BOISE CASCADE CORP
Form DEF 14A
March 06, 2001

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SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
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Boise Cascade Corporation

(Name of Registrant as Specified In Its Charter)

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Annual Meeting of Shareholders

Boise, Idaho April 19, 2001

Notice and Proxy Statement

NOTICE OF ANNUAL MEETING

Thursday, April 19, 2001
12 noon, Mountain Daylight Time

Powerhouse Event Center
621 South 17th Street
Boise, Idaho

March 6, 2001

Dear Shareholder:

You are cordially invited to attend the 2001 Boise Cascade Corporation annual meeting of shareholders to:

- elect five directors to serve three-year terms;
- approve appointment of Arthur Andersen LLP as independent auditors for 2001;
- approve an amendment to the 1984 Key Executive Stock Option Plan to increase the number of shares of common stock available for issuance;
- approve the Key Executive Performance Unit Plan;
- consider and act upon two shareholder proposals; and
- conduct other business properly brought before the meeting.

Shareholders who owned stock at the close of business on February 26, 2001, can vote at the meeting.

Your vote is important. Whether you plan to attend or not, please sign, date, and return the enclosed proxy card in the envelope provided. If you attend the meeting and prefer to vote at that time, you may do so.

Thank you for your ongoing support of and continued interest in Boise Cascade.

Sincerely yours,

George J. Harad
Chairman and
Chief Executive Officer

Table of Contents

Boise Cascade Corporation

Boise Cascade is a major distributor of office products and building materials and an integrated manufacturer and distributor of paper and wood products. We also own or control 2.3 million acres of timberland in the United States. We use third-party audits and an advisory council of independent experts in our Forest Stewardship Program to ensure the protection of wildlife, plants, soil, and air and water quality. The address of our corporate headquarters is 1111 West Jefferson Street, P.O. Box 50, Boise, Idaho 83728-0001, and our telephone number is (208) 384-6161. You can visit us on the Internet at www.bc.com.

Annual Meeting Information

Proxy Statement

This proxy statement summarizes information we must provide to you under the rules of the Securities and Exchange Commission (SEC). It is designed to assist you in voting your shares. We began mailing these proxy materials on or about March 6, 2001.

Voting

Shareholders can vote by:

- returning a completed proxy card by mail;
- delivering a completed proxy card to the inspector of election prior to the annual meeting; or
- completing a ballot and returning it to the inspector of election during the annual meeting.

If you submit a properly executed proxy card, the individuals named on the card, as your proxies, will vote your shares in the manner you indicate. If you sign and return the card without indicating your instructions, your shares will be voted *for* the:

- election of the five nominees to serve three-year terms on our board of directors;
- appointment of Arthur Andersen LLP as our independent auditors for 2001;
- amendment of the 1984 Key Executive Stock Option Plan; and
- approval of the Key Executive Performance Unit Plan

and *against* the shareholder proposals to:

- declassify our board of directors; and
- separate the position of chairman of the board and chief executive officer.

You may revoke or change your proxy at any time prior to the vote at the annual meeting. To do so:

- deliver a new proxy to the independent tabulator, Corporate Election Services, Inc.;
- give us written notice of your change or revocation; or
- attend the annual meeting and vote in person.

Each share of Boise Cascade stock is entitled to one vote. As of February 26, 2001 (the record date for determining shareholders entitled to vote at the meeting), we had the following outstanding voting stock:

Type/Series of Stock	Number of Shares Outstanding
Common stock	57,340,481
Convertible preferred stock, Series D (ESOP)	4,649,507

Boise Cascade Employees Who Are Shareholders

Employees participating in the Employee Stock Ownership Plan (ESOP) fund of our Savings and Supplemental Retirement Plan (SSRP) or in the company's common stock fund in one of our savings plans will receive one proxy for all their shares in these plans. ESOP participants may instruct the plan's trustee how to vote the shares allocated to their accounts, as well as a proportionate amount of unallocated and unvoted shares. Participants in the company's common stock fund may instruct the plans' trustee how to vote the shares allocated to their accounts. If you do not provide instructions, the plans provide that the trustee will vote your shares in the same proportion as shares for which other participants have provided voting instructions.

Confidential Voting Policy

We have a confidential voting policy. Shareholders' votes on our proxy card will not be disclosed to us other than in limited situations. The tabulator will collect, tabulate, and retain all proxy cards and will forward any comments written on the proxy cards to management.

Votes Necessary for Action to be Taken

A quorum is necessary to hold a valid meeting. A quorum will exist if a majority of the shareholders entitled to cast votes at the meeting are present in person or by proxy.

The five nominees who receive the greatest number of votes at the annual meeting will be elected as directors. The appointment of Arthur Andersen LLP as our independent public accountants for 2001, approval of the 1984 Key Executive Stock Option Plan amendment, and approval of the Key Executive Performance Unit Plan require an affirmative vote of the majority of the votes cast on these matters.

The shareholder proposal regarding declassifying our board of directors will be approved if the votes for the proposal exceed the votes against the proposal. Declassifying the board and reinstating an annual election of directors will not automatically occur if this proposal is approved. Eliminating board classification would require a formal amendment to our Certificate of Incorporation. Amendment of the Certificate of Incorporation requires approval by at least 80% of the outstanding shares entitled to vote.

Approval of the shareholder proposal regarding separation of the position of chairman of the board and chief executive officer requires an affirmative vote of the majority of the votes cast on this matter. Separating the position of chairman of the board and chief executive officer will not automatically occur if this proposal is approved. Separation of this position would require a formal amendment to our Bylaws.

