

F O R M 10 - K

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

For the fiscal year ended December 31, 1996

Commission file number 1-5057

A Delaware Corporation	BOISE CASCADE CORPORATION 1111 West Jefferson Street P.O. Box 50 Boise, Idaho 83728-0001 (208)384-6161	I.R.S. Employer Identification No. 82-0100960
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Securities registered pursuant to Section 12(b) of the Act:

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

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

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

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

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

The aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the price at which the stock was sold as of the close of business on February 28, 1997: \$1,888,287,211

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

Class	Shares Outstanding as of February 28, 1997
Common Stock, \$2.50 par value	48,521,410

Documents incorporated by reference

1. The registrant's annual report for the fiscal year ended December 31, 1996, portions of which are incorporated by reference into Parts I, II, and IV of this Form 10-K, and
2. Portions of the registrant's proxy statement relating to its 1997 annual meeting of shareholders to be held on April 18, 1997 ("the Company's proxy statement"), are incorporated by reference into Part III of this Form 10-K.

BOISE CASCADE CORPORATION

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## PART I

### Item 1. Business

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

Boise Cascade Corporation is an integrated paper and forest products company headquartered in Boise, Idaho, with domestic and international operations. The Company manufactures and distributes paper and wood products, distributes office products and building materials, and owns and manages 2.4 million acres of timberland. The Company was incorporated under the laws of Delaware in 1931 under the name Boise Payette Lumber Company of Delaware, as a successor to an Idaho corporation formed in 1913; in 1957, its name was changed to its present form.

The Company is a participant with equity affiliates in connection with certain of its businesses. The Company's principal investments in affiliates include a 47% interest in Voyageur Panel and a 25% interest in Ponderosa Fibres of Washington. (See Note 8 of the Notes to Financial Statements of the Company's 1996 Annual Report. This information is incorporated herein by reference.)

Financial information pertaining to each of the Company's industry segments and to each of its geographic areas for the years 1996, 1995, and 1994 is presented in Note 10, "Segment Information," of the Notes to Financial Statements of the Company's 1996 Annual Report and is incorporated herein by reference.

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

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

The Company engages in acquisition discussions with other companies and makes acquisitions from time to time. It is the Company's policy to review its operations periodically and to dispose of assets which fail to meet its criteria for return on investment or which cease to warrant retention for other reasons. (See Notes 1, 6, and 8 of the Notes to Financial Statements of the Company's 1996 Annual Report. This information is incorporated herein by reference.)

#### Paper and Paper Products

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

In November 1996, the Company completed the sale of its coated publication paper business to The Mead Corporation. (See Note 1 of the Notes to Financial Statements of the Company's 1996 Annual Report. This information is incorporated herein by reference.)

The Company is a major North American pulp and paper producer with five paper mills. The total annual practical capacity of the mills was approximately 2.6 million tons at December 31, 1996. The Company's products are sold to distributors and industrial customers primarily by its own sales personnel.

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

In October 1994, Rainy River Forest Products Inc. ("Rainy River"), the Company's former Canadian subsidiary, completed an initial public offering of units of its equity and debt securities. As a result of the

offering, the Company owned 49% of the outstanding voting common shares and 60% of the total equity of Rainy River. Rainy River was accounted for on the equity method retroactive to January 1, 1994, in the Company's consolidated financial statements, and its results of operations were included in "Equity in net income (loss) of affiliates."

In November 1995, the Company divested its remaining interest in Rainy River through Rainy River's merger with Stone-Consolidated Corporation and received cash of approximately \$183,482,000 and Stone-Consolidated stock. The Company used the proceeds from this transaction to reduce debt. In 1996, the Company sold the Stone-Consolidated stock for \$133,628,000. (See Note 8 of the Notes to Financial Statements of the Company's 1996 Annual Report. This information is incorporated herein by reference.)

The Company currently manufactures corrugated containers at seven plants, which have annual practical capacity of approximately 4.8 billion square feet. The containers produced at the Company's plants are used to package fresh fruit and vegetables, processed food, beverages, and many other industrial and consumer products. The Company sells its corrugated containers primarily through its own sales personnel.

