards relating to compensation committees.

**Independent Compensation Consultant** The Compensation Committee is advised by an independent consultant, Deloitte Consulting, LLP, that provides no other services to the company and has no prior relationship with any of the named executive officers. The Committee requests that its independent consultant conduct a review of the company's executive compensation program at least every two years to evaluate whether it is comparable to compensation programs of companies of similar size.

**Peer Group Review** The peer group of companies used to benchmark company TSR is carefully reviewed annually by the Compensation Committee with input from its independent consultant. Changes to the peer group require Compensation Committee approval.

**Annual Stockholder Advisory Vote** The Company seeks an annual stockholder advisory vote to approve executive compensation, the results of which are considered by the Committee in determining executive compensation.

**Compensation Risk Assessment** Company management completes a risk assessment of the company's executive compensation programs annually to evaluate whether they are designed and administered in a manner that discourages undue risk-taking by employees. The company's assessment is reviewed by the Compensation Committee.

**Double-Trigger Acceleration** A “double trigger” is required before severance benefits are paid and restricted stock unit awards vest in connection with a change in control event.

**Limited Perquisites** The company does not provide perquisites or other personal benefits to officers or senior employees, such as aircraft for personal use, paid parking spaces, or company cars, with the exception of payment of premiums for accidental death and dismemberment insurance. The company's health care and other medical insurance programs, its salaried employee 401(k) Plan and its limited relocation program are the same for all salaried employees, including officers.

**Executive Stock Ownership Guidelines** The company has a robust stock ownership policy. The company's Chief Executive Officer and President and Chief Operating Officer are required to achieve minimum stock ownership that is five times their respective base salaries and the other named executive officers are required to achieve minimum stock ownership that is two times their respective base salaries.

**Clawback Policy** The company has a financial statement “clawback” policy to recover compensation earned as a result of fraudulent or illegal conduct. We expect to modify the policy upon the issuance of final regulations by the SEC under the applicable provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act).

**Hedging Policy** Under the company's insider trading policy, directors, officers and employees are prohibited from speculating in company securities or engaging in transactions designed to hedge their ownership interests.

#### Process Overview

##### Compensation Oversight

**Compensation Committee** The Compensation Committee, composed entirely of independent directors within the meaning of Nasdaq listing standards, periodically reviews the components of our executive compensation program to ensure the program continually meets our objectives as well as improves or evolves as necessary. The Committee reviews and approves compensation packages for each named executive officer annually.

**Management Input** Each year, the company's Chief Executive Officer and Vice President, Human Resources, recommend to the Compensation Committee changes to base salaries and target amounts for annual cash incentive awards and equity awards for each named executive officer, except the Chief Executive Officer. These recommendations are based on the principal duties and responsibilities of each executive officer, competitor pay levels within our industry, pay levels for comparable companies of similar size within regional and national markets, internal pay equity, and individual performance. In addition, each year our Vice President, Human Resources and our Controller provide the Committee with a detailed review of the actual results of the company's corporate and operating divisions compared to the performance goals established at the beginning of the year under our annual incentive plan, and the resulting awards proposed to be made to the named executive officers. Our Chief Executive Officer presents evaluations of executives who report to him and makes recommendations to the Committee regarding executive base salary and annual cash incentive compensation and long-term equity compensation for executive officers, and compensation packages for executives being hired or promoted. Our Chief Executive Officer also recommends performance targets for the upcoming year.

The Compensation Committee determines any change to the base salary, annual cash bonus and equity awards for the Chief Executive Officer based upon its evaluation of the Chief Executive Officer's performance and advice from the Committee's independent compensation consultant.

**Compensation Consultants** Pursuant to its charter, the Compensation Committee may retain, at the company's expense, independent advisers to assist it in its ongoing development and evaluation of company compensation policies and practices and the Committee's determination of compensation awards. For 2012, the Committee continued to engage Deloitte as its independent compensation consultant. Deloitte reports directly to the Compensation Committee and not to management. Deloitte is independent from our company, has not provided any services to our company in 2012 other than to the Compensation Committee, and receives compensation from our company only for services provided to the Committee. The Compensation Committee has assessed the independence of Deloitte pursuant to SEC rules and has concluded that the work of Deloitte has not raised any conflict of interest. Deloitte:

- attends Committee meetings;
- meets with the Committee without management present;
- provides third-party data, advice and expertise on proposed executive compensation and executive compensation plan designs;
- reviews briefing materials prepared by management and outside advisers to management and advises the Committee on the matters included in these materials, including the consistency of proposals with the Committee's compensation philosophy, risks inherent in proposals and comparisons to programs at other companies;
- prepares tally sheets and a wealth accumulation analysis for use by the Committee in connection with its annual review and approval of compensation packages for the company's named executive officers;
- prepares for the Committee every two years an assessment of the company's compensation programs, including positioning of the programs in the competitive market, to assist the Committee in its analysis of each component of each of our executive officers' compensation packages to assess the proper balance and competitiveness of the tools used to accomplish the objective of each compensation component;
- Reviews drafts of the Compensation Discussion and Analysis; and
- advises the Board on director compensation.

All of the decisions with respect to determining the amount and form of executive compensation under our compensation programs are ultimately made by the Committee and may reflect factors and considerations other than the information and advice provided by Deloitte.

The company has retained Mercer to advise company management on compensation plan design and performance measures for incentive compensation. In addition to advising company management on compensation matters, Mercer manages the company's 401(k) plans and provides investment advice to the company's investment committee that oversees pension investments. Mercer recommendations related to executive compensation are reviewed for the Committee by the Committee's independent compensation consultant, Deloitte.

**2012 Stockholder Advisory Vote to approve Executive Compensation** At our annual meeting of stockholders in May 2012, we held our annual stockholder advisory vote to approve the compensation of our named executive officers (say-on-pay). Our stockholders approved the compensation of our named executive officers as described in our 2012 proxy statement with an approval rate of approximately 93%. As we evaluated our compensation practices throughout 2012, we considered the strong support our stockholders expressed for our executive compensation program. As a result, the Compensation Committee decided to retain our general approach to executive compensation.



### Establishing Compensation

Each year, the Compensation Committee reviews and approves the following:

- base salary increases, if any, for our named executive officers and certain other officers;
- target and actual awards under our annual and long-term incentive plans for our executive officers and certain senior employees;
- performance measures under our annual and long-term incentive plans;
- the aggregate amount of grants made under the long-term incentive plans for other key employees; and
- the peer group of companies used for purposes of measuring relative performance that determines the receipt of performance share awards.

**Use of Tally Sheets** In connection with the Compensation Committee's annual review and approval of compensation packages for the company's named executive officers, the Committee analyzes tally sheets prepared by Deloitte for each named executive officer that assign dollar amounts to all components of such officer's compensation, including the value of benefits received under several different termination scenarios. The tally sheets show, for each named executive officer, the value of: (i) actual base salary for the current year and the previous year, (ii) targeted and actual annual incentive bonuses for the current year and the previous year, (iii) equity award target values for the current year and the previous year; (iv) equity award values on the day vested, (v) health and welfare benefit premiums; (vi) unvested equity grants; (vii) accumulated deferred compensation; (viii) the value of pension accruals based on data provided by Milliman, Inc., the company's pension actuary; and (ix) benefits the executive could realize upon voluntary resignation, a non-change of control termination, a change of control termination, and termination as a result of disability and death. The Committee reviews tally sheets to understand the total compensation received by executives over time. The Committee may make changes to an executive officer's compensation package based upon its review of tally sheets. There were no changes to the named executive officers' compensation and benefits based on the Committee's review of the 2012 tally sheets.

**Wealth Accumulation Analysis** The 2012 tally sheets prepared by Deloitte for the Compensation Committee include a wealth accumulation analysis that assesses the potential future value of current and anticipated future equity holdings for each of our named executive officers assuming a voluntary resignation, a non-change of control termination, a change of control termination, and termination as a result of disability and death using multiple company stock price assumptions over five-year and ten-year periods. The purpose of the analysis is to identify the potential wealth that may be created as a result of our executive compensation program and assist the Committee in determining if that wealth creation is appropriate given our performance. The wealth accumulation analysis also helps the Committee identify pay inequities among different executives. There were no changes to the named executive officers' compensation and benefits based on the Committee's review of the 2012 wealth accumulation analysis.

**Competitive Market Assessments** The Compensation Committee also analyzes competitive data provided by Deloitte in connection with the Committee's review and approval of each of our named executive officer's compensation packages. Compensation levels are targeted to be at, or near, the median compensation paid by other companies of comparable size both in our industry and generally. Every two years Deloitte provides the Committee with a market assessment that utilizes blended market data from the most relevant compensation surveys available, including the Forest Products Industry Compensation Association Survey for industry-specific market data, and surveys from Mercer, Economic Research Institute and Towers Watson for general industry market data representing similarly-sized companies. In 2012, data that Deloitte compiled to assess 2011 compensation was updated or 2012 using an annual update factor of 2.6% to account for salary inflation. The surveys used include compensation data from companies within our peer group and other companies outside of our peer group. Competitive compensation survey data gathered by Deloitte is statistically regressed to yield comparable data for comparison with the company's compensation data for each corporate and operating division, using a formula that takes into consideration executive pay levels for positions similar in scope to those of our named executive officers based on annual corporate and division revenues.



**Individual Performance** The compensation of individual named executive officers is compared to the median of compensation received by comparably sized companies and adjusted, as appropriate, to recognize variables such as job performance, long-term potential and tenure. Total compensation earned by our named executive officers may vary from the market median as a result of annual and long-term incentive compensation awards that are determined based on actual performance of the company and its divisions against target performance levels.

#### Risk Assessment

Company management provides ongoing information to the Compensation Committee regarding aspects of our executive compensation program that could mitigate or encourage excessive risk-taking by company executives. In addition, the Committee periodically requests that Deloitte provide an assessment of the company's executive compensation program along with recommended modifications, if any. Among the attributes of our executive compensation program that management and the Committee take into consideration in assessing the risks arising from our compensation policies and procedures are:

- the balance between annual and long-term incentives;
- the existence of caps on annual and long-term incentive awards;
- the use of different metrics for annual and long-term incentive awards;
- the ability of company management and the Committee to consider non-financial and other qualitative performance factors such as safety and environmental performance in determining actual compensation packages;
- stock ownership guidelines that are reasonable and align our executives' interests with those of our stockholders;
- the company's insider trading policy that prohibits employees from speculating in company securities or engaging in transactions designed to hedge their ownership interests; and
- the company's financial restatement and clawback policy.

#### Compensation Components

We balance our executives' compensation packages among three components:

- base salary;
- annual cash incentives; and
- long-term equity incentives.

