

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

F O R M 10 - Q

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1998

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 1-5057

BOISE CASCADE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware 82-0100960

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

1111 West Jefferson Street  
P.O. Box 50  
Boise, Idaho 83728-0001

(Address of principal executive offices) (Zip Code)

(208) 384-6161

(Registrant's telephone number, including area code)

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  No

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

Class	Shares Outstanding as of October 31, 1998
Common stock, \$2.50 par value	56,333,979

PART I - FINANCIAL INFORMATION

STATEMENTS OF INCOME (LOSS)  
BOISE CASCADE CORPORATION AND SUBSIDIARIES  
(expressed in thousands, except per share data)

Item 1. Financial Statements

	Three Months Ended September 30	
	1998	1997
	(unaudited)	
Sales	\$1,597,990	\$1,442,340
Costs and expenses		
Materials, labor, and other operating expenses	1,268,120	1,159,640
Depreciation, amortization, and cost of company timber harvested	69,930	65,920
Selling and distribution expenses	164,860	145,390
General and administrative expenses	37,390	36,650
Other (income) expense, net	(51,860)	350
	1,488,440	1,407,950
Equity in net income (loss) of affiliates	1,630	(1,780)
Income from operations	111,180	32,610
Interest expense	(40,970)	(38,810)
Interest income	620	1,530
Foreign exchange loss	(210)	(70)
	(40,560)	(37,350)
Income (loss) before income taxes, minority interest, and cumulative effect of accounting change	70,620	(4,740)
Income tax (provision) benefit	(21,430)	890
Income (loss) before minority interest and cumulative effect of accounting change	49,190	(3,850)

Minority interest, net of income tax	(2,140)	(2,350)
Income (loss) before cumulative effect of accounting change	47,050	(6,200)
Cumulative effect of accounting change, net of income tax	-	-
Net income (loss)	<u>\$ 47,050</u>	<u>\$ (6,200)</u>
Net income (loss) per common share		
Basic	<u>\$ .77</u>	<u>\$ (.23)</u>
Diluted	<u>\$ .72</u>	<u>\$ (.23)</u>

SEGMENT INFORMATION  
BOISE CASCADE CORPORATION AND SUBSIDIARIES  
(expressed in thousands)

	Three Months Ended September 30	
	1998	1997
	(unaudited)	
Segment sales		
Office products	\$ 760,437	\$ 679,877
Building products	494,434	454,140
Paper and paper products	435,594	406,062
Intersegment eliminations and other	(92,475)	(97,739)
	<u>\$1,597,990</u>	<u>\$1,442,340</u>
	=====	=====
Segment operating income (loss)		
Office products	\$ 29,283	\$ 29,731
Building products	81,313	13,772
Paper and paper products	8,214	4,860
Equity in net income (loss) of affiliates	1,630	(1,780)
Corporate and other	(9,260)	(13,973)
	<u>\$ 111,180</u>	<u>\$ 32,610</u>
	=====	=====

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

## PART I - FINANCIAL INFORMATION

STATEMENTS OF INCOME (LOSS)  
BOISE CASCADE CORPORATION AND SUBSIDIARIES  
(expressed in thousands, except per share data)

## Item 1. Financial Statements

	Nine Months Ended September 30	
	1998	1997
	(unaudited)	
Sales	\$4,625,940	\$4,048,960
Costs and expenses		
Materials, labor, and other operating expenses	3,661,070	3,307,040
Depreciation, amortization, and cost of company timber harvested	211,320	185,790
Selling and distribution expenses	486,790	404,640
General and administrative expenses	111,520	102,260
Other (income) expense, net	29,650	820
	<u>4,500,350</u>	<u>4,000,550</u>
Equity in net loss of affiliates	(3,720)	(3,360)
Income from operations	<u>121,870</u>	<u>45,050</u>
Interest expense	(121,930)	(98,190)
Interest income	1,790	5,360
Foreign exchange loss	(300)	(120)
	<u>(120,440)</u>	<u>(92,950)</u>
Income (loss) before income taxes, minority interest, and cumulative effect of accounting change	1,430	(47,900)
Income tax (provision) benefit	(11,050)	17,720
	<u>(9,620)</u>	<u>(30,180)</u>
Loss before minority interest and cumulative effect of accounting change	(9,620)	(30,180)
Minority interest, net of income tax	(7,730)	(7,460)
	<u>(17,350)</u>	<u>(37,640)</u>
Loss before cumulative effect of accounting change	(17,350)	(37,640)
Cumulative effect of accounting change, net of income tax	(8,590)	-
	<u>(25,940)</u>	<u>(37,640)</u>
Net loss	<u>\$ (25,940)</u>	<u>\$ (37,640)</u>
Net loss per common share		
Basic and diluted before cumulative effect of accounting change	\$ (.60)	\$ (1.25)
Cumulative effect of accounting change	(.15)	-
	<u>\$ (.75)</u>	<u>\$ (1.25)</u>

SEGMENT INFORMATION  
BOISE CASCADE CORPORATION AND SUBSIDIARIES  
(expressed in thousands)

	Nine Months Ended September 30	
	1998	1997
	(unaudited)	
Segment sales		
Office products	\$2,253,108	\$1,878,218
Building products	1,312,281	1,262,832
Paper and paper products	1,349,319	1,162,116
Intersegment eliminations and other	(288,768)	(254,206)
	<u>\$4,625,940</u>	<u>\$4,048,960</u>
	=====	=====
Segment operating income (loss)		
Office products	\$ 98,382	\$ 83,101
Building products	29,180	41,755
Paper and paper products	28,712	(36,611)
Equity in net loss of affiliates	(3,720)	(3,360)
Corporate and other	(30,684)	(39,835)
	<u>\$ 121,870</u>	<u>\$ 45,050</u>
	=====	=====

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

BOISE CASCADE CORPORATION AND SUBSIDIARIES  
BALANCE SHEETS  
(expressed in thousands)

ASSETS

	September 30		December 31
	1998	1997	1997
	(unaudited)		
Current			
Cash	\$ 69,048	\$ 59,918	\$ 56,429
Cash equivalents	3,615	7,132	7,157
	72,663	67,050	63,586
Receivables, less allowances of \$9,821, \$9,245, and \$9,689	653,491	592,472	570,424
Inventories	601,967	565,092	633,290
Deferred income tax benefits	74,114	60,998	54,312
Other	27,101	38,155	32,061
	1,429,336	1,323,767	1,353,673
Property			
Property and equipment			
Land and land improvements	55,586	54,782	57,260
Buildings and improvements	568,045	508,291	554,712
Machinery and equipment	4,109,958	4,040,206	4,055,065
	4,733,589	4,603,279	4,667,037
Accumulated depreciation	(2,152,326)	(1,974,291)	(2,037,352)
	2,581,263	2,628,988	2,629,685
Timber, timberlands, and timber deposits	271,212	276,663	273,001
	2,852,475	2,905,651	2,902,686
Goodwill, net of amortization of \$34,091, \$20,499, and \$24,020	449,385	440,444	445,722
Investments in equity affiliates	27,223	31,226	32,848
Other assets	227,706	229,394	234,995
Total assets	\$4,986,125	\$4,930,482	\$4,969,924

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

BOISE CASCADE CORPORATION AND SUBSIDIARIES  
BALANCE SHEETS  
(expressed in thousands, except share amounts)

LIABILITIES AND SHAREHOLDERS' EQUITY

	September 30		December 31
	1998	1997	1997
	(unaudited)		
<b>Current</b>			
Short-term borrowings	\$ 167,465	\$ 1,200	\$ 94,800
Current portion of long-term debt	57,143	116,867	30,176
Income taxes payable	-	564	3,692
Accounts payable	501,085	474,234	470,445
Accrued liabilities			
Compensation and benefits	137,730	132,407	126,780
Interest payable	39,999	31,389	39,141
Other	219,868	173,561	128,714
	1,123,290	930,222	893,748
<b>Debt</b>			
Long-term debt, less current portion	1,667,855	1,639,718	1,725,865
Guarantee of ESOP debt	171,513	191,868	176,823
	1,839,368	1,831,586	1,902,688
<b>Other</b>			
Deferred income taxes	243,493	228,279	230,840
Other long-term liabilities	219,339	231,721	224,663
	462,832	460,000	455,503
Minority interest	114,935	102,159	105,445
<b>Shareholders' equity</b>			
Preferred stock -- no par value; 10,000,000 shares authorized; Series D ESOP: \$.01 stated value; 5,406,548; 5,607,467; and 5,569,684 shares outstanding	243,295	252,336	250,636
Deferred ESOP benefit	(171,513)	(191,868)	(176,823)
Series F: \$.01 stated value; 115,000 shares outstanding in 1997	-	111,043	111,043
Common stock -- \$2.50 par value; 200,000,000 shares authorized; 56,333,984; 55,947,919; and 56,223,923 shares outstanding	140,835	139,870	140,560
Additional paid-in capital	420,724	407,448	416,691
Retained earnings	817,013	892,525	879,043
Accumulated other comprehensive income (loss)	(4,654)	(4,839)	(8,610)
Total shareholders' equity	1,445,700	1,606,515	1,612,540
Total liabilities and shareholders' equity	\$4,986,125	\$4,930,482	\$4,969,924

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

BOISE CASCADE CORPORATION AND SUBSIDIARIES  
STATEMENTS OF CASH FLOWS  
(expressed in thousands)

Nine Months Ended  
September 30

	1998	1997
(unaudited)		
Cash provided by (used for) operations		
Net loss	\$ (25,940)	\$ (37,640)
Cumulative effect of accounting change, net of income tax	8,590	-
Items in net loss not using (providing) cash		
Equity in net loss of affiliates	3,720	3,360
Depreciation, amortization, and cost of company timber harvested	211,320	185,790
Deferred income tax provision (benefit)	6,277	(21,438)
Minority interest, net of income tax	7,730	7,460
Write-down of assets	46,103	-
Other	(12,599)	1,227
Receivables	4,444	(34,301)
Inventories	28,112	(93)
Accounts payable and accrued liabilities	49,151	24,068
Current and deferred income taxes	(15,667)	(10,309)
Other	20,437	(2,184)
	331,678	115,940
Cash provided by (used for) investment		
Expenditures for property and equipment	(175,805)	(208,841)
Expenditures for timber and timberlands	(6,973)	(4,900)
Investments in equity affiliates, net	(429)	(16,747)
Purchases of facilities	(4,042)	(236,820)
Other	(18,995)	(16,340)
	(206,244)	(483,648)
Cash provided by (used for) financing		
Cash dividends paid		
Common stock	(25,324)	(21,781)
Preferred stock	(12,911)	(27,817)
	(38,235)	(49,598)
Short-term borrowings	72,665	(35,500)
Additions to long-term debt	179,672	331,000
Payments of long-term debt	(212,308)	(71,828)
Series F Preferred Stock redemption	(115,005)	-
Other	(3,146)	(167)
	(116,357)	173,907
Increase (decrease) in cash and cash equivalents	9,077	(193,801)
Balance at beginning of the year	63,586	260,851
Balance at September 30	\$ 72,663	\$ 67,050

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

NOTES TO QUARTERLY FINANCIAL STATEMENTS

- (1) **BASIS OF PRESENTATION.** We have prepared the quarterly financial statements pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. These statements should be read together with the statements and the accompanying notes included in our 1997 Annual Report.

The quarterly financial statements have not been audited by independent public accountants, but in the opinion of management, all adjustments necessary to present fairly the results for the periods have been included. The net income (loss) for the three and nine months ended September 30, 1998 and 1997, necessarily involved estimates and accruals. Except as may be disclosed within these "Notes to Quarterly Financial Statements," the adjustments made were of a normal, recurring nature. Quarterly results are not necessarily indicative of results that may be expected for the year.

- (2) On September 6, 1998, our Medford, Oregon, plywood plant was severely damaged by fire. In the third quarter of 1998, we recorded a net pretax gain of \$46.5 million in the Building Products segment and a loss in Corporate and Other of \$1.5 million related to an insurance settlement for this fire. This gain is recorded in "Other (income) expense, net" in the accompanying Statements of Income (Loss). This gain increased net income, or reduced net loss, \$27.5 million for the three and nine months ended September 30, 1998. Basic income per share increased 49 cents and diluted income per share increased 45 cents for the three months ended September 30, 1998. Basic and diluted loss per share was reduced 49 cents for the nine months ended September 30, 1998.

Late in the second quarter of 1998, we adopted a plan to restructure our wood products manufacturing business by permanently closing four



facilities, including sawmills in Elgin, Oregon; Horseshoe Bend, Idaho; and Fisher, Louisiana; and a plywood plant in Yakima, Washington. The Horseshoe Bend and Fisher sawmills have closed, and the Elgin sawmill and Yakima plant are scheduled to close in 1999. Employment for 494 workers at these locations will be affected by these closures. Related to these closures, our Building Products segment recorded pretax losses in the second quarter of 1998 of \$27.0 million for the write-down of assets, \$14.0 million for severance and other employee-related costs, and \$21.0 million for other exit costs, for a total of \$62.0 million. These charges are recorded in "Other (income) expense, net" in the accompanying Statement of Income (Loss). These facilities had sales of \$19.0 million and \$63.1 million for the three and nine months ended September 30, 1998, and sales of \$28.3 million and \$76.9 million for the same periods in 1997. Operating income for these facilities was \$.8 million for the three months ended September 30, 1998, and an operating loss of \$6.4 million for the nine months ended September 30, 1998. For the three and nine months ended September 30, 1997, these facilities had operating losses of \$2.6 million and \$6.6 million.

Also in the second quarter of 1998, our Paper and Paper Products segment recorded a pretax charge of \$19.0 million for the revaluation of certain paper-related assets. Included in the revaluation is an \$8.0 million write-down of a 60% owned joint venture in China that produces carbonless paper. This charge is also recorded in "Other (income) expense, net" in the accompanying Statement of Income (Loss).

