SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

# F O R M 10 - K

(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)

For the fiscal year ended December 31, 1994

Commission file number 1-5057

| | | |
|---|---|---|
| A Delaware Corporation | BOISE CASCADE CORPORATION<br>1111 West Jefferson Street<br>P.O. Box 50<br>Boise, Idaho 83728-0001<br>(208)384-6161 | I.R.S. Employer Identification No. 82-0100960 |

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Name of each exchange on which registered |
|---|---|
| Common Stock, $2.50 par value | New York, Chicago, and Pacific Stock Exchanges |
| Boise Cascade Corporation 7% Convertible Subordinated Debentures due 2016 | New York Stock Exchange |
| American & Foreign Power Company Inc. Debentures, 5% Series due 2030 | New York Stock Exchange |
| Common Stock Purchase Rights | New York, Chicago, and Pacific Stock Exchanges |
| $1.79 Depositary Shares, evidenced by Depositary Receipts for Series E, Conversion Preferred Stock | New York Stock Exchange |
| $2.35 Depositary Shares, evidenced by Depositary Receipts for Series F, Cumulative Preferred Stock | New York Stock Exchange |
| $1.58 Depositary Shares, evidenced by Depositary Receipts for Series G, Conversion Preferred Stock | New York Stock Exchange |

Securities registered pursuant to section 12(g) of the Act:

Conversion Preferred Stock, Series E
Cumulative Preferred Stock, Series F
Conversion Preferred Stock, Series G

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K [X].

The aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the price at which the stock was sold as of the close of business on February 28, 1995: $2,026,251,617

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date.

| Class | Shares Outstanding as of February 28, 1995 |
|---|---|
| Common Stock, $2.50 par value | 47,003,394 |

Documents incorporated by reference

Listed hereunder are certain documents any portions of which are incorporated by reference and the Parts of this Form 10-K into which such portions are incorporated:

1. The registrant's annual report for the fiscal year ended December 31, 1994, portions of which are incorporated by reference into Parts I, II, and IV of this Form 10-K, and

2. The registrant's definitive proxy statement dated March 7, 1995, for use in connection with the annual meeting of shareholders to be held on April 21, 1995, portions of which are incorporated by reference into Part III of this Form 10-K.

BOISE CASCADE CORPORATION

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PART I

# PART I

## Item 1. Business

As used in this annual report, the term "Company" includes Boise Cascade Corporation and its consolidated subsidiaries and predecessors. The terms "Boise Cascade" and "Company" refer, unless the context otherwise requires, to Boise Cascade Corporation and its consolidated subsidiaries.

Boise Cascade Corporation is an integrated paper and forest products company headquartered in Boise, Idaho, with operations located throughout the United States. The Company manufactures and distributes paper and paper products, office products, and building products and owns and manages timberland to support these operations. The Company was incorporated under the laws of Delaware in 1931 under the name Boise Payette Lumber Company of Delaware, as a successor to an Idaho corporation formed in 1913; in 1957, its name was changed to its present form.

The Company is a participant with equity affiliates in connection with certain of its businesses. The Company's principal equity affiliate is Rainy River Forest Products Inc. ("Rainy River"), which is managed independently by Rainy River. The Company holds approximately a 60% equity interest and 49% voting interest. Rainy River is accounted for on the equity method. (See Note 8 of the Notes to Financial Statements of the Company's 1994 Annual Report. This information is incorporated herein by this reference.)

Financial information pertaining to each of the Company's industry segments and to each of its geographic areas for the years 1994, 1993, and 1992 is presented in Note 9, "Segment Information," of the Notes to Financial Statements of the Company's 1994 Annual Report and is incorporated herein by this reference.

The Company's sales and income are affected by the industry supply of product relative to the level of demand and by changing economic conditions in the markets it serves. Demand for paper and paper products and for office products correlates closely with real growth in the gross domestic product. Paper and paper products operations are also affected by demand in international markets and by inventory levels of users of these products. The Company's building products businesses are dependent on repair-and-remodel activity, housing starts, and commercial and industrial building, which in turn are influenced by the availability and cost of mortgage funds. Declines in building activity that may occur during winter affect the Company's building products businesses. In addition, energy and some operating costs may increase at facilities affected by cold weather. However, seasonal influences are generally not significant.

The management practices followed by the Company with respect to working capital conform to those of the paper and forest products industry and common business practice in the United States.

The Company occasionally engages in acquisition discussions with other companies and makes acquisitions from time to time. It is the Company's policy to review its operations periodically and to dispose of assets which fail to meet its criteria for return on investment or which cease to warrant retention for other reasons. (See Notes 1 and 8 of the Notes to Financial Statements of the Company's 1994 Annual Report. This information is incorporated herein by this reference.)

### Paper and Paper Products

The products manufactured by the Company, made both from virgin and recycled fibers, include uncoated business, printing, forms, and converting papers; coated white papers for magazines, catalogs, and direct-mail advertising; newsprint; containerboard; and market pulp. These products are available for sale to the related paper markets, and certain of these products are sold through the Company's office products distribution operations. In addition, containerboard is used by the Company in the manufacture of corrugated containers.

The Company is a major North American pulp and paper producer with 7 paper mills. The total annual practical capacity of the mills was approximately 3.2 million tons at December 31, 1994. The Company's products are sold to distributors and industrial customers primarily by the Company's own sales personnel.

The Company's paper mills are supplied with pulp principally from the Company's own integrated pulp mills. Pulp mills in the Northwest manufacture chemical pulp primarily from wood waste produced as a byproduct of wood products manufacturing. Pulp mills in the Midwest, Northeast, and South manufacture chemical, thermomechanical, and groundwood pulp mainly from pulpwood logs and, to some extent, from purchased wood waste. Wood waste is provided by Company sawmills and plywood mills in the Northwest and, to a lesser extent, in the South, and the remainder is purchased from outside sources.

In October 1994, the Company's Canadian subsidiary, Rainy River, sold a portion of its equity and certain debt securities to the public. Boise Cascade holds approximately a 60% equity interest and 49% voting interest. Rainy River was deconsolidated as of January 1, 1994, and is accounted for on the equity method.

Rainy River owns and operates a newsprint mill in Kenora, Ontario, Canada, an uncoated groundwood paper mill in Fort Frances, Ontario, Canada, and a newsprint mill in West Tacoma, Washington, which was purchased from the Company. Rainy River and the Company have an agreement whereby Rainy

River will purchase from the Company, at a brokerage discount for resale to the customers of Rainy River, the newsprint produced at the Company's mill located at DeRidder, Louisiana.

The Company currently manufactures corrugated containers at 7 plants, which have annual practical capacity of approximately 3.9 billion square feet. The containers produced at the Company's plants are used to package fresh fruit and vegetables, processed food, beverages, and many other industrial and consumer products. The Company sells its corrugated containers primarily through its own sales personnel. The Company is building a full-line corrugated container plant in Utah, which is scheduled for completion in early 1996 and will replace an existing plant.

The following table sets forth sales volumes of paper and paper products for the years indicated:

| | 1994 | 1993 | 1992 | 1991 | 1990 |
|---|---|---|---|---|---|
| Paper | | (thousands of short tons) | | | |
| Uncoated free sheet papers | 1,271 | 1,215 | 1,110 | 1,050 | 934 |
| Containerboard | 595 | 559 | 560 | 540 | 529 |
| Coated papers | 447 | 418 | 397 | 371 | 365 |
| Newsprint (1) | 415 | 860 | 831 | 838 | 873 |
| Market pulp | 212 | 205 | 260 | 284 | 307 |
| Uncoated groundwood papers (1) | - | 299 | 319 | 319 | 314 |
| | 2,940 | 3,556 | 3,477 | 3,402 | 3,322 |
| Rainy River | | | | | |
| Newsprint | 450 | | | | |
| Uncoated groundwood | 318 | | | | |
| Market pulp | 115 | | | | |
| | 883 | | | | |
| | | (millions of square feet) | | | |
| Corrugated containers (2) | 3,237 | 2,961 | 4,715 | 6,478 | 7,087 |

(1) Indicated line items for 1994 exclude Rainy River, which is reported on the equity method as of January 1, 1994.

(2) On June 30, 1992, the Company sold 11 of its corrugated container plants.

## Office Products

The Company distributes a broad line of items for the office, including office and computer supplies, office and computer furniture, and photocopy paper. All of the products sold by this segment are purchased from other manufacturers or from industry wholesalers, except for copier and similar papers, which are sourced primarily from the Company's paper operations. The Company sells these office products directly to corporate, government, and other offices nationwide, as well as to individuals, home offices, and small and medium-sized business offices.

Customers with multisite locations across the country are often serviced via national contracts that provide for consistent pricing and product offerings and, if desired, summary billings, usage reporting, and other special services. The Company operates 26 contract stationer distribution centers, including a center in Colorado that was started up in 1994 and a center in Georgia that was acquired during 1994. Late in 1994 and in early 1995, the Company acquired distribution businesses in Florida and Ohio which will be consolidated into existing locations. The Company also acquired the direct-mail distribution business of The Reliable Corporation in 1994, including four direct-mail distribution centers located in Delaware, Georgia, Illinois, and Nevada. The Company's distribution centers are located across the United States to provide next-day delivery to substantially all domestic locations. The Company also operates 4 retail office supply stores in Hawaii. In December 1994, the Company announced plans to sell a minority interest in its office products distribution business through an initial public offering of equity securities. A registration statement on Form S-1 for Boise Cascade Office Products Corporation was filed with the Securities and Exchange Commission on February 22, 1995.

The following table sets forth sales dollars for the office products distribution business for the years indicated:

| | 1994 | 1993 | 1992 | 1991 | 1990 |
|---|---|---|---|---|---|
| Sales (millions) | $ 909 | $ 683 | $ 672(1) | $1,039 | $1,079 |

(1) Early in 1992, the Company sold essentially all of its wholesale office products distribution operations, enabling the Company to focus on the consumer channel on a national basis. In 1991, sales of the 13 distribution centers and 1 minidistribution center that comprised the wholesale operations were approximately $400 million.

## Building Products

The Company is a major producer of lumber, plywood, and particle-board, together with a variety of specialty wood products. The Company also manufactures engineered wood products consisting of laminated veneer lumber (LVL), which is a high-strength engineered structural lumber product, and wood I-joists that incorporate the LVL technology. Most of its production is sold to independent wholesalers and dealers and through the Company's own wholesale building materials distribution outlets. The Company's wood products are used primarily in housing, industrial construction, and a variety of manufactured products. Wood products manufacturing trade sales for 1994, 1993, and 1992 were $933 million, $879 million, and $761 million.

The following table sets forth annual practical capacities of the Company's wood products facilities as of December 31, 1994:

| | Number of Mills(1) | Practical Capacity (millions) |
|---|---|---|
| Plywood | 12 | 1,940 square feet (3/8" basis) |
| Lumber | 12 | 760 board feet |
| Particleboard | 1 | 195 square feet (3/4" basis) |
| Engineered Wood Products | 1 | 4 cubic feet |

(1) The Company closed a sawmill in Oregon during 1994 and will close a sawmill in Idaho in early 1995.

The Company operates 9 wholesale building materials distribution facilities and 2 satellite locations. These operations market a wide range of building materials, including lumber, plywood, particleboard, engineered wood products, fiberboard siding, roofing, gypsum board, insulation, ceiling tile, paneling, molding, windows, doors, builders' hardware, and related products. These products are distributed to retail lumber dealers, home centers specializing in the do-it-yourself market, and industrial customers. A portion (approximately 38% in 1994) of the wood products required by the Company's Building Materials Distribution Division are provided by the Company's manufacturing facilities, and the balance are purchased from outside sources.

The following table sets forth sales volumes of wood products and sales dollars for engineered wood products and the building materials distribution business for the years indicated:

| | 1994 | 1993 | 1992 | 1991 | 1990 |
|---|---|---|---|---|---|
| | | | (millions) | | |
| Plywood (square feet - 3/8" basis) | 1,894 | 1,760 | 1,788 | 1,621 | 1,682 |
| Lumber (board feet) | 754 | 760 | 805 | 815 | 782 |
| Particleboard (square feet - 3/4" basis) | 194 | 182 | 186 | 182 | 179 |
| Engineered wood products (sales dollars) | $ 82 | $71 | $38 | $13 | $ 1 |
| Building materials distribution (sales dollars) | $657 | $590 | $447 | $328 | $289 |

Timber Resources

Boise Cascade owns or controls approximately 3 million acres of timberland in North America. The amount of timber harvested each year by the Company from its timber resources, compared with the amount it purchases from outside sources, varies according to the price and supply of timber for sale on the open market and according to what the Company deems to be in the interest of sound management of its timberlands. During 1994, the Company's mills processed approximately 1.2 billion board feet of sawtimber and 1.9 million cords of pulpwood; 39% of the sawtimber and 43% of the pulpwood were harvested from the Company's timber resources, and the balance was acquired from various private and government sources. Approximately 79% of the 1.1 million bone-dry tons of wood chips consumed by the Company's Northwest pulp and paper mills in 1994 were provided from the Company's Northwest wood products manufacturing facilities as residuals from the processing of solid wood products and from a whole-log chipping facility. Of the 727,000 bone-dry tons of residual chips used in the South, 47% were provided by the Company's Southern wood products manufacturing facilities.

At December 31, 1994, the acreages of owned or controlled timber resources by geographic area and the approximate percentages of total fiber requirements available from the Company's respective timber resources in these areas and from the residuals from processed purchased logs are shown in the table below. Timber resources do not include approximately 3 million acres of Canadian provincial timberland under long-term lease to Rainy River.

| | Northwest | Midwest | New England | South | Total |
|---|---|---|---|---|---|
| | | | (thousands of acres) | | |
| Fee | 1,318 | 308 | 665 | 419 | 2,710 |
| Leases and contracts | 46 | - | - | 291 | 337 |
| Total | 1,364(1) | 308(2) | 665(2) | 710(3) | 3,047(4) |
| Approximate percentage of total fiber requirements available from: (5) | | | | | |
| Owned and controlled timber resources | 22% | 23% | 55% | 26% | 27% |
| Residuals from processed purchased logs | 16 | - | - | 9 | 10 |
| Total | 38% | 23% | 55% | 35% | 37% |

(1) Principally sawtimber.

(2) Principally pulpwood.
(3) Sawtimber and pulpwood.
(4) On December 31, 1994, the Company's inventory of merchantable sawtimber was approximately 9 billion board feet, and its inventory of pulpwood was approximately 15.8 million cords.
(5) Assumes harvesting of Company-owned and controlled timber resources on a sustained timber yield basis and operation of the Company's paper and wood products manufacturing facilities at practical capacity. Percentages shown represent weighted average consumption on a cubic volume basis.

Long-term leases generally provide the Company with timber harvesting rights and carry with them the responsibility for management of the timberlands. The average remaining life of all leases and contracts is in excess of 40 years. In addition, the Company has an option to purchase approximately 203,000 acres of the timberland it currently has under leases and contracts in the South.

The Company seeks to maximize the utilization of its timberlands through efficient management so that the timberlands will provide a continuous supply of wood for future needs. Site preparation, planting, fertilizing, thinning, and logging techniques are continually improved through a variety of methods, including genetic research and computerization.

The Company assumes substantially all risks of loss from fire and other casualties on all the standing timber it owns, as do most owners of timber tracts in the U.S.

Additional information pertaining to the Company's timber resources is presented under the caption "Timber Supply" of the Financial Review of the Company's 1994 Annual Report. This information is incorporated herein by this reference.

## Competition

The markets served by the Company are highly competitive, with various substantial companies operating in each. The Company competes in its markets principally through price, service, quality, and value-added products and services.

## Environmental Issues

The Company's discussion of environmental issues is presented under the caption "Environmental Issues" of the Financial Review of the Company's 1994 Annual Report. This information is incorporated herein by this reference.

## Employees

As of December 31, 1994, the Company and its subsidiaries had 16,618 employees, 7,610 of whom were covered under collective bargaining agreements. During 1994, the Company and its union employees at the Company's four Pacific Northwest pulp and paper facilities and one converting operation agreed to six-year labor contracts. The new contracts expire in 1999 and replace contracts that expired in the spring of 1993. The Company and the union representing the Company's employees at its Northwest wood products facilities ratified new four-year contracts which will expire in 1998. An early settlement was reached with union employees at the Company's DeRidder, Louisiana, pulp and paper mill. The new agreement is for a five-year term expiring in 2000. The new agreement replaces a contract that would have expired in February 1995.

Among the negotiations scheduled for 1995 are labor contracts covering the Company's pulp and paper facilities in Jackson, Alabama, and Rumford, Maine.

## Identification of Executive Officers

The information with respect to the executive officers of the registrant, which is set forth in Item 10 of this annual report on Form 10-K, is incorporated into this Part I by this reference.

## Capital Investment

The Company's capital expenditures in 1994 were $272 million, compared with $221 million in 1993 and $283 million in 1992. Details of 1994 spending by segment and by type are as follows:

| | Expansion | Quality/ Efficiency(1) | Timber and Timberlands | Replacement, Environmental, and Other | Total |
|---|---|---|---|---|---|
| | (expressed in millions) | | | | |
| Paper and paper products | $ 7 | $ 43 | $ - | $ 89 | $ 139 |
| Office products | 84 | 1 | - | 1 | 86 |
| Building products | 10 | 7 | - | 18 | 35 |
| Timber and timberlands | - | - | 5 | - | 5 |
| Other | 3 | - | - | 4 | 7 |
| Total | $ 104 | $ 51 | $ 5 | $ 112 | $ 272 |

(1) Quality and efficiency projects include quality improvements, modernization, energy, and cost-saving projects.

The level of capital investment in 1995 is expected to be about $400 million, excluding acquisitions. The 1995 capital budget will be allocated to cost-saving, modernization, expansion, replacement, maintenance, environmental, and safety projects.

Energy

The paper and paper products segment is the primary energy user of the Company. Self-generated energy sources in this segment, such as wood wastes, pulping liquors, and hydroelectric power, provided 66% of total 1994 energy requirements, compared with 55% in 1993 and 54% in 1992. The energy requirements fulfilled by purchased sources in 1994 were as follows: natural gas, 52%; electricity, 28%; residual fuel oil, 10%; and other sources, 10%.

Item 2. Properties

The Company owns substantially all of its operating facilities. Regular maintenance, renewal, and new construction programs have preserved the operating suitability and adequacy of those properties.

Following is a list of the Company's facilities by segment as of December 31, 1994. Information concerning timber resources is presented in Item 1 of this Form 10-K.

Paper and Paper Products

7 pulp and paper mills located in Alabama, Louisiana, Maine, Minnesota, Oregon, and Washington (2).

6 regional service centers located in California, Georgia, Illinois, New Jersey, Oregon, and Texas.

1 converting facility located in Oregon.

7 corrugated container plants located in Idaho (2), Nevada, Oregon, Utah, and Washington (2).

Office Products

26 contract stationer distribution centers located in Arizona, California (2), Colorado, Connecticut, Florida, Georgia, Hawaii (4), Illinois, Maryland, Massachusetts, Michigan, Minnesota, Missouri, New Jersey, Ohio, Oregon, Pennsylvania, South Carolina, Texas (2), Utah, and Washington.

4 direct-mail distribution facilities located in Delaware, Georgia, Illinois, and Nevada.

4 retail outlets located in Hawaii.

Building Products

12 sawmills located in Alabama, Idaho (3), Louisiana, Oregon (4), and Washington (3). The Company has announced the closure of a sawmill in Idaho in early 1995.

12 plywood and veneer plants located in Idaho, Louisiana (2), Oregon (7), and Washington (2).

1 particleboard plant located in Oregon.

1 engineered wood products plant located in Oregon.

1 wood beam plant located in Idaho.

9 wholesale building materials units located in Arizona, Colorado, Idaho (2), Montana, Utah, and Washington (3).

2 satellite building materials facilities located in Colorado and Washington.

Rainy River -- Unconsolidated Equity Affiliate

3 pulp and paper mills located in Washington and Ontario, Canada (2).

Item 3. Legal Proceedings

The Company has been notified that it is a "potentially responsible party" under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) or similar federal and state laws with respect to a number of sites where hazardous substances or other contaminants are located. In 1993, the Company filed a lawsuit in State District Court in Boise, Idaho, against its current and previous insurance carriers seeking insurance coverage for response costs the Company has incurred or may incur at these sites. The Company amended this complaint in January 1994 and again in December 1994. The Company cannot predict with certainty the total response and remedial costs, the Company's share of the total costs, the extent to which contributions will be available from other parties, the amount of time necessary to complete the cleanups, or the availability of insurance coverage. However, based on the Company's investigations, the Company's experience with respect to cleanup of hazardous substances, the fact that expenditures will, in many cases, be incurred over extended periods of time, and the number of solvent potentially responsible parties, the Company does not presently believe that the known actual and potential response costs will, in the aggregate, have a material adverse effect on its financial condition or the results of operations.

As previously reported in the Company's report on Form 10-K for the year ended December 31, 1993, the Company has been involved in an action with the Maine Department of Environmental Protection to resolve alleged violations of the state's environmental laws at the Company's facility in Rumford, Maine. On June 3, 1994, the Company entered into a Consent Agreement with the Maine Department of Environmental Protection, resolving alleged violations of air emissions, water discharges, and hazardous waste laws at the Rumford facility between 1991 and January 1, 1994. The Company has agreed to settle the matter by, among other items, paying a $316,655 penalty.

The Company is involved in other litigation and administrative proceedings primarily arising in the normal course of its business. In the opinion of management, the Company's recovery, if any, or the Company's liability, if any, under any pending litigation or administrative proceeding, including that described in the preceding paragraphs would not materially affect its financial condition or operations.

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The Company's common stock is listed on the New York, the Chicago, and the Pacific Stock Exchanges. The high and low sales prices for the Company's common stock, as well as the frequency and amount of dividends paid on such stock, are presented in the tables captioned "Common Stock Prices" and "Common Stock Dividends -- Paid Per Share" in the Company's 1994 Annual Report. Additional information concerning dividends on common stock is presented under the caption "Dividends" of the Financial Review, and information concerning restrictions on the payments of dividends is included in Note 4, "Debt," of the Notes to Financial Statements in the Company's 1994 Annual Report. The approximate number of common shareholders, based upon actual record holders at year-end, is presented under the caption "Financial Highlights" of the Company's 1994 Annual Report. The information under these captions is incorporated herein by this reference.

Net Loss Per Common Share

Net loss per common share was determined by dividing net loss, as adjusted below, by applicable shares outstanding. The computation of fully diluted net loss per share was antidilutive in each of the periods presented; therefore, the amounts reported for primary and fully diluted loss are the same.

| | Year Ended December 31 | | |
|---|---|---|---|
| | 1994 | 1993 | 1992 |
| | (expressed in thousands) | | |
| Net loss as reported | $ (62,610) | $ (77,140) | $(227,480) |
| Preferred dividends | (54,586) | (43,076) | (27,711) |
| Primary loss | (117,196) | (120,216) | (255,191) |
| Assumed conversions: | | | |
| Preferred dividends eliminated | 43,776 | 33,407 | 27,711 |
| Interest on 7% debentures eliminated | 3,439 | 3,644 | 4,108 |
| Supplemental ESOP contribution | (12,573) | (12,381) | (10,285) |
| Fully diluted loss | $ (82,554) | $ (95,546) | $(233,657) |
| Average number of common shares | | | |
| Primary | 38,110 | 37,958 | 37,942 |
| Fully diluted | 61,407 | 55,825 | 53,283 |

Primary loss includes the aggregate amount of dividends on the Company's preferred stock. The dividend attributable to the Company's Series D convertible preferred stock held by the Company's ESOP (employee stock ownership plan) is net of a tax benefit. To determine the fully diluted loss, dividends and interest, net of any applicable taxes, have been added back to primary loss to reflect assumed conversions. The fully diluted loss was increased by the after-tax amount of additional contributions that the Company would be required to make to its ESOP if the Series D ESOP preferred shares were converted to common stock.

For the years ended December 31, 1994, 1993, and 1992, primary average shares include only common shares outstanding. For these periods, common stock equivalents attributable to stock options, Series E conversion preferred stock, and Series G conversion preferred stock subsequent to issuance in September 1993 were excluded because they were antidilutive. Excluded common equivalent shares were 16,391,000 at December 31, 1994, compared with 10,840,000 and 7,998,000 shares at December 31, 1993 and 1992. In addition to common and common equivalent shares, fully diluted average shares include common shares that would be issuable upon conversion of the Company's other convertible securities.

Series E Preferred Stock Conversion

On January 15, 1995, the depositary shares of Series E preferred stock converted to 8,625,000 shares of the Company's common stock.

Shareholder Rights Plan

Pursuant to the shareholder rights plan adopted in December 1988 and as amended in September 1990, holders of common stock received a distribution of one right for each common share held. The rights become exercisable ten days after a person or group acquires 15% of the Company's outstanding voting securities or ten business days after a person or group commences or announces an intention to commence a tender or exchange offer that could result in the acquisition of 15% of these securities. If a person acquires 15% or more of the Company's outstanding voting securities, on the tenth day thereafter, unless this time period is extended by the board of directors, each right would, subject to certain adjustments and alternatives, entitle the rightholder to purchase common stock of the Company or the acquiring company having a market value of twice the $175 exercise price of the right (except that the acquiring person or group and other related holders would not be able to purchase common stock of the Company on these terms). The rights are nonvoting, may be redeemed by the Company at a price of 1 cent per right at any time prior to the tenth day after an individual or group acquires 15% of the Company's voting stock, unless extended, and expire in 1998. Additional details are set forth in the Amended and Restated Rights Agreement filed as Exhibit 1 in the Company's Form 8-K with the Securities and Exchange Commission on September 25, 1990.

Item 6. Selected Financial Data

The following table sets forth selected financial data of the Company for the years indicated and should be read in conjunction with the disclosures in Item 7 of this Form 10-K:

| | 1994 | 1993 | 1992 | 1991 | 1990 |
|---|---|---|---|---|---|
| | (expressed in millions, except per-common-share amounts) | | | | |
| Assets | | | | | |
| Current assets | $ 918 | $ 887 | $ 866 | $ 933 | $ 998 |
| Property and equipment, net | 2,494 | 3,010 | 3,067 | 3,163 | 3,155 |
| Other | 882 | 616 | 627 | 633 | 632 |
| | $4,294 | $4,513 | $4,560 | $4,729 | $4,785 |
| Liabilities and Shareholders' Equity | | | | | |
| Current liabilities | $ 658 | $ 688 | $ 750 | $ 651 | $ 758 |
| Long-term debt, less current portion | 1,625 | 1,593 | 1,680 | 1,916 | 1,649 |
| Guarantee of ESOP debt | 231 | 247 | 262 | 275 | 286 |
| Other | 415 | 480 | 510 | 439 | 516 |
| Shareholders' equity | 1,365 | 1,505 | 1,358 | 1,448 | 1,576 |
| | $4,294 | $4,513 | $4,560 | $4,729 | $4,785 |
| Net sales | $4,140 | $3,958 | $3,716 | $3,950 | $4,186 |
| Income (loss) before accounting change | (63) | (77) | (154) | (79) | 75 |
| Net income (loss) | (63) | (77) | (227) | (79) | 75 |
| Net income (loss) per common share | | | | | |
| Primary | | | | | |
| Income (loss) before accounting change | $(3.08) | $(3.17) | $(4.79) | $(2.46) | $ 1.62 |
| Effect of net accounting change (1) | - | - | (1.94) | - | - |
| | $(3.08) | $(3.17) | $(6.73) | $(2.46) | $ 1.62 |
| Fully diluted (2) | | | | | |
| Income (loss) before accounting change | $(3.08) | $(3.17) | $(4.79) | $(2.46) | $ 1.62 |
| Effect of net accounting change (1) | - | - | (1.94) | - | - |
| | $(3.08) | $(3.17) | $(6.73) | $(2.46) | $ 1.62 |
| Cash dividends declared per common share | $ .60 | $ .60 | $ .60 | $ 1.29 | $ 1.52 |

(1) Consists of a one-time noncash charge of $73 million, or $1.94 per share, for the adoption of Financial Accounting Standards Board requirements to accrue postretirement benefits other than pensions.

(2) The computation of fully diluted net income (loss) per common share was antidilutive in all years reported; therefore, the amounts reported for primary and fully diluted earnings are the same.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's discussion and analysis of financial condition and results of operations are presented under the caption "Financial Review" of the Company's 1994 Annual Report and are incorporated herein by this reference.

Item 8. Financial Statements and Supplementary Data

The Company's consolidated financial statements and related notes, together with the report of the independent public accountants, are presented in the Company's 1994 Annual Report and are incorporated herein by this reference. Selected quarterly financial data is presented under the caption "Quarterly Results of Operations" in the Company's 1994 Annual Report and is incorporated herein by this reference.

The consolidated income (loss) statement for the three months ended December 31, 1994, is presented in the Company's Fact Book for the fourth quarter of 1994 and is incorporated herein by this reference.

The 10.125% Notes issued in December 1990, the 9.85% Notes issued in June 1990, the 9.9% Notes issued in March 1990, and the 9.45% Debentures issued in October 1989 each contain a provision under which in the event of the occurrence of both a designated event, as defined, and a rating decline, as defined, the holders of these securities may require the Company to redeem the securities.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

Not applicable.

PART III

Item 10. Directors and Executive Officers of the Registrant

Directors

The directors and nominees for directors of the Company are presented under the caption "Election of Directors" in the Company's definitive proxy statement dated March 7, 1995. All of the nominees are presently directors. This information is incorporated herein by this reference.

Executive Officers as of February 28, 1995

| Name | Age | Position or Office | Date First Elected as an Officer |
|---|---|---|---|
| George J. Harad | 50 | President and Chief Executive Officer, Director | 5/11/82 |
| Peter G. Danis Jr. | 63 | Executive Vice President | 7/26/77 |
| Theodore Crumley | 49 | Senior Vice President and Chief Financial Officer | 5/10/90 |
| A. Ben Groce | 53 | Senior Vice President | 2/8/91 |
| Alice E. Hennessey | 58 | Senior Vice President | 10/28/71 |
| Terry R. Lock | 53 | Senior Vice President | 2/17/77 |
| Richard B. Parrish | 56 | Senior Vice President | 2/27/80 |
| N. David Spence | 59 | Senior Vice President | 12/8/87 |
| A. James Balkins III | 42 | Vice President and Corporate Secretary | 9/5/91 |
| J. Ray Barbee | 47 | Vice President | 9/26/89 |
| Stanley R. Bell | 48 | Vice President | 9/25/90 |
| John C. Bender | 54 | Vice President | 2/13/90 |
| Charles D. Blencke | 51 | Vice President | 12/11/92 |
| Tom E. Carlile | 43 | Vice President and Controller | 2/4/94 |
| J. Michael Gwartney | 54 | Vice President | 4/25/89 |
| John W. Holleran | 40 | Vice President and General Counsel | 7/30/91 |
| H. John Leusner | 59 | Vice President | 12/11/92 |
| Irving Littman | 54 | Vice President and Treasurer | 11/1/84 |
| Jeffrey G. Lowe | 53 | Vice President | 12/11/92 |
| Christopher C. Milliken | 49 | Vice President | 2/3/95 |
| Carol B. Moerdyk | 44 | Vice President | 5/10/90 |
| D. Ray Ryden | 61 | Vice President | 4/26/88 |
| Donald F. Smith | 53 | Vice President | 12/8/87 |
| J. Kirk Sullivan | 59 | Vice President | 9/30/81 |
| Gary M. Watson | 47 | Vice President | 2/5/93 |

All of the officers named above except A. Ben Groce and Gary M. Watson (see below) have been employees of the registrant or one of its subsidiaries for at least five years. Mr. Groce rejoined the Company in 1991 after resigning in June 1989. Prior to his resignation, he had served as an officer of the Company since December 1987.

Christopher C. Milliken was elected a vice president in February 1995. Mr. Milliken received a B.S. degree in industrial management in 1970 from Clemson University. He joined the Company in 1977 and held a variety of positions in the office products distribution business before becoming Eastern Region Manager in 1991.

Gary M. Watson was elected vice president in February 1993. Dr. Watson received a B.S. degree in chemistry from Western Washington University in 1969. He also received an M.S. degree in 1972 and a Ph.D. degree in chemical physics in 1974, both from Lawrence University in connection with the Institute of Paper Science and Technology. He joined Boise Cascade in 1992 as director of the Company's Paper Research and Development Center in Portland, Oregon.

Item 11. Executive Compensation

Information concerning compensation of the Company's executive officers for the year ended December 31, 1994, is presented under the caption "Compensation Tables" in the Company's definitive proxy statement dated March 7, 1995. This information is incorporated herein by this reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

(a) Information concerning the security ownership of certain beneficial owners as of December 31, 1994, is set forth under the caption "Beneficial Ownership" in the Company's definitive proxy statement dated March 7, 1995, and is incorporated herein by this reference.