Salaries are provided to employees as compensation for basic services to the company and to meet the objective of attracting and retaining the talent needed to run our business. Our annual cash incentives reward employees for helping us achieve annual financial targets, and our long-term incentives reward employees for helping us to perform at a level of total stockholder return that exceeds that of our peers and to achieve the company's overall long-term business objectives. We compensate executives with higher levels of responsibility with a higher proportion of at-risk incentive compensation and equity compensation, so their interests are closely aligned with those of our stockholders. See "Analysis of 2012 Compensation - Comparison of 2012 Target and Actual Compensation" below for each named executive officer's specific compensation mix for 2012.

To ensure fiscal discipline, we set threshold performance levels so that no incentive awards are made if performance results fall below threshold levels, and we set caps on the aggregate amount of incentive compensation that we pay, regardless of actual performance results.

**Base Salary** The Compensation Committee targets executive base salaries to be at the median of companies of comparable size, both in our industry and generally, with such adjustments as management and the Committee deem necessary based upon the individual executive's job performance, long-term potential and tenure. Base salary ranges are established for each pay grade of salaried employees, including our Chief Executive Officer. We determine an executive's rate of pay within the salary range for his or her position based upon the executive's level of experience and performance relative to his or her individual written performance plan. Each executive's individual performance plan contains operational and financial objectives determined by the executive together with his or her supervisor. Our Chief Executive Officer's base salary is set by the Committee in its sole discretion after consultation with Deloitte.

**Annual Cash Incentive Awards** Our annual incentive program links compensation to annual company performance by awarding cash bonuses for achieving pre-defined performance goals.

**Target Awards** Target annual bonuses for our executive officers are defined as a set percentage of base salary, based on the pay grade of each officer's position. These targets are set forth below under "Analysis of 2012 Compensation - Comparison of 2012 Target and Actual Compensation." The Committee periodically reviews these target percentages for our executive officers and approves modifications to the target percentages when appropriate, based in part on the recommendations of management and Deloitte after a review of the compensation practices of companies of comparable size both in our industry and generally. Although any target award to be made to our Chief Executive Officer is initially calculated as a percentage of his base salary based in part on the compensation practices of companies of comparable size, ultimately, his actual award is determined by the Committee in its sole discretion.

**Earned Awards** Annual bonuses are subject to adjustment based on corporate and operating division financial performance modifiers. At the beginning of each year the Committee, with input from the Chief Executive Officer, approves a scale of modifiers based on a range of possible financial performance outcomes. At the end of the year, actual financial performance is compared to the Committee's pre-approved performance scale to determine the modifiers to apply to the target awards. Awards are further adjusted based on individual performance modifiers that are determined based on the individual employee's annual performance review.

Once set by the Committee, target performance measures are not generally changed. However, upon completion of the calculations for all eligible corporate and operating division employees, the Committee is provided discretion under our annual incentive plan to modify individual annual incentive awards, or awards to all eligible employees as a group, after considering an individual's performance, operating division's performance, the company's overall performance or unusual, extraordinary or infrequently occurring items. The Committee also considers safety performance, environmental performance and other factors when approving awards. In addition, under the terms of our annual incentive plan, the Committee has discretionary authority to decrease the amount of annual awards.

Earned awards are paid in cash, except (1) if an executive officer does not meet his or her stock ownership requirement, his or her award is paid 50% in cash and 50% in stock, or (2) if the officer makes an election to defer the award.

**Long-Term Equity Incentive Awards** Our long-term incentive program is intended to link compensation to long-term company performance. Under our long-term incentive program we grant two types of equity awards:

- performance shares, which reward employees for company performance over a three-year period that exceeds the applicable peer group, encourage employees to focus on the creation of long-term stockholder value creation and align the interests of employees with those of our stockholders; and
- restricted stock units, which vest on the third anniversary of the award, and aid in the recruitment and retention of key employees.

The company's Chief Executive Officer and President and Chief Operating Officer are only awarded performance shares.





All executive officers of the Company are required to meet certain minimum stock ownership requirements pursuant to the company's "Officer Stock Ownership Guidelines" described below. Unvested performance shares and unvested restricted stock units are not counted toward the ownership requirement.

**Performance Shares** Performance shares are granted to named executive officers based upon "guideline" long-term incentive values, and are earned based on the company's TSR over a three-year performance period relative to the median TSR of six forest product companies (weighted 50%) and the company's TSR percentile ranking relative to all companies within the Standard and Poor's Midcap 400 Index (of which we are a member) (weighted 50%) over such performance period. TSR is calculated based on stock price appreciation plus cash and share distributions. See "Long-Term Equity Incentive Awards - Peer Group."

**Restricted Stock Units** Restricted stock units are awarded to executive officers other than the Chief Executive Officer to aid in the retention of key employees. Restricted stock units comprise 25% of each officer's long-term incentive award and vest on the third anniversary of the award. We have also granted restricted stock units to newly hired executives to replace the value of equity awards that were forfeited when they left their prior employer and to align the interests of new executives to those of our stockholders.

**Long-Term Equity Incentive Award Guidelines** The Compensation Committee has approved "guideline" long-term incentive values for each executive pay grade eligible for long-term incentive awards other than the Chief Executive Officer. These guideline values initially were established at the median of competitive practice, based on an assessment of compensation programs of comparably sized companies by Deloitte. The 2012 assessment completed by Deloitte shows that our guidelines are currently more closely aligned with the 75th percentile. Guideline values are converted to equity awards in a given year by dividing the values by an amount equal to the average closing price of company common stock during the first 10 business days of the year. The actual number of equity awards granted to eligible employees is further subject to an increase or decrease from the guideline value at the Committee's discretion, based upon management's assessment of an individual employee's past contributions and potential future contributions to the company. In the case of the company's Chief Executive Officer, the Committee determines in its sole discretion the number of performance shares to be awarded based on a review by Deloitte of competitive practice and the Committee's evaluation of the Chief Executive Officer's performance.

**Threshold, Target and Maximum** The Compensation Committee believes that for purposes of measuring company performance for awarding annual cash incentive awards and long-term equity incentive awards:

- performance measures should be subject to thresholds so that an executive officer's compensation should be at risk if minimal performance is not achieved;
- performance measures at which 100% of target amounts are earned should be established at median levels, consistent with our philosophy of compensating executives at or near the median compensation paid by companies of comparable size; and
- performance-based compensation should be capped at 200% of target amounts in order to maintain fiscal discipline and reduce risk-taking.

Peer Group As a specialized REIT, we consider our peer companies to consist of “pure play” timber REITs and other forest product companies. The six forest product companies used for benchmarking our TSR in 2010, 2011 and 2012 are as follows:

Company	Annual Revenue (\$)(1)	Market Capitalization \$(2)	GICS Sub Industry
Weyerhaeuser	7,059	16,039	Specialized REITs
Universal Forest Products	2,055	820	Building Products
Rayonier	1,571	6,907	Specialized REITs
Plum Creek Timber	1,339	7,888	Specialized REITs
Deltic Timber	141	915	Forest Products
St. Joe	139	1,992	Real Estate Mgmt. & Dev.
Potlatch Corporation	525	1,787	Specialized REITs

(1)In millions, for the 2012 fiscal year, based on publicly available information.

(2)In millions as of March 1, 2013.

As the number of publicly-traded forest products companies has declined, we supplemented our peer group with the S&P Midcap 400 Index in 2010, 2011 and 2012 (weighted 50-50 with the forest product companies) in order to provide a broader measure of performance for comparison purposes and to offset any volatility in the stock prices of the six forest product companies.

Adjustments to Long-Term Awards The Compensation Committee reserves the right to reduce or eliminate any performance share award to an executive, or to all executives as a group, if it determines that the company's relative TSR performance or financial or operational performance has been inadequate. The Committee did not exercise this authority for 2012.

#### Analysis of 2012 Compensation

Base Salary Increases Subsequent to our tax-free spin-off on December 16, 2008, of Clearwater Paper Corporation, which owns and operates our former pulp-based manufacturing businesses, our executive compensation levels exceeded the median compensation paid by other companies of comparable size both in our industry and generally. As a result, since the spin-off we have limited base salary increases for our executives with the intent of bringing compensation levels back to the median for our new size. The Committee did not approve any base salary increases for named executive officers in 2009 and 2010, and approved lump sum payments in lieu of base salary increases in 2011, in order to continue bringing base salaries back to the median for our company's size. In 2012, the Compensation Committee did not approve any increase in the base salary of our Chief Executive Officer or any lump sum payment in lieu thereof, and approved a 3% lump sum payment in lieu of a base salary increase for Mr. Stinnett. In recognition of the expansion of his responsibilities in 2012 to include management of the Idaho Resource segment, the Committee approved a 9% increase in base salary for Mr. Cremers, and in recognition of the expansion of his responsibilities in 2012 to include management of the Arkansas Resource segment, the Committee approved a 5% increase in base salary for Mr. Temple. The Committee approved a 5% increase in base salary for Ms. Scott based upon competitive market data.

Annual Cash Incentive Awards In order to reflect both our REIT structure and our wood products operations, we used the following performance measures for purposes of the 2012 annual cash incentive awards:

Funds from operations, or FFO, measured at the corporate level against a pre-defined target; and  
Earnings before interest, taxes, depreciation, depletion and amortization, or EBITDDA, measured at each operating division against pre-defined targets.

We define FFO as net income, plus depletion, depreciation and amortization, basis of real estate sold, and net, non-cash asset impairment and eliminations. The use of this measure is intended to focus eligible employees on generating profits by both increasing revenues and controlling costs. In addition, FFO is the primary measure used by the investment community to measure REIT performance. We believe that the use of this measure will further improve the alignment of our employees' and stockholders' interests. Furthermore, the Committee believes that at the division level, measuring income rather than returns is a simpler approach and provides more transparency to employees, as the divisions do not make capital allocation decisions.

Pursuant to the company's annual cash incentive plan, at the beginning of 2012, a target incentive pool value was calculated based on the sum of the target annual incentive amounts for each participant in the plan. Based upon the company's 2012 budget approved by our Board and on the input and recommendations of management, the Committee approved the following FFO performance scale and the corresponding incentive pool modifiers for 2012:

Performance Level	2012 FFO Performance (Versus 2012 FFO Budgeted Target)	Incentive Pool Modifier (Multiple of Target Pool)
Threshold	80% of \$42.2 million FFO Budget, or \$33.8 million FFO	0.25 x Target Pool
Target	100% of \$42.2 million FFO Budget	1.00 x Target Pool
Maximum	126.7% of \$42.2 million FFO Budget, or \$53.5 million FFO	2.00 x Target Pool

The incentive pool modifier for FFO performance proportionately increases or decreases between threshold and target levels and between target and maximum levels. The incentive pool is not funded for FFO performance below threshold level. The funding scale is designed to contribute a fixed percentage of every dollar of FFO above threshold to the incentive pool up to the maximum.