The Company also has a wave flute facility which became operational in 1996. Wave flute is a substitute for many standard corrugated products. When at capacity, the facility will be capable of producing approximately 700 million square feet annually.

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

Paper	1996	1995	1994	1993	1992
	(thousands of short tons)				
Uncoated free sheet	1,167	1,177	1,271	1,215	1,110
Containerboard	563	602	595	559	560
Newsprint(1)	411	416	415	860	831
Market pulp	230	217	212	205	260
Discontinued grades(1)	260	428	447	717	716
	2,631	2,840	2,940	3,556	3,477

(millions of square feet)

Corrugated Containers(2)	3,201	3,114	3,237	2,961	4,715
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(1) Newsprint for 1996, 1995, and 1994 excludes production from Rainy River, which was reported on the equity method from January 1, 1994, through November 1, 1995. On November 1, 1995, Rainy River merged with Stone-Consolidated Corporation. The Company's coated publication paper business was sold November 1, 1996.

(2) In mid-1992, the Company sold 11 of its corrugated container plants.

#### Office Products

In April 1995, the Company's wholly owned subsidiary, Boise Cascade Office Products Corporation ("BCOP"), completed an initial public offering of 10,637,500 shares of common stock at a price of \$12.50 per share (after giving effect to a two-for-one stock split in the form of a dividend in May 1996). After the offering, the Company owned 82.7% of BCOP's outstanding common stock. At December 31, 1996, the Company owned approximately 80.9% of BCOP's outstanding common stock. (See Note 6 of the Notes to Financial Statements of the Company's 1996 Annual Report. This information is incorporated herein by reference.)

BCOP distributes a broad line of items for the office, including office and computer supplies and furniture, paper products, and promotional products. All of the products sold by this segment are purchased from other manufacturers or from industry wholesalers, except copier and similar papers which are sourced primarily from Boise Cascade's paper operations. BCOP sells these office products directly to corporate, government, and other offices in the United States, Canada, and Australia, as well as to individuals, home offices, and small- and medium-sized offices in the United States and the United Kingdom.

Customers with multisite locations across the country are often serviced via national contracts that provide consistent pricing and product offerings and, if desired, summary billings, usage reporting, and other special services. At February 28, 1997, BCOP operated 65 distribution centers. During 1996, BCOP completed acquisitions of 19 businesses located in Australia, Canada, Maine, Michigan, New Mexico, Oklahoma, Oregon, Tennessee, Vermont, Washington, and Wisconsin. BCOP also operates four retail office supply stores in Hawaii and approximately 70 retail stores in Canada.

The following table sets forth sales dollars for BCOP for the years indicated:

1996	1995	1994	1993	1992(1)
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Sales (millions)            \$1,986    \$1,316    \$ 909    \$ 683    \$ 672

- (1) Early in 1992, BCOP sold essentially all of its wholesale office products distribution operations, enabling it to focus on the consumer channel.

#### Building Products

The Company is a major producer of lumber, plywood, and particleboard, together with a variety of specialty wood products. The Company also manufactures engineered wood products consisting of laminated veneer lumber (LVL), which is a high-strength engineered structural lumber product, and wood I-joists that incorporate the LVL technology. Most of the Company's production is sold to independent wholesalers and dealers and through the Company's own wholesale building materials distribution outlets. The Company's wood products are used primarily in housing, industrial construction, and a variety of manufactured products. Wood products manufacturing sales for 1996, 1995, and 1994 were \$867 million, \$977 million, and \$997 million.