Abstentions do not count as votes cast either for or against the directors, the independent public accountants, or any of the proposals. Broker nonvotes do not count as votes cast either for or against any of the proposals.

Proxy Solicitation

We will pay the expenses of soliciting proxies. We retained D. F. King and Company Inc. to assist us in the distribution and solicitation of proxies. We will pay D. F. King a fee of $14,500, plus expenses, for these services. Proxies may also be solicited on our behalf by directors, officers, and other employees in person or by telephone or electronic transmission. We will not, however, specially compensate these persons for doing so.

Items You May Vote On

1. Election of Directors

We have five nominees for election this year. Detailed information on each nominee is provided beginning on page 10. If a nominee is unavailable for election, either we will vote the proxies for another nominee recommended by the Governance Committee and nominated by the board of directors or the board may reduce the number of directors to be elected at the meeting.

Your board unanimously recommends a vote "FOR" each of these nominees.

2. Appointment of Independent Public Accountants

Your board of directors, upon the recommendation of its Audit Committee, has appointed Arthur Andersen LLP to serve as our independent auditors for 2001, subject to shareholder approval. Arthur Andersen has served us in this capacity since 1956. Representatives of Arthur Andersen will be present at the annual meeting to answer questions. They will also have the opportunity to make a statement if they desire to do so.

Audit services provided by Arthur Andersen during 2000 included an audit of the consolidated financial statements included in our Annual Report, audits of employee benefit plan financial statements, and a review of other filings with the SEC and other governmental agencies. For additional information regarding the services Arthur Andersen provided for us during the year, see the "Audit Committee Report" on page 19.

Your board unanimously recommends a vote "FOR" the approval of Arthur Andersen LLP as our independent auditors for 2001.

3. Amendment of 1984 Key Executive Stock Option Plan

We ask you to consider and approve an amendment, adopted by the board of directors in February 2001, to our Key Executive Stock Option Plan ("KESOP"). This amendment, subject to your approval, increases the number of shares available under the plan by 3,400,000 shares.

History and Operation of the KESOP

We use the KESOP to tie a portion of our key employees' total compensation directly to improvement in shareholder value. The KESOP also supports our ability to attract and retain highly qualified managers in key positions.

Under the KESOP, the Executive Compensation Committee of the board of directors may grant options to key employees, including executive officers, to purchase shares of the company's common stock. Nonemployees are not eligible for grants under this plan. In 2000, 25 executive officers and 302 other key employees received option grants under the plan. There are 5,843,306

shares of our common stock that remain subject to options from prior grants. We have 476,892 shares currently available for future stock option grants under the plan.

Options under the KESOP must be granted at the fair market value of the company's common stock on the date of grant. The plan does not permit "repricing" of previously granted options. No incentive stock options or tax offset bonuses have been granted under the plan. All previously granted stock appreciation rights were canceled effective May 1, 1991, and no stock appreciation rights have been granted since then.

Employees exercising an option may pay the exercise price in the form of:

- cash;
- Boise Cascade stock that has a fair market value equal to the exercise price;
- proceeds of a loan authorized by the Executive Compensation Committee; or
- any combination of the above methods (including a "cashless" broker-assisted process).

The board of directors may amend the KESOP at any time and may make adjustments to the KESOP and outstanding options, without shareholder approval, to reflect a stock split, stock dividend, recapitalization, merger, consolidation, or other corporate events. Shareholders, however, must approve amendments which:

- change the number of shares subject to this plan;
- change employee eligibility requirements;
- change the method of pricing options on the grant date;
- allow any member of the Executive Compensation Committee to receive an option;
- change the manner of computing the amount to be paid through a stock appreciation right;
- materially increase the cost of the KESOP to the company or the benefits to participants; or
- extend the period for granting options or stock appreciation rights.

Options may not be granted under the KESOP after July 24, 2004. The plan, however, will remain in effect until all stock subject to the plan has been purchased through the exercise of options granted under the plan.

Federal Income Tax Consequences

Under current federal law, an employee granted a stock option under the KESOP has no income tax consequences at that time. If the employee exercises an option, then at that time he or she will realize ordinary income equal to the difference between the value of the common stock and the exercise price. In general, shares acquired by exercising an option have a basis equal to the market value of the stock on the date of exercise. When an employee exercises an option, the company is entitled to a federal income tax deduction in the same amount as the employee's realized income.

Proposed Plan Amendment

This amendment increases the number of shares available under the plan by 3,400,000 shares.

The board believes this amendment is essential to maintain our balanced and competitive total compensation program. Without this amendment, we would not have sufficient shares available under the plan to provide for continued option grants in 2001 and beyond, consistent with the

purpose of the plan and our normal compensation practices. In order to maintain the continuity and consistency of the program, the board recommends amending the plan to authorize additional shares.

This amendment will not be effective unless it is approved by our shareholders.

Additional Information

As of February 26, 2001, the closing price of our common stock on the New York Stock Exchange was $32.11 per share. We cannot determine the number of options under the KESOP that will be granted in 2001 to specific officers, officers as a group, or nonofficer employees as a group. The plan, however, does not permit grants to any one individual, during the life of the plan, of options to purchase more than 15% of the total number of shares authorized for issuance under the plan. You can find more information regarding options granted and exercised under the KESOP on page 26 under "Stock Option Tables." The tables show the stock options granted under the KESOP to our employees and executive officers in 2000. These amounts would have been the same under the proposed amendment. A copy of the plan is on file with the Securities and Exchange Commission.