The company's actual 2012 FFO can be calculated from the audited consolidated statements of cash flows included in our 2012 Form 10-K. At the end of 2012, the company's actual FFO was \$74 million, or 175% of the budgeted target of \$42.2 million, which resulted in a calculated multiplier of 200% in accordance with the caps set forth in the annual incentive plan. However, in view of the harvest deferrals and reduction of the company's dividend rate commencing in December 2011, the annual incentive pool modifier for named executive officers was capped at 100% of the target pool, subject to the application of individual performance modifiers.

The funded incentive pool was allocated by the Chief Executive Officer to the corporate and operating divisions based on the following:

Corporate: corporate FFO performance, modified based on the achievement of measurable strategic objectives; and  
Operating Divisions: operating division EBITDDA performance (weighted 75%) and corporate FFO performance (weighted 25%).

The operating division allocation is based in part on corporate FFO performance to motivate a division to maximize its contribution to company FFO in the event that for reasons beyond the division's control (e.g., a market downturn) division EBITDDA goals cannot be met. The Chief Executive Officer has discretion to adjust the corporate and operating division incentive pools, subject to the maximum company-wide funded incentive



pool approved by the Committee. The Committee also has discretion to adjust FFO and EBITDDA calculations for extraordinary items, as appropriate, and to reduce awards.

The actual 2012 EBITDDA performance for each operating division relative to the target 2012 EBITDDA performance was as follows:

#### Comparison of Operating Division Actual and Target EBITDDA

Operating Division	Actual 2012 EBITDDA(1) (\$ in millions)	Target 2012 EBITDDA (\$ in millions)	Percent of Target Achieved (%)
Real Estate	33.5	31.4	107
Resource	66	52	127
Wood Products	52	11.6	448

(1) Each of our operating division's actual 2012 EBITDDA can be calculated from the amounts shown in Note 16 to the audited consolidated financial statements included in our 2012 Form 10-K. Actual 2012 EBITDDA for each of the Resource and Wood Products divisions can be calculated by taking the division's operating income and adding depreciation, depletion and amortization. Actual 2012 EBITDDA for the Real Estate division can be calculated by taking the division's operating income and adding the basis of real estate sold before eliminations and adjustments plus depreciation.

#### Long-Term Equity Incentive Awards

In 2012, the Compensation Committee approved long-term incentive awards for the Chief Executive Officer comprised entirely of performance shares, and for all other eligible employees consisting of performance shares (75%) and restricted stock units (25%) which vest 100% on the third anniversary of the grant.

The performance shares granted to the Chief Executive Officer and other employees are earned based upon company performance over a three-year period ending December 31, 2014. For the 2012-2014 performance period the Compensation Committee determined to continue to measure company performance based on two factors, each of which is weighted 50%: (i) company TSR, relative to the median TSR of six forest product companies and (ii) the company's TSR percentile ranking relative to all companies within the S&P Midcap 400 Index. The following table sets forth the relative TSR performance scale and the corresponding number of shares earned as a percentage of the weighted targets that were set by the Committee. The percentage of performance shares earned is the sum of the percentage multiple in each column divided by two.

#### POTLATCH CORPORATION TSR COMPARISON

Median TSR of Six Forest Products Companies (weighted 50%)	Percent of Shares Issued	TSR Percentile Ranking S&P Midcap 400 Index (weighted 50%)	Percent of Shares Issued
Below Threshold	—	% Below Threshold	—
Threshold (Median - 5%)	25	% Threshold (33 <sup>rd</sup> percentile)	25
Target (Median)	100	% Target (50 <sup>th</sup> percentile)	100
Maximum (Median + 10%)	200	% Maximum (85 <sup>th</sup> percentile)	200

The number of performance shares earned for each factor proportionately increases or decreases between threshold and target levels for the factor and between target and maximum levels for the factor. The Committee continues to believe that no performance shares should be earned with respect to a performance factor for performance below the

applicable threshold performance level.

Based on a probability analysis performed by Mercer at the time the Committee was evaluating the 50% - 50% weighted approach to performance share TSR measurement, the probable outcome of a maximum payout was estimated to occur approximately 3% of the time and the probable outcome of no payout was estimated to occur approximately 19% of the time.

**Individual Compensation** The Compensation Committee made individual modifications to the compensation of named executive officers, including the Chief Executive Officer, based on recommendations from the Chief Executive Officer, competitive data provided by Deloitte and individual performance reviews. Individual performance modifiers could range from zero to 2.0 times the target award. The threshold individual modifier is 0.5, below which no annual or long-term incentive award was granted. The range of individual modifiers for our named executive officers for 2012 was from .57 to 2.0.

In determining the Chief Executive Officer's individual performance modifier, the Committee considered its evaluation of Mr. Covey's performance against his financial, operational and strategic goals for 2012. The Committee discussed this evaluation in executive session without Mr. Covey being present. The Committee noted that under Mr. Covey's leadership, despite sales of fewer acres of lower-basis nonstrategic properties and a lower harvest volume, the company generated \$42.6 million of net income from continuing operations, comparable to 2011. Operating results in the company's Wood Products Division were the highest they have been in the past eight years. The Resource Division exceeded its operating targets and acquired additional timberland in Arkansas. Working with conservation advocates, the Real Estate Division completed the \$11 million sale of 2,000 acres of the Mississippi River Northwoods HBU property in Northern Minnesota to the State of Minnesota and even though fewer acres of lower-basis nonstrategic land was sold during the year, the Real Estate Division contributed \$28.1 million of operating income. The company ended the year with \$80.1 million of cash and short-term investments and no borrowings outstanding under its bank facility. In consideration of all these factors, the Committee assigned an individual performance modifier of 2.0 to Mr. Covey.

The Chief Executive Officer's recommendations to the Committee concerning the individual performance modifiers of each of the other named executive officers were based on the individual performance evaluations of those officers. These evaluations took into account objective criteria in the form of operating results against budget, and subjective criteria such as performance against strategic goals which involve the exercise of discretion and judgment in assessing performance attainment.

In determining Mr. Cremers' individual performance modifier, the Committee noted that during 2012, Mr. Cremers assumed responsibility for Idaho Resource operations, in addition to his duties as Chief Financial Officer. Under Mr. Cremers' leadership, the company maintained its liquidity position and entered into a new \$250 million unsecured revolving credit agreement to replace its \$150 million secured revolving credit agreement.

In determining Ms. Scott's individual performance modifier, the Committee noted her skill and leadership in risk management and compliance, her management of the company's legal affairs and budget and her continued work in bringing the Avery Landing matter to a conclusion.

In determining Mr. Stinnett's individual performance modifier the Committee noted his more limited role in 2012 as he transitioned management of the Resource Division to his successors.

The determination of the individual performance modifier for Mr. Temple reflected the fact that the Wood Products Division not only exceeded its budgeted operating results for the year, but performed better than any other year in the past eight years. The Wood Products Division generated \$45.5 million of operating income in 2012 compared to \$7.3 million in 2011 and EBITDDA that was more than ten times the segment's 2012 target. See "Analysis of 2012 Compensation - Annual Cash Incentive Awards-Comparison of Operating Division Actual and Target EBITDDA"



above for a comparison of each operating division's actual 2012 EBITDDA and target EBITDDA. In addition, as part of a restructuring of the Resource Division in early 2012, Mr. Temple

35

---

assumed responsibility for Arkansas Resource operations, and under his leadership, the company closed two transactions expanding its timberland holdings in Arkansas.

No specific weight was assigned to the executive officers' individual performance objectives and the Chief Executive Officer subjectively evaluated performance based on qualitative and quantitative information specific to each of these objectives.

#### Summary Comparison of 2012 Target and Actual Compensation

The following table shows the target and the actual amounts for salary and annual and long-term incentive awards for our named executive officers, along with the 2012 percentage of total direct compensation represented by the amount of each component (i.e., the mix of pay).

Name	TARGET 2012 TOTAL DIRECT COMPENSATION(1)			ACTUAL 2012 TOTAL DIRECT COMPENSATION(1)		
	Salary (\$)(3) (% of Total)	Target annual incentive award (cash)(\$) (% of Total)	Guideline long-term incentive grant value (equity)(\$)(2) (% of Total)	Salary (\$) (% of Total)	Actual annual incentive award (cash)(\$) (% of Total)	Actual long-term incentive grant value (equity)(\$)(4) (% of Total)
Michael J. Covey	715,020 32%	500,514 22.4%	1,017,600 45.6%	715,020 26.2%	1,001,000 36.6%	1,017,600 37.2%
Eric J. Cremers	450,000 45.7%	225,000 22.9%	309,200 31.4%	442,558 35.6%	450,000 36.2%	351,300 28.2%
Lorrie D. Scott	262,500 45%	118,125 20.3%	201,900 34.7%	260,100 37.2%	236,300 33.8%	201,900 29%
Brent L. Stinnett	305,040 44%	137,268 20%	247,200 36%	314,190 45%	137,300 19.6%	247,200 35.4%
Thomas J. Temple	277,074 45.9%	124,683 20.7%	201,900 33.4%	274,537 37.8%	249,400 34.4%	201,900 27.8%

(1) Total direct compensation is the sum of base salary, annual cash incentives and long-term equity incentives.

These amounts represent the dollar value of the 2012 long-term equity incentive guideline computed by

(2) multiplying the guideline number of shares for each named executive's paygrade by the ten-day average closing stock price for the first ten business days in January, 2012 of \$31.94 per share.

(3) This column includes salary paid for the full or partial year the employee worked. 2012 target and actual salary includes a lump sum bonus in lieu of base salary increase of \$9,150 for Mr. Stinnett.

These amounts represent the dollar value of the actual restricted stock unit award granted in February, 2012, and performance shares granted in February, 2012 for the performance period 2012-2014, in each case computed by multiplying the guideline value by the individual performance modifier. Such amounts may or may not be paid out

(4) depending on the company's performance or the executive's continued employment, as applicable, over the three-year vesting and performance period. See "Analysis of 2012 Compensation - Long-Term Incentive Awards-Potlatch Corporation TSR Comparison" for a description of performance measures and threshold, target and maximum goals for performance share awards.