- (3) NET INCOME (LOSS) PER COMMON SHARE. Net income (loss) per common share was determined by dividing net income (loss), as adjusted, by applicable shares outstanding. For the nine months ended September 30, 1998, and for the three and nine months ended September 30, 1997, the computation of diluted net loss per share was antidilutive; therefore, amounts reported for basic and diluted loss were the same.

	Three Months Ended September 30		Nine Months Ended September 30	
	1998	1997	1998	1997
	(expressed in thousands)			
<b>BASIC</b>				
Net income (loss) as reported before cumulative effect of accounting change	\$ 47,050	\$ (6,200)	\$ (17,350)	\$ (37,640)
Preferred dividends(a)	(3,515)	(6,249)	(12,094)	(25,546)
Excess of Series F Preferred Stock redemption price over carrying value(b)	-	-	(3,958)	-
Basic income (loss) before cumulative effect of accounting change	43,535	(12,449)	(33,402)	(63,186)
Cumulative effect of accounting change, net of income tax	-	-	(8,590)	-
Basic income (loss)	<u>\$ 43,535</u>	<u>\$(12,449)</u>	<u>\$(41,992)</u>	<u>\$(63,186)</u>
Average shares outstanding used to determine basic income (loss) per common share	<u>56,332</u>	<u>54,814</u>	<u>56,297</u>	<u>50,658</u>
<b>DILUTED</b>				
Basic income (loss) before cumulative effect of accounting change	\$ 43,535	\$(12,449)	\$(33,402)	\$(63,186)
Preferred dividends eliminated	3,515	-	-	-
Supplemental ESOP contribution	(3,001)	-	-	-
Diluted income (loss) before cumulative effect of accounting change	44,049	(12,449)	(33,402)	(63,186)
Cumulative effect of accounting change, net of income tax	-	-	(8,590)	-
Diluted income (loss)	<u>\$ 44,049</u>	<u>\$(12,449)</u>	<u>\$(41,992)</u>	<u>\$(63,186)</u>
Average shares outstanding used to determine basic income (loss) per common share	<u>56,332</u>	<u>54,814</u>	<u>56,297</u>	<u>50,658</u>
Stock options, net	134	-	-	-
Series D convertible preferred stock	4,383	-	-	-
Average shares used to determine diluted earnings (loss) per common share	<u>60,849</u>	<u>54,814</u>	<u>56,297</u>	<u>50,658</u>

- (a) Dividend attributable to our Series D convertible preferred stock held by our ESOP (Employee Stock Ownership Plan) is net of a tax benefit.

(b) Nine months ended September 30, 1998, included a negative seven cents related to the redemption of the Series F Preferred Stock. The loss used in the calculation of loss per share was increased by the excess of the amount paid to redeem the preferred stock over its carrying value.

(4) COMPREHENSIVE INCOME (LOSS). Comprehensive income (loss) for the periods include the following:

	Three Months Ended September 30		Nine Months Ended September 30	
	1998	1997	1998	1997
	(expressed in thousands)			
Net income (loss)	\$ 47,050	\$ (6,200)	\$(25,940)	\$(37,640)
Other comprehensive income (loss)				
Cumulative foreign currency translation adjustment, net of income taxes	2,721	(1,931)	3,956	(3,493)
Comprehensive income (loss), net of income taxes	<u>\$ 49,771</u>	<u>\$ (8,131)</u>	<u>\$(21,984)</u>	<u>\$(41,133)</u>

Accumulated other comprehensive income (loss) for each period ended was as follows:

	September 30		December 31
	1998	1997	1997
	(expressed in thousands)		
Balances at beginning of period			
Minimum pension liability adjustment, net of income taxes	\$(1,995)	\$(2,866)	\$(2,866)
Cumulative foreign currency translation adjustment, net of income taxes	(6,615)	1,520	1,520
Changes within periods			
Minimum pension liability adjustment, net of income taxes	-	-	871
Cumulative foreign currency translation adjustment, net of income taxes	3,956	(3,493)	(8,135)
Balance at end of period	<u>\$(4,654)</u>	<u>\$(4,839)</u>	<u>\$(8,610)</u>

(5) RECEIVABLES. In late September 1998, we sold fractional ownership interests in a defined pool of trade accounts receivable for \$85 million. Accordingly, they are excluded from receivables in the accompanying balance sheet. This program represents a revolving sale of receivables committed to by the purchasers for 364 days and is subject to renewal. The costs of this program compare favorably to our alternative costs of incremental borrowing. Costs related to the program will be included in "Other (income) expense, net" in the Statements of Income (Loss). Under the accounts receivable sale agreement, the maximum amount available from time to time is subject to change based on the level of eligible receivables, restrictions on concentrations of receivables, and the historical performance of the receivables we sell.

(6) DEFERRED SOFTWARE COSTS. We defer purchased and internally developed software and related installation costs for computer systems that are used in our businesses. Deferral of costs begins when technological feasibility of the project has been established and it is determined that the software will benefit future years. These costs are amortized on the straight-line method over a maximum of five years or the useful life of the product, whichever is less. If the useful life of the product is shortened, the amortization period is adjusted. "Other assets" in the Balance Sheets includes deferred software costs of \$36.9 million, \$22.8 million, and \$31.1 million at September 30, 1998 and 1997, and December 31, 1997.

(7) INVENTORIES. Inventories include the following:

	September 30		December 31
	1998	1997	1997
	(expressed in thousands)		
Finished goods and work in process	\$458,999	\$425,284	\$453,268
Logs	74,097	74,956	107,625

Other raw materials and supplies	145,144	146,830	149,870
LIFO reserve	(76,273)	(81,978)	(77,473)
	<u>\$601,967</u>	<u>\$565,092</u>	<u>\$633,290</u>
	=====	=====	=====

(8) CUMULATIVE EFFECT OF ACCOUNTING CHANGE. As of January 1, 1998, we adopted the provisions of a new accounting standard, AICPA Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities," which required the write-off of previously capitalized preoperating costs. Adoption of this standard resulted in a charge for the cumulative effect of accounting change, net of tax, of \$8.6 million, or 15 cents per basic and diluted loss per share, for the nine months ended September 30, 1998.

(9) INCOME TAXES. We used an estimated annual tax rate of 15% for the three and nine months ended September 30, 1998, except for the tax effect of the gain related to the Medford fire which was calculated using a combined federal and state statutory rate of approximately 39%. The estimated annual tax rate of 15% is the same rate used for the three and six months ended June 30, 1998. In 1997, we used an actual annual tax benefit rate of 32%. The tax rate percentage is subject to fluctuations due primarily to the sensitivity of the rate to low income levels, the impact of unusual items such as the restructuring and revaluation charges and the Medford fire gain, and the mix of our income sources.

For the three and nine months ended September 30, 1998, we paid income taxes, net of refunds received, of \$1.2 million and \$10.3 million, and \$1.9 million and \$9.4 million for the same periods in 1997.

(10) DEBT. At September 30, 1998, we had a revolving credit agreement with a group of banks that permits us to borrow as much as \$600 million at variable interest rates based on customary indices. This agreement expires in June 2002. In October 1998, we entered into an interest rate swap with a notional amount of \$75 million that expires in 2000. The swap results in an effective fixed interest rate with respect to \$75 million of our revolving credit agreement borrowings. The revolving credit agreement contains financial covenants relating to minimum net worth, minimum interest coverage ratios, and ceiling ratios of debt to capitalization. Under this agreement, the payment of dividends is dependent upon the existence of and the amount of net worth in excess of the defined minimum. Our net worth at September 30, 1998, exceeded the defined minimum by \$133 million. At September 30, 1998, there were \$125 million of borrowings outstanding under this agreement.

Our majority-owned subsidiary, Boise Cascade Office Products Corporation ("BCOP"), has a \$450 million revolving credit agreement with a group of banks that expires in June 2001 and provides variable interest rates based on customary indices. In October 1998, BCOP entered into an interest rate swap with a notional amount of \$25 million that expires in 2000. The swap results in an effective fixed interest rate with respect to \$25 million of BCOP's revolving credit agreement borrowings. The BCOP revolving credit facility contains customary restrictive financial and other covenants, including a negative pledge and covenants specifying a minimum fixed charge coverage ratio and a maximum leverage ratio. BCOP may, subject to the covenants contained in the credit agreement and to market conditions, raise additional funds through the agreement and through other external debt or equity financings in the future. Borrowings under BCOP's agreement were \$150 million at September 30, 1998.

Also at September 30, 1998, we had \$93.5 million of short-term borrowings outstanding and BCOP had \$74.0 million of short-term borrowings outstanding. At September 30, 1997, we had no short-term borrowings outstanding, while BCOP had \$1.2 million of short-term borrowings outstanding. The maximum amount of short-term borrowings outstanding during the nine months ended September 30, 1998 and 1997, was \$279.9 million and \$294.8 million. The average amount of short-term borrowings outstanding during the nine months ended September 30, 1998 and 1997, was \$205.9 million and \$43.4 million. The average interest rate for these borrowings was 5.9% for 1998 and 5.8% for 1997.

In late 1997, we filed a registration statement with the Securities and Exchange Commission for an additional \$400 million of shelf capacity for debt securities. The effective date of our filing was March 25, 1998. Our total borrowing capacity was \$489.4 million at September 30, 1998.

In early 1998, BCOP filed a registration statement with the Securities and Exchange Commission to register \$300 million of shelf capacity for debt securities. The effective date of the filing was April 22, 1998. On May 12, 1998, BCOP issued \$150.0 million of 7.05% Notes under this registration statement. The Notes are due May 15, 2005. Proceeds from the issuance were used to repay borrowings under BCOP's revolving credit agreement. BCOP has \$150.0 million of borrowing capacity remaining under this registration statement.

Cash payments for interest, net of interest capitalized, were \$43.5 million and \$121.1 million for the three and nine months ended September 30, 1998, and \$51.5 million and \$111.1 million for the three and nine months ended September 30, 1997.

(11) BOISE CASCADE OFFICE PRODUCTS CORPORATION. During the first nine months of 1998, BCOP completed two acquisitions, and during the first nine months of 1997, BCOP completed seven acquisitions, all of which were accounted for under the purchase method of accounting. Accordingly, the purchase prices were allocated to the assets acquired and liabilities assumed based upon their estimated fair values. The initial purchase price allocations may be adjusted within one year of the date of purchase for changes in estimates of the fair values of assets and liabilities. Such adjustments are not

expected to be significant to our results of operations or our financial position. The excess of the purchase price over the estimated fair value of the net assets acquired was recorded as goodwill and is being amortized over 40 years. The results of operations of the acquired businesses are included in our operations subsequent to the dates of acquisition.

On January 12, 1998, BCOP acquired the direct marketing business of Fidelity Direct, based in Minneapolis, Minnesota. On February 28, 1998, BCOP acquired the direct marketing business of Sistemas Kalamazoo, based in Spain. These transactions were completed for cash of \$4.0 million, debt assumed of \$0.2 million, and the recording of \$3.8 million of acquisition liabilities.

On January 31, February 28, and April 17, 1997, BCOP acquired contract stationer businesses in Montana, Florida, and the United Kingdom. On April 30, and May 30, 1997, BCOP acquired computer consumables businesses in North Carolina and Canada. On May 31, 1997, BCOP acquired the promotional products business of OstermanAPI, Inc., based in Maumee, Ohio. In conjunction with the acquisition of Osterman, BCOP formed a majority-owned subsidiary, Boise Marketing Services, Inc. ("BMSI"), of which BCOP owns 88%. BCOP's previously acquired promotional products company, OWNCO, also became part of BMSI. Also in January 1997, BCOP completed a joint venture with Otto Versand to direct market office products in Europe. These transactions, including the joint venture and the formation of the majority-owned promotional products subsidiary, were completed for cash of \$99.7 million, \$2.9 million of BCOP's common stock, and the recording of \$14.2 million of acquisition liabilities.

On July 7, 1997, BCOP acquired 100% of the shares of Jean-Paul Guisset S.A. ("JPG"), a French Corporation. JPG is a direct marketer of office products in France. The negotiated purchase price was FF850.0 million (US\$144.0 million) plus a price supplement payable in the year 2000, if certain earnings and sales growth targets are reached. No liability has been recorded for the price supplement as the amount of payment, if any, is not assured beyond a reasonable doubt. If 1998 results are duplicated in 1999, the price supplement to be paid would be approximately US\$29.0 million. In addition to the cash paid, BCOP recorded US\$5.8 million of acquisition liabilities and assumed US\$10.1 million of long-term debt. In December 1997, Otto purchased a 10% interest in JPG, with an option to purchase an additional 40% interest before January 15, 1998.

Unaudited pro forma results of operations reflecting the above acquisitions would have been as follows. If the 1998 acquisitions had occurred on January 1, 1998, sales for the first nine months of 1998 would have been unchanged, net loss would have decreased \$100,000, and basic and diluted loss per share would have been unchanged. If the 1998 and 1997 acquisitions had occurred on January 1, 1997, sales for the first nine months of 1997 would have increased by \$100 million, net loss would have decreased by \$600,000, and basic and diluted loss per share would have been unchanged. This unaudited pro forma financial information does not necessarily represent the actual results of operations that would have occurred if the acquisitions had taken place on the dates assumed.

- (12) **SHAREHOLDERS' EQUITY.** We have a shareholder rights plan which was adopted in December 1988, amended in September 1990, and renewed in September 1997. The Renewed Rights Agreement becomes operative upon the expiration of the existing Rights Agreement.
- (13) **NEW ACCOUNTING STANDARDS.** In 1997, the Financial Accounting Standards Board issued SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information." This Statement establishes standards for the way public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports issued to shareholders. We will adopt the Statement at year-end 1998. We are still evaluating what impact it will have on our reportable segments. Adoption of this Statement will have no impact on our net income.