(b) Information concerning security ownership of management as of December 31, 1994, is set forth under the caption "Security Ownership of Directors and Executive Officers" in the Company's definitive proxy statement dated March 7, 1995, and is incorporated herein by this reference.

Item 13. Certain Relationships and Related Transactions

Information concerning certain relationships and related transactions during 1994 is set forth under the caption "Consulting Services" in the Company's definitive proxy statement dated March 7, 1995, and is incorporated herein by this reference.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) The following documents are filed as a part of this annual report on Form 10-K for Boise Cascade Corporation and subsidiaries:

(1) (i) The Income (Loss) Statement for the three months ended December 31, 1994, is incorporated herein by this reference from the Company's Fact Book for the fourth quarter of 1994.

(ii) The Financial Statements, the Notes to Financial Statements, and the Report of Independent Public Accountants listed below are incorporated herein by this reference from the Company's 1994 Annual Report.

- Balance Sheets as of December 31, 1994 and 1993.
- Statements of Income (Loss) for the years ended December 31, 1994, 1993, and 1992.
- Statements of Cash Flows for the years ended December 31, 1994, 1993, and 1992.
- Statements of Shareholders' Equity for the years ended December 31, 1994, 1993, and 1992.
- Notes to Financial Statements.
- Quarterly Results of Operations for the years 1994 and 1993.
- Report of Independent Public Accountants.

(2) Financial Statement Schedules.

- Consent of Independent Public Accountants.

(3) Exhibits.

A list of the exhibits required to be filed as part of this report is set forth in the Index to Exhibits, which immediately precedes such exhibits, and is incorporated herein by this reference.

(b) Reports on Form 8-K.

On October 4, 1994, the Company filed a Form 8-K with the Securities and Exchange Commission to report that the Company issued a news release announcing the impact of securities sales by Rainy River Forest Products Inc.

On October 24, 1994, the Company filed a Form 8-K with the Securities and Exchange Commission to file the unaudited pro forma Boise Cascade Corporation and Subsidiaries financial information as of September 30, 1994, and to file, by reference, the Rainy River Underwriting Agreement regarding common shares and Convertible Debentures.

(c) Exhibits.

See Index to exhibits.

(d) The following documents are filed as a part of this annual report on Form 10-K for Rainy River Forest Products Inc., an unconsolidated equity affiliate of the Company:

(1) The Financial Statements, the Notes to Financial Statements, and the Report of Independent Chartered Accountants listed below are incorporated herein by this reference from Rainy River Forest Products Inc.'s 1994 Annual Report:

- Consolidated Balance Sheets as of December 31, 1994 and 1993.
- Consolidated Statements of Operations for the years ended December 31, 1994, 1993, and 1992.
- Consolidated Statements of Changes in Financial Position for the years ended December 31, 1994, 1993, 1992.
- Consolidated Statements of Owners' Equity for the years ended December 31, 1994, 1993, 1992.
- Auditors' Report.
- Notes to Consolidated Financial Statements.

For the purpose of complying with the rules governing Form S-8 under the Securities Act of 1933, the undersigned registrant hereby undertakes as follows, which undertaking shall be incorporated by reference into registrant's Registration Statements on Form S-8 Nos. 33-47892 (filed May 14, 1992), 33-28595 (filed May 8, 1989), 33-21964 (filed June 6, 1988), 33-31642 (filed November 7, 1989), 2-96196 (filed March 25, 1985), and 33-45675 (filed February 12, 1992):

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers, and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer, or controlling person of the registrant in the successful defense of any action, suit, or proceeding) is asserted by such director, officer, or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Boise Cascade Corporation

By George J. Harad
George J. Harad
President and
Chief Executive Officer

Dated: March 14, 1995

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 14, 1995.

| Signature | Capacity |
|---|---|
| (i) Principal Executive Officer: | |
| George J. Harad<br>George J. Harad | President and<br>Chief Executive Officer |
| (ii) Principal Financial Officer: | |
| Theodore Crumley<br>Theodore Crumley | Senior Vice President and<br>Chief Financial Officer |

(iii) Principal Accounting Officer

| | |
|---|---|
| Tom E. Carlile | Vice President |
| Tom E. Carlile | and Controller |

(iv) Directors:

| | |
|---|---|
| John B. Fery | A. William Reynolds |
| John B. Fery | A. William Reynolds |
| Anne L. Armstrong | Jane E. Shaw |
| Anne L. Armstrong | Jane E. Shaw |
| Robert E. Coleman | Frank A. Shrontz |
| Robert E. Coleman | Frank A. Shrontz |
| George J. Harad | Edson W. Spencer |
| George J. Harad | Edson W. Spencer |
| Robert K. Jaedicke | Robert H. Waterman, Jr. |
| Robert K. Jaedicke | Robert H. Waterman, Jr. |
| James A. McClure | Ward W. Woods, Jr. |
| James A. McClure | Ward W. Woods, Jr. |
| Paul J. Phoenix | |
| Paul J. Phoenix | |

# CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report dated January 30, 1995, incorporated by reference in this Form 10-K for the year ended December 31, 1994, into Boise Cascade Corporation's previously filed post-effective amendment No. 1 to Form S-8 registration statement (File No. 33-28595); the registration statement on Form S-8 (File No. 33-47892); post-effective amendment No. 1 to Form S-8 registration statement (File No. 2-96196); post-effective amendment No. 1 to Form S-8 registration statement (File No. 33-21964); the registration statement on Form S-8 (File No. 33-31642); the registration statement on Form S-8 (File No. 33-45675); the registration statement on Form S-3 (File No. 33-54533); and the registration statement on Form S-3 (File No. 33-55396).

ARTHUR ANDERSEN LLP

Boise, Idaho
March 14, 1995

BOISE CASCADE CORPORATION

INDEX TO EXHIBITS
Filed with the Annual Report
on Form 10-K for the
Year Ended December 31, 1994

| Number | Description | Page Number (1) |
|---|---|---|
| 2 | Inapplicable | - |
| 3.1 (2) | Restated Certificate of Incorporation, as amended | - |
| 3.2 (3) | Certificate of Designation of Convertible Preferred Stock, Series D, dated July 10, 1989 | - |
| 3.3 (4) | Certificate of Designation of Conversion Preferred Stock, Series E, dated January 21, 1992 | - |
| 3.4 (5) | Certificate of Designation of Cumulative Preferred Stock, Series F, dated January 29, 1993 | - |
| 3.5 (6) | Bylaws, as amended, September 29, 1994 | - |
| 3.6 (5) | Certificate of Designation of Conversion Preferred Stock, Series G, dated September 17, 1993 | - |
| 4.1 (7) | Trust Indenture between Boise Cascade Corporation and Morgan Guaranty Trust Company of New York, Trustee, dated October 1, 1985, as amended | - |
| 4.2 (8) | 1994 Revolving Loan Agreement -- $650,000,000, dated April 15, 1994 | - |
| 4.3 (9) | Shareholder Rights Plan, as amended September 25, 1990 | - |
| 9 | Inapplicable | - |
| 10.1 | Key Executive Performance Plan for Executive Officers, as restated February 2, 1995, with the 1994 and 1995 Performance Criteria | - |
| 10.2 (5) | 1986 Executive Officer Deferred Compensation Plan, as amended July 29, 1993 | - |
| 10.3 (5) | 1983 Board of Directors Deferred Compensation Plan, as amended July 29, 1993 | - |
| 10.4 (5) | 1982 Executive Officer Deferred Compensation Plan, as amended July 29, 1993 | - |
| 10.5 (5) | Executive Officer Severance Pay Policy | - |
| 10.6 (5) | Supplemental Early Retirement Plan for Executive Officers | - |
| 10.7 | Boise Cascade Corporation Supplemental Pension Plan, effective as of January 1, 1994 | |
| 10.8 (5) | 1987 Board of Directors Deferred Compensation Plan, as amended July 29, 1993 | - |
| 10.9 | 1984 Key Executive Stock Option Plan and Form of Agreement, as amended through July 28, 1994 | |
| 10.10 (5) | Executive Officer Group Life Insurance Plan description | - |
| 10.11 (5) | Executive Officer Split-Dollar Life Insurance Plan | - |
| 10.12 (5) | Form of Agreement with Executive Officers, as amended | - |
| 10.13 (5) | Supplemental Health Care Plan for Executive Officers | - |
| 10.14 (5) | Nonbusiness Use of Corporate Aircraft Policy, as amended | - |
| 10.15 (5) | Executive Officer Financial Counseling Program description | - |
| 10.16 (5) | Family Travel Program description | - |
| 10.17 (5) | Form of Directors' Indemnification Agreement | - |
| 10.18 (5) | Deferred Compensation and Benefits Trust, as amended through June 30, 1989 | - |
| 10.19 | Director Stock Compensation Plan, as amended December 15, 1994 | |
| 10.20 | Boise Cascade Corporation Director Stock Option Plan | |
| 11 | Inapplicable | - |
| 12 | Ratio of Earnings to Fixed Charges | |
| 13.1 | Incorporated sections of the Boise Cascade Corporation 1994 Annual Report | |
| 13.2 | Incorporated sections of the Boise Cascade Corporation Fact Book for the fourth quarter of 1994 | |
| 16 | Inapplicable | - |
| 18 | Inapplicable | - |
| 21 | Significant subsidiaries of the registrant | |
| 22 | Inapplicable | - |
| 23 | Consent of Arthur Andersen LLP (See page __) | - |
| 24 | Inapplicable | - |
| 27 | Financial Data Schedule | |
| 28 | Inapplicable | - |
| 99 | Incorporated sections of the Rainy River Forest Products Inc. 1994 Annual Report | |

(1) This information appears only in the manually signed original of the Annual Report on Form 10-K.

(2) Exhibit 3.1 was filed under the same exhibit number in the Company's 1987 Annual Report on Form 10-K and is incorporated herein by this reference.

(3) The Certificate of Designation of Convertible Preferred Stock, Series D, dated July 10, 1989, was filed as Exhibit 4.4 in the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1989, and is incorporated herein by this reference.

(4) Exhibit 3.3 was filed under the same exhibit number in the Company's 1991 Annual Report on Form 10-K and is incorporated herein by this reference.

(5) Exhibits 3.4, 3.6, 10.2, 10.3, 10.4, 10.5, 10.6, 10.8, 10.10, 10.11, 10.12, 10.13, 10.14, 10.15, 10.16, 10.17, and 10.18 were filed under the same exhibit numbers in the Company's 1993 Annual Report on Form 10-K

and are incorporated herein by this reference.

(6) The Bylaws, as amended September 29, 1994, were filed as Exhibit 3 in the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1994, and are incorporated herein by this reference.

(7) The Trust Indenture between Boise Cascade Corporation and Morgan Guaranty Trust Company of New York, Trustee, dated October 1, 1985, as amended, was filed as Exhibit 4 in the Registration Statement on Form S-3 No. 33-5673, filed May 13, 1986. The First Supplemental Indenture, dated December 20, 1989, to the Trust Indenture between Boise Cascade Corporation and Morgan Guaranty Trust Company of New York, Trustee, dated October 1, 1985, was filed as Exhibit 4.2 in the Pre-Effective Amendment No. 1 to the Registration Statement on Form S-3 No. 33-32584, filed December 20, 1989. The Second Supplemental Indenture, dated August 1, 1990, to the Trust Indenture was filed as Exhibit 4.1 in the Company's Current Report on Form 8-K filed on August 10, 1990. Each of the documents referenced in this footnote is incorporated herein by this reference.

(8) The 1994 Revolving Loan Agreement was filed as Exhibit 4.2 in the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1994, and is incorporated herein by this reference.

(9) The Rights Agreement, dated as of December 13, 1988, as amended September 25, 1990, was filed as Exhibit 1 in the Company's Form 8-K filed with the Securities and Exchange Commission on September 25, 1990, and is incorporated herein by this reference.

# BOISE CASCADE CORPORATION

# KEY EXECUTIVE PERFORMANCE PLAN

# FOR EXECUTIVE OFFICERS

(As Restated February 2, 1995)

## BOISE CASCADE CORPORATION
## KEY EXECUTIVE PERFORMANCE PLAN FOR EXECUTIVE OFFICERS

1. Purpose of the Plan. The Boise Cascade Corporation Key Executive Performance Plan for Executive Officers (the "Plan") is designed to recognize the contribution made by Executive Officers in optimizing the long-term value to the shareholders of Boise Cascade Corporation (the "Company") and to provide Plan participants with an opportunity to supplement their retirement income through deferrals of awards made under the Plan. The Plan is intended to be subject to and comply with the requirements of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and is an unfunded plan providing deferred compensation for a select group of senior management or highly compensated employees.

2. Definitions. For purposes of this Plan, the following terms shall have the meanings set forth below:

2.1 "Award" or "Corporate Performance Award" shall mean a payment made under the Plan, or a payment earned but deferred according to the terms of a Participant's deferral election under Section 8 of this Plan, based on the Corporate Performance Award Criteria ("Criteria") and/or the Division or Location Performance Measures ("Measures") applicable to the Award Period for which the Award is made. Within 90 days of the beginning of each Award Period, the Committee shall establish the specific Criteria and/or Measures to be achieved by the Company in order for Participants to earn a Corporate Performance Award. The Committee shall establish a mathematical formula pursuant to which an Award, equal to a specified percentage of a Participant's salary, shall be earned upon the attainment of specific levels of the applicable Criteria and/or Measures. This formula may take into account Criteria and/or Measures achieved in prior Award Periods. The Criteria and/or Measures and formula, once established, shall continue for subsequent Award Periods unless modified by the Committee. The Criteria and/or Measures applicable to an Award Period, and the formula pursuant to which Award amounts shall be determined, shall be selected and published within 90 days from the beginning of the Award Period. No Award may be paid to a Participant in excess of $2.5 million for any single Award Period. In the event an Award is earned under the Criteria and/or Measures in effect for an Award Period in excess of $2.5 million, the amount of the Award in excess of this amount shall be deferred in accordance with Section 8 of this Plan.

2.2 "Award Period" shall mean a period of one year, commencing each January 1 and ending on the following December 31.

2.3 "Base Salary" shall mean a Participant's annual pay rate at the end of the Award Period without taking into account (i) any deferrals of income; (ii) any incentive compensation; or (iii) any other benefits paid or provided under any of the Company's other employee benefit plans.

2.4 "Capital" shall mean the net investment employed in the operations of the Company, adjusted for LIFO inventory, present value of operating leases, goodwill amortization, major capital projects, and major nonrecurring adjustments.

2.5 "Capital Charge" shall mean the deemed opportunity cost of employing Capital for the Company calculated as follows: Capital Charge = average Capital x Pretax Required Rate of Return.

2.6 "Change in Control" shall mean a change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended ("Exchange Act"), or any successor provisions, whether or not the Company is then subject to such reporting requirement; provided that, without limitation, such a Change in Control shall be deemed to have occurred if (a) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than the Company or an employee benefit plan maintained by the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding securities; or (b) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board, including for this purpose any new director whose election or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period, cease for any reason to constitute a majority thereof.

2.7 "Committee" shall mean the Executive Compensation Committee of the board of directors of the Company.

2.8 "Corporate Performance Award Criteria" shall mean the attainment of specified levels of Return on Equity ("ROE"), Return on Total Capital ("ROTC"), Economic Value Added ("EVA"), Earnings Per Share ("EPS"), and/or Net Income ("NI") selected by the Committee.

2.9 "Deferred Compensation and Benefits Trust" shall mean the irrevocable trust established by the Company with an independent trustee for the benefit of persons entitled to receive payments or benefits hereunder, the assets of which trust will be subject to claims of the Company's creditors in the event of bankruptcy or insolvency.

The Deferred Compensation and Benefits Trust shall contain the following provisions:

a. If a Change in Control of the Company does not occur within one year after the Potential Change in Control, the Company may reclaim the assets transferred to the trustee subject to the requirement that it be again funded upon the occurrence of another Potential Change in Control.

b. Upon a Change in Control, the assets of the Deferred Compensation and Benefits Trust shall be used to pay benefits under this Plan, except to the extent such benefits are paid by the Company, and the Company and any successor shall continue to be liable for the ultimate payment of those benefits.

c. The Deferred Compensation and Benefits Trust will be terminated upon the exhaustion of the trust assets or upon payment of all the Company's obligations.

d. The Deferred Compensation and Benefits Trust shall contain other appropriate terms and conditions consistent with the purposes sought to be accomplished by it. Prior to a Change in Control, the Deferred Compensation and Benefits Trust may be amended from time to time by the Company, but no such amendment may substantially alter any of the provisions set out in the preceding paragraphs.

2.10 "Division or Location Performance Measures" shall mean the attainment by division(s) and/or location(s) (at the division and/or location level) of specified levels of Pretax Return on Total Capital ("PROTC"), EVA, safety, quality, costs, operating efficiency, sales, production, and/or product mix as determined by the Committee.

2.11 "Earnings Per Share" shall mean the Company's Net Income and excluding preferred dividends, divided by average shares outstanding as reported in the Company's published financial statements, and adjusted for major nonrecurring and nonoperating expense and income items, as determined by the Committee, based on the facts and circumstances involved. Earnings Per Share shall be on a fully diluted basis if required to be reported on this basis under generally accepted accounting principles; otherwise, Earnings Per Share shall be primary Earnings Per Share.

2.12 "Economic Value Added" shall mean the excess NOPBT that remains after subtracting the Capital Charge, expressed as follows: EVA = NOPBT - Capital Charge.

2.13 "Executive Officers" shall mean the Company's Chief Executive Officer, President, and any Executive Vice President, Senior Vice President, Vice President and the Corporate Secretary, Treasurer, or Controller of the Company.

2.14 "Net Income" shall mean the Company's income after taxes as reported in the Company's published financial statements for the applicable Award Period. Net Income shall be adjusted for major nonrecurring and nonoperating income or expense items, as determined by the Committee, based on the facts and circumstances involved.

2.15 "Net Operating Profit Before Tax" ("NOPBT") shall mean the before tax operating income of the Company for the Award Period.

2.16 "Participant" shall mean a person who is an Executive Officer of the Company at the beginning of an Award Period or who is elected an Executive Officer by the Company's Board of Directors (the "Board") during an Award Period who is identified by the Company and Committee as being eligible to be a Participant for such Award Period and who timely signs and returns to the Company a participation letter (or similar document) in such form as is approved by the Company.

2.17 "Potential Change in Control" shall be deemed to have occurred if (a) the Company enters into an agreement, the consummation of which would result in the occurrence of a Change in Control of the Company; (b) any person (including the Company) publicly announces an intention to take or to consider taking actions which if consummated would constitute a Change in Control of the Company; (c) any person becomes the beneficial owner, directly or indirectly, of securities of the Company representing 9.5% or more of the combined voting power of the Company's then outstanding securities; or (d) the board of directors of the Company adopts a resolution to the effect that a Potential Change in Control of the Company for purposes of this Agreement has occurred.

2.18 "Pretax Required Rate of Return" (also commonly known as the "cost of capital") shall mean the pretax required rate of return percentage including adjustment for business risk and for debt to equity structure, as determined by the Committee for the Award Period.

2.19 "Return on Equity" shall mean the Company's Net Income, divided by average shareholders' equity.

2.20 "Return on Total Capital" shall be the Company's Net Income divided by the average Total Capital, as reported in the Company's published financial statements for the applicable Award Period.

3. Determination of Awards. As soon as practical after the conclusion of each Award Period, the Committee shall review and evaluate the Corporate Performance Award Criteria applicable to the Award Period in light of the Company's performance measured in accordance with such criteria, and shall determine whether the criteria have been satisfied. If satisfied, the Committee shall so certify in a written statement, and shall apply the criteria to determine the percentage amount of the Award for each Participant.

4. Payment of Awards. Payment of Awards, less withholding taxes, shall be made to Participants as soon as practical following the Committee's certification that the applicable Award Criteria have been satisfied and upon determination of the amount of each Award. Funding of Awards under this Plan shall be out of the general assets of the Company. Payment of Awards for which a deferral election has been made by a Participant pursuant to Section 8 hereof shall be made in accordance with the Participant's deferral election. Notwithstanding the foregoing, no payments shall be made under this Plan unless the material terms of the Plan have been approved by a majority vote of the Company's shareholders voting with respect to such matters.

5. Administration and Interpretation of the Plan. The Committee shall have the sole discretion, responsibility, and authority to carry out all actions with respect to administration and interpretation of the Plan. Any interpretation by the Committee shall be final and binding on the Participants. The Committee shall have sole discretion to determine any and all questions of fact relating to or arising in connection with the Plan, including but not limited to questions of eligibility and benefits under the Plan. The Committee shall have sole discretion to construe any and all terms or conditions of the Plan and to make determinations and administrative decisions regarding the intent, meaning, application, and effect of any and all aspects of the Plan. The Committee may adopt such rules and regulations relating to the Plan as it may deem necessary for the administration of the Plan. The Committee may delegate its responsibilities hereunder to Company employees, advisors, or other persons who are not members of the Committee, and may rely upon information or opinions of legal counsel or experts selected to render advice with respect to the Plan. Any delegate of the Committee hereunder shall have the absolute discretionary authority vested in the Committee with respect to such delegated responsibilities unless limited in writing by the Committee.

6. Participation in the Plan. Executive Officers of the Company may become Participants in accordance with the terms of the Plan at any time during the Award Period, as provided in Section 2.16. If an Executive Officer becomes a Participant at any time other than at the commencement of an Award Period, the amount of his or her Award under the Corporate Performance Award Criteria of the Plan shall be prorated on the basis of the number of days during the Award Period that he or she is a Participant compared to the total number of calendar days in the Award Period.

At such time as an Executive Officer becomes a Participant in this Plan, he or she shall be eligible to be a Participant in all subsequent Award Periods under the Plan until he or she ceases to be an Executive Officer of the Company, his or her employment with the Company terminates, he or she is excluded from participation by the Committee, or he or she fails to sign a participation letter as provided in Section 2.16.

If a person becomes a Participant under this Plan and is also a Participant under the Company's Key Executive Performance Plan for Key Executives or any similar incentive plan for the same Award Period, such Participant will also be eligible to receive a pro rata Award under the Key Executive Performance Plan for Key Executives or such other plan, in accordance with the terms of such plan, at the end of the Award Period.

7. Treatment of Awards Upon Retirement, Disability, Death, Reassignment or Termination. A Participant who (a) retires (including early retirement as defined under the Company's qualified pension plan for salaried employees and retirement under the Company's Supplemental Early Retirement Plan for Executive Officers), (b) becomes totally disabled, (c) dies, or (d) terminates employment as a direct result of the sale or permanent closure of a division or facility of the Company, or as a direct result of a merger, reorganization, sale, or restructuring of all or part of the Company, will cease to be a Participant in the Plan as of the day of the occurrence of such event. In this event, the Participant (or his or her designated beneficiary or estate in the case of death) shall receive a pro rata Award under the Plan (if one is paid), based on the number of days during the Award Period the person was a Participant in the Plan compared to the total number of days in the Award Period. This prorated Award shall be paid to the Participant (or his or her designated beneficiary or estate in the case of death) as soon as practical after the conclusion of the Award Period. Any award to be paid pursuant to clause (d) above shall be calculated based on the Corporate Performance Award Criteria applicable to the Award Period through the date of the occurrence of such event, and shall be calculated as though such event had not occurred.

If a Participant is excluded from participation by decision of the Committee during an Award Period, the Participant shall cease participation as of the date of such decision and shall receive a prorated Award for the Award Period (if one is paid). The calculation and payment of this prorated award will be made in the same manner as that of a Participant who has retired, become permanently disabled, or died.

Participants who otherwise terminate their employment with the Company during an Award Period, whether voluntarily or involuntarily, with or without cause, shall not be eligible to receive any Award for the Award Period, unless payment of an Award to such Participant is approved by the Committee.

8. Deferral of Awards. A Participant may elect to defer receipt of all or any portion of any Corporate Performance Award made under the Plan to a future date, provided the amount to be so deferred exceeds $2,000, as described in this Section 8. A Participant who has earned an Award in excess of $2.5 million for an Award Period shall be required to defer the amount of the Award in excess of $2.5 million, in accordance with this Section 8.

Deferred Bonus Accounts shall not be funded, and all Awards deferred by Participants shall be unfunded obligations of the Company. Participants shall be unsecured general creditors of the Company with respect to such Deferred Bonus Accounts.

8.1 Eligible executives may elect (if done so on or before September 30 of the Plan year) to defer receipt of their Award (if any), subject to the following:

a. Before September 30 of the Plan year for which a deferral election is to be effective, executives must sign and return to the Company a completed Deferral Election Form, which shall specify (1) the percentage or amount of the Award to be deferred, (2) the form (lump sum or installment) of payment, and (3) the date on which payment of the deferred Award is to commence. Elections hereunder shall be irrevocable except as otherwise provided in the Plan.

b. A Deferred Award will be credited to a Deferred Bonus Account for the executive, an account established for Key Executive Performance Plan deferral purposes for the Plan year. Thereafter, the executive's Deferred Bonus Account will be credited with nominal interest at a rate determined by the Company. This rate, which will be set annually, will not be less than the prime rate offered by the Bank of America NT&SA each January 1.

c. If any payment is made from an executive's Deferred Bonus Account during a year, interest will be credited to the account on the portion so paid up to the end of the month preceding the month in which payment occurs.

d. An executive's Deferred Bonus Account for a given Plan year will be paid to the executive in a lump sum on one of the following dates:

(1) The date selected by the executive in the applicable Deferral Agreement, or

(2) January 1 of the year following the executive's normal or early retirement if no earlier date has been selected previously by the executive.

In lieu of lump-sum payment, an executive may elect to receive payment in consecutive equal annual installments over a period not exceeding ten years commencing with the date the executive selects in the applicable Deferral Agreement.

e. Earlier payment of Deferred Bonus Account balances will be made only in accordance with Plan provisions permitting hardship or other early withdrawals, waiting periods, and account limitations, and penalties will apply as set forth in the Plan.

f. Any amounts deferred shall not be considered as compensation for pension purposes or for purposes of the Company's Savings and Supplemental Retirement Plan. However, any resulting reduction in a participant's pension benefit will be provided from the Company's unfunded supplemental pension plan.

8.2 Except as otherwise provided herein, election to defer payment of an award is irrevocable.

8.3 If an executive terminates for any reason other than retirement or death, the Company will pay to such terminated employee his or her Deferred Bonus Account in full in the month following the month of termination. The amount of such Deferred Bonus Account to be distributed will be determined in accordance with paragraph 8.1.b.

8.4 If an executive terminates because of death or if an executive dies after his or her normal or early retirement and there is an unpaid balance in his or her Deferred Bonus Account, the executive's Deferred Bonus Account or unpaid balance thereof will be paid by the Company to the executive's designated beneficiary or beneficiaries in the month following the month in which the executive's death occurs. The amount of such Deferred Bonus Account or unpaid balance thereof to be distributed will be determined in accordance with paragraph 8.1.c.

8.5 An executive must designate the beneficiary or beneficiaries who are to receive his or her Deferred Bonus Account in the event of the executive's death. The beneficiary designation shall be made on the Beneficiary Designation form and may be changed at any time upon written notice to the Company. If an executive has not designated a beneficiary or beneficiaries or if all the designated beneficiaries are deceased, the Deferred Bonus Account will be paid to the executive's estate.

8.6 Distributions of Deferred Bonus Accounts may be made in accordance with the provisions of this Section 8, notwithstanding a Participant's Deferral Election Form.

8.6.1 Hardship Termination and Distribution. In the event of serious and unanticipated financial hardship, a participant may request a lump-sum distribution of all or a portion of his or her Deferred Bonus Account balance. The participant making a hardship distribution request under this section shall document, to the Company's satisfaction, that distribution of his or her Deferred Bonus Account is necessary to satisfy an unanticipated, immediate, and serious financial need and that the participant does not have access to other funds, including proceeds of any loans sufficient to satisfy the need. Upon receipt of a request under this section, the Company may, in its sole discretion, distribute all or a portion of the participant's account balance in a lump sum, to the extent such distribution is necessary to satisfy the financial need. The participant shall sign all documentation requested by the Company relating to any such distribution, and any participant whose participation in the Plan terminates under this paragraph may not make deferrals of Awards for a minimum of 12 months following the date of any distribution.

8.6.2 Early Distribution with Penalty. Notwithstanding any provision in this Plan to the contrary, a participant or beneficiary may, at any time, request a single lump-sum payment of the amount credited to a Deferred Bonus Account or accounts of the Participant under the Plan. The amount of the payment shall be equal to (i) the participant's accumulated Deferred Bonus Account balance under the Plan as of the payment date, reduced by (ii) an amount equal to 10% of such accumulated account balance. This lump-sum payment shall be subject to withholding of federal, state, and other taxes to the extent applicable. This request must be made in writing to the Company. The lump-sum payment shall be made within 30 days of the date on which the Company receives the request for the distribution. If a request is made under this provision, the participant shall not be eligible to participate in any nonqualified deferred compensation plan maintained by the Company, including the deferral option under this Plan, for a period of 12 months after such request is made. In addition, in this event, any deferred compensation agreement under any nonqualified deferred compensation plan of the Company shall not be effective with respect to compensation payable to the participant during this 12-month period.

8.6.3 Distribution Upon Extraordinary Events. In the event any participant terminates employment with the Company as a direct result of the sale or divestiture of a facility, operating division, or reduction in force in connection with any reorganization of the Company's operations or staff, such participant may request distribution of his or her entire Deferred Bonus Account balance. Upon receipt of such a request for distribution under this section, the Company may, in its sole discretion, elect whether to approve or deny the request. If the Company approves a request under this section, distribution of the participant's account shall occur no later than the January 1 of the year following the year during which such termination of employment occurs.

8.6.4 Small Account Distributions. In the event a participant terminates employment with the Company for any reason and the participant's benefit under this Plan is less than either (i) $5,000 in lump sum present value, calculated in accordance with reasonable assumptions, or (ii) the monthly payment under the benefit payment option selected by the participant is less than $75 per month, such participant may request distribution of his or her entire account balance. Upon receipt of a request for distribution under this section, the Company may, in its sole discretion, elect whether to approve or deny the request. If the request is approved, the Company shall close the participant's account and distribute the participant's entire account balance in a single lump sum. Any distribution under this paragraph shall be made no later than January 1 of the year following the year in which such termination of employment occurs.

8.7 A participant who has previously submitted an election regarding payment of a Deferred Bonus Account and who subsequently wishes to change that election may submit a written request to change the election to Boise Cascade. Such request must specify, subject to the limits of the Plan, (i) either a lump-sum payment or annual installments and (ii) a date at least one year later than the date originally elected for such payments to commence and terminate. Such requests must be received by the Company at least 30 days prior to January 1 of the year in which the executive previously elected to have the payments commence. Boise Cascade, in its sole and absolute discretion, may accept or reject such application. No change will be permitted that would allow payment of a deferral Award earlier than originally elected.

8.8 Once an award is made to an executive, it cannot be revoked or modified by the Company and will be paid in accordance with the election made and in accordance with the terms of this Plan.

8.9 The Deferred Bonus Account of an executive, or any part thereof, shall not be assignable or transferable by an executive, either before or after normal or early retirement, other than to a properly designated beneficiary or beneficiaries or by will or the laws of descent and distribution. During the lifetime of an executive, payments of a Deferred Bonus Account will be made only to the executive.

8.10 An executive who takes early retirement at the request of the Company may, on that account, change any outstanding deferral election under this Plan at any time between the date on which he or she is so requested to take retirement and the effective date of such early retirement.

8.11 The Company believes, but does not represent or guarantee, that a deferral election made in accordance with the terms of the Plan is effective to defer the receipt of taxable income. Each executive should consider his or her own financial situation and tax implications prior to electing to defer an Award. Deferral elections are at the sole discretion of each executive and the Company makes no representation regarding the tax or legal consequences of such deferral elections. Executives should consult an attorney or an accountant familiar with the federal income and estate tax laws, as well as their local laws, regarding the tax implications of a deferred Award in their individual cases.

8.12 This deferral option applies only to participants in those countries where tax statutes recognize voluntary compensation deferral programs that are consistent with the terms of this Plan.

8.13 Participants and their beneficiaries, heirs, successors and assigns shall have no legal or equitable right, interest, or claim in any property or assets of the Company. Such assets of the Company shall not be held under any trust for the benefit of participants, their beneficiaries, heirs, successors or assigns or held in any way as collateral security for the fulfilling of obligations of the Company under this Plan. Any and all Company assets shall be and remain the general, unpledged, unrestricted assets of the Company. The Company's obligation under this Plan shall be an unfunded and unsecured promise of the Company to pay money in the future.