## Benefits

We do not provide perquisites or other personal benefits to our named executive officers, such as aircraft for personal use, paid parking spaces, or company cars, with the exception of payment of insurance premiums for accidental death and dismemberment insurance. The company reimburses named executive officers for certain relocation expenses pursuant to a relocation program that is the same for all salaried employees. Pursuant to the company's relocation program, reimbursement of the employee's loss on sale of his or her home is capped and the relocating employee's home is only purchased if not sold within 90 days and then only at a purchase price equal to the average of two independent appraisals of fair market value. Our health care and other medical insurance programs, as well as our 401(k) Plan, are the same for all salaried employees, including officers.

**Salaried Retirement Plan** Our Salaried Retirement Plan provides a pension to our salaried and certain other eligible employees who were participants in the plan before January 1, 2011, including our named executive officers. We believe this plan is competitive with our peers and is intended to provide a source of income for our salaried and certain other eligible employees following retirement. This plan is discussed in detail on page 47. Effective January 1, 2011 our Salaried Retirement Plan was closed to new entrants.

**Supplemental Plan II** Our Salaried Supplemental Benefit Plan II provides retirement benefits to our eligible salaried employees who were participants in the plan before January 1, 2011, including our named executive officers, based upon the benefit formulae of our Salaried Retirement Plan and our Salaried 401(k) Plan but without regard to the IRS compensation and benefit limitations applicable to these tax-qualified plans. We believe this plan is competitive with our peers and companies of comparable size, and is intended to provide a retirement benefit commensurate with participant compensation, as we do for other employees. This plan is discussed in detail on pages 47 to 48. Effective January 1, 2011 our Salaried Supplemental Benefit Plan II was closed to new entrants.

**401(k) Plans** Our Salaried 401(k) Plan permits our salaried and certain other eligible employees, including our named executive officers, to make voluntary pre-tax and after-tax contributions to the plan, subject to applicable tax limitations. We match \$0.70 for every \$1.00 that a participant contributes to our Salaried 401(k) Plan, up to the first 6% of his or her eligible compensation, subject to applicable tax limitations. Eligible employees who elect to participate in the plan are 100% vested in the matching contributions upon completion of two years of service. In February 2011, in connection with the closure of our Salaried Retirement Plan to new employees, we amended our Salaried 401(k) Plan to provide for annual company contributions equal to 3% of eligible compensation for employees hired after January 1, 2011 in addition to the company match.

**Health and Welfare Benefits** All full-time employees, including our named executive officers, may participate in our health and welfare benefit programs, including medical, dental and vision care coverage, disability insurance and life insurance.

**Post-Termination Severance Benefits** The company maintains a severance program that provides severance benefits to our named executive officers and other officers designated by the Compensation Committee. Benefits are payable under the severance program both in connection with a termination of the executive officer's employment with us and in connection with a separation of employment following a change of control. The Committee believes the severance program is competitive with those of our peer companies and serves our recruitment and retention efforts. The section entitled "Potential Payments Upon Termination or Termination Following a Change of Control" provides additional information regarding the severance program and the estimated potential incremental benefits under the program for the named executive officers.

**Granting of Long-Term Incentive Awards** The effective grant date for equity awards is the day of the Compensation Committee meeting at which the awards are approved, typically in February of each year. These meetings are scheduled well in advance of the actual meeting date and are not coordinated with the release of any material,

non-public information. Equity grants to executive officers who are hired during the year are effective upon the executive's start date.

Section 162(m) Section 162(m) of the Internal Revenue Code of 1986, as amended, (the “Code”) generally disallows an income tax deduction to public companies for annual compensation in excess of \$1 million paid to the chief executive officer and the three other most highly compensated named executive officers (excluding the chief financial officer). Compensation that qualifies as “performance-based” is excluded for purposes of calculating the amount of compensation subject to the \$1 million limit. While the Compensation Committee considers the effect of this rule in developing and implementing our compensation program, in order to preserve the Committee's flexibility to adjust incentives for individual performance, we have not adopted a policy that all compensation must qualify as “performance-based” under Section 162(m). The company intends annual cash incentive compensation awards and performance share awards issued pursuant to stockholder-approved plans to qualify as "performance-based" compensation under Section 162(m).

**Financial Restatement Clawback Policy** In 2009, the Compensation Committee approved a financial restatement “clawback” policy. The policy provides that all incentive awards granted to executive officers after December 31, 2009 will provide the Board the discretion to require that the executive officer reimburse the company if:

- payment was predicated upon the achievement of specific financial results that were subsequently the subject of a material financial restatement;

- in the Board's view, a company employee engaged in fraud or misconduct that caused or partially caused the need for such material financial restatement by the company; and

- lower payment, settlement, grant or vesting would have occurred based upon the restated financial results.

The amount to be reimbursed is the amount by which any incentive awards previously paid, settled, granted or vested on the basis of previously stated financial results within the two year period preceding the date of disclosure of the material financial restatement, exceeded the lower amounts that would have been paid, settled, granted or vested based on the restated financial results. We expect to modify the policy upon the issuance of final regulations by the SEC under the applicable provisions of the Dodd-Frank Act.

A copy of our financial restatement clawback policy is available by going to our public web site at [www.potlatchcorp.com](http://www.potlatchcorp.com), and selecting “Investor Resources,” then “Corporate Governance,” and “Financial Restatement Clawback Policy.”

**Insider Trading Policy** The company's insider trading policy prohibits directors, officers and employees from speculating in company securities or engaging in transactions designed to hedge their ownership interests.

A copy of our insider trading policy is available by going to our public web site at [www.potlatchcorp.com](http://www.potlatchcorp.com), and selecting “Investor Resources,” then “Corporate Governance,” and “Securities Law Compliance and Insider Trading Policy.”

**Officer Stock Ownership Guidelines** In the interest of promoting and increasing equity ownership by our senior executives and to further align our executives' long-term interests with those of our stockholders, we have adopted the following stock ownership guidelines:

Chief Executive Officer	Value of Shares = 5 x Base Salary
President and Chief Operating Officer	Value of Shares = 5 x Base Salary
Chief Financial Officer	Value of Shares = 2 x Base Salary
Vice President	Value of Shares = 2 x Base Salary

Each executive must acquire by December 31, 2012, or within five years of his or her becoming an executive officer subject to the stock ownership guidelines, a minimum number of shares based on the applicable value shown above. To meet the requirements, an executive must increase his or her stock holdings each year by at least 20% of the required amount until the minimum number is acquired. Shares held in a brokerage account, an account with our transfer agent or in our 401(k) Plan, common stock units owned as a result of deferred awards paid under our annual incentive program and any vested restricted stock units all count towards the ownership requirement. Shares subject to unexercised stock options, unvested restricted stock units or unearned

performance shares, however, do not count toward the ownership guidelines. If an executive does not meet the incremental stock ownership requirement in any of the five years, or the ownership requirement is not maintained after it is initially met, incentive awards made to the executive under our annual incentive program will be paid 50% in cash and 50% in stock, and any shares issued upon settlement of performance share awards must be retained to the extent necessary to meet the stock ownership guidelines.

As of December 31, 2012 all of our named executive officers met their incremental stock ownership requirements. See “Security Ownership of Certain Beneficial Owners and Management.”

A copy of our officers' stock ownership guidelines is available by going to our public web site at [www.potlatchcorp.com](http://www.potlatchcorp.com), and selecting “Investor Resources,” then “Corporate Governance,” and “Officer Stock Ownership Guidelines.”

REPORT OF THE EXECUTIVE COMPENSATION AND PERSONNEL POLICIES COMMITTEE

The Executive Compensation and Personnel Policies Committee of the Board of Directors has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference into our 2012 Annual Report on Form 10-K.

The Committee Members:

Ruth Ann M. Gillis, Chair

Jerome C. Knoll

John S. Moody

Lawrence S. Peiros

Gregory L. Quesnel

Judith M. Runstad served on our Executive Compensation and Personnel Policies Committee until her retirement from the Board at our annual meeting of stockholders on May 7, 2012.

EXECUTIVE COMPENSATION TABLES

## 2012 Compensation

## Summary Compensation Table

The table below sets forth information regarding the compensation for each of our named executive officers for the years 2012, 2011 and 2010. The information contained in the Summary Compensation Table should be viewed together with the “2012 Grants of Plan-Based Awards” table, which includes target levels for annual incentive awards and long-term performance share awards, to obtain the most accurate representation of annual and long-term incentive compensation elements and the total compensation provided to our named executive officers.

Name and Principal Position	Year	Salary (\$)(1)	Bonus (\$)(2)	Stock Awards (\$)(3)	Non-Equity Incentive Plan Compensation (\$)(4)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation (\$)(6)	Total (\$)
						(\$)(5)		
Michael J. Covey Chairman and Chief Executive Officer	2012	715,020		1,090,886	1,001,000	964,025	60,003	3,830,934
	2011	736,471	—	1,693,627	715,000	829,210	78,962	4,053,270
	2010	692,103	—	1,663,416	1,126,200	543,245	43,994	4,068,958
Eric J. Cremers President, Chief Operating Officer and Chief Financial Officer	2012	442,558	—	368,280	450,000	199,023	37,779	1,497,640
	2011	423,639	—	478,302	450,000	120,894	36,895	1,509,730
	2010	398,117	—	471,689	450,000	63,420	31,419	1,414,645
Lorrie D. Scott Vice President, General Counsel and Corporate Secretary	2012	260,100	—	211,594	236,300	97,692	20,875	826,561
	2011	253,770	25,000	312,506	232,200	54,211	236,960	1,114,647
	2010	114,272	45,000	—	100,000	13,706	51,450	324,428
Brent L. Stinnett Vice President, Resource Management Division	2012	314,190	—	259,135(8)	137,300	148,807	23,303	882,735
	2011	314,191	—	382,753(7)	233,700	123,683	26,908	1,081,235
	2010	295,263	—	315,300	250,000	61,298	11,072	932,933
Thomas J. Temple Vice President, Wood Products and Arkansas Resource	2012	274,537	—	211,594	249,400	92,089	18,045	845,665
	2011	271,796	—	312,506	152,900	74,042	20,119	831,363
	2010	255,422	—	256,444	200,000	37,808	13,659	763,333

This column includes salary paid for the full or partial year the employee worked. Pay cycles changed from semi-monthly to biweekly in August 2010, so the last week or two weeks of salary in 2010 was paid in January

(1) 2011. 2011 salary includes lump sum bonuses in lieu of base salary increases of \$21,451 for Mr. Covey, \$12,339 for Mr. Cremers, \$3,750 for Ms. Scott, \$9,151 for Mr. Stinnett and \$7,916 for Mr. Temple. Mr. Stinnett's 2012 salary includes a lump sum bonus of \$9,150 in lieu of a base salary increase.

