RED ROBIN GOURMET BURGERS INC
Form 8-K
May 22, 2018

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

FORM 8 K

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 22, 2018
RED ROBIN GOURMET BURGERS, INC.
(Exact name of registrant as specified in its charter)

Delaware	001-34851	84-1573084
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

6312 S. Fiddler's Green Circle, Suite 200N Greenwood Village, Colorado	80111
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (303) 846-6000

Not Applicable
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:
¨Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
¨Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
¨Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
¨Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

1

ITEM 2.02 Results of Operations and Financial Condition

On May 22, 2018, Red Robin Gourmet Burgers, Inc. issued a press release describing selected financial results for the first fiscal quarter ended April 22, 2018. A copy of this press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference. A copy of the supplemental financial information for the first fiscal quarter ended April 22, 2018, that will be referred to during today's investor conference call and webcast is being furnished as Exhibit 99.2 to this Form 8-K.

The information in this Item 2.02, including the information set forth in Exhibits 99.1 and 99.2, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, regardless of any general incorporation language in such filing, except as shall be expressly set forth by specific reference in such filing.

ITEM 9.01 Financial Statements and Exhibits

(d) Exhibits

Exhibit No.	Description
99.1	Red Robin Gourmet Burgers, Inc. Press Release dated May 22, 2018.
99.2	Supplemental Financial Information dated May 22, 2018 provided by Red Robin Gourmet Burgers, Inc.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

RED ROBIN GOURMET BURGERS, INC.

Date: May 22, 2018
By: /s/ Guy J. Constant
Name: Guy J. Constant
Title: Executive Vice President and Chief Financial Officer

3

EXHIBIT INDEX

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4

erage ratio and a maximum funded indebtedness to capitalization ratio. We will be permitted to pay distributions to our stockholders under the terms of the bank credit facility so long as we remain in pro forma compliance with the financial maintenance covenants.

The table below sets forth the most restrictive covenants in the bank credit facility and our status with respect to these covenants as of December 31, 2010:

	COVENANT REQUIREMENT	**ACTUAL RATIO AT DECEMBER 31, 2010**
Minimum Interest Coverage Ratio	2.75 to 1.00*	5.43 to 1.00
Minimum Collateral Coverage Ratio	2.25 to 1.00**	3.56 to 1.00
Maximum Funded Indebtedness To Capitalization Ratio	60.0%**	53.8%

* Commencing October 1, 2011, the Minimum Interest Coverage Ratio will increase to 3.00 to 1.00.

** Per an amendment to the credit agreement, the Minimum Collateral Coverage Ratio increased to 3.00 to 1.00 and the Maximum Funded Indebtedness to Capitalization Ratio increased to 70.0% effective as of February 4, 2011.

On November 3, 2009, we sold $150 million aggregate principal amount of senior notes. The notes are due on November 1, 2019, have an interest rate of 7.5% and were issued at a price equal to 98.284% of their face value. Approximately $73.0 million of the net proceeds were used to repay the outstanding balance on our bank credit facility. The remainder was invested in short-term investments and has been or will be used for general corporate purposes.

These notes are general unsecured obligations and are therefore not secured by our assets. They are equal in right of payment with all existing and future unsecured senior debt and are senior in right of payment to all existing and future senior subordinated and subordinated debt. The notes are effectively subordinated to all of our existing and future secured debt to the extent of the value of the assets securing such debt, including borrowings under our secured bank our credit facility and approximately $71.3 million of other debt, which is secured by a pledge of the capital stock of our subsidiaries and by 640,900 acres of our timberlands in Idaho. The notes are unconditionally guaranteed by certain of our subsidiaries.

We have the option to redeem all or a portion of the notes at any time before maturity at a redemption price equal to 100% of the principal amount thereof plus a premium and accrued and unpaid interest. In addition, at any time prior to November 1, 2012, we have the option to redeem up to 35% of the principal amount of the notes with the net cash proceeds of certain equity offerings at a redemption price equal to 107.5% of the principal amount thereof plus accrued interest.

We filed a registration statement with the SEC, which was effective May 7, 2010, pursuant to which we offered to exchange the senior notes and related subsidiary guarantees for notes and subsidiary guarantees with substantially similar terms that are registered under the Securities Act. All of the original notes were tendered for the registered notes in June 2010.

In accordance with SEC rules, the registration of the notes does not result in a requirement to file periodically separate financial information with respect to an issuer, its guarantor subsidiaries and its non-guarantor subsidiaries where the parent entity has no independent assets or operations, the guarantees are full and unconditional and joint and several, and the non-guarantor subsidiaries are minor, all as defined by applicable SEC rules.

Separate financial information about Potlatch, Potlatch s guarantor subsidiaries and its non-guarantor subsidiaries is not presented because Potlatch holds all of its assets and conducts all of its operations through its subsidiaries and has no independent assets or operations. Potlatch s subsidiaries, other than the subsidiary guarantors, are minor in significance. The guarantees of our subsidiary guarantors are full and unconditional and joint and several. Except with respect to REIT tax rules, there are no significant restrictions on the ability of Potlatch or any of the subsidiary guarantors to obtain funds from any of our subsidiaries by dividend or loan. The tax rules with which we must comply to maintain our status as a REIT limit our ability to use dividends from Potlatch TRS to service our indebtedness. In particular, at least 75% of our gross income for each taxable

Table of Contents

year as a REIT must be derived from sales of our standing timber and other types of real estate income. No more than 25% of our gross income may consist of dividends from Potlatch TRS and other non-qualifying types of income. This requirement may limit our ability to receive dividends from Potlatch TRS and may impact our ability to service our indebtedness using cash flows from Potlatch TRS.

The terms of the notes limit our ability and the ability of any subsidiary guarantors to borrow money, pay dividends, redeem or repurchase capital stock, enter into sale and leaseback transactions, and create liens. With respect to the limitation on dividends and the repurchase of our capital stock, these restricted payments are permitted as follows:

- We may use 100% of our Funds Available for Distribution, or FAD, for the period January 1, 2010 through the end of the quarter preceding the payment date, less cumulative restricted payments previously made from FAD during that period, to make restricted payments.

- If our cumulative FAD, less cumulative restricted payments previously made from FAD, is insufficient to cover a restricted payment, then we are permitted to make payments from a basket amount, which was approximately $90.1 million at December 31, 2010.

- If our cumulative FAD less our aggregate restricted payments made from FAD is insufficient to cover a restricted payment and we have depleted the basket, we may still make a restricted payment, so long as, after giving effect to the payment, our ratio of indebtedness to earnings before interest, taxes, depreciation, depletion, amortization and basis of real estate sold, or EBITDDA, from continuing operations for the preceding four full fiscal quarters does not exceed 4.25 to 1.00.

FAD, as defined in the indenture governing the senior notes, is earnings from continuing operations, plus depreciation, depletion and amortization, plus basis of real estate sold, and minus capital expenditures. For purposes of this definition, capital expenditures exclude all expenditures relating to direct or indirect timberland purchases in excess of $5 million. Under this definition, our FAD for 2010 was $105.1 million and our distributions paid in 2010 were $81.6 million.

In June 2009, our obligations under the indenture governing the $100 million principal amount of 9-1/8% credit sensitive debentures, due December 1, 2009, were fully discharged. Prior to our spin-off of Clearwater Paper in December 2008, Clearwater Paper agreed to make all remaining payments to the debenture holders and, in June 2009, Clearwater Paper deposited with the indenture trustee a sum sufficient to satisfy all remaining principal and interest due on the credit sensitive debentures. The credit sensitive debentures matured and were redeemed on December 1, 2009.

Scheduled payments due on long-term debt during each of the five years subsequent to December 31, 2010, are as follows:

(Dollars in thousands)

2011	$ 5,011
2012	21,662
2013	8,413
2014	21,000
2015	22,500

Table of Contents

NOTE 10.

Accounts Payable and Accrued Liabilities

(Dollars in thousands)

	2010	2009
Wages, salaries and employee benefits	$ 13,766	$ 13,499
Taxes other than income taxes	7,625	6,279
Environmental remediation	4,800	739
Interest	4,726	4,732
Logging related expenses	4,156	3,500
Trade accounts payable	3,857	8,248
Book overdrafts	3,466	1,288
Lumber hedge	2,876	
Freight	851	537
Utilities	279	319
Income taxes	72	1,400
Other	5,030	3,960
	$ 51,504	$ 44,501

NOTE 11.

Other Long-Term Obligations

(Dollars in thousands)

	2010	2009
Employee benefits and related liabilities	$ 13,109	$ 12,328
Other	5,522	5,156
	$ 18,631	$ 17,484

NOTE 12.

Financial Instruments and Concentrations of Risk

DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

We record all derivatives on our balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether we have elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that is attributable to the hedged risk in a fair value hedge.

We formally document all relationships between hedging instruments and hedged items, as well as the risk-management objective and strategy for undertaking various hedge transactions.