9. Deferred Compensation and Benefits Trust. Upon the occurrence of any Potential Change in Control of the Company, the Company shall transfer to the Deferred Compensation and Benefits Trust an amount of cash, marketable securities, or other property acceptable to the trustee(s) equal in value to 105 percent of the amount necessary to pay the Company's obligations under this Agreement, calculated on an actuarial basis and in accordance with the terms of the Trust (the "Funding Amount"). The cash, marketable securities, and other property so transferred shall be held, managed, and disbursed by the trustee(s) subject to and in accordance with the terms of the Trust. In addition, from time to time the Company shall make any and all additional transfers of cash, marketable securities, or other property acceptable to the trustee(s) as may be necessary in order to maintain the Funding Amount with respect to this Plan.

10. Miscellaneous.

10.1 Assignability. A Participant's right and interest under the Plan may not be assigned or transferred, except in the event of the Participant's death, in which event such right and interest shall be transferred to his or her designated beneficiary, or in the absence of a designation of beneficiary, by will or in accordance with the laws of descent and distribution of the state of the Participant's principal residence at the time of death.

10.2 Employment Not Guaranteed. Neither this Plan nor any description of benefits, company policy or practice, or any action taken hereunder creates a contract of employment, and shall under no circumstances be construed as giving a Participant a right to be or remain as an Executive Officer or an employee of the Company for any period. Any Executive Officer or Participant is employed solely at the will of the Company, and his or her employment may be terminated at any time by the Company, with or without cause or reason, notwithstanding any provision in this Plan, any description of benefits, or any company policy or practice which may be construed to the contrary.

10.3 Taxes. The Company shall deduct from all Corporate Performance Awards or Individual Performance Awards all applicable federal and state taxes required by law to be withheld from such Corporate Financial Performance Awards or Discretionary Individual Performance Awards. Participants may, upon written request to the Company, request additional amounts to be withheld from any Award.

10.4 Construction and Jurisdiction. The Plan shall be construed according to the laws of the state of Idaho. In the event any lawsuit or legal action is brought, by any party, person, or entity regarding this Plan, benefits hereunder, or any related issue, such action or suit may be brought only in Federal District Court in the District of Idaho.

10.5 Form of Communication. Any election, application, claim, notice or other communication required or permitted to be made by a Participant to the Committee or Company shall be made in writing and in such form as the Company shall prescribe. Such communication shall be effective upon its receipt by the Company, if sent by first-class mail, postage prepaid and addressed to Manager of Executive Compensation, Boise Cascade Corporation, 1111 West Jefferson (83702), P.O. Box 50, Boise, Idaho, 83728-0001.

11. Amendment and Termination. The Committee may amend or terminate the Plan, at any time, provided that the Committee may not amend or terminate the Plan so as to adversely affect any benefits earned or accrued by Participants prior to the date of the amendment or termination. All actions of the Committee in this regard shall be evidenced by a duly adopted resolution or consent action of the Committee.

12. Claims Procedure. Claims for benefits under the Plan shall be filed in writing, within 90 days after the event giving rise to a claim, with the Company's Manager of Executive Compensation, who shall have absolute discretion to interpret and apply the Plan, evaluate the facts and circumstances, and make a determination with respect to such claim in the name and on behalf of the Committee. Such written notice of a claim shall include a statement of all facts believed by the Participant to be relevant to the claim and shall include copies of all documents, materials, or other evidence that the Participant believes relevant to such claim. Written notice of the disposition of a claim shall be furnished the claimant within 90 days after the application is filed. This 90-day period may be extended an additional 90 days by the Committee, in its sole discretion, by providing written notice of such extension to the claimant prior to the expiration of the original 90-day period. In the event the claim is denied, the specific reasons for such denial shall be set forth in writing, pertinent provisions of the Plan shall be cited and, where appropriate, an explanation as to how the claimant may perfect the claim or submit such claim for review will be provided.

13. Claims Review Procedure. Any Participant, former Participant or Beneficiary of either, who has been denied a benefit claim under Section 12 hereof shall be entitled, upon written request, to a review of his or her denied claim. Such request, together with a written statement of the claimant's position, shall be filed no later than 60 days after receipt of the written notification provided for in Section 12, and shall be filed with the Company's Manager of Executive Compensation, who shall promptly inform the Committee and forward all such material to the Committee for its review. The Committee may meet in person or by telephone to review any such denied claim. The Committee shall make its decision, in writing, within 60 days after receipt of the claimant's request for review. The Committee's written decision shall state the facts and plan provisions upon which its decision is based. The Committee's decision shall be final and binding on all parties. This 60-day period may be extended an additional 60 days by the Committee, in its discretion, by providing written notice of such extension to the claimant prior to the expiration of the original 60-day period.

14. Effective Date. The Plan shall become effective on January 1, 1995, provided it is approved by the Company's shareholders at the 1995 annual meeting of shareholders.

## 1994 PERFORMANCE CRITERIA

For 1994, the Plan provides for payment of a Corporate Performance Award when company Net Income equals $77 million. The maximum award payout would occur when Net Income equals or exceeds $329 million (or 20.2% return on equity). The executive officer awards as a percent of base salary would be as illustrated by the following table. Net earnings levels between the amounts indicated would result in proportional reward amounts:

| | NET INCOME ($000,000) | | |
|---|---|---|---|
| | $ 77 | $178 | $329 |
| CEO/COO | 14% | 44% | 90% |
| EVP/SVP | 12 | 37 | 75 |
| Vice President | 10 | 30 | 60 |

BOISE CASCADE CORPORATION
KEY EXECUTIVE PERFORMANCE PLAN

1995 Payout Criteria Based on Economic Value Added (EVA)

Economic Value Added (EVA(R)) is a registered trademark of Stern Stewart & Co. and they have assisted Boise Cascade in developing this incentive plan.

| Improvement in EVA | PAYOUT AS A PERCENT OF SALARY CEO | EVP/SVP | VP |
|---|---|---|---|
| Less than ($175,000,000) | 0.0% | 0.0% | 0.0% |
| $0 | 44.0% | 37.0% | 30.0% |
| $87,500,000 | 66.0% | 55.5% | 45.0% |
| $262,500,000 | 80.5% | 67.7% | 54.9% |
| $437,500,000 | 95.5% | 80.3% | 65.1% |
| $563,000,000 | 106.0% | 89.2% | 72.3% |
| $563,000,001 | 113.1% | 95.1% | 77.1% |
| $738,000,000 | 127.6% | 107.3% | 87.0% |

- For Improvement in EVA in excess of $738 Million the payout increases proportionally to the increase from $563,000,001 to $738 Million.

- The payout is interpolated on a straight line for Improvement in EVA not shown in the table.

EVA = Net Operating Profit Before Tax - Capital Charge

Net Operating Profit Before Tax (NOPBT)* = Income from operating assets
+ Imputed interest of capitalized lease obligations
+ Increase (decrease) in LIFO reserve
+ Annual amortization of goodwill
- Amortization of restructuring losses

* Unusual nonrecurring and nonoperating income or expense items do not affect NOPBT

Capital Charge = EVA Capital x 16%

EVA Capital** = Operating Capital
+ Cumulative amortization of goodwill
+ Imputed capital value of lease obligations
+ Total LIFO reserve account
- Gain from the sale of assets
+ Unamortized restructuring losses

** Nonrecurring and nonoperating losses do not affect Operating Capital. There may be adjustments to Operating Capital for strategic investments while they are under construction and up to two additional years subject to approval by the Executive Compensation Committee of the Board.

BOISE CASCADE CORPORATION

SUPPLEMENTAL PENSION PLAN

EFFECTIVE DATE JANUARY 1, 1994

BOISE CASCADE CORPORATION
SUPPLEMENTAL PENSION PLAN
EFFECTIVE DATE JANUARY 1, 1994

ARTICLE I

1. Purpose of the Plan. It is the policy of Boise Cascade Corporation (the "Company") to provide retirement benefits to eligible employees in accordance with the terms and conditions of the Company's retirement plans. Under certain circumstances the effect of federal and state tax laws may preclude payment of full benefits to which an employee is otherwise entitled out of the assets of the Company's retirement plans qualified under Section 401 of the Internal Revenue Code of 1986 (the "Code"). In addition, the election of certain employees to voluntarily defer receipt of otherwise taxable and pensionable compensation may have the effect of reducing the amount of retirement benefits which such employees would otherwise be entitled to receive out of the Company's tax-qualified retirement plans. In order to ensure that employees of the Company receive the full retirement benefits earned during the course of their employment with the Company, the Company will provide benefits as described in this Plan.

ARTICLE II

2. Definitions.

2.1 "Act" shall mean the Employee Retirement Income Security Act of 1974 ("ERISA") as amended from time to time.

2.2 "Pension Plan" shall mean the Boise Cascade Corporation Pension Plan for Salaried Employees as amended from time to time.

2.3 "Code" shall mean the Internal Revenue Code of 1986 as amended from time to time.

2.4 "Company" shall mean Boise Cascade Corporation and any of its subsidiaries or affiliated business entities participating in the Pension Plan.

2.5 "Compensation" shall mean a Participant's compensation as defined in the Pension Plan, but without regard to any limitations required by Section 401(a)(17) of the Code, and including amounts voluntarily deferred at the Participant's election under any of the nonqualified deferred compensation plans of the Company.

2.6 "Effective Date" shall mean January 1, 1994.

2.7 "Maximum Benefit" shall mean the monthly equivalent of the maximum benefit permitted by the Code to be paid to a participant in the Company's Pension Plan, taking into account all limitations required by the Code in order for the Pension Plan to retain its qualified status under Section 401 of the Code.

2.8 "Participant" shall mean any employee of the Company who is an active Participant in the Pension Plan on or after the Effective Date and whose pension benefits determined on the basis of the provisions of the Pension Plan, without regard to the limitations of the Code, would exceed the Maximum Benefits permitted under the Code.

2.9 "Plan" shall mean the Boise Cascade Corporation Supplemental Pension Plan, as amended from time to time, which shall be an unfunded plan providing benefits for a select group of senior management or highly compensated employees of the Company.

2.10 "Unrestricted Benefit" shall mean the maximum monthly normal, early, or deferred vested (or disability) retirement benefit, whichever is applicable, which a Participant has earned, calculated in accordance with the benefit formula under the Pension Plan and determined without regard to any limitations imposed by the Code, including but not limited to limitations under Code Sections 401(a)(17) and 415. The amount of the Unrestricted Benefit shall be based on a Participant's Compensation as defined in this Plan.

2.11 All capitalized terms used herein not otherwise defined shall have the meaning ascribed to such terms under the Pension Plan.

ARTICLE III

3. Benefits.

3.1 Normal Retirement Benefit. Upon the Normal Retirement of a Participant, as defined in the Pension Plan, a Participant shall be entitled to a monthly benefit under this Plan equal in amount to his or her Unrestricted Benefit minus the Maximum Benefit.

3.2 Early Retirement Benefit. Upon the early retirement of a Participant as provided under the Pension Plan, such Participant shall be entitled to a monthly benefit under this Plan equal to his or her Unrestricted Benefit minus the Maximum Benefit.

3.3 Deferred Vested Retirement Benefit. If a Participant terminates employment with the Company and is entitled to a deferred vested retirement benefit provided under the Pension Plan, such Participant shall be entitled to a monthly benefit under this Plan equal to his or her Unrestricted Benefit minus the Maximum Benefit.

3.4 Spousal Pension Benefit. Subject to Section 3.5 below, on the death of a Participant whose spouse is eligible for a pre- or post-retirement surviving spouse benefit under the Pension Plan, the Participant's surviving spouse shall be entitled to a monthly benefit equal to the surviving spouse benefit determined in accordance with the provisions of the Pension Plan without regard to the limitations under the Code, minus the Maximum Benefit.

3.5 Optional Forms of Benefit Payment. Retirement benefits payable under this Article III shall be paid in such form and at such time as benefits are payable to the Participant under the Pension Plan, except as provided in Section 4.8 hereof.

## ARTICLE IV

4. Plan Administration.

4.1 Administrator. The Plan shall be administered by the Company, acting through its Retirement Committee, which shall have complete and unrestricted authority to interpret the Plan and issue such administrative rules and procedures and it deems appropriate in its sole discretion. The administrator shall have the duty and responsibility of maintaining records, making the requisite calculations and disbursing the payments hereunder. The Plan administrator's interpretations, determinations, procedures, and calculations shall be final and binding on all persons and parties concerned.

4.2 Amendment and Termination. The Company may amend or terminate the Plan at any time, acting through the Executive Compensation Committee of the Company's board of directors, provided, however, that no such amendment or termination shall adversely affect a benefit to which a Participant or his or her beneficiary is entitled under Article III prior to the effective date of such amendment or termination unless such Participant or beneficiary becomes entitled to an amount equal to such benefit under another plan or policy adopted by the Company.

4.3 Payments. The Company will pay all benefits arising under this Plan and all costs, charges, and expenses relating hereto.

4.4 Nonassignability of Benefits. The benefits payable hereunder or the right to receive future benefits under the Plan may not be anticipated, alienated, pledged, encumbered, or subjected to any charge or legal process, and if any attempt is made to do so, or a person eligible for any benefit becomes bankrupt, the interest under the Plan of the person affected may be terminated by the administrator which, in its sole discretion, may cause the same to be held or applied for the benefit of one or more of the dependents of such person or make any other disposition of such benefits that it deems appropriate in its sole discretion.

4.5 Status of Plan. The benefits under this Plan shall not be funded but shall constitute liabilities by the Company payable when due.

4.6 Nonguarantee of Employment. Nothing contained in this Plan shall be construed as a contract of employment between the Company and any Participant, or as a right of any Participant to be continued in employment of the Company, or as a limitation on the right of the Company to terminate the employment of any of its employees, with or without cause.

4.7 Applicable Law. All questions pertaining to the construction, validity, and effect of this Plan shall be determined in accordance with the laws of the United States and, to the extent not preempted by such laws, by the laws of the state of Idaho.

4.8 Deferred Compensation and Benefits Trust. Upon a potential change in control of the Company (as defined in the

Company's deferred compensation and benefits trust) the Company shall calculate using reasonable assumptions, the present value of all amounts payable under this Plan (the "Funding Amount") and, thereupon, shall transfer to the trustee of the Deferred Compensation and Benefits Trust, an amount equal to 105% of the funding amount in cash or marketable securities, to be held by the trustee subject to and in accordance with the terms of the Deferred Compensation and Benefits Trust. For purposes of calculating the funding amount, any employee whose employment has not previously been terminated and who is entitled to benefits hereunder shall be deemed for this purpose to have terminated his or her employment with the Company upon the later of the second anniversary of the potential change in control or the date as of which that calculation is being made.

4.9 Appeals Procedure. Claims for benefits under this Plan shall be subject to determination and review by the Company. If any Participant disagrees with the Company's determination of benefits hereunder, the Participant shall have the right to appeal the Company's determination in accordance with procedures adopted by the Company applicable to appeals under the Pension Plan.

BOISE CASCADE CORPORATION

1984 KEY EXECUTIVE STOCK OPTION PLAN

As Amended Through July 28, 1994

BOISE CASCADE CORPORATION
1984 KEY EXECUTIVE STOCK OPTION PLAN

1. Establishment and Purpose

1.1 Establishment. Boise Cascade Corporation, a Delaware corporation, hereby establishes a Stock Option Plan for key employees, which shall be known as the Boise Cascade Corporation 1984 KEY EXECUTIVE STOCK OPTION PLAN (the "Plan"). It is intended that some of the options issued pursuant to the Plan may constitute incentive stock options within the meaning of Section 422A of the Internal Revenue Code, and the remainder of the options issued pursuant to the Plan shall constitute nonstatutory options. The Committee referred to in Section 2.1(c) of this Plan shall determine which options are to be incentive stock options and which are to be nonstatutory options and shall enter into option agreements with Optionees accordingly.

1.2 Purpose. The purpose of this Plan is to attract, retain and motivate key employees of the Company and to encourage stock ownership by these employees by providing them with a means to acquire a proprietary interest or to increase their proprietary interest in the Company's success.

2. Definitions

2.1 Definitions. Whenever used in this Plan, the following terms shall have the meanings set forth below:

(a) "Board" means the board of directors of the Company.

(b) "Code" means the Internal Revenue Code of 1954, as amended.

(c) "Committee" means the Executive Compensation Subcommittee of the Human Resources Committee of the Board of Directors of the Company or any successor to the subcommittee.

(d) "Company" means Boise Cascade Corporation, a Delaware corporation, as well as any subsidiary of which 50% or more of the outstanding stock is owned by Boise Cascade Corporation.

(e) "Date of Exercise" means the date the Company receives written notice, by an Optionee, of the exercise of an Option or Option and Stock Appreciation Right, pursuant to subsection 8.1 of this Plan.

(f) "Employee" means a key employee (including an officer of the Company), who is employed by the Company on a full-time basis, who is compensated for such employment by a regular salary and who, in the opinion of the Committee, is in a position to contribute materially to its continued growth and development and to its future financial success. The term "Employee" does not include persons who are retained by the Company only as consultants.

(g) "Fair Market Value" means the closing price of the Stock as reported by the consolidated tape of the New York Stock Exchange on a particular date, or if the Stock is not listed or traded on the New York Stock Exchange, then the closing sales price of the Stock on a national securities exchange on a particular date, or if the Stock is not listed on a national securities exchange, then the average of the closing bid and asking prices for the Stock in the over-the-counter market for a particular date, or if the Stock is not traded in the over-the-counter market, such value as the Company in its discretion may determine, but in no event greater than the then fair market value of the Stock for federal income tax purposes. In the event that there are no Stock transactions on such date, the Fair Market Value shall be determined as of the immediately preceding date on which there were Stock transactions.

(h) "Grant Price" means an amount not less than 100% of the Fair Market Value of the Company's Stock on the date of an Option's grant.

(i) "Option" means the right to purchase Stock of the Company at the Grant Price for a specified duration. For purposes of this Plan, an Option may be either (i) an "Incentive Stock Option" within the meaning of Section 422A of the Code or (ii) a "Nonstatutory Option."

(j) "Optionee" means an Employee who has been granted an Option under this Plan.

(k) "Stock" means the common stock, $2.50 par value, of the Company.

(l) "Stock Appreciation Right" means the right, exercisable by the Optionee, to receive a cash payment from the Company upon the exercise of an Option. The amount of this cash payment and the conditions upon the exercise of the Stock Appreciation Right shall be determined by the Committee pursuant to subsection 6.2 and Section 7.

(m) "Tax Offset Bonus" means a cash payment which the Company makes automatically upon the exercise of an Option equal to a percentage (as determined by the Committee pursuant to subsection 6.2 and Section 7) of the excess of the Fair Market Value of the Stock on a date determined by the Committee over the Grant Price of the Option, the purpose of which is to offset partially the federal income tax incurred incident to exercising a Nonstatutory Option.

(n) "Window Period" means the period described in Rule 16b-3(e)(3)(iii) under the Securities Exchange Act of 1934.

2.2 Number. Except when otherwise indicated by the context, the definition of any term in the Plan in the singular shall also include the plural.

3. Participation

Participation in the Plan shall be determined by the Committee. Any Employee at any one time and from time to time may hold more than one Option or Stock Appreciation Right granted under this Plan or under any other plan of the Company. No member of the Committee may participate in the Plan.

4. Stock Subject to the Plan

4.1 Number. The total number of shares of Stock as to which Options and Stock Appreciation Rights may be granted under the Plan shall not exceed 7,500,000. These shares may consist, in whole or in part, of authorized but unissued Stock or treasury Stock not reserved for any other purpose.

4.2 Unused Stock. If any shares of Stock are subject to an Option or Stock Appreciation Right which, for any reason, expires or is terminated unexercised as to such shares, such Stock may again be subjected to an Option or Stock Appreciation Right pursuant to this Plan.

4.3 Adjustment in Capitalization. In the event of any change in the outstanding shares of Stock occurring after ratification by shareholders of this Plan, by reason of a Stock dividend or split, recapitalization, reclassification, merger, consolidation, combination or exchange of shares or other similar corporate change, the aggregate number of shares of Stock under this Plan and the number of shares of Stock subject to each outstanding Option and the related Grant Price shall be appropriately adjusted by the Committee, whose determination shall be conclusive, provided, however, that fractional shares shall be rounded to the nearest whole share. No adjustments shall be made in connection with the issuance by the Company of any warrants, rights or Options to acquire additional shares of Stock or of securities convertible into Stock.

5. Duration of the Plan

The Plan shall remain in effect until all Stock subject to it has been purchased pursuant to the exercise of the Options or Stock Appreciation Rights granted under the Plan. Notwithstanding the foregoing, no Options or Stock Appreciation Rights may be granted pursuant to this Plan on or after the twentieth anniversary of the Plan's effective date.

6. Options

6.1 Grant of Options. Subject to the provisions of subsection 4.1 and Section 5, Options may be granted to Employees at any time and from time to time as shall be determined by the Committee. The Committee may request recommendations from the chief executive officer of the Company. The Committee shall determine whether an Option is to be an Incentive Stock Option within the meaning of Section 422A of the Code or a Nonstatutory Option. However, in no event shall any grant of an Incentive Stock Option provide for the option to be or become exercisable in amounts in excess of $100,000 per calendar year. Furthermore, the aggregate number of shares of Stock with respect to which Options or Stock Appreciation Rights may be granted to any one Employee throughout the duration of the Plan may not exceed 15 percent of the total number of shares of Stock available for issuance pursuant to subsection 4.1 of the Plan.

6.2 Option Agreement. As determined by the Committee on the date of grant, each Option shall be evidenced by a Stock

Option agreement that specifies:

(i) Grant Price;

(ii) duration of the Option;

(iii) number of shares of Stock to which the Option pertains;

(iv) vesting requirements, if any;

(v) whether the Option is an Incentive Stock Option or a Nonstatutory Option;

(vi) amount and time of payment of Tax Offset Bonuses, if any;

(vii) The amount of Stock Appreciation Rights, if any, and any conditions upon their exercise;

(viii) duration of the Stock Appreciation Rights, if any;

(ix) Options to which the Stock Appreciation Rights, if any, relate;

(x) rights of the Optionees upon termination of employment with the Company, provided that the termination rights for Optionees receiving Incentive Stock Options shall conform with Section 422A of the Code;

(xi) the terms of the loan, if any, that will be made available in connection with the exercise of an Option; and

(xii) such other information as the Committee deems desirable.

No Option shall have an expiration date later than the first day following the tenth anniversary of the date of its grant. The Stock Option agreement may be supplemented by adding Stock Appreciation Rights with or Tax Offset Bonuses to previously granted Options as provided in Section 7.

6.3 Exercise. Options granted under the Plan shall be exercisable at such times and be subject to such restrictions and conditions as the Committee directs, which need not be the same for all Optionees.

6.4 Payment. The Grant Price upon exercise of any Option shall be payable to the Company in full either:

(i) in cash;

(ii) by tendering shares of Stock having a Fair Market Value at the time of exercise equal to the total Grant Price (in the exercise of a Nonstatutory Option, an Optionee may surrender one or more shares of Stock in the exercise of an Option with instructions to resurrender any shares acquired upon exercise in one or more successive, simultaneous exercises until Options covering the number of shares, which he specifies, have been exercised);

(iii) with the proceeds of a loan on such terms and conditions as may be authorized by the Committee (however, the rate of interest on any such loan shall not be less than the applicable federal rate under Section 1274(d) of the Code on the date an Option is exercised, compounded semiannually); or

(iv) by any combination of (i), (ii) and (iii).

6.5. Cancellation of Previously Granted Options. In the event the Fair Market Value of Stock is ever less than the Option Price of any outstanding Nonstatutory Option, the Committee may cancel the Nonstatutory Option and issue in its place, a new substitute Nonstatutory Option for up to the same number of shares at the then current Fair Market Value of the Stock as of that new date of grant.

7. Stock Appreciation Rights and Tax Offset Bonuses

The Committee may grant Stock Appreciation Rights and/or grant Options which pay Tax Offset Bonuses on such bases as the Committee shall determine, including but not limited to Stock Appreciation Rights which become exercisable or Tax Offset Bonuses which become payable only upon an Optionee being subject to the restrictions of Section 16 of the Securities Exchange Act of 1934 at the time of exercise. A Stock Appreciation Right or Tax Offset Bonus may be granted only with respect to an Option and may be granted concurrently with or after the grant of the Option. If Options granted on a particular date include Stock Appreciation Rights for only Optionees who are subject to the requirements of Section 16 of the Securities Exchange Act of 1934, an Optionee receiving an

Option on that date and who thereafter becomes subject to those restrictions shall thereupon be deemed to have received Stock Appreciation Rights with respect to any unexercised options granted on the particular date in the same weighted average proportion as the Stock Appreciation Rights granted on the same grant date to the Optionees who were subject to the requirements of Section 16 of the Securities Exchange Act of 1934; provided, however, if 50% or more of the Board of Directors are employees of the Company and may receive Options under this plan, then the provisions of this sentence will apply only if, in each instance, approved by the Committee. The Committee may cancel or place a limit on the term of, or the amount payable for, any Stock Appreciation Right or Tax Offset Bonus at any time and may disapprove the election by the Optionee to exercise a Stock Appreciation Right rather than the related Option. The Committee shall determine all other terms and provisions of any Stock Appreciation Right or Tax Offset Bonus. Each Stock Appreciation Right or Tax Offset Bonus granted by the Committee shall expire no later than the expiration of the Option to which it relates. In addition, any Stock Appreciation Right granted with respect to an Incentive Stock Option may be exercised only if:

(i) such Incentive Stock Option is exercisable; and

(ii) the Grant Price of the Incentive Stock Option is less than the Fair Market Value of the Stock on the Date of Exercise.

8. Written Notice, Issuance of Stock Certificates, Payment of Stock Appreciation Rights or Stockholder Privileges

8.1 Written Notice. An Optionee electing to exercise an Option and any applicable Stock Appreciation Right shall give written notice to the Company, in the form and manner prescribed by the Committee, indicating the number of Options to be exercised. Full payment for the Options exercised shall be received by the Company prior to issuance of any stock certificates.

8.2 Issuance of Stock Certificates. As soon as reasonably practicable after the receipt of written notice and payment, the Company shall issue and deliver to the Optionee or any other person entitled to exercise an Option pursuant to this Plan a certificate or certificates for the requisite number of shares of Stock.

8.3 Payment of Stock Appreciation Rights and Tax Offset Bonuses. As soon as practicable after receipt of written notice, the Company shall pay to the Optionee, in cash, the amount payable under the Stock Appreciation Rights and the amount of any Tax Offset Bonuses.

8.4 Privileges of a Stockholder. An Optionee or any other person entitled to exercise an Option under this Plan shall not have stockholder privileges with respect to any Stock covered by the Option until the Date of Exercise.

8.5 Partial Exercise. An Option may be exercised for less than the total number of shares granted by the Option. An exercise of a portion of the shares granted under the Option shall not affect the right to exercise the Option from time to time for any unexercised shares subject to the Option.

9. Rights of Employees

9.1 Employment. Nothing in this Plan shall interfere with or limit in any way the right of the Company to terminate any Employee's employment at any time, nor confer upon any Employee any right to continue in the employ of the Company.

9.2 Nontransferability. All Options and Stock Appreciation Rights granted under this Plan shall be nontransferable by the Optionee, other than by will or the laws of descent and distribution, and shall be exercisable during the Optionee's lifetime only by the Optionee or the Optionee's guardian or legal representative.

10. Optionee Transfer or Leave of Absence

For Plan purposes:

(a) A transfer of an Optionee from the Company to a subsidiary or vice versa, or from one subsidiary to another; or

(b) A leave of absence duly authorized by the Company, shall not be deemed a termination of employment. However, an Optionee may not exercise an Option or any applicable Stock Appreciation Right during any leave of absence, unless authorized by the Committee.

11. Administration

11.1 Administration. The Committee shall be responsible for the administration of the Plan. The Committee, by majority action thereof, is authorized to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to the Plan, to determine the form and content of Options to be issued (which need not be identical) under the Plan, to provide for conditions and assurances deemed necessary or advisable to protect the interests of the Company and to make all other determinations necessary or advisable for the administration of the Plan, but only to the extent not contrary to the express provisions of the Plan. The Committee shall determine, within the limits of the express provisions of the Plan, the Employees to whom and the time or times at which Options and Stock Appreciation Rights shall be granted, the number of shares to be subject to each Option and Stock Appreciation Right and the duration of each Option. In making such determinations, the Committee may take into account the nature of the services rendered by such Employees or classes of Employees, their present and potential contributions to the Company's success and such other factors as the Committee, in its discretion, shall deem relevant. The determination of the Committee, its interpretation or other action made or taken pursuant to the provisions of the Plan shall be final and shall be binding and conclusive for all purposes and upon all persons.

11.2 Incentive Stock Options. Notwithstanding any contrary provision in this Plan, the Committee shall not take any action or impose any terms or conditions with respect to an Option intended by the Committee to be an Incentive Stock Option which would cause such Option to not qualify as such under the Code and applicable regulations and rulings in effect from time to time.

12. Amendment, Modification and Termination of the Plan

The Board may at any time terminate, and at any time and from time to time and in any respect, amend or modify the Plan, provided, however, that no such action of the Board, without approval of the stockholders, may:

(a) Increase the total amount of Stock which may be purchased through Options granted under the Plan, except as provided in subsection 4.3 of the Plan.

(b) Change the requirements for determining which Employees are eligible to receive Options or Stock Appreciation Rights.

(c) Change the provisions of the Plan regarding the Grant Price except as permitted by subsection 4.3.

(d) Permit any person, while a member of the Committee, to be eligible to receive or hold an Option under the Plan.

(e) Change the manner of computing the amount to be paid through a Stock Appreciation Right.

(f) Materially increase the cost of the Plan.

(g) Extend the period during which Options and Stock Appreciation Rights may be granted.

No amendment, modification or termination of the Plan shall in any manner adversely affect the rights of an Optionee under the Plan without the consent of the Optionee.

13. Acceleration of Stock Options

13.1 Merger or Consolidation. In the event of a dissolution or a liquidation of the Company or a merger and consolidation in which the Company is not the surviving corporation, the Options shall, immediately prior thereto, be exercisable, whether or not otherwise exercisable, subject to the provisions of this Plan.

13.2 Change of Control. If, while unexercised Options remain outstanding hereunder (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than the Company or an employee benefit plan maintained by the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under such Act), directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding securities, or (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board, including for this purpose any new director whose election or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period, cease for any reason to constitute a majority thereof, then from or after the date on which public announcement of the acquisition of such percentage shall have been made or the date on which the change in the composition of the Board set forth above shall have occurred, all Options shall be exercisable in full, whether or not then exercisable under the terms of their grant.

14. Withholding Taxes

Whenever shares of Stock are issued on the exercise of an Option under this Plan, the Company shall (a) require the recipient of the Stock to remit to the Company an amount sufficient to satisfy all withholding taxes, (b) deduct from a cash payment pursuant to any Stock Appreciation Right or Tax Offset Bonus an amount sufficient to satisfy any withholding tax requirements, or (c) withhold from, or require surrender by, the recipient, as appropriate, shares of Stock otherwise issuable or issued upon exercise of the Option the number of shares sufficient to satisfy, to the extent permitted under applicable law, federal and state withholding tax requirements resulting from the exercise, provided, however, that the Company shall not withhold or accept surrender of Stock under this paragraph unless the recipient of the Stock has made an irrevocable election to have Stock withheld or surrendered for this purpose at least six months after the date of grant of the Option and either (i) six months, or (ii) within a Window Period, prior to the date the amount of withholding tax is determined. The Committee may, at any time subsequent to an election under this paragraph, disapprove the election and require satisfaction of withholding taxes by other means permitted under the Plan. Stock withheld or surrendered under this paragraph shall be valued at its Fair Market Value on the date the amount of withholding tax is determined.

15. Shareholder Approval and Registration Statement

Initially, the Plan is approved by the Board and will be submitted to the Company's shareholders for approval at their next annual meeting following the effective date of the Plan. Options may be granted under the Plan prior to shareholder approval and prior to filing with the Securities and Exchange Commission and having an effective registration statement covering the Stock to be issued upon the exercise of Options. Any Options granted under this Plan prior to shareholder approval and having an effective registration statement shall not be exercisable until and are expressly conditional upon shareholder approval of the Plan and having an effective registration statement covering the Stock.

16. Requirements of Law

16.1 Requirements of Law. The granting of Options and the issuance of shares of Stock upon the exercise of an Option shall be subject to all applicable laws, rules and regulations, and shares shall not be issued nor cash payments made except upon approval of proper government agencies or stock exchanges, as may be required.

16.2 Governing Law. The Plan, and all agreements hereunder, shall be construed in accordance with and governed by the laws of the state of Idaho.