(2) 2010 and 2011 include hiring and relocation bonuses paid to Ms. Scott.

(3)



This column shows the aggregate grant date fair value, computed in accordance with FASB Topic 718, of performance shares (at target) and restricted stock units granted in 2010, 2011 and 2012. In accordance with FASB Topic 718, the grant date fair value reported for all restricted stock units was computed by multiplying the number of shares subject to the restricted stock unit award by the closing price of our stock on the grant date. The grant date fair values reported for performance shares were based upon the probable outcome of the

TSR condition, which amounts were determined consistent with the estimate of the aggregate compensation cost to be recognized over the performance period determined as of the grant date under FASB Topic 718, excluding the effect of estimated forfeitures. The estimate of the aggregate compensation cost to be recognized over the performance period was determined by using a Monte Carlo simulation model. The assumptions made in connection with this estimate are discussed in Note 15 to our Financial Statements included in our 2012 Form 10-K.

(4) This column includes the cash awards under our annual incentive plan. Annual awards relating to performance in 2012 were paid in 2013 unless deferred under our Management Deferred Compensation Plan.

(5) Amounts shown represent the aggregate annual change in the actuarial present value of accumulated pension benefits under all of our defined benefit and actuarial plans. No portion of the amounts shown in this column is attributable to above market or preferential earnings on deferred compensation.

2012 amounts shown include 401(k) company match of \$10,290 for Mr. Covey, \$10,640 for Mr. Cremers, \$10,546 for Ms. Scott, \$10,640 for Mr. Stinnett and \$10,435 for Mr. Temple, allocations under the 401(k) Plan Supplemental Benefit portion of our Salaried Supplemental Benefit Plan II (\$49,561 for Mr. Covey, \$26,987 for Mr. Cremers, \$10,177 for Ms. Scott, \$12,511 for Mr. Stinnett and \$7,458 for Mr. Temple), and premiums paid for (6) life and accidental death and dismemberment insurance. The amount shown for Ms. Scott in 2010 and 2011 also includes the following payments and reimbursements made pursuant to our salaried employee relocation program: (i) \$11,777 of relocation expenses, (ii) a tax gross-up of \$6,189 relating to reimbursed amounts includible in gross income, and (iii) \$203,268 in aggregate incremental costs paid by the company in connection with the purchase of Ms. Scott's home and the amount received by the company on the subsequent sale of the house.

(7) Mr. Stinnett retired on January 31, 2013. He is entitled to a pro-rata share equal to 69% of the settled award of these shares. See "Potential Payments Upon Termination in Connection with Retirement, Death or Disability."

(8) Mr. Stinnett is entitled to a pro-rata share equal to 36% of the settled award of these shares. See "Potential Payments Upon Termination in Connection with Retirement, Death or Disability."

#### Grants of Plan-Based Awards for 2012

The table below provides information regarding 2012 grants of annual and long-term incentive awards for the named executive officers, including the range of estimated possible payouts under our annual incentive plan and estimated future payouts under our performance share program and the grant date fair value of restricted stock

units.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards(2)			All Other Stock Awards: Number of Shares of Stock or Units(3)(#)	Grant Date Fair Value (\$)(4)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)		
Michael J. Covey	2/16/2012				7,965	31,860	63,720		1,090,886
	2/16/2012	62,564	500,514	2,002,056					
Eric J. Cremers	2/16/2012				2,063	8,250	16,500		282,480
	2/16/2012							2,750	85,800
	2/16/2012	28,125	225,000	900,000					
Lorrie D. Scott	2/16/2012				1,185	4,740	9,480		162,298
	2/16/2012							1,580	49,296
	2/16/2012	14,766	118,125	472,500					
Brent L. Stinnett (5)	2/16/2012				1,451	5,805	11,610		198,763
	(6)2/16/2012							1,935	60,372
	2/16/2012	17,159	137,268	549,072					
Thomas J. Temple	2/16/2012				1,185	4,740	9,480		162,298
	2/16/2012							1,580	49,296
	2/16/2012	15,585	124,683	498,733					

Actual amounts paid under our annual incentive plan for performance in 2012 were paid in February 2013 (unless deferred under our Management Deferred Compensation Plan), and are reflected in the 2012 Summary Compensation Table in the column titled "Non-Equity Incentive Plan Compensation." Awards granted under our annual incentive plan are subject to an individual performance modifier, which ranges from zero to 2.0, based on an individual's performance for the year. The threshold personal modifier is 0.5, below which an individual would (1) receive no bonus. A modifier of 0.5 would result in an individual receiving only one half of the bonus amount otherwise payable under our annual incentive plan, and a modifier of 2.0 would result in an individual receiving 200% of such bonus amount. The amounts shown for target assume an individual performance modifier of 1.0. To show the lowest and highest awards available, the amounts shown for threshold assume an individual performance modifier of 0.5 and those for maximum assume a personal modifier of 2.0. The annual incentive plan is described in "Compensation Discussion and Analysis" on pages 30 and 32 to 34.

Amounts shown represent the threshold, target and maximum performance shares for the 2012-2014 performance (2) period. Performance shares are granted at target performance level. The performance share program is described in "Compensation Discussion and Analysis" on pages 30 to 32 and 34.

(3) Amounts shown represent restricted stock units granted in 2012 that vest on the third anniversary of the date of grant. The restricted stock unit program is described in "Compensation Discussion and Analysis" on page 31.

The grant date fair value of the restricted stock units has been calculated using the closing price of our common stock on the grant date (February 16, 2012) of \$31.20. The grant date fair value of the performance share awards (4) has been calculated based on the probable outcome of the TSR condition as of the grant date, consistent with FASB Topic 718.

43

---

- (5) Mr. Stinnett retired on January 31, 2013. He is entitled to a pro-rata share equal to 36% of the settled award of these shares. See "Potential Payments Upon Termination in Connection with Retirement, Death or Disability."
- (6) Mr. Stinnett is entitled to a pro-rata share of 36% of the shares listed when they vest on December 31, 2014. See "Potential Payment Upon Termination in Connection with Retirement, Death or Disability."

## Current Equity Holdings

## 2012 Outstanding Equity Awards at Fiscal Year-End

The table below sets forth information regarding the outstanding unvested or unearned stock awards held by the named executive officers as of December 31, 2012. The market value of unvested stock awards is based on the closing stock price of company common stock of \$39.15 on December 31, 2012, the last trading day of the year.

Name	Stock Awards			
	Number of Shares or Units of Stock That Have Not Vested (#)(1)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(2)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(3)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)(4)
<b>Michael J. Covey</b>				
Performance Share Grant (2011-2013)			66,374	2,598,524
Performance Share Grant (2012-2014)			66,089	2,587,387
<b>Eric J. Cremers</b>				
Performance Share Grant (2011-2013)			15,198	595,013
Performance Share Grant (2012-2014)			17,113	669,992
RSU Grant (2011-2013) (5)	2,533	99,169		
RSU Grant (2012-2014) (6)	2,852	111,665		
<b>Lorrie D. Scott</b>				
Performance Share Grant (2011-2013)			9,931	388,793
Performance Share Grant (2012-2014)			9,832	384,941
Restricted Stock Units (2010) (7)	677	26,494		
RSU Grant (2011-2013) (5)	1,654	64,770		
RSU Grant (2012-2014) (6)	1,639	64,157		
<b>Brent L. Stinnett</b>				
Performance Share Grant (2011-2013) (8)			12,163	476,182
Performance Share Grant (2012-2014) (9)			12,042	471,431
RSU Grant (2011-2013) (10)	2,026	79,335		
RSU Grant (2012-2014) (11)	2,007	78,572		
<b>Thomas J. Temple</b>				
Performance Share Grant (2011-2013)			9,931	388,793
Performance Share Grant (2012-2014)			9,832	384,941
RSU Grant (2011-2013) (5)	1,654	64,770		
RSU Grant (2012-2014) (6)	1,639	64,157		

- (1) Number of restricted stock units granted, plus dividend equivalents through December 31, 2012. Dividend equivalents were calculated using the closing price of our common stock on the dividend payment dates.
- (2) Value of restricted stock units calculated using the \$39.15 per share closing price of our common stock on December 31, 2012.  
This column shows performance shares granted, plus dividend equivalents accrued through December 31, 2012. Dividend equivalents were calculated using the closing price of our common stock on the dividend payment date. The award grants for the 2011-2013 and 2012-2014 performance periods are shown at 200% of the target grant based on actual company performance at or above target from the start of the performance periods that end on December 31, 2013 and December 31, 2014 respectively, the actual number of shares that could be issued upon settlement of these awards may be less than the amounts shown in the table.
- (3) Value of performance shares calculated using the \$39.15 per share closing price of our common stock on December 31, 2012.
- (4) 100% of the shares listed will vest on December 31, 2013.
- (5) 100% of the shares listed will vest on December 31, 2014.
- (6) 100% of the shares listed will vest on July 6, 2013.
- (7) Mr. Stinnett retired on January 31, 2013. He is entitled to a pro-rata equal to 69% of the settled award of these shares. See "Potential Payment Upon Termination in Connection with Retirement, Death or Disability."
- (8) Mr. Stinnett is entitled to a pro-rata share equal to 36% of the settled award of these shares. See "Potential Payment Upon Termination in Connection with Retirement, Death or Disability."
- (9) Mr. Stinnett is entitled to a pro-rata share of 69% of the shares listed when they vest on December 31, 2013. See "Potential Payment Upon Termination in Connection with Retirement, Death or Disability."
- (10) Mr. Stinnett is entitled to a pro-rata share of 36% of the shares listed when they vest on December 31, 2014. See "Potential Payment Upon Termination in Connection with Retirement, Death or Disability."
- (11)

#### 2012 Stock Vested Table

For the year 2012, the table below provides, for each of our named executive officers, the number of stock awards vested and the value realized due to the vesting.

Name	Stock Awards	
	Number of Shares Acquired on Vesting (#)(1)	Value Realized on Vesting (\$)(2)
Michael J. Covey	43,848	1,986,741
Eric J. Cremers	13,300	602,639
Lorrie D. Scott	226	7,557
Brent L. Stinnett	8,891	402,834
Thomas J. Temple	7,231	327,638

- Except for Ms. Scott, this column shows the gross number of performance shares earned for the performance period 2010-2012, plus dividends accrued during the performance period. During the performance period, the company's TSR placed us between 3rd and 4th of our forest products peer group and the 57th percentile of the S & P 400 mid cap companies and resulted in a multiplier of 103% being applied to the target grant of performance shares. The Compensation Committee approved settlement of these performance shares in February 2013 and actual settlement occurred in the same month, which included withholding for tax
- (1)



purposes and the resulting receipt of fewer shares by each named executive officer than shown in the table. Additionally, this column includes restricted stock units that vested in 2012 plus dividends accrued during the vesting period. These vested restricted stock units are not settled upon the vesting date but rather on the date that is three years after the grant, subject to earlier settlement in the event of retirement or termination of employment following a change of control.