Table of Contents

FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair values of our financial instruments are as follows:

(Dollars in thousands)

	2010		2009	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Cash, restricted cash and short-term investments (Level 1)	$ 91,183	$ 91,183	$ 55,038	$ 55,038
Net derivative liability related to interest rate swaps (Level 2)	216	216		
Derivative liability related to lumber hedge (Level 2)	2,876	2,876		
Long-term debt (including fair value adjustments related to fair value hedges) (Level 2)	368,496	369,351	368,431	364,978

A framework has been established for measuring fair value, which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below.

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include:

Quoted prices for similar assets or liabilities in active markets;

Quoted prices for identical or similar assets or liabilities in inactive markets;

Inputs other than quoted prices that are observable for the asset or liability;

Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observed for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset s or liability s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

For cash, restricted cash and short-term investments, the carrying amount approximates fair value due to the short-term nature of these financial instruments. The fair value of the interest rate swaps has been determined based upon quoted market prices for similar assets and liabilities in active markets. The fair value of the non-designated lumber hedge has been determined primarily from observable data by correlation and other means. The fair value of our long-term debt is estimated based upon the quoted market prices for the same or similar debt issues. For long-term debt for which there is no quoted market price, fair value is estimated based on average market prices for comparable liquid revenue bonds.

FAIR VALUE HEDGES OF INTEREST RATE RISK

On June 30, 2010, we entered into nine separate interest rate swap agreements with notional amounts totaling $68.25 million, each effective July 1, 2010, associated with our $22.5 million debentures and $45.75 million of our medium-term notes. The swaps converted interest payments with fixed rates ranging between 6.95% and 8.89% to a variable rate of three-month LIBOR

Table of Contents

plus a spread between 4.738% and 7.8375%. The interest rate swaps terminate at various dates ranging from January 2011 to February 2018. Our risk management objective and strategy is to protect against the risk of adverse changes in fair value attributable to changes in the 3-month LIBOR swap rate, the designated benchmark interest rate being hedged, on $68.25 million of fixed-rate debt.

All of the interest rate swaps qualify for and have been designated as fair value hedges under the short-cut method of FASB Accounting Standard Codification, or ASC, 815, *Derivatives and Hedging*. As such, the net changes in fair value of the derivatives and the net changes in fair value of the hedged items are each recorded within interest expense. As of December 31, 2010, we have a derivative asset within non-current other assets of $0.1 million, derivative liabilities within other long-term obligations of $0.3 million and a cumulative net decrease to the carrying amount of our debt of $0.2 million recorded on our Consolidated Balance Sheets. We did not have any derivatives as of December 31, 2009.

For the year ended December 31, 2010, we recognized a total of $0.2 million of net gains recorded in interest expense due to changes in fair value of the derivatives. This net gain was offset by a cumulative net decrease to the carrying amount of debt of $0.2 million. Consequently, no net unrealized gain or loss was recognized in income. For the year ended December 31, 2010, we recognized a net gain, resulting in a reduction in interest expense, of $0.5 million, which includes realized net gains and losses from net cash settlements and interest accruals on the derivatives. We recognized no hedge ineffectiveness during 2010.

NON-DESIGNATED LUMBER HEDGE

Derivatives not designated as hedges are not speculative and are used to manage our exposure to interest rate movements, commodity price movements or other identified risks, but do not meet the strict hedge accounting requirements. On October 13, 2010, we entered into a commodity swap contract for 33,000 mbf (thousand board feet) of eastern spruce/pine with an effective date of April 1, 2011 and a termination date of September 30, 2011. Under the contract, 5,500 mbf will cash settle per month. On October 18, 2010, we entered into a commodity swap contract for 14,300 mbf of southern yellow pine. In January 2011, 7,150 mbf cash settled, with the remaining 7,150 mbf to cash settle in February 2011. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in net earnings. As such, an unrealized loss of $2.9 million was recognized for the year ended December 31, 2010.

The fair values of derivative instruments on our Consolidated Balance Sheets as of December 31 are as follows:

(Dollars in thousands)

	DERIVATIVE ASSETS			DERIVATIVE LIABILITIES		
		2010	2009		2010	2009
	BALANCE SHEET LOCATION	FAIR VALUE	FAIR VALUE	BALANCE SHEET LOCATION	FAIR VALUE	FAIR VALUE
Derivatives designated as hedging instruments:						
Interest rate contracts	Other assets (non-current)	$ 62	$	Other long-term obligations	$ 278	$
Total derivatives designated as hedging instruments		$ 62	$		$ 278	$
Derivatives not designated as hedging instruments:						
Lumber contracts		$	$	Accrued liabilities	$ 2,876	$
Total derivatives not designated as hedging instruments		$	$		$ 2,876	$

Table of Contents

The effect of derivatives on the Consolidated Statements of Operations for the years ended December 31, 2010 and 2009 are as follows:

(Dollars in thousands)

	LOCATION OF GAIN (LOSS) RECOGNIZED IN INCOME	AMOUNT OF GAIN (LOSS) RECOGNIZED IN INCOME 2010	2009
Derivatives designated in fair value hedging relationships:			
Interest rate contracts			
Realized gain on hedging instrument [1]	Interest expense	$ 481	$
Net gain recognized in income from fair value hedges		$ 481	$
Derivatives not designated as hedging instruments:			
Lumber contracts			
Unrealized loss on derivative	Cost of goods sold	$ (2,876)	$
Net loss recognized in income from derivatives not designated as hedging instruments		$ (2,876)	$

[1] Realized gain on hedging instrument consists of net cash settlements and interest accruals on the interest rate swaps during the period.

CONCENTRATION RISK

For the years ended December 31, 2010 and 2008, no customers accounted for 10% or more of our revenues. For the year ended December 31, 2009, we had one customer that accounted for approximately 10% of our revenues.

NOTE 13.

Savings Plans, Pension Plans and Other Postretirement Employee Benefits

Substantially all of our employees are eligible to participate in 401(k) savings plans and are covered by noncontributory defined benefit pension plans. In 2010, 2009 and 2008, we made matching 401(k) contributions on behalf of employees associated with continuing operations of $1.2 million, $1.3 million and $1.6 million, respectively. We also provide benefits under company-sponsored defined benefit retiree health care plans, which cover certain salaried and hourly employees. Most of the retiree health care plans require retiree contributions and contain other cost-sharing features.

We recognized the underfunded status of our defined benefit pension plans and other postretirement employee benefit obligations on our Consolidated Balance Sheets at December 31, 2010 and 2009. We recognized the changes in that funded status, in the year in which changes occurred, through our Consolidated Statements of Comprehensive Income (Loss).

The net periodic cost or benefit related to pension and postretirement benefits applicable to the Clearwater Paper spin-off are shown in discontinued operations for 2008.

Table of Contents

We use a December 31 measurement date for our benefit plans and obligations. The change in benefit obligation, change in plan assets and funded status for company-sponsored benefit plans and obligations are as follows:

(Dollars in thousands)

	PENSION BENEFIT PLANS		OTHER POSTRETIREMENT EMPLOYEE BENEFITS	
	2010	2009	2010	2009
Benefit obligation at beginning of year	$ 399,875	$ 391,439	$ 82,074	$ 131,403
Service cost	4,633	4,289	415	980
Interest cost	21,649	22,588	3,972	9,015
Plan amendments		540		(76,725)
Actuarial loss (gain)	106	11,254	(6,147)	27,540
Closures and special termination benefits	(432)		65	
Medicare Part D subsidies received			552	1,071
Benefits paid	(30,745)	(30,235)	(8,312)	(11,210)
Benefit obligation at end of year	395,086	399,875	72,619	82,074
Fair value of plan assets at beginning of year	318,590	292,645		13
Actual return on plan assets	38,863	57,489		
Employer contribution	1,729	1,714		
Benefits paid	(30,745)	(30,235)		
Spin-off of Clearwater Paper	627	(3,023)		(13)
Fair value of plan assets at end of year	329,064	318,590		
Funded status at end of year	$ (66,022)	$ (81,285)	$ (72,619)	$ (82,074)
Amounts recognized in the consolidated balance sheets:				
Current liabilities	$ (1,708)	$ (1,708)	$ (7,809)	$ (12,253)
Noncurrent liabilities	(64,314)	(79,577)	(64,810)	(69,821)
Net amount recognized	$ (66,022)	$ (81,285)	$ (72,619)	$ (82,074)

Amounts recognized (pre-tax) in Accumulated other comprehensive loss on our Consolidated Balance Sheets consist of:

(Dollars in thousands)

	PENSION BENEFIT PLANS		OTHER POSTRETIREMENT EMPLOYEE BENEFITS	
	2010	2009	2010	2009
Net loss	$ 209,232	$ 224,089	$ 50,673	$ 61,780
Prior service cost (credit)	4,613	5,488	(73,115)	(82,401)
Net amount recognized	$ 213,845	$ 229,577	$ (22,442)	$ (20,621)

The accumulated benefit obligation for all defined benefit pension plans was $388.9 million and $392.3 million at December 31, 2010 and 2009, respectively.