The Board of Directors Unanimously Recommends a Vote "FOR" the Approval of the Amendment to the Key Executive Stock Option Plan.

4. Approve Key Executive Performance Unit Plan

We ask you to consider and approve the adoption of the Key Executive Performance Unit Plan ("KEPUP") so that Boise Cascade will be entitled to deduct, as compensation expense, amounts paid to executives under this plan.

Description of the Key Executive Performance Unit Plan

The company relies on its long-term incentive compensation program to attract and retain the key executives essential for its continuing success. The program is also designed to incent performance that adds to long-term shareholder value. For a number of years, this long-term incentive compensation has been provided solely through stock options granted under the KESOP.

We periodically review the program to assess whether it is continuing to promote these objectives. As a result of a review during 2000, the Executive Compensation Committee adopted the KEPUP in February 2001. It will *reduce* the amount of long-term compensation provided through the KESOP and *add* an element of long-term compensation which may be earned if the company's financial performance compares favorably to that achieved by our key business competitors. Our key business competitors, for this purpose, include all the companies which comprise the Standard & Poor's paper and forest products company index used for comparison purposes in our performance graph, plus several other companies chosen because they have comparable distribution businesses. The KEPUP is not intended to increase the total long-term incentive compensation paid to executives over time. It is intended to add incentives to achieve financial benchmarks that exceed the financial performance of these competitors and to encourage participants to remain in the company's service.

Implementation of the KEPUP does not require shareholder approval. For us to be able to fully deduct compensation paid to our executive officers under the KEPUP, however, federal tax laws require that our shareholders approve the material features of the plan. A copy of the KEPUP is on file with the Securities and Exchange Commission.

The KEPUP will help reduce the potential dilutive effect, over time, of our stock options and will help our compensation program be more competitive in the employment market. By using improvement in economic value added as the financial measure and comparing the company's financial performance against that of our key competitors, the new plan will continue to link the executive's long-term compensation with improvements in long-term shareholder value.

Under the program, participants will be granted Performance Units. The value of each Performance Unit will be paid as additional cash compensation based on the company's financial performance over rolling three-year periods, measured by "economic value added," and compared to the financial performance of a key competitor group. "Economic value added" is determined by calculating our pretax operating profit and then subtracting a charge for the capital used to generate that profit. Unless the company meets at least minimum relative performance standards, the Performance Units will have no value. Each Performance Unit has a maximum potential value of $2.25. The number of Performance Units granted to each executive officer is based on a target value of $1.00 per unit, which will be earned if the company's three-year improvement in economic value added is better than half the competitor group's economic value added improvement.

Actual payments under the program, if any, will vary from year to year, depending on our financial performance over each three-year period and how it compares with the competitor group's performance.

We cannot determine the number of Performance Units that either will be granted in 2001 or would have been granted in 2000, if the KEPUP had been in effect, to specific officers or officers as a group. Under the plan, however, no executive officer may be granted more than 1,500,000 Performance Units in any one year.

The value, if any, of the Performance Units to be granted in 2001 will be determined by the company's financial performance during the period 2001-2003 relative to the competitor group's financial performance during the same period, measured by improvement in economic value added.

If the Performance Units granted under the plan have value at the end of the three-year period, participants may elect to defer receipt of all or a portion of the amount earned under the terms of our Key Executive Deferred Compensation Plan. These deferred amounts become unfunded general obligations of Boise Cascade. Deferred amounts are either credited with interest at a rate based on Moody's Corporate Bond Index or credited with Stock Units. A copy of the Key Executive Deferred Compensation Plan is also on file with the Securities Exchange Commission. In the event of a change in control, as defined in the plan, a trust will pay the previously deferred awards. For more information on this trust, see "Deferred Compensation and Benefits Trust" on page 32.

The Executive Compensation Committee is responsible for overseeing the administration of the KEPUP. The committee may amend or terminate the plan at any time, but any amendment or termination may not adversely affect a participant's earned or accrued benefits.

Federal Income Tax Consequences

Cash amounts received by executives under the KEPUP are subject to income taxation in the year received. Boise Cascade will be entitled to deduct, as compensation expense, amounts paid to executives under this plan if it is approved by shareholders.

The Board of Directors Unanimously Recommends a Vote "FOR" the Approval of the Key Executive Performance Unit Plan.

5. Shareholder Proposal Regarding Classified Board

In October 2000, we received a shareholder proposal to declassify our board of directors.

Proposal

Gail H. Rowe, c/o Morgan Stanley Dean Witter, 1087 West River Street, Suite 300, Boise, Idaho 83707, who owns 200 shares of Boise Cascade common stock, has given us notice that she intends to present the following proposal at the annual meeting.

> RESOLVED, that the stockholders of Boise Cascade Corp. urge the board to take the necessary steps to amend the Company's Bylaws, in compliance with applicable law, to reorganize itself into one class. The reorganization shall be done in a manner that does not affect the unexpired terms of directors previously elected.