The value of the performance shares was calculated using the \$45.31 per share closing price of company common stock on February 14, 2013 (the date the Compensation Committee approved payment of the awards). The dividend equivalents were calculated using the closing stock price on the dividend payment dates. Restricted stock (2) units are calculated using the market value of the underlying shares on the vesting date, including the market value of any dividend equivalents that have accrued on the underlying shares as of the vesting date. Dividend equivalents for restricted stock units are calculated using the closing price of our common stock on the dividend payment dates.

#### Post-Employment Compensation

##### Pension Benefits Table

The table below shows the actuarial present value of each named executive officer's accumulated benefit payable on retirement under our tax-qualified Salaried Retirement Plan, or Retirement Plan, and under the Retirement Plan Supplemental Benefit portion of our non-qualified Salaried Supplemental Benefit Plan II, or Supplemental Plan. Effective January 1, 2011, the company closed the Retirement Plan and the Supplemental Plan to employees hired on or after that date.

Name	Plan name	Number of years credited service (#)	Present value of accumulated benefit(\$)(1)	Payments during last fiscal year(\$)
Michael J. Covey	Supplemental Plan II	6.90	3,745,146	—
	Retirement Plan	6.90	237,986	—
Eric J. Cremers	Supplemental Plan II	5.46	331,526	—
	Retirement Plan	5.46	148,616	—
Lorrie D. Scott	Supplemental Plan II	2.49	80,098	—
	Retirement Plan	2.49	84,511	—
Brent L. Stinnett	Supplemental Plan II	6.42	312,361	—
	Retirement Plan	6.42	271,870	—
Thomas J. Temple	Supplemental Plan II	4.16	86,377	—
	Retirement Plan	4.16	149,013	—

(1) The present value of accumulated benefits was computed by Milliman, Inc., the company's pension actuary, utilizing the following assumptions:

Discount rate of 4.15%;

Zero percent future salary growth;

Normal retirement age of 62 or current age, if greater (age 55 is assumed for Mr. Covey under the Supplemental Plan);

Service as of the fiscal year-end;

RP2000 Mortality with projection to 2020 for 2012; and

IRS limitations and Social Security covered compensation as of the measurement date.

Summary of Plan Benefits Salaried and other eligible employees (including the named executive officers) generally are eligible to receive retirement benefits under the Retirement Plan. For purposes of calculating the



Retirement Plan benefit, earnings generally include base salary and annual cash bonus awards or annual cash incentive awards, whichever is higher. Benefits paid under the Retirement Plan are calculated as follows:

Benefit	Benefit Available If:	Benefit Amount
Normal Retirement	Employment with company terminates after eligible employee attains age 65	Normal monthly benefit calculation Final average monthly earnings (highest consecutive 60 months of final 120 months earnings divided by 60) Multiplied by 1%. Multiplied by years of credited service Plus Portion of final average monthly earnings that exceeds the Social Security Benefit Base Multiplied by 1/2% Multiplied by years of credited service up to 35
Early Retirement	Employment with company terminates after eligible employee turns 55 and has ten or more years of vesting service	Calculate the monthly normal retirement benefit (as described above), then reduce that amount by 1/12 of 5% (5% per year) for each month the retirement age is less than age 62

Required survivor benefits are paid under the Retirement Plan. Benefits generally are paid in the form of a life annuity. Alternate annuity forms of payment are available subject to the actuarial equivalence factors used for all salaried employees in the Retirement Plan.

The benefits payable under the Retirement Plan and our Salaried 401(k) Plan, or the 401(k) Plan, are supplemented by benefits paid under the Supplemental Plan for certain salaried and other eligible employees (including the named executive officers). Benefits paid under the Supplemental Plan are calculated in accordance with the normal retirement benefit formula or early retirement formula described in the table above with respect to the Retirement Plan, taking into account the benefit that would have been paid under the Retirement Plan if:

- the limitations imposed by the Internal Revenue Code on maximum eligible annual earnings (\$250,000 in 2012) and maximum annual retirement benefits (\$200,000 in 2012) did not apply; and
- any deferred bonus awards were paid to the eligible employee in the year deferred.

From this sum, the benefit paid under the Retirement Plan is subtracted to determine the benefit paid under the Supplemental Plan.

For example, in 2012, the maximum compensation allowed under the Retirement Plan was \$250,000. For an executive earning \$300,000 in 2012, the Retirement Plan uses compensation of \$250,000 in the benefit formula, while the Supplemental Plan uses the full \$300,000, producing a higher total benefit value.

Benefits paid under the Supplemental Plan are paid beginning no later than 90 days after the date the eligible employee turns 55 or terminates employment, whichever is later and, at the eligible employee's election, in one of the annuity forms available under the Retirement Plan except benefits with total actuarial present value of \$50,000 or less are paid in a lump sum.

Mr. Covey, under a letter agreement with the company, is entitled under the Supplemental Plan to a minimum benefit of \$26,800 per month payable upon his retirement on or after age 55. This benefit will be offset by the accumulated value of defined benefit retirement plan benefits paid by Mr. Covey's prior employer, and by pension benefits otherwise payable from our benefit plans. Because of this special benefit, Mr. Covey's retirement age for purposes of the calculations in the Pension Table for the Supplemental Plan was assumed to be age 55. If Mr. Covey continues to work beyond age 55, the value of this minimum benefit under Mr. Covey's letter



agreement declines year by year as the value of his normal company benefits increase. The purpose of the special minimum benefit provision is to provide Mr. Covey a retirement benefit at age 55 not less than his projected benefit at age 55 from his prior employer.

In connection with the hiring of Mr. Stinnett, a special provision under the Supplemental Plan provides for full vesting and full eligibility for benefits that would normally require him to have a minimum number of years under the Supplemental Plan, Retirement Plan and 401(k) Plan. Pursuant to this provision, Mr. Stinnett began accruing nonforfeitable benefits as if he were fully vested under company plans immediately upon joining us and was placed in a similar vesting position to what he would have been in had he remained with his previous employer. No other benefit enhancement is provided to Mr. Stinnett under the Supplemental Plan, the Retirement Plan and 401(k) Plan. Ms. Scott is currently eligible for early retirement under the Retirement Plan and the Supplemental Plan. In connection with the hiring of Ms. Scott, a special provision under the Supplemental Plan provides for full vesting and full eligibility for benefits that would normally require her to have a minimum number of years under the Supplemental Plan, Retirement Plan and 401(k) Plan. Pursuant to this provision, Ms. Scott began accruing nonforfeitable benefits as if she were fully vested under company plans immediately upon joining us and was placed in a similar vesting position to what she would have been in had she remained with her previous employer. No other benefit enhancement is provided to Ms. Scott under the Supplemental Plan, the Retirement Plan and 401(k) Plan.

#### 2012 Nonqualified Deferred Compensation Table

The table below shows the fiscal year contributions made by and on behalf of each of the named executive officers under the 401(k) Plan Supplemental Benefit portion of the Supplemental Plan, as well as amounts deferred during the fiscal year under our Management Deferred Compensation Plan. The amounts shown for aggregate earnings, aggregate withdrawals/distributions and aggregate balance include all such amounts for these plans as well as the Supplemental Plan and certain other predecessor deferred compensation plans in which the named executive officer participates.

Name	Registrant Contributions in Last FY (\$)(1)	Aggregate Earnings in Last FY (\$)(2)	Aggregate Withdrawals/ Distributions (\$)	Aggregate Balance at Last FYE (12/31/12) (\$)(3)
Michael J. Covey	49,561	847,620	—	4,066,173
Eric J. Cremers	26,987	23,084	—	130,109
Lorrie D. Scott	10,177	183	—	14,954
Brent L. Stinnett	12,511	20,972	—	161,379
Thomas J. Temple	7,458	1,546	—	23,409

(1) Amounts shown in the Registrant Contributions column above are also included in the “All Other Compensation” column in the 2012 Summary Compensation Table.

(2) None of the Aggregate Earnings reported in this table are included in the 2012 Summary Compensation Table for the 2012 fiscal year, because they do not represent above-market or preferential earnings.

The following amounts of registrant contributions in 2011 and 2010 included in the Aggregate Balance column (3) above have been reported as compensation to the named executive officers in the Summary Compensation Tables for 2011 and 2010:

Name	2011	2010
Michael J. Covey	67,942	39,799
Eric J. Cremers	26,786	21,156
Lorrie D. Scott	4,568	—
Brent L. Stinnett	13,406	5,715
Thomas J. Temple	9,525	3,554

In addition to the retirement benefits described above, the Supplemental Plan also provides supplemental benefits under the 401(k) Plan for eligible employees hired prior to January 1, 2011 to the extent that an eligible employee has made the maximum contributions permitted under the 401(k) Plan and the eligible employee's allocations of "company contributions" are reduced under the 401(k) Plan due to Internal Revenue Code limits or because the eligible employee has deferred an award under our annual incentive plan. For years after 2004, eligible employees are credited with contributions under the Supplemental Plan equal to the difference between the amount of company contributions and allocable forfeitures actually allocated to the eligible employee under the 401(k) Plan for the year and the amount of company contributions and allocable forfeitures that would have been allocated to the eligible employee under the 401(k) Plan if the eligible employee had made "participating contributions" equal to 6% percent of his or her earnings determined without regard to the Internal Revenue Code limit on maximum eligible compensation (\$250,000 in 2012) and without regard to deferral of any award otherwise payable under our annual incentive plan. Amounts credited to the Supplemental Plan on behalf of eligible employees are deemed to be invested in certain investments allowed under the 401(k) Plan.

Eligible employees become vested in this supplemental benefit upon the earliest of completion of two years of service, attainment of age 65 while an employee, or total and permanent disability. The supplemental benefits are paid in 10 or fewer annual installments or in a lump sum, at the eligible employee's election, following separation from service. Benefit payments made under the Supplemental Plan to "key employees," as defined under the Internal Revenue Code, will be delayed for a minimum of six months following their separation date. Account balances that are equal to less than the annual 401(k) contribution limit (\$16,500 in 2011 and \$17,000 in 2012) on the date the eligible employee separates from service are paid in a lump sum without regard to the employee's election.