17. Effective Date of Plan

The Plan shall become effective as of July 24, 1984, subject to ratification by shareholders.

BOISE CASCADE CORPORATION
NONSTATUTORY STOCK OPTION AGREEMENT

This Nonstatutory Stock Option (the "Option") is granted July 28, 1994, by BOISE CASCADE CORPORATION (the "Company") to _______________, _______________ ("Optionee") pursuant to the 1984 Key Executive Stock Option Plan (the "Plan"), a copy of which is attached as Exhibit A, subject to the following terms and conditions.

1. This Agreement is subject to all the terms and conditions of the Plan, and all capitalized terms not otherwise defined in this Agreement shall have the meaning given them in the Plan.

2. The Company hereby grants the Optionee a nonstatutory stock option to purchase up to _______ shares of Stock at a price of $24.875 per share.

3. The Option shall expire on the first to occur of (a) ten years and one day from the date of this Agreement, (b) three years after Optionee's retirement, death, or total and permanent disability, or (c) three years following termination of Optionee's employment with the Company provided (i) the termination is the direct result of the sale or permanent closure of any facility or operating unit of the Company, and (ii) Optionee has not, as of the date of the exercise of the Option, commenced employment with any competitor of the Company; or (d) three months after termination of Optionee's employment with the Company for any other reason, except that the Option shall be canceled in the event of termination for disciplinary reasons.

4. Except as provided in Section 13 of the Plan, this Option shall not be exercisable until after the first anniversary of the date of this Agreement, and thereafter it shall be exercisable in full.

5. This Option may be exercised from time to time by delivery of written notice to the Company specifying the number of shares of Stock to be purchased. Payment of the Grant Price shall be made as provided in Section 6.4 of the Plan.

BOISE CASCADE CORPORATION

By _______________________________
Alice E. Hennessey, Senior Vice President
Human Resources and Corporate Relations

Accepted:

By ___________________________
Optionee

BOISE CASCADE CORPORATION
DIRECTOR STOCK COMPENSATION PLAN

As Amended December 15, 1994

# BOISE CASCADE CORPORATION

# DIRECTOR STOCK COMPENSATION PLAN

## 1. PLAN ADMINISTRATION AND ELIGIBILITY

1.1 Purpose. The purpose of the Director Stock Compensation Plan (the "Plan") of Boise Cascade Corporation (the "Company") is to encourage ownership of the Company's common stock by its nonemployee directors.

1.2 Administration. This Plan shall be administered by the Executive Compensation Committee (the "Committee") of the Board of Directors of the Company. The Committee shall have full authority to administer this Plan, including authority to interpret and construe any provision of this Plan and to adopt such rules for administrating this Plan as it may deem necessary or appropriate. Decisions of the Committee shall be final and binding on all persons who have an interest in this Plan.

1.3 Participation in the Plan. Directors of the Company who are not employees of the Company or any of its subsidiaries are eligible to participate in this Plan.

## 2. STOCK SUBJECT TO THE PLAN

2.1 Number of Shares. The maximum number of shares of the Company's $2.50 par value Common Stock ("Common Stock" or "Shares") which may be issued pursuant to options granted under this Plan shall be one hundred thousand (100,000) Shares, subject to adjustment as provided in Section 4.4.

2.2 Nonexercised Shares. If any outstanding option under this Plan for any reason expires or is terminated without having been exercised in full, the Shares allocable to the unexercised portion of the option shall again become available for issuance under options granted pursuant to this Plan.

2.3 Share Issuance. Upon the exercise of an option, the Company may issue new Shares or reissue Shares previously repurchased by or on behalf of the Company.

## 3. OPTIONS

3.1 Option Grant Dates. Options shall be granted automatically to each participating director on December 31 of each year (or, if December 31 is not a business day, on the immediately preceding business day) (the "Grant Date").

3.2 Option Price. The purchase price per share for the Shares covered by each option shall be $2.50 (the "Option Price").

3.3 Number of Option Shares. The number of Shares subject to options granted to each participating director on each Grant Date will be the aggregate number of Shares determined by the following formulas:

3.3.1 Elected Portion of Annual Retainer and Meeting Fee Shares. The number of option Shares equal to the nearest whole number determined by the following formula:

$$\frac{\text{Elected Portion of Annual Retainer and Meeting Fees}}{(\text{Fair Market Value - \$2.50})} = \text{Number of Option Shares}$$

3.3.2 Dividend Equivalent Shares. The number of option Shares equal to the nearest whole number determined by the following formula:

$$\frac{\text{Dividend Equivalent}}{(\text{Fair Market Value - \$2.50})} = \text{Number of Option Shares}$$

3.3.3 Definitions. For purposes of determining the number of Shares granted under this Section 3.3, the following definitions will apply:

3.3.3.1 "Annual Retainer." The dollar amount of compensation paid to eligible directors each year which is identified by the Company as an annual retainer.

3.3.3.2 "Meeting Fees." The amount of compensation, in excess of the Annual Retainer, paid to eligible directors for their services as directors of the Company, including but not limited to fees earned for service as committee chairpersons and for meeting participation, but excluding amounts paid as reimbursement for actual expenses.

3.3.3.3 "Dividend Equivalent." The

aggregate dollar value, determined each year, equal to the product of (i) the number of Shares subject to options held by a director pursuant to this Plan on each respective Record Date during the year plus one-half the number of Shares to be granted under Sections 3.3.1 and 3.3.2 for the year in which this calculation is being made, multiplied by (ii) the value of the dividend per Share paid by the Company for each respective Record Date.

3.3.3.4 "Elected Portion of Annual Retainer and Meeting Fees." A dollar amount determined each year for each director equal to the dollar amount of both the percentage of the Annual Retainer, if any, and the percentage of Meeting Fees, if any, which the director has irrevocably elected, in writing, to have paid in the form of options granted under this Plan. This written election must be received by the secretary of the Company on or before December 31 of each year and shall specify a percentage, up to 100%, of the director's Annual Retainer and a percentage, up to 100%, of the director's Meeting Fees for the following year to be paid in the form of options under this Plan; provided, however, that in the initial year of the Plan's operation a director's written election must be received by the secretary of the Company on or before February 28, 1992, and shall be effective only for Annual Retainer and Meeting Fee amounts earned during the period April 1, 1992, through December 31, 1992. Eligible directors initially elected or appointed to office as directors of the Company after adoption of this plan may make a written election under this paragraph within 30 days following their initial election or appointment to office, which election shall be effective for Annual Retainer and Meeting Fee amounts earned during the calendar year of their initial election or appointment to office.

3.3.3.5 "Fair Market Value." The closing price for Shares on July 31 as reported on The New York Stock Exchange Composite Tape or, if the New York Stock Exchange is not open for trading on July 31, on the immediately preceding trading day (the "Valuation Date").

3.3.3.6 "Record Date." Each date declared as a record date by the Board of Directors for the purpose of determining shareholders eligible to receive a dividend to be paid on Shares.

3.4 Director Terminations. If a director participating in this Plan retires, resigns, dies, or otherwise terminates his or her position on the Company's Board of Directors, on December 31 of the year in which the termination occurs the director shall be granted an option for Shares under this Plan equal in value to (i) the Elected Portion of Annual Retainer and Meeting Fees and (ii) the Dividend Equivalent. For purposes of this Section 3.4, the amount of the Annual Retainer shall be prorated through the date of termination.

3.5 Written Agreements. Each grant of an option under this Plan shall be evidenced by a written agreement, which shall comply with and be subject to the terms and conditions contained in this Plan.

3.6 Nonstatutory Stock Options. Options granted under this Plan shall not be entitled to special tax treatment under Section 422A of the Internal Revenue Code of 1986.

3.7 Period of Option. No option may be exercised within six months of its Grant Date, provided, however, that options held by a director shall be immediately exercisable upon (i) that director's retirement because of age, disability, or death, or (ii) the occurrence of any of the events described in Section 3.11, [recognizing that Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the "Act"), may limit a director's ability to resell the Shares acquired upon the exercise until six months after the Grant Date]. No option shall be exercisable after expiration of three years from the date upon which the option holder terminates his or her position as a director of the Company.

3.8 Exercise of Options. Options may be exercised only by written notice to the secretary of the Company and payment of the exercise price in (i) cash, (ii) Shares (a director may surrender one or more Shares in the exercise of an Option with instructions to resurrender any Shares acquired upon exercise in one or more successive, simultaneous exercises until Options covering the number of specified Shares have been exercised), (iii) a loan from the Company, or (iv) delivery of an irrevocable written notice instructing the Company to deliver the Shares being purchased to a broker, subject to the broker's written guarantee to deliver cash to the Company, in each case equal to the full consideration of the Option Price for the Shares which are being exercised. Options may be exercised in whole or in part.

3.9 Options Nontransferable. Each option granted under this Plan shall not be transferable by the optionee otherwise than by will or by the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Internal Revenue Code of 1986, as amended, or Title I of the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations thereunder. No option granted under this Plan, or any interest therein, may be otherwise transferred, assigned, pledged, or hypothecated by the director to which the option was granted during his or her lifetime, whether by operation of law or otherwise, or be made subject to execution, attachment, or similar process.

3.10 Exercise by Representative Following Death of Director. A director, by written notice to the Company, may designate one or more persons (and from time to time change such designation), including his or her legal representative, who, by reason of the director's death, shall acquire the right to exercise all or a portion of an option granted under this Plan. Any exercise by a representative shall be subject to the provisions of this Plan.

3.11 Acceleration of Stock Options.

3.11.1 Merger or Consolidation. Notwithstanding Section 3.7, in the event of a dissolution or a liquidation of the Company or a merger and consolidation in which the Company is not the surviving corporation, any unexercised options granted prior to the date of the merger or consolidation shall become exercisable immediately prior to the date of the merger or consolidation. In addition, upon the occurrence of any of these events, any pro rata amounts of the Elected Portion of Annual Retainer, Meeting Fees earned, and Dividend Equivalent for the year in which such event occurs, which would otherwise have been paid in the form of options granted under this Plan shall be promptly paid to each participating director in cash.

3.11.2 Change of Control. If, while unexercised options remain outstanding hereunder, (i) any "person" (as this term is used in Sections 13(d) and 14(d) of the Act) other than the Company or an employee benefit plan maintained by the Company is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding securities or (ii) during any period of two consecutive years, individuals who at the beginning of the period constitute the company's board of directors, including for this purpose any new director whose election or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period, cease for any reason to constitute a majority of the members of the board, then from and after the date on which public announcement of the acquisition of such percentage is made or the date on which the change in the composition of the Board set forth above occurs, all options previously granted under this Plan shall be immediately exercisable in full.

4. GENERAL PROVISIONS

4.1 Effective Date of This Plan. This Plan shall be effective January 1, 1992, subject to approval by the shareholders of the Company. Options may be granted under this Plan only after shareholder approval of this Plan. Directors may give written notice pursuant to Section 3.3.4.4 any time after December 1, 1991.

4.2 Duration of This Plan. This Plan shall remain in effect until all Shares subject to option grants have been purchased or all unexercised options have expired. Notwithstanding the foregoing, no options may be granted pursuant to this Plan on or after the tenth anniversary of this Plan's effective date.

4.3 Amendment of This Plan. The Committee may suspend or discontinue this Plan or revise or amend it in any respect, provided, however, that without approval of a majority of the Company's shareholders no revision or amendment shall (i) change the number of Shares subject to this Plan (except as provided in Section 4.4), (ii) change the designation of the class of directors eligible to participate in the Plan, (iii) change the formulas to determine the amount, price, or timing for the grants, or (iv) materially increase the benefits accruing to participants under this Plan. Moreover, in no event may these Plan provisions be amended more than once every six months, other than to comport with changes in the Internal Revenue Code, the Employee Retirement Income Security Act, or the rules and regulations thereunder. No amendment, modification, or termination of this Plan shall in any manner adversely affect the rights of directors holding options granted under this Plan without their consent.

4.4 Changes in Shares. In the event of any merger, consolidation, reorganization, recapitalization, stock dividend, stock split, or other change in the corporate structure or capitalization affecting the Shares, appropriate adjustment shall be made in the number (including the aggregate numbers specified in Section 2.1) and kind of Shares or other securities which are or may become subject to options granted under this Plan prior to and subsequent to the date of the change.

4.5 Limitation of Rights.

4.5.1 No Right to Continue as a Director. Neither this Plan, nor the granting of an option under this Plan, nor any other action taken pursuant to this Plan shall constitute or be evidence of any agreement or understanding, express or implied, that the Company will retain a director for any period of time, or at any particular rate of compensation.

4.5.2 No Shareholders' Rights for Options. An optionee shall have no rights as a shareholder with respect to the Shares covered by his or her options until the date of the issuance to him or her of a stock certificate therefor.

4.6 Assignments. The rights and benefits under this Plan may not be assigned except as provided in Sections 3.9 and 3.10.

4.7 Notice. Any written notice to the Company required by any of the provisions of this Plan shall be addressed to the secretary of the Company and shall become effective when it is received.

4.8 Shareholder Approval and Registration Statement. This Plan shall be approved by the Board of Directors and submitted to the Company's shareholders for approval. Directors may elect to participate in this Plan prior to shareholder approval and prior to filing (and effectiveness of) a registration statement with the Securities and Exchange Commission covering the Shares to be issued upon the exercise of options. Any options granted under this Plan prior to effectiveness of the registration statement shall not be exercisable until, and are expressly conditional upon, the effectiveness of a registration statement covering the Shares.

4.9 Governing Law. This Plan and all determinations made and actions taken pursuant hereto shall be governed by and construed in accordance with the laws of the state of Delaware.

# BOISE CASCADE CORPORATION
# DIRECTOR STOCK OPTION PLAN

Adopted December 15, 1994

BOISE CASCADE CORPORATION

DIRECTOR STOCK OPTION PLAN

## 1. PLAN ADMINISTRATION AND ELIGIBILITY

1.1 Purpose. The purpose of the Boise Cascade Corporation Director Stock Option Plan (the "Plan") is to encourage ownership of the Company's common stock by its nonemployee directors.

1.2 Administration. This Plan shall be administered by the Executive Compensation Committee (the "Committee") of the Board of Directors of the Company. The Committee shall have full authority to administer this Plan, including authority to interpret and construe any provision of this Plan and to adopt such rules for administration of this Plan as it may deem necessary or appropriate. Decisions of the Committee shall be final and binding on all persons who have an interest in this Plan.

1.3 Participation in the Plan. Individuals who are directors of the Company as of each January 1, and who are not employees of the Company or any of its subsidiaries, are eligible to receive grants of options in that calendar year in accordance with Section 3.1 of this Plan ("Eligible Directors").

## 2. STOCK SUBJECT TO THE PLAN

2.1 Number of Shares. The maximum number of shares of the Company's $2.50 par value Common Stock ("Common Stock" or "Shares") which may be issued pursuant to options granted under this Plan shall be one hundred thousand Shares, subject to adjustment as provided in Section 4.4.

2.2 Nonexercised Shares. If any outstanding option under this Plan for any reason expires or is terminated without having been exercised in full, the Shares allocable to the unexercised portion of the option shall again become available for issuance under options granted pursuant to this Plan.

2.3 Share Issuance. Upon the exercise of an option, the Company may issue new Shares or reissue Shares previously repurchased by or on behalf of the Company.

## 3. OPTIONS

3.1 Option Grant Dates. Options shall be granted automatically to each Eligible Director on July 31 of each year (or, if July 31 is not a business day, on the immediately preceding trading day) (the "Grant Date"). Any Eligible Director first elected as a director after July 31 but prior to December 31 in any year shall be granted an option covering the same number of shares as options granted to other Eligible Directors on the Grant Date for that calendar year. The Grant Date for an option granted to a newly-elected director hereunder shall be the date of such director's election to the board, and the Option Price of such option shall be determined as of such Grant Date.

3.2 Option Price. The purchase price per share for the Shares covered by each option shall be the closing price for a share of Common Stock as reported on the composite tape by the New York Stock Exchange on the Grant Date (the "Option Price").

3.3 Number of Option Shares. The number of Shares subject to options granted to each participating director on each Grant Date will be 1,000. The board of directors may increase or decrease this number, not more frequently than once each year, by action taken at least six months prior to the Grant Date for which such increase or decrease is effective.

3.4 Director Terminations. If a director participating in this Plan retires, resigns, dies, or otherwise terminates his or her position on the Company's Board of Directors prior to January 1 of any year, he or she shall not be eligible to receive a grant of an option in the year immediately following the year in which he or she so terminates.

3.5 Written Documentation. Each grant of an option under this Plan shall be evidenced in writing, which shall comply with and be subject to the terms and conditions contained in this Plan.

3.6 Nonstatutory Stock Options. Options granted under this Plan shall not be entitled to special tax treatment under Section 422A of the Internal Revenue Code of 1986.

3.7 Period of Option. Options may be exercised 12 months after their Grant Date, provided, however, that options held by a director shall be immediately exercisable upon the occurrence of any of the events described in Section 3.11, recognizing that Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the "Act"), may limit a director's ability to resell the Shares acquired upon the exercise until six months after the Grant Date. No option shall be exercisable after the earlier to occur of (a) three years from the date upon which the option holder terminates his or her position as a director of the Company or (b) ten years from the option's Grant Date.

3.8 Exercise of Options. Options may be exercised only by written notice to the secretary of the Company and payment of the exercise price in (i) cash, (ii) Shares, (iii) a loan from the Company, or (iv) delivery of an irrevocable written notice instructing the Company to deliver the Shares being purchased to a broker selected by the Company, subject to the broker's written guarantee to deliver cash to the Company, in each case equal to the full consideration of the Option Price for the Shares which are being exercised. Options may be exercised in whole or in part.

3.9 Options Nontransferable. Each option granted under this Plan shall not be transferable by the optionee other than by will or by the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Internal Revenue Code of 1986, as amended, or Title I of the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations thereunder. No option granted under this Plan, or any interest therein, may be otherwise transferred, assigned, pledged, or hypothecated by the director to which the option was granted during his or her lifetime, whether by operation of law or otherwise, or be made subject to execution, attachment, or similar process.

3.10 Exercise by Representative Following Death of Director. A director, by written notice to the Company, may designate one or more persons (and from time to time change such designation), including his or her legal representative, who, by reason of the director's death, shall acquire the right to exercise all or a portion of an option granted under this Plan. Any exercise by a representative shall be subject to the provisions of this Plan.

3.11 Acceleration of Stock Options.

3.11.1 Merger or Consolidation. Notwithstanding Section 3.7, in the event of a dissolution or a liquidation of the Company or a merger and consolidation in which the Company is not the surviving corporation, any unexercised options granted prior to the date of the merger or consolidation shall become exercisable immediately prior to the date of the merger or consolidation.

3.11.2 Change of Control. If, while unexercised options remain outstanding hereunder, (i) any "person" (as this term is used in Sections 13(d) and 14(d) of the Act) other than the Company or an employee benefit plan maintained by the Company is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding securities or (ii) during any period of two consecutive years, individuals who at the beginning of the period constitute the Company's board of directors, including for this purpose any new director whose election or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period, cease for any reason to constitute a majority of the members of the board, then from and after the date on which public announcement of the acquisition of such percentage is made or the date on which the change in the composition of the Board set forth above occurs, all options previously granted under this Plan shall be immediately exercisable in full.

4. GENERAL PROVISIONS

4.1 Effective Date of This Plan. This Plan shall be effective December 16, 1994, subject to approval by the shareholders of the Company. Options may be granted under this Plan only after shareholder approval of this Plan.

4.2 Duration of This Plan. This Plan shall remain in effect until all Shares subject to option grants have been purchased or all unexercised options have expired. Notwithstanding the foregoing, no options may be granted pursuant to this Plan on or after the tenth anniversary of this Plan's effective date.

4.3 Amendment of This Plan. The board of directors may suspend or discontinue this Plan or revise or amend it in any respect, provided, however, that without approval of a majority of the Company's shareholders no revision or amendment shall (i) change the number of Shares subject to this Plan (except as provided in Section 4.4), (ii) change the designation of the class of directors eligible to participate in the Plan, (iii) change the exercise price of the options, or (iv) materially increase the benefits accruing to participants under or the cost of this Plan to the Company. Moreover, in no event may Plan provisions be amended more than once every six months, other than to comport with changes in the Internal Revenue Code, the Employee Retirement Income Security Act, or the rules and regulations thereunder. No amendment, modification, or termination of this Plan shall in any manner adversely affect the rights of any director holding options granted under this Plan without his or her consent.

4.4 Changes in Shares. In the event of any merger, consolidation, reorganization, recapitalization, stock dividend, stock split, or other change in the corporate structure or capitalization affecting the Shares, appropriate adjustment shall be made in the number (including the aggregate numbers specified in Section 2.1) and kind of Shares or other securities which are or may become subject to options granted under this Plan prior to and subsequent to the date of the change.

4.5 Limitation of Rights.

4.5.1 No Right to Continue as a Director. Neither this Plan, nor the granting of an option under this Plan, nor any other action taken pursuant to this Plan shall constitute or be evidence of any agreement or understanding, express or implied, that the Company will retain a director for any period of time, or at any particular rate of compensation.

4.5.2 No Shareholders' Rights for Options. An optionee shall have no rights as a shareholder with respect to the Shares covered by his or her options until the date of the issuance to him or her of a stock certificate therefor.

4.6 Assignments. The rights and benefits under this Plan may not be assigned except as provided in Sections 3.9 and 3.10.

4.7 Notice. Any written notice to the Company required by any of the provisions of this Plan shall be addressed to the secretary of the Company and shall become effective when it is received.

4.8 Shareholder Approval and Registration Statement. This Plan shall be approved by the Board of Directors and submitted to the Company's shareholders for approval. Any options granted under this Plan prior to effectiveness of a registration statement filed with the Securities and Exchange Commission covering the Shares to be issued hereunder shall not be exercisable until, and are expressly conditional upon, the effectiveness of a registration statement covering the Shares.

4.9 Governing Law. This Plan and all determinations made and actions taken pursuant hereto shall be governed by and construed in accordance with the laws of the state of Delaware.

EXHIBIT 12

BOISE CASCADE CORPORATION AND SUBSIDIARIES
Ratio of Earnings to Fixed Charges

| | Year Ended December 31 | | | | |
|---|---|---|---|---|---|
| | 1990 | 1991 | 1992 | 1993 | 1994 |
| | (dollar amounts expressed in thousands) | | | | |
| Interest costs | $ 142,980 | $ 201,006 | $ 191,026 | $ 172,170 | $ 169,170 |
| Interest capitalized during the period | 35,533 | 6,498 | 3,972 | 2,036 | 1,630 |
| Interest factor related to noncapitalized leases(1) | 3,803 | 5,019 | 7,150 | 7,485 | 9,161 |
| Total fixed charges | $ 182,316 | $ 212,523 | $ 202,148 | $ 181,691 | $ 179,961 |
| Income (loss) before income taxes | $ 121,400 | $(128,140) | $(252,510) | $(125,590) | $ (64,750) |
| Undistributed (earnings) losses of less than 50% owned persons, net of distributions received | 2,966 | (1,865) | (2,119) | (922) | (1,110) |
| Total fixed charges | 182,316 | 212,523 | 202,148 | 181,691 | 179,961 |
| Less: Interest capitalized | (35,533) | (6,498) | (3,972) | (2,036) | (1,630) |
| Guarantee of interest on ESOP debt | (24,869) | (24,283) | (23,380) | (22,208) | (20,717) |
| Total earnings (losses) before fixed charges | $ 246,280 | $ 51,737 | $ (79,833) | $ 30,935 | $ 91,754 |
| Ratio of earnings to fixed charges(2) | 1.35 | - | - | - | - |

(1) Interest expense for operating leases with terms of one year or longer is based on an imputed interest rate for each lease.

(2) Earnings before fixed charges were inadequate to cover total fixed charges by $160,786,000, $281,981,000, $150,756,000, and $88,207,000 at December 31, 1991, 1992, 1993, and 1994.

Financial Highlights

| | 1994 (1) | 1993 | 1992 |
|---|---|---|---|
| Sales | $4,140,390,000 | $3,958,300,000 | $3,715,590,000 |
| Net loss | $ (62,610,000) | $ (77,140,000) | $ (227,480,000) (2) |
| Net loss per common share | | | |
| Primary | $(3.08) | $(3.17) | $(6.73) |
| Fully diluted (3) | $(3.08) | $(3.17) | $(6.73) |
| Shareholders' equity per common share | $21.77 | $25.92 | $29.95 |
| Capital expenditures | $ 271,864,000 | $ 221,481,000 | $ 282,951,000 |
| Number of employees | 16,618 | 17,362 | 17,222 |
| Number of common shareholders | 24,808 | 25,930 | 31,006 |
| Number of shares of common stock outstanding | 38,284,186 (4) | 37,987,529 | 37,940,312 |

(1) In October 1994, the Company's Canadian subsidiary, Rainy River Forest Products Inc. ("Rainy River"), completed the sale of securities in a public offering. The net loss includes a nonrecurring noncash charge of $27,000,000 after tax, or 71 cents per share, related to this transaction. Rainy River has been accounted for on the equity method retroactive to January 1, 1994.

(2) Includes a one-time noncash charge of $73,450,000 after tax, or $1.94 per fully diluted common share, for the adoption of Financial Accounting Standards Board requirements to accrue postretirement benefits other than pensions.

(3) The computation of fully diluted net loss per common share for the periods shown was antidilutive; therefore, the amounts reported for primary and fully diluted net loss are the same.

(4) On January 15, 1995, the Company's Series E preferred stock converted to 8,625,000 shares of common stock.

## FINANCIAL REVIEW

### Results of Operations

1994 Compared With 1993. Boise Cascade reported a net loss of $62.6 million, or $3.08 per fully diluted common share, in 1994. This compares with a net loss of $77.1 million, or $3.17 per fully diluted common share, in 1993.

The 1994 loss includes a net noncash charge of $27 million, or 71 cents per fully diluted share, related to the sale by Rainy River Forest Products Inc., the Company's Canadian subsidiary, of a portion of its equity in an initial public offering. The 1993 loss includes pretax gains on the sales of assets totaling $13.9 million, or 23 cents per share, and a net charge of $2.1 million, or 6 cents per share, resulting from changes in statutory tax rates in the U.S. and Canada.

Excluding nonrecurring gains and charges, the Company lost $35.6 million, or $2.37 per share, in 1994, compared with a loss of $83.6 million, or $3.34 per share, in 1993.

Sales in 1994, which exclude sales by Rainy River, were $4.14 billion. This compares with $3.96 billion in 1993, including sales of $309 million by Rainy River operations. The increase was due primarily to additional sales in office products distribution and improving paper prices.

The 1994 loss was due principally to continued weak pricing in our paper business. In recent years, pricing has been poor for all of the Company's grades of paper, but particularly for our highest-volume grades.

In the second half of 1994, the cycle in the paper business turned sharply positive. As European economies improved, supply and demand came into better balance, which slowed exports of European paper. Domestic demand continued to grow. Industry operating rates strengthened, and product prices began to rise. The Company's paper segment became profitable in the third quarter, and the Company overall became profitable in the fourth quarter.

The paper segment, which excludes Rainy River results, reported an operating loss of $38 million in 1994. This compares with a loss of $138 million in 1993, including a loss of approximately $40 million from operations making up Rainy River. The improved results were due to rising paper prices, increased unit sales volume, and an improved product mix. Segment sales on a comparable-facility basis rose 11%, compared with those of a year ago, to $1.8 billion.

Average prices for uncoated business and printing papers (uncoated free sheet), newsprint, containerboard, and market pulp rose from 1993 levels. Prices for coated papers rose in the second half of the year, but average prices for the full year were flat, compared with 1993 levels. The average price per ton for all of our pulp and paper sold in 1994 was up 6% over the average price in 1993 but was still 26% below the peak reached in 1989.

The Company's cost-reduction efforts have helped offset weak product prices over the last several years, positioning the paper business for a sharp recovery. From 1990 to 1993, capital investment and internal process improvements have reduced unit manufacturing cash costs in paper about 11%, or nearly $200 million below what they otherwise would have been. On a comparable-facility basis, unit manufacturing costs in 1994 were roughly the same as in 1993.

Unit sales volume on a comparable-facility basis rose 5% to 2.9 million tons in 1994, as improved machine efficiency increased production from existing equipment and as market-related downtime declined.

In October 1994, Rainy River Forest Products sold a portion of its equity and certain debt securities to the public. Rainy River owns Boise Cascade's former West Tacoma, Washington, and Kenora, Ontario, newsprint mills and its former Fort Frances, Ontario, uncoated groundwood paper mill. Rainy River also has a contract to sell the newsprint produced by our DeRidder, Louisiana, mill.

Rainy River's equity securities were sold at a premium to its net book value. However, after translation to U.S. dollars, the recognition of certain transaction costs, and a noncash charge for U.S. taxes on undistributed Canadian earnings, Boise Cascade recorded a net charge of $27 million.

Boise Cascade now owns a 60% equity interest and 49% voting interest in Rainy River. The Rainy River transactions allowed Boise Cascade to reduce its debt by approximately $330 million. In addition, Rainy River is now able to independently fund its own capital requirements.

Operating income for the office products segment was $42 million in 1994, compared with $36 million in 1993. Dollar sales volume increased 33% to $909 million. Sales were added from new and recently acquired operations and increased business at existing facilities. Sales volume rose 15% on a same-store basis.

In the second quarter of 1994, the Company completed the acquisition of the direct-mail business of The Reliable Corporation. During 1994 and early 1995, Boise Cascade Office Products acquired office products distribution businesses in Atlanta, Georgia; Jacksonville, Florida; and Columbus, Ohio. If we had owned these facilities for the entire year, they would have added approximately $196 million of annual sales to the business. The Company also opened a new facility in Denver, Colorado, in 1994.

In December 1994, the Company announced plans to sell a minority interest in our office products distribution business through an initial public offering of equity securities. The sale should help achieve two objectives. It should facilitate our accelerated growth of this business, and part of the net proceeds of the offering will be used initially to reduce Boise Cascade's debt, thus strengthening our balance sheet.

Operating income for the building products segment was $151 million in 1994, compared with a record $159 million in 1993. Sales increased 8% to $1.7 billion. Average prices for plywood rose 4% from year-earlier levels, while lumber prices remained flat. Prices remained at high levels by historical standards because of continued constraints on the supply of timber available for commercial harvest in the Pacific Northwest. The cost of logs delivered to the Company's wood products operations increased for the same reason and was up 5% in 1994 over 1993 costs. The 1994 increase was more moderate than in recent years, as logs from private, nonindustrial lands mitigated near-term timber supply issues.

In early 1995, the Company completed an expansion of its White City, Oregon, engineered wood products facility that increased annual capacity by 50% to 6 million cubic feet. We have also announced construction of a new facility near Alexandria, Louisiana, which will add 4.4 million cubic feet of annual capacity by mid-1996 and can be expanded further to 8 million cubic feet at minimal incremental cost.

1993 Compared With 1992. Boise Cascade reported a net loss of $77.1 million, or $3.17 per fully diluted common share, in 1993. This compares with a net loss of $227.5 million, or $6.73 per fully diluted share, in 1992.

The 1993 loss includes pretax gains on the sales of assets totaling $13.9 million, or 23 cents per share, and a net charge of $2.1 million, or 6 cents per share, resulting from changes in statutory tax rates in the U.S. and Canada. The 1992 loss includes a charge of $73.5 million after tax, or $1.94 per fully diluted share, for the adoption of Financial Accounting Standards Board requirements to accrue the cost of postretirement benefits other than pensions.

Excluding gains and charges, the Company lost $83.6 million, or $3.34 per share, in 1993, compared with a loss of $154.0 million, or $4.79 per share, in 1992.

Sales in 1993 were $4.0 billion, compared with $3.7 billion in 1992. The increase was due primarily to higher lumber and plywood prices in the building products segment.

The 1993 loss was due principally to weak prices in all of the Company's grades of paper. Domestic and overseas economies weakened, and paper consumption flattened or declined, as new industry capacity was starting up.

The paper segment reported an operating loss of $138 million in 1993, compared with a loss of $187 million in 1992. The improved results were due to significantly reduced manufacturing costs, an upgraded product mix, and modestly stronger unit sales volume. Segment sales were about flat, compared with those of the year earlier.

Average prices for uncoated free sheet, newsprint, and coated papers rose modestly from 1992 levels, while average container-board and market pulp prices declined. The average price per ton for all of Boise Cascade's pulp and paper sold in 1993 was about the same as in 1992. Prices declined 10% that year.

The Company's cost-reduction efforts helped offset the continued weak prices. Unit manufacturing cash costs in paper declined 4% in 1993 from 1992 levels.

Additionally, unit sales volume grew 2% to 3.6 million tons in 1993, despite 68,000 tons of market-related machine downtime taken throughout 1993.