In late 2009, we restructured our health care and life insurance plans for the majority of our retirees, with the changes effective January 1, 2010. The level of subsidy was frozen for retirees so that all future increments in health care costs will be borne by the retirees. In addition, the retiree medical plans were redesigned for all retirees. For retirees under age 65, a high

Table of Contents

deductible medical plan was created and all other existing medical plans were terminated. These retirees were transferred to the new medical plan effective January 1, 2010. For retirees age 65 or over, the medical plan is divided into two components, with the company continuing to self-insure prescription drugs and providing a fully-insured medical supplemental plan through AARP/United Healthcare. Both medical plans require the retiree to contribute the amount in excess of the company subsidy in order to continue coverage. Finally, vision, dental and life insurance coverage for these retirees was terminated. The effect of these retiree plan changes was a reduction in the accumulated postretirement benefit obligation of $76.7 million, which was recognized as of December 31, 2009. The retirees from our Arkansas wood products manufacturing facility are represented by a bargaining group and their retiree medical plan is covered by the collective bargaining agreement.

Information as of December 31 for our pension plans, all of which had accumulated benefit obligations in excess of plan assets, was as follows:

(Dollars in thousands)

	2010	2009
Projected benefit obligation	$ 395,086	$ 399,875
Accumulated benefit obligation	388,934	392,333
Fair value of plan assets	329,064	318,590

Pre-tax components of net periodic cost (benefit) recognized in our Consolidated Statements of Operations were as follows:

(Dollars in thousands)

	PENSION BENEFIT PLANS			OTHER POSTRETIREMENT EMPLOYEE BENEFITS		
	2010	2009	2008	2010	2009	2008
Service cost	$ 4,633	$ 4,289	$ 11,085	$ 415	$ 980	$ 2,546
Interest cost	21,649	22,588	37,144	3,972	9,015	15,676
Expected return on plan assets	(33,133)	(35,309)	(60,697)			
Amortization of prior service cost (credit)	875	993	3,276	(8,891)	(984)	(3,651)
Amortization of actuarial loss	8,174	3,890	4,009	4,631	4,445	3,925
Special termination benefits			200			
Net periodic cost (benefit)	$ 2,198	$ (3,549)	$ (4,983)	$ 127	$ 13,456	$ 18,496

Table of Contents

Other amounts recognized in our Consolidated Statements of Comprehensive Income (Loss) were as follows:

(Dollars in thousands)

	PENSION BENEFIT PLANS			OTHER POSTRETIREMENT EMPLOYEE BENEFITS		
	2010	**2009**	**2008**	**2010**	**2009**	**2008**
Net loss (gain)	$ (6,682)	$ (7,902)	$ 161,022	$ (6,477)	$ 27,553	$ 8,360
Prior service cost (credit)		539	1,433	715	(76,725)	
Amortization of prior service (cost) credit	(875)	(993)	(3,276)	8,571	984	3,651
Amortization of actuarial loss	(8,174)	(3,890)	(4,009)	(4,631)	(4,445)	(3,925)
Total recognized in other comprehensive loss (income)	$ (15,731)	$ (12,246)	$ 155,170	$ (1,822)	$ (52,633)	$ 8,086
Total recognized in net periodic cost (benefit) and other comprehensive loss (income)	$ (13,533)	$ (15,795)	$ 150,187	$ (1,695)	$ (39,177)	$ 26,582
Pre-tax net periodic benefit cost (benefit) related to continuing operations	$ 2,198	$ (3,549)	$ (5,411)	$ 127	$ 13,456	$ 10,275

The estimated net loss and prior service cost for the defined benefit pension plans that will be amortized from accumulated other comprehensive loss into net periodic benefit cost over the next fiscal year are $10.1 million and $0.7 million, respectively. The estimated net loss and prior service credit for OPEB obligations that will be amortized from accumulated other comprehensive loss into net periodic benefit cost over the next fiscal year are $4.3 million and $(8.5) million, respectively.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 introduced a drug benefit under Medicare Part D and a federal subsidy to sponsors of retiree health care benefit plans that provide an equivalent benefit. Our actuaries determined that certain benefits provided under our plans are actuarially equivalent to the Medicare Part D standard plan and are eligible for the employer subsidy. During 2010 and 2009, we received subsidy payments totaling $0.6 million and $1.1 million, respectively, associated with continuing operations.

Weighted average assumptions used to determine the benefit obligation as of December 31 were:

	PENSION BENEFIT PLANS			OTHER POSTRETIREMENT EMPLOYEE BENEFITS		
	2010	**2009**	**2008**	**2010**	**2009**	**2008**
Discount rate	5.65%	5.65%	6.15%	5.40%	5.65%	6.15%
Rate of salaried compensation increase	4.00	4.00	4.00			

Weighted average assumptions used to determine the net periodic benefit (cost) for the years ended December 31 were:

	PENSION BENEFIT PLANS			OTHER POSTRETIREMENT EMPLOYEE BENEFITS		
	2010	**2009**	**2008**	**2010**	**2009**	**2008**
Discount rate	5.65%	6.15%	6.40%	5.65%	6.15%	6.40%
Expected return on plan assets	8.50	8.50	9.00			9.00
Rate of salaried compensation increase	4.00	4.00	4.00			

Table of Contents

The discount rate used in the determination of pension and OPEB benefit obligations was a hypothetical bond portfolio consisting of AA or better rated securities which matches the expected monthly benefit payments under the pension plans and OPEB obligations. The portfolio consisted of approximately 50 bonds which were well-diversified over corporate industrial, corporate financial, municipal, federal and foreign government issuers. Prior to 2010, the discount rate used in the determination of pension and OPEB benefit obligations and net periodic benefit (cost) was a weighted average benchmark rate based on high-quality fixed income investment interest rates, as well as the amount and timing of expected benefit payments.

The expected return on plan assets assumption is based upon an analysis of historical long-term returns for various investment categories, as measured by appropriate indices. These indices are weighted based upon the extent to which plan assets are invested in the particular categories in arriving at our determination of a composite expected return.

The assumed health care cost trend rate used to calculate OPEB obligations as of December 31, 2010 was 0% for our salaried and non-represented plans and a certain group of participants over age 65 in our hourly plan; 7.5% for our Arkansas participants covered by a collective bargaining agreement, grading ratably to an assumption of 5.0% in 2070; and 6.0% for a certain group of participants under age 65 in our hourly plan, grading ratably to an assumption of 5.0% in 2070. The assumption of a 0% medical trend rate for several plans and groups of participants was due to the restructuring of our health care plans in late 2009 as previously discussed in this footnote.

A one percentage point change in the health care cost trend rates would have the following effects:

(Dollars in thousands)

	1% INCREASE	1% DECREASE
Effect on 2010 total service and interest cost components	$ 79	$ (70)
Effect on OPEB obligations as of December 31, 2010	817	(749)

The weighted average asset allocations of the pension benefit plans assets at December 31 by asset category are as follows:

	PENSION BENEFIT PLANS		OTHER POSTRETIREMENT EMPLOYEE BENEFITS	
ASSET CATEGORY	2010	2009	2010	2009
Domestic equity securities	22%	50%		
Debt securities	34	26		
Global/international equity securities	29	21		
Other	15	3		
Total	100%	100%		

We utilize formal investment policy guidelines for our company-sponsored pension plans. These guidelines are periodically reviewed by the board of directors. The board of directors has delegated its authority to management to insure that the investment policy and guidelines are adhered to and the investment objectives are met.

Table of Contents

The general policy states that plan assets will be invested to seek the greatest return consistent with the fiduciary character of the pension funds and to allow the plans to meet the need for timely pension benefit payments. The specific investment guidelines stipulate that management will maintain adequate liquidity for meeting expected benefit payments by reviewing, on a timely basis, contribution and benefit payment levels and appropriately revise long-term and short-term asset allocations. Management takes reasonable and prudent steps to preserve the value of pension fund assets and to avoid the risk of large losses. Major steps taken to provide this protection include:

Assets are diversified among various asset classes, such as domestic equities, global equities, fixed income, convertible securities and liquid reserves. The long-term asset allocation ranges are as follows:

Domestic and global equities	36%-60%
Fixed income and convertible securities	35%-40%
Liquid reserves	9%-21%

The ranges are more heavily weighted toward equities since the liabilities of the pension plans are long-term in nature and equities historically have significantly outperformed other asset classes over long periods of time. Periodic reviews of allocations within these ranges are made to determine what adjustments should be made based on changing economic and market conditions and specific liquidity requirements.

Assets are managed by professional investment managers and may be invested in separately managed accounts or commingled funds. Assets are diversified by selecting different investment managers for each asset class and by limiting assets under each manager to no more than 25% of the total pension fund.

Assets are not invested in Potlatch stock.

The investment guidelines also provide that the individual investment managers are expected to achieve a reasonable rate of return over a market cycle. Emphasis will be placed on long-term performance versus short-term market aberrations. Factors to be considered in determining reasonable rates of return include performance achieved by a diverse cross section of other investment managers, performance of commonly used benchmarks (e.g., S&P 500 Index, Shearson Lehman Government/Corporate Intermediate Index, Morgan Stanley World Index, Merrill Lynch Investment Grade Convertibles Index, Russell Value Index), actuarial assumptions for return on plan investments and specific performance guidelines given to individual investment managers.