In February 1998, the Financial Accounting Standards Board issued SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits." This Statement standardizes the disclosure requirements for pensions and other postretirement benefits and is effective for fiscal years beginning after December 15, 1997. This Statement will have no impact on our net income.

In March 1998, the American Institute of Certified Public Accountants (AICPA) issued Statement of Position 98-1 (SOP 98-1), "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." This SOP is effective for financial statements for fiscal years beginning after December 15, 1998, with earlier application encouraged. We currently account for software costs generally in accordance with this SOP. In April 1998, the AICPA issued SOP 98-5, "Reporting on the Costs of Start-Up Activities." This SOP provides guidance on the financial reporting of start-up costs and organization costs. It requires costs of start-up activities and organization costs to be expensed as incurred. This SOP is effective for financial statements for fiscal years beginning after December 15, 1998, with earlier application encouraged. Unamortized costs are required to be expensed at the time of adoption of the SOP. We adopted this standard as of January 1, 1998 (see note 8).

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This Statement establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. This Statement is effective for fiscal years beginning after June 15, 1999. We plan to adopt this

Statement in the first quarter of 2000. We are in the process of reviewing this new standard. Adoption of this Statement is not expected to have a significant impact on our results of operations or financial position.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### THREE MONTHS ENDED SEPTEMBER 30, 1998, COMPARED WITH THREE MONTHS ENDED SEPTEMBER 30, 1997

Our net income for the third quarter of 1998 was \$47.1 million, compared with a net loss of \$6.2 million for the third quarter of 1997. Basic income per common share for the third quarter of 1998 was 77 cents and diluted income per common share was 72 cents. For the same quarter in 1997, basic loss and diluted loss per common share were 23 cents. Sales for the third quarter of 1998 were \$1.6 billion and \$1.4 billion in the third quarter of 1997. Third quarter 1998 results included a gain from the fire insurance settlement discussed below.

On September 6, 1998, our Medford, Oregon, plywood plant was severely damaged by fire. In the third quarter of 1998, we recorded a net pretax gain of \$46.5 million in the Building Products segment and a loss in Corporate and Other of \$1.5 million related to an insurance settlement for this fire. This gain is recorded in "Other (income) expense, net" in the Statements of Income (Loss). This gain increased net income \$27.5 million for the three months ended September 30, 1998. Basic income per share increased 49 cents and diluted income per share increased 45 cents for the three months ended September 30, 1998. We are currently evaluating options to reconfigure, rebuild, or abandon our Medford, Oregon, plywood plant.

Operating income in the office products segment in the third quarter of 1998 was \$29.3 million, compared to \$29.7 million in the third quarter of 1997. Net sales in the third quarter of 1998 increased 12% to \$760.4 million, compared with \$679.9 million in the third quarter of 1997. The growth in sales resulted primarily from same-location sales growth. Same-location sales increased 10% in the third quarter of 1998, compared with the third quarter of 1997. Gross margins were 24.8% in the third quarter of 1998, compared to 25.1% in the year-ago third quarter. Gross profit decreased in the third quarter of 1998 partly because of increased delivery and occupancy costs at BCOP's Canadian operations as a result of operational challenges associated with the move into a new Toronto distribution center. BCOP's operating expenses were 20.9% of net sales in the third quarter of 1998, compared with 20.7% in the third quarter of 1997. The increase in the third quarter of 1998 was due, in part, to BCOP's direct marketing acquisitions, which have both higher gross margins and higher operating expenses. The increase was also due to higher operating costs at our Canadian operations, as a result of operational challenges associated with the move into a new Toronto distribution center. BCOP's operating margin was 3.9% in 1998 and 4.4% in 1997.

Our Building Products segment had operating income of \$81.3 million in the third quarter of 1998. This includes \$46.5 million related to the Medford fire insurance settlement gain. Excluding the gain, this segment had operating income of \$34.8 million. Operating income for the third quarter of 1997 was \$13.8 million. Sales increased 9% to \$494.4 million compared to \$454.1 million a year ago. The increase in results, excluding the insurance gain, is due to stronger structural panel markets and significant sales growth in building materials distribution, particularly of panels and engineered wood products. Building materials distribution sales increased 25% in the third quarter of 1998, compared with the third quarter of 1997. Additionally, average plywood prices increased 4% in the third quarter of 1998, compared with year-ago levels. These increases were offset by 9% lower lumber prices and 4% lower I-joist prices. Particleboard prices were about flat. Laminated veneer lumber prices were also about flat. Sales volumes for all of our building products, except lumber, improved. Plywood was up 11.5 million square feet, lumber was down 33.8 million board feet, laminated veneer lumber was up 0.4 million cubic feet, I-joist was up 10.2 million equivalent lineal feet, and particleboard was up 1.2 million square feet.

Our Paper and Paper Products segment reported operating income of \$8.2 million in the third quarter of 1998. In the third quarter of 1997, this segment recorded operating income of \$4.9 million. Sales increased 7% to \$435.6 million in the third quarter of 1998 from \$406.1 million in the third quarter of 1997. Performance improved year-over-year primarily because of higher uncoated free sheet sales volume, despite taking nearly 30,000 tons of market- and weather-related production curtailments. Total sales volumes for the third quarter of 1998 increased 23,000 tons to 650,000 tons, compared with 627,000 tons in the third quarter of 1997. Uncoated free sheet volumes increased 28,000 tons as our new world-class uncoated free sheet paper machine in Jackson, Alabama, is now operating at close to rated capacity. Newsprint sales volumes increased 3,000 tons. These increases were offset by a 3,000 ton sales volume reduction in containerboard and a 5,000 ton sales volume reduction in market pulp. Although containerboard prices increased 17% and newsprint prices increased 3% in the third quarter of 1998 compared to the third quarter of 1997, our uncoated free sheet prices declined 4%. Uncoated free sheet accounts for about 54% of our sales volume. Pulp prices were about flat.

Paper segment manufacturing costs per ton in the third quarter of 1998 were 5% higher than in the comparison quarter. The increase from quarter to quarter was due to higher fixed costs spread over a reduced number of tons due to market- and weather-related production curtailments taken in the third quarter. The increase is also due to higher variable costs, primarily wood costs.

Total debt outstanding was \$2.1 billion at September 30, 1998, compared with \$1.9 billion at September 30, 1997. Total debt outstanding was \$2.0 billion at December 31, 1997. Interest expense was \$41.0 million in the third quarter of 1998, compared with \$38.8 million in the same period last year. The increase was due primarily to higher debt levels.

NINE MONTHS ENDED SEPTEMBER 30, 1998, COMPARED WITH NINE MONTHS ENDED  
SEPTEMBER 30, 1997

We had a net loss of \$25.9 million, or 75 cents per basic and diluted common share, for the first nine months of 1998. For the first nine months of 1997, we had a net loss of \$37.6 million. Basic loss and diluted loss per common share were \$1.25. Sales for the first nine months of 1998 were \$4.6 billion, compared with \$4.0 billion for the same period in the prior year. Results for the first nine months of 1998 included the effects of the items discussed below.

On September 6, 1998, our Medford, Oregon, plywood plant was severely damaged by fire. In the third quarter of 1998 we recorded a net pretax gain of \$46.5 million in the Building Products segment and a loss in Corporate and Other of \$1.5 million related to an insurance settlement for this fire. This gain is recorded in "Other (income) expense, net" in the Statements of Income (Loss). This gain increased net income \$27.5 million for the nine months ended September 30, 1998. Basic loss and diluted loss per common share were reduced 49 cents for the nine months ended September 30, 1998. We are currently evaluating options to reconfigure, rebuild, or abandon, our Medford, Oregon, plywood plant.

Late in the second quarter of 1998, we adopted a plan to restructure our wood products manufacturing business by permanently closing four facilities, including sawmills in Elgin, Oregon; Horseshoe Bend, Idaho; and Fisher, Louisiana; and a plywood plant in Yakima, Washington. The Horseshoe Bend and Fisher sawmills have closed, and the Elgin sawmill and Yakima plant will close in 1999. Employment for 494 workers at these locations will be affected by these closures. Related to these closures, our Building Products segment recorded pretax losses in the second quarter of 1998 of \$27.0 million for the write-down of assets, \$14.0 million for severance costs, and \$21.0 million for other exit costs, for a total of \$62.0 million. These charges are recorded in "Other (income) expense, net" in the Statement of Income (Loss). These facilities had sales of \$63.1 million for the nine months ended September 30, 1998 and sales of \$76.9 million for the same period in 1997. Operating losses for these facilities were \$6.4 million for the nine months ended September 30, 1998, and \$6.6 million for the nine months ended September 30, 1997.

Also in the second quarter of 1998, our Paper and Paper Products segment recorded a pretax charge of \$19.0 million for the revaluation of certain paper-related assets. Included in the revaluation is an \$8.0 million write-down of a 60% owned joint venture in China that produces carbonless paper. This charge is also recorded in "Other (income) expense, net" in the accompanying Statement of Income (Loss).

The impact of the restructuring of the wood products manufacturing business, the revaluation of paper-related assets, and the related impact on our estimated 1998 taxes, increased net loss \$65.2 million, or \$1.16 per basic and diluted share, for the nine months ended September 30, 1998.

Also included in the \$25.9 million loss is a net of tax charge of \$8.6 million, or 15 cents per basic and diluted loss per share, for the adoption of the provisions of a new accounting standard, AICPA Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities." This Statement required the write-off of previously capitalized preoperating costs. It was adopted as of January 1, 1998.

Excluding the insurance gain, the restructuring and revaluation charges and related tax impacts, and the accounting change, net income for the first nine months of 1998 would have been \$20.4 million, or 7 cents per basic and diluted share.

Our Office Products segment had operating income of \$98.4 million for the first nine months of 1998, compared with \$83.1 million for the first nine months of 1997. Sales increased 20% to \$2.3 billion, compared with \$1.9 billion a year ago. The increase was due to a combination of acquisitions and same-location sales growth. Same location sales increased 11% year to year. Gross margins were 25.4% in the first nine months of 1998, compared to 25.0% a year ago. The increase was primarily due to increases in BCOP's domestic contract stationer and direct marketing gross margins. The increase was offset slightly by higher delivery and occupancy costs at BCOP's Canadian operations that resulted from operational challenges as BCOP moved into a new distribution center in Toronto. Operating expenses were 21.0% of net sales in the first nine months of 1998, compared with 20.6% in the first nine months of 1997. This increase resulted, in part, from BCOP's direct marketing acquisitions, which have both higher gross margins and higher operating expenses. Direct marketing acquisitions made in the last half of 1997 increased BCOP's cost average compared to the prior year. Operating expense for the first nine months of 1998 also increased due to higher operating costs at BCOP's Canadian operations that resulted from operational challenges associated with the move into a new Toronto distribution center. BCOP's operating margin was 4.4% in 1998 and in 1997.

Our Building Products segment had operating income of \$29.2 million in the first nine months of 1998. This includes the gain from the Medford fire insurance settlement of \$46.5 million and \$62.0 million of restructuring charges. Excluding these items, this segment earned \$44.7 million, compared with income of \$41.8 million in the prior year. Sales for the first nine months of 1998 were \$1.31 billion, up 4% from the \$1.26 billion reported in the prior year. The improvement in operating results is due primarily to stronger structural panel markets and significant sales growth in building materials distribution, particularly of panels and engineered wood products. Sales increased 17% to \$658.9 million in 1998, from \$562.0 million in 1997. Sales volume for plywood was up 29 million square feet, sales volume for laminated veneer lumber was up 8.1 million cubic feet, I-joist sales volume was up 19 million equivalent lineal feet, while particleboard sales volume was about flat. Lumber sales volume declined 70 million board feet. Prices were lower for all products during the first nine months of 1998 compared to the first nine months of 1997. Lumber

prices were down 11%, plywood prices were down 3%, particleboard prices were down 3%, I-joint prices were down 4%, and laminated veneer lumber prices were about flat.

Our Paper and Paper Products segment had operating income of \$28.7 million for the first nine months of 1998. This includes the charge taken in the second quarter of \$19.0 million for the revaluation of assets. Excluding this charge, this segment would have earned \$47.7 million compared with a loss of \$36.6 million for the first nine months of 1997. Sales increased 16% to \$1.35 billion, compared with \$1.16 billion a year ago. The increase is due to increased sales volume for uncoated free sheet paper, despite taking nearly 44,000 tons of market- and weather-related production curtailments, and improved average paper prices for all of the grades we produce. Uncoated free sheet average prices increased 4%, containerboard average prices increased 25%, newsprint average prices increased 11%, and pulp average prices increased 5%. In addition, sales volumes increased 71,000 tons to 1,953,000 tons compared with 1,882,000 tons a year ago. Uncoated free sheet sales volumes increased 87,000 tons and containerboard sales volumes increased 14,000 tons. These increases were offset by a 5,000 tons sales volume decrease in newsprint and a 25,000 ton sales volume decrease in market pulp.

Paper segment manufacturing costs per ton in the first nine months of 1998 were 5% higher than the comparison period. The increase was primarily due to higher wood costs.

Total debt outstanding was \$2.1 billion at September 30, 1998, compared with \$1.9 billion at September 30, 1997. Total debt outstanding was \$2.0 billion at December 31, 1997. The increase was due primarily to higher short-term borrowings. Interest expense was \$121.9 million for the first nine months of 1998, compared with \$98.2 million in the same period last year. Part of the increase in interest expense was due to lower capitalized interest. Capitalized interest in 1998 was \$537,000, compared to \$10.4 million in 1997. With the start-up of the expansion of the Jackson pulp and paper mill in April 1997, the amount of interest capitalized has decreased significantly. The balance of the increase is due primarily to higher debt levels.