The following table sets forth annual practical capacities of the Company's wood products facilities as of December 31, 1996:

	Number of Mills	Practical Capacity (millions)
Plywood	12	1,970 square feet (3/8" basis)
Lumber	11	705 board feet
Particleboard	1	196 square feet (3/4" basis)
Engineered Wood Products(1)(2)	2	10.4 cubic feet

- (1) In late 1996, the Company completed construction of an LVL plant in Alexandria, Louisiana. When fully operational, the plant will have 4.4 million cubic feet of annual capacity.
- (2) In 1995, the Company formed a joint venture to build an oriented strand board (OSB) plant in Barwick, Ontario, Canada. The Company owns 47% of the joint venture. The plant, with 400 million square feet of annual capacity, will begin production in 1997.

The Company operates 14 wholesale building materials distribution facilities. In 1996, the Company acquired facilities in Oklahoma and Texas and started up a facility in New Mexico. These operations market a wide range of building materials, including lumber, plywood, particleboard, engineered wood products, paneling, molding, windows, doors, builders' hardware, and related products. These products are distributed to retail lumber dealers, home centers specializing in the do-it-yourself market, and industrial customers. A portion (approximately 30% in 1996) of the wood products required by the Company's Building Materials Distribution Division is provided by the Company's manufacturing facilities, and the balance is purchased from outside sources.

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

	1996	1995	1994	1993	1992
	(millions)				
Plywood (square feet - 3/8" basis)	1,873	1,865	1,894	1,760	1,788
Lumber (board feet)	692	711	754	760	805
Particleboard (square feet - 3/4" basis)	195	196	194	182	186
LVL (cubic feet)	2.2	1.8	1.4	1.1	.9
I-joists (eq. lineal feet)	74	61	55	49	34
Building materials distribution (sales dollars)	\$690	\$598	\$657	\$590	\$447

#### Timber Resources

Boise Cascade owns and manages approximately 2.4 million acres of timberland in North America. The amount of timber harvested each year by the Company from its timber resources, compared with the amount it purchases from outside sources, varies according to the price and supply of timber for sale on the open market and according to what the Company deems to be in the interest of sound management of its timberlands. During 1996, the Company's mills processed approximately 1.1 billion board feet of sawtimber and 1.4 million cords of pulpwood; 33% of the sawtimber and 41% of the pulpwood were harvested from the Company's timber resources, and the balance was acquired from various private and government sources. Approximately 78% of the 805,000 bone-dry units of hardwood and softwood chips consumed by the Company's Northwest pulp and paper mills in 1996 were provided from a whole-log chipping facility and the Company's Northwest wood products manufacturing facilities as residuals from the processing of solid wood products. Of the 672,000 bone-dry units of residual chips used in the South, 39% were provided by the Company's Southern wood products manufacturing facilities.

At December 31, 1996, the acreages of owned or controlled timber resources by geographic area and the approximate percentages of total fiber requirements available from the Company's respective timber resources in

these areas and from the residuals from processed purchased logs are shown in the following table:

	Northwest	Midwest	South	Total
	(thousands of acres)			
Fee	1,328	308	419	2,055
Leases and contracts	51	-	290	341
Total	<u>1,379(1)</u>	<u>308(2)</u>	<u>709(3)</u>	<u>2,396(4)</u>
Approximate percentage of total fiber requirements available from: (5)				
Owned and controlled timber resources	21%	23%	25%	23%
Residuals from processed purchased logs	14	-	6	9
Total	<u>35%</u>	<u>23%</u>	<u>31%</u>	<u>32%</u>

- (1) Principally sawtimber.  
(2) Principally pulpwood.  
(3) Sawtimber and pulpwood.  
(4) On December 31, 1996, the Company's inventory of merchantable sawtimber was approximately 7.6 billion board feet, and its inventory of pulpwood was approximately 7.6 million cords.  
(5) Assumes harvesting of Company-owned and controlled timber resources on a sustained timber yield basis and operation of the Company's paper and wood products manufacturing facilities at practical capacity. Percentages shown represent weighted average consumption on a cubic volume basis.

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

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

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

Additional information pertaining to the Company's timber resources is presented under the caption "Timber Supply" of the Financial Review of the Company's 1996 Annual Report. This information is incorporated herein by reference.