Statement by Shareholder in Support of the Proposal

Accountability by the board of directors is of paramount importance to shareholders. This proposal aims to eliminate the Company's so-called "classified board," whereby the directors are divided into three classes, each serving a three-year term. Under the current structure, shareholders can only vote on one-third of the board at any given time. By classifying itself, a board insulates its members from immediate challenge. Insularity may have made sense in the past (e.g., during the takeover frenzy of the 1980s). But now, we believe that insularity works primarily to hamper accountability. A classified board can prevent shareholders from mounting a successful opposition to the entire board, because only one-third of the directors are up for election in any given year. By way of contrast, a declassified board would stand for election in its entirety, every year. Many thoughtful investors believe that corporate governance procedures and practices, and the level of accountability they impose, are closely related to financial performance. It is intuitive that, when directors are accountable for their actions, they perform better. Boise Cascade's financial performance has disappointed. This resolution is intended to improve that performance through this structural reorganization of the board. If the board acts on our proposal, shareholders would have the opportunity to register their views at each annual meeting on performance of the board as a whole, and of each director as an individual.

Statement by Directors in Opposition to the Proposal

In 1985, the company's shareholders voted overwhelmingly to create a classified board. At that time, the board cited two primary benefits of a classified board structure:

> First, a classified board would provide the assurance of continuity, stability, and knowledge in the business affairs and financial strategies of the company, because a majority of the directors would always have prior experience as directors of the company. This continuity of directors would ensure that the board had the necessary background and knowledge to handle these issues and others in a way that would best enhance shareholder value.

> Second, with staggered elections, at least two annual shareholder meetings would be required to change control of the board of directors. This fact would enhance the board's ability to negotiate with a person or entity seeking to gain control of the company. This enhanced negotiating leverage would put the board in a better position to achieve higher shareholder value if a change in control situation were to arise.

In 2000, a shareholder proposal by Dr. John Osborn to declassify the board received a majority of shareholder votes cast for and against the proposal (although less than a majority of all outstanding shares). An 80% affirmative vote of all outstanding shares would be required to amend the Certificate of Incorporation to eliminate the classified board provision.

Since the shareholder vote of 2000, your board has once again considered the classified board structure. After lengthy and thoughtful consideration and discussion, the board has concluded that the classified board structure continues to be in the best interests of the company and its shareholders. The majority vote at the company's last annual meeting was given considerable weight in the board's discussion. Nevertheless, the board observed the current climate of rapid consolidation in our industry and the merger and takeover activity associated with that consolidation. Indeed, substantial consolidation activity has taken place since the 2000 annual meeting.

Given the recent consolidation in the industry, the board noted that the classified structure is perhaps even more important now than it was at the time of its adoption 15 years ago. A classified structure provides the board with the ability to protect shareholder interests in the event of a change of control. This fact is exemplified by the recent proposed acquisition of Willamette by Weyerhaeuser. A November 14, 2000, *Wall Street Journal* article noted that Willamette's classified board structure gave Willamette additional time to negotiate with Weyerhaeuser for a higher price.

The board believes that each of the company's directors is accountable to the company's shareholders, whether he or she is elected for a one-year term or for a three-year term. Board classification does not prevent shareholders from voting for or against directors when they are presented for election. Except for our chairman of the board, all of our directors are independent. Additionally, all of our directors have received high shareholder support: no nominee received less than 96% of the votes cast in the last five years. More frequent votes for each director are unnecessary.

Your board understands that this issue continues to be important to many of the company's shareholders. In recognition of this interest in board structure and other governance issues, the board formed a Governance Committee in December 2000. The committee is made up entirely of independent directors and is charged with, among other things, reviewing corporate governance issues and addressing related shareholder concerns. The Governance Committee will continue to periodically review the classified board to evaluate whether such a structure continues to serve the best interests of the company and its shareholders.

The Board of Directors Unanimously Recommends a Vote "AGAINST" the Proposal to Declassify Boise Cascade's Board.

6. Shareholder Proposal Regarding Separation of Position of Chairman of the Board and Chief Executive Officer

In November 2000, we received a shareholder proposal to separate the position of chairman of the board and chief executive officer.

Proposal

John Osborn, M.D., 2421 W. Mission Avenue, Spokane, Washington 99201, who owns 105 shares of Boise Cascade common stock, has given us notice that he intends to present the following proposal at the annual meeting.

> RESOLVED: That shareholders urge the board to take the necessary steps to provide that two separate people hold the positions of Chair of the Board and Chief Executive Officer.

Statement by Shareholder in Support of the Proposal

Under the present chair/CEO's tenure, (CEO since 1994, and chairman since 1995), the stock has performed poorly, significantly below the S&P 500, the Dow, and its peers.

Any board must rely on its chair to help it filter information, and to present circumstances fairly so as to make important and sometimes difficult decisions. The present chair is a veteran of BC, well educated (Ph.D, various advanced Harvard business degrees), presumably persuasive in the board room.

Board of directors, led by the chair, oversee management. Some view an insoluble conflict when the director is also the manager being overseen and many institutional investors support independent boards. Funds across the country support a separation of the positions of chair and CEO, from CalPERS to the state Treasurer of Connecticut and others.

I urge to you support this measure.

Statement by Directors in Opposition to the Proposal

Our company has a long tradition of an independent board consisting primarily of outsiders not employed by the company. All members of our board are independent, outside directors, except our chief executive officer, Mr. Harad. The chair of our Committee of Outside Directors, Mr. Shrontz, leads a meeting of this committee, which includes all outside directors, at least twice a year to review the company's strategy and performance outside the presence of Mr. Harad. The committee also has a formal process to review the CEO's performance against agreed-upon goals. In addition, the Audit, Executive Compensation, and Governance Committees are each composed solely of outside directors, providing extensive independent review.