#### FINANCIAL CONDITION

At September 30, 1998, we had working capital of \$306.0 million. Working capital was \$393.5 million at September 30, 1997, and \$459.9 million at December 31, 1997. Cash provided by operations was \$331.7 million for the first nine months of 1998, compared with \$115.9 million for the same period in 1997. This increase is due, in part, to improved operating results, including adjustments for noncash items, such as higher depreciation expense and asset write-downs.

In addition, in late September 1998, we sold fractional ownership interests in a defined pool of trade accounts receivable for \$85 million. The sold accounts receivable are excluded from receivables in the balance sheet and represent an increase in cash provided by operations.

At September 30, 1998, we had a revolving credit agreement with a group of banks that permitted us to borrow as much as \$600 million at variable interest rates based on customary indices. This agreement expires in June 2002. In October 1998, we entered into an interest rate swap with a notional amount of \$75 million that expires in 2000. This swap results in an effective fixed interest rate with respect to \$75 million of our revolving credit agreement borrowings. The revolving credit agreement contains financial covenants relating to minimum net worth, minimum interest coverage ratios, and ceiling ratios of debt to capitalization. Under this agreement, the payment of dividends is dependent upon the existence of and the amount of net worth in excess of the defined minimum. Our net worth at September 30, 1998, exceeded the defined minimum by \$133 million. At September 30, 1998, there were \$125 million of borrowings outstanding under this agreement.

Our majority-owned subsidiary, Boise Cascade Office Products Corporation ("BCOP"), has a \$450 million revolving credit agreement with a group of banks that expires in June 2001 and provides variable interest rates based on customary indices. In October 1998, BCOP entered into an interest rate swap with a notional amount of \$25 million that expires in 2000. This swap results in an effective fixed interest rate with respect to \$25 million of BCOP's revolving credit agreement borrowings. The BCOP revolving credit facility contains customary restrictive financial and other covenants, including a negative pledge and covenants specifying a minimum fixed charge coverage ratio and a maximum leverage ratio. BCOP may, subject to the covenants contained in the credit agreement and to market conditions, raise additional funds through the agreement and through other external debt or equity financings in the future. Borrowings under BCOP's agreement were \$150 million at September 30, 1998.

At September 30, 1998, Boise Cascade Corporation and BCOP met all of the financial covenants related to debt.

Also at September 30, 1998, we had \$93.5 million of short-term borrowings outstanding and BCOP had \$74.0 million of short-term borrowings outstanding. At September 30, 1997, we had no short-term borrowings outstanding, while BCOP had \$1.2 million of short-term borrowings outstanding. The maximum amount of short-term borrowings outstanding during the nine months ended September 30, 1998 and 1997, were \$279.9 million and \$294.8 million. The average amount of short-term borrowings outstanding during the nine months ended September 30, 1998 and 1997, were \$205.9 million and \$43.4 million. The average interest rate for these borrowings was 5.9% for 1998 and 5.8% for 1997.

In late 1997, we filed a registration statement with the Securities and Exchange Commission for an additional \$400 million of shelf capacity for debt securities. The effective date of our filing was March 25, 1998. Our total borrowing capacity was \$489.4 million at September 30, 1998.

In early 1998, BCOP filed a registration statement with the Securities and Exchange Commission to register \$300 million of shelf capacity for debt securities. The effective date of the filing was April 22, 1998. On May 12, 1998, BCOP issued \$150.0 million of 7.05% Notes under this registration statement. The Notes are due May 15, 2005. Proceeds from the issuance were used to repay borrowings under BCOP's revolving credit agreement. BCOP has \$150.0 million of borrowing capacity remaining under this registration statement.

Capital expenditures for the first nine months of 1998 and 1997 were \$191.3 million and \$490.3 million. Capital expenditures for the year ended December 31, 1997, were \$578.6 million. The decrease in capital expenditures is primarily due to lower acquisition spending for BCOP and the completion of the Jackson pulp and paper mill expansion in May 1997.

An expanded discussion and analysis of financial condition is presented on pages 18 and 19 of the Company's 1997 Annual Report under the captions "Financial Condition" and "Capital Investment."

#### MARKET CONDITIONS

Negative pressures from global economic turmoil continue. As a result, we expect near-term deterioration in our paper and building products businesses. These pressures, combined with the typical seasonal slowdown, are likely to lead to weaker paper and wood products markets in the months ahead. Pulp and paper prices in October are lower than the third-quarter average, and it is likely that we will take more uncoated free sheet downtime in the fourth quarter. We still have confidence in the long-term prospects of our paper business. Very little new capacity is being planned or constructed anywhere in the world. So when global demand does begin to recover, perhaps in the second half of 1999, we expect supply-and-demand balances to tighten.

Our office products distribution business should show stronger results in the fourth quarter, as the business continues to resolve its recent operating difficulties.

#### NEW ACCOUNTING STANDARDS

In 1997, the Financial Accounting Standards Board issued SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information." This Statement establishes standards for the way public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports issued to shareholders. We will adopt the Statement at year-end 1998. We are still evaluating what impact it will have on our reportable segments. Adoption of this Statement will have no impact on net income.

In February 1998, the Financial Accounting Standards Board issued SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits." This Statement standardizes the disclosure requirements for pensions and other postretirement benefits and is effective for fiscal years beginning after December 15, 1997. This Statement will have no impact on our net income.

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In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This Statement establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. This Statement is effective for fiscal quarters of fiscal years beginning after June 15, 1999. We plan to adopt this Statement in the first quarter of 2000. We are in the process of reviewing this new standard. Adoption of this Statement is not expected to have a significant impact on our results of operations or financial position.

#### TIMBER SUPPLY

The amount of public timber available for harvest in the Pacific Northwest has declined due to environmental litigation and changes in government policy. We expect these constraints on the available public timber to increase. In addition, federal laws, such as the Endangered Species Act, can impact the supply of timber from privately owned lands, increasing the cost of forest management and harvesting operations. These factors make it extremely difficult to accurately predict future timber supplies in the Pacific Northwest.

#### YEAR 2000 COMPUTER ISSUE

Many computer systems in use today were designed and developed using two digits, rather than four, to specify the year. As a result, such systems will recognize the year 2000 as "00." This could cause many computer applications to fail completely or to create erroneous results unless corrective measures are taken. We utilize software and related computer technologies in both our business and



manufacturing computer systems. Both systems will be affected by the Year 2000 issue. We have established a senior information system management team to monitor our activities in the development of Year 2000 compliant systems across our entire company. This team is responsible for evaluating our compliance with Year 2000 requirements and implementing changes.

Over the last two years, we have been replacing many of our business computer systems to realize cost savings and process improvements. These replacements, all of which are Year 2000 compliant, will be completed before the year 2000. Many of the costs associated with these replacements have been and will be deferred. (See Note 6 in "Notes to Quarterly Financial Statements.") A Year 2000 compliance inventory of business computer systems that will not be replaced was completed first quarter 1998. Many of the existing systems are compliant. Costs to bring the remaining systems compliant, including BCOP's, are expected to range from \$6 to \$8 million. These costs will be expensed as incurred. We expect to complete all necessary changes by year-end 1999.

During the first half of 1998, we inventoried our manufacturing computer systems in our Building Products and Paper and Paper Products segments for Year 2000 compliance. In the less complex Building Products process control systems, most systems were found to be compliant. We identified any reprogramming necessary and are in the process of making the appropriate modifications. In the more complex Paper and Paper Products segment process control systems, we have concluded our initial inventory and are doing further evaluation and development of an implementation plan. We expect to complete all necessary changes by year-end 1999. The costs associated with making these systems compliant are estimated to be \$4 to \$5 million. We are currently identifying and surveying our suppliers and customers to determine if critical processes may be impacted by their lack of Year 2000 compliance. Many of our critical suppliers have already confirmed that they are or will be compliant.

The most reasonably likely worst case scenario of failure by us or our suppliers or customers to be Year 2000 compliant would be a temporary slowdown of manufacturing operations at one or more of our locations and a temporary inability to timely process orders and billings and to deliver products to our customers. We are currently developing contingency options in the event that critical systems or suppliers encounter unforeseen Year 2000 problems.

Our discussion of the year 2000 computer issue contains forward-looking information. We believe that our computer systems will be year 2000 compliant and that the costs to achieve compliance will not materially impact our financial condition, operating results or cash flows. Nevertheless, there are factors which could cause actual results to differ from our expectations. These factors include the successful implementation of year 2000 initiatives by our customers and suppliers, changes in the availability and costs of resources to implement year 2000 changes, and our ability to successfully identify and correct all systems affected by the year 2000 issue.

#### EURO CONVERSION

On January 1, 1999, 11 of the 15 member countries of the European Union are scheduled to establish fixed conversion rates between their existing sovereign currencies and the Euro. The participating countries have agreed to adopt the Euro as their common legal currency on that date. The conversion to the Euro will require certain changes to BCOP's information technology and other systems to accommodate Euro-denominated transactions. The cost of these changes is not expected to material. BCOP currently expects all of its European operations to be Euro compliant by the end of 1998.

While the competitive impact of the Euro conversion remains uncertain, BCOP currently does not anticipate a negative impact on its European operations. Alternatively, the conversion to the Euro may provide additional marketing opportunities for BCOP's European operations.

#### FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis includes forward-looking statements. Because these forward-looking statements include risks and uncertainties, actual results may differ materially from those expressed in or implied by the statements. Factors that could cause actual results to differ include, among other things, changes in domestic or foreign competition; the severity and longevity of global economic turmoil; increases in capacity through construction of new manufacturing facilities or conversion of older facilities to produce competitive products; changes in production capacity across paper and wood products markets; variations in demand for our products; changes in our cost for or the availability of raw materials, particularly market pulp and wood; the cost of compliance with new environmental laws and regulations; the pace and the success of acquisitions; the success of office products acquisitions; changes in same-location sales; cost structure improvements; the success and integration of new initiatives and acquisitions; the successful integration of systems; the success of computer-based system enhancements; and general economic conditions.

#### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Changes in interest rates and currency rates expose us to financial market risk. Our debt is predominantly fixed-rate. We experience only modest changes in interest expense when market interest rates change. Most foreign currency transactions have been conducted in the local currency, limiting our exposure to changes in currency rates. Consequently, our market risk-sensitive instruments do not subject us to material market risk exposure. Changes in our debt and our continued international expansion could increase these risks. To manage volatility relating to these exposures, we may enter into various derivative transactions such as interest rate swaps, rate hedge agreements, and forward exchange contracts. Interest rate swaps and rate hedge agreements are used to hedge underlying debt obligations or anticipated transactions. For qualifying hedges, the interest rate differential is reflected as an adjustment to interest expense over the life of the swap or underlying debt. Gains and losses related

to qualifying hedges of foreign currency firm commitments and anticipated transactions are deferred and are recognized in income or as adjustments of carrying amounts when the hedged transaction occurs. All other forward exchange contracts are marked to market, and unrealized gains and losses are included in current period net income. We had no material exposure to losses from derivative financial instruments held at September 30, 1998. We do not use derivative financial instruments for trading purposes.

In October 1998, we entered into an interest rate swap with a notional amount of \$75 million that expires in 2000. The swap results in an effective fixed interest rate with respect to \$75 million of our revolving credit agreement borrowings. Also in October 1998, BCOP entered into an interest rate swap with a notional amount of \$25 million that expires in 2000. The swap results in an effective fixed interest rate with respect to \$25 million of BCOP's revolving credit agreement borrowings.

## PART II - OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

Reference is made to our annual report on Form 10-K for the year ended December 31, 1997, for information concerning legal proceedings.

### ITEM 2. CHANGES IN SECURITIES

None.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

### ITEM 5. OTHER INFORMATION

In September 1998, we amended the advance notice provisions in our bylaws. To be timely filed, we must receive shareholder proposals by at least 45 days before the date we first mailed our proxy materials for the prior year's annual meeting of shareholders. This amendment makes our bylaws consistent with the newly adopted proxy rules of the Securities and Exchange Commission.

Shareholders wishing to submit proposals to be included in our 1999 proxy statement were required to submit them by November 11, 1998. All other proposals to be presented at the 1999 annual shareholders meeting must be delivered to the corporate secretary, in writing, no later than January 25, 1999.

The amended bylaws are included as an Exhibit to this Form 10-Q.

### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

#### (a) Exhibits.

Required exhibits are listed in the Index to Exhibits and are incorporated by reference.

#### (b) Reports on Form 8-K.

No Form 8-Ks were filed during the third quarter of 1998.

SIGNATURES

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

BOISE CASCADE CORPORATION

As Duly Authorized Officer and  
Chief Accounting Officer:

/s/ Tom E. Carlile

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Tom E. Carlile  
Vice President and  
Controller

Date: November 11, 1998

BOISE CASCADE CORPORATION  
INDEX TO EXHIBITS  
Filed With the Quarterly Report on Form 10-Q  
for the Quarter Ended September 30, 1998

<u>Number</u>	<u>Description</u>	<u>Page Number</u>
3	Bylaws, as amended, September 24, 1998	
10.1	Supplemental Early Retirement Plan for Executive Officers, as amended through July 30, 1998	
10.2	1984 Key Executive Stock Option Plan, as amended through July 31, 1998	
10.3	Executive Officer Financial Counseling Program description, as amended through July 30, 1998	
10.4	Boise Cascade Corporation Director Stock Option Plan, as amended through September 23, 1998	
11	Computation of Per Share Earnings	
12	Ratio of Earnings to Fixed Charges	
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## BYLAWS

OF

## BOISE CASCADE CORPORATION

As Amended to September 24, 1998

## OFFICES

Section 1. The registered office of the corporation in Delaware shall be in the city of Wilmington, county of New Castle.

Section 2. The corporation may also have offices at such other places both within and without the state of Delaware as the board of directors may from time to time determine or the business of the corporation may require.