Operating income for the office products segment was $36 million in 1993, nearly twice the $19 million earned in 1992, as we added sales volume and reduced operating costs to improve margins. In early 1992, we sold our wholesale operations in order to expand in the commercial channel.

Excluding the sales volume of our former wholesale operations, dollar sales volume increased 10% to $683 million due to sales from new and acquired facilities and additional sales from existing facilities. Sales volume rose 5% on a same-store basis.

Operating income for the building products segment was a record $159 million in 1993, compared with $115 million in 1992. Sales increased 21% to $1.5 billion. The improvement was due to rising lumber and plywood prices, which, on average, were 22% and 18% higher, respectively, than in 1992. Higher product prices resulted from a constrained supply of timber available for commercial harvest in the Pacific Northwest. The cost of logs delivered to our wood products operations was up 22% in 1993 over 1992 costs.

## Financial Condition

In 1994, operations provided $216 million in cash, compared with $131 million in 1993. The working capital ratio was 1.4:1 at the end of 1994, compared with 1.3:1 at the end of 1993.

The Company's effective tax benefit rate for 1994, exclusive of the impact of a charge for U.S. taxes on undistributed earnings, declined to 34.5% from 40.3% in 1993. The decrease in the benefit rate was due primarily to reporting the 1994 results of Rainy River's operations, including the tax effect, in "Equity in net income (loss) of affiliates." Net interest expense in 1994 and 1993 was $148 million.

On December 31, 1994, the Company's total debt declined slightly to $1.97 billion, compared with $2.02 billion at the end of 1993. On December 31, 1994, our long-term debt-to-equity ratio was 1.4:1, compared with 1.2:1 at the end of 1993. Our debt and debt-to-equity ratio include the guarantee by the Company of the remaining $231 million of debt incurred by the trustee of our leveraged Employee Stock Ownership Plan (ESOP). While that guarantee has a negative impact on our debt-to-equity ratio, it has virtually no effect on our cash-coverage ratios or on other measures of our financial strength.

In 1994, the Company arranged a new committed revolving credit agreement of $650 million with a group of banks, replacing a previous agreement. As of December 31, 1994, borrowings under the existing agreement totaled $240 million. At the time of its expiration in June 1997, any amount outstanding will be due and payable.

The agreement requires the Company to maintain a minimum amount of net worth and a minimum interest coverage ratio and not to exceed a maximum ratio of debt to net worth. Under this agreement, the payment of dividends is dependent on the existence and amount of net worth in excess of the defined minimum. The Company's net worth at December 31, 1994, exceeded the defined minimum amount by $63 million.

At December 31, 1994, the Company had $400.4 million of shelf capacity registered with the Securities and Exchange Commission for additional debt securities.

The estimated current market value of the Company's debt, based on current interest rates for similar obligations with like maturities, is approximately $41 million less than the amount of debt reported.

Additional information about our credit agreement and debt is in Note 4 accompanying the financial statements.

On January 15, 1995, depositary shares of the Company's conversion preferred stock, Series E, were converted into 8.6 million shares of Boise Cascade common stock.

Capital Investment

Capital investment in 1994 was $272 million, including acquisitions, compared with $221 million in 1993. Capital investment in 1995 is expected to be approximately $400 million, excluding acquisitions, and will be allocated to cost-saving, modernization, expansion, replacement, maintenance, environmental, and safety projects.

Dividends

In 1994, Boise Cascade's quarterly cash dividend was 15 cents per common share, the same as in 1993. The quarterly dividend was 44.75 cents on each depositary share of the Series E conversion preferred stock, 58.75 cents on each depositary share of the Series F cumulative preferred stock, and 39.5 cents on each depositary share of the Series G conversion preferred stock.

Timber Supply

In recent years, heightened attention has been paid to developing and implementing recovery plans for U.S. species that are listed as threatened or endangered under the Endangered Species Act of 1973. Some of these plans and related litigation, as well as other challenges to federal forest management activities, have sharply curtailed the amount of federal government timber available for commercial harvest. As a result, approximately 8.4 billion board feet of timber on national forests were under contract and awaiting harvest in 1994, down from 17.9 billion board feet five years earlier.

Over the last few years, increased harvests from private, nonindustrial lands have partially offset the loss of timber available from federal forests in the Pacific Northwest. However, in the Company's judgment, the current rate of harvest on private, nonindustrial timberlands cannot be sustained and, at some point, will decline markedly.

In this environment, Boise Cascade has relative advantages. An important share of our raw material needs is met by our own timberland -- some 1.4 million acres in Washington, Oregon, and Idaho. And our wood products facilities are among the most efficient in the region, allowing us to bid competitively for available timber.

Our Northwest pulp and paper mills already receive approximately 79% of their wood chip supply either directly from or through trades with our wood products and whole-log chipping operations. The Company has also taken additional steps to reduce our need for outside chip purchases. Our cottonwood tree farm near our Wallula, Washington, pulp and paper mill will be ready for harvest in 1997, increasing our internal supply of wood chips to over 90%. In addition, our three Northwest paper mills are now using recycled fiber -- and will use more over time -- to produce recycled-content paper products.

We believe we are better positioned than most Northwest producers to compete in an era of reduced log supply. However, because of further potential litigation, legislation, and regulation related to this issue, we cannot accurately predict what log supply will be over the next several years. In 1994 and early 1995, the Company closed small sawmills in Joseph, Oregon, and Council, Idaho, due in part to limited log supply. Additional curtailment or closures of wood products manufacturing facilities are possible.

It is also difficult to predict the impact of timber constraints on the cost structure of the Northwest paper and forest products industry. The cost of logs delivered to our Northwest wood products facilities climbed 74% from 1989 to 1994, while wood chip costs for our Northwest pulp mills rose 75% from 1987 to 1991, before leveling off. Despite rapidly increasing log costs, our Northwest wood products operations have maintained stable profit margins due to use of timber from our own lands, increased production of value-added products, gains in log recovery and manufacturing efficiency, and rising prices. Because of excess industry supply, paper prices have not increased to offset higher wood chip costs in the Northwest.

It is unclear what impact existing and proposed endangered species listings will have on pricing and cost trends in future years in the Northwest or across the nation.

## Environmental Issues

The Company invests substantial capital to comply with federal, state, and local environmental laws and regulations. During 1994, expenditures for an ongoing pollution abatement program amounted to $39 million. The Company expects to spend approximately $24 million in 1995 for this purpose. Failure to comply with applicable pollution control standards could result in interruption or suspension of operations at the affected facilities or could require additional expenditures. Anticipated expenditures for ongoing pollution abatement are expected to enable the Company to continue to meet applicable environmental standards.

The Environmental Protection Agency (EPA) has proposed rules to regulate air and water emissions from pulp and paper mills. These rules would, among other things, set extremely stringent standards for color, chemical oxygen demand, and the discharge of all chlorinated organics. The term chlorinated organics refers to a family of thousands of compounds that occur naturally and are also produced as byproducts of pulp-bleaching processes that use chlorine compounds. Research is ongoing to determine the true impact of these chemicals on human health and the environment.

Unfortunately, the proposed EPA rules do not discriminate between chlorinated organics, such as dioxin, that are known to be toxic and all other chlorinated organics. Rather, they seek to regulate the levels of all such compounds. If implemented, the rules would require the elimination of elemental chlorine and could require the elimination of all chlorine compounds from the pulp-bleaching process, despite a lack of evidence that totally chlorine-free (TCF) bleaching would result in any significant improvement in human health or the environment.

Boise Cascade has already made changes in our pulp-bleaching processes to reduce our use of elemental chlorine. Our printing and writing paper mills have substituted chlorine dioxide for at least 50% of the elemental chlorine previously used to bleach pulp, virtually eliminating dioxin in our paper mill effluent. Chlorine dioxide is a chemical with a name similar to elemental chlorine but with very different chemical and physical properties. Over time, Boise Cascade will continue to move toward elemental chlorine-free bleaching of pulp.

Boise Cascade's additional cost for complying with the proposed rules and implementation schedule, utilizing current technology, could be $200 million to $300 million over the next four years. We are working with industry associations and the EPA to achieve revisions to the proposed regulations that would better reflect scientific understanding of the effects, risks, and costs of alternative pulp-bleaching processes.

As of December 31, 1994, the Company had been notified that it is a "potentially responsible party" under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) or similar federal and state laws with respect to 59 sites where hazardous substances or other contaminants are located. The Company has resolved issues related to several of these sites at minimal cost. We believe we have minimal or no responsibility with regard to several other sites. In most cases, the Company is one of many potentially responsible parties, and our alleged contribution to these sites has been minor. For those sites where a range of potential liability has been determined, the Company has established appropriate reserves.

With respect to all currently outstanding sites, the Company cannot predict with certainty the total response and remedial costs, our share of the total costs, what contributions will be available from other parties, the time necessary to complete the cleanups, or the availability of reimbursement from insurance coverage. However, based on our investigations, our experience in cleaning up hazardous substances, the fact that expenditures will, in many cases, be incurred over extended periods of time, and the number of solvent potentially responsible parties, the Company does not believe that the known actual and potential response costs will, in the aggregate, have a material adverse effect on our financial condition or the results of operations.

Common Stock Prices

| Quarter | 1994 High | 1994 Low | 1993 High | 1993 Low | 1992 High | 1992 Low |
|---|---|---|---|---|---|---|
| First | $27 3/4 | $22 3/8 | $26 3/8 | $19 1/2 | $25 3/8 | $20 7/8 |
| Second | 24 1/4 | 19 | 27 1/2 | 22 1/2 | 22 7/8 | 17 3/4 |
| Third | 30 1/2 | 22 | 24 | 19 5/8 | 20 1/2 | 16 3/8 |
| Fourth | 30 1/2 | 22 5/8 | 24 7/8 | 20 3/8 | 22 | 17 1/4 |

The Company's common stock is traded principally on the New York Stock Exchange.

Common Stock Dividends

| 1994 | 1993 | 1992 |
|---|---|---|
| | Paid Per Share | |
| $.15 | $.15 | $.15 |
| .15 | .15 | .15 |
| .15 | .15 | .15 |
| .15 | .15 | .15 |

1994 Capital Investment by Business

| | Expansion | Quality/ Efficiency(1) | Timber and Timberlands | Replacement, Environmental, and Other | Total |
|---|---|---|---|---|---|
| | | (expressed in millions) | | | |
| Paper and paper products | $ 7 | $ 43 | $ - | $ 89 | $ 139 |
| Office products | 84 | 1 | - | 1 | 86 |
| Building products | 10 | 7 | - | 18 | 35 |
| Timber and timberlands | - | - | 5 | - | 5 |
| Other | 3 | - | - | 4 | 7 |
| Total | $ 104 | $ 51 | $ 5 | $ 112 | $ 272 |

(1) Quality and efficiency projects include quality improvements, modernization, energy, and cost-saving projects.

BOISE CASCADE CORPORATION AND SUBSIDIARIES

BALANCE SHEETS

| Assets | December 31 1994 | 1993 |
|---|---|---|
| | (expressed in thousands) | |
| Current | | |
| Cash and cash items (Note 1) | $ 22,447 | $ 14,860 |
| Short-term investments at cost, which approximates market (Note 1) | 7,007 | 7,569 |
| | 29,454 | 22,429 |
| Receivables, less allowances of $1,987,000 and $1,264,000 | 405,661 | 366,187 |
| Inventories (Note 1) | 423,589 | 446,609 |
| Deferred income tax benefits | 42,487 | 38,831 |
| Other | 17,073 | 13,397 |
| | 918,264 | 887,453 |
| Property (Note 1) | | |
| Property and equipment | | |
| Land and land improvements | 37,775 | 56,871 |
| Buildings and improvements | 439,936 | 571,712 |
| Machinery and equipment | 4,078,302 | 4,642,434 |
| | 4,556,013 | 5,271,017 |
| Accumulated depreciation | (2,062,106) | (2,261,360) |
| | 2,493,907 | 3,009,657 |
| Timber, timberlands, and timber deposits | 397,721 | 366,054 |
| | 2,891,628 | 3,375,711 |
| Investments in equity affiliates (Note 8) | 204,498 | 22,700 |
| Other assets (Note 1) | 279,687 | 227,109 |
| Total assets | $4,294,077 | $4,512,973 |

BOISE CASCADE CORPORATION AND SUBSIDIARIES

BALANCE SHEETS

| Liabilities and Shareholders' Equity | December 31 1994 | 1993 |
|---|---|---|
| | (expressed in thousands) | |
| Current | | |
| Notes payable | $ 56,000 | $ 31,000 |
| Current portion of long-term debt (Note 4) | 58,534 | 145,185 |
| Accounts payable | 306,848 | 288,300 |
| Accrued liabilities | | |
| Compensation and benefits | 107,866 | 103,188 |
| Interest payable | 36,043 | 32,194 |
| Other | 92,552 | 88,568 |
| | 657,843 | 688,435 |
| Debt (Note 4) | | |
| Long-term debt, less current portion | 1,625,148 | 1,593,348 |
| Guarantee of ESOP debt | 230,956 | 246,856 |
| | 1,856,104 | 1,840,204 |
| Other | | |
| Deferred income taxes (Note 2) | 137,260 | 222,464 |
| Other long-term liabilities | 278,012 | 257,346 |
| | 415,272 | 479,810 |
| Commitments and contingent liabilities (Notes 1, 2, 5, and 7) | | |
| Shareholders' equity (Note 6) | | |
| Preferred stock - no par value; 10,000,000 shares authorized; | | |
| Series D ESOP: $.01 stated value; 6,294,891 and 6,395,047 shares outstanding | 283,270 | 287,777 |
| Deferred ESOP benefit | (230,956) | (246,856) |
| Series E: $.01 stated value; 862,500 shares outstanding in each period | 191,466 | 191,466 |
| Series F: $.01 stated value; 115,000 shares outstanding in each period | 111,043 | 111,043 |
| Series G: $.01 stated value; 862,500 shares outstanding in each period | 176,404 | 176,404 |
| Common stock - $2.50 par value; 200,000,000 shares authorized; 38,284,186 and 37,987,529 shares outstanding | 95,710 | 94,969 |
| Retained earnings (Notes 1 and 4) | 737,921 | 889,721 |
| Total shareholders' equity | 1,364,858 | 1,504,524 |
| Total liabilities and shareholders' equity | $4,294,077 | $4,512,973 |
| Shareholders' equity per common share | $21.77 | $25.92 |

The accompanying notes are an integral part of these Financial Statements.

BOISE CASCADE CORPORATION AND SUBSIDIARIES

STATEMENTS OF INCOME (LOSS)

| | Year Ended December 31 1994 | 1993 | 1992 |
|---|---|---|---|
| | (expressed in thousands) | | |
| Revenues | | | |
| Sales | $4,140,390 | $3,958,300 | $3,715,590 |
| Other income, net (Note 1) | 1,360 | 10,570 | 11,040 |
| | 4,141,750 | 3,968,870 | 3,726,630 |
| Costs and expenses | | | |
| Materials, labor, and other operating expenses | 3,453,730 | 3,411,500 | 3,264,190 |
| Depreciation and cost of company timber harvested | 236,430 | 267,710 | 265,790 |
| Selling and administrative expenses | 336,970 | 283,450 | 294,890 |
| | 4,027,130 | 3,962,660 | 3,824,870 |
| Equity in net income (loss) of affiliates (Note 8) | (22,930) | 13,570 | 3,760 |
| Income (loss) from operations | 91,690 | 19,780 | (94,480) |
| Interest expense | (147,800) | (148,310) | (166,450) |
| Interest income | 1,690 | 1,330 | 1,830 |
| Foreign exchange gain (loss) | (130) | 1,610 | 6,590 |
| Loss on subsidiary's sale of stock (Note 8) | (10,200) | - | - |
| | (156,440) | (145,370) | (158,030) |
| Loss before income taxes | (64,750) | (125,590) | (252,510) |
| Income tax benefit (Note 2) | (2,140) | (48,450) | (98,480) |
| Loss before cumulative effect of accounting change | (62,610) | (77,140) | (154,030) |
| Cumulative effect of accounting change, net of tax (Note 5) | - | - | (73,450) |
| Net loss | $ (62,610) | $ (77,140) | $ (227,480) |

| | | | |
|---|---|---|---|
| Net loss per common share (Note 1) | | | |
| Primary | | | |
| Loss before cumulative effect of accounting change | $(3.08) | $(3.17) | $(4.79) |
| Cumulative effect of accounting change, net of tax (Note 5) | - | - | (1.94) |
| Net loss per share | $(3.08) | $(3.17) | $(6.73) |
| Fully diluted | | | |
| Loss before cumulative effect of accounting change | $(3.08) | $(3.17) | $(4.79) |
| Cumulative effect of accounting change, net of tax (Note 5) | - | - | (1.94) |
| Net loss per share | $(3.08) | $(3.17) | $(6.73) |

The accompanying notes are an integral part of these Financial Statements.

BOISE CASCADE CORPORATION AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

| | Year Ended December 31 1994 | 1993 | 1992 |
|---|---|---|---|
| | (expressed in thousands) | | |
| Cash provided by (used for) operations | | | |
| Net loss | $ (62,610) | $ (77,140) | $ (227,480) |
| Items in loss not using (providing) cash | | | |
| Equity in net (income) loss of affiliates | 15,040 | (5,270) | (3,760) |
| Loss on subsidiary's sale of stock | 10,200 | - | - |
| Depreciation and cost of company timber harvested | 236,430 | 267,710 | 265,790 |
| Deferred income tax benefit | (2,174) | (46,243) | (59,815) |
| Amortization and other | 17,836 | 16,817 | 32,309 |
| Cumulative effect of accounting change, net of tax | - | - | 73,450 |
| Gain on sales of operating assets (Note 1) | - | (8,300) | (25,020) |
| Receivables | (69,567) | (116) | (46,322) |
| Inventories | 6,139 | (30,679) | (3,319) |
| Accounts payable and accrued liabilities | 55,329 | 15,696 | 9,216 |
| Current and deferred income taxes | 9,036 | 13,137 | 53,572 |
| Other | 94 | (14,391) | (1,947) |
| Cash provided by operations | 215,753 | 131,221 | 66,674 |
| Cash provided by (used for) investment | | | |
| Expenditures for property and equipment | (187,040) | (216,818) | (275,414) |
| Expenditures for timber and timberlands | (5,174) | (4,663) | (7,537) |
| Investments in equity affiliates | (25,347) | 896 | (1,413) |
| Purchases of facilities | (78,454) | - | - |
| Sales of operating assets (Note 1) | 171,383 | 23,992 | 202,156 |
| Other | (50,428) | 7,971 | (29,974) |
| Cash used for investment | (175,060) | (188,622) | (112,182) |
| Cash provided by (used for) financing | | | |
| Cash dividends paid | | | |
| Common stock | (22,844) | (22,772) | (22,765) |
| Preferred stock | (60,871) | (44,731) | (32,712) |
| | (83,715) | (67,503) | (55,477) |
| Notes payable | 25,000 | 27,000 | (54,000) |
| Additions to long-term debt | 138,842 | 83,807 | 130,937 |
| Payments of long-term debt (Note 4) | (115,569) | (269,180) | (164,380) |
| Issuance of preferred stock (Note 6) | - | 287,442 | 191,471 |
| Other | 1,774 | (2,068) | (4,722) |
| Cash provided by (used for) financing | (33,668) | 59,498 | 43,829 |
| Increase (decrease) in cash and short-term investments | 7,025 | 2,097 | (1,679) |
| Balance at beginning of the year | 22,429 | 20,332 | 22,011 |
| Balance at end of the year | $ 29,454 | $ 22,429 | $ 20,332 |

The accompanying notes are an integral part of these Financial Statements.

BOISE CASCADE CORPORATION AND SUBSIDIARIES

STATEMENTS OF SHAREHOLDERS' EQUITY

For the Years Ended December 31, 1992, 1993, and 1994

| Common Shares Outstanding | Notes 1, 4, 5, and 6 | Total Share-holders' Equity | Preferred Stock | Deferred ESOP Benefit | Common Stock | Retained Earnings |
|---|---|---|---|---|---|---|
| | | (expressed in thousands) | | | | |
| 37,944,725 | Balance at December 31, 1991 | $1,447,613 | $ 300,262 | $ (275,058) | $ 94,862 | $1,327,547 |
| | Net loss | (227,480) | | | | (227,480) |
| | Cash dividends declared | | | | | |
| | Common stock | (22,765) | | | | (22,765) |
| | Preferred stock | (36,571) | | | | (36,571) |
| | Issuance of preferred stock | 191,471 | 191,471 | | | |
| (4,413) | Other | 5,328 | (8,878) | 13,363 | (11) | 854 |
| 37,940,312 | Balance at December 31, 1992 | 1,357,596 | 482,855 | (261,695) | 94,851 | 1,041,585 |
| | Net loss | (77,140) | | | | (77,140) |
| | Cash dividends declared | | | | | |
| | Common stock | (22,813) | | | | (22,813) |
| | Preferred stock | (50,841) | | | | (50,841) |
| | Issuance of preferred stock | 287,442 | 287,442 | | | |
| 47,217 | Other | 10,280 | (3,607) | 14,839 | 118 | (1,070) |
| 37,987,529 | Balance at December 31, 1993 | 1,504,524 | 766,690 | (246,856) | 94,969 | 889,721 |
| | Net loss | (62,610) | | | | (62,610) |
| | Cash dividends declared | | | | | |
| | Common stock | (22,885) | | | | (22,885) |
| | Preferred stock | (60,872) | | | | (60,872) |
| 296,657 | Other | 6,701 | (4,507) | 15,900 | 741 | (5,433) |
| 38,284,186 | Balance at December 31, 1994 | $1,364,858 | $ 762,183 | $ (230,956) | $ 95,710 | $ 737,921 |

The accompanying notes are an integral part of these Financial Statements.

BOISE CASCADE CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATION. The financial statements include the accounts of the Company and all subsidiaries after elimination of intercompany balances and transactions.

OTHER INCOME. "Other income, net" on the Statements of Income (Loss) includes gains and losses on the sale and disposition of property and other miscellaneous income and expense items. Results for 1993 include a net pretax gain of $13,944,000, which was primarily attributable to sales of assets. A 1993 adoption of Financial Accounting Standards Board requirements to accrue certain severance, disability, and other benefits provided to former or inactive employees did not have a material impact on reported results. In 1992, strategic sales made by the Company included the sale of essentially all of its wholesale office products distribution operations at their approximate book value. Additionally, the Company sold 11 corrugated container plants at a gain of $25,020,000 and wrote off certain pulp and paper mill start-up costs (see "Start-Up Costs" in this note).

FOREIGN CURRENCY TRANSLATION. The 1994 foreign exchange loss reported on the Statement of Income (Loss) is due primarily to forward contracts to purchase Canadian dollars. Gains or losses in the market value of the forward contracts were recorded as they were incurred during the year. The forward contracts were terminated in September 1994. Foreign exchange gains and losses in 1994, arising primarily from translation of the Company's Canadian subsidiaries' net liabilities prior to the Rainy River Forest Products Inc. ("Rainy River") transactions (see Note 8), are included in "Equity in net income (loss) of affiliates." Subsequent to the transactions, the functional currency was changed from the U.S. dollar to the Canadian dollar, and the cumulative foreign currency translation adjustment at December 31, 1994, of $14,704,000, net of deferred income taxes, is included as a reduction to "Retained earnings" on the Balance Sheet due to its relative insignificance. The 1993 and 1992 foreign exchange gains on the Statements of Income (Loss) arose primarily from translation of the Company's Canadian subsidiaries' net liabilities, partially offset by gains or losses in the market value of the forward contracts.

NET LOSS PER COMMON SHARE. The computation of fully diluted net loss per share was antidilutive in each of the periods presented; therefore, the amounts reported for primary and fully diluted loss are the same.

Net loss per common share was determined by dividing net loss, as adjusted, by applicable shares outstanding. The loss was adjusted by the aggregate amount of dividends on the Company's preferred stock. The dividend attributable to the Company's Series D convertible preferred stock held by the Company's ESOP (employee stock ownership plan) is net of a tax benefit. Preferred dividends for the year ended December 31, 1994, were $54,586,000, compared with $43,076,000 and $27,711,000 for the years ended December 31, 1993 and 1992. The average common shares outstanding at December 31, 1994, were 38,110,000. For the same period in 1993 and 1992, the average shares outstanding were 37,958,000 and 37,942,000. Primary average shares include only common shares outstanding.

On January 15, 1995, the Company's Series E preferred stock converted to 8,625,000 shares of common stock (see Note 6). Had the conversion occurred on January 1, 1994, the reported net loss per common share for the year ended December 31, 1994, would have decreased 90 cents to $2.18.

CASH AND SHORT-TERM INVESTMENTS. Short-term investments consist of investments that had a maturity of three months or less at the date of purchase. At December 31, 1994, $10,034,000 of cash, short-term investments, and certain receivables of a wholly owned insurance subsidiary was committed for use in maintaining statutory liquidity requirements of that subsidiary.

INVENTORY VALUATION. The Company uses the last-in, first-out (LIFO) method of inventory valuation for raw materials and finished goods inventories at substantially all of its domestic wood products and paper manufacturing facilities. All other inventories are valued at the lower of cost or market, with cost based on the average or first-in, first-out (FIFO) valuation method. Manufactured inventories include costs for materials, labor, and factory overhead.

Inventories include the following:

| | December 31 1994 | December 31 1993 |
|---|---|---|
| | (expressed in thousands) | |
| Finished goods and work in process | $ 256,732 | $ 255,395 |
| Logs | 107,095 | 106,649 |
| Other raw materials and supplies | 147,211 | 167,192 |
| LIFO reserve | (87,449) | (82,627) |

| | | |
|---|---|---|
| | $ 423,589 | $ 446,609 |

PROPERTY. Property and equipment are recorded at cost. Cost includes expenditures for major improvements and replacements and the net amount of interest cost associated with significant capital additions. Capitalized interest was $1,630,000 in 1994, $1,118,000 in 1993, and $3,492,000 in 1992. Substantially all of the Company's paper and wood products manufacturing facilities determine depreciation by the units-of-production method, and other operations use the straight-line method. Gains and losses from sales and retirements are included in income as they occur except at certain pulp and paper mills that use composite depreciation methods. At those facilities, gains and losses are included in accumulated depreciation. Estimated service lives of principal items of property and equipment range from 3 to 40 years.

Cost of company timber harvested and amortization of logging roads are determined on the basis of the annual amount of timber cut in relation to the total amount of recoverable timber. Timber and timberlands are stated at cost, less the accumulated total of timber previously harvested.

A portion of the Company's wood requirements are acquired from public and private sources. Except for deposits required pursuant to wood supply contracts, no amounts are recorded until such time as the Company becomes liable for the timber. At December 31, 1994, based on average prices at the time, the unrecorded amount of those contracts was estimated to be approximately $240,000,000.

START-UP COSTS. Preoperating costs incurred during the construction and start-up of major expansions or new manufacturing facilities are capitalized. In mid-1992, the Company elected to write off certain pulp and paper mill costs totaling $18,968,000 that had been capitalized prior to 1987 and were being amortized over 15 years. The write-off reflected a change in the estimated period benefited by such expenditures. The remaining unamortized balance is being amortized over a five-year period. The unamortized balance of start-up costs, included in "Other assets" on the Balance Sheets, was $16,237,000 at December 31, 1994, and $24,356,000 at December 31, 1993.

GOODWILL. Goodwill represents the excess of purchase price and related costs over the value assigned to the net tangible assets of businesses acquired. Goodwill is amortized on a straight-line basis generally over 40 years. Annually, the Company reviews the recoverability of goodwill. The measurement of possible impairment is based primarily on the ability to recover the balance of the goodwill from expected future operating cash flows on an undiscounted basis. In managements' opinion, no such impairment exists at December 31, 1994. The unamortized balance of goodwill included in "Other assets" on the Balance Sheets at December 31, 1994 and 1993 was $55,041,000 and $3,698,000.

ENVIRONMENTAL REMEDIATION AND COMPLIANCE. Generally, environmental expenditures resulting in additions to property, plant, and equipment that increase useful lives are capitalized, while other environmental expenditures are charged to expense. Liabilities are recorded when assessments and/or remedial efforts are probable and the cost can be reasonably estimated.

RESEARCH AND DEVELOPMENT COSTS. Research and development costs are expensed as incurred. During 1994, research and development expenses were $11,461,000, compared with $11,496,000 in 1993 and $11,785,000 in 1992.

RECLASSIFICATIONS. To provide a more meaningful comparison with the 1994 financial statements, certain classifications, none of which affected net loss, have been made to the 1993 and 1992 financial statements.

2. INCOME TAXES

Effective as of January 1, 1993, the Company adopted Financial Accounting Standards Board requirements that govern the way deferred taxes are calculated and reported. The one-time adjustment made to record the initial adoption of the standard had no effect on the Company's 1993 net loss. The impact of changes in statutory tax rates on deferred taxes subsequent to the initial adoption is discussed below. Financial statements for prior periods were not restated.

The income tax benefit shown on the Statements of Income (Loss) includes the following:

| | Year Ended December 31 1994 | 1993 | 1992 |
|---|---|---|---|
| | (expressed in thousands) | | |
| Current income tax payment (refund) | $ 34 | $ (2,207) | $ (38,665) |
| Deferred income tax benefit | (2,174) | (46,243) | (59,815) |
| Total income tax benefit before cumulative effect of accounting change | $ (2,140) | $ (48,450) | $ (98,480) |

Deferred tax attributable

| | | | |
|---|---|---|---|
| to cumulative effect of accounting change | $ - | $ - | $ (44,950) |

During 1994, the Company received income tax refunds, net of cash payments, of $7,269,000, compared with net refunds of $48,025,000 in 1993 and $60,081,000 in 1992.

A reconciliation of the statutory U.S. federal tax benefit and the Company's reported tax benefit is as follows:

| | Year Ended December 31 1994 | 1993 | 1992 |
|---|---|---|---|
| | (expressed in thousands) | | |
| Statutory tax benefit | $ (22,661) | $ (43,957) | $ (85,852) |
| (Increases) decreases in benefit resulting from: | | | |
| State taxes | (1,702) | (4,158) | (4,865) |
| Foreign loss tax benefit at less (more) than theoretical rate | 4,108 | (1,109) | (7,254) |
| Provision for undistributed earnings | 20,200 | - | - |
| Other | (2,085) | (1,326) | (509) |
| Effective tax benefit | (2,140) | (50,550) | (98,480) |
| Tax rate adjustments to net deferred tax liabilities | - | 2,100 | - |
| Reported tax benefit | $ (2,140) | $ (48,450) | $ (98,480) |

During 1993, the U.S. federal government increased its statutory rate from 34% to 35%. The increase in net deferred tax liabilities due to that increase was partially offset by decreases due to reductions in Canadian tax rates. The Canadian federal rate was decreased from 23.8% to 22.8%.

The components of the net deferred tax liability on the Balance Sheets are as follows:

| | December 1994 Assets | 1994 Liabilities | 1993 Assets | 1993 Liabilities |
|---|---|---|---|---|
| | (expressed in thousands) | | | |
| Operating loss carryover | $ 200,535 | $ - | $ 169,758 | $ - |
| Employee benefits | 106,146 | 17,781 | 98,262 | 17,359 |
| Property and equipment and timber and timberlands | 81,623 | 531,384 | 89,025 | 589,380 |
| Alternative minimum tax | 79,615 | - | 79,775 | - |
| Tax credit carryovers | 35,663 | - | 47,268 | - |
| Reserves | 14,644 | 2,031 | 11,578 | 1,498 |
| Inventories | 10,069 | 215 | 9,767 | 412 |
| State income taxes | - | 33,398 | 3,892 | 29,026 |
| Deferred charges | 174 | 7,931 | 313 | 14,591 |
| Differences in basis of nonconsolidated entities | 11,541 | 28,524 | - | 17,909 |
| Other | 10,337 | 23,856 | 9,790 | 32,886 |
| | $ 550,347 | $ 645,120 | $ 519,428 | $ 703,061 |

The deferred tax benefit portion of the total income tax benefit on the Statement of Income (Loss) for the year ended December 31, 1992, was determined in accordance with accounting requirements used prior to January 1, 1993. The components of the deferred benefit related to differences in recognition of revenue and expense for tax and financial reporting purposes were as follows: a reduction of deferred tax liabilities due to losses incurred and differences in expenses deferred for financial reporting purposes that were less than for tax purposes created benefits of $109,682,000 and $12,560,000. These benefits were offset by the effect of the difference between financial reporting and tax depreciation and other miscellaneous differences, which reduced the benefit by $59,745,000 and $2,682,000. The net effect of these differences resulted in a deferred income tax benefit of $59,815,000 for the year ended December 31, 1992.

