

Potlatch Corporation

Corporate Conduct and Ethics Code

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I. Introduction

We are committed to maintaining high ethical standards, open and forthright relationships with our constituencies and a deep concern for the environment.

This Code outlines the Company's policies on specific issues related to business conduct. Further, it reaffirms our continuing commitment to integrity as our way of doing business.

Directors and employees are urged to recognize their obligations to establish and maintain high standards of ethical and legal conduct for themselves and for the entire Company and to comply with applicable governmental laws, rules and regulations. It is expected that each Director and employee will conduct his or her activities in such a way that there is no actual or perceived conflict with the interests of the Company. In short, Directors and employees are urged to comply not only with the letter of the law but also with the spirit of the law. *If there is ever a question about the propriety of a course of action, an employee should consult with his or her supervisor, the Human Resources Department, the Legal Department or call the Ethics Helpline (1-877-768-5282 or 1-877-POTLATC) . If there is an issue concerning accounting, internal accounting controls or auditing matters, there is a toll-free number (1-800-727-6260) to report such concerns directly to the Audit Committee of our Board of Directors. Additionally, we have a toll-free Environmental, Health and Safety Hotline (1-800-841-3093) for employees to report concerns about the Company's compliance or other matters of concern. All of these hotlines provide for anonymous reporting.*

II. Public Reports, Accounting and Internal Control

Full, fair, accurate, timely and understandable disclosures in Potlatch's public communications, including its periodic reports filed with the Securities and Exchange Commission and other governmental authorities, are legally required and are essential to the success of Potlatch. Each employee shares responsibility with senior management and the Board of Directors to maintain the integrity of Potlatch's financial records and reporting processes.

The Company will follow accounting practices that are consistent with generally accepted accounting principles as established by the accounting profession and interpreted by the Company's outside auditors. The Company will maintain a system of internal accounting controls sufficient to provide reasonable assurances that:

- *transactions are executed in accordance with management's general or specific authorizations;*
- *transactions are recorded as necessary (1) to permit preparation of financial statements in conformity with generally accepted*

accounting principles or any other criteria applicable to such statements, and (2) to maintain accountability for assets;

- *access to assets is permitted only in accordance with management's general or specific authorization; and*
- *the recorded assets are compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.*

To this end, the Corporate Controller maintains a manual containing accounting procedures and guidelines for uniform application throughout the Company. Deviation from these procedures will require the advance approval of the Corporate Controller.

Contacts with the Company's outside auditors on policy matters will be through the office of the Corporate Controller, the Vice President and Chief Financial Officer, or the Audit Committee of the Board of Directors.

Reference: Corporate Controller's Procedural Manual

III. Conflict of Interests

Each Director and employee owes a duty of loyalty to Potlatch, which means that a Director or employee cannot place his or her personal interest outside of Potlatch above his or her obligation to Potlatch. Directors and employees must avoid activities involving unauthorized use of Company time, equipment or information that in any way conflict with the Company's interests or compromise its integrity or reputation. A conflict of interest exists when a Director or employee or one of their immediate family members uses, intentionally or unintentionally, his or her position with the Company for personal benefit through an investment, association, or business relationship that interferes with his or her ability to exercise independent judgment in the Company's best interest.

Actual or potential conflicts of interest may arise in a variety of circumstances. If a conflict of interest exists, the employee will be required to take whatever action is necessary to avoid, resolve or eliminate the conflict.

It is impossible to describe every possible conflict situation; and at times, it may be difficult to distinguish between proper and improper conduct. For this reason, the following procedures for the resolution of doubtful cases have been established:

- *If an employee is engaged in or is contemplating an activity which could conceivably be construed to create an actual or potential conflict of interest situation, the employee should consult his or her immediate supervisor. In the case of the Chief Executive Officer, any such consultation must be with the Audit Committee of the Board of Directors. The decision of the Audit Committee in such instances*

shall be subject to the final approval by the Board of Directors. The decision by the Board of Directors will be final. For all other employees, following the required consultation with a supervisor, the supervisor will notify the employee in writing as to whether or not the contemplated conduct is acceptable or unacceptable under this Code. The supervisor in such instances may first wish to consult with the Legal Department.