## MEETINGS OF STOCKHOLDERS

Section 3. All meetings of the stockholders for the election of directors shall be held in Boise, Idaho, at such place as may be fixed from time to time by the board of directors, or at such other place either within or without the state of Delaware as shall be designated from time to time by the board of directors and stated in the notice of the meeting. Meetings of stockholders for any other purpose may be held at such time and place, within or without the state of Delaware, as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof.

At a meeting of the stockholders, only business shall be conducted which has been properly brought before the meeting. To be properly brought before a meeting of the stockholders, business must be specified in the notice of meeting (or any supplement thereto) given by, or at the direction of, the board of directors or otherwise properly brought before the meeting by a stockholder. For business to be properly brought before a meeting by a stockholder, the stockholder must have given timely notice of the business to the corporate secretary. To be timely filed, a stockholder's notice must be in writing and received by the corporate secretary at least 45 days before the date the corporation first mailed its proxy materials for the prior year's annual meeting of shareholders. For each matter the stockholder proposes to bring before the meeting, the notice to the corporate secretary shall include (i) a brief description of the business desired to be brought before the meeting and the reasons for conducting the business at the meeting, (ii) the name and record address of the stockholder proposing the business, (iii) the class and number of shares of the corporation which are beneficially owned by the stockholder and (iv) any material interest of the stockholder in such business.

Notwithstanding anything in these bylaws to the contrary, no business shall be conducted at the meeting except in accordance with the procedures set forth in this Section 3.

The chairman of a meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Section 3. If the chairman determines that business was not properly brought before the meeting, the business shall not be transacted.

Section 4. Annual meetings of stockholders, at such date and time as shall be designated from time to time by the board of directors and stated in the notice of the meeting, at which the stockholders shall elect by a plurality vote a board of directors, and transact such other business as may properly be brought before the meeting. Elections of directors may be by voice vote, rather than by written ballot, unless by resolution adopted by the majority vote of the stockholders represented at the meeting, the election of directors by written ballot is required.

Section 5. Written notice of the annual meeting stating the place, date, and hour of the meeting shall be given to each stockholder entitled to vote at such meeting not less than 10 nor more than 60 days (or in the case a vote of stockholders on a merger or consolidation is one of the stated purposes of the annual meeting, not less than 20 nor more than 60 days) before the date of the meeting.

Section 6. The officer who has charge of the stock ledger of the corporation shall prepare and make, at least 10 days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least 10 days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 7. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the certificate of incorporation, may be called by the chairman of the board and shall be called by the chairman of the board or corporate secretary at the request in writing of a majority of the board of directors or a majority of the executive committee. Such request shall state the purpose or purposes of the proposed meeting.

Section 8. Written notice of a special meeting stating the place, date, and hour of the meeting and the purpose or purposes for which the meeting is called, shall be given not less than 10 nor more than 60 days (or in the case of a merger or consolidation, not less than 20 nor more than 60 days) before the date of the meeting, to each stockholder entitled to vote at such meeting.

Section 9. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

Section 10. The holders of a majority of the shares of stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute, by the certificate of incorporation, or by these bylaws. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented any business may be transacted which might have been transacted at the meeting as originally notified. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 11. When a quorum is present at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy, excluding, however, any shares where the holder has expressly indicated that the holder is abstaining from voting on the matter, shall decide any question brought before such meeting, unless the question is one upon which by express provision of the statutes or of the certificate of incorporation or of these bylaws, a different vote is required in which case such express provision shall govern and control the decision of such question.

Section 12. Each stockholder shall at every meeting of the stockholders be entitled to one vote in person or by proxy for each share of the capital stock having voting power held by such stockholder, but no proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. In the election of each director of the corporation, each holder of stock shall have one vote for each share held.

Section 13. Any action required or permitted to be taken at any annual or special meeting of stockholders must be taken at such a meeting duly called, upon proper notice to all stockholders entitled to vote. No action required to be taken or which may be taken at any annual or special meeting of stockholders may be taken without a meeting, without prior notice and without a vote.

#### BOARD OF DIRECTORS

Section 14. The number of directors which shall constitute the whole board of directors shall be fixed from time to time by resolution adopted by the affirmative vote of a majority of the entire board of directors of the corporation, except that the minimum number of directors shall be fixed at no less than three and the maximum number of directors shall be fixed at no more than 15. The directors shall be divided into three classes, as provided in the certificate of incorporation, and each class shall consist, as nearly equal in number as possible, of one-third of the total number of directors constituting the entire board of directors. Except as provided in Section 15 of the bylaws, the directors for all classes shall be elected at the 1985 annual meeting of the stockholders, and thereafter one class of directors shall be elected at each annual meeting of the stockholders: Class I in 1986, Class II in 1987, Class III in 1988, Class I in 1989 and so on. Each director elected shall hold office for the term specified for his or her class in the certificate of incorporation and until his or her successor is elected and qualified or until his or her earlier resignation or removal. No person shall serve as a director of this corporation after the annual stockholders meeting next following his or her 72nd birthday.

Nominations for election to the board of directors of the corporation at a meeting of stockholders may be made by the board, on behalf of the board, by any nominating committee appointed by that board, or by any stockholder of the corporation entitled to vote for the election of directors at the meeting. Nominations, other than those made by or on behalf of the board, shall be made by notice in writing delivered to or mailed, postage prepaid, and received by the corporate secretary not less than 30 days nor more than 60 days prior to any meeting of stockholders called for the election of directors; provided, however, that if less than 35 days' notice or prior public disclosure of the date of the meeting is given to stockholders, the nomination must be received by the corporate secretary not later than the close of business on the seventh day following the day on which the notice of meeting was mailed. The notice shall set forth: (i) the name and address of the stockholder who intends to make the nomination; (ii) the name, age, business address, and, if known, residence address of each nominee; (iii) the principal occupation or employment of each nominee; (iv) the number of shares of stock of the corporation which are beneficially owned by each nominee and by the nominating stockholder; (v) any other information concerning the nominee that must be disclosed of nominees in proxy solicitations pursuant to Regulation 14A of the Securities Exchange Act of 1934; and (vi) the executed consent of each nominee to serve as a director of the corporation if elected.

The chairman of the meeting of stockholders may, if the facts warrant, determine that a nomination was not made in accordance with the foregoing procedures, and if the chairman should so determine, the chairman shall so declare to the meeting and the defective nomination shall be disregarded.

Removal of directors shall be as provided in the certificate of incorporation.

Section 15. Vacancies and newly created directorships resulting from any increase in the authorized number of directors shall be filled by a majority of the remaining directors then in office, even though less than a quorum, or by a sole remaining director. Any additional director of any class elected to fill a vacancy in such a class shall hold office for a term that shall coincide with the remaining term of that class, but in no case will a decrease in the number of directors shorten the term of any incumbent director. A director shall hold office until the next annual meeting for the year in which his or her term expires and until the director's successor shall have been elected and qualified or until his or her earlier resignation or removal.

Section 16. The business of the corporation shall be managed by its board of directors which may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or by the certificate of incorporation or by these bylaws directed or required to be exercised or done by the stockholders.

#### MEETINGS OF THE BOARD OF DIRECTORS

Section 17. The board of directors of the corporation may hold meetings, both regular and special, either within or without the state of Delaware.

Section 18. The first meeting of each newly elected board of directors shall be held without other notice than this bylaw, immediately after, and at the same place as, the annual meeting of stockholders. In the event of the failure to hold the first meeting of a newly elected board at such time and place, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the board of directors, or as shall be specified in a written waiver signed by all of the directors.

Section 19. Regular meetings of the board of directors may be held without notice at such time and at such place as shall from time to time be determined by the board.

Section 20. Special meetings of the board may be called by the chairman of the board on not less than 48 hours' notice to each director, either personally or by mail or by telegram; special meetings shall be called by the chairman of the board or corporate secretary in like manner and on like notice on the written request of two directors.

Section 21. At all meetings of the board a majority of the total number of directors then constituting the whole board shall constitute a quorum for the transaction of business and the vote of a majority of the directors present at any meeting at which there is a quorum shall be the act of the board of directors, except as may be otherwise specifically provided by statute or by the certificate of incorporation. If a quorum shall not be present at any meeting of the board of directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting until a quorum shall be present.

Section 22. Unless otherwise restricted by the certificate of incorporation or these bylaws, any action required or permitted to be taken at any meeting of the board of directors or of any committee thereof may be taken without a meeting, if all members of the board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the board or committee; and any member of the board of directors or of any committee thereof designated by such board may participate in a meeting of such board or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in such meeting shall constitute presence in person at such meeting.

#### COMMITTEES OF DIRECTORS

Section 23. The board of directors shall have an executive committee and such other committees as they may designate by resolution passed by a majority of the whole board, each committee to consist of one or more of the directors of the corporation. The board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. Any such committee, to the extent provided in the resolution, when the board of directors is not in session, shall have and may exercise the powers of the board of directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it. The member of a committee of one or a majority of the members of any other committee shall constitute a quorum for the transaction of business at a meeting thereof, and action by any committee must be authorized by the affirmative vote of the member of a committee of one or of a majority of the members of any other committee present at a meeting at which a quorum is present. If a member of a committee is absent or disqualified from voting at any meeting, the member or members thereof present at the meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of any such absent or disqualified member; provided that at any such meeting, the committee shall not revise or rescind any previous action of the committee without the affirmative vote of a majority of the regular members present.

Special meetings of any committee of the board may be called by the chairman of the board or the chairman of the committee on not less than 48 hours' notice to each member of the committee, either personally or by mail or by telegram. Special meetings of any committee of the board at which members participate by means of conference telephone or similar communications equipment as provided by Section 22 of these bylaws, and at which at least a majority of the members of the committee participate, may be called by the

chairman of the board on not less than six hours' notice to each member of the committee either personally or by telegram.

Section 24. Each committee shall have a chairman, appointed by the board of directors, who shall preside at all meetings of such committee. Each committee shall keep regular minutes of its meetings and report the same to the board of directors when required.

#### COMPENSATION OF DIRECTORS

Section 25. The directors shall receive such compensation and reimbursement of expenses, if any, of attendance at regular and special meetings of the board of directors as may be set from time to time by the board. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor. Members of special or standing committees, including the executive committee, may receive such compensation as shall be approved from time to time by the board.

#### NOTICES

Section 26. Notices to directors and stockholders shall be in writing and delivered personally or mailed to the directors or stockholders at their addresses appearing on the books of the corporation. Notice by mail shall be deemed to be given when the notice is mailed. Notice to directors may also be given by telegram, and shall be deemed to be given at the time of delivery to the telegraph company. Notice to members of committees of the directors as such may also be given orally.

Section 27. Whenever any notice is required to be given under the provisions of the statutes or of the certificate of incorporation or of these bylaws, a waiver thereof in writing signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

#### OFFICERS

Section 28. The officers of the corporation shall be a chairman of the board, a president, one or more vice presidents (the number and designation thereof to be determined by the board of directors), a treasurer, a controller, when such controller is deemed necessary by the board of directors, a corporate secretary, and such assistant treasurers, assistant secretaries, or other officers as may be elected or appointed by the board of directors. Any two or more offices may be held by the same person. The board of directors shall designate either the chairman of the board or the president as the chief executive officer of the corporation and may designate other officers as the chief operating officer and the chief financial officer of the corporation.

Section 29. Officers of the corporation shall be elected by the board of directors. Each officer shall hold office until his successor is chosen and qualified or until his earlier resignation or removal.

Section 30. The board of directors may from time to time appoint such other officers and agents as it shall deem advisable, who shall hold their offices for such terms and shall perform such duties as from time to time may be prescribed by the chairman of the board or the board of directors.

Section 31. Any officer elected or appointed by the board of directors may be removed at any time by the affirmative vote of a majority of the board of directors, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

#### CHIEF EXECUTIVE OFFICER

Section 31A. The chief executive officer of the corporation, who shall be designated from time to time by the board of directors and who shall be either the chairman of the board or the president (as hereinabove provided), shall have general authority over the business and affairs of the corporation, subject to the board of directors, and shall see that all orders and resolutions of the board of directors are carried out.

#### CHAIRMAN OF THE BOARD

Section 32. The chairman of the board shall preside at all meetings of the stockholders and the board of directors. The chairman of the board may sign certificates for shares of the corporation, and any deeds, mortgages, bonds, contracts, or other instruments which the board of directors has authorized to be executed, whether or not under the seal of the corporation, except in cases where the execution thereof shall be expressly delegated by the board of directors or by these bylaws to some other officer or agent of the corporation, or shall be required by law to be otherwise signed or executed, and shall perform such other duties and have such other powers as from time to time may be prescribed by the board of directors.

#### PRESIDENT

Section 33. The president shall have general direction and supervision of the operations of the corporation, subject to the board of directors and the chairman of the board. In the absence of the chairman of the board, or in the event of his or her inability to act, the president shall perform the duties of the chairman of the board and when so acting shall have all the powers of, and be subject to all the restrictions upon, the chairman of the board. The president may sign certificates for shares of the corporation, and any deeds, mortgages, bonds, contracts, or other instruments which the board of directors



has authorized to be executed, whether or not under the seal of the corporation, except in cases where the execution thereof shall be expressly delegated by the board of directors or by these bylaws to some other officer or agent of the corporation, or shall be required by law to be otherwise signed or executed, and shall perform such other duties as from time to time may be prescribed by the board of directors or as may be delegated by the chairman of the board.

#### VICE PRESIDENTS

Section 34. In the absence of the president, or in the event of his inability to act, the vice presidents (or if there be more than one, the executive vice president, senior vice presidents, or the vice presidents in the order designated, or in the absence of any designation then in the order of their election or in the order named for election) shall perform the duties of the president and when so acting shall have all the powers of, and be subject to all the restrictions upon, the president. Each vice president shall perform such other duties as from time to time may be assigned to him by the chairman of the board, the president, or the board of directors.