At December 31, 1994, the Company had loss carryforwards for tax purposes of $513,427,000 expiring in 2007 through 2009. Additionally, the Company had income tax credits of $35,663,000 expiring in 1997 through 2008. The Company also had $79,615,000 of minimum tax credits, which may be carried forward indefinitely. The loss carryforwards and the minimum tax credits are realizable through future reversals of existing taxable temporary differences. Management believes that the income tax credits will be fully realized based on future reversals of existing taxable temporary differences, future earnings, or available tax planning strategies.

During 1994, the Company recognized a noncash charge of $20,200,000 for taxes on undistributed Canadian earnings (see Note 8).

Pretax loss from domestic and foreign sources is as follows:

| | Year Ended December 31 1994 | 1993 | 1992 |
|---|---|---|---|
| | (expressed in thousands) | | |
| Domestic | $ (37,783) | $(100,319) | $(214,696) |
| Foreign | (26,967) | (25,271) | (37,814) |
| Pretax loss | $ (64,750) | $(125,590) | $(252,510) |

The Company's federal income tax returns have been examined through 1991. Certain deficiencies have been proposed, but the amount of the deficiencies, if any, that may result upon settlement of these years cannot be determined at this time. The Company believes that it has adequately provided for any such deficiencies and that settlements will not have a material adverse effect on the Company's financial condition or results of operations.

3. LEASES

Lease obligations for which the Company assumes substantially all property rights and risks of ownership are capitalized. All other leases are treated as operating leases. Rental expenses for operating leases, net of sublease rentals, were $31,714,000 in 1994, $30,877,000 in 1993, and $28,821,000 in 1992.

The Company has various operating leases with remaining terms of more than one year. These leases have minimum lease payment requirements, net of sublease rentals, of $22,881,000 for 1995, $21,185,000 for 1996, $17,383,000 for 1997, $16,439,000 for 1998, and $15,964,000 for 1999, with total payments thereafter of $182,615,000.

Substantially all lease agreements have fixed payment terms based upon the passage of time. Some lease agreements provide the Company with the option to purchase the leased property. Additionally, certain agreements contain renewal options averaging eight years, with fixed payment terms similar to those in the original lease agreements.

4. DEBT

In 1994, the Company arranged a new committed revolving credit agreement of $650,000,000 with a group of banks, replacing a previous agreement. As of December 31, 1994, borrowings under the existing agreement totaled $240,000,000. At the time of its expiration in June 1997, any amount outstanding will be due and payable.

The revolving credit agreement provides a choice of several pricing formulas. At December 31, 1994, the interest rates under these formulas would have ranged from 6.7% to 8.5%. Commitment fees are required on the unused portion of the credit.

The agreement requires the Company to maintain a minimum amount of net worth and a minimum interest coverage ratio, and not to exceed a maximum ratio of debt to net worth. Under this agreement, the payment of dividends is dependent upon the existence and amount of net worth in excess of the defined minimum. The Company's net worth at December 31, 1994, exceeded the defined minimum amount by $63,000,000.

At December 31, 1994, the Company had $400,400,000 of shelf capacity registered with the Securities and Exchange Commission for additional securities.

Long-term debt, almost all of which is unsecured, consists of the following:

| | December 31 1994(1) | 1993 |
|---|---|---|
| | (expressed in thousands) | |
| 7.375% notes, due in 1997, net of unamortized discount of $223,000 | $ 99,777 | $ 99,690 |
| 10.125% notes, due in 1997, net of unamortized discount of $156,000 | 119,844 | 119,791 |
| 9.625% notes, due in 1998, callable in 1995, including unamortized premium of $2,822,000 | 102,822 | 99,912 |
| 9.9% notes, due in 2000, net of unamortized discount of $286,000 | 99,714 | 99,659 |
| 9.875% notes, due in 2001, callable in 1999 | 100,000 | 100,000 |
| 9.85% notes, due in 2002 | 125,000 | 125,000 |
| 9.45% debentures, due in 2009, net of unamortized discount of $334,000 | 149,666 | 149,644 |
| 7% convertible subordinated debentures, due in 2016, net of unamortized discount of $361,000 | 75,552 | 76,308 |
| Medium-term notes, Series A, with interest rates averaging 8.8% and 9.3%, due in varying amounts through 2013 | 327,300 | 239,100 |
| Revenue bonds and other indebtedness, with interest rates averaging 7.3% and 7.6%, due in varying amounts annually through 2024, net of unamortized discount of $1,359,000(2) | 220,591 | 219,870 |
| American & Foreign Power Company Inc. 5% debentures, due in 2030, net of unamortized discount of $1,301,000 | 23,416 | 24,559 |
| Revolving credit borrowings, with interest rates averaging 6.8% and 4%(2) | 240,000 | 385,000 |
| | 1,683,682 | 1,738,533 |
| Less current portion | 58,534 | 145,185 |
| | 1,625,148 | 1,593,348 |
| Guarantee of ESOP debt, due in installments through 2004 | 230,956 | 246,856 |

| | | |
|---|---|---|
| | $1,856,104 | $1,840,204 |

(1) The amount of net unamortized discount disclosed applies to long-term debt outstanding at December 31, 1994.

(2) The 1993 amounts include $130,000,000 of indebtedness of the Company's Canadian subsidiary, guaranteed by Boise Cascade. As a result of the Rainy River transaction, the debt was retired, and subsequent financings of Rainy River are no longer included in the Company's Balance Sheets (see Note 8).

The scheduled payments of long-term debt are $58,534,000 in 1995, $18,806,000 in 1996, $490,879,000 in 1997, $137,784,000 in 1998, and $43,820,000 in 1999. Of the total amount shown in 1997, $240,000,000 is related to the 1994 revolving credit agreement.

Cash payments for interest, net of interest capitalized, were $143,693,000 in 1994, $158,963,000 in 1993, and $168,090,000 in 1992.

The estimated current market value of the Company's debt, based on current interest rates for similar obligations with like maturities, is approximately $41,000,000 less than the amount of debt reported.

The Company has guaranteed debt used to fund an employee stock ownership plan that is part of the Savings and Supplemental Retirement Plan for the Company's U.S. salaried employees (see Note 5). The Company has recorded the debt on its Balance Sheets, along with an offset in the shareholders' equity section that is titled "Deferred ESOP benefit." The Company has guaranteed certain tax indemnities on the ESOP debt, and the interest rate on the guaranteed debt is subject to adjustment for events described in the loan agreement.

The Company may redeem all or part of the 7% unsecured convertible subordinated debentures at specified amounts that decline to $50 par value per debenture on May 1, 1996. Sinking fund payments are required after May 1, 1996. At December 31, 1994, $21,992,000 of these debentures had been purchased by the Company for application to the sinking fund requirements. Each debenture is convertible into 1.1415 shares of the Company's common stock.

5. RETIREMENT AND BENEFIT PLANS

Substantially all of the Company's employees are covered by pension plans. The plans are primarily noncontributory defined benefit plans. The pension benefit for salaried employees is based primarily on years of service and the highest five-year average compensation, and the benefit for hourly employees is generally based on a fixed amount per year of service. The Company's contributions to its pension plans vary from year to year, but the Company has made at least the minimum contribution required by law in each year. The assets of the pension plans are invested primarily in common stocks, fixed-income securities, and cash and cash equivalents.

The assumptions used by the Company's actuaries in the calculations of pension income and plan obligations for the U.S. plans are estimates of factors that will determine, among other things, the amount and timing of future benefit payments. The return on assets assumption used during each period was 10%. The discount rate assumption was increased from 1993's 7.5% to 8.25% effective as of year-end 1994. The 1992 rate was also 8.25%. The salary escalation assumption used during 1994 and 1993 was 5%. A salary escalation of 6% was adopted for salaried employees at December 31, 1992. Pension income was primarily attributable to earnings from plan assets in recent years.

The Company's Canadian plans and assets and liabilities related to U.S. employees that became employees of Rainy River were transferred to Rainy River effective in 1994 (see Note 8).

The assumptions used by the Company's actuaries in the calculations of pension expense and plan obligations for the Canadian plans in 1993 and 1992 are estimates of factors that will determine, among other things, the amount and timing of future benefit payments. A discount rate of 8.25% was used for the plans at December 31, 1993 and 1992. The return on assets assumption used during 1993 and 1992 was 10%. The salary escalation assumption was decreased to 5.5% at year-end 1993, down from the 6.5% used previously.

The components of pension income are as follows:

| | Year Ended December 31 1994 | 1993 | 1992 |
|---|---|---|---|
| | (expressed in thousands) | | |
| Benefits earned by employees | $ 19,989 | $ 20,253 | $ 19,446 |
| Interest cost on projected benefit obligation | 67,710 | 76,076 | 73,210 |
| (Earnings) losses from plan assets | 9,985 | (134,679) | (64,607) |
| Assumed earnings from plan assets (more) less than actual earnings | (97,681) | 44,338 | (21,042) |
| Amortization of unrecognized net initial asset | (9,985) | (12,145) | (12,233) |
| Amortization of net experience gains and losses from prior periods | 237 | 1,149 | 888 |
| Amortization of unrecognized prior service costs | 2,931 | 3,547 | 3,462 |
| Company-sponsored plans | (6,814) | (1,461) | (876) |
| Multiemployer pension plans | 570 | 546 | 625 |
| Total pension (income) | $ (6,244) | $ (915) | $ (251) |

The following table, which includes only Company-sponsored plans, compares the pension obligation with assets available to meet that obligation:

| | Plans With Assets in Excess of the Accumulated Benefit Obligation December 31 | | Plans With an Accumulated Benefit Obligation in Excess of Assets December 31 | |
|---|---|---|---|---|
| | 1994 | 1993 | 1994 | 1993 |
| | (expressed in millions) | | | |
| Accumulated benefit obligation | | | | |
| Vested | $(496.1) | $(674.5) | $(327.1) | $(255.2) |
| Nonvested | (16.7) | (29.3) | (16.6) | (14.7) |
| Provision for salary escalation | (45.8) | (72.6) | (2.6) | (3.0) |
| Projected benefit obligation | (558.6) | (776.4) | (346.3) | (272.9) |
| Plan assets at fair market value | 586.1 | 842.9 | 259.5 | 207.1 |
| Net plan assets (obligation) | $ 27.5 | $ 66.5 | $ (86.8) | $ (65.8) |

The following table reconciles the net plan assets (obligation) to the prepayment (obligation) recorded on the Company's Balance Sheets:

| | Plans With Assets in Excess of the Accumulated Benefit Obligation December 31 | | Plans With an Accumulated Benefit Obligation in Excess of Assets December 31 | |
|---|---|---|---|---|
| | 1994 | 1993 | 1994 | 1993 |
| | (expressed in millions) | | | |
| Net plan assets (obligation) | $ 27.5 | $ 66.5 | $ (86.8) | $ (65.8) |
| Remainder of unrecognized initial asset (1) | (9.8) | (28.9) | (5.4) | (2.3) |
| Other unrecognized items (2) | 32.1 | 17.0 | 51.3 | 30.6 |
| Adjustment to record minimum liability | - | - | (44.7) | (25.7) |
| Net recorded prepayment (obligation) | $ 49.8 | $ 54.6 | $ (85.6) | $ (63.2) |

(1) The unrecognized initial (asset) obligation calculated at January 1, 1986, is being amortized over a weighted average of 11 years.

(2) "Other unrecognized items" reflects changes in actuarial assumptions, net changes in prior service costs, and net experience gains and losses since January 1, 1986.

The Company and its retired employees currently share in the cost of retiree health care costs. The type of benefit provided and the extent of coverage vary based on employee classification, date of retirement, location, and other factors. The portion of the cost of coverage paid by the Company for salaried employees retiring in each year since 1986 has decreased, and the Company will eventually cease to share in the cost of health care benefits for retired salaried employees. All of the Company's postretirement health care plans are unfunded. The Company explicitly reserves the right to amend or terminate its retiree medical plans at any time, subject only to constraints, if any, imposed by the terms of collective bargaining agreements. Accrual of costs pursuant to accounting standards does not affect, or reflect, the Company's ability to amend or terminate these plans. Amendment or termination may significantly impact the amount of expense incurred.

Effective as of January 1, 1992, the Company adopted Financial Accounting Standards Board requirements to accrue postretirement benefit costs, including retiree health care costs. The cumulative cost of these benefits attributable to employee service prior to January 1, 1992, was $118,400,000 before taxes, or $73,450,000 after taxes. As a result, the 1992 net loss per fully diluted common share was increased by $1.94.

A discount rate of 8.25% was adopted effective as of December 31, 1994, up from a 7.5% rate that had been adopted at the end of the previous year. A discount rate of 8.25% was used at the end of 1992, and at the time the accounting standard was adopted, a rate of 8.5% was used. The initial 1992 trend rate for medical care costs was 8.5%, which is assumed to decrease ratably over the next ten years to 6%. A 1% increase in the trend rate for medical care costs would have increased the December 31, 1994, benefit obligation by $6,700,000 and postretirement health care expense for the year ended December 31, 1994, by $870,000.

The components of postretirement health care expense are as follows:

| | Year Ended December 31 | | |
|---|---|---|---|
| | 1994 | 1993 | 1992 |
| | (expressed in thousands) | | |
| Benefits earned by employees | $ 1,850 | $ 2,300 | $ 2,080 |
| Interest cost on accumulated postretirement health care benefit obligation | 8,430 | 11,700 | 10,920 |
| Amortization of unrecognized actuarial loss | 410 | - | - |
| Amortization of unrecognized items | (3,020) | - | - |
| Total postretirement health care expense | $ 7,670 | $ 14,000 | $ 13,000 |

The accrued postretirement health care benefit obligation is included primarily in "Other long-term liabilities" on the Balance Sheets. The components of the obligation are as follows:

| | December 31 1994 | 1993 |
|---|---|---|
| | (expressed in thousands) | |
| Retirees | $ 70,090 | $ 79,800 |
| Fully eligible active employees | 15,380 | 18,700 |
| Other active employees | 26,340 | 33,200 |
| Accumulated postretirement health care benefit obligation | 111,810 | 131,700 |
| Unrecognized items | 30,180 | 17,600 |
| Unrecognized actuarial loss | (5,220) | (6,500) |
| Accrued postretirement health care benefit obligation | $ 136,770 | $ 142,800 |

The Company sponsors savings and supplemental retirement programs for its salaried and some hourly employees. The program for salaried employees includes an employee stock ownership plan. Under that plan, the Company's Series D ESOP convertible preferred stock (see Note 6) is being allocated to eligible participants through 2004, as principal and interest payments are made on the ESOP debt guaranteed by the Company. Total expense for these plans was $20,150,000 in 1994, compared with $13,598,000 in 1993, and $12,038,000 in 1992.

6. SHAREHOLDERS' EQUITY

PREFERRED STOCK. At December 31, 1994, 6,294,891 shares of 7.375% Series D ESOP convertible preferred stock were outstanding. The stock is shown on the Balance Sheets at its liquidation preference of $45 per share. The stock was sold to the trustee of the Company's Savings and Supplemental Retirement Plan for salaried employees (see Note 5). Each ESOP preferred share is entitled to one vote, bears an annual cumulative dividend of $3.31875, and is convertible at any time by the trustee to .80357 share of common stock. The ESOP preferred shares may not be redeemed for less than the liquidation preference.

At December 31, 1994, there were three series of preferred stock outstanding that were represented by depositary shares. These preferred issues are shown on the Balance Sheets at their respective liquidation preference, net of the costs of issuance. The details of the issues are as follows:

| | Series E | Series F | Series G |
|---|---|---|---|
| Date of issuance | First quarter 1992 | First quarter 1993 | Third quarter 1993 |
| Preferred shares outstanding | 862,500 | 115,000 | 862,500 |
| Depositary shares outstanding | 8,625,000 | 4,600,000 | 8,625,000 |
| Cumulative annual dividend: | | | |
| Per preferred share | $17.90 | $94.00 | $15.80 |
| Per depositary share | $1.79 | $2.35 | $1.58 |
| Liquidation preference: | | | |
| Per preferred share | $228.75 | $1,000.00 | $211.25 |
| Per depositary share | $22.875 | $25.00 | $21.125 |
| Votes: | | | |
| Per preferred share | 1 | (Limited | 1 |
| Per depositary share | 1/10 | voting rights) | 1/10 |
| Automatic conversion (unless previously redeemed or converted): | | | |
| Date | Jan. 1995 | (Not convertible) | Oct. 1997 |
| Common shares issued per depositary share | 1 (see below) | - | 1 (see below) |

On January 15, 1995, the depositary shares of Series E preferred stock converted to 8,625,000 shares of the Company's common stock.

The Series F preferred stock and related depositary shares may be redeemed on or after February 15, 1998, at a price of $1,000 per preferred share ($25 per depositary share) plus accrued but unpaid dividends.

On October 15, 1997, each depositary share of Series G preferred stock will automatically convert to one share of the Company's common stock unless the Series G preferred stock and related depositary shares have been previously redeemed by the Company or converted by the shareholders. The Company may elect to redeem the Series G preferred stock and related depositary shares for common stock on or after July 15, 1997, until October 15, 1997. The total number of common shares issuable upon redemption between July 15, 1997, and September 15, 1997, is determined by dividing $21.225 by a defined then-current average market price for the Company's common stock and multiplying the result by the 8,625,000 depositary shares. For the period on or after September 15, 1997, through October 14, 1997, the numerator in the preceding calculation is reduced from $21.225 to $21.125. In the event the market price of the Company's common stock exceeds $26.375 upon an announced redemption, it is anticipated that the holders of the Series G depositary shares would elect to convert their depositary shares to common stock. Upon conversion, which is permitted at any time prior to redemption, .801 share of common stock (subject to adjustment in certain events) would be issuable for each

Series G depositary share so converted.

Examples of common stock issuances upon redemption of the Series G preferred stock are as follows (subsequent to September 15, 1997):

| Common Stock Market Price at Time of Redemption | Common Shares Expected to be Issued Upon Redemption |
|---|---|
| $0-$21.125 (1) | 8,625,000 |
| $22.50 | 8,097,916 |
| $25.00 | 7,288,125 |
| $26.375 (2) | 6,908,175 |

(1) Call price.

(2) The total number of common shares issuable at this market price are equal to shares issuable upon exercise of the Series G preferred stock conversion rights.

The remaining authorized but unissued preferred shares may be issued with such voting rights, dividend rates, conversion privileges, sinking fund requirements, and redemption prices as the board of directors may determine, without action by the shareholders.

COMMON STOCK. The Company is authorized to issue 200,000,000 shares of common stock, of which 38,284,186 shares were issued and outstanding at December 31, 1994. Of the unissued shares, a total of 30,172,111 shares were reserved for the following:

| | |
|---|---|
| Conversion of Series D ESOP preferred stock | 5,058,385 |
| Conversion of Series E preferred stock (1) | 8,625,000 |
| Conversion of Series G preferred stock | 8,625,000 |
| Conversion of 7% convertible subordinated debentures | 1,733,087 |
| Issuance under Key Executive Stock Option Plan | 6,034,920 |
| Issuance under Director Stock Compensation Plan | 95,719 |

(1) On January 15, 1995, the Company's Series E preferred stock converted to 8,625,000 shares of common stock.

The Company has a shareholder rights plan which was adopted in December 1988 and amended in September 1990. Details are set forth in the Amended and Restated Rights Agreement filed with the Securities and Exchange Commission on September 26, 1990.

The Key Executive Stock Option Plan provides for the granting of options to purchase shares of the Company's common stock. The exercise price is equal to the fair market value of the Company's common stock on the date the options were granted.

Additional information relating to the Key Executive Stock Option Plan is as follows:

| | Year Ended December 31 1994 | 1993 | 1992 |
|---|---|---|---|
| Balance at beginning of the year | 4,708,382 | 4,131,952 | 3,692,357 |
| Options granted | 1,039,600 | 919,200 | 622,600 |
| Options exercised | (347,671) | (50,067) | - |
| Options canceled | (405,259) | (292,703) | (183,005) |
| Balance at end of the year | 4,995,052(1) | 4,708,382 | 4,131,952 |
| Price range of: | | | |
| Options granted | $25 | $21 | $18-$21 |
| Options exercised | $18-$25 | $18-$25 | - |
| Options outstanding | $18-$47 | $18-$47 | $18-$47 |

(1) At December 31, 1994, options for 3,959,452 shares were exercisable.

The Director Stock Compensation Plan, which is only available to nonemployee directors, provides for granting options to purchase shares of the Company's common stock. The difference between the $2.50 per share exercise price and the market value of the common stock subject to option is intended to offset certain compensation that participating directors have elected not to receive in cash. A total of 7,716 options were granted with respect to cash compensation not taken and dividends accrued during 1994, compared with 10,194 options in 1993. A total of 6,322 options were granted for cash compensation not taken in 1992. A total of 4,281 options were exercised during 1994.

During 1994, the Company purchased 1,818 shares of its common stock under a program approved by the board of directors and, at December 31, 1994, was authorized to purchase up to 5,423,027 additional shares.

7. LITIGATION AND LEGAL MATTERS

The Company is involved in litigation and administrative proceedings primarily arising in the normal course of its business. In the opinion of management, the Company's recovery, if any, or the Company's liability, if any, under any pending litigation or administrative proceeding would not materially affect its financial condition or operations.

8. INVESTMENTS IN EQUITY AFFILIATES.

As of December 31, 1994, the Company's principal investments in affiliates accounted for using the equity method included investments in Rainy River Forest Products Inc., Rumford Cogeneration Company Limited Partnership, and Pine City Fiber Company.

On October 13, 1994, the Company's Canadian subsidiary, Rainy River Forest Products Inc., completed an initial public offering of units (the "Units") of its equity and debt securities. The sale of C$420,000,000 of Units consisted of 14,000,000 newly issued common shares of Rainy River sold to the public at C$15 per share for an aggregate offering price of C$210,000,000 and C$210,000,000 principal amount 8.0% Convertible Unsecured Subordinated Debentures due October 15, 2004. Concurrently with the sale of the Units, Rainy River also sold to the public US$110,000,000 aggregate principal amount of 10 3/4% Senior Secured Notes due 2001 (the "Senior Notes"). Rainy River owns and operates a newsprint mill in Kenora, Ontario, Canada, an uncoated groundwood paper mill in Fort Frances, Ontario, Canada, and a newsprint mill in West Tacoma, Washington, which was purchased from the Company for approximately US$148,000,000 cash in conjunction with the public offerings.

The common shares sold represent approximately 51% of the total outstanding voting common shares and 40.34% of the total outstanding equity of Rainy River. As a result, the Company now owns 49% of the outstanding voting common shares and 59.66% of the total equity of Rainy River. Rainy River has been accounted for on the equity method retroactive to January 1, 1994, in the Company's consolidated financial statements.

The equity securities were sold at a premium to the net book value of the Canadian company, but the translation into U.S. dollars and other costs of the transaction resulted in a charge to the Company of $6,800,000 after tax, or 18 cents per fully diluted common share, in the third quarter 1994. In addition, recognition by the Company of a noncash charge for U.S. taxes on undistributed Canadian earnings amounted to $20,200,000, or 53 cents per fully diluted common share.

The Company and Rainy River entered into a Contingent Subordinated Credit Agreement under which the Company will make available to Rainy River a line of credit of up to US$50,000,000. Borrowings by Rainy River may be made, subject to certain conditions, until the third anniversary of the closing of the Public Offerings discussed above. There were no borrowings under this agreement as of December 31, 1994.

Rainy River and the Company entered into an agreement whereby Rainy River will purchase from the Company, at a brokerage discount for resale to customers of Rainy River, the newsprint produced at the Company's mill located at DeRidder, Louisiana. During 1994, these sales totaled $37,204,000.

The Company has a 30% interest in Rumford Cogeneration Company Limited Partnership, which is engaged in the operation of a cogeneration facility, located at the Company's mill in Rumford, Maine, that produces electricity and low-pressure steam. The Company has a 50% interest in the general partnership of Pine City Fiber Company. Pine City is engaged in the financing, construction, and eventual operation of a waste paper deink pulp production facility to be located adjacent to the Jackson, Alabama, pulp and paper complex owned by the Company. The Company has management/operating agreements with these two equity affiliates and rights, subject to certain conditions, to purchase all of the equity affiliates.

The debt of each affiliate has been issued without recourse to the Company.

A summary of transactions between the Company and its equity affiliates is as follows:

| | Year Ended December 31 | | |
|---|---|---|---|
| | 1994 | 1993 | 1992 |
| | (expressed in thousands) | | |
| Fees charged by and expenses reimbursable to the Company | $ 36,430 | $ 18,150 | $ 16,930 |
| Purchases from equity affiliates | 98,180 | 50,170 | 47,990 |
| Sales to equity affiliates | 83,490 | 28,900 | 27,340 |
| Amounts payable to equity affiliates | 11,711 | 6,046 | 3,669 |
| Amounts receivable from equity affiliates | 29,170 | 7,328 | 5,230 |

Summarized financial information of the equity affiliates is as follows:

| | Year Ended December 31 1994 | 1993 | 1992 |
|---|---|---|---|
| | (expressed in thousands) | | |
| Condensed income statement information: | | | |
| Sales | $499,520 | $105,810 | $ 99,510 |
| Gross profit | 6,790 | 31,930 | 28,220 |
| Net income (loss) | (15,300) | 16,270 | 12,340 |

| | December 31 1994 | 1993 |
|---|---|---|
| Condensed balance sheet information: | | |
| Current assets | $222,293 | $ 63,694 |
| Noncurrent assets | 760,431 | 264,335 |
| Current liabilities | 111,064 | 23,751 |
| Noncurrent liabilities | 488,884 | 228,372 |

9. SEGMENT INFORMATION

Boise Cascade Corporation is an integrated paper and forest products company headquartered in Boise, Idaho, with operations located throughout the United States and, prior to the Rainy River transaction, in Canada (see Note 8). The Company manufactures and distributes paper and paper products, office products, and building products and owns and manages timberland to support these operations. In December 1994, the Company announced plans to sell a minority interest in its office products business through an initial public offering of equity securities.

No single customer accounts for 10% of consolidated trade sales. Export sales to foreign unaffiliated customers are immaterial. During 1993, the Company's Canadian paper operations made sales of $37,292,000 to Company paper operations in the U.S. Similar sales in 1992 were $40,643,000.

SUMMARY OF SIGNIFICANT SEGMENT ACCOUNTING POLICIES. Intersegment sales are recorded primarily at market prices. Corporate assets are primarily cash and short-term investments, deferred income tax benefits, prepaid expenses, certain receivables, and property and equipment.

The Company's segments exclude timber-related assets and capital expenditures, because any allocation of these assets would be arbitrary. Company timber harvested is included in segment results at cost.

An analysis of the Company's operations by segment and by geographic area is as follows:

| | Trade | Sales Inter-segment | Total | Operating Income (Loss)(1) | Depreciation and Cost of Company Timber Harvested | Capital Expendi-tures | Assets |
|---|---|---|---|---|---|---|---|
| | | | | (expressed in thousands) | | | |
| Year Ended December 31, 1994 | | | | | | | |
| Paper and paper products | $1,630,379 | $ 164,519 | $1,794,898 | $ (38,473) | $ 181,729 | $ 138,892 | $2,607,716 |
| Office products | 907,276 | 1,244 | 908,520 | 42,008 | 10,377 | 86,137 | 348,122 |
| Building products | 1,589,693 | 63,732 | 1,653,425 | 150,978 | 36,159 | 35,324 | 443,075 |
| Other operations | 13,042 | 62,055 | 75,097 | 5,280 | 5,332 | 5,612 | 67,102 |
| Total | 4,140,390 | 291,550 | 4,431,940 | 159,793 | 233,597 | 265,965 | 3,466,015 |
| Intersegment eliminations | - | (291,550) | (291,550) | (398) | - | - | (30,241) |
| Timber, timberlands, and timber deposits | - | - | - | - | - | 5,174 | 397,721 |
| Equity in affiliates | - | - | - | (22,930) | - | - | 204,498 |
| Corporate and other | - | - | - | (43,324) | 2,833 | 725 | 256,084 |
| Consolidated totals | $4,140,390 | $ - | $4,140,390 | $ 93,141 | $ 236,430 | $ 271,864 | $4,294,077 |
| Year Ended December 31, 1993 | | | | | | | |
| Paper and paper products | | | | | | | |
| United States | $1,548,788 | $ 125,007 | $1,673,795 | $ (124,865) | $ 181,060 | $ 144,062 | $2,700,246 |
| Canada | 246,855 | 3 | 246,858 | (12,905) | 29,095 | 34,962 | 452,739 |
| | 1,795,643 | 125,010 | 1,920,653 | (137,770) | 210,155 | 179,024 | 3,152,985 |
| Office products | 681,654 | 1,165 | 682,819 | 35,631 | 10,100 | 2,907 | 234,751 |
| Building products | 1,468,724 | 62,100 | 1,530,824 | 158,773 | 38,477 | 28,534 | 447,831 |
| Other operations | 12,279 | 57,524 | 69,803 | 3,136 | 5,618 | 5,301 | 71,994 |
| Total | 3,958,300 | 245,799 | 4,204,099 | 59,770 | 264,350 | 215,766 | 3,907,561 |
| Intersegment eliminations | - | (245,799) | (245,799) | (935) | - | - | (24,144) |
| Timber, timberlands, and timber deposits | - | - | - | - | - | 4,663 | 366,054 |
| Equity in affiliates | - | - | - | 13,570 | - | - | 22,700 |
| Corporate and other | - | - | - | (51,763) | 3,360 | 1,052 | 240,802 |
| Consolidated totals | $3,958,300 | $ - | $3,958,300 | $ 20,642 | $ 267,710 | $ 221,481 | $4,512,973 |
| Year Ended December 31, 1992 | | | | | | | |
| Paper and paper products | | | | | | | |
| United States | $1,575,837 | $ 105,394 | $1,681,231 | $ (157,651) | $ 178,569 | $ 210,262 | $2,733,037 |
| Canada | 249,009 | 3 | 249,012 | (28,886) | 27,832 | 28,420 | 451,835 |
| | 1,824,846 | 105,397 | 1,930,243 | (186,537) | 206,401 | 238,682 | 3,184,872 |
| Office products | 671,164 | 1,056 | 672,220 | 18,847 | 11,989 | 5,537 | 245,483 |
| Building products | 1,207,799 | 61,666 | 1,269,465 | 114,891 | 37,462 | 27,239 | 415,287 |
| Other operations | 11,781 | 54,278 | 66,059 | 1,989 | 6,385 | 3,079 | 68,535 |
| Total | 3,715,590 | 222,397 | 3,937,987 | (50,810) | 262,237 | 274,537 | 3,914,177 |
| Intersegment eliminations | - | (222,397) | (222,397) | (742) | - | - | (22,350) |
| Timber, timberlands, and timber deposits | - | - | - | - | - | 7,537 | 385,955 |
| Equity in affiliates | - | - | - | 3,760 | - | - | 24,350 |
| Corporate and other | - | - | - | (45,429) | 3,553 | 877 | 257,574 |
| Consolidated totals | $3,715,590 | $ - | $3,715,590 | $ (93,221) | $ 265,790 | $ 282,951 | $4,559,706 |

(1) Operating income (loss) includes gains from sales and dispositions (see Note 1). In addition, interest income has been allocated to the Company's segments in the amounts of $1,451,000 for 1994, $862,000 for 1993, and $1,259,000 for 1992.

Quarterly Results of Operations (unaudited)

| | 1994 | | | | 1993 | | | |
|---|---|---|---|---|---|---|---|---|
| | 4th Qtr. | 3rd Qtr.(1) | 2nd Qtr. | 1st Qtr. | 4th Qtr. | 3rd Qtr.(2) | 2nd Qtr.(3) | 1st Qtr.(4) |
| | (expressed in millions, except per-common-share amounts) | | | | | | | |
| Net sales | $1,109 | $1,090 | $1,000 | $ 941 | $ 997 | $1,003 | $ 974 | $ 984 |
| Gross profit | 171 | 122 | 100 | 57 | 66 | 67 | 67 | 79 |
| Income (loss) before income taxes | $ 40 | $ (19) | $ (30) | $ (56) | $ (40) | $ (30) | $ (36) | $ (19) |
| Income tax provision (benefit) | 14 | 13 | (11) | (18) | (16) | (6) | (19) | (7) |
| Net income (loss) | $ 26 | $ (32) | $ (19) | $ (38) | $ (24) | $ (24) | $ (17) | $ (12) |
| Net income (loss) per share Primary and fully diluted(5) | $ .32 | $(1.19) | $ (.86) | $(1.35) | $ (.98) | $ (.91) | $ (.72) | $ (.56) |

(1) On September 29, 1994, the Company's Canadian subsidiary, Rainy River Forest Products Inc. ("Rainy River"), agreed to the sale of C$420,000,000 units of common stock and convertible debentures in an initial public offering, primarily in Canada, and US$110,000,000 of senior secured notes in a public offering in the United States. The sale was completed October 13, 1994. The equity securities were sold at a premium to the net book value of the Canadian company, but the translation into U.S. dollars and other costs of the transaction resulted in a charge to the Company of $6,800,000 after tax, or 18 cents per fully diluted common share, in the third quarter 1994. In addition, recognition by the Company of a noncash charge for U.S. taxes on undistributed Canadian earnings amounted to $20,200,000, or 53 cents per fully diluted common share.