Table of Contents

Fair Value Measurements at December 31, 2010:

(Dollars in thousands)

ASSET CATEGORY	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	TOTAL
Cash and equivalents	$ 5,700	$	$	$ 5,700
Equity securities:				
U.S. large cap[a]	34,475			34,475
U.S. small/mid cap[b]	19,352			19,352
U.S. small/mid cap[c]	20,001			20,001
International companies	10,303			10,303
Mutual funds[d]	112,648			112,648
Collective investments:				
Developed markets[e]		44,194		44,194
Emerging markets[f]		40,195		40,195
Hedge funds[g]			44,201	44,201
Securities pledged to creditors:				
Money market[h]		4,719		4,719
Mortgage-backed securities[i]		2,322		2,322
Subtotal	202,479	91,430	44,201	338,110
Payable held under securities lending agreements[j]	(9,046)			(9,046)
Total	$ 193,433	$ 91,430	$ 44,201	$ 329,064

(a) These are managed investments in US large cap equities that track Russell 1000 Value strategy.

(b) These are managed investments in US small/mid cap equities that track Russell 2500 Growth strategy.

(c) These are managed investments in US small/mid cap equities that track Russell 2500 Value strategy.

(d) The mutual funds were 50% invested in high-quality intermediate and long-term investment grade securities and 50% invested in a diversified portfolio of fixed- income instruments of varying maturities, which may be represented by forwards or derivatives such as options, futures contracts or swap agreements and high-yield securities that are rated B or higher.

(e) These collective investments are invested in equity funds of developed markets outside of the US & Canada, that track the MSCI EAFE.

(f) These collective investments are invested in equity funds of emerging markets outside of the US & Canada, that track the MSCI EAFE.

(g) The hedge funds are 34% invested in long/short and event-driven equity, 27% invested in long and short credit, 10% invested in distressed debt, 10% invested in fixed income and 8% invested in convertible bonds, with the remaining 11% in other investments.

[h] The money market holdings are invested in the Mount Vernon Securities Lending Trust Prime Portfolio.

[i] The mortgage-backed securities are maintained in the U.S. Bank Illiquid Securities Liquidating Trust.

[j] This category represents a payable under the securities lending agreements.

Table of Contents

Fair Value Measurements at December 31, 2009:

(Dollars in thousands)

ASSET CATEGORY	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	TOTAL
Cash and equivalents	$ 7,818	$	$	$ 7,818
Equity securities:				
U.S. companies	72,594			72,594
International companies	8,839			8,839
Mutual funds[a]	84,190			84,190
Collective investments:				
U.S. equity securities[b]		88,012		88,012
International securities[c]		31,676		31,676
Limited partnerships[d]		27,999		27,999
Securities pledged to creditors:				
Money market		333		333
Fixed income securities[e]		5,324		5,324
Mortgage-backed securities[f]		2,269		2,269
Subtotal	173,441	155,613		329,054
Payable held under securities lending agreements[g]	(10,464)			(10,464)
Total	$ 162,977	$ 155,613	$	$ 318,590

[a]The mutual funds were 50% invested in high-quality intermediate and long-term investment grade securities and 50% invested in a diversified portfolio of fixed-income instruments of varying maturities and assets in high-yield securities.

[b]This collective investment was 47% invested in a low-cost equity index fund, not actively managed, that tracks the Russell 2500; 31% invested in an actively managed growth fund that tracks the Russell 1000; and 22% invested in a low-cost equity index fund, not actively managed, that tracks the S&P 500.

[c] These are actively managed global funds that are invested in non-U.S. international and emerging market securities.

[d] The limited partnerships hold investments in publicly traded U.S. and international equity securities.

[e]These are liquidating trusts that maintain a diversified portfolio of fixed-income instruments with maturities exclusive to 2010.

[f] This is a liquidating trust that maintains investments in mortgage-backed securities.

[g]This category represents a payable under the securities lending agreements.

The table below sets forth a summary of changes in the fair value of the plans   Level 3 assets for the year ended December 31, 2010:

	Hedge Funds
Balance, beginning of year	$
Purchases, sales, issuances and settlements, net	42,000
Unrealized gains relating to assets still held at the reporting date	2,201
Balance, end of year	$ 44,201

Refer to Note 12 for discussion of the framework for measuring fair value.

Following is a description of the valuation methodologies used for assets measured at fair value:

Corporate common and preferred stocks are valued at quoted market prices of the issuers stock.

Table of Contents

Registered investment company funds are valued at the net asset value (NAV) of shares held by the plan at year-end and classified as Level 1.

Investments in common and collective trust funds (Vanguard Long-Term (VWESX) and PIMCO (PTCIX) are valued on the basis of the unit value established for each fund at each valuation date. The unit value is supported by investment value based on quoted market prices in active markets. Investments that trade in markets that are not considered to be active, but whose values are based on quoted market prices, dealer quotations or valuations provided by alternative pricing sources supported by observable inputs are classified as Level 2. These may include U.S. government and sovereign obligations and less liquid listed equities. As investments whose values are classified as Level 2, prices include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. The unit value of collective investment funds is calculated by dividing the fund s net asset value on the calculation date by the number of units of the fund that are outstanding.

Investments in hedge funds are based on valuations provided by the respective investment managers. These investments are based on inputs that are unobservable and significant to the fair value measurement and are not traded in an active market. These investments are classified as Level 3.

Investments in liquidating trusts that maintain investments in mortgage-backed securities are valued on the underlying net asset value of the securities and classified as Level 2.

At December 31, 2010, ten active investment managers managed substantially all of the pension funds, each of whom had responsibility for managing a specific portion of these assets. Plan assets were diversified among the various asset classes within the allocation ranges established by our investment policy.

As a result of the steep downturn in the stock market in late 2008 and early 2009, our company-sponsored pension plans were underfunded at December 31, 2010 and 2009. In April 2009, an Internal Revenue Service pronouncement provided significant funding relief to single-employer defined benefit plans sponsors. Consequently, we were not required to make contributions during 2009 to our defined benefit plans. We were also not required to make contributions during 2010 as a result of carry-forward credits that we earned from discretionary contributions made in prior periods. We estimate cash payments in 2011 will total approximately $3.6 million to our non-represented pension plan and $1.7 million to our non-qualified supplemental pension plan. Payments made for OPEB obligations represent benefit costs incurred during the year by eligible participants.

Estimated future benefit payments, which reflect expected future service and expected Medicare prescription subsidy receipts, are as follows for the years indicated:

(Dollars in thousands)

	PENSION BENEFIT PLANS	OTHER POSTRETIREMENT EMPLOYEE BENEFITS	EXPECTED MEDICARE SUBSIDY
2011	$ 29,694	$ 8,362	$ 553
2012	29,277	7,663	602
2013	29,123	7,268	647
2014	28,983	7,038	714
2015	28,909	6,870	762
2016 2020	144,046	30,222	4,453

Table of Contents

NOTE 14.

Commitments and Contingencies

We have operating leases covering office space, equipment, land and vehicles expiring at various dates through 2028. As leases expire, it can be expected that, in the normal course of business, certain leases will be renewed or replaced.

As of December 31, 2010, the future minimum rental payments required under our operating leases are as follows:

(Dollars in thousands)

2011	$ 2,434
2012	2,215
2013	1,609
2014	1,095
2015	752
2016 and later years	1,100
Total	$ 9,205

Rent expense was $2.0 million, $1.9 million and $2.2 million for the years ended December 31, 2010, 2009 and 2008, respectively.

In January 2007, the EPA notified us that we are a potentially responsible party under CERCLA and the Clean Water Act for clean-up of a site known as Avery Landing in northern Idaho. We own a portion of the land at the Avery Landing site, which we acquired in 1980 from the Milwaukee Railroad. The land we own at the site and adjacent properties were contaminated with petroleum as a result of the Milwaukee Railroad s operations at the site prior to 1980. We entered into a consent order with the EPA in August 2008 to conduct an Engineering Evaluation/Cost Analysis, or EE/CA, study to determine the best means of addressing the contamination at the site. In January 2010, we submitted our draft EE/CA report to the EPA outlining various alternatives for addressing the contamination at the entire site. The range of cost estimates for the various alternatives set forth in the report to address the contamination at the entire site was from $0.7 million to $8.2 million. In April 2010, we were notified by the EPA that they determined the EE/CA report submitted by us contained deficiencies and that the EPA would complete the EE/CA report for the Avery Landing site and produce the Biological Assessment and Cultural Resources Evaluation reports. The EPA published its draft report on January 26, 2011 for public comment. The EPA s report focuses on a more limited number of remedial alternatives which range in cost from approximately $7.9 million to $10.5 million. The EPA will select a remedy for the site and determine which potentially responsible parties should implement the remedy following public comment. Currently we are under no legal obligation to implement any remedy selected by the EPA. We believe we have valid defenses available to limit our potential liability for contamination at the site and we will pursue those defenses in either settlement negotiations with the EPA or in litigation to limit our liability. As of December 31, 2010, we have accrued $4.8 million for this matter.