#### TREASURER

Section 35. The treasurer shall have charge and custody of and be responsible for all funds and securities of the corporation, and the deposit of all moneys in the name of the corporation in such banks, trust companies, or other depositories as shall be selected or approved by the board of directors; and in general shall perform all the duties incident to the office of treasurer and such other duties as from time to time may be assigned to him by the chairman of the board or the board of directors. If required by the board of directors, the treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the board of directors shall determine.

#### CONTROLLER

Section 36. The controller shall be the principal officer in charge of the accounts of the corporation, and shall perform such duties as from time to time may be assigned to him by the chairman of the board or the board of directors.

#### CORPORATE SECRETARY

Section 37. The corporate secretary shall: (a) keep the minutes of the stockholders' and the board of directors' meetings in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these bylaws or as required by law; (c) be custodian of the corporate records and of the seal of the corporation and see that the seal of the corporation is affixed to all certificates for shares prior to the issue thereof and to all documents, the execution of which on behalf of the corporation under its seal is duly authorized in accordance with the provisions of these bylaws; (d) sign with the chairman of the board, the president, or a vice president, certificates for shares of the corporation, the issue of which shall have been authorized by resolution of the board of directors; (e) have general charge of the stock transfer books of the corporation; and (f) in general perform all duties incident to the office of corporate secretary and such other duties as from time to time may be assigned to him by the chairman of the board or the board of directors.

#### ASSISTANT TREASURERS, ASSISTANT CONTROLLERS, AND ASSISTANT SECRETARIES

Section 38. The assistant treasurers shall respectively, if required by the board of directors, give bonds for the faithful discharge of their duties in such sums and with such sureties as the board of directors shall determine. The assistant secretaries as thereunto authorized by the board of directors may sign with the chairman of the board, the president, or a vice president, certificates for shares of the corporation, the issue of which shall have been authorized by a resolution of the board of directors. The assistant treasurers, assistant controllers, and assistant secretaries in general shall perform such duties as from time to time may be delegated to them by the treasurer, controller, or the corporate secretary, respectively, or assigned to them by the chairman of the board or the board of directors.

#### COMPENSATION OF OFFICERS

Section 39. The salaries (including bonuses and similar supplemental payments) of the officers other than of assistant treasurers, assistant controllers, and assistant secretaries shall be fixed or approved from time to time by the board of directors or by the committee of directors to whom such authority shall be delegated by the board of directors, and no officer shall be prevented from receiving such salaries, bonuses, or similar supplemental payments by reason of the fact that he is also a director of the corporation.

#### VOTING AND TRANSFER OF STOCK IN OTHER CORPORATIONS

Section 40. The board of directors may by resolution designate an officer or any other person to act for the corporation and vote its shares in any company in which it may own or hold stock, and may direct in what manner, and for or against what propositions and in case of elections for whom its vote shall be cast. In case, however, the board of directors has not taken express action, the chairman of the board, the president, any vice president, the treasurer, or the corporate secretary may act for this corporation on all stockholder matters connected with any such company, including voting the shares owned or held by this corporation and executing and delivering proxies, waivers and stockholder consents. Certificates of stock owned by this corporation in any other company may be endorsed for transfer by any one of the above listed officers.

## INDEMNIFICATION OF DIRECTORS, OFFICERS AND OTHERS

Section 41. Each person who is or was a director, officer or employee of the corporation, and each person who serves or may have served at the request of the corporation as a director, officer or employee of another corporation, partnership, joint venture, trust, or other enterprise (and the heirs, executors, administrators, and estates of any such person), shall be entitled to indemnity to the fullest extent now or hereafter permitted or authorized by the General Corporation Law of the State of Delaware against any expenses, judgments, fines, and settlement amounts actually and reasonably incurred by such person arising out of his or her status as such director, officer or employee. The corporation shall indemnify any director or officer of the corporation unless the board of directors acting reasonably and in good faith makes a determination that the person has not acted in good faith and in a manner he or she reasonably believed to have been in, or not opposed to, the best interests of the corporation. Such determination shall be made by a majority vote of a quorum consisting of directors who were not parties to the action, suit, or proceeding out of which the claim for indemnification arose, or, if such a quorum is not obtainable, by independent legal counsel selected by the board of directors. Except as expressly provided in any Indemnification Agreement, indemnification and any advancement of expenses under this bylaw will not be mandatory for any person seeking indemnity in connection with a proceeding voluntarily initiated by such person unless the proceeding was authorized by a majority of the entire board of directors. Expenses incurred by a director or officer in defending a civil or criminal action, suit, or proceeding arising out of his or her status as a director or officer shall be paid by the corporation, as these expenses become due, in advance of the final disposition of such action, suit, or proceeding, upon receipt of an undertaking by or on behalf of the director or officer to repay amounts advanced only if it shall ultimately be determined that he or she is not entitled to be indemnified by the corporation. The provisions of this Section 41 shall not be deemed exclusive of any other rights to which any person seeking indemnification may be lawfully entitled under the law of Delaware or any other competent jurisdiction. Any amendment or repeal of this bylaw shall not limit the right of any person to indemnity with respect to actions taken or omitted to be taken by such person prior to such amendment or repeal.

## CERTIFICATES FOR SHARES AND THEIR TRANSFER

Section 42. Each holder of stock in the corporation shall be entitled to have a certificate signed by or in the name of the corporation by the chairman of the board, the president, or a vice president and by the corporate secretary or an assistant secretary, or the treasurer or an assistant treasurer of the corporation, certifying the number of shares owned by him and sealed with the seal or a facsimile of the seal of the corporation. Any of or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent, or registrar at the date of issue.

Section 43. Upon surrender to the corporation or any transfer agent of the corporation of a certificate for shares of the corporation duly endorsed or accompanied by proper evidence of succession, assignment, or authority to transfer, the corporation or transfer agent shall cancel the old certificate, record the transaction on the books of the corporation, and either issue a new certificate to the person entitled thereto or credit the proper number of shares to an account of the person entitled thereto maintained on the books of the corporation. Upon request the corporation or transfer agent shall issue a certificate for all or any part of the shares held in such an account.

Section 44. The board of directors may authorize the issuance of a new certificate in lieu of a certificate alleged by the holder thereof to have been lost, stolen, or destroyed, upon compliance by such holder, or his legal representatives, with such requirements as the board of directors may impose or authorize. Such authorization by the board of directors may be general or confined to specific instances.

## FIXING RECORD DATE

Section 45. In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion, or exchange of stock or for the purpose of any other lawful action, the board of directors may fix, in advance, a record date, which shall not be more than 60 nor less than 10 days before the date of such meeting, nor more than 60 days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for the adjourned meeting.

## REGISTERED STOCKHOLDERS

Section 46. The corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

## DIVIDENDS

Section 47. Dividends upon the capital stock of the corporation, subject to the provisions of the certificate of incorporation, if any, may be declared by the board of directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the certificate of incorporation.

Section 48. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve fund to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the directors shall think conducive to the interest of the corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

#### CHECKS

Section 49. All checks, drafts, or other orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the corporation shall be signed by such officer or officers or such other person or persons as the board of directors may, from time to time, designate.

#### FISCAL YEAR

Section 50. The fiscal year shall begin on the first day of January in each year.

#### SEAL

Section 51. The corporate seal shall have inscribed thereon the name of the corporation, the year of its organization, and the words "Corporate Seal, Delaware." The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

#### AMENDMENTS

Section 52. These bylaws may be altered, amended, or repealed or new bylaws may be adopted by the stockholders or by the board of directors at any regular meeting of the stockholders or of the board of directors or at any special meeting of the stockholders or of the board of directors if notice of such alteration, amendment, repeal, or adoption of new bylaws is contained in the notice of such special meeting.

BOISE CASCADE CORPORATION

SUPPLEMENTAL EARLY RETIREMENT PLAN FOR EXECUTIVE OFFICERS

(As Amended Through July 30, 1998)

BOISE CASCADE CORPORATION

SUPPLEMENTAL EARLY RETIREMENT PLAN FOR EXECUTIVE OFFICERS

ARTICLE I -- PURPOSE OF THE PLAN

The purpose of this Supplemental Plan is to facilitate the orderly succession of Executive Officers with continuity of management by providing additional Early Retirement Benefits for the Executive Officers.

ARTICLE II -- DEFINITIONS

2.1 "Board of Directors" shall mean the Board of Directors of Boise Cascade Corporation.

2.2 "Change in Control." A 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 is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its affiliates other than in connection with the acquisition by the Company or its affiliates of a business) representing 20% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company's then outstanding securities; or

(b) The following individuals cease for any reason to constitute at least 66 2/3% of the number of directors then serving: individuals who, on the date hereof, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the date hereof or whose appointment, election, or nomination for election was previously so approved (the "Continuing Directors"); or

(c) The stockholders of the Company approve a merger or consolidation of the Company with any other corporation or approve the issuance of voting securities of the Company in connection with a merger or consolidation of the Company (or any direct or indirect subsidiary of the Company) pursuant to applicable stock exchange requirements, other than (i) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Company, at least 66 2/3% of the combined voting power of the voting securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (ii) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its subsidiaries other than in connection with the acquisition by the Company or its subsidiaries of a business) representing 20% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company's then outstanding securities; or

(d) The stockholders of the Company approve a plan of complete liquidation or dissolution of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least 66 2/3% of the combined voting power of the voting securities of which are owned by Persons in substantially the same proportions as their ownership of the Company immediately prior to such sale.

Notwithstanding the foregoing, any event or transaction which would otherwise constitute a change in control of the Company (a "Transaction") shall not constitute a change in control of the Company if, in connection with the Transaction, a Participant participates as an equity investor in the acquiring entity or any of its affiliates (the "Acquiror"). For purposes of the preceding sentence, a Participant shall not be deemed to have participated as an equity investor in the Acquiror by virtue of (i) obtaining beneficial ownership of any equity interest in the Acquiror as a result of the grant to a Participant of an incentive compensation award under

one or more incentive plans of the Acquiror (including but not limited to the conversion in connection with the Transaction of incentive compensation awards of the Company into incentive compensation awards of the Acquiror), on terms and conditions substantially equivalent to those applicable to other executives of the Company immediately prior to the Transaction, after taking into account normal differences attributable to job responsibilities, title, and the like; (ii) obtaining beneficial ownership of any equity interest in the Acquiror on terms and conditions substantially equivalent to those obtained in the Transaction by all other stockholders of the Company; or (iii) having obtained an incidental equity ownership in the Acquiror prior to and not in anticipation of the Transaction.

For purposes of this section, "Beneficial Owner" shall have the meaning set forth in Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

For purposes of this section, "Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its subsidiaries, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

2.3 "Committee." The Retirement Committee of the Company appointed by the Board of Directors, which in addition to its other duties and responsibilities, shall have the duties and responsibilities set out in Article V of this Supplemental Plan.

2.4 "Company." Boise Cascade Corporation, a corporation organized and existing under the laws of the state of Delaware, or its successor or successors.

2.5 "Competitor." Any business, foreign or domestic, which is engaged, at any time relevant to the provisions of this Supplemental Plan, in the manufacture, sale or distribution of products, or in the providing of services, in competition with products manufactured, sold or distributed, or services provided, by the Company.

2.6 "Deferred Compensation and Benefits Trust." An irrevocable trust or trusts established or to be established by the Company with an independent trustee or trustees for the benefit of persons entitled to receive payments or benefits hereunder, the assets of which nevertheless will be subject to claims of the Company's creditors in the event of bankruptcy or insolvency and with respect to which the Company shall have received a ruling from the Internal Revenue Service that the trust is a "grantor trust" for federal income tax purposes.

The Deferred Compensation and Benefits Trust contains the following additional 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 or trustees 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.

2.7 "Early Retirement Date." The first day of the month coincident with or next following an Executive Officer's fifty-fifth birthday. If an Executive Officer does not actually end employment with the Company as of the date indicated in the preceding sentence but does terminate at a later date which is before his Normal Retirement Date, the term "Early Retirement Date" shall refer, if the context so indicates, to the date of actual retirement.

2.8 "Early Retirement Benefits" The benefits that will be paid to an Executive Officer who retires from the Company under the provisions of this Supplemental Plan.

2.9 "Effective Date." The date this Supplemental Plan becomes effective as established by the Board of Directors.

2.10 "Involuntary Retirement." The termination of employment of an Executive Officer by action of the Company or the Board of Directors prior to an Executive Officer's Normal Retirement Date but after the Executive Officer has completed ten or more years of service and has reached the age of at least fifty-five years.

2.11 "Executive Officer." A person employed by the Company as an

executive officer as that term is defined by the Securities and Exchange Commission.

2.12 "Normal Retirement Date." The first day of the month coincident with or next following an Executive Officer's sixty-fifth birthday.

2.13 "Potential Change in Control." A Potential Change in Control of the Company shall be deemed to have occurred if (i) the Company enters into an agreement, the consummation of which would result in the occurrence of a Change in Control of the Company; (ii) the Company or any Person publicly announces an intention to take or to consider taking actions which if consummated would constitute a Change in Control of the Company; (iii) any Person becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing 9.5% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company's then outstanding securities; or (iv) the Board adopts a resolution to the effect that a Potential Change in Control of the Company has occurred.

For purposes of this section, "Beneficial Owner" shall have the meaning set forth in Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

For purposes of this section, "Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its subsidiaries, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

2.14 "Salaried Plan." The Boise Cascade Corporation Pension Plan for Salaried Employees and the Boise Cascade Corporation Excess Benefit Plan as they currently are in effect and as amended from time to time after the Effective Date of this Supplemental Plan.

2.15 "Supplemental Plan." The Boise Cascade Corporation Supplemental Early Retirement Plan for Executive Officers as set forth herein and as amended from time to time after the Effective Date.