Boise Cascade holds approximately 60% of Rainy River's economic equity and 49% of its voting equity. Rainy River has been accounted for on the equity method retroactive to January 1, 1994, in the Company's consolidated financial statements.

(2) In the third quarter of 1993, the U.S. federal government increased the statutory tax rate from 34% to 35%, effective as of the beginning of 1993. Income tax benefits reported for the quarter have been decreased by $7,120,000, or 19 cents per fully diluted common share, as a result of adjusting net deferred tax liabilities for the change in rates. Also included in the third quarter of 1993 was a net pretax gain of $5,300,000, or 9 cents per fully diluted common share after tax, which was primarily attributable to an asset sale.

(3) In the second quarter of 1993, the Canadian federal government reduced the statutory tax rate applicable to the Company. Effective as of the beginning of 1993, the rate decreased from 23.8% to 22.8%, and a further reduction to 21.8% was effective at the beginning of 1994. Income tax benefits reported for the quarter have been increased by $5,020,000, or 13 cents per fully diluted common share, as a result of adjusting net Canadian deferred tax liabilities for the changes in rates.

(4) During the first quarter of 1993, the Company sold its interest in a specialty paper producer at a pretax gain of $8,644,000, or 14 cents per fully diluted common share after taxes.

(5) The computation of fully diluted net loss per common share was antidilutive in each of the periods shown; therefore, primary and fully diluted net loss per share are the same.

See the Notes to Financial Statements for additional information.

# REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders of Boise Cascade Corporation:

We have audited the accompanying balance sheets of Boise Cascade Corporation (a Delaware corporation) and subsidiaries as of December 31, 1994 and 1993, and the related statements of income (loss), cash flows, and shareholders' equity for the years ended December 31, 1994, 1993, and 1992. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 financial statements referred to above present fairly, in all material respects, the financial position of Boise Cascade Corporation and subsidiaries as of December 31, 1994 and 1993, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1994, in conformity with generally accepted accounting principles.

As explained in Note 5 to the financial statements, effective January 1, 1992, the Company changed its method of accounting for postretirement benefits other than pensions in accordance with Standard No. 106 of the Financial Accounting Standards Board.

Boise, Idaho
January 30, 1995

Arthur Andersen LLP

# REPORT OF MANAGEMENT

The management of Boise Cascade Corporation is primarily responsible for the information and representations contained in this annual report. The financial statements and related notes were prepared in conformity with generally accepted accounting principles appropriate in the circumstances. In preparing the financial statements, management has, when necessary, made judgments and estimates based on currently available information.

Management maintains a comprehensive system of internal controls based on written policies and procedures and the careful selection and training of employees. The system is designed to provide reasonable assurance that assets are safeguarded against loss or unauthorized use and that transactions are executed in accordance with management's authorization. The concept of reasonable assurance is based on recognition that the cost of a particular accounting control should not exceed the benefit expected to be derived.

The Company's Internal Audit staff monitors the Company's financial reporting system and the related internal accounting controls, which are also selectively tested by Arthur Andersen LLP, Boise Cascade's independent public accountants, for purposes of planning and performing their audit of the Company's financial statements.

The Audit Committee of the board of directors, which is composed solely of nonemployee directors, meets periodically with management, representatives of the Company's Internal Audit Department, and Arthur Andersen LLP representatives to assure that each group is carrying out its responsibilities. The Internal Audit staff and the independent public accountants have access to the Audit Committee, without the presence of management, to discuss the results of their audits, recommendations concerning the system of internal accounting controls, and the quality of financial reporting.

Statements of Loss (Unaudited) Boise Cascade Corporation and Subsidiaries

| | Three Months Ended December 31 | | Year Ended December 31 | |
|---|---|---|---|---|
| | 1994 | 1993 | 1994 | 1993 |
| | (expressed in thousands) | | | |
| **Revenues** | | | | |
| Sales | $ 1,108,880 | $ 996,900 | $ 4,140,390 | $ 3,958,300 |
| Other income (expense), net | (5,570) | (2,000) | 1,360 | 10,570 |
| | 1,103,310 | 994,900 | 4,141,750 | 3,968,870 |
| **Costs and Expenses** | | | | |
| Materials, labor, and other operating expenses | 877,340 | 863,700 | 3,453,730 | 3,411,500 |
| Depreciation and cost of company timber harvested | 60,050 | 67,190 | 236,430 | 267,710 |
| Selling and administrative expenses | 89,870 | 69,900 | 336,970 | 283,450 |
| | 1,027,260 | 1,000,790 | 4,027,130 | 3,962,660 |
| Equity in Net Income (Loss) of Affiliates | 1,230 | 1,580 | (22,930) | 13,570 |
| Income (Loss) From Operations | 77,280 | (4,310) | 91,690 | 19,780 |
| Interest expense | (37,770) | (35,590) | (147,800) | (148,310) |
| Interest income | 900 | 330 | 1,690 | 1,330 |
| Foreign exchange gain (loss) | -- | (420) | (130) | 1,610 |
| Loss on subsidiary's sale of stock | -- | -- | (10,200) | -- |
| | (36,870) | (35,680) | (156,440) | (145,370) |
| Income (Loss) Before Income Taxes | 40,410 | (39,990) | (64,750) | (125,590) |
| Income tax provision (benefit) | 14,550 | (16,310) | (2,140) | (48,450) |
| Net Income (Loss) | $ 25,860 | $ (23,680) | $ (62,610) | $ (77,140) |
| **Net Income (Loss) Per Common Share** | | | | |
| Primary | $.32 | $(.98) | $(3.08) | $(3.17) |
| Fully diluted | $.32 | $(.98) | $(3.08) | $(3.17) |
| **Segment Information** | | | | |
| **Segment Sales** | | | | |
| Paper and paper products | $ 523,687 | $ 476,323 | $ 1,794,898 | $ 1,920,653 |
| Office products | 259,081 | 179,888 | 908,520 | 682,819 |
| Building products | 391,872 | 388,278 | 1,653,425 | 1,530,824 |
| Intersegment eliminations and other | (65,760) | (47,589) | (216,453) | (175,996) |
| | $ 1,108,880 | $ 996,900 | $ 4,140,390 | $ 3,958,300 |
| **Segment Operating Income (Loss)** | | | | |
| Paper and paper products | $ 43,154 | $ (34,169) | $ (38,473) | $ (137,770) |
| Office products | 10,278 | 7,710 | 42,008 | 35,631 |
| Building products | 37,710 | 32,540 | 150,978 | 158,773 |
| Equity in net income (loss) of affiliates | 1,230 | 1,580 | (22,930) | 13,570 |
| Corporate and other | (15,092) | (11,971) | (39,893) | (50,424) |
| Income (Loss) From Operations | $ 77,280 | $ (4,310) | $ 91,690 | $ 19,780 |

Balance Sheets (Unaudited) Boise Cascade Corporation and Subsidiaries

| Assets | December 31 | |
|---|---|---|
| | 1994 | 1993 |
| | (expressed in thousands) | |
| **Current** | | |
| Cash and cash items | $ 22,447 | $ 14,860 |
| Short-term investments at cost, which approximates market | 7,007 | 7,569 |
| | 29,454 | 22,429 |
| Receivables, less allowances of $1,987,000 and $1,264,000 | 405,661 | 366,187 |
| Inventories | 423,589 | 446,609 |
| Deferred income tax benefits | 42,487 | 38,831 |
| Other | 17,073 | 13,397 |
| | 918,264 | 887,453 |
| **Property** | | |
| Property and equipment | | |
| Land and land improvements | 37,775 | 56,871 |
| Buildings and improvements | 439,936 | 571,712 |

| | | |
|---|---|---|
| Machinery and equipment | 4,078,302 | 4,642,434 |
| | 4,556,013 | 5,271,017 |
| Accumulated depreciation | (2,062,106) | (2,261,360) |
| | 2,493,907 | 3,009,657 |
| Timber, timberlands, and timber deposits | 397,721 | 366,054 |
| | 2,891,628 | 3,375,711 |
| Investments in Equity Affiliates | 204,498 | 22,700 |
| Other Assets | 279,687 | 227,109 |
| Total Assets | $ 4,294,077 | $ 4,512,973 |
| Liabilities and Shareholders' Equity | | |
| Current | | |
| Notes payable | $ 56,000 | $ 31,000 |
| Current portion of long-term debt | 58,534 | 145,185 |
| Accounts payable | 306,848 | 288,300 |
| Accrued liabilities | | |
| Compensation and benefits | 107,866 | 103,188 |
| Interest payable | 36,043 | 32,194 |
| Other | 92,552 | 88,568 |
| | 657,843 | 688,435 |
| Debt | | |
| Long-term debt, less current portion | 1,625,148 | 1,593,348 |
| Guarantee of ESOP debt | 230,956 | 246,856 |
| | 1,856,104 | 1,840,204 |
| Other | | |
| Deferred income taxes | 137,260 | 222,464 |
| Other long-term liabilities | 278,012 | 257,346 |
| | 415,272 | 479,810 |
| Shareholders' Equity | | |
| Preferred stock -- no par value; 10,000,000 shares authorized; | | |
| Series D ESOP: $.01 stated value; 6,294,891 and 6,395,047 shares outstanding | 283,270 | 287,777 |
| Deferred ESOP benefit | (230,956) | (246,856) |
| Series E: $.01 stated value; 862,500 shares outstanding in each period | 191,466 | 191,466 |
| Series F: $.01 stated value; 115,000 shares outstanding in each period | 111,043 | 111,043 |
| Series G: $.01 stated value; 862,500 shares outstanding in each period | 176,404 | 176,404 |
| Common stock -- $2.50 par value; 200,000,000 shares authorized; 38,284,186 and 37,987,529 shares outstanding | 95,710 | 94,969 |
| Retained earnings | 737,921 | 889,721 |
| Total shareholders' equity | 1,364,858 | 1,504,524 |
| Total Liabilities and Shareholders' Equity | $ 4,294,077 | $ 4,512,973 |
| Shareholders' Equity Per Common Share | $21.77 | $25.92 |

Statements of Cash Flows (Unaudited) Boise Cascade Corporation and Subsidiaries

| | Year Ended December 31 1994 | 1993 |
|---|---|---|
| | (expressed thousands) | |
| Cash Provided By (Used for) Operations | | |
| Net loss | $ (62,610) | $ (77,140) |
| Items in loss not using (providing) cash | | |
| Equity in net (income) loss of affiliates | 15,040 | (5,270) |
| Loss on subsidiary's sale of stock | 10,200 | -- |
| Depreciation and cost of company timber harvested | 236,430 | 267,710 |
| Deferred income tax benefit | (2,174) | (46,243) |
| Amortization and other | 17,836 | 16,817 |
| Gain on sales of operating assets | -- | (8,300) |
| Receivables | (69,567) | (116) |
| Inventories | 6,139 | (30,679) |
| Accounts payable and accrued liabilities | 55,329 | 15,696 |
| Current and deferred income taxes | 9,036 | 13,137 |
| Other | 94 | (14,391) |
| Cash provided by operations | 215,753 | 131,221 |
| Cash Provided By (Used for) Investment | | |
| Expenditures for property and equipment | (187,040) | (216,818) |
| Expenditures for timber and timberlands | (5,174) | (4,663) |
| Investments in equity affiliates | (25,347) | 896 |
| Purchases of facilities | (78,454) | -- |
| Sales of operating assets | 171,383 | 23,992 |
| Other | (50,428) | 7,971 |
| Cash used for investment | (175,060) | (188,622) |
| Cash Provided By (Used for) Financing | | |
| Cash dividends paid | | |
| Common stock | (22,844) | (22,772) |
| Preferred stock | (60,871) | (44,731) |
| | (83,715) | (67,503) |
| Notes payable | 25,000 | 27,000 |
| Additions to long-term debt | 138,842 | 83,807 |
| Payments of long-term debt | (115,569) | (269,180) |
| Issuance of preferred stock | -- | 287,442 |
| Other | 1,774 | (2,068) |
| Cash provided by (used for) financing | (33,668) | 59,498 |
| Increase in Cash and Short-Term Investments | 7,025 | 2,097 |
| Balance at the Beginning of the Year | 22,429 | 20,332 |
| Balance at the End of the Year | $ 29,454 | $ 22,429 |

Notes to Quarterly Financial Statements Boise Cascade Corporation and Subsidiaries

Operating Highlights. These statements are unaudited statements which do not include all Notes to Financial Statements and should be read in conjunction with the 1994 Annual Report of the Company. The 1994 Annual Report will be available in March 1995. The net income (loss) for the three months ended December 31, 1994 and 1993, was subject to seasonal variations and necessarily involved adjustments to estimates made at interim periods for accruals and allocations.

On September 29, 1994, the Company's Canadian subsidiary, Rainy River Forest Products Inc. ("Rainy River"), agreed to the sale of C$420,000,000 units of common stock and debentures in an initial public offering, primarily in Canada, and US$110,000,000 of senior secured notes in a public offering in the United States. The sale was completed October 13, 1994. The equity securities were sold at a premium to the net book value of the Canadian company, but the translation into U.S. dollars and other costs of the transaction resulted in a charge to the Company of $6,800,000 after tax, or 18 cents per fully diluted common share in the third quarter 1994. In addition, recognition by the Company of a noncash charge for U.S. taxes on undistributed Canadian earnings amounted to $20,200,000, or 53 cents per fully diluted common share.

Boise Cascade holds approximately 60% of Rainy River's economic equity and 49% of its voting equity. Rainy River has been accounted for on the equity method retroactive to January 1, 1994, in the Company's consolidated financial statements. In the Company's Statements of Income (Loss) for the three months and the year ended December 31, 1994, Rainy River's results of operations are included in "Equity in net income (loss) of affiliates." Equity in net income and losses of other affiliates has also been reclassified for all periods presented.

The effective tax rate for 1994, exclusive of the impact of the charge for U.S. taxes on undistributed earnings, was 34.5%. The effective tax rate for 1993, exclusive of the impact of the adjustments to net deferred tax liabilities, was 40.25%. The decrease in the benefit rate was due primarily to reflecting the 1994 results of operations of Rainy River, including the tax effect, in "Equity in net income (loss) of affiliates."

Results for the third quarter of 1993 included a net pretax gain of $5,300,000, or 9 cents per fully diluted common share after tax, which was primarily attributable to an asset sale.

In the second quarter of 1993, the Canadian federal government reduced the statutory tax rate applicable to the Company. Effective as of the beginning of 1993, the rate decreased from 23.8% to 22.8%, and a further reduction to 21.8% was effective at the beginning of 1994. In the third quarter of 1993, the U.S. federal government increased the statutory tax rate from 34% to 35% effective as of the beginning of 1993. In accordance with the provisions of the income tax accounting standard, net deferred tax liabilities are adjusted when rate changes are adopted. The one-time, second-quarter adjustment resulted in a benefit of $5,020,000, or 13 cents per fully diluted common share, and the third-quarter adjustment resulted in a charge of $7,120,000, or 19 cents per fully diluted share.

During the first quarter of 1993, the Company sold its interest in a specialty paper producer at a pretax gain of $8,644,000, or 14 cents per fully diluted common share after taxes.

Net Loss Per Common Share. The computation of fully diluted net loss per share was antidilutive in each of the periods presented; therefore, the amounts reported for primary and fully diluted loss are the same.

Net loss per common share was determined by dividing net loss, as adjusted, by applicable shares outstanding. The loss was adjusted by the aggregate amount of dividends on the Company's preferred stock. The dividend attributable to the Company's Series D convertible preferred stock held by the Company's ESOP (employee stock ownership plan) is net of a tax benefit. Preferred dividends for the year ended December 31, 1994, were $54,586,000, compared with $43,076,000 for the year ended December 31, 1993. The average number of common shares outstanding at December 31, 1994, was 38,110,000. For the same period in 1993, the average shares outstanding were 37,958,000. Primary average shares include only common shares outstanding.

On January 15, 1995, the Company's Series E preferred stock was converted to 8,625,000 shares of common stock.

The significant subsidiaries of the Company are as follows:

| | State or Other Jurisdiction of Incorporation or Organization | Percentage of Voting Securities Owned |
|---|---|---|
| Boise Southern Company | Louisiana | 100.00 |
| Oxford Paper Company | Delaware | 100.00 |

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The data schedule contains summary financial information extracted from Boise Cascade Corporation's Balance Sheet at December 31, 1994, and from its Statement of Income (Loss) for the year ended December 31, 1994. The information presented is qualified in its entirety by reference to such financial statements.

1,000

12-MOS
DEC-31-1994
DEC-31-1994
22,447
7,007
405,661
1,987
423,589
918,264
4,953,734
(2,062,106)
4,294,077
657,843
1,856,104
95,710
0
762,183
506,965
4,294,077
4,140,390
4,141,750
3,690,160
4,027,130
0
0
147,800
(64,750)
(2,140)
(62,610)
0
0
0
(62,610)
(3.08)
(3.08)

Rainy River Forest Products Inc.
Consolidated Balance Sheets (Note 1)
(in thousands of Canadian dollars)

| | December 31 1994 | December 31 1993 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and short-term investments | $ 71,547 | $ 5,371 |
| Accounts receivable | | |
| Trade | 99,733 | 13,939 |
| Boise Cascade Corporation and affiliated companies (Note 13) | 18,070 | 35,442 |
| Inventories (Note 4) | 43,946 | 41,379 |
| Income tax refunds receivable | - | 10,351 |
| Other | 1,646 | 1,261 |
| Total current assets | 234,942 | 107,743 |
| Property | | |
| Property and equipment | 1,182,658 | 988,819 |
| Accumulated depreciation | (474,481) | (432,762) |
| Net property and equipment (Notes 5 and 8) | 708,177 | 556,057 |
| Other assets (Note 6) | 49,613 | 45,790 |
| Total assets | $ 992,732 | $ 709,590 |

Approved by the Board

(Signed) Martin J. O'Brien
Director

(Signed) Donald S. Macdonald
Director

The accompanying notes are an integral part of these Consolidated Financial Statements.

Rainy River Forest Products Inc.
Consolidated Balance Sheets (Note 1)
(in thousands of Canadian dollars)

| | December 31 1994 | December 31 1993 |
|---|---|---|
| **Liabilities and Capital** | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | | |
| Trade | $ 90,142 | $ 65,467 |
| Boise Cascade Corporation and affiliated companies (Note 13) | 32,744 | 3,307 |
| Total current liabilities | 122,886 | 68,774 |
| Long-term debt (Note 8) | 154,301 | 172,094 |
| Deferred taxes (Note 7) | 77,026 | 102,660 |
| Advances from Boise Cascade Corporation (Note 13) | - | 15,432 |
| Other long-term liabilities | 438 | 2,725 |
| Capital | | |
| Convertible subordinated debentures (Note 11) | 210,000 | - |
| Owners' equity | | |
| Share capital (Note 12) | 215,886 | 14,489 |
| Equity invested | 210,301 | 330,650 |
| Cumulative translation account | 1,894 | 2,766 |
| Total owners' equity | 428,081 | 347,905 |
| Total liabilities and capital | $ 992,732 | $ 709,590 |

The accompanying notes are an integral part of these Consolidated Financial Statements.

Rainy River Forest Products Inc.
Consolidated Statements of Operations (Note 1)
(in thousands of Canadian dollars, except per share amounts)

| | Year ended December 31 1994 | 1993 | 1992 |
|---|---|---|---|
| Sales | | | |
| Manufactured products | $496,653 | $447,629 | $425,233 |
| Brokered products (Notes 1 and 13) | 54,926 | - | - |
| | 551,579 | 447,629 | 425,233 |
| Cost of products sold | | | |
| Manufactured products | 479,201 | 440,642 | 434,121 |
| Brokered products | 52,374 | - | - |
| Selling, general, and administrative expenses | 18,921 | 18,999 | 19,175 |
| Depreciation (Note 2) | 42,030 | 39,838 | 37,183 |
| Other (income) expense, net (Note 3) | (1,755) | (1,490) | 1,397 |
| | 590,771 | 497,989 | 491,876 |
| Loss from operations | (39,192) | (50,360) | (66,643) |
| Interest expense | (17,008) | (6,894) | (5,970) |
| Interest income | 2,634 | 1,544 | 6,770 |
| Foreign exchange loss (Note 8) | (11,322) | (4,437) | (1,706) |
| Loss before income taxes | (64,888) | (60,147) | (67,549) |
| Credit for income taxes (Note 7) | (21,013) | (20,364) | (24,179) |
| Net loss | $(43,875) | $(39,783) | $(43,370) |
| Net loss per share (Note 12) | $(1.81) | $(1.92) | $(2.09) |

The accompanying notes are an integral part of these Consolidated Financial Statements.

Rainy River Forest Products Inc.
Consolidated Statements of Changes in Financial Position (Note 1)
(in thousands of Canadian dollars)

| | Year ended December 31 1994 | 1993 | 1992 |
|---|---|---|---|
| Operating activities | | | |
| Cash provided by (used for) operations | | | |
| Net loss | $(43,875) | $(39,783) | $(43,370) |
| Adjustments to reconcile net loss to cash provided by (used for) operations | | | |
| Depreciation | 42,030 | 39,838 | 37,183 |
| Deferred taxes | (22,423) | (20,921) | (3,271) |
| Amortization and other (Note 2) | 10,841 | 3,767 | 3,600 |
| | (13,427) | (17,099) | (5,858) |
| Changes in assets and liabilities, net of effects of foreign currency adjustments | | | |
| (Increase) decrease in accounts receivable | (65,855) | 2,127 | (14,275) |
| (Increase) decrease in inventories | (2,101) | (3,828) | 1,362 |
| Increase in accounts payable and accrued liabilities | 51,573 | 562 | 17,700 |
| Increase in prepaid pension costs | (2,313) | (3,909) | (938) |
| Income taxes | 7,324 | 11,608 | (2,773) |
| Other, net | (1,252) | 869 | 1,160 |
| Net cash used for operations | (26,051) | (9,670) | (3,622) |
| Investing activities | | | |
| Capital expenditures | (104,257) | (62,842) | (44,924) |
| Purchase of deink facility (Note 1) | (83,042) | - | - |
| Distributions from (investments in) equity investment | 5,736 | (1,609) | (3,799) |
| Other, net | (3,083) | 1,315 | 2,231 |
| Net cash used in investing activities | (184,646) | (63,136) | (46,492) |
| Financing activities | | | |
| Advances from (to) Boise Cascade Corporation | (15,432) | 11,395 | 1,498 |
| Capital contribution from (repayment to) Boise Cascade Corporation (Note 1) | (76,474) | 36,121 | 18,021 |
| Issuance of common shares, net | 201,397 | - | - |
| Issuance of convertible subordinated debentures | 210,000 | - | - |
| Issuance of long-term debt | 148,500 | 26,476 | 31,787 |
| Payment of long-term debt | (172,094) | - | - |
| Cost of issuance of convertible subordianted debentures and debt | (19,283) | - | - |
| Net cash provided by financing activities | 276,614 | 73,992 | 51,306 |
| Effect of exchange rate changes on cash and short-term investments | 259 | - | - |
| Net increase in cash and short-term investments | 66,176 | 1,186 | 1,192 |
| Cash and short-term investments at beginning of year | 5,371 | 4,185 | 2,993 |
| Cash and short-term investments at end of year | $ 71,547 | $ 5,371 | $ 4,185 |

The accompanying notes are an integral part of these Consolidated Financial Statements.

Rainy River Forest Products Inc.
Consolidated Statements of Owners' Equity (Note 1)
(in thousands of Canadian dollars)

| | Year ended December 31 | | |
|---|---|---|---|
| | 1994 | 1993 | 1992 |
| Share capital at beginning of year | $ 14,489 | $ 14,489 | $ 14,489 |
| Issuance of common shares, net (Note 12) | 201,397 | - | - |
| Share capital at end of year | $215,886 | $ 14,489 | $ 14,489 |
| Equity invested at beginning of year | $330,650 | $333,283 | $357,997 |
| Capital contributions (reductions): | | | |
| Contribution to effect Boise Cascade's purchase of a 50% interest in a deinked recycled pulp facility at Tacoma, Washington (Note 1) | 83,042 | - | - |
| Acquisition of paper mill (Note 1) | (186,096) | - | - |
| Intercompany payable to Boise Cascade Corporation and other (Note 13) | 26,580 | 37,150 | 18,656 |
| | (76,474) | 37,150 | 18,656 |
| Net loss | (43,875) | (39,783) | (43,370) |
| Equity invested at end of year (Note 12) | $210,301 | $330,650 | $333,283 |
| Foreign currency translation account at beginning of year | $ 2,766 | $ 1,800 | $ (1,663) |
| Adjustment from translation of foreign currency statements and related long-term debt (Notes 2 and 8) | (872) | 966 | 3,463 |
| Foreign currency translation account at end of year | $ 1,894 | $ 2,766 | $ 1,800 |
| Owners' equity at end of year | $428,081 | $347,905 | $349,572 |

The accompanying notes are an integral part of these Consolidated Financial Statements.

# AUDITORS' REPORT

To the Shareholders of Rainy River Forest Products Inc.:

We have audited the consolidated balance sheets of Rainy River Forest Products Inc. as at December 31, 1994 and 1993 and the consolidated statements of operations, changes in financial position and owners' equity for each of the years in the three-year period ended December 31, 1994. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance 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.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1994 and 1993 and the results of its operations and the changes in its financial position for each of the years in the three-year period ended December 31, 1994, in accordance with generally accepted accounting principles in Canada.

Winnipeg, Canada
January 12, 1995

Arthur Andersen & Co.

Rainy River Forest Products Inc.
Notes to Consolidated Financial Statements
(in Canadian dollars)

1. COMPANY BACKGROUND AND BASIS OF PRESENTATION

Rainy River Forest Products Inc. (the "Company"), formerly named Boise Cascade Canada Ltd., is a major producer and seller of uncoated groundwood papers and newsprint. It owns and operates an uncoated groundwood papers and kraft pulp mill at Fort Frances, Ontario, and newsprint mills at Kenora, Ontario, and Tacoma, Washington (the "West Tacoma mill"). Effective as of October 13, 1994, the Company concluded an exclusive newsprint marketing agreement with Boise Cascade Corporation ("Boise Cascade") to purchase, at a brokerage discount for resale to customers of the Company, all of the newsprint produced at Boise Cascade's mill located at DeRidder, Louisiana.

Prior to October 13, 1994, the Company was a wholly-owned subsidiary of Boise Cascade. On October 13, 1994, the Company completed the sale of 140,000 units ($420,000,000) in an initial public offering, primarily in Canada, at a price of $3,000 per unit. Each unit consisted of 100 common shares at $15 per share (see Note 12) and 15 convertible subordinated debentures at $100 per debenture. The aggregate of $210,000,000 of debentures sold bear interest at 8% per year, mature on October 15, 2004, and are convertible at any time prior to redemption or maturity into 5.7971 common shares for each debenture, representing a conversion price of $17.25 per common share (see Note 11). A concurrent sale of US$110,000,000 of senior secured notes was made in a public offering in the United States. The notes mature on October 15, 2001, bear interest at 10.75%, and are redeemable commencing October 15, 1999 (see Note 8). The proceeds from the public offerings were used primarily to purchase the West Tacoma mill from Boise Cascade and to pay indebtedness to Boise Cascade and others (see Note 8).

The West Tacoma mill includes a deinked recycled pulp facility which commenced operation in August 1993. The deinked pulp facility was owned by an unconsolidated 50/50 venture between Boise Cascade and a third party until April 30, 1994, at which time Boise Cascade purchased the third-party interest. That purchase resulted in consolidation of the deinked facility with the West Tacoma mill, including $83,095,000 attributable to property and equipment and $2,435,000 for accounts receivable and other assets. Liabilities assumed included $2,488,000 of accounts payable and accrued liabilities, and a capital contribution from Boise Cascade of $83,042,000 was recorded. The West Tacoma mill was acquired from Boise Cascade on September 28, 1994. The cost of that acquisition was reflected as a reduction in the Company's equity because the assets and liabilities of the West Tacoma mill had previously been included in the Company's financial statements in accordance with the accounting method described below.

For the periods prior to October 13, 1994, the financial statements were prepared on a basis similar to a pooling of interest to include the historical financial records of the Company and Boise Cascade's historical records for the West Tacoma mill and a deinked recycled pulp facility. The financial statements are intended to represent the operations of the described facilities as though they had been carried on as a separate consolidated entity. For the periods prior to October 13, 1994, the financial statements may not necessarily be representative of results that would have been attained if the above facilities had operated within a separate consolidated entity. For the period subsequent to October 13, 1994, the financial statements include brokerage sales and related cost of sales attributable to a marketing agreement applicable to the sale of newsprint produced at DeRidder, Louisiana. No such related activity has been included for the periods prior to that date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation. The consolidated financial statements include the results of the Company and its subsidiaries after elimination of intercompany balances and transactions. The deinked recycled pulp facility discussed previously was accounted for on the equity basis prior to Boise Cascade's purchase of the third party interest and has been consolidated with the West Tacoma mill since that purchase.

Net Loss per Share. The net loss per share was determined by dividing the reported net loss by the weighted average number of shares outstanding after giving retroactive effect to the stock split that is described in Note 12. For purposes of calculating net loss per share, the non-voting equity shares held by Boise Cascade (see Note 12) are considered to be equivalent to the Company's common shares. The 1994 net loss per share, assuming full dilution attributable to the 8% convertible subordinated debentures and outstanding stock options, has not been shown because an assumed conversion of that debt or exercise of those options would have reduced the net loss per share reported. The Company had no dilutive securities prior to the October 13, 1994, initial public offerings.

Foreign Currency Translation. Income and expense items attributable to operations located in Canada that are denominated in foreign currencies are translated into Canadian dollars at average exchange rates prevailing during the year. Foreign currency denominated assets and liabilities are translated at exchange rates prevailing at the balance sheet date, and translation exchange gains and losses, with the exception of the gains or losses arising from the translation of foreign currency denominated long-term debt, are included in income as they occur. The US$110,000,000 senior secured notes are considered to be an effective hedge of the Company's net investment in its U.S. subsidiary, which among other things, owns the West Tacoma mill. Accordingly, the gains or losses arising from the translation of this foreign currency denominated long-term debt are deferred as a component of the "Cumulative translation account" on the Balance Sheets.

Income and expense items attributable to operations in the United States, all of which are considered to be self-sustaining, are translated into Canadian dollars at average exchange rates prevailing during the year. Assets and liabilities are translated at year-end exchange rates. Capital contributions and reductions are translated at the exchange rate prevailing at the date of the applicable transaction. Foreign exchange adjustments arising from this translation process are deferred and included in the "Cumulative translation account" on the Balance Sheets.

Inventories. Inventories are valued at the lower of average cost and net realizable value after provision for slow-moving or obsolete items.

Financing Costs. Costs incurred in connection with the issuance of convertible subordinated debentures and senior secured notes were capitalized and are being amortized over a five-year period. Share capital on the Balance Sheet for December 31, 1994, is shown net of the costs of issuance.

Property. Property and equipment are recorded at cost. Cost includes expenditures for major improvements and replacements and includes capitalized interest associated with significant capital additions. Depreciation at pulp and paper mills is determined by the units-of-production method, and other operations use the straight-line method. Estimated service lives of principal items of property and equipment range from 20 to 40 years. In 1994, depreciation rates applied to certain manufacturing assets were adjusted in order to more closely approximate their anticipated lives. The revised rates, which are comparable with general practice in the forest products industry, resulted in a net reduction in depreciation expense for the year ended December 31, 1994, of $5,762,000. The pulp and paper mills use group depreciation methods and include gains and losses from partial sales and retirements in accumulated depreciation. Gains and losses at other operations are included in income as they occur.

Environmental Remediation and Compliance. Environmental expenditures resulting in additions to property and equipment that increase useful lives are capitalized, while other environmental expenditures are charged to expense. Liabilities are recorded when assessments and/or remedial efforts are probable and the cost can be reasonably estimated (see Note 9).

Pensions. The Company uses the projected benefit approach allocated on years of service to determine the cost of pension benefits earned by its employees. Pension expense includes benefits earned by employees during the year, interest on the actuarial surplus or unfunded liability, amortization of experience gains or losses and amortization of the actuarial surplus or unfunded liability over the estimated remaining service life of the employees.