We believe there is no pending or threatened litigation that would have a material adverse effect on our financial position, operations or liquidity.

Under ASC Topic 410-20, the company must recognize a liability and an asset equal to the fair value of its legal obligation to perform asset retirement activities that are conditional on a future event if the amount can be reasonably estimated. In accordance with the guidance of ASC Topic 410-20, we undertook a review of our wood products facilities and other assets to determine, if possible, amounts that should be recognized as asset retirement obligations. The review resulted in our recording additional assets and corresponding liabilities, which were not material to our financial position or results of operations. We also identified situations that would have resulted in the recognition of additional asset retirement obligations, except for an

Table of Contents

inability to reasonably estimate the fair value of the liability at this time. Most of these situations relate to asbestos located within our manufacturing facilities where a settlement date or range of settlement dates cannot be specified, so that we are unable at this time to apply present value calculations to appropriately value an obligation. Any additional obligations recognized in the future as more information becomes available are not expected to have a material effect on our financial position or results of operations.

NOTE 15.

Equity-Based Compensation Plans

We recorded total equity-based compensation expense of $4.0 million in 2010, $3.8 million in 2009 and $6.5 million in 2008. Of these amounts, $3.4 million and $0.6 million related to performance shares and RSUs, respectively, in 2010; $3.3 million and $0.5 million related to performance shares and RSUs, respectively, in 2009; and $5.2 million and $1.3 million related to performance shares and RSUs, respectively, in 2008. All outstanding stock options were fully vested prior to January 1, 2006. The net income tax benefit associated with our equity-based compensation totaled $0 in 2010 and 2009, and $2.5 million in 2008.

For our continuing operations, we recorded equity-based compensation expense of $4.0 million in 2010, $3.8 million in 2009 and $4.3 million in 2008. The net income tax benefit associated with our equity-based compensation for our continuing operations recognized in the Consolidated Statements of Operations totaled $0 in 2010 and 2009, respectively, and $1.7 million in 2008. We recorded director deferred compensation expense totaling $0.9 million in 2010, $1.5 million in 2009 and $0.1 million in 2008.

For the year ended December 31, 2008, $1.5 million of cash flows representing the realized tax benefit related to the excess of the deductible amount over the compensation cost recognized have been classified as a financing cash inflow from continuing operations in the Consolidated Statements of Cash Flows. There were no similar realized tax benefits recognized for the years ended December 31, 2010 and 2009.

STOCK OPTIONS

All outstanding stock options were granted with an exercise price equal to the market price on the date of grant, were fully exercisable after two years and expire not later than 10 years from the date of grant. No new stock options were granted in 2010, 2009 or 2008.

On December 16, 2008, we completed the spin-off of Clearwater Paper. As part of the spin-off, we distributed 100% of the issued and outstanding shares of Clearwater Paper s common stock to the holders of record of our common stock as of the close of business on December 9, 2008. Each stockholder received one share of Clearwater Paper common stock for every 3.5 shares of our common stock held.

In connection with the spin-off, in order to maintain the same intrinsic value to stock option holders immediately before and after the spin-off distribution was paid, the number of options granted and exercise prices of all outstanding stock options were adjusted after the distribution of the Clearwater Paper common stock. The adjustment is reflected in the activity for 2008 presented in the table below.

Table of Contents

A summary of the status of outstanding stock options as of December 31, 2010, 2009 and 2008 and changes during those years is presented below:

	2010		2009		2008	
	SHARES	WEIGHTED AVG. EXERCISE PRICE	SHARES	WEIGHTED AVG. EXERCISE PRICE	SHARES	WEIGHTED AVG. EXERCISE PRICE
Outstanding at January 1	329,426	$ 21.14	412,001	$ 21.44	509,284	$ 25.08
Adjustments associated with the spin-off of Clearwater Paper					52,578	21.44
Shares exercised	(107,296)	20.10	(81,540)	22.56	(148,327)	26.30
Canceled or expired			(1,035)	30.92	(1,534)	25.31
Outstanding and exercisable at December 31	222,130	21.64	329,426	21.14	412,001	21.44
Total intrinsic value of options exercised during the year (in thousands)	$ 1,609		$ 561		$ 2,830	

There were no unvested stock options outstanding during 2010, 2009 or 2008.

The following table summarizes information about stock options outstanding at December 31, 2010:

	OPTIONS OUTSTANDING AND EXERCISABLE			
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING AT 12/31/10	WEIGHTED AVG. REMAINING CONTRACTUAL LIFE	WEIGHTED AVG. EXERCISE PRICE	AGGREGATE INTRINSIC VALUE (IN THOUSANDS)
$13.8594 to $16.6452	64,365	1.55 years	$ 15.19	
$19.2569	89,949	2.92 years	19.26	
$30.9204	67,816	3.92 years	30.92	
$13.8594 to $30.9204	222,130	2.83 years	21.64	$ 2,423

Cash received from stock option exercises for the years ended December 31, 2010, 2009 and 2008 was $2.2 million, $1.8 million and $3.9 million, respectively. The actual tax benefit realized for tax deductions from option exercises totaled $0 for the years ended December 31, 2010 and 2009, and $1.1 million for the year ended December 31, 2008.

PERFORMANCE SHARES

Performance share awards granted under the stock incentive plans have a three-year performance period and shares are issued at the end of the period if the performance measure is met. The performance measure is based on the percentile ranking of our total shareholder return relative to the total shareholder return performance of both a selected peer group of companies and a larger group of indexed companies over the three-year performance period. The number of shares actually issued, as a percentage of the amount subject to the performance share award, could range from 0% to 200%. Performance share awards granted under our stock incentive plans do not have voting rights unless and until shares are issued upon settlement. If shares are issued at the end of the three-year performance measurement period, the recipients will receive distribution equivalents in the form of additional shares at the time of payment equal to the distributions that would have been paid on the shares earned had the recipients owned the shares during the three-year period.

In connection with the spin-off of Clearwater Paper in the fourth quarter of 2008, the performance period for shares granted for the 36-month period ending December 31, 2008 was compressed to a 33-month performance period, and the shares were paid out prior to the spin-off on December 16, 2008. This acceleration of the performance period did not result in any additional compensation expense.

Table of Contents

A Monte Carlo simulation method is used to estimate the stock prices of Potlatch and the selected peer companies at the end of the three-year performance period. The expected volatility of each company s stock price and covariance of returns among the peer companies are key assumptions within the Monte Carlo simulation. Historical volatility over a term similar to the performance period is considered a reasonable proxy for forecasted volatility. Likewise, because the returns of Potlatch and the peer group companies are correlated, the covariance, a measure of how two variables tend to move together, is calculated over a historical term similar to the performance period and applied in the simulations. The simulations use the stock prices of Potlatch and the peer group of companies as of the award date as a starting point. Multiple simulations are generated, resulting in share prices and total shareholder return values for Potlatch and the peer group of companies. For each simulation, the total shareholder return of Potlatch is ranked against that of the peer group of companies. The future value of the performance share unit is calculated based on a multiplier for the percentile ranking and then discounted to present value. The discount rate is the risk-free rate as of the award date for a term consistent with the performance period. Awards are also credited with dividend equivalents at the end of the performance period, and as a result, award values are not adjusted for dividends.

The following table presents the key inputs used in calculating the fair value of the performance share awards in 2010, 2009 and 2008, and the resulting fair values:

	2010	2009	2008
Shares granted	81,162	112,269	91,491
Stock price as of valuation date	$ 31.88	$ 24.30	$ 40.87
Risk-free rate	1.29%	1.18%	2.27%
Fair value of a performance share	$ 45.30	$ 33.32	$ 52.75

A summary of the status of outstanding performance share awards as of December 31, 2010, 2009 and 2008, and changes during those years is presented below:

(Dollars in thousands except per-share amounts)

	2010 SHARES	2010 WEIGHTED AVG. GRANT DATE FAIR VALUE	2009 SHARES	2009 WEIGHTED AVG. GRANT DATE FAIR VALUE	2008 SHARES	2008 WEIGHTED AVG. GRANT DATE FAIR VALUE
Unvested shares outstanding at January 1	171,595	$ 40.04	131,108	$ 50.51	244,933	$ 50.80
Granted	81,162	45.30	112,269	33.32	91,491	52.75
Vested	(57,291)	52.75	(71,719)	48.66	(100,615)	54.23
Cancellations associated with the spin-off of Clearwater Paper					(87,921)	49.45
Forfeited	(10,865)	39.24	(63)	47.90	(16,780)	50.22
Unvested shares outstanding at December 31	184,601	38.45	171,595	40.04	131,108	50.51
Total grant date fair value of share awards vested during the year	$ 3,022		$ 3,490		$ 5,457	
Aggregate intrinsic value of unvested share awards at December 31	$ 5,752		$ 4,890		$ 3,214	

Table of Contents

As of December 31, 2010, there was $3.5 million of unrecognized compensation cost related to unvested performance share awards. The cost is expected to be recognized over a weighted average period of 1.5 years. The realized tax benefit that exceeds the previously recognized deferred tax asset for performance shares recognized as additional paid-in capital was $0 for the years ended December 31, 2010 and 2009, and $2.7 million for the year ended December 31, 2008.