2.16 Construction. Except to the extent preempted by federal law, this Supplemental Plan shall be construed according to the laws of the state of Idaho. The masculine gender, where appearing in this Supplemental Plan, shall be deemed to include the feminine gender. The words "hereof," "herein," "hereunder" and other similar compounds of the word "here" shall mean and refer to the entire Supplemental Plan, not to any particular provision or section.

#### ARTICLE III -- ELIGIBILITY FOR EARLY RETIREMENT BENEFITS

3.1 Eligibility. An Executive Officer (i) with ten or more years of service with the Company, as defined in the Salaried Plan, (ii) who has served as an Executive Officer of the Company for at least five full years measured from the date of his or her election to such office, and (iii) whose employment with the Company is terminated through Involuntary Retirement, or who elects early retirement on or after his or her Early Retirement Date but before his or her Normal Retirement Date, shall receive the Early Retirement Benefits as set forth in Article IV hereof; provided, however, that in the event an Executive Officer's employment is terminated for "disciplinary reasons," as that term is used in the Company's Termination of Employment Policy, such Executive Officer shall not be eligible to receive any benefits under this Supplemental Plan.

3.2 Notice. If an Executive Officer is required to take Involuntary Retirement under this Supplemental Plan, he shall be given a written notice thereof and shall be advised of the Early Retirement Benefits to be paid hereunder. Additionally, any eligible Executive Officer desiring to retire under the terms of this Supplemental Plan on or after his Early Retirement Date shall notify the Company of his decision, in writing, at least 30 days in advance of his Early Retirement Date.

#### ARTICLE IV -- EARLY RETIREMENT BENEFITS

4.1 Early Retirement Benefits. An Executive Officer who is eligible to retire on his Early Retirement Date but before his Normal Retirement Date and who elects to retire, or who is required to take Involuntary Retirement by the Company during that period, shall receive the Early Retirement Benefits as set forth in Section 4.2 herein.

4.2 Computation of Early Retirement Benefits. The Early Retirement Benefits payable to any Executive Officer who is covered by the provisions of Section 4.1 hereof shall be calculated as follows:

Until age 65, the Early Retirement Benefits payable hereunder shall be an amount equal to the Basic Pension Benefit that would have been payable at age 65 under the Salaried Plan (before reduction to reflect any retirement option selected by the Executive Officer pursuant to Article VII of the Salaried Plan) without reduction on account of early retirement.

Notwithstanding the foregoing, an Executive Officer may make an irrevocable written election at any time up to and including Early Retirement to receive, as an alternative to the amounts described above, Early Retirement Benefits commencing upon Early Retirement equal to the difference between (1) the amount of the Basic Pension Benefit, as defined in the Salaried Plan (before the reduction to reflect any retirement option selected by the Executive Officer pursuant to Article VII of the Salaried Plan), payable to

the Executive Officer as of his Early Retirement Date, without reduction for early retirement under the Salaried Plan, and (2) the amount of the Basic Pension Benefit, as defined in the Salaried Plan (before the reduction to reflect any retirement option selected by the Executive Officer pursuant to Article VII of the Salaried Plan), payable to the Executive Officer as of his Early Retirement Date, after application of the reduction factors as set forth in Article VI of the Salaried Plan due to the Executive Officer's election to retire on or after his Early Retirement Date.

If the calculations made pursuant to this Section 4.2 produce no Early Retirement Benefits for an Executive Officer, then this Supplemental Plan shall not apply to that Executive Officer.

The Company will be secondarily liable for the payment of any amounts that are payable from the Salaried Plan.

4.3 Manner and Adjustment of Payment. The Early Retirement Benefits, as computed in Section 4.2 hereof and as provided hereunder, shall, except as provided in Section 4.6 hereof, become an unfunded general obligation of the Company and shall be paid to the Executive Officer in monthly installments as a supplemental retirement benefit. The Early Retirement Benefits shall be paid in the same form as the Executive Officer's benefits selected under the Salaried Plan and shall be actuarially reduced to reflect the optional form of payment, if any, selected by the Executive Officer under Article VII of the Salaried Plan.

4.4 Executive Officer Not to Compete. If an Executive Officer who is receiving Early Retirement Benefits hereunder and who has not yet reached his Normal Retirement Date provides significant services as an employee or consultant, or otherwise renders services of a significant nature for remuneration, to a Competitor, the Company may, in its discretion, cancel all further Early Retirement Benefits due to be payable to the Executive Officer hereunder; and after the date of cancellation, the Executive Officer shall forfeit all future benefits under this Supplemental Plan. The Company may, in its discretion, consent to an Executive Officer's rendering services to a Competitor; and if it does so consent, it may place whatever limitations it considers appropriate on the consent. If the Executive Officer breaches the terms of the consent, the Company may, in its discretion, cancel all further Early Retirement Benefits due to be payable to the Executive Officer hereunder; and after the date of cancellation, the Executive Officer shall forfeit all future benefits under this Supplemental Plan.

4.5 Supplemental Survivor's Retirement Benefit. In the event an Executive Officer eligible for an Early Retirement supplement under the terms of this Supplemental Plan terminates employment by reason of death, his spouse, if any, shall be eligible to receive a supplemental Survivor's Retirement Benefit under this Plan. The amount of the supplemental Survivor's Retirement Benefit shall be equal to the difference between the Survivor's Retirement Benefit payable under the terms of the Salaried Plan and the amount to which the spouse would be entitled under the terms of both this Supplemental Plan and such Salaried Plan if the employee had elected Early Retirement on the date of his death and had elected to receive benefits in the form of a 50% Joint and Survivor Annuity with the spouse as joint annuitant. A surviving spouse shall not be eligible for a supplemental survivor's benefit under this Plan unless the spouse is eligible for a survivor's benefit under the terms of the Salaried Plan.

4.6 Deferred Compensation and Benefits Trust. The Company is establishing a Deferred Compensation and Benefits Trust ("Trust"), and shall comply with the terms of the Trust. Upon the occurrence of any Potential Change in Control of the Company, the Company shall transfer to the 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, on an actuarial basis and calculated in accordance with the terms of the Trust, to pay the Company's obligations under this Agreement (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. For purposes of calculating the amount required to be transferred by the Company to the Trust, any Executive Officer whose employment has not been previously terminated shall be deemed to have elected to retire upon the later of the second anniversary of the Potential Change in Control or the date as of which that calculation is being made and not to have elected the alternative Early Retirement Benefits under Section 4.2 hereof.

#### ARTICLE V -- DUTIES

5.1 Committee's Powers. Except as otherwise provided in the Supplemental Plan with regard to the powers of the Company, the Committee shall have control of administration of the Plan, with all powers necessary to enable it to carry out its duties hereunder. The Committee shall have the right to inspect the records of the Company whenever such inspection may be reasonably necessary in order to determine any fact pertinent to the performance of the duties of the Committee. The Committee, however, shall not be required to make such inspection but may, in good faith, rely on any statement of the Company or any of its officers or employees.

5.2 Copy of Supplemental Plan to Be Furnished. The Committee shall furnish a copy of this Supplemental Plan to all present and future Executive Officers of the Company who are or become entitled to be covered under this Supplemental Plan as eligible Executive Officers.

5.3 Records. The Committee shall keep a complete record of all its proceedings and all data necessary for administration of the Supplemental

Plan.

5.4 Appeal Procedure. If any Executive Officer feels aggrieved by any decision of the Committee concerning his benefits hereunder, the Committee shall provide, upon written request of the Executive Officer, specific written reasons for the decision. The Committee shall afford an Executive Officer whose claim for benefits has been denied 60 days from the date notice of denial is mailed in which to request a hearing before the Committee. If an Executive Officer requests a hearing, the Committee shall review the written comments, oral statements and any other evidence presented on behalf of the Executive Officer at the hearing and render its decision within 60 days of such hearing. If the Executive Officer still feels aggrieved by the Committee's decision concerning his benefits hereunder, the Executive Officer can request the Executive Compensation Committee of the Board of Directors to review his case. The request for hearing must be made in writing within 60 days from the date of the Committee's decision. The Executive Compensation Committee of the Board of Directors shall review said decision within four months after receiving the Executive Officer's request for review and shall, within a reasonable time thereafter, render a decision respecting the Executive Officer's claim, which shall be final, binding and conclusive.

If any Executive Officer feels aggrieved by any decision of the Company concerning his rights hereunder, the Company shall provide, upon the written request of the Executive Officer, specific written reasons for its decision. If the Executive Officer is not satisfied with the Company's decision with respect to his rights, the Executive Officer can request the Executive Compensation Committee of the Board of Directors to review his case. The Executive Officer's request must be made within 60 days of the mailing of the Company's written decision, and the Executive Compensation Committee of the Board of Directors will handle the review in the same manner as set forth above with respect to appeals from Committee decisions.

#### ARTICLE VI -- AMENDMENT AND TERMINATION

6.1 Amendment. To provide for contingencies which may require the clarification, modification or amendment of this Supplemental Plan, the Company reserves the right to amend this Supplemental Plan at any time; provided, however, no amendment shall affect any benefits previously granted hereunder to any Executive Officer who elected or was required, pursuant to this Supplemental Plan, to retire early. Further, prior to any amendment of the Supplemental Plan, the Company shall give at least 90 days' prior written notice to any Executive Officer, who at the time of the amendment will be eligible to receive Early Retirement Benefits hereunder, of the proposed amendment and his eligibility to elect early retirement prior to the effective date of the amendment.

6.2 Termination. It is the present intention of the Company to maintain this Supplemental Plan indefinitely. Nonetheless, the Company reserves the right, at any time, to terminate the Supplemental Plan; provided, however, no termination shall affect any benefits previously granted hereunder to an Executive Officer who elected or was required, pursuant to this Supplemental Plan, to retire early; and provided further, that prior to any termination, the Company shall give at least 90 days' prior written notice to any Executive Officer, who at the time of the termination will be eligible to receive Early Retirement Benefits hereunder, of the proposed termination and of his option to elect, prior to the termination, to take early retirement under this Supplemental Plan prior to the effective date of the termination.

#### ARTICLE VII -- MISCELLANEOUS

7.1 Benefits Not Transferable or Assignable. None of the benefits, payments, proceeds, claims or rights of any Executive Officer hereunder shall be subject to the claim of any creditor of the Executive Officer, other than the Company as permitted in Section 7.2 hereof; nor shall any Executive Officer have any right to transfer, assign, encumber or otherwise alienate any of the benefits or proceeds which he may expect to receive, contingently or otherwise, under this Supplemental Plan.

7.2 Setoff. The Company shall have the right to withhold and deduct from payments due hereunder to any Executive Officer any amounts owed by the Executive Officer to the Company which were incurred prior to the Executive Officer's Early Retirement Date.



BOISE CASCADE CORPORATION  
1984 KEY EXECUTIVE STOCK OPTION PLAN  
(As Amended Through July 31, 1998)

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 1986, as amended from time to time.

(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) "Competitor" means any business, foreign or domestic, which is engaged at any time relevant to the provisions of this Plan, in the manufacture, sale, or distribution of products, or in the providing of services, in competition with products manufactured, sold, or distributed, or services provided, by the Company. The determination of whether a business is a Competitor shall be made by the Company's General Counsel, in his/her sole discretion.

(f) "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.

(g) "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.

(h) "Employment with any Competitor" means providing significant services as an employee or consultant, or otherwise rendering services of a significant nature for remuneration, to a Competitor.

(i) "Executive Officer" means an Employee who has been duly elected by the Company's board of directors to serve as an executive officer of the Company in accordance with Section 29 of the Company's Bylaws but shall not include assistant treasurers or assistant secretaries.

(j) "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.

(k) "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.

(l) "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."

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

(n) "Retirement" means an Employee's termination of employment with the Company, other than as a result of death, total and permanent disability, or for disciplinary reasons (as defined for purposes of the Company's Corporate Policy Manual) at any time after the Employee has reached age 55 with ten or more Years of Service with the Company as defined in the Company's Pension Plan for Salaried Employees.

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

(p) "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.

(q) "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.

(r) "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 10,100,000. 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% 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).

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.

Notwithstanding the foregoing, Options granted to or held by any Executive Officer may be transferred as a gift (but not sold for value) by such Executive Officer to any parent, grandparent, child, or grandchild of such Executive Officer, or to a trust established for the benefit of any such individual(s). Options so transferred shall continue to be subject to all terms and conditions described in the applicable Stock Option agreement, and any such transfer by gift shall be subject to all applicable rules and regulations of the Internal Revenue Service and Securities and Exchange Commission.

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. If, while unexercised Options remain outstanding hereunder:

(a) Any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its affiliates other than in connection with the acquisition by the Company or its affiliates of a business) representing 20% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company's then outstanding securities; or

(b) The following individuals cease for any reason to constitute at least 66 2/3% of the number of directors then serving: individuals who, on the date hereof, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the date hereof or whose appointment, election, or nomination for election was previously so approved (the "Continuing Directors"); or

(c) The stockholders of the Company approve a merger or consolidation of the Company with any other corporation or approve the issuance of voting securities of the Company in connection with a merger or consolidation of the Company (or any direct or indirect subsidiary of the Company) pursuant to applicable stock exchange requirements, other than (i) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Company, at least 66 2/3% of the combined voting power of the voting securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (ii) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its subsidiaries other than in connection with the acquisition by the Company or its subsidiaries of a business) representing 20% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company's then outstanding securities; or

(d) The stockholders of the Company approve a plan of complete liquidation or dissolution of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least 66 2/3% of the combined voting power of the voting securities of which are owned by Persons in substantially the same proportions as their ownership of the Company immediately prior to such sale;

then from and after the date on which any such event described in paragraphs (a) through (d) above occurs (which shall constitute a "change in control" of the Company), all Options shall be exercisable in full, whether or not then exercisable under the terms of their grant.

