

**IMPORTANT TAX INFORMATION
FOR POTLATCH CORPORATION SHAREHOLDERS
WHO RECEIVED CLEARWATER PAPER STOCK IN THE SPIN-OFF**

**Distribution of Clearwater Paper Corporation Common Stock
Potlatch Corporation Shareholder Tax Basis Information**

On December 16, 2008, Potlatch Corporation, a Delaware corporation (“Potlatch”), distributed (the “Distribution”) 100% of the outstanding shares of Clearwater Paper Corporation, a Delaware corporation (“Clearwater Paper”), to the holders of record of Potlatch common stock as of 5:00 p.m. New York City Time on December 9, 2008 (each, a “Potlatch Shareholder”). Potlatch and Clearwater Paper are now two separate publicly-owned companies.

Below is a general explanation of calculations relating to U.S. Federal income tax basis in Potlatch common stock, Clearwater Paper common stock, and cash that you received in lieu of fractional shares of Clearwater Paper common stock in the Distribution. Also below is a sample form for a Tax Information Statement that must be filed by certain U.S. Potlatch Shareholders with their 2008 U.S. Federal income tax returns.

CONSULT YOUR TAX ADVISOR

The information here represents our general understanding of the application of certain existing U.S. Federal income tax laws and regulations relating to the Distribution. It does not constitute tax advice and does not purport to be complete or to describe the consequences that may apply to particular categories of Potlatch Shareholders. *You are urged to consult your own tax advisor regarding the particular consequences of the Distribution to you, including the applicability and effect of all U.S. Federal, state and local and foreign tax laws.* We also urge you to read the Information Statement dated December 2, 2008 that was mailed to you, noting especially pages 24-27 under the heading “The Distribution-U.S. Federal Income Tax Consequences of the Distribution.” You may access the Information Statement elsewhere on our website at www.potlatchcorp.com under the menu option “INVESTOR RESOURCES/SEC Filings.”

INFORMATION ABOUT THE DISTRIBUTION

In the Distribution, Potlatch Shareholders of record received one share of Clearwater Paper common stock for every three and a half shares of Potlatch common stock held as of 5:00 p.m. New York City Time on December 9, 2008, and cash in lieu of fractional shares of Clearwater Paper common stock, if any.

If you did not receive the Distribution of Clearwater Paper common stock on December 16, 2008, this information does not apply to you. Additionally, this information does not apply to shares of Potlatch common stock sold, exchanged or otherwise disposed of prior to the time of the Distribution.

GENERAL GUIDANCE REGARDING TAX BASIS

As a consequence of the Distribution, you will need to allocate the tax basis in your Potlatch shares immediately before the Distribution between your Potlatch shares, your newly-received Clearwater Paper shares, and the cash, if any, that you received in lieu of fractional shares of Clearwater Paper common stock. If you purchased your Potlatch shares for cash, the tax basis for your Potlatch shares would generally equal the cost of these shares including commissions or other fees. If you received your Potlatch shares as a gift, through an employee compensation arrangement, or through some other means, *we recommend that you consult your own tax advisor to determine your tax basis in these shares.* If you acquired Potlatch shares at different times, you will need to make separate tax basis calculations for each group of shares based on their fair market values at the time you acquired the shares.

The allocation of tax basis between shares of Potlatch common stock, Clearwater Paper common stock, and any cash in lieu of fractional shares that you received in the Distribution is based on their relative fair market values at the time of the Distribution. U.S. Federal income tax law does not specify how to determine these fair market values. Fair market value generally is the price at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of the facts. There are several potential methods for determining the fair market values of Potlatch common stock and Clearwater Paper common stock, including, but not limited to: (i) the average of the high and low trading prices of such stocks on December 16 (the day on which the Clearwater Paper Spin-Off occurred), (ii) the opening trading price on December 17, and (iii) the closing trading price on December 17. In certain IRS private rulings, the IRS has recognized the use of the average of the high and low trading prices as an acceptable measure of fair market value. The closing trading prices of Potlatch common stock and Clearwater Paper common stock quoted on the New York Stock Exchange on the trading day after the Distribution, was \$26.09 and \$15.50, respectively, on December 17, 2008. The average of the high and low trading prices of Potlatch common stock and Clearwater Paper common stock trading on a “when issued” basis quoted on the New York Stock Exchange on the date of the Distribution, was \$23.67 and \$18.93, respectively, on December 16, 2008. There may be other methods for determining the fair market value of Potlatch common stock and Clearwater Paper common stock for purposes of allocating tax basis following the Distribution.

The following is an example of how to allocate your aggregate tax basis in your Potlatch common stock immediately before the Distribution between your Potlatch common stock and your newly received Clearwater Paper common stock. The example is based on the closing prices on the trading day following the Distribution, as described above. **The example is provided solely for illustrative purposes and as a convenience to Potlatch Shareholders and their tax advisors when establishing their specific tax position. Please remember that neither Potlatch nor Clearwater Paper provides its shareholders with tax advice, and this notice is not intended to provide tax advice. This notice is not intended or written to be used, and cannot be used, for the purposes of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter**

addressed herein. Potlatch encourages its shareholders to consult with their own tax advisors with their specific questions pertaining to their own tax positions including the application of the tax basis allocation rules to Potlatch shares acquired at different times or at different prices.