RESTRICTED STOCK UNITS

Our 2005 Stock Incentive Plan also allows for awards to be issued in the form of RSU grants. During 2010, 2009 and 2008, certain officers and other select employees of the company were granted RSU awards that will accrue distribution equivalents based on distributions paid during the RSU vesting period. The distribution equivalents will be converted into additional RSUs that will vest in the same manner as the underlying RSUs to which they relate. The terms of the awards state that the RSUs will vest in a given time period of one to three years, and the terms of certain awards follow a vesting schedule within the given time period.

A summary of the status of outstanding RSU awards as of December 31, 2010, 2009 and 2008, and changes during these years is presented below:

	2010		2009		2008	
	SHARES	WEIGHTED AVG. GRANT DATE FAIR VALUE	SHARES	WEIGHTED AVG. GRANT DATE FAIR VALUE	SHARES	WEIGHTED AVG. GRANT DATE FAIR VALUE
Unvested shares outstanding at January 1	41,559	$ 32.57	39,711	$ 45.38	31,875	$ 48.84
Granted	21,559	33.17	21,720	24.34	45,869	35.23
Vested	(16,639)	42.23	(19,872)	49.18	(25,411)	34.72
Cancellations associated with the spin-off of Clearwater Paper					(10,835)	41.31
Forfeited	(4,764)	29.56			(1,787)	41.38
Unvested shares outstanding at December 31	41,715	29.37	41,559	32.57	39,711	45.38

The aggregate intrinsic value of the RSU awards was $1.4 million, $1.3 million and $1.0 million at December 31, 2010, 2009 and 2008, respectively.

For RSU awards granted during the period, the fair value of each share was determined on the date of grant using the grant date market price. The total fair value of RSU awards vested during 2010 was $0.7 million.

As of December 31, 2010, there was $0.6 million of total unrecognized compensation cost related to outstanding RSU awards. The cost is expected to be recognized over a weighted average period of 1.2 years.

NOTE 16.

Segment Information

As of December 31, 2010, our businesses are organized into three reportable operating segments: Resource; Real Estate; and Wood Products. Our Resource segment manages our timberlands to optimize revenue producing opportunities while at the same time adhering to our strict stewardship standards. Management activities include planting and harvesting trees and building and maintaining roads. The Resource segment also seeks to increase our revenues from non-timber resources such as from hunting leases, recreation permits and leases, biomass production, carbon sequestration, mineral rights leases and various other leasing opportunities. The activities of our Real Estate segment consist primarily of the sale of selected non-core timberland real estate. The Real Estate segment engages in real estate subdivision and development activities through Potlatch TRS and also plays an active role in negotiations for all timberland acquisitions. Our Wood Products segment manufactures and markets lumber and plywood.

Table of Contents

Our former Lewiston, Idaho wood products operations were included in the spin-off of the Clearwater Paper businesses. Our Prescott, Arkansas lumber mill was permanently shut down in May 2008. The Wood Products segment information for the periods presented in the table below has been adjusted to reflect the results of the Lewiston wood products operations and the Prescott lumber mill as discontinued operations.

The reporting segments follow the same accounting policies used for our consolidated financial statements, as described in the summary of significant accounting policies, with the exception of the valuation of inventories. All segment inventories are reported using the average cost method and the LIFO reserve is recorded at the corporate level. Management evaluates a segment s performance based upon profit or loss from operations before income taxes. Intersegment revenues are recorded based on prevailing market prices.

Table of Contents

Following is a tabulation of business segment information for each of the past three years. Corporate information is included to reconcile segment data to the consolidated financial statements.

(Dollars in thousands)

	2010	2009	2008
Segment Revenues:			
Resource	$ 225,834	$ 234,411	$ 265,307
Real Estate	85,226	65,353	46,077
Wood Products	273,887	216,592	263,132
	584,947	516,356	574,516
Elimination of intersegment revenues	(45,500)	(40,187)	(134,559)
Total consolidated revenues	$ 539,447	$ 476,169	$ 439,957
Intersegment Revenues[1] :			
Resource	$ 45,500	$ 40,187	$ 119,443
Wood Products			15,116
Total	$ 45,500	$ 40,187	$ 134,559
Operating Income (Loss):			
Resource	$ 62,107	$ 81,774	$ 76,008
Real Estate[2]	30,425	48,928	31,490
Wood Products	7,140	(20,484)	(13,675)
Eliminations and adjustments	1,900	7,863	(1,017)
	101,572	118,081	92,806
Corporate Items:			
Administration expense	(28,921)	(31,377)	(24,910)
Interest expense, net	(27,780)	(21,921)	(20,154)
Earnings from continuing operations before taxes	$ 44,871	$ 64,783	$ 47,742
Depreciation, depletion and amortization:			
Resource	$ 20,481	$ 23,366	$ 19,067
Wood Products	8,188	9,675	10,162
	28,669	33,041	29,229
Corporate	2,535	1,674	924
Total	$ 31,204	$ 34,715	$ 30,153
Assets:			
Resource and Real Estate[3]	$ 495,780	$ 604,617	$ 580,603
Wood Products	98,987	126,301	149,740
	594,767	730,918	730,343
Corporate	186,944	92,647	207,978
Total consolidated assets	$ 781,711	$ 823,565	$ 938,321
Capital Expenditures:			
Resource and Real Estate[3]	$ 11,534	$ 12,431	$ 55,167
Wood Products	1,896	1,466	6,709
	13,430	13,897	61,876
Corporate	1,571	1,800	2,203
Total	$ 15,001	$ 15,697	$ 64,079

[1] Intersegment revenues for 2008-2010, which were based on prevailing market prices, consisted primarily of logs and other fiber sales by our Resource segment to the Wood Products segment.

Table of Contents

[2] Operating income for the Real Estate segment includes basis of real estate sold of $48.7 million, $10.7 million and $9.1 million in 2010, 2009 and 2008, respectively.

[3] Assets and capital expenditures are shown on a combined basis for the Resource and Real Estate segments, as we do not produce such internal information separately for those segments. Capital expenditures for the Resource and Real Estate segments include capitalized reforestation costs, additions to timber and timberlands, deposits on timberlands for reverse LKE transactions, and additions to equipment. Not included in additions to timber and timberlands for 2010, 2009 and 2008 are non-cash transactions totaling $0, $0.2 million and $40.8 million, respectively, for the purchase of timberlands.

All of our wood products facilities and all other assets are located within the continental United States. However, we also sell and ship products to Canada and Mexico. Geographic information regarding our revenues is summarized as follows:

(Dollars in thousands)

	2010	2009	2008
United States	$ 532,862	$ 471,016	$ 433,232
Canada	5,959	4,802	6,725
Mexico	626	351	
Total consolidated revenues	$ 539,447	$ 476,169	$ 439,957

NOTE 17.

Asset Impairment Charge

During the fourth quarter of 2009, due to a change in estimated future cash flows, we concluded that our particleboard manufacturing assets were impaired, and recorded a pre-tax asset impairment charge of $3.0 million. The fair value of the impaired assets was estimated based on expected discounted future cash flows. For the year ended December 31, 2009, the impairment loss is reflected in the operating loss of our Wood Products segment and included in costs and expenses in our Consolidated Statement of Operations. In March 2010, we sold our particleboard manufacturing facility s buildings and equipment. There were no asset impairment charges in 2010 or 2008.

NOTE 18.

Discontinued Operations

We sold our OSB manufacturing facilities to Ainsworth Lumber Co. Ltd., or Ainsworth, in 2004. In 2006, Ainsworth filed a complaint against us, which we settled in 2009. Also in 2006, a series of private antitrust lawsuits were filed against us and certain other OSB manufacturers, which were settled in 2008. The settlements and all related legal expenses were accounted for as discontinued operations.

On December 16, 2008, we completed the spin-off of the Clearwater Paper businesses. The results of these operations, plus other corporate and administrative costs directly attributable to the Clearwater Paper businesses, including interest expense on the credit sensitive debentures, have been reclassified to discontinued operations.

We entered into fiber supply agreements to sell logs and residual chips to Clearwater Paper at market prices. The log supply agreement is for Clearwater Paper s Idaho operations and has an initial term of three years. The agreement for the residual chips is also for Clearwater Paper s Idaho operations and has an initial term of five years. The historical eliminated revenues and similar expenses prior to the spin-off, related to sales from Potlatch to the Clearwater Paper operations, were $69.6 million in 2008.

In May 2008, our lumber mill in Prescott, Arkansas was permanently shut down due to poor market conditions. As a result of this closure, we recorded an after-tax charge of $12.4 million during 2008. The Prescott mill was sold in November 2010.