- **If an employee has not reported an activity of which the employee's immediate supervisor is aware and which may present a conflict of interest situation, the supervisor will review the matter with the employee and will notify the employee in writing that such activity is acceptable or unacceptable under this Code.**
- **An employee may appeal a supervisor's decision in writing to a Conflict of Interest Committee, comprised of Potlatch's Chief Executive Officer and General Counsel. An employee who does not affect such resolution will be subject to disciplinary action, including discharge.**

Following are illustrations of actual or potential conflict of interest situations.

- A. *Possession by a Potlatch employee or Director of a financial interest in any enterprise with which the Company competes or with which the Company has, or expects to have, a business relationship, when the employee or Director occupies a position (with Potlatch or the other enterprise) to be able to influence the business transactions between them, unless:*
 - **the interest is in the form of a publicly traded security;**
 - **ownership is acquired through normal market channels; and**
 - **the interest, if in equity securities, constitutes less than 1% of the issued and outstanding equity of the enterprise.**
- B. *Serving as an employee, officer, director, consultant or advisor of another firm doing a meaningful amount of business, directly or indirectly, with or in competition with, Potlatch unless such service has been disclosed in writing to, and approved by, the employee's immediate supervisor, or in the case of a Director or executive officer, approved by the Board of Directors.*
- C. *Self employment or employment by others that adversely affects the employee's ability to carry out his or her job responsibilities in Potlatch's best interests.*
- D. *Favoring a customer or supplier in expectation of, or an actual receipt of, any money, gifts, unusual hospitality, loans, or any other form of personal gain.*
- E. *Using information about the Company obtained as a result of Potlatch*

employment for personal economic gain, or as the basis for a “tip” to others, unless such information has been made generally available to the public by the Company. An employee’s responsibility to act in the best interest of the Company goes beyond the use of the Company’s influence and physical assets and includes the protection of its intangible property such as trade secrets, customer lists, marketing plans, and all other information that because of competitive or commercial value should be kept confidential.

F. Loans from the Company to a Director or executive officer are prohibited.

IV. Gifts or Entertainment

It is the Company’s policy that Directors and employees will not receive any favors of other than nominal or token value from its suppliers or others in a position to attempt to influence Potlatch decisions.

The term “favors” shall be deemed to include money, gifts, loans, unusual hospitality, or any other form of personal gain.

The following shall be deemed to violate the principles of this policy:

- *Accepting a favor having a value in excess of \$200, unless the favor is reported to and approved by an officer or that officer’s designee. In the case of the Chief Executive Officer, the favor must be reported to and approved by the Vice Chair of the Board of Directors.***
- *Giving a favor having a value in excess of \$200, unless such action has the express approval of an officer or the officer’s designee.***
- *Being entertained or receiving hospitality beyond what is reasonable and in good taste under the business circumstances.***

V. Employment Policies

Equal Employment Opportunity

It is the policy of Potlatch to provide employment opportunity for all persons regardless of race, color, religion, sex, sexual orientation, national origin, age, handicap or veteran status. To carry out this policy, the Company will continue to implement its adopted affirmative action programs designed to:

- *Recruit, hire, train and promote employees and applicants into all job levels, basing such actions on the individual’s qualifications and utilizing objective and valid requirements related to the particular job vacancy and the furtherance of the principle of equal employment opportunity.***
- *Take personnel actions and administer programs relating to compensation, benefits, transfers, layoffs, returns from layoff, Company-sponsored training, education, tuition assistance, social and recreation programs***

without regard to race, religion, color, sex, national origin, age, handicap or veteran status.

The Vice President, Human Resources has been assigned the overall staff responsibility for coordinating the implementation of, and monitoring compliance with this policy.

Employees who are responsible for carrying out the Equal Employment Policy will not only comply with the applicable laws and government regulations, but will also strive to accomplish the entry and upward mobility of women, members of minority groups and other protected classes.