The board of directors is strengthened by the presence of Mr. Harad, who provides strategic, operational, and technical expertise and context for the matters considered by the board. Our board believes it needs to retain the ability to balance independent board structure with the flexibility to determine board leadership. The board believes this proposal is not in the best interest of the company or its shareholders.

***The Board of Directors Unanimously Recommends a Vote "AGAINST"
the Proposal to Separate the Position of
Chairman of the Board and Chief Executive Officer.***

7. Other Matters to be Presented at the Meeting

Management does not know of any other matters to be voted on at the meeting. If, however, other matters are presented for a vote at the meeting, the persons named on the enclosed proxy card will vote your properly executed proxy according to their judgment on those matters.

Board of Directors

Structure

Mr. Robert K. Jaedicke is retiring from the board in April because he reached our mandatory retirement age for directors. We thank Mr. Jaedicke for his many years of thoughtful counsel and loyal service to our board.

Our board of directors, comprised of 14 persons after Mr. Jaedicke's retirement, is divided into three classes for purposes of election. Shareholders elect one class at each annual meeting to serve for a three-year term.

Five directors are nominees for reelection in 2001, each to hold office until the annual meeting of shareholders in 2004.

Our other directors are not up for election this year and will continue in office for the remainder of their terms or until they retire.

Directors Nominated This Year for Terms Expiring in 2004

Philip J. Carroll, 63, joined our board of directors in 1997. Since 1998, Mr. Carroll has been the chairman of the board and chief executive officer of Fluor Corporation, a global engineering, construction, maintenance, and diversified services company. He was the president and chief executive officer of Shell Oil Company from 1993 to 1998. Mr. Carroll is also a director of Vulcan Materials Company.

Claire S. Farley, 43, joined our board of directors in 2000. In 2001, Ms. Farley became the chief executive officer of Trade-Ranger Inc., a global Internet-based marketplace dedicated to buying and selling materials and services used by the energy industry. She was the chief executive officer of Intelligent Diagnostics, Inc., an Internet-based developer of artificial intelligence software used to diagnose medical conditions, from 1999 to 2000. Ms. Farley was a corporate officer for Texaco, Inc., from 1997 to 1999, having been with the company since 1981. In addition, Ms. Farley served as president of its Worldwide Exploration and New Ventures division from 1998 to 1999, as president of its Texaco North America Production from 1997 to 1998, and as chief executive officer of Hydro Texaco in Denmark from 1996 to 1997.

Rakesh Gangwal, 47, joined our board of directors in 1998. Since 1998, Mr. Gangwal has been the president and chief executive officer of US Airways Group, Inc., the parent corporation for US Airways' mainline jet and express divisions as well as several related companies. He also has been the president and chief executive officer of US Airways, Inc., the main operating arm of US Airways Group, since 1998. Mr. Gangwal was the president and chief operating officer of US Airways Group, Inc., and US Airways, Inc., from 1996 to 1998. He was the executive vice president, Planning and Development, of Air France from 1994 to 1996. Mr. Gangwal is also a director of US Airways Group, Inc., and US Airways, Inc.

Gary G. Michael, 60, joined our board of directors in 1997. Since 1991, Mr. Michael has been the chairman of the board and chief executive officer of Albertson's, Inc., a retail food and drug company. He is also a director of Questar Corporation and former chairman of the Federal Reserve Bank of San Francisco.

A. William Reynolds, 67, joined our board of directors in 1989. Since 1995, Mr. Reynolds has been the chief executive of Old Mill Group, a private investment firm. He was the chairman of the board and chief executive officer of GenCorp Inc., a diversified manufacturing and service company, from 1987 to 1995. Mr. Reynolds is also a director of Eaton Corporation and former chairman of the Federal Reserve Bank of Cleveland.

Directors Whose Terms Expire in 2003

Richard R. Goodmanson, 53, joined our board of directors in 2000. Also in 2000, he became an executive vice president and the chief operating officer of DuPont, a broadly diversified company and the largest chemicals producer in the U.S. He joined DuPont in 1999 as an executive vice president and co-chief operating officer. Mr. Goodmanson was the president and chief executive officer of America West Airlines from 1996 to 1999. He served as senior vice president of operations for Frito-Lay, Inc., from 1992 to 1996.

Edward E. Hagenlocker, 61, joined our board of directors in 1998. In 1998, he retired from Ford Motor Company, an automotive manufacturer, after serving as its vice-chairman from 1996 to 1998 and serving as the chairman of Visteon Automotive Systems, an automotive parts business and enterprise of Ford Motor Company, from 1997 to 1998. Mr. Hagenlocker was the president of Ford Automotive Operations from 1994 to 1996. He is also a director of Air Products and Chemicals, Inc., AmeriSource Corporation, and Nanophase Technologies Corporation.

George J. Harad, 56, is the company's chairman and CEO. He became a director and president of the company in 1991. He was elected chief executive officer of Boise Cascade in 1994 and became chairman of the board in 1995. Mr. Harad has been an executive officer of the company since 1982.

Donald S. Macdonald, 69, joined our board for the second time in 1996. He was originally elected in 1978 but resigned in 1986. In 2000, Mr. Macdonald became a senior advisor to UBS Bunting Warburg, a business group of UBS AG, one of the leading global financial services firms. He was of counsel to the Toronto law firm of McCarthy Tétrault from 1991 until his retirement in 2000. In addition, Mr. Macdonald has served as a member of the Canadian House of Commons, chairman of the Royal Commission on the Economic Union and Development Prospects for Canada, and Canadian High Commissioner to Great Britain and Northern Ireland. Mr. Macdonald is a director of Aber Diamond Corporation, Alberta Energy Company Limited, Boltons Capital Corporation, Sun Life Financial Services of Canada Inc., TransCanada Pipelines Limited; and several private companies.