Revenues from discontinued operations were $0 in both 2010 and 2009, and $1.2 billion in 2008. The sale of our Prescott mill resulted in a $0.9 million pre-tax gain in 2010. The operating loss from discontinued operations totaled $6.8 million in 2009,

Table of Contents

primarily related to OSB settlements. In the Consolidated Statements of Cash Flows, we have separately disclosed the operating, investing and financing portions of the cash flows attributable to our discontinued operations.

NOTE 19.

Financial Results by Quarter (Unaudited)

(Dollars in thousands except per-share amounts)

	THREE MONTHS ENDED							
	MARCH 31		JUNE 30		SEPTEMBER 30		DECEMBER 31	
	2010	2009	2010	2009	2010	2009	2010	2009
Revenues	$ 105,418	$ 129,593	$ 128,978	$ 78,782	$ 158,877	$ 163,716	$ 146,174	$ 104,078
Costs and expenses:								
Cost of goods sold	85,494	84,071	97,295	67,569	122,205	104,333	118,359	82,377
Selling, general and administrative expenses	8,445	9,611	9,401	10,589	10,062	14,560	11,439	12,622
Environmental remediation charge						39	4,096	700
Asset impairment								2,994
	93,939	93,682	106,696	78,158	132,267	118,932	133,894	98,693
Earnings from continuing operations	1,384	28,771	11,828	3,692	18,164	46,022	8,899	2,946
Discontinued operations	(189)	(3,951)	(85)	74	(84)	(183)	477	(43)
Net earnings	$ 1,195	$ 24,820	$ 11,743	$ 3,766	$ 18,080	$ 45,839	$ 9,376	$ 2,903
Earnings per common share from continuing operations								
Basic	$ 0.03	$ 0.72	$ 0.29	$ 0.09	$ 0.45	$ 1.16	$ 0.22	$ 0.07
Diluted	0.03	0.72	0.29	0.09	0.45	1.15	0.22	0.07
Earnings (loss) per common share from discontinued operations								
Basic	$	$ (0.10)	$	$	$	$ (0.01)	$ 0.01	$
Diluted		(0.10)					0.01	
Net earnings per common share								
Basic	$ 0.03	$ 0.62	$ 0.29	$ 0.09	$ 0.45	$ 1.15	$ 0.23	$ 0.07
Diluted	0.03	0.62	0.29	0.09	0.45	1.15	0.23	0.07

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders

Potlatch Corporation:

We have audited the accompanying balance sheets of Potlatch Corporation and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of operations, comprehensive income (loss), cash flows and stockholders equity for each of the years in the three-year period ended December 31, 2010. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule listed in Item 15. These consolidated financial statements and the financial statement schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements and the financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Potlatch Corporation and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Potlatch Corporation s internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 23, 2011 expressed an unqualified opinion on the effectiveness of the Company s internal control over financial reporting.

Seattle, Washington

February 23, 2011

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders

Potlatch Corporation:

We have audited Potlatch Corporation s internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Potlatch Corporation s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Potlatch Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Potlatch Corporation and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of operations, comprehensive income (loss), cash flows and stockholders equity for each of the years in the three-year period ended December 31, 2010, and our report dated February 23, 2011 expressed an unqualified opinion on those consolidated financial statements.

Seattle, Washington

February 23, 2011

Table of Contents

PART IV

ITEM 15.

Schedule II

POTLATCH CORPORATION AND CONSOLIDATED SUBSIDIARIES

Valuation and Qualifying Accounts

FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008

(Dollars in thousands)

DESCRIPTION	BALANCE AT BEGINNING OF YEAR	AMOUNTS CHARGED (CREDITED) TO COSTS AND EXPENSES	DEDUCTIONS[1]	BALANCE AT END OF YEAR
Reserve deducted from related assets:				
Doubtful accounts				
Accounts receivable				
Year ended December 31, 2010	$ 1,670	$ 54	$ (1,264)	$ 460
Year ended December 31, 2009	$ 1,669	$ 7	$ (6)	$ 1,670
Year ended December 31, 2008	$ 1,205	$ 1,270	$ (806)	$ 1,669

[1] Accounts written off, net of recoveries. The 2008 amount includes $765 related to the Clearwater Paper businesses that were spun off in December 2008 and are included in discontinued operations.

POTLATCH CORPORATION AND CONSOLIDATED SUBSIDIARIES

Exhibit Index

EXHIBIT NUMBER	DESCRIPTION
(2)(d)*	Asset Purchase Agreement, dated September 11, 2007, between Potlatch Forest Holdings, Inc., a Delaware corporation and wholly owned subsidiary of Potlatch Corporation, a Delaware corporation (the Registrant), as Buyer, and Western Pacific Timber, LLC, as Seller, regarding property located in Adams, Boise, and Valley counties, State of Idaho, filed as Exhibit (2)(d) to the Quarterly Report on Form 10-Q filed by the Registrant on October 29, 2007. (The Registrant agrees to furnish supplementally to the Securities and Exchange Commission (the Commission) upon request a copy of any omitted schedule.)
(2)(e)*	Asset Purchase Agreement, dated September 11, 2007, between Potlatch Forest Holdings, Inc., a Delaware corporation and wholly owned subsidiary of the Registrant, as Buyer, and Western Pacific Timber, LLC, as Seller, regarding property located in Adams, Boise, Idaho, and Valley counties, State of Idaho, and the city of Cascade, Idaho, filed as Exhibit (2)(e) to the Quarterly Report on Form 10-Q filed by the Registrant on October 29, 2007. (The Registrant agrees to furnish supplementally to the Commission upon request a copy of any omitted schedule.)
(2)(f)*	Separation and Distribution Agreement, dated December 15, 2008, between the Registrant and Clearwater Paper Corporation, filed as Exhibit 2.1 to the Current Report on Form 8-K filed by the Registrant on December 18, 2008.
(3)(a)*	Second Restated Certificate of Incorporation of the Registrant, effective February 3, 2006, filed as Exhibit 99.2 to the Current Report on Form 8-K filed by the Registrant on February 6, 2006.
(3)(b)*	Bylaws of the Registrant, as amended through February 18, 2009, filed as Exhibit (3)(b) to the Current Report on Form 8-K filed by the Registrant on February 20, 2009.
(4)	See Exhibits (3)(a) and (3)(b). The Registrant also undertakes to furnish to the Commission, upon request, any instrument defining the rights of holders of long-term debt.
(4)(a)*	Indenture, dated as of November 3, 2009, between the Registrant and U.S. Bank National Association, as trustee, filed as Exhibit 4.1 to the Current Report on Form 8-K filed by the Registrant on November 9, 2009.
(4)(a)(i)*	Form of 7 $^1/2$% Senior Notes due 2019 (included as Exhibit A to the Indenture filed as Exhibit 4(a)).
(4)(a)(ii)*	Registration Rights Agreement, dated as of November 3, 2009, between the Registrant and the parties named therein, filed as Exhibit 4.1 to the Current Report on Form 8-K filed by the Registrant on November 9, 2009.
(10)(a)[1]*	Potlatch Corporation Management Performance Award Plan, as amended effective December 2, 2004, filed as Exhibit (10)(a) to the Annual Report on Form 10-K filed by Potlatch Corporation, a Delaware corporation and the Registrant s former parent corporation (Original Potlatch) (on February 3, 2006, Original Potlatch merged with and into Potlatch Operating Company, a Delaware corporation and a wholly owned subsidiary of the Registrant, the Registrant then changed its name to Potlatch Corporation and became the new, publicly traded parent corporation) for the fiscal year ended December 31, 2004 (2004 Form 10-K) (SEC File No. 1-5313).
(10)(a)(i)[1]*	Amendment to Potlatch Corporation Management Performance Award Plan, filed as Exhibit 10.6 to the Current Report on Form 8-K filed by the Registrant on December 11, 2008.
(10)(b)[1]*	Potlatch Corporation Severance Program for Executive Employees, filed as Exhibit 10.3 to the Current Report on Form 8-K filed by the Registrant on December 11, 2008.
(10)(c)[1]*	Potlatch Corporation 2000 Stock Incentive Plan, adopted December 2, 1999, as amended effective December 29, 2005, filed as Exhibit (10)(c) to the Current Report on Form 8-K filed by Original Potlatch on January 5, 2006, and as amended September 16, 2006, filed as Exhibit (10)(c) to the Current Report on Form 8-K filed by the Registrant on September 21, 2006.