Non-Harassment of Employees

To promote and encourage good working relationships and compatibility among all employees, it is the Company's policy that there be no harassment of any employee by fellow employees or by management on account of an employee's race, color, religion, national origin, ancestry, sex, sexual orientation, age, handicap, medical condition or veteran status. In furtherance of that policy, the Company will not condone harassment of any employee and, in particular, will not permit:

- *Verbal or physical abuse, including slurs or other remarks, jokes or conduct offensive to any employee because of his or her race, color, religion, national origin, ancestry, sex, sexual orientation, age, handicap, medical condition or veteran status, where such conduct has the purpose or effect of substantially interfering with an employee's work performance or creating an intimidating, hostile or offensive working environment; or*
- *Demands to grant sexual favors as a condition of obtaining employment benefits or avoiding employment detriments*

Any employee who feels that he or she has been harassed in violation of this policy is encouraged to report such harassment to his or her supervisor or the Human Resources Department. Complaints will be investigated by the Company and the violator will be disciplined if a complaint is determined to be valid.

Drug and Alcohol Free Workplace

Potlatch is committed to maintaining a safe and productive work environment for its employees. Employees are responsible to present themselves as fit for duty in the workplace. Employees who abuse drugs and alcohol pose a safety hazard to themselves and others, have less than effective job performance and are disruptive to the work environment. It is Potlatch's goal to eliminate all drug and alcohol abuse because of these adverse affects. Potlatch encourages employees with substance abuse problems to seek assistance through the Company-sponsored Employee Assistance Program (or any other recognized source) before job problems occur.

The following is a summary of our Drug and Alcohol Policy:

- *No employee shall report to work or be at work while under the influence of alcohol or with any detectable level of an illegal drug.*
- *No employee shall use, possess, dispense or receive alcohol or an illegal drug or drug paraphernalia at any Company office, plant, site or vehicle.*
- *No employee shall sell, distribute, purchase or transfer illegal drugs or drug paraphernalia at any time or place.*
- *If taking a prescription or non-prescription drug that might impair job performance, it is the employee's responsibility to ask the physician whether and under what conditions the drug may be safely used while at work. If the drug use may pose a risk to the employee and co-workers, or impair job performance, the employee must notify his or her supervisor. Potlatch will attempt to accommodate the employee on a temporary basis, which may require removal from work.*
- *Potlatch conducts pre-placement drug and alcohol screening for new hires and rehires. Drug and alcohol testing will be conducted when an employee is reasonably suspected of being under the influence of a drug or alcohol, and, beginning in 2007, the Company will institute random drug and alcohol testing.*
- *Violation of any part of the Drug and Alcohol Policy will result in disciplinary action, up to and including termination, even for a first offense.*

Procedure: Drug and Alcohol Policy

Labor Relations

It is Potlatch policy to manage all employee groups, whether or not they are unionized, in a fair and equitable manner consistent with our business philosophy and the value placed on the Company's human resources.

Potlatch is subject to the Labor Management Relations Act, 1947, which protects employees' rights to have a labor organization represent them if they so desire. This statute also protects employees' rights to refrain from participating in a labor organization. Under the National Labor Relations Act, the National Labor Relations Board establishes procedures to define those employees, if any, who are entitled to vote to determine the question of union representation; and it conducts the election. The board also investigates charges that an employer or a labor organization has violated the rights of any employee, the employer or the

union. The Labor Management Relations Act forbids an employer from attempting to buy labor peace by giving things of value to any union representative directly or indirectly.

Managers are aware that they cannot discriminate against or otherwise interfere with employees' rights of organization, or their right to refrain from engaging in union activities. However, in new or existing non-unionized operations of the Company, management seeks to create a climate that assures a highly motivated workforce and rewards individual and group efforts toward achievement of Company goals by affording employees the opportunity to represent themselves without a union.

In operations where unions represent our employees, the Company assumes that doing business with unions is a normal function carried on by management with assistance from the Company's Human Resources Department.

It is also understood that the collective bargaining process involves legal adversaries, mainly the Company and the union. This does not mean, however, that there must necessarily be ongoing conflict with unions representing our employees or that union leadership is not treated with respect. Rather, mutual respect and integrity are necessary to achieve the Company's long term collective bargaining goals.

Human Resource managers for each of our operations seek to develop ongoing relationships with union leadership which are grounded on those representatives' reputations, and that of the Company, for professionalism, firmness, fairness and honesty. Where there are major differences between management and labor over basic principles, the Company will accept a work stoppage, if necessary, as a reasonable consequence of stalemated bargaining.