Jane E. Shaw, 62, joined our board of directors in 1994. Since 1998, Dr. Shaw has been the chairman of the board and chief executive officer of AeroGen, Inc., a company specializing in the development of pulmonary drug delivery systems. She founded The Stable Network, a biopharmaceutical consulting firm, in 1995 and has worked as a consultant in the biopharmaceutical industry since that time. Dr. Shaw was the president and chief operating officer of ALZA Corporation, a pharmaceutical company, from 1987 to 1994. She is also a director of Intel Corporation, IntraBiotics Pharmaceuticals, Inc., and McKesson HBOC, Inc.

Directors Whose Terms Expire in 2002

Francesca Ruiz de Luzuriaga, 46, joined our board of directors in 1998. From 1999 to 2000, Ms. Luzuriaga served as the chief operating officer of Mattel Interactive, a business unit of Mattel, Inc., one of the major toy manufacturers in the world. Prior to holding this position, she served Mattel as its executive vice president, worldwide business planning and resources, from 1997 to 1999 and as its chief financial officer from 1995 to 1997. Since leaving Mattel, Ms. Luzuriaga has been working as an independent business development consultant.

Frank A. Shrontz, 69, joined our board of directors in 1989. He is chairman emeritus of The Boeing Company, an aerospace company. Mr. Shrontz was the chairman of the board and chief executive officer of The Boeing Company from 1988 until his retirement in 1997. He is also a director of Chevron Corporation and Minnesota Mining & Manufacturing Co.

Carolyn M. Ticknor, 53, joined our board of directors in 2000. Ms. Ticknor was a vice president of Hewlett-Packard Company, a global provider of computing, printing, and imaging products and services, from 1995 until her retirement in early 2001. She was also the president of HP's Imaging and Printing Systems from 1999 until her retirement, and had served as the president or general manager of LaserJet Solutions since 1994. Ms. Ticknor is also a director of Stamps.com.

Ward W. Woods, Jr., 58, joined our board of directors in 1992. He was president and chief executive officer of Bessemer Securities, LLC, a privately held investment company, from 1989 until his retirement in 1999. Mr. Woods is a member, through wholly owned corporations, of the general partner of Bessemer Holdings, L.P., and affiliated investment partnerships. He is also a special partner of Bessemer Holdings & Co. Mr. Woods is a director of Bessemer Securities, LLC, Contour Energy Co., and several private companies.

Business Relationships with Directors

Donald S. Macdonald was of counsel to the law firm of McCarthy Tétrault, located in Toronto, Ontario, Canada, until he retired from this position on March 1, 2000. We and some of our affiliates occasionally used McCarthy Tétrault's services in 2000 to advise us on Canadian legal matters. We expect to do the same in 2001. We retain this firm independent of Mr. Macdonald's service on our board of directors, and Mr. Macdonald derived no financial benefit from our use of McCarthy Tétrault.

Meetings and Committees of the Board

During 2000, our board of directors met seven times. In addition to meetings of the full board, directors also attended meetings of board committees. All the directors, except Mr. Carroll, attended at least 75% of the meetings of the board and the committees on which they served. Overall, our directors had an attendance rate of 90%.

The Board of Directors and Committee Membership

Director	Committee of Outside Directors	Executive Committee	Executive Compensation Committee	Audit Committee	Governance Committee
Philip J. Carroll	X		X	X	
Claire S. Farley	X		X	X	
Rakesh Gangwal	X			X	X
Richard R. Goodmanson	X			X	X
Edward E. Hagenlocker	X		X		X
George J. Harad		X(1)			
Robert K. Jaedicke(2)	X			X	
Donald S. Macdonald	X	X		X(1)	
Gary G. Michael	X		X	X	
A. William Reynolds	X	X	X(1)		
Francesca Ruiz de Luzuriaga	X		X	X	
Jane E. Shaw	X	X			X(1)
Frank A. Shrontz	X(1)	X			X
Carolyn M. Ticknor	X		X		X
Ward W. Woods, Jr.	X		X	X	
2000 Meetings	2	1	5	3	3

(1)

Committee chair.

(2) Mr. Jaedicke is retiring from the board in April 2001.

Committee of Outside Directors

The Committee of Outside Directors reviews the performance of the chief executive officer against his individual and corporate goals and strategies. It also reviews the performance and processes of the board of directors and evaluates the communication among the board, management, and shareholders. The committee meets at least twice each year without Mr. Harad (our only management director) present.

Executive Committee

In the absence of a full meeting of the board, the Executive Committee can exercise most of the powers and authority of the full board to manage our business and affairs.

Executive Compensation Committee

The Executive Compensation Committee is comprised entirely of independent directors. It approves all executive officer compensation, including salaries, incentives, stock options, stock grants, and all plans providing benefits to our executive officers. The committee also periodically reviews business and staff organizations to ensure that capable personnel are available to implement the company's business strategies. For additional information regarding the Executive

Compensation Committee and its functions and responsibilities, see the "Executive Compensation Committee Report" on page 21.

Audit Committee

The Audit Committee, in keeping with its charter, is comprised entirely of independent directors. It provides independent, objective oversight of the company's accounting functions and internal controls and ensures the objectivity of our financial statements. For additional information regarding the Audit Committee and its functions and responsibilities, see the "Audit Committee Report" on page 19.