Notwithstanding the foregoing, any event or transaction which would otherwise constitute a Change in Control of the Company (a "Transaction") shall not constitute a Change in Control of the Company if, in connection with the Transaction, a Participant participates as an equity investor in the acquiring entity or any of its affiliates (the "Acquiror"). For purposes of the preceding sentence, a Participant shall not be deemed to have participated as an equity investor in the Acquiror by virtue of (i) obtaining beneficial ownership of any equity interest in the Acquiror as a result of the grant to a Participant of an incentive compensation award under one or more incentive plans of the Acquiror (including but not limited to the conversion in connection with the Transaction of incentive compensation awards of the

Company into incentive compensation awards of the Acquiror), on terms and conditions substantially equivalent to those applicable to other executives of the Company immediately prior to the Transaction, after taking into account normal differences attributable to job responsibilities, title and the like; (ii) obtaining beneficial ownership of any equity interest in the Acquiror on terms and conditions substantially equivalent to those obtained in the Transaction by all other stockholders of the Company; or (iii) having obtained an incidental equity ownership in the Acquiror prior to and not in anticipation of the Transaction.

For purposes of this section, "Beneficial Owner" shall have the meaning set forth in Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

For purposes of this section, "Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its subsidiaries, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

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.

FINANCIAL COUNSELING  
(As Amended through July 30, 1998)

As an executive officer of Boise Cascade, you have a choice of two financial-counseling programs.

**DELOITTE & TOUCHE PROGRAM**

This program provides complete financial-counseling services through the accounting firm of Deloitte & Touche. Deloitte & Touche will review your present financial profile, develop and quantify personal financial goals, review income tax and investment strategies, develop a retirement plan, prepare cash-flow forecasts, review risk-management strategies, assist with stock option strategies, and review and assist in the development of an estate plan. The counseling in subsequent years includes updating of the above items as necessary and preparation of annual tax returns.

The value of the first year of participation in the Deloitte & Touche program is estimated to be up to \$7,500. Continuing services are estimated to be valued at up to \$5,500 per year. Since many of Deloitte & Touche's activities will be focusing on Boise Cascade programs, a portion of these fees will be billed directly to Boise Cascade. As a result, your actual out-of-pocket cost will be the tax on Deloitte & Touche's fees for personal planning unrelated to Boise Cascade programs, which are estimated to be \$5,500 for the first year and \$4,500 per year thereafter. If Deloitte & Touche's actual billing is less than these amounts, the actual costs will be added to your W-2 income. An allowance of \$2,000 is also available to cover legal costs associated with the preparation and updating of wills and trusts. Each January 1, an additional \$500 will be added to this allowance, up to a maximum accumulated allowance of \$2,500 for estate planning purposes. There is no gross-up for taxes payable under this program.

Under this program, Deloitte & Touche will invoice you directly for their fees related to your personal financial plan. You should approve the invoice and forward it to the Human Resources Controller, Boise, who will pay Deloitte & Touche directly.

**ALTERNATIVE PROGRAM**

The alternative financial-counseling program makes available up to \$6,000 for your use in obtaining financial-counseling services during your first 12 months as an executive officer. After that, you are allowed \$4,000 per calendar year for financial-counseling services. You may carry over unused amounts, up to one year's allowance (\$4,000), from one year to the next.

Your initial allowance will include \$6,000 for the first 12-month period plus a proration of the annualized \$4,000 allowance for the months remaining in a subsequent calendar year. Thereafter, your financial-counseling allowance will be available for your use on a calendar-year basis.

Under this program, the counsel you seek and how you spend your allowance are completely up to you as long as the money is spent for one or more of the following services: investment planning, tax preparation, tax planning and compliance, or estate planning. This may include several people, including an accountant, a lawyer, and an investment counselor.

Invoices for these services should be sent to the Human Resources Controller's office after you have approved them with your signature. The company will either reimburse you for these expenditures or pay the charges directly.

Since the expenses of these services are generally not deductible for federal income tax purposes, you will receive a cash gross-up payment on reimbursed charges. The gross-up payment will help cover the tax on the payment for services and the tax on the tax payment. The current gross-up is 38.9% based upon a 28% federal tax rate. The gross-up payment will also be deducted from your annual allowance and will be made after the invoice for service has been paid.

Money paid on your behalf by Boise Cascade for these services and gross-up payments are taxable and are reported in your W-2 earnings on a monthly basis, and appropriate withholdings will be deducted from your paycheck on these amounts.

Under either the Deloitte & Touche or the alternative program, it is your responsibility to evaluate the advice you receive and make appropriate decisions in response. Boise Cascade is not responsible for the quality of any services you receive and cannot guarantee the services or results.

## BOISE CASCADE CORPORATION

## DIRECTOR STOCK OPTION PLAN

(As Amended Through September 23, 1998)

## BOISE CASCADE CORPORATION

## DIRECTOR STOCK OPTION PLAN

## 1. Plan Administration and Eligibility.

1.1 Purpose. The purpose of the Boise Cascade Corporation (the "Company") 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 nonemployee director first elected as a director after January 1 but prior to December 31 in any year shall be granted an option covering the same number of shares as options granted to 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 later of July 31 or 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 1,500. 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.

Notwithstanding the foregoing, Options granted to or held by any director may be transferred as a gift (but not sold for value) by such director to any parent, grandparent, child, or grandchild of such director, or to a trust established for the benefit of any such individual(s). Options so transferred shall continue to be subject to all terms and conditions described in the applicable Stock Option agreement, and any such transfer by gift shall be subject to all applicable rules and regulations of the Internal Revenue Service and Securities and Exchange Commission.

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. Notwithstanding Section 3.7, if, while unexercised options remain outstanding hereunder:

(a) Any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its affiliates other than in connection with the acquisition by the Company or its affiliates of a business) representing 20% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company's then outstanding securities; or

(b) The following individuals cease for any reason to constitute at least 66 2/3% of the number of directors then serving: individuals who, on the date hereof, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the date hereof or whose appointment, election, or nomination for election was previously so approved (the "Continuing Directors"); or

(c) The stockholders of the Company approve a merger or consolidation of the Company with any other corporation or approve the issuance of voting securities of the Company in connection with a merger or consolidation of the Company (or any direct or indirect subsidiary of the Company) pursuant to applicable stock exchange requirements, other than (i) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Company, at least 66 2/3% of the combined voting power of the voting securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (ii) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its subsidiaries other than in connection with the acquisition by the Company or its subsidiaries of a business) representing 20% or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company's then outstanding securities; or

(d) The stockholders of the Company approve a plan of complete liquidation or dissolution of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least 66 2/3% of the combined voting power of the voting securities of which are owned by Persons in substantially the same proportions as their ownership of the Company immediately prior to such sale;

then from and after the date on which any such event described in paragraphs (a) through (d) above occurs (which shall constitute a "Change in Control" of the Company), all options previously granted under this Plan shall

be immediately exercisable in full.

Notwithstanding the foregoing, any event or transaction which would otherwise constitute a change in control of the Company (a "Transaction") shall not constitute a change in control of the Company if, in connection with the Transaction, a Participant participates as an equity investor in the acquiring entity or any of its affiliates (the "Acquiror"). For purposes of the preceding sentence, a Participant shall not be deemed to have participated as an equity investor in the Acquiror by virtue of (i) obtaining beneficial ownership of any equity interest in the Acquiror as a result of the grant to a Participant of an incentive compensation award under one or more incentive plans of the Acquiror (including but not limited to the conversion in connection with the Transaction of incentive compensation awards of the Company into incentive compensation awards of the Acquiror), on terms and conditions substantially equivalent to those applicable to other executives of the Company immediately prior to the Transaction, after taking into account normal differences attributable to job responsibilities, title, and the like; (ii) obtaining beneficial ownership of any equity interest in the Acquiror on terms and conditions substantially equivalent to those obtained in the Transaction by all other stockholders of the Company; or (iii) having obtained an incidental equity ownership in the Acquiror prior to and not in anticipation of the Transaction.

For purposes of this section, "Beneficial Owner" shall have the meaning set forth in Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

For purposes of this section, "Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its subsidiaries, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

#### 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.

Boise Cascade Corporation  
Computation of Per Share Earnings

	Three Months Ended September 30		Nine Months Ended September 30	
	1998	1997	1998	1997
	(expressed in thousands, except per share amounts)			
Net income (loss) as reported, before cumulative effect of accounting change	\$ 47,050	\$ (6,200)	\$ (17,350)	\$ (37,640)
Preferred dividends	(3,515)	(6,249)	(12,094)	(25,546)
Excess of Series F Preferred Stock redemption price over carrying value	-	-	(3,958)	-
Basic income (loss) before cumulative effect of accounting change	43,535	(12,449)	(33,402)	(63,186)
Cumulative effect of accounting change	-	-	(8,590)	-
Basic loss	<u>\$ 43,535</u>	<u>\$ (12,449)</u>	<u>\$ (41,992)</u>	<u>\$ (63,186)</u>
Average shares outstanding used to determine basic income (loss) per common share	56,332	54,814	56,297	50,658
Net income (loss) per common share				
Basic income (loss) before cumulative effect of accounting change	\$ .77	\$ (.23)	\$ (.60)	\$(1.25)
Cumulative effect of accounting change	-	-	(.15)	-
Basic income (loss) per common share	<u>\$ .77</u>	<u>\$ (.23)</u>	<u>\$ (.75)</u>	<u>\$(1.25)</u>
Basic income (loss) before cumulative effect of accounting change	\$ 43,535	\$ (12,449)	\$ (33,402)	\$ (63,186)
Preferred dividends eliminated	3,515	3,546	10,649	17,438
Supplemental ESOP contribution	(3,001)	(3,031)	(9,102)	(9,098)
Diluted loss before cumulative effect of accounting change	44,049	(11,934)	(31,855)	(54,846)
Cumulative effect of accounting change	-	-	(8,590)	-
Diluted loss	<u>\$ 44,049</u>	<u>\$ (11,934)</u>	<u>\$ (40,445)</u>	<u>\$ (54,846)</u>
Average shares outstanding used to determine basic income (loss) per common share	56,332	54,814	56,297	50,658
Stock options, net	134	542	227	457
Series G conversion preferred stock	-	851	-	4,871
Series D convertible preferred stock	4,383	4,526	4,420	4,570
Average shares used to determine diluted income (loss) per common share	60,849	60,733	60,944	60,556
Diluted income (loss) before cumulative effect of accounting change	\$ .72	\$ (.20)	\$ (.52)	\$ (.91)
Cumulative effect of accounting change	-	-	(.14)	-
Diluted income (loss) per common share	<u>\$ .72</u>	<u>\$ (.20)</u>	<u>\$ (.66)</u>	<u>\$ (.91)</u>

(1) Because the computation of diluted loss per common share was antidilutive, the diluted loss per common share reported for the three and nine months ended September 30, 1997, and for the nine months ended September 30, 1998, was the same as basic loss per common share.

BOISE CASCADE CORPORATION AND SUBSIDIARIES  
Ratio of Earnings to Fixed Charges

	Year Ended December 31					Nine Months Ended September 30	
	1993	1994	1995	1996	1997	1997	1998
	(dollar amounts expressed in thousands)						
Interest costs	\$ 172,170	\$ 169,170	\$ 154,469	\$ 146,234	\$ 153,691	\$ 110,491	\$ 132,989
Interest capitalized during the period	2,036	1,630	3,549	17,778	10,575	10,435	537
Interest factor related to noncapitalized leases(1)	7,485	9,161	8,600	12,982	11,931	9,031	9,212
<b>Total fixed charges</b>	<b>\$ 181,691</b>	<b>\$ 179,961</b>	<b>\$ 166,618</b>	<b>\$ 176,994</b>	<b>\$ 176,197</b>	<b>\$ 129,957</b>	<b>\$ 142,738</b>
Income (loss) before income taxes, minority interest, and cumulative effect of accounting change	\$(125,590)	\$ (64,750)	\$ 589,410	\$ 31,340	\$(28,930)	\$ (47,900)	\$ 1,430
Undistributed (earnings) losses of less than 50% owned persons, net of distributions received	(922)	(1,110)	(36,861)	(1,290)	5,180	3,361	3,718
<b>Total fixed charges</b>	<b>181,691</b>	<b>179,961</b>	<b>166,618</b>	<b>176,994</b>	<b>176,197</b>	<b>129,957</b>	<b>142,738</b>
Less: Interest capitalized	(2,036)	(1,630)	(3,549)	(17,778)	(10,575)	(10,435)	(537)
Guarantee of interest on ESOP debt	(22,208)	(20,717)	(19,339)	(17,874)	(16,341)	(12,301)	(11,059)
<b>Total earnings (losses) before fixed charges</b>	<b>\$ 30,935</b>	<b>\$ 91,754</b>	<b>\$ 696,279</b>	<b>\$ 171,392</b>	<b>\$ 125,531</b>	<b>\$ 62,682</b>	<b>\$ 136,290</b>
<b>Ratio of earnings to fixed charges(2)</b>	-	-	4.18	-	-	-	-

(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 \$150,756,000, \$88,207,000, \$5,602,000, and \$50,666,000 for the years ended December 31, 1993, 1994, 1996, and 1997 and \$67,275,000 and \$6,448,000 for the nine months ended September 30, 1997 and 1998.

The data schedule contains summary financial information extracted from Boise Cascade Corporation's Balance Sheet at September 30, 1998, and from its Statement of Income for the nine months ended September 30, 1998. The information presented is qualified in its entirety by reference to such financial statements.

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9-MOS	
DEC-31-1998	SEP-30-1998
	69,048
	3,615
	653,491
	9,821
	601,967
1,429,336	
	5,004,801
2,152,326	
4,986,125	
1,123,290	
	1,839,368
0	
	243,295
	140,835
4,986,125	1,061,570
	4,625,940
4,625,940	
	3,872,390
	4,500,350
	0
	0
121,930	
	1,430
	(11,050)
(25,940)	
	0
	0
	0
	(25,940)
	(.75)
	(.75)