#### Competition

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

#### Environmental Issues

The Company's discussion of environmental issues is presented under the caption "Environmental Issues" of the Financial Review of the Company's 1996 Annual Report. This information is incorporated herein by reference.

## Employees

As of December 31, 1996, the Company and its subsidiaries had 19,976 employees, 6,280 of whom were covered under collective bargaining agreements. Major negotiations concluded in 1996 included a new five-year contract expiring in 2001 at the Company's wood products facilities in Oakdale, Louisiana; Florein, Louisiana; and Fisher, Louisiana.

No major negotiations are scheduled for 1997.

## Identification of Executive Officers

Information with respect to the Company's executive officers is set forth in Item 10 of this Form 10-K and is incorporated into this Part I by reference.

## Capital Investment

The Company's capital expenditures in 1996 were \$832 million, compared with \$428 million in 1995 and \$272 million in 1994. Details of 1996 spending by segment and by type are as follows:

	Expansion	Quality/ Efficiency(1)	Timber and Timberlands	Replacement, Environmental, and Other	Total
Paper and paper products	\$ 301	\$ 81	\$ -	\$ 88	\$ 470
Office products(2)	227	20	-	18	265
Building products	54	15	-	16	85
Timber and timberlands	-	-	6	-	6
Other	1	-	-	5	6
Total	\$ 583	\$ 116	\$ 6	\$ 127	\$ 832

- (1) Quality and efficiency projects include quality improvements, modernization, energy, and cost-saving projects.
- (2) Capital expenditures include acquisitions made by BCOP through the issuance of common stock and the recording of liabilities.

The level of capital investment in 1997 is expected to be about \$350 million, excluding acquisitions, and will be allocated to cost-saving, modernization, expansion, replacement, maintenance, environmental, and safety projects.

## Energy

The paper and paper products segment is the Company's primary energy user. Self-generated energy sources in this segment, such as wood wastes, pulping liquors, and hydroelectric power, provided 53% of total 1996 energy requirements, compared with 52% in 1995 and 59% in 1994. The energy requirements fulfilled by purchased sources in 1996 were as follows: natural gas, 25%; electricity, 11%; residual fuel oil, 4%; and other sources, 7%.

## Item 2. Properties

The Company owns substantially all of its nonoffice products operating facilities. Regular maintenance, renewal, and new construction programs have preserved the operating suitability and adequacy of those properties. The majority of the office products facilities are rented under operating leases. The Company owns substantially all equipment used in its facilities.

Following is a list of the Company's facilities by segment as of December 31, 1996, except for Office Products which is as of February 28, 1997.

Information concerning timber resources is presented in Item 1 of this Form 10-K.

### Paper and Paper Products

5 pulp and paper mills located in Alabama, Louisiana, Minnesota, Oregon, and Washington. In 1996, the Company sold its mill in Rumford, Maine.

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

2 converting facilities located in Oregon and Washington. In 1996, the Company completed the reconfiguration of its Vancouver, Washington, mill by shutting down the mill and operating it as a paper converting facility.

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

1 wave flute facility located in California.

### Office Products

65 distribution centers located in Arizona, Australia (8), California (2), Canada (9), Colorado, Connecticut, Delaware, Florida (3), Georgia, Hawaii, Idaho, Illinois, Kentucky, Maine, Maryland, Massachusetts, Michigan (3), Minnesota, Missouri (2), Montana, Nevada (2), New Jersey, New Mexico, New York, Ohio (2), Oklahoma, Oregon (2), Pennsylvania (2), South Carolina, Tennessee, Texas (2), United Kingdom, Utah, Vermont, Virginia, Washington (3), and Wisconsin.

Approximately 74 retail outlets located in Canada and Hawaii.

#### Building Products

11 sawmills located in Alabama, Idaho (2), Louisiana, Oregon (4), and Washington (3).

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

1 particleboard plant located in Oregon.

2 engineered wood products plants located in Louisiana and Oregon.

1 wood beam plant located in Idaho.