3. OTHER INCOME AND EXPENSE

"Other (income) expense, net" on the Statements of Operations includes gains and losses on the sale and disposition of property, equity in earnings of an unconsolidated 50% owned deinked recycled pulp facility until April 30, 1994, when the third party interest was acquired, and other miscellaneous items.

4. INVENTORIES

Inventories include the following:

| | December 31 1994 | 1993 |
|---|---|---|
| | (expressed in thousands) | |
| Finished goods and work in process | $ 4,519 | $ 6,250 |
| Supplies | 28,732 | 26,407 |
| Raw materials | 10,695 | 8,722 |
| | $ 43,946 | $ 41,379 |

5. PROPERTY

Property includes the following:

| | December 31 1994 | 1993 |
|---|---|---|
| | (expressed in thousands) | |
| Land and land improvements | $ 17,052 | $ 16,431 |
| Buildings and improvements | 214,313 | 177,287 |
| Machinery and equipment | 851,897 | 730,262 |
| Construction in progress | 99,396 | 64,839 |
| | 1,182,658 | 988,819 |
| Less accumulated depreciation | | |
| Buildings and improvements | (87,416) | (81,154) |
| Machinery and equipment | (387,065) | (351,608) |
| | (474,481) | (432,762) |
| Net property and equipment | $ 708,177 | $ 556,057 |

Interest capitalized during the year ended December 31, 1994, was $484,000, compared with $199,000 in 1993.

6. OTHER ASSETS

Other long-term noncurrent assets include the following:

| | December 31 1994 | 1993 |
|---|---|---|
| | (expressed in thousands) | |
| Prepaid pension costs (see Note 10) | $ 25,937 | $ 23,624 |
| Financing costs | 19,283 | - |
| Deferred foreign exchange loss | - | 9,387 |
| Investment in unconsolidated 50% owned deinked recycled pulp facility (see Note 2) | - | 6,753 |
| Other | 4,393 | 6,026 |
| | $ 49,613 | $ 45,790 |

7. INCOME TAXES

The credit for income taxes consists of the following:

| | Year ended December 31 1994 | 1993 | 1992 |
|---|---|---|---|
| | (expressed in thousands) | | |
| Current | | | |
| Canada | $ 1,410 | $ 2,307 | $(13,860) |
| United States | - | (1,750) | (7,048) |
| | 1,410 | 557 | (20,908) |
| Deferred | | | |
| Canada | (13,618) | (15,223) | (4,373) |
| United States | (8,805) | (5,698) | 1,102 |
| | (22,423) | (20,921) | (3,271) |
| Total credit for income taxes | $(21,013) | $(20,364) | $(24,179) |

A reconciliation of the statutory Canadian federal and provincial income taxes and the reported credit for income taxes is as follows:

| | Year ended December 31 1994 | 1993 | 1992 |
|---|---|---|---|
| | (expressed in thousands) | | |
| Statutory Canadian federal and provincial credit for income taxes | $(28,771) | $(26,669) | $(29,951) |
| (Increases) decreases resulting from: | | | |
| Manufacturing and processing profits tax | 3,431 | 3,120 | 3,010 |
| Difference in tax rate for foreign subsidiaries | 2,260 | 2,042 | 1,809 |
| Large corporation tax | 1,286 | 1,167 | 1,153 |
| Other, net | 781 | (24) | (200) |
| Total credit for income taxes | $(21,013) | $(20,364) | $(24,179) |

The components of deferred taxes are as follows:

| | December 31 1994 | 1993 |
|---|---|---|
| | (expressed in thousands) | |
| Deferred tax assets | | |
| Net operating loss carryforwards | $ 33,375 | $ 27,414 |
| Investment tax credit carryforwards | 8,999 | 16,256 |
| West Tacoma mill acquisition costs | 7,805 | - |
| Share issuance costs | 4,576 | - |
| Other | 1,462 | 1,357 |
| | 56,217 | 45,027 |
| Deferred tax liabilities | | |
| Property and equipment | 119,436 | 132,652 |
| Prepaid pension costs | 10,134 | 8,997 |
| Deferred charges | 1,247 | 1,104 |
| Other | 2,426 | 4,217 |
| | 133,243 | 146,970 |
| Net deferred tax liabilities | $ 77,026 | $101,943 |

"Other current assets" on the Balance Sheets include deferred tax assets of $717,000 at December 31, 1993. At December 31, 1994, the Company had net operating loss carryforwards for Canadian federal income tax purposes of $81,900,000 of which $46,700,000 expire in 2000, and $35,200,000 expire in 2001. It had net operating loss carryforwards for Ontario income tax purposes of $101,300,000 of which $65,900,000 expire in 2000, and $35,400,000 expire in 2001. Investment tax credit carryforwards at December 31, 1994, expire as follows: $2,120,000 in 1995, $2,924,000 in 1996, $1,587,000 in 1997, $1,483,000 in 1998, and $855,000 between 1999 and 2003.

The results of Canadian operations were included in Canadian income tax returns. The income tax benefit for losses incurred by the Canadian operations was recorded based on the anticipated ability to utilize those losses on the Canadian income tax returns. The results for the Company's U.S. operations were included in Boise Cascade's consolidated U.S. income tax returns for periods prior to September 28, 1994. Commencing on that date, the Company's wholly-owned U.S. subsidiary includes the results of operations in the United States in its U.S. income tax return. No income tax benefits were recorded, however, because of uncertainties as to the subsidiary's ability to utilize the tax losses incurred on its U.S. income tax return.

The loss before income taxes by country of origin consists of the following:

| | Year ended December 31 | | |
|---|---|---|---|
| | 1994 | 1993 | 1992 |
| | (expressed in thousands) | | |
| Canada | $(41,125) | $(38,744) | $(50,060) |
| United States | (23,763) | (21,403) | (17,489) |
| Loss before income taxes | $(64,888) | $(60,147) | $(67,549) |

8. DEBT

Long-term debt consists of the following:

| | December 31 | |
|---|---|---|
| | 1994 | 1993 |
| | (expressed in thousands) | |
| 10.75% senior secured notes (US$110 million), due in 2001 | $ 154,301 | $ - |
| Revolving credit borrowings, with interest rates averaging 4.0% in 1993 | - | 145,618 |
| Due to banks, with interest rates averaging 4.0% in 1993 | - | 26,476 |
| Total long-term debt | $ 154,301 | $ 172,094 |

The 10.75% senior secured notes were issued on October 13, 1994, pursuant to a public offering in the United States. The notes are redeemable at the option of the Company from October 15, 1999, to October 14, 2000, at 101.79% of the principal amount and at par between October 15, 2000, and the maturity date (plus, in each case, accrued interest if any). The notes are secured by the Company's facilities at Fort Frances, Ontario, and certain related contractual rights, including the Company's Forest Management Agreements that are tributary to such facility. The notes are senior in right of payment to all subordinated indebtedness of the Company. The indenture governing the notes contains certain covenants that, among other things, limit the type and amount of additional indebtedness that may be incurred by the Company and certain of its subsidiaries and impose limitations on investments, sales or transfers of assets, dividends and other payments, the creation of liens, sale-leaseback transactions, transactions with affiliates, and mergers.

At December 31, 1994, no borrowings had been made by the Company under its revolving credit agreement with a number of banks. Aggregate borrowings under the agreement are limited to the lesser of $100,000,000 or a defined amount based primarily on the level of qualifying accounts receivable and inventory that amounted to $83,975,000 at the end of 1994. Outstanding borrowings are secured by accounts receivable and inventory. The agreement permits borrowings in either Canadian or United States dollars and provides for a range of floating interest rate options. At December 31, 1994, the interest rates available ranged from 8.2% to 8.5% for borrowings in Canadian dollars and from 7.75% to 9.5% for borrowings in U.S. dollars. The agreement expires on October 13, 1997, subject to a one-year extension by the Company with the consent of the banks, and subject to that extension, borrowings outstanding are payable at that time.

The Company may borrow up to US$50,000,000 from Boise Cascade until October 13, 1997. Borrowings may be made under the agreement with Boise Cascade when borrowings from banks under the revolving credit agreement exceed 60% of the total borrowing permitted, the amount of unencumbered cash or marketable securities is less than $12,000,000, and there is no continuing event of default. The agreement is subject to termination after October 13, 1996, if the Company achieves a defined interest coverage. Interest is payable at 3% over LIBOR. Under defined circumstances, interest payment requirements may be satisfied by issuance of junior subordinated promissory notes bearing the same interest and repayment terms as the principal borrowed under the agreement. Borrowings under this agreement, including any outstanding promissory notes, are unsecured but rank in priority to the 8% convertible subordinated debentures, and are due October 15, 2002. Earlier payment is required under some circumstances, and prepayment is permitted at any time without penalty.

The revolving credit agreement pursuant to which borrowings were outstanding at December 31, 1993, was cancelled in April 1994 and replaced with bridge financing guaranteed by Boise Cascade. Borrowings of $202,865,000 under the bridge financing, with an interest rate averaging 5.5%, were repaid with proceeds received from the initial public offerings (see Note 1).

At December 31, 1994, no payments were due on long-term debt during the years 1995 through 1999.

Deferred foreign exchange losses of $16,101,000 were charged to operations in March 1994 as a result of payment of long-term debt in April 1994 (see Note 6). Net foreign exchange gains of $6,700,000 were recorded during the nine months subsequent to March 1994, principally as a result of exchange gains on bank bridge loans prior to their refinancing in late 1994.

9. COMMITMENTS

At December 31, 1994, outstanding purchase orders and contracts with respect to commitments for capital expenditures were $36,769,000.

Management believes that the Company met the environmental compliance standards applicable to it at December 31, 1994, and it estimates that capital expenditures required to meet known future environmental compliance standards will approximate $62,669,000 during the five-year period ending December 31, 1999. This spending is expected to consist of $40,696,000 at the Kenora mill, $19,544,000 at the Fort Frances mill, and $2,429,000 at the West Tacoma mill.

10. RETIREMENT AND BENEFIT PLANS

Substantially all of the Company's employees are covered by pension plans. Effective November 1, 1994, the West Tacoma mill and uncoated groundwood papers and newsprint marketing and sales employees were transferred from the Boise Cascade plans in which they had previously participated to one of two separate pension plans (the "West Tacoma Plans") established for those employees.

The pension plans are noncontributory except for one plan for Canadian hourly employees that is contributory. The plans are funded and trusteed. The Company's contributions to the pension plans vary from year to year, but the Company has made at least the minimum statutory contribution required in each year. The plans provide reduced benefits for early retirement, and the plans covering Canadian hourly employees take into account offsets for governmental pension benefits.

The assumptions used in the calculations of pension expense and plan obligations are estimates of factors that will determine, among other things, the amount and timing of future benefit payments. Effective December 31, 1994, the discount rate for the Canadian plans was increased to 9.25% from the 8.25% rate that was adopted at December 31, 1992. The salary escalation assumption used for these plans remained at 5.5%, compared with the 6.5% rate used prior to year-end 1993. The asset return assumption used during the periods presented was 10%. A discount rate of 8.25% was adopted for the West Tacoma Plans at December 31, 1994, along with salary escalation and asset return assumptions of 5% and 9.75%.

The components of net pension expense for the plans are as follows:

| | Year ended December 31 | | |
|---|---|---|---|
| | 1994 | 1993 | 1992 |
| | (expressed in thousands) | | |
| Benefits earned by employees | $ 3,408 | $ 3,151 | $ 2,916 |
| Interest cost on projected benefit obligation | 14,290 | 13,114 | 12,379 |
| Earnings from plan assets | (1,451) | (38,469) | (9,102) |
| Net amortization and deferral | (15,149) | 24,010 | (5,033) |
| Total pension expense | $ 1,098 | $ 1,806 | $ 1,160 |

"Net amortization and deferral" in the table on the previous page consists of the net effect of amortization of previously unrecognized past service costs, the difference between actual return on plan assets and the actuarially expected return on plan assets, the amortization of unrecognized net gains or losses from previous periods, and recognition of a portion of the unrecognized transitional asset.

The following table sets forth the funding status of the pension plans along with the amounts recorded on the Balance Sheets with respect to those plans. The amounts shown at December 31, 1994, include the West Tacoma Plans.

| | December 31 | |
|---|---|---|
| | 1994 | 1993 |
| | (expressed in thousands) | |
| Actuarial present value of benefit obligation | | |
| Vested benefits | $ (137,951) | $ (129,715) |
| Nonvested benefits | (13,519) | (11,902) |
| Accumulated benefit obligation | (151,470) | (141,617) |
| Provision for salary escalation | (31,668) | (26,335) |
| Projected benefit obligation | (183,138) | (167,952) |
| Plan assets at fair value, primarily common stock and fixed-income securities | 187,247 | 181,174 |
| Plan assets greater than projected benefit obligation | 4,109 | 13,222 |
| Unrecognized items | 21,828 | 10,402 |
| Prepaid pension costs | $ 25,937 | $ 23,624 |

"Unrecognized items" in the table consists of the sum of the unamortized portion of the transitional asset, unamortized net gains and losses arising from differences between the actual return on plan assets and the actuarially expected return on plan assets, and unamortized past service costs.

Boise Cascade realized pension income of $264,000 during the first ten months of 1994 for West Tacoma mill employees and uncoated groundwood and newsprint marketing and sales employees. On November 1, 1994, these employees were transferred to the new West Tacoma Plans. The estimated fair market value of the assets applicable to salaried employees exceeded the projected benefit obligation at November 1, 1994, by $486,000. The projected benefit obligation applicable to hourly employees exceeded the fair market value of assets by $2,313,000. The assets were not transferred to the new plans until early 1995, and accordingly, the fair market value of assets in the preceding table includes a receivable of $10,304,000 representing amounts due from Boise Cascade pension plans. In 1993, Boise Cascade's pension expense for these employees was $32,000, compared with pension income of $34,000 for 1992.

11. CONVERTIBLE SUBORDINATED DEBENTURES

On October 13, 1994, the Company completed the sale of $210,000,000 of 8% convertible subordinated debentures due October 15, 2004, as a part of a public offering (see Note 1). The debentures are convertible by the holders any time prior to redemption or maturity into 5.7971 common shares for each debenture, representing a conversion price of $17.25 per common share. The debentures are not redeemable prior to October 15, 1997. From October 15, 1997, up to and including October 14, 1999, the debentures are redeemable at par plus accrued and unpaid interest, providing that the average closing price of the Company's common shares on The Toronto Stock Exchange exceeds $21.5625 during a specified period prior to the delivery of the notice of redemption. The Company has the option, subject to regulatory approval and absent an event of default, of repaying the debentures upon redemption or at maturity in common shares of the Company. The debentures are unsecured and are subordinate in right of payment to liabilities of the Company for borrowed money, the deferred purchase price of assets or services, and trade debts.

12. SHARE CAPITAL

Authorized Share Capital. The Company's authorized share capital consists of an unlimited number of common shares, 10,000,000 non-voting equity shares, and an unlimited number of preference shares issuable in series.

Issued and Outstanding Capital. Issued and outstanding capital consists of the following:

| | December 31 1994 | December 31 1993 |
|---|---|---|
| | (expressed in thousands) | |
| Common shares (27,450,980 in 1994 and 20,704,000 in 1993) | $210,809 | $ 14,489 |
| Non-voting equity shares (7,253,020 in 1994) | 5,077 | - |
| Total share capital | $215,886 | $ 14,489 |

All of the common shares outstanding were owned by Boise Cascade through October 12, 1994. On October 4, 1994, a share split of approximately 262-for-one occurred which increased common shares outstanding from 79,000 to 20,704,000. On October 14, 1994, Boise Cascade converted 7,253,020 of its common shares to non-voting equity shares. These non-voting shares are convertible by Boise Cascade on a one-to-one basis into common shares following the issuance of common shares by the Company, providing that the number of non-voting equity shares converted may not exceed the number of common shares being issued by the Company. In addition, the non-voting equity shares will be automatically converted upon a transfer from Boise Cascade to another holder who is not affiliated with Boise Cascade. No dividend or other distribution may be declared or paid on the common or non-voting equity shares without an equal dividend or other distribution being declared and paid on the non-voting equity or common shares as the case may be.

On October 13, 1994, the Company completed the sale of 14,000,000 of its common shares at $15 per share in a public offering (see Note 1). Share issuance costs of $13,179,000, net of related tax benefits of $4,576,000, were recorded as a reduction in share capital. Following that sale, Boise Cascade held 49% of the Company's common shares (33.9% assuming conversion of the 8% convertible subordinated debentures). Boise Cascade has agreed not to purchase or otherwise acquire any of the Company's voting securities prior to October 13, 1995, if that acquisition would result in Boise Cascade owning 50% or more of the Company's outstanding voting securities.

The Company's "Equity invested" for 1994 includes a reduction of $159,516,000 resulting primarily from the purchase of the West Tacoma mill, including the recycled deinked pulp facility, and repayment of certain advances from Boise Cascade. The cost of the West Tacoma acquisition was reflected as a reduction in equity because the net assets of that mill were previously included in the financial statements pursuant to a method which was similar to the pooling of interest accounting method. A contribution to equity of $83,042,000 resulted from consolidation of the deinked recycled pulp facility following Boise Cascade's purchase of a 50% interest in that facility that was held by a third party.

The Company's ability to declare and pay dividends is restricted by covenants in certain credit agreements. Under the most restrictive of these covenants, which is contained in the indenture for the 10.75% senior secured notes, the payment of dividends is subject to various conditions and the amount of restricted payments. The restricted payments, which are defined to include cash dividends, are limited to the sum of (i) 50% of consolidated net income accrued since September 30, 1994, (minus 100% of any consolidated net losses), (ii) the net cash proceeds received by the Company after completion of the public offering described in Note 1 from any subsequent sale of its capital shares, and (iii) an amount equal to the net reduction in certain investments (as defined) after October 1, 1994, and minus (iv) the aggregate amount of certain permitted investments (as defined). At December 31, 1994, the Company's available margin was negative in the amount of $3,316,000.

In April 1994, the Company established a stock option plan for directors, executive officers, and other employees. The aggregate common shares reserved for issuance under the plan is not to exceed 1.5 million shares. During 1994, options covering 227,259 common shares were granted at an exercise price of $15 per share. In general, one-third of the options vest on the first, second, and third anniversaries of the date of grant and are exercisable for a maximum period of ten years from the date of grant.

13. RELATED PARTY TRANSACTIONS

A series of continuing agreements between the Company and Boise Cascade for varying periods became effective prior to or upon completion of the public offerings. The agreements included the following:

- an agreement with an initial term of ten years pursuant to which the Company will receive a brokerage discount of between 3% and 5% (declining to 3% by 1999) of the net selling price of newsprint produced at Boise Cascade's mill located at DeRidder, Louisiana, and resold by the Company to its customers;

- an agreement whereby Boise Cascade will provide up to US$50,000,000 under an unsecured line of credit that will be available under certain circumstances (see Note 8);

- an agreement with an initial term of ten years whereby the Company will continue to sell market pulp produced at its mill at Fort Frances, Ontario, to Boise Cascade's mill at International Falls, Minnesota, at a price based on a formula which discounts a market price indicator by a number of factors to recognize, among other things, savings obtained by the Company in delivering the pulp to a single adjacent customer;

- certain other agreements formalizing relationships between the Company's Fort Frances mill and Boise Cascade's mill at International Falls that address, among other things, sales and exchanges of goods and services;

- an agreement with an initial term of ten years whereby Boise Cascade will sell, at an approximate market price, a monthly amount of wood chips to the Company's West Tacoma mill. In addition, Boise Cascade will use its best efforts to negotiate, on terms specified by the Company, supply agreements with third parties for additional wood chips and hog fuel for that mill;

- an agreement related to the administration of tax matters; and

- an agreement whereby Boise Cascade will provide certain administrative and financial services for a fee.

The terms and conditions of each of the agreements is subject to change in accordance with the provisions of the applicable agreement.

The revenues and costs attributable to these contracts during 1994 are as follows (expressed in thousands):

| | |
|---|---|
| Sales | |
| Manufactured products | $ 21,812 |
| Brokered products | 54,926 |
| Cost of products sold | |
| Manufactured products | 9,003 |
| Brokered products | 52,374 |
| Purchases | 6,709 |
| Administrative services | 6,057 |

The costs allocated and other intercompany transactions related to advances from Boise Cascade for the Canadian operations prior to implementation of the continuing agreements discussed at the beginning of this note were as follows:

| | Primarily for the Period from January 1, 1994 through October 12, 1994 | Year ended December 31 1993 | 1992 |
|---|---|---|---|
| | (expressed in thousands) | | |
| Sales | $(41,122) | $(48,099) | $(49,289) |
| Sales commissions | 7,999 | 10,320 | 10,372 |
| Purchases | 5,893 | 9,282 | 7,704 |
| Management fees | 4,303 | 5,210 | 5,077 |
| Research and development costs | 1,844 | 2,272 | 2,203 |
| Organization | 5,190 | - | - |
| Cash transfers and other, net | 461 | 32,410 | 25,431 |
| | (15,432) | 11,395 | 1,498 |
| Advances from Boise Cascade | | | |
| Beginning of year | 15,432 | 4,037 | 2,539 |

| | | | |
|---|---|---|---|
| End of year | $ - | $ 15,432 | $ 4,037 |

The Company's sales to Boise Cascade were comprised primarily of sales of pulp from the mill at Fort Frances, Ontario, to Boise Cascade's mill at International Falls, Minnesota. The allocation of Boise Cascade costs to the Company's Canadian operations was based on methods that management believes were reasonable.

Boise Cascade charged or credited intercompany interest on the outstanding balance of the advance from Boise Cascade based on prime interest rates plus one percent. Net interest charged was $314,000 for the period from January 1, 1994, through October 12, 1994, and $252,000 and $135,000 for the years ended December 31, 1993 and 1992.

Boise Cascade did not allocate corporate and other overhead costs to the Company with respect to the operation of the West Tacoma mill. Management believes that a reasonable estimate of the allocation of such costs to the West Tacoma mill would have approximated $2,902,000 for the period from January 1, 1994, through October 12, 1994, and $3,923,000 and $3,711,000 for the years ended December 31, 1993 and 1992.

Included in "Intercompany payable to Boise Cascade Corporation and other" on the Statements of Owners' Equity are purchases of $6,735,000 for the period from January 1, 1994, through October 12, 1994, and $6,822,000 and $6,605,000 for the years ended December 31, 1993 and 1992. These purchases consisted primarily of wood chips priced at an estimated fair market value.

Prior to October 13, 1994, the Company sold most of its U.S. dollar denominated trade receivables to Boise Cascade at the end of each month. Boise Cascade assumed the credit risk associated with the collection of the sold receivables. The balances transferred are reflected on the Balance Sheets as "Accounts receivable -- Boise Cascade Corporation and affiliated companies." Commencing October 13, 1994, the Company retained the receivables previously sold to Boise Cascade and is responsible for their collection.

The costs incurred by the Company pursuant to applicable related party agreements that were put into place in connection with the Company's public offerings will differ from the cost of services previously provided by Boise Cascade and from allocated costs and estimated allocations due to differences in scale, organizational structure, management structure, and other factors.

14. SEGMENT INFORMATION

An analysis of operations by geographic area is as follows:

| | Year ended December 31 | | |
|---|---|---|---|
| | 1994 | 1993 | 1992 |
| | (expressed in thousands) | | |
| Sales from | | | |
| Canada | $410,882 | $367,964 | $351,833 |
| United States | 140,697 | 79,665 | 73,400 |
| | $551,579 | $447,629 | $425,233 |
| Loss before income taxes | | | |
| Canada | $(16,928) | $(24,211) | $(43,012) |
| United States | (24,019) | (22,430) | (17,157) |
| Interest expense | (17,008) | (6,894) | (5,970) |
| Corporate and other | (6,933) | (6,612) | (1,410) |
| | $(64,888) | $(60,147) | $(67,549) |
| Depreciation | | | |
| Canada | $ 32,795 | $ 34,157 | $ 32,592 |
| United States | 9,235 | 5,681 | 4,591 |
| | $ 42,030 | $ 39,838 | $ 37,183 |
| Capital expenditures (including purchase of deinked facility) | | | |
| Canada | $ 86,434 | $ 45,432 | $ 34,604 |
| United States | 100,865 | 17,410 | 10,320 |
| | $187,299 | $ 62,842 | $ 44,924 |
| Assets | | | |
| Canada | $690,702 | $610,202 | $607,469 |
| United States | 302,030 | 99,388 | 77,645 |
| | $992,732 | $709,590 | $685,114 |

No single unaffiliated customer accounts for more than ten percent of consolidated sales. Export sales to unaffiliated companies in the United States were $308,136,000, $282,383,000, and $268,679,000 for the years ended December 31, 1994, 1993, and 1992.

15. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN THE UNITED STATES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), which except as is discussed below, are not materially different than generally accepted accounting principles in the United States ("U.S. GAAP").

Postretirement benefits other than pensions. The cost of postretirement benefits other than pensions is recorded at the time such costs are paid pursuant to Canadian GAAP. Such costs are required to be accrued over the working lives of active employees pursuant to U.S. GAAP.

The application of U.S. GAAP at January 1, 1992, which was the date the requirement was first adopted by Boise Cascade, would have increased "Other long-term liabilities" at December 31, 1994 and 1993, by $4,175,000 and $5,680,000.

In determining these changes, discount rates of 9.25% for Canadian plans and 8.25% for U.S. plans were adopted effective at December 31, 1994, compared with discount rates of 8.25% and 7.5% that were adopted effective at December 31, 1993. Postretirement benefits other than pensions at December 31, 1994, are fixed and not affected by the medical care trend rate.

The accrued postretirement obligation for benefits other than pensions would have been as follows:

| | December 31 1994 | 1993 |
|---|---|---|
| | (expressed in thousands) | |
| Retirees | $ 1,350 | $ 2,540 |
| Fully eligible active employees | - | 1,110 |
| Other active employees | 1,880 | 1,950 |
| Accumulated postretirement health care benefit obligation | 3,230 | 5,600 |
| Unrecognized items | 945 | 80 |
| Accrued postretirement health care benefit obligation | $ 4,175 | $ 5,680 |

The Company has not funded any of the accrued postretirement health care benefit obligation.

Postemployment benefits. Severance, disability, and other benefits provided to former or inactive employees that are required to be accrued by U.S. GAAP are immaterial.

Convertible subordinated debentures. The Company's 8% convertible subordinated debentures would be classified as long-term debt pursuant to U.S. GAAP.

Other disclosures required by U.S. GAAP are as follows:

Cash flows. Cash paid for interest and refunds for income taxes are as follows:

| | Year ended December 31 1994 | 1993 | 1992 |
|---|---|---|---|
| | (expressed in thousands) | | |
| Interest, net of amounts capitalized | $ 10,100 | $ 6,846 | $ 5,924 |
| Income tax refunds, net | 9,218 | 12,709 | 25,248 |

Rental expense. Rental expense for operating and month-to-month leases amounted to $3,882,000, $4,486,000, and $3,758,000 for the years ended December 31, 1994, 1993, and 1992.

Fair value of financial instruments. Cash and short-term investments, long-term debt and convertible subordinated debentures had fair values at December 31, 1994, that approximated their carrying amounts.

Accounts payable and accrued liabilities. The major components of "Accounts payable and accrued liabilities" on the Balance Sheets are as follows:

| | December 31 1994 | 1993 |
|---|---|---|
| | (expressed in thousands) | |
| Accounts payable | $ 55,870 | $ 43,766 |
| Accrued compensation and benefits | 15,164 | 16,224 |
| Interest | 7,250 | 342 |
| Other | 11,858 | 5,135 |
| | $ 90,142 | $ 65,467 |

Reconciliation of net loss. The primary differences in net loss, as determined in accordance with Canadian GAAP and that which would be reported pursuant to U.S. GAAP, are as follows:

| | Year ended December 31 1994 | 1993 | 1992 |
|---|---|---|---|
| | (expressed in thousands) | | |
| Loss before income taxes as reported | $(64,888) | $(60,147) | $(67,549) |
| Foreign exchange deferrals (1) | 9,387 | (1,898) | (7,673) |
| Recognition of investment tax credits (2) | (2,073) | (2,126) | (2,158) |
| Estimated cost of services provided and costs paid by Boise Cascade for the West Tacoma mill (3) | (2,902) | (3,923) | (3,711) |
| Loss before income taxes in accordance with U.S. GAAP | (60,476) | (68,094) | (81,091) |
| Credit for income taxes in accordance with Canadian GAAP | 21,013 | 20,364 | 24,179 |
| Additional income tax (expense) credit related to adjustments to arrive at U.S. GAAP | (1,588) | 2,968 | 5,192 |
| Change in statutory tax rates (4) | 2,911 | 6,423 | - |
| Net loss in accordance with U.S. GAAP before cumulative effect of accounting changes | (38,140) | (38,339) | (51,720) |
| Cumulative credit attributable to accounting change for income taxes (4) | - | 13,675 | - |
| Cumulative expense of accounting change for postretirement benefits other than pensions, net of income taxes (5) | - | - | (3,105) |
| Net loss in accordance with U.S. GAAP | $(38,140) | $(24,664) | $(54,825) |
| Net loss per share in accordance with U.S. GAAP | $(1.58) | $(1.19) | $(2.65) |

Reconciliation of balance sheets. The primary differences reflected on the Balance Sheets, as determined in accordance with Canadian GAAP and that which would be reported pursuant to U.S. GAAP, are as follows:

| | Canadian GAAP | Investment Tax Credits(2) | U.S. GAAP |
|---|---|---|---|
| | (expressed in thousands) | | |
| December 31, 1994 | | | |
| Property and equipment | $1,182,658 | $ 36,894 | $1,219,552 |
| Accumulated depreciation | (474,481) | (23,481) | (497,962) |
| Net property and equipment | $ 708,177 | $ 13,413 | $ 721,590 |
| December 31, 1993 | | | |
| Property and equipment | $ 988,819 | $ 42,021 | $1,030,840 |
| Accumulated depreciation | (432,762) | (21,409) | (454,171) |
| Net property and equipment | $ 556,057 | $ 20,612 | $ 576,669 |

| | December 31 1994 | December 31 1993 |
|---|---|---|
| | (expressed in thousands) | |
| Net deferred tax liabilities | | |
| Canadian GAAP (Note 7) | $ 77,026 | $ 101,943 |
| Tax effect of adjustments to arrive at U.S. GAAP | | |
| Foreign exchange deferrals (1) | - | (3,578) |
| Recognition of investment tax credits (2) | 7,848 | 8,580 |
| Estimated cost of services provided and costs paid by Boise Cascade for the West Tacoma mill (3) | - | (11,055) |
| Accounting change for income taxes, including changes in statutory tax rates (4) | (23,009) | (20,098) |
| Accounting change for postretirement benefits other than pensions (5) | (1,505) | (1,903) |
| U.S. GAAP | $ 60,360 | $ 73,889 |

| | December 31 1994 | December 31 1993 |
|---|---|---|
| | (expressed in thousands) | |
| Owners' equity | | |
| Canadian GAAP | $ 428,081 | $ 347,905 |
| Effect of adjustments to arrive at U.S. GAAP | | |
| Foreign exchange deferrals (1) | - | (5,809) |
| Recognition of investment tax credits (2) | 9,207 | 10,548 |
| Estimated cost of services provided and costs paid by Boise Cascade for the West Tacoma mill (3) | - | (17,048) |
| Accounting change for income taxes, including changes in statutory tax rates (4) | 23,009 | 20,098 |
| Accounting change for postretirement benefits other than pensions (5) | (2,670) | (3,105) |
| U.S. GAAP | $ 457,627 | $ 352,589 |

(1) Exchange gains and losses are required to be recognized as incurred pursuant to U.S. GAAP. Early in 1994, a remaining unamortized deferral for Canadian GAAP purposes, which would have previously been expensed pursuant to U.S. GAAP, was written off in connection with the Company's refinancing.

(2) Under Canadian GAAP, the application of investment tax credits as a reduction in the depreciable basis of property and equipment resulted in a reduction in depreciation expense. For U.S. GAAP purposes, the Company elected to record the investment tax credits as a reduction of income tax expense in the year the assets were placed in service.

(3) Certain related party services provided are required to be estimated under U.S. GAAP if such costs have not been previously allocated (see Note 13). For purposes of the reconciliation of deferred taxes and owners' equity, these costs were assumed to have begun in 1988.

(4) At the beginning of 1993, U.S. GAAP applicable to accounting for and reporting of income taxes was changed. In particular, deferred taxes were required to reflect changes in statutory tax rates. These adjustments reflect the initial adoption of that standard and the effect of subsequent decreases in the Canadian federal and provincial statutory tax rates.

(5) Under Canadian GAAP such benefits are recorded as such services are provided. The accrual of the cost of ongoing postretirement benefits other than pensions is not significantly different than cash payments made for such benefits.