

POTLATCH CORP
Form DEF 14A
April 01, 2014

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

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POTLATCH CORPORATION

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POTLATCH CORPORATION
ANNUAL MEETING OF STOCKHOLDERS
MAY 5, 2014

NOTICE OF ANNUAL MEETING
AND
PROXY STATEMENT

April 1, 2014

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

The Annual Meeting of Stockholders of Potlatch Corporation will be held at the Potlatch Corporation Corporate Offices, 601 West First Ave., Suite 1600, Spokane Washington 99201, on Monday, May 5, 2014, at 9:00 a.m. local time.

We are holding this meeting to:

- elect two directors to the Potlatch Corporation Board of Directors;
- ratify the appointment of KPMG LLP as our independent auditors for 2014;
- approve the Potlatch Corporation 2014 Long-Term Incentive Plan;
- approve, by an advisory vote, executive compensation; and
- transact any other business that properly comes before the meeting.

Your Board of Directors has selected March 14, 2014 as the record date for determining stockholders entitled to notice of the meeting and to vote at the meeting and at any adjournment or postponement.

Potlatch's proxy statement, Notice of Meeting, proxy card, and 2013 Annual Report, are being distributed to stockholders on or about April 1, 2014. Your vote is important, so please vote your shares promptly. To vote your shares, please refer to the instructions on the enclosed proxy card or voting instruction form, or review the section titled "Annual Meeting Information - Voting" of the accompanying proxy statement.

By Order of the Board of Directors,

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

Potlatch Corporation
601 West First Avenue, Suite
1600
Spokane, WA 99201-0603

WWW.POTLATCHCORP.COM

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>15</u>
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	<u>17</u>
<u>AUDIT COMMITTEE REPORT</u>	<u>19</u>
<u>PROPOSAL 2 - RATIFICATION OF THE APPOINTMENT OF KPMG LLP AS OUR INDEPENDENT AUDITORS FOR 2014</u>	<u>21</u>
<u>COMPENSATION DISCUSSION AND ANALYSIS</u>	<u>22</u>
<u>REPORT OF THE EXECUTIVE COMPENSATION AND PERSONNEL POLICIES COMMITTEE</u>	<u>37</u>
<u>EXECUTIVE COMPENSATION TABLES</u>	<u>38</u>
<u>PROPOSAL 3 - APPROVAL OF POTLATCH CORPORATION 2014 LONG-TERM INCENTIVE PLAN</u>	<u>51</u>
<u>PROPOSAL 4 - ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION</u>	<u>57</u>
<u>GENERAL INFORMATION</u>	<u>58</u>
<u>APPENDIX A</u>	<u>A-1</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 2014 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, 2014.

Date, time and place of the meeting

The 2014 Annual Meeting of Stockholders will be held on Monday, May 5, 2014, 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 four 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 two 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 2014. 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.

2014 Long-Term Incentive Plan. The third proposal requests the approval of the Potlatch Corporation 2014 Long-Term Incentive Plan. 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 the plan.

Executive Compensation. The fourth 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 2014

FOR the approval of the Potlatch Corporation 2014 Long-Term Incentive Plan

FOR advisory approval of our executive compensation

Who may vote

Stockholders who owned common stock at the close of business on March 14, 2014, 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 14, 2014, the record date, we had 40,589,389 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 and follow the instructions. You will need to enter the Control 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 Control 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 and follow the instructions. You will need to enter the Control Number printed on the enclosed proxy card 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 proxy card 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 approval of the Potlatch Corporation 2014 Long-Term Incentive Plan and the advisory vote to approve executive compensation are also "non-discretionary" items 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 2014 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 two nominees for director identified in this proxy statement, FOR the ratification of the appointment of KPMG LLP as our independent auditors for 2014, FOR the approval of the Potlatch Corporation 2014 Long-Term Incentive Plan 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 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 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 2014 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 5, 2014. This proxy statement and the 2013 Annual Report are available at 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. Moody and Mr. Peiros are now members of the Board. 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 2017

John S. Moody

Age 65, a director since September 2006

Lawrence S. Peiros

Age 58, a director since February 2003

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 8. At the Annual Meeting, you and the other stockholders will elect two individuals to serve as directors until the 2017 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.

Below are the names and ages of our eight directors as of the date of this proxy statement, the year each of them became 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 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 2017 (Class III)

John S. Moody (age 65) has been a director since September 2006. Since 2010, Mr. Moody has served as 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 2007 through 2009, he served as President of Proterra Management LLC in Houston, which is the general partner and manager of Proterra Realty 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 has also served as a director of Huron Consulting Group (NASDAQ: HURN), a publicly held integrated strategic services provider since 2005, and Hines Global REIT, Inc., a commercial real estate REIT since 2009. 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 at REITs.

Lawrence S. Peiros (age 58) 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 to 2007. 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. Peiros' service on the boards of two other public companies provides him additional corporate governance, leadership and oversight experience.

Directors Continuing in Office until 2016 (Class III)

Michael J. Covey (age 56) 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 timberlands, 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.

5

Charles P. Grenier (age 64) has been a director since May 2013. Mr. Grenier retired from Plum Creek Timber Company, Inc. (NYSE: PCL), a publicly traded real estate investment trust (REIT), in 2000. Mr. Grenier served as Executive Vice President of Plum Creek 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. 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 timberlands, 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 contributes 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 65) has been a director since September 2000. Mr. Quesnel retired from CNF, Inc. (NYSE: CNW), a supply chain logistics management company, in 2004. Mr. Quesnel served as President, Chief Executive Officer and a director of CNF, Inc. 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 has served as a director of Synnex Corporation (NYSE: SNX), a business process services company, since 2006 and as a director for Ross Stores, Inc. (NASDAQ: ROST), a clothing retailer, since 2010.

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 2015 (Class I)

Boh A. Dickey (age 69) 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 51) 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 that he joined in 2007. 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 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 50) has been a director since March 2013 and our President and Chief Operating Officer since August 2013. Mr. Cremers served as President, Chief Operating Officer and Chief Financial Officer from March 2013 through August 2013, and Executive Vice President and Chief Financial Officer from February 2012 to March 2013. 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, and Chief Operating Officer and former 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, 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, 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 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.

The Director Nomination Policy adopted by the Nominating Committee and our Bylaws set forth the process for nomination of directors by stockholders. 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. Copies of our Director Nomination Policy and Bylaws are available for downloading or printing by going to our public web site at 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 14, 2014, 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 and Chief Operating Officer.

With the exception of Mr. Covey and Mr. Cremers, the Board has determined that all of our directors are independent within the meaning of applicable Nasdaq corporate governance listing rules and our Director Independence Policy, a copy of which can be found on our public web site by going to 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