14 wholesale building materials units located in Arizona, Colorado (2), Idaho (2), Montana, New Mexico, Oklahoma, Texas, Utah, and Washington (4).

#### Item 3. Legal Proceedings

The Company has been notified that it is a "potentially responsible party" under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) or similar federal and state laws with respect to a number of sites where hazardous substances or other contaminants are located. In 1993, the Company filed a lawsuit in State District Court in Boise, Idaho, against its current and previous insurance carriers seeking insurance coverage for response costs the Company has incurred or may incur at these sites. The Company has settled with all carriers except the insolvent London market carriers, where settlement negotiations are underway. Payment from the last defendants in the lawsuit has been received, and the Company filed a motion to dismiss the case in its entirety on December 26, 1996. This does not affect proceedings against the insolvent London carriers because they were not defendants in the case due to their insolvency. The Company cannot predict with certainty the total response and remedial costs, the Company's share of the total costs, the extent to which contributions will be available from other parties, or the amount of time necessary to complete the cleanups. However, based on the Company's investigations, the Company's experience with respect to cleanup of hazardous substances, the fact that expenditures will, in many cases, be incurred over extended periods of time, and the number of solvent potentially responsible parties, the Company does not presently believe that the known actual and potential response costs will, in the aggregate, have a material adverse effect on its financial condition or the results of operations.

On March 12, 1996, a lawsuit purporting to be a nationwide class action was filed against the Company in the Fourth Judicial District Court, Ada County, Idaho. This lawsuit alleges, among other allegations, that hardboard siding manufactured by the Company, which was used as exterior cladding for buildings, was inherently defective. The purported class, which has not been certified, is alleged to consist of all owners of buildings or structures in the United States on which hardboard siding manufactured by the Company is installed. The Complaint seeks, among other items, to declare the Company financially responsible for the repair and replacement of all such siding, to make restitution to the class members, and to award each class member compensatory and punitive damages. The Company discontinued manufacturing the hardboard siding product which is the subject of this litigation in 1984. The Company believes that there are valid factual and legal defenses to this case and will vigorously defend all claims asserted by the Plaintiffs.

The Company is presently negotiating a consent decree, which will probably be signed in the first quarter of 1997, with the U.S. Environmental Protection Agency, Region IV, to implement a remedy for environmental contamination at the THAN National Priorities List Site near Albany, Georgia. The total remedial cost is estimated at \$2.5 million, of which 80-85% will be the Company's approximate share.

In August 1996, the Company paid \$280,000 to the City of Salem, Oregon, as final settlement of the Company's share of environmental costs arising at the former Salem pulp and paper mill.

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

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

No matters were submitted to a vote of shareholders during the fourth quarter of 1996.

PART II

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

The Company's common stock is listed on the New York, the Chicago, and the Pacific Stock Exchanges. The high and low sales prices for the Company's common stock, as well as the frequency and amount of dividends paid on such stock, is included in Note 11, "Quarterly Results of Operations (unaudited)," of the Notes to Financial Statements in the Company's 1996 Annual Report. Additional information concerning dividends on common stock is presented under the caption "Dividends" of the Financial Review section of the Company's 1996 Annual Report, and information concerning restrictions on the payments of dividends is included in Note 3, "Debt," of the Notes to Financial Statements in the Company's 1996 Annual Report. The approximate number of common shareholders, based upon actual record holders at year-end, is presented under the caption "Financial Highlights" of the Company's 1996 Annual Report. The information under these captions is incorporated herein by reference.