Governance Committee

The Governance Committee (formerly the Nominating Committee), comprised entirely of independent directors, is responsible for reviewing and recommending to the board:

- candidates for nomination;
- director compensation;
- responses to shareholder proposals;
- board and committee structure; and
- corporate governance policies, practices, and procedures.

The board of directors has established qualifications for directors, including the ability to apply good and independent judgment in a business situation and the ability to represent the interests of all our shareholders and constituencies. A director also must be free from any conflicts of interest that would interfere with his or her loyalty to our shareholders and us. In evaluating board candidates, the committee considers these qualifications as well as several other factors, including but not limited to:

- demonstrated maturity and experience;
- geographic balance;
- expertise in business areas relevant to Boise Cascade;
- background as an educator in business, economics, or the sciences; and
- diversity of background, with particular consideration to female and minority candidates.

Director Compensation

Our current board members, except Mr. Harad (a salaried employee of Boise Cascade), receive compensation for board service. In 2000, that compensation included:

Annual Retainer:	$40,000
Annual Committee Chair Stipend:	$6,500
Attendance Fees:	$1,500 for each board meeting $1,000 for each committee meeting Expenses related to attendance
Annual Stock Options:	2,000

Director Stock Option Plan

Through our shareholder-approved Director Stock Option Plan, each nonemployee director receives an annual stock option grant. The options are exercisable one year after the grant date, and they expire the earlier of (a) three years after the director's retirement, resignation, death, or termination as a director or (b) ten years after the grant date. Individuals who are directors on January 1, or who are appointed between January 1 and July 31, receive a grant on July 31. Directors appointed between August 1 and December 31 receive a grant when they join our board.

In 2000, each nonemployee director was granted an option to purchase 2,000 shares of our common stock at a price equal to the stock's closing market price on the grant date.

Director Stock Compensation Plan

Through our shareholder-approved Director Stock Compensation Plan, nonemployee directors can elect to receive part or all of their retainers and meeting fees in stock options rather than cash. Under the plan, the directors must specify by December 31 of each year how much of their retainer and meeting fees for the following year they wish to receive in the form of stock options.

Options are granted to participating directors at the end of each calendar year, equal in value to the cash compensation that the participating directors would otherwise have received. The number of option shares granted to a participating director is based on the amount of compensation he or she elected to have paid in options and the market value of our common stock on July 31 of each year. The options have an exercise price of $2.50 per share, can be exercised six months after the date of grant, and expire three years after the director's resignation, retirement, or termination as director. Ten of the 14 eligible directors participated in this plan in 2000, and nine directors have elected to participate in the plan in 2001.

Director Deferred Compensation Program

Our directors' deferred compensation program allows each nonemployee director to defer all or a portion of his or her cash compensation.

Under this program, nonemployee directors may defer from a minimum of $5,000 to a maximum of 100% of their cash compensation in a calendar year. For deferrals prior to 1988, interest is imputed on the deferred amount at a monthly rate equal to Moody's Composite Average of Yields on Corporate Bonds plus four percentage points. For deferrals from 1988 to the present, interest is imputed at a rate equal to 130% of Moody's Composite Average of Yields on Corporate Bonds. A minimum death benefit is also provided based on pre-1995 deferrals. We have purchased corporate-owned life insurance policies to help offset the expense of this program. In the event of a change in control of the company, as defined in the plans, a trust will pay our obligations under these plans. For more information on this trust, see "Deferred Compensation and Benefits Trust" on page 32.

As of December 31, 2000, nine directors participated in the deferred compensation program.

Stock Ownership

Directors and Executive Officers

The directors, nominees for director, and executive officers furnished the following information to us regarding the shares of our common stock that they beneficially owned on December 31, 2000.

Ownership of Boise Cascade Corporation Stock

Name of Beneficial Owner	**Amount and Nature of Beneficial Ownership**	**Percent of Class**
Directors(1)		
Philip J. Carroll	11,627	*
Claire S. Farley	2,982	*
Rakesh Gangwal	6,388	*
Richard R. Goodmanson	2,471	*
Edward E. Hagenlocker	7,563	*
George J. Harad	993,738(2)	1.57%
Robert K. Jaedicke	9,496	*
Donald S. Macdonald	9,222	*
Gary G. Michael	10,053	*
A. William Reynolds	30,217	*
Francesca Ruiz de Luzuriaga	8,091	*
Jane E. Shaw	14,376	*
Frank A. Shrontz	12,000	*
Carolyn M. Ticknor	2,000	*
Ward W. Woods, Jr.	33,635	*

Other Named Executives(2)		
Christopher C. Milliken	63,571	*
N. David Spence	201,510	*
Theodore Crumley	260,709	*
John W. Holleran	211,104	*
A. Ben Groce	166,445	*
All directors, nominees for director, and executive officers as a group (1)(2)(3)	3,206,804	5.06%

*Less than 1% of class

(1)