HYPOTHETICAL EXAMPLE OF TAX BASIS ALLOCATIONS

Assumptions:

Shares of Potlatch common stock owned: 100 shares

Purchase price for Potlatch shares: \$40 per share

Aggregate tax basis for Potlatch shares: **\$4,000** (100 shares x \$40 per share)

CLEARWATER PAPER shares received in Distribution: 28 shares

Cash received in lieu of .5714 shares of Clearwater Paper common stock: \$7.47 (\$13.07921 per share times .5714 shares)

Your aggregate tax basis in Potlatch shares immediately prior to the Distribution would be allocated between your Potlatch common stock, your newly-received Clearwater Paper common stock, and the cash that you received in lieu of fractional shares of Clearwater Paper common stock as follows:

Formula for Calculating Aggregate Value

To find the Aggregate Value, simply add (i) the fair market value of your Potlatch common stock, (ii) the fair market value of the Clearwater Paper common stock you received, and (iii) the amount of cash that you received in lieu of fractional shares of Clearwater Paper common stock.

Formula for Calculating Share Basis Allocation Percentage:

To find the Potlatch share basis allocation percentage, simply divide the fair market value of Potlatch common stock by the Aggregate Value.

To find the Clearwater Paper share basis allocation percentage, simply divide the fair market value of Clearwater Paper common stock by the Aggregate Value.

To find the Cash received in lieu of fractional share basis allocation percentage, simply divide the amount of cash that you received in lieu of fractional shares by the Aggregate Value.

	Fair Market Value (e.g. NYSE Closing Price on 12/17/08)		Aggregate Value				Share Basis Allocation Percentage
Potlatch Common Stock	\$2,609.00 (26.09 X 100)	+	\$3,050.47 (2,609.00 + 434.00 + 7.47)	×	100%	=	85.5278%
Clearwater Paper Common Stock	\$434.00 (15.50 X 28)	+	\$3,050.47 (2,609.00 + 434.00 + 7.47)	×	100%	=	14.2273%
Cash received in lieu of fractional share	\$7.47	+	\$3,050.47 (2,609.00 + 434.00 + 7.47)	×	100%	=	.2449%

Formula for Calculating Tax Basis Allocation:

To find your Potlatch tax basis allocation, multiply your aggregate Potlatch tax basis prior to the Distribution by your Potlatch share basis allocation percentage. To find your Potlatch tax basis allocation per share, divide this number by the number of Potlatch shares held prior to the Distribution.

To find your Clearwater Paper tax basis allocation, multiply your aggregate Potlatch tax basis prior to the Distribution by your Clearwater Paper share basis allocation percentage. To find your Clearwater Paper tax basis allocation per share, divide this number by the number of Clearwater Paper shares you received as a result of the Distribution.

To find your Cash received in lieu of fractional share tax basis allocation, multiply your aggregate Potlatch tax basis prior to the Distribution by your Clearwater Paper share basis allocation percentage.

	Aggregate Potlatch Tax Basis		Share Basis Allocation Percentage		Tax Basis Allocation		Shares	Tax Basis Allocation per Share
Potlatch Common Stock	\$4,000	×	85.5278%	=	\$3,421.11	÷	100	\$34.21
Clearwater Paper Common Stock	\$4,000	×	14.2273%	=	\$569.09	÷	28	\$20.32
Cash received in lieu of fractional share	\$4,000	×	.2449%	=	\$9.80			

Certain Potlatch Shareholders (i.e., those shareholders who, immediately before the Distribution, owned 5% or more of Potlatch common stock or owned Potlatch securities with an aggregate tax basis of \$1 million or more) who received shares of Clearwater Paper common stock in the Distribution are required to include a statement related to the Distribution in their U.S. Federal income tax returns for the year in which the Distribution occurs. A sample of such statement follows for your reference.

**STATEMENT PURSUANT TO TREASURY REGULATIONS
SECTION 1.355-5(b) BY (Name): _____,**

(Taxpayer Identification Number or Social Security Number): _____,

A SIGNIFICANT DISTRIBUTE

On December 16, 2008, Potlatch Corporation, a Delaware corporation ("Potlatch"), distributed (the "Distribution") 100% of the outstanding shares of Clearwater Paper Corporation, a Delaware corporation ("Clearwater Paper"), to the holders of record of Potlatch common stock as of 5:00 p.m. New York City Time on December 9, 2008 (the "Record Date"). As a result of the Distribution, each Potlatch shareholder of record as of the Record Date was entitled to receive one share of Clearwater Paper common stock for each three and one half shares of Potlatch common stock held by such shareholder as of the Record Date, and cash in lieu of fractional shares of Clearwater Paper common stock.

1. Name, address and employer identification number of the distributing corporation:

Potlatch Corporation
601 West First Avenue, Suite 1600
Spokane, Washington 99201
EIN: 82-0156045

2. Name, address and employer identification number of the controlled corporation:

Clearwater Paper Corporation
601 West Riverside Avenue, Suite 1100
Spokane, Washington 99201
EIN: 20-3594554

3. The undersigned was a shareholder owning shares of Potlatch common stock as of the Record Date and received only (i) shares of Clearwater Paper common stock and (ii) cash in lieu of fractional shares of Clearwater Paper common stock in the Distribution. The aggregate fair market value of the Clearwater Paper common stock and cash in lieu of fractional shares of Clearwater Paper common stock received by the shareholder was \$ _____.

4. The undersigned did not surrender any stock or securities in Potlatch in connection with the Distribution.

Shareholder's Name (please print)

Taxpayer's Signature

Taxpayer's Identification Number or
Social Security Number

IF APPLICABLE, THIS STATEMENT SHOULD BE COMPLETED AND ATTACHED TO YOUR 2008
FEDERAL INCOME TAX RETURN. IT SHOULD NOT BE SENT TO POTLATCH OR
CLEARWATER PAPER.