Shareholder Rights Plan

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

Item 6. Selected Financial Data

The following table sets forth selected financial data of the Company for the years indicated and should be read in conjunction with the disclosures in Item 7 and Item 8 of this Form 10-K:

	1996	1995	1994	1993	1992
	(expressed in millions, except per-common-share amounts)				
<b>Assets</b>					
Current assets	\$1,355	\$1,313	\$ 918	\$ 887	\$ 866
Property and equipment, net	2,554	2,604	2,494	3,010	3,067
Other	802	739	882	616	627
	<u>\$4,711</u>	<u>\$4,656</u>	<u>\$4,294</u>	<u>\$4,513</u>	<u>\$4,560</u>
<b>Liabilities and Shareholders' Equity</b>					
Current liabilities	\$ 933	\$ 770	\$ 658	\$ 688	\$ 750
Long-term debt, less current portion	1,330	1,365	1,625	1,593	1,680
Guarantee of ESOP debt	196	214	231	247	262
Minority interest	82	68	-	-	-
Other	490	545	415	480	510
Shareholders' equity	1,680	1,694	1,365	1,505	1,358
	<u>\$4,711</u>	<u>\$4,656</u>	<u>\$4,294</u>	<u>\$4,513</u>	<u>\$4,560</u>
Net sales	\$5,108	\$5,074	\$4,140	\$3,958	\$3,716
Income (loss) before accounting change	9	352	(63)	(77)	(154)
Net income (loss)	9	352	(63)	(77)	(227)
Net income (loss) per common share					
Primary					
Income (loss) before accounting change	\$ (.63)	\$ 5.93	\$(3.08)	\$(3.17)	\$(4.79)
Effect of net accounting change (1)	-	-	-	-	(1.94)
	<u>\$ (.63)</u>	<u>\$ 5.93</u>	<u>\$(3.08)</u>	<u>\$(3.17)</u>	<u>\$(6.73)</u>
Fully diluted (2)					
Income (loss) before accounting change	\$ (.63)	\$ 5.39	\$(3.08)	\$(3.17)	\$(4.79)
Effect of net accounting					

change (1)	-	-	-	-	(1.94)
	\$ (.63)	\$ 5.39	\$(3.08)	\$(3.17)	\$(6.73)
Cash dividends declared per common share	\$ .60	\$ .60	\$ .60	\$ .60	\$ .60

- (1) Consists of a one-time noncash charge of \$73 million, or \$1.94 per share, for the adoption of Financial Accounting Standards Board requirements to accrue postretirement benefits other than pensions.
- (2) The computation of fully diluted net loss per common share was antidilutive in the years 1996, 1994, 1993, and 1992; therefore, the amounts reported for primary and fully diluted loss per share are the same.

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

Management's discussion and analysis of financial condition and results of operations are presented under the caption "Financial Review" of the Company's 1996 Annual Report and are incorporated herein by reference.

On March 11, 1997, the Company signed a new revolving credit agreement with a group of banks. The new agreement allows the Company to borrow as much as \$600 million at variable interest rates based on customary indices, and expires in June 2002. The revolving credit agreement contains financial covenants relating to minimum net worth, minimum interest coverage ratios, and ceiling ratios of debt to capitalization. The new agreement replaces the Company's previous \$600 million revolving credit agreement that would have expired in June 2000.

Item 8. Financial Statements and Supplementary Data

The Company's consolidated financial statements and related notes, together with the report of the independent public accountants, are presented in the Company's 1996 Annual Report and are incorporated herein by reference. Selected quarterly financial data is presented in Note 11, "Quarterly Results of Operations (unaudited)," of the Notes to Financial Statements in the Company's 1996 Annual Report and is incorporated herein by reference.

The consolidated income statement for the three months ended December 31, 1996, is presented in the Company's Fact Book for the fourth quarter of 1996 and is incorporated herein by reference.

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

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

Not applicable.

PART III

Item 10. Directors and Executive Officers of the Registrant

Directors

The directors and nominees for directors of the Company are presented under the caption "Election of Directors" in the Company's proxy statement. This information is incorporated herein by reference.