Table of Contents

(10)(c)(ii)[1]*	Form of employee Stock Option agreement for the Potlatch Corporation 2000 Stock Incentive Plan together with the Addendum thereto as used for options granted in December 2000, 2001, 2002, 2003 and 2004, filed as Exhibit (10)(c)(i) to the Annual Report on Form 10-K filed by Original Potlatch for the fiscal year ended December 31, 2001 (2001 Form 10-K) (SEC File No. 1-5313).
(10)(c)(iii)[1]*	Form of outside director Stock Option agreement for the Potlatch Corporation 2000 Stock Incentive Plan together with the Addendum thereto as used for options granted in December 2000, 2001, 2002 and 2003, filed as Exhibit (10)(c)(ii) to the 2001 Form 10-K (SEC File No. 1-5313).
(10)(d)[1]*	Potlatch Corporation Salaried Employees Supplemental Benefit Plan, as amended and restated effective January 1, 1989, and as amended through May 24, 2005, filed as Exhibit (10)(d) to the Quarterly Report on Form 10-Q filed by Original Potlatch for the quarter ended June 30, 2005.
(10)(d)(i)[1]*	Amendment, effective as of January 1, 1998, to Plan described in Exhibit (10)(d), filed as Exhibit (10)(d)(i) to the Annual Report on Form 10-K filed by Original Potlatch for the fiscal year ended December 31, 2003 (SEC File No. 1-5313).
(10)(d)(ii)[1]*	Amendment, effective as of December 5, 2008, to Plan described in Exhibit (10)(d), filed as Exhibit 10.5 to the Current Report on Form 8-K filed by the Registrant on December 11, 2008.
(10)(g)[1]*	Potlatch Corporation Deferred Compensation Plan for Directors, as amended through May 24, 2005, filed as Exhibit (10)(g) to the Quarterly Report on Form 10-Q filed by Original Potlatch for the quarter ended June 30, 2005.
(10)(h)[1*]	Potlatch Corporation Benefits Protection Trust Agreement, filed as Exhibit (10(h) to the Annual Report on Form 10-K filed by the Registrant for the year ended December 31, 2008 (the 2008 Form 10-K).
(10)(i)(i)[1]*	Compensation of Outside Directors, effective as of January 1, 2008, filed as Exhibit (10)(i)(i) to the 2008 Form 10-K.
(10)(j)[1]*	Form of Indemnification Agreement with each director of the Registrant and with each executive officer of the Registrant, filed as Exhibit 10.1 to the Current Report on Form 8-K filed by the Registrant on September 23, 2009.
(10)(n)[1]*	Potlatch Corporation 1995 Stock Incentive Plan, adopted December 7, 1995, as amended effective December 29, 2005, filed as Exhibit (10)(n) to the Current Report on Form 8-K filed by Original Potlatch on January 5, 2006.
(10)(n)(vi)[1]*	Form of employee Stock Option Agreement for the Potlatch Corporation 1995 Stock Incentive Plan together with the Addendum thereto as used for options granted in December 2002, filed as Exhibit (10)(n)(vi) to the 2004 Form 10-K (SEC File No. 1-5313).
(10)(o)*	Credit Agreement, dated as of December 8, 2008, among the Registrant and its wholly owned subsidiaries, as borrowers, Bank of America, N.A., as administrative agent, swing line lender, L/C issuer and collateral agent, the Guarantors from time to time party thereto and the Lenders from time to time party thereto, filed as Exhibit 10.1 to the Current Report on Form 8-K filed by the Registrant on December 10, 2008.
(10)(o)(i)*	First Amendment to Credit Agreement, dated November 19, 2009, by and among the Registrant, Potlatch Forest Holdings, Inc., Potlatch Land & Lumber, LLC, certain wholly-owned subsidiaries of the Registrant as Guarantors, the Lenders from time to time party thereto and Bank of America, N.A., as administrative agent for the Lenders, filed as Exhibit 10.1 to the Current Report of Form 8-K filed by the Registrant on November 24, 2009.
(10)(o)(ii)*	Consent, dated June 23, 2009, to the Credit Agreement, dated December 8, 2008, by and among the Registrant and its wholly owned subsidiaries, as borrowers, Bank of America, N.A., as administrative agent, swing line lender, L/C issuer and collateral agent, the Guarantors from time to time party thereto and the Lenders from time to time party thereto, filed as Exhibit 10.1 to the Current Report on Form 8-K filed by the Registrant on June 24, 2009.

(10)(o)(iii)*	Second Amendment to Credit Agreement, dated February 4, 2011, by and among the Registrant, Potlatch Forest Holdings, Inc, Potlatch Land & Lumber, LLC, certain wholly owned subsidiaries of the Registrant as Guarantors, the Lenders from time to time party thereto and Bank of America, N. A. as administrative agent for the Lenders filed as Exhibit 10.1 to the Current Report on Form 8-K filed by the Registrant on February 8, 2011.
(10)(q)(iv)[1]*	Amendment, dated October 21, 2008, to Employment Agreement effective February 6, 2006, between the Registrant and Michael J. Covey, filed as Exhibit (10)(q)(iv) to the 2008 Form 10-K.
(10)(r)[1]*	Potlatch Corporation 2005 Stock Incentive Plan, as amended and restated May 19, 2006, filed as Exhibit (10)(r) to the Quarterly Report on Form 10-Q filed by the Registrant for the quarter ended June 30, 2006, and as further amended and restated effective September 16, 2006, filed as Exhibit (10)(e) to the Current Report on Form 8-K filed by the Registrant on September 21, 2006.
(10)(r)(i)[1]*	Form of Restricted Stock Unit Agreement (2005 Stock Incentive Plan), as amended and restated May 19, 2006, to be used for restricted stock unit awards to be granted subsequent to May 19, 2006, filed as Exhibit (10)(r)(i) to the Quarterly Report on Form 10-Q filed by the Registrant for the quarter ended June 30, 2006.
(10)(r)(ii)[1]*	Form of Performance Share Agreement (2005 Stock Incentive Plan), as amended and restated May 19, 2006, to be used for performance share awards to be granted subsequent to May 19, 2006, filed as Exhibit (10)(r)(ii) to the Quarterly Report on Form 10-Q filed by the Registrant for the quarter ended June 30, 2006, and as further amended on January 17, 2007, filed as Exhibit (10)(r)(ii) to the Current Report on Form 8-K filed by the Registrant on January 19, 2007.
(10)(r)(iv)[1]*	Potlatch Corporation Management Performance Award Plan II, as amended through February 20, 2008, filed as Exhibit (10)(r)(iv) to the Current Report on Form 8-K filed by the Registrant on February 26, 2008.
(10)(r)(v)[1]*	Amendment to Potlatch Corporation Management Performance Award Plan II, effective June 1, 2008, filed as Exhibit (10)(r)(v) to the Current Report on Form 8-K filed by the Registrant on May 21, 2008.
(10)(s)[1]*	Potlatch Corporation Deferred Compensation Plan for Directors II, filed as Exhibit (10)(s) to the 2008 Form 10-K.
(10)(t)[1]*	Potlatch Corporation Salaried Supplemental Benefit Plan II, filed as Exhibit 10.4 to the Current Report on Form 8-K filed by the Registrant on December 11, 2008.
(10)(w)[1]*	Potlatch Corporation Annual Incentive Plan, filed as Exhibit 10.1 to the Current Report on Form 8-K filed by the Registrant on December 11, 2008.
(10)(x)[1]*	Potlatch Corporation Management Deferred Compensation Plan, effective June 1, 2008, amended and restated as of May 1, 2009, filed as Exhibit 10.(x) on Form 10-K filed by the Registrant on February 18, 2010.
(10)(aa)*	Employee Matters Agreement, dated December 15, 2008, between the Registrant and Clearwater Paper Corporation, filed as Exhibit 10.3 to the Current Report on Form 8-K filed by the Registrant on December 18, 2008.
(10)(bb)*	Tax Sharing Agreement, dated December 15, 2008, among the Registrant, Potlatch Forest Holdings, Inc., a Delaware corporation and wholly owned subsidiary of the Registrant, Potlatch Land & Lumber, LLC, a Delaware limited liability company and wholly owned subsidiary of the Registrant, and Clearwater Paper Corporation, filed as Exhibit 10.4 to the Current Report on Form 8-K filed by the Registrant on December 18, 2008.
(12)	Computation of Ratio of Earnings to Fixed Charges.
(21)	Potlatch Corporation Subsidiaries.
(23)	Consent of Independent Registered Public Accounting Firm.

(24)	Powers of Attorney.
(31)	Rule 13a-14(a)/15d-14(a) Certifications.
(32)	Furnished statements of the Chief Executive Officer and Chief Financial Officer under 18 U.S.C. Section 1350.
101	The following financial information from Potlatch Corporation s Annual Report on Form 10-K for the year ended December 31, 2010, filed on February 23, 2011, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Statements of Operations for the years ended December 31, 2010, 2009 and 2008, (ii) the Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2010, 2009 and 2008, (iii) the Consolidated Balance Sheets at December 31, 2010 and 2009, (iv) the Consolidated Statements of Cash Flows for the years ended December 31, 2010, 2009 and 2008, (v) the Consolidated Statements of Stockholders Equity for the years ended December 31, 2010, 2009 and 2008, (vi) the Notes to Consolidated Financial Statements, tagged as blocks of text, and (vii) Schedule II Valuation and Qualifying Accounts, tagged as a block of text.

* Incorporated by reference.

[1] Management contract or compensatory plan, contract or arrangement.