Certain eligible employees, including the named executive officers, who earn awards under our annual incentive plan are permitted to defer receipt of those awards. These employees may defer receipt of a minimum of 50% and a maximum of 100% of the award pursuant to rules established under our Management Deferred Compensation Plan. Eligible employees, including the named executive officers, may also defer up to 50% of their base salary under the Management Deferred Compensation Plan. At the employee's election, deferrals may be deemed invested in a stock unit account, a directed investment account with certain deemed investments available under the 401(k) Plan, or a combination of these investment vehicles. If stock units are elected, dividend equivalents are credited to the units. At the time of his hiring, Mr. Covey received a grant of restricted stock units to replace the value of certain earned incentives that would have been available to him from his former employer. Pursuant to the terms of this grant, which vested in 2009, Mr. Covey elected to defer receipt of 44,818 shares. He was allocated 44,818 stock units in a deferral account maintained by us. The stock units are credited with dividend equivalents and will be settled in shares of company common stock upon his termination of employment.

#### Potential Payments Upon Termination or Termination Following a Change of Control

**Severance Program for Executive Employees** The Severance Program for Executive Employees, or Severance Program, provides severance benefits to our named executive officers and other officers designated by the Compensation Committee. Benefits are payable under the Severance Program both in connection with a termination of the executive officer's employment with us and in connection with a separation of employment following a change of control.

**Termination Other Than in Connection with Change of Control, Retirement, Death or Disability** The following table sets forth the severance benefits payable to each of our named executive officers under the Severance Program if the named executive officer's employment is terminated in the circumstances described below. No



benefits are payable if the termination of service is voluntary or for cause, and a separate set of provisions apply when termination is a result of retirement, death or disability. The following table assumes the termination of employment occurred on December 31, 2012, and uses the \$39.15 closing price per share of our common stock as of December 31, 2012, for purposes of valuing the equity component of severance benefits.

	Cash Severance Benefit\$(1)	Pro-Rata Annual Bonus (2)	Value of Equity Acceleration \$(3)	Benefit Continuation \$(4)	Total (\$)
Michael J. Covey	357,510	—	—	9,126	366,636
Eric J. Cremers	225,000	—	—	7,877	232,877
Lorrie D. Scott	131,250	—	—	5,990	137,240
Brent L. Stinnett	152,520	—	—	7,294	159,814
Thomas J. Temple	138,537	—	—	8,136	146,673

The executive officers receive severance benefits pursuant to the Severance Program for Executive Employees.

- (1) The severance benefit equals three weeks of base salary for each completed full year of service, subject to a minimum benefit of six months and a maximum benefit of twelve months.
- (2) Under the Annual Incentive Plan, if the executive is not employed by the Company on the date of the award payout (February 2013), the annual incentive plan award payout is forfeited.
- (3) Unvested performance shares and restricted stock units will be forfeited outside of a change in control, death or disability termination.

The executive officers receive benefit continuation (i.e., medical, dental and basic life insurance) pursuant to the (4) Severance Program for Executive Employees. The benefit continuation period is equal to the severance benefit period.

Under the Severance Program, basic severance benefits generally are payable to each eligible employee when his or her employment terminates in the following circumstances:

- involuntary termination of the employee's employment for any reason other than death, disability or misconduct;
- the subsidiary employing the employee ceases to be a participating company in the Severance Program due to a sale to a third party or a spin-off of the subsidiary, in a transaction that is also a change in ownership or effective control of Potlatch Corporation or a change in ownership of a substantial portion of Potlatch Corporation's assets (but no benefits are payable if the employee continues employment with or is offered the same or better employment terms by the purchaser or spun-off company, and the purchaser or spun-off company maintains a severance plan that is equivalent in all material respects to the Severance Program);
- election by the employee to terminate employment upon being required to relocate his or her principal place of business to a place that is 50 miles or more further from the employee's primary residence than the prior principal place of business; or
- separation from service by the employee within 24 months
- of a material reduction in his or her authority or responsibility,
- any reduction in his or her base salary, annual bonus opportunity, or long-term incentive opportunity, or a 15% or greater reduction in his or her aggregate benefits as compared to all other similarly situated employees unless the reduction applies to all similarly situated employees.

Upon the occurrence of any of the events described above, (which expressly excludes a termination by the employee outside of the reasons noted above) the following basic severance benefits are payable to the named executive officers:

**Cash Severance Payment** A cash payment equal to three weeks of the employee's base compensation for each full year of service. The minimum cash benefit is six months of base compensation and the maximum is one year.

**Unused and Accrued Vacation** The employee's unused and accrued vacation.

**Benefits Continuation** Continued medical, dental and basic life insurance coverage for a period equal to three weeks for each full year of service. The minimum period for continued insurance coverage is six months and the maximum is one year.

Termination of an employee's employment (for reasons other than in connection with a change of control or upon death, disability or retirement) will result in the automatic termination of any unvested performance shares and restricted stock units.

No basic severance benefits are payable under the Severance Program in connection with an eligible employee's termination generally if (1) the employee separates from service on or after his or her normal retirement date, (2) during the two-year period immediately before retirement, the employee is an eligible employee under the Severance Program, and (3) the employee is entitled to benefits under the Retirement Plan, the 401(k) Plan (excluding benefits representing employee contributions) and the Supplemental Plan which, when converted into a straight life annuity, equal to at least \$44,000 in the aggregate. The Severance Plan document also states that no severance benefits will be payable if the eligible employee is receiving long-term or permanent disability benefits under the Company's disability income plan.

**Termination Following a Change of Control** The following table sets forth the severance benefits payable to each of our named executive officers under the Severance Program upon a termination of employment in connection with a change of control. The following table assumes the termination of employment and a change of control each occurred on December 31, 2012, and uses the \$39.15 closing price per share of our common stock as of December 31, 2012, for purposes of valuing the equity component of severance benefits.

	Cash Severance Benefit (\$)(1)	Pro-Rata Annual Bonus (\$)(2)	Value of Equity Acceleration (\$)(3)	Benefit Continuation (\$)(4)	Enhancement of Retirement Benefits (\$)(5)	Excise Tax Gross-Up Payment (\$)(6)	Total (\$)
Michael J. Covey	3,646,602	500,514	1,297,392	54,755	—	—	5,499,263
Eric J. Cremers	1,687,500	225,000	648,128	39,385	—	—	2,600,013
Lorrie D. Scott	951,563	118,125	349,179	29,950	—	399,957	1,848,774
Brent L. Stinnett	36,859	137,268	480,292	1,216	11,355	—	666,990
Thomas J. Temple	1,004,393	124,683	391,892	40,682	145,718	491,055	2,198,423

Mr. Covey receives a severance benefit equal to 3 times the sum of his base salary and target annual cash incentive (1) award. The other executive officers receive severance benefits equal to 2.5 times the sum of their respective base salaries and target annual cash incentive awards.

All executive officers would be entitled to a payment of the pro-rata portion of their annual cash incentive awards, (2) based on the Company's actual performance. As the termination event would occur on December 31, 2012, we have shown the full year actual annual cash incentive award.

The Equity Acceleration column is comprised of the realizable value (i) upon acceleration of unearned performance share awards, which only require a "single trigger", or change in control, to occur for settlement to be due on a pro-rata basis based on target performance, and (ii) upon acceleration of Restricted Stock Units, which require a "double trigger", or a change in control coupled with an involuntary loss of employment or voluntary (3) termination of employment for Good Reason (as defined in the Plan document) within one month prior to or two years after the change in control for settlement to be due. Restrictions on the Restricted Stock Unit awards would fully and immediately lapse. All executives would receive a pro-rata number of performance shares based on their service during the 36-month performance periods and the "target" number of shares awarded for mid-cycle performance share awards. Amounts in the table exclude the 2010 - 2012 performance share awards, as these awards are earned as of December 31, 2012 (which is the





end of the performance period). All equity awards have been calculated using the Company's closing stock price on December 31, 2012 of \$39.15.

(4) The executive officers receive benefit continuation pursuant to the Severance Program. The benefit continuation period is equal to the severance benefit period.

In the case of Mr. Temple, this amount reflects the immediate vesting of the unvested portion of his Defined Benefit and Defined Contribution Plan Accounts. In the case of Mr. Stinnett, who retired upon reaching his normal retirement age in January 2013, this amount reflects an additional benefit payable under the

(5) Severance Program equal to the difference between the benefits payable to Mr. Stinnett under the Retirement Plan and the Supplemental Plan and the benefits that would have been payable under the Retirement Plan and the Supplemental Plan had Mr. Stinnett continued to work until his normal retirement date.

(6) This amount represents the excise tax gross-up to be paid by the Company if the executives' parachute payments exceed their safe harbor by \$100,000 for Mr. Covey and \$50,000 for the remaining Named Executive Officers.

Under the Severance Program, benefits are payable to each of our named executive officers upon termination following a change of control. In general, a change of control is one or more of the following events: (1) any person acquires more than 30% of company common stock; (2) certain changes are made to the composition of our Board; (3) certain transactions occur that result in company stockholders owning 50% or less of the surviving corporation's stock; or (4) a sale of all or substantially all of the assets of the company or approval by our stockholders of a complete liquidation or dissolution of the company.

Upon a change of control, the performance period for outstanding unvested performance share awards will be deemed concluded on the effective date of the change of control. As of that date, target awards will be deemed payable and dividend equivalents will be calculated on the target award, in each case prorated to the date of the change of control. In addition, other change of control benefits are payable to our named executive officers if, within two years following a change of control, one of the following events occurs:

• involuntary termination of the employee's employment for any reason other than death, disability or misconduct; the company employing the employee ceases to be a participating company in the Severance Program due to a sale to a third party or a spin-off of the company, in a transaction that is also a change in ownership or effective control of Potlatch Corporation or a change in ownership of a substantial portion of Potlatch Corporation's assets (but no benefits are payable if the employee continues employment with or is offered the same or better employment terms by the purchaser or spun-off company, and the purchaser or spun-off company maintains a severance plan that is equivalent in all material respects to the Severance Program);

• election by the employee to terminate employment upon being required to relocate his or her principal place of business to a place that is 50 miles or more further from the employee's primary residence than the prior principal place of business; or

• separation from service by the employee within 24 months of a material reduction in his or her authority or responsibility,

• any reduction in his or her base salary, standard bonus opportunity or long-term incentive opportunity, or

• a 15% or greater reduction in his or her aggregate benefits as compared to all other similarly situated employees unless the reduction applies to all similarly situated employees.