Executive Officers as of February 28, 1997

Name	Age	Position or Office	Date First Elected as an Officer
George J. Harad(1)	52	Chairman of the Board and Chief Executive Officer	5/11/82
Peter G. Danis Jr.(2)	65	Executive Vice President	7/26/77
Theodore Crumley	51	Senior Vice President and Chief Financial Officer	5/10/90
A. Ben Groce	55	Senior Vice President	2/8/91
John W. Holleran	42	Senior Vice President and General Counsel	7/30/91
Terry R. Lock	55	Senior Vice President	2/17/77
Richard B. Parrish	58	Senior Vice President	2/27/80
N. David Spence	61	Senior Vice President	12/8/87
A. James Balkins III	44	Vice President and	

	Corporate Secretary	9/5/91
J. Ray Barbee	49 Vice President	9/26/89
Stanley R. Bell	50 Vice President	9/25/90
John C. Bender	56 Vice President	2/13/90
Charles D. Blencke	53 Vice President	12/11/92
Tom E. Carlile	45 Vice President and Controller	2/4/94
J. Michael Gwartney	56 Vice President	4/25/89
Vincent T. Hannity	52 Vice President	7/26/96
H. John Leusner	61 Vice President	12/11/92
Irving Littman	56 Vice President and Treasurer	11/1/84
Jeffrey G. Lowe	55 Vice President	12/11/92
Christopher C. Milliken(3)	51 Vice President	2/3/95
Carol B. Moerdyk(4)	46 Vice President	5/10/90
Terry M. Plummer	43 Vice President	9/28/95
J. Kirk Sullivan	61 Vice President	9/30/81
Gary M. Watson	49 Vice President	2/5/93

- (1) Chairman of the Board, Boise Cascade Office Products Corporation
- (2) President and Chief Executive Officer, Boise Cascade Office Products Corporation
- (3) Senior Vice President, Operations, Boise Cascade Office Products Corporation
- (4) Senior Vice President, Chief Financial Officer and Treasurer, Boise Cascade Office Products Corporation

All of the officers named above, except Gary M. Watson, have been employees of the Company or one of its subsidiaries for at least five years. Mr. Watson joined the Company in 1992 as director of its Paper Research and Development Center in Portland, Oregon.

Alice E. Hennessey, senior vice president, retired from her position with the Company effective August 1, 1996. Gary M. Curtis, vice president, resigned from his position with the Company effective November 1, 1996. Donald F. Smith, vice president, retired from his position with the Company effective December 31, 1996. D. Ray Ryden, vice president, retired from his position with the Company effective February 28, 1997.

John W. Holleran was elected senior vice president and general counsel in July 1996. In 1976, Mr. Holleran received a B.A. degree in Political Science and Sociology from Gonzaga University. In 1979, he received his J.D. from the Gonzaga University School of Law. In 1990, Mr. Holleran attended the Stanford Executive Program at Stanford University. He joined the Company's legal department in 1979.

Vincent T. Hannity was elected a vice president in July 1996. In 1967, Mr. Hannity received a B.A. degree from Gonzaga University. In 1989, he attended the Stanford University Executive Program. Mr. Hannity joined the Company in 1981. Mr. Hannity's current position is Vice President of Corporate Communications and Investor Relations.

#### Item 11. Executive Compensation

Information concerning compensation of the Company's executive officers for the year ended December 31, 1996, is presented under the caption "Compensation Tables" in the Company's proxy statement. This information is incorporated herein by reference.

#### Item 12. Security Ownership of Certain Beneficial Owners and Management

- (a) Information concerning the security ownership of certain beneficial owners as of December 31, 1996, is set forth under the caption "Beneficial Ownership" in the Company's proxy statement and is incorporated herein by reference.
- (b) Information concerning security ownership of management as of December 31, 1995, is set forth under the caption "Security Ownership of Directors and Executive Officers" in the Company's proxy statement and is incorporated herein by reference.
- (c) Information concerning compliance with Section 16 of the Securities and Exchange Act of 1934 is set forth under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's proxy statement and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

Information concerning certain relationships and related transactions during 1996 is set forth under the caption "Consulting and Legal Services" in the Company's proxy statement and is incorporated herein by reference.