VI. Political Contributions

Since it is illegal for a corporation to make direct or indirect contributions or expenditures in connection with federal candidates, parties, elections, conventions or caucuses held to select candidates and since similar laws exist in many states, the approval of the General Counsel is required, in addition to the usual approvals for all contributions, before a corporate political contribution is made.

Since federal regulations have defined "contribution" to include the payment of compensation for personal services which are rendered to a candidate or political committee without charge, care must be taken by employees engaged in political activity, and by their supervisors, to ensure that any fund raising or related political activity is carried on outside of working hours. Otherwise, the Company may be charged with making an illegal political contribution by paying such an employee's salary.

There are a number of fairly specific regulations in this area, as well as in the area of the use of corporate facilities by individual employees for their personal

volunteer political activities. Any employee with questions concerning these matters should discuss them with his or her supervisor. If a legal question is involved, the advice of Company counsel should be sought in advance of undertaking or approving any such activity.

As in other matters, in making political contributions, compliance with accepted accounting rules and controls is required. Internal Company records and required disclosure filings must accurately reflect and properly describe the transactions they record.

The above prohibitions and limitations relate only to the use of Company funds, facilities and the paid time of employees. The Company encourages employees to make personal contributions of funds, goods, or services to candidates or political parties of their choice.

VII. Antitrust Compliance

The Company is committed to strict adherence to the letter and spirit of the antitrust laws. Our free enterprise system rests on the fundamental belief that competition is the best way of assuring an adequate supply of goods and services at reasonable prices. Failure to comply with the antitrust laws can result in criminal liability, significant fines and imprisonment.

At a minimum, each employee who has a sales, purchasing or planning responsibility must have read and be familiar with the Company pamphlet entitled *Antitrust Compliance: Rules and Guidelines*, which sets forth the Company's antitrust compliance policy. The Company also conducts antitrust compliance presentations for sales, purchasing and other groups on a continuing basis. Each person responsible for sales or purchasing should attend an antitrust presentation annually to assure sufficient education on the antitrust laws and Company policies. Antitrust presentations are made by a member of the Legal Department, who will make sure the necessary information is communicated.

The antitrust laws are complex and subject to continuing interpretation by the Department of Justice, the Federal Trade Commission, and the courts. Therefore, whenever an employee thinks that there may be antitrust implications to proposed conduct, it is essential that the Company's legal staff be consulted before the action is undertaken. It is also essential that counsel receive a complete and honest picture of the problem being presented in order to provide the best advice to aid in the accomplishment of business objectives with little or no legal risk.

Procedure: Antitrust Compliance: Rules and Guidelines Pamphlet

VIII. The Environment and Safety

A deep concern for the environment, the preservation of our natural resources and the addressing of environmental and natural resources concerns with an open and forthright attitude are basic Company values. Each business

segment has primary responsibility for this effort and will be assisted by professional staff. Each business segment is responsible for meeting all federal, state, and local laws and regulations which have been enacted to protect the environment, natural resources, safety and public health.

Because the environmental laws are both extensive and complex, the Company maintains an Environmental, Health and Safety Program designed to assure Company compliance with the environmental laws. Under the program Company environmental professionals are required to understand the environmental laws and regulations applicable to our facilities and assure that the Company is in compliance. In addition, all of our employees are required to participate in education and training sessions regarding job specific environmental requirements. Periodic environmental audits are also conducted at our facilities for the purpose of ascertaining continued compliance and improving our environmental performance.

The sanctions for violating the environmental laws are severe. For example, under the Clean Air Act each day of violation may be punished by a civil penalty of up to \$25,000 and by a criminal fine of up to \$1,000,000. Individuals may also be liable for severe monetary fines (up to \$250,000) and imprisonment (up to five years). In addition, violators can be forced to relinquish all economic savings resulting from past non-compliance. Severe sanctions are also imposed on any Company or responsible employee who falsifies a required record or monitoring device.

The Company has also adopted the forest management principles and criteria developed by the Forest Stewardship Council. Adoption of these principles not only demonstrates our concern for environmental and natural resource compliance but also commits us to improving our performance over time as requirements and standards change.