Upon the occurrence of any of the events described above within two years following a change of control, the following change of control severance benefits are payable to our named executive officers:

**Cash Severance Payment** A cash benefit equal to the employee's base compensation plus his or her base compensation multiplied by his or her standard bonus percentage, determined as of the date of the change of control or the effective date the employee separates from service, whichever produces the larger amount, multiplied by 3 with respect to our Chief Executive Officer, and 2.5 with respect to all other eligible employees, all of whom are officers. The cash benefit is subject to a downward adjustment if the employee separates from service within 30 months of his or her normal retirement date and additional service credit for the severance period is added to the pension benefit calculation;

**Prorated Annual Incentive Award** A cash bonus under our annual incentive plan for the fiscal year of termination, determined based on the employee's target or standard bonus and prorated for the number of months during the fiscal year in which the employee was employed;

**Benefits Continuation** COBRA premium payments during the number of years equal to the factor described above for continued medical, dental and basic life insurance coverage;

**Enhancement of Retirement Benefits** A lump sum cash benefit equal to the value of that portion of the employee's "company matching account" in the 401(k) Plan attributable to "company contributions" which is unvested and the unvested portion, if any, of the employee's "401(k) plan supplemental benefit" account under the Supplemental Plan. A lump sum cash benefit equal to the present value of the employee's "normal retirement benefit" and "retirement plan supplemental benefit" determined under the Retirement Plan and the Supplemental Plan, respectively, if the employee is not entitled to a vested benefit under the Retirement Plan at the time he or she separates from service; and

**Gross-Up Payment; If Applicable** A tax gross-up payment if the employee is subject to an excise tax on his or her change of control benefits. If the change of control benefits are less than \$50,000 over the employee's safe harbor limit, \$100,000 in the case of the Chief Executive Officer, then his or her benefits will be reduced to the safe harbor limit to avoid the imposition of the excise tax.

In addition, all unvested restricted stock units awarded at least six months prior to the change of control shall become immediately vested upon the employee's termination.

**Benefits Protection Trust Agreement** We have entered into a Benefits Protection Trust Agreement, or Trust, which provides that in the event of a change of control the Trust will become irrevocable and within 30 days of the change of control we will deposit with the trustee enough assets to ensure that the total assets held by the Trust are sufficient to cover any anticipated trust expenses and to guarantee payment of the benefits payable to our employees under the Supplemental Plan; the Management Performance Award Plan and Management Performance Award Plan II (predecessor plans to our current annual incentive plan); the Annual Incentive Plan (our current annual incentive plan); the Severance Program; the Management Deferred Compensation Plan; the Deferred Compensation Plan for Directors; the Deferred Compensation Plan for Directors II; the Directors' Retirement Plan; the Severance Program; Mr. Covey's letter agreement relating to retirement benefits; certain nonforfeitable benefits provided to Mr. Stinnett; and certain agreements between us and certain of our former employees. At least annually after the initial funding of the Trust, an actuary will be retained to re-determine the benefit commitments and expected fees. If the Trust assets do not equal or exceed 110% of the re-determined amount, then we are, or our successor is, obligated to deposit additional assets into the Trust.

**Potential Payments Upon Termination in Connection with Retirement, Death or Disability**

The following table summarizes the value as of December 31, 2012, of annual incentive plan awards, the number and value of performance shares that our named executive officers would be entitled to receive at the end of the applicable performance periods, and the number and value of restricted stock units for which vesting would have been accelerated, assuming the respective officer's employment terminated on December 31, 2012, in connection with death, disability or retirement. The value of all equity awards has been calculated using the company's closing stock price on December 31, 2012 of \$39.15.

	Pro-Rata Annual Bonus (\$)(1)	Prorated Number of Shares Issued at End of Performance Period (2)	Value of Performance Shares as of December 31, 2012 (\$)(3)	Accelerate Number of RSU(4)	Value of RSUs as of December 31, 2012 \$(3)	Total (\$)
Michael J. Covey	500,514	33,139	1,297,392	—	—	1,797,906
Eric J. Cremers	225,000	7,918	309,990	5,891	230,633	765,623
Lorrie D. Scott	118,125	4,949	193,753	2,326	91,063	402,941
Brent L. Stinnett	137,268	6,061	237,288	4,194	164,195	538,751
Thomas J. Temple	124,683	4,949	193,753	3,417	133,776	452,212

All executive officers are entitled to a payment of the pro-rata portion of their annual cash incentive award, based (1) on the Company's actual performance. As the termination event would occur on December 31, 2012, we have shown the full year actual annual cash incentive award.

Performance share awards for the 2011 - 2013 and 2012 - 2014 performance periods are paid out on a pro-rata (2) basis, based on "actual" performance. Actual performance may range from 0% to 200%. We have illustrated these awards, on a pro rata basis, assuming target performance, as these awards are mid-cycle. The number of shares represented in this column includes dividend equivalents through December 31, 2012.

The amounts shown in this column were calculated using the company's closing stock price on December 31, 2012 (3) of \$39.15.

The number of restricted stock units, or RSUs, shown in this column reflects the accelerated vesting of RSUs (4) pursuant to the terms of the RSU award grant agreements. The number of shares represented in this column includes dividend equivalents through December 31, 2012. RSUs that vested during 2012 pursuant to the regular vesting schedule for such RSU awards are reflected in the Option Exercises and Stock Vested Table above.

**Annual Incentive Plan** Under our annual incentive plan, upon the death or disability of an employee, the employee or his or her beneficiary or estate, is entitled to a pro rata portion of the employee's target annual cash incentive award.

**Long-Term Incentive Plan** If an employee's employment terminates during the performance period because of retirement, disability or death, the employee, or his or her beneficiary, is entitled to a prorated number of the performance shares subject to the award. The prorated number of performance shares earned is determined at the end of the performance period based on the ratio of the number of completed calendar months the employee is employed during the performance period to the total number of months in the performance period. The prorated number of performance shares, plus dividend equivalents equal to the cash distributions that would have been paid on the shares earned had the employee owned the shares during the three-year period, are paid at the end of the applicable performance period. With respect to restricted stock units, if the employee's employment terminates because of retirement, disability or death, and the vesting of the employee's restricted stock units is to occur in its entirety as of a single date, the employee, or his or her beneficiary, will be entitled to a pro rata portion of the restricted stock units. If the vesting is to occur ratably, such as 20%, 20% and 60% over a three-year period, the employee, or his or her beneficiary, will receive the already vested restricted stock units as well as the next tranche of restricted stock units scheduled to vest.

PROPOSAL 3 – ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION

We recommend a vote FOR this proposal.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, enables our stockholders to vote to approve, on an advisory (nonbinding) basis, the compensation of our named executive officers as disclosed in this proxy statement.

As described under the heading “Compensation Discussion and Analysis,” commencing on page 24, our key compensation objectives are to recruit, motivate and retain talented and experienced executives, ensure our incentive compensation is aligned with short-term and long-term company performance and align our employees’ interests with those of our stockholders. Our executive compensation programs are designed to provide all of our executives a fair and competitive incentive-based compensation package that is tied to the performance of both the individual and the company. We target our compensation levels to be at, or near, the median compensation paid by other comparable companies in our industry. A significant portion of total compensation for our senior executives is at risk and dependent on the achievement of target levels of performance. In addition, in order to maintain fiscal discipline, incentive compensation includes thresholds and caps. We urge stockholders to read the “Compensation Discussion and Analysis” for a more detailed discussion of our executive compensation programs and how they reflect our philosophy and are linked to company performance.

We are asking our stockholders to approve our named executive officer compensation as described in this proxy statement by voting “FOR” the following advisory resolution at the Annual Meeting:

RESOLVED, that the company’s stockholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in the “Compensation Discussion and Analysis,” the “Summary Compensation Table” and the related compensation tables, notes and narratives in the company’s proxy statement for the 2013 Annual Meeting of Stockholders.

The say-on-pay vote is advisory, and therefore not binding on the Company, the Compensation Committee or our Board of Directors. However, our Board and our Compensation Committee value the opinions of our stockholders and will consider the outcome of the vote when making future executive compensation decisions.

Our Board of Directors has adopted a policy providing for an annual say-on-pay vote. Unless the Board modifies this policy, the next say-on-pay vote will be held at our 2014 annual meeting of stockholders.

## GENERAL INFORMATION

### Stockholder Proposals for 2014

We anticipate that the next Annual Meeting of stockholders will be held in May of 2014. In order to be considered for inclusion in our 2014 proxy statement, stockholder proposals must comply with SEC Rule 14a-8 regarding the inclusion of stockholder proposals in company-sponsored proxy materials and must be submitted in writing to: Office of the Corporate Secretary, Potlatch Corporation, 601 West First Ave., Suite 1600, Spokane, WA 99201. Proposals must be received on or prior to December 2, 2013.

Our Bylaws require that any stockholders who intend to present an item of business, including nominees for candidates for election as directors, at the 2014 annual meeting (other than a stockholder proposal submitted for inclusion in our 2014 proxy statement) must provide notice of such business to the Office of the Corporate Secretary at the address above not earlier than January 6, 2014 and not later than the close of business on February 5, 2014. Proposals should include the information set forth in our Bylaws. A copy of our Bylaws is available for downloading or printing by going to our public web site at [www.potlatchcorp.com](http://www.potlatchcorp.com), and selecting "Investor Resources," and then "Corporate Governance."

### Other Information

We will make available to a stockholder, free of charge, any of the following documents at the stockholder's request:

#### Filings with the Securities and Exchange Commission

- ▲ Annual Reports on Form 10-K
- Quarterly Reports on Form 10-Q
- Current Reports on Form 8-K
- Registration Statements
- Beneficial Ownership Reports for Directors and Executive Officers
- Charter Documents
- ▲ Amended and Restated Bylaws
- Second Restated Certificate of Incorporation
- Committee Charters
- ▲ Audit Committee Charter
- Executive Compensation and Personnel Policies Committee Charter
- Finance Committee Charter
- Nominating and Corporate Governance Committee Charter
- Governance Documents
- Conduct and Ethics Code
- Corporate Governance Guidelines
- ▲ Audit Committee Pre-approval Policy
- Officer Stock Ownership Guidelines
- Related Person Transactions Policy
- ▲ Audit Committee Hiring Policy
- ▲ Audit Committee Independence and Financial Expert Policy
- Securities Law Compliance and Insider Trading Policy
- Director Independence Policy
- Director Stock Ownership Guidelines
- Corporation Financial Restatement Clawback Policy



These documents are available for downloading or printing by going to our public web site at [www.potlatchcorp.com](http://www.potlatchcorp.com), and selecting "Investor Resources," and then "Corporate Governance." You may also submit a request for printed copies by email to [investorinfo@potlatchcorp.com](mailto:investorinfo@potlatchcorp.com) or by mail to the following address:

Potlatch Corporation  
Attn: Corporate Secretary  
601 West First Ave., Suite 1600  
Spokane, WA 99201

