PART IV

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

(a) The following documents are filed as a part of this Form 10-K for the Company:

(1) Financial Statements

- (i) The Income Statement for the three months ended December 31, 1996, is incorporated herein by reference from the Company's Fact Book for the fourth quarter of 1996.
- (ii) The Financial Statements, the Notes to Financial Statements, and the Report of Independent Public Accountants listed below are incorporated herein by reference from the Company's 1996 Annual Report.
  - Balance Sheets as of December 31, 1996 and 1995.
  - Statements of Income (Loss) for the years ended December 31, 1996, 1995, and 1994.
  - Statements of Cash Flows for the years ended December 31, 1996, 1995, and 1994.
  - Statements of Shareholders' Equity for the years ended December 31, 1996, 1995, and 1994.
  - Notes to Financial Statements.
  - Report of Independent Public Accountants.

(2) Financial Statement Schedules.

None required.

(3) Exhibits.

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

(b) Reports on Form 8-K.

No Form 8-K's were filed during the fourth quarter of 1996.

(c) Exhibits.

See Index to Exhibits.

For the purpose of complying with the rules governing Form S-8 under the Securities Act of 1933, the undersigned registrant hereby undertakes as follows, which undertaking shall be incorporated by reference into registrant's Registration Statements on Form S-8 Nos. 33-28595 (filed May 8, 1989), 33-21964 (filed June 6, 1988), 33-31642 (filed November 7, 1989), 33-45675 (filed February 12, 1992), 33-62263 (filed August 31, 1995), and 333-22707 (filed March 4, 1997).

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

SIGNATURES

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

Boise Cascade Corporation

By George J. Harad  
George J. Harad  
Chairman of the Board and  
Chief Executive Officer

Dated: March 17, 1997

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 17, 1997.

Signature

Capacity

(i) Principal Executive Officer:

George J. Harad  
George J. Harad

Chairman of the Board and  
Chief Executive Officer

(ii) Principal Financial Officer:

Theodore Crumley  
Theodore Crumley

Senior Vice President and  
Chief Financial Officer

(iii) Principal Accounting Officer:

Tom E. Carlile  
Tom E. Carlile

Vice President  
and Controller

(iv) Directors:

George J. Harad  
George J. Harad

Paul J. Phoenix  
Paul J. Phoenix

Anne L. Armstrong  
Anne L. Armstrong

A. William Reynolds  
A. William Reynolds

Robert E. Coleman  
Robert E. Coleman

Jane E. Shaw  
Jane E. Shaw

Robert K. Jaedicke  
Robert K. Jaedicke

Frank A. Shrontz  
Frank A. Shrontz

Donald S. Macdonald  
Donald S. Macdonald

Edson W. Spencer  
Edson W. Spencer

James A. McClure  
James A. McClure

Ward W. Woods, Jr.  
Ward W. Woods, Jr.

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we consent to the incorporation of our report dated January 28, 1997, included or incorporated by reference in this Form 10-K for the year ended December 31, 1996, into Boise Cascade Corporation's previously filed post-effective amendment No. 1 to Form S-8 registration statement (File No. 33-28595); post-effective amendment No. 1 to Form S-8 registration statement (File No. 33-21964); the registration statement on Form S-8 (File No. 33-31642); the registration statement on Form S-8 (File No. 33-45675); the registration statement on Form S-3 (File No. 33-54533); the registration statement on Form S-3 (File No. 33-55396); the registration statement on Form S-8 (File No. 33-62263); and the registration statement on Form S-8 (File No. 333-22707).

ARTHUR ANDERSEN LLP

Boise, Idaho  
March 17, 1997

BOISE CASCADE CORPORATION

INDEX TO EXHIBITS  
 Filed with the Annual Report  
 on Form 10-K for the  
 Year Ended December 31, 1996

Number	Description	Page Number
2 (1)	Acquisition Agreement Among Boise Cascade Corporation, Oxford Paper Company, Mead Oxford Corporation, and The Mead Corporation, dated September 28, 1996	-
3.1 (2)	Restated Certificate of Incorporation, as restated to date	-
3.2 (3)	Bylaws, as amended, September 29, 1994	-
4.1 (4)	Trust Indenture