Beneficial ownership for the directors includes all shares held of record or in street name, plus options granted but unexercised under the Director Stock Compensation Plan ("DSCP") and Director Stock Option Plan ("DSOP"), described on page 15 under "Director Compensation." The number of shares subject to options under the DSCP included in the beneficial ownership table is as follows: Ms. Farley, 982 shares; Ms. Ruiz de Luzuriaga, 2,091 shares; Ms. Shaw, 5,376 shares; and Messrs. Carroll, 5,127 shares; Gangwal, 1,388 shares; Goodmanson, 471 shares; Hagenlocker, 2,563 shares; Macdonald, 22 shares; Michael, 1,208 shares; Reynolds, 11,217 shares; Woods, 14,635 shares; and directors as a group, 45,080 shares. The number of shares subject to options under the DSOP included in the beneficial ownership table is as follows: Ms. Farley, 2,000 shares; Ms. Ruiz de Luzuriaga, 5,000 shares; Ms. Shaw, 9,000 shares; Ms. Ticknor, 2,000 shares; and Messrs. Carroll, 6,500 shares; Gangwal, 5,000 shares; Goodmanson, 2,000 shares; Hagenlocker, 5,000 shares; Jaedicke, 9,000 shares; Macdonald, 8,000 shares; Michael, 6,500 shares; Reynolds, 9,000 shares; Shrontz, 9,000 shares; Woods, 9,000 shares; and directors as a group, 87,000 shares.

(2)

The beneficial ownership for these executive officers includes all shares held of record or in street name, plus options granted but unexercised under the KESOP, described on page 26 under "Stock Option Tables;" interests in shares of common stock held in the Boise Cascade Common Stock Fund by the trustee of the company's Savings and Supplemental Retirement Plan ("SSRP"), a defined contribution plan qualified under Section 401(a) of the Internal Revenue Code; and deferred stock units held under the Key Executive Performance Plan for Executive Officers and the 1995 Executive Officer Deferred Compensation Plan. The following table indicates the nature of each executive's stock ownership and also shows the number of shares of convertible preferred stock, Series D, held in the Employee Stock Ownership Plan ("ESOP") fund of the SSRP which are not included in the beneficial ownership table.

16

	Common Shares Owned	Unexercised Option Shares	Deferred Stock Units	SSRP (Common Stock)	ESOP (Preferred Stock)
George J. Harad	3,511	970,800	11,170	8,257	697
Christopher C. Milliken	4,600	52,033	0	6,938	1,047
N. David Spence	2,038	193,100	6,372	0	0
Theodore Crumley	1,247	235,300	3,958	20,204	663
John W. Holleran	74	202,800	7,078	1,152	1,033
A. Ben Groce	1,147	161,300	3,950	48	283
All executive officers as a group	15,353	2,896,442	56,029	78,858	20,239

(3)

Our executive officers (individually or as a group) do not own more than 1% of the company's Series D Preferred Stock (ESOP).

22,541

(246,880

)

Total comprehensive income (expense) for the year attributable to:

Owners of the Company	**152,645**	173,908	22,841	(241,879)
Non-controlling interest	**(26,708)**	1,290	(230)	(63

)

125,937

175,198

22,611

(241,942

)

Earnings (loss) per share

From continuing and discontinued operations

Basic	**$ 0.00**	$ 0.01	$ 0.00	$ (0.01)
Diluted	**$ 0.00**	$ 0.01	$ 0.00	

$

(0.01

)

From continuing operations

Basic

$

0.00

$

0.01

$

0.00

$

(0.01

)

Diluted

$

0.00

$

0.01

$

0.00

$

(0.01

)

7

	As of December 31,			
	2014	2013	2012	2011
	(in US$ thousands)			
Statements of Financial Position Data:				
Property, plant and equipment	**2,995,086**	2,528,834	2,385,435	2,516,578
Prepaid land use right	**135,331**	136,725	73,962	77,231
Total non-current assets	**3,471,120**	2,960,151	2,803,173	2,866,416
Inventories	**316,041**	286,251	295,728	207,308
Prepayment and Prepaid operating expenses	**40,628**	43,945	46,986	52,805
Trade and other receivables	**456,388**	379,361	328,211	200,905
Other financial assets	**644,071**	240,311	18,730	1,973
Restricted cash	**238,051**	147,625	217,603	136,907
Cash and cash equivalent	**603,036**	462,483	358,490	261,615
Assets classified as held-for-sale	**44**	3,265	4,239	
Total current assets	**2,298,259**	1,563,241	1,269,987	861,513
Total assets	**5,769,379**	4,523,392	4,073,160	3,727,929
Total non-current liabilities	**1,311,416**	991,673	688,622	230,607
Total current liabilities	**1,150,241**	938,537	1,108,086	1,251,324
Total liabilities	**2,461,657**	1,930,210	1,796,708	1,481,931
Non-controlling interest	**359,307**	109,410	952	1,182
Total equity	**3,307,722**	2,593,182	2,276,452	2,245,998

	For the year ended December 31,			
	2014	2013	2012	2011
	(in US$ thousands)			
Cash Flow Data:				
Profit (loss) for the year	**126,261**	174,467	22,541	(246,880)
Non-cash adjustment to reconcile profit (loss) to net operating cash flow:				
Depreciation and amortization	**549,468**	546,910	566,899	551,857
Net cash from operating activities	**608,102**	738,016	435,166	379,368
Payments for property, plant and equipment	**(653,134)**	(650,160)	(400,291)	(931,574)
Net cash used in investing activities	**(1,144,123)**	(807,467)	(522,277)	(903,641)
Net cash from financing activities	**676,683**	173,458	184,101	268,855
Net increase (decrease) in cash and bank balances	**140,662**	104,007	96,990	(255,418)
Other Financial Data:				
Gross margin	**24.5%**	21.2%	20.5%	7.7%
Net margin	**6.4%**	8.4%	1.3%	18.7%
Operating Data:				
Wafers shipped (in units):				
Total(1)	**2,559,245**	2,574,119		