A toll-free Environmental, Health and Safety Hotline is maintained by the Company for the purpose of encouraging employees to report concerns about the Company's compliance on an anonymous basis and without fear of retribution. *The hotline was installed in 1993, and over the years has been a valuable and effective asset in addressing employee concerns. The toll-free number is 1-800-841-3093.*

Procedure: Environmental, Health & Safety Policy and Compliance Program Pamphlet

IX. Securities Laws

company stock is publicly traded and listed on the New York Stock Exchange, and securities laws and regulations prohibit the use of inside information when engaging, directly or indirectly, in transactions involving Company stock. These laws also prohibit anyone possessing inside information from disclosing it to others so they may trade in Company stock. Inside

information may take many forms but broadly includes any information about the Company that may be material to an investor in making a decision whether to purchase, sell or hold Company stock. Examples of this type of information include unpublished financial results, operational or expansion plans, research or technical innovations, as well as information related to acquisitions, divestitures, new products or inventions, major contracts, financing transactions, major management changes and other important corporate developments.

An employee who possesses material non-public information may not trade in Company stock until the information is made public by the Company and the public has had sufficient time to absorb it (generally, two to three business days). It is also Company policy that all material inside information is confidential and proprietary and may not be disclosed to other persons.

If an employee has any questions regarding whether he or she may trade in Company stock, the Corporate Secretary or the General Counsel should be consulted prior to making any trades.

Procedure: Securities Compliance Policy

X. Improper Payments

The Company's ethics policy prohibits employees from making bribes or bribe-like payments to any person for the purpose of obtaining or retaining business. The Company's policy is broader than the provisions of the Foreign Corrupt Practices Act ("FCPA") enacted in 1977 to prohibit the bribery of foreign officials and to require the maintenance of books, records and accounts to accurately reflect the transactions and dispositions of assets in reasonable detail (see Section II of this Code). The FCPA's criminal penalties, including imprisonment of up to five years, underscore the seriousness of using bribery as a means of obtaining business instead of competing on the basis of price, quality and customer service.

Specifically, it is against Company policy to use Company assets for bribes, kickbacks or other improper payments, including the giving or offering money or other things of value to:

- *A domestic or foreign governmental or political official or candidate;*
or
- *A customer, supplier or other person in order to secure business or favored business treatment.*

Following are examples of the types of situations that, while not necessarily illegal, should be reviewed by the Company's Legal Department:

- *A request to overstate an invoice amount to the payor or a third party;*

- *A payment or request for payment of a larger than usual commission;*
- *A request to issue an invoice before the goods are even ordered;*
- *Evidence or suspicion of the existence of secret or unrecorded funds or assets;*
- *A request to make payments in cash or bearer instrument or to persons or locations not related to the transaction;*
- *A request to use specified foreign agents or consultants without being familiar with their organization or people; or*
- *Knowledge that a foreign agent or consultant is related to any foreign government official, foreign political party official or candidate for foreign political office.*

XI. Enforcement

The honest and ethical conduct of each employee matters vitally to Potlatch. The risk to Potlatch in both cost and reputation is significant. For these reasons, violations of this Code may lead to significant disciplinary actions, including dismissal.

XII. Waivers

Any waiver of this Code for executive officers or Directors of Potlatch may be made only by the Board of Directors, or by a Board Committee specifically authorized for this purpose, and must be promptly disclosed to the stockholders of Potlatch.

XIII. Hotlines and Other Resources Available to Employees

The Company is committed to compliance by all employees with this Code.

If questions regarding the application of this Code arise, or if an employee learns of or suspects any illegal or unethical conduct or any other violations of this Code, the employee should discuss the issue with his or her supervisor. An employee may also contact a representative of the Human Resources Department or the Legal Department. Or, if the employee feels that such a discussion would be inappropriate, if the employee is still concerned after speaking with any of the individuals named above or if the employee wishes to remain anonymous, then the employee is also encouraged to use the Ethics Helpline at 1-877-768-5282 or 1-877-POTLATC.

If an employee has concerns about the Company's compliance with our

environmental, health or safety policies, he or she is encouraged to use the Hotline established for those concerns at 1-800-841-3093. Similarly, an employee may report concerns about the Company's accounting, internal accounting controls or auditing matters to the Whistleblower Hotline at 1-800-727-6260.

Calls to any of our hotlines can be made anonymously *without fear* of retribution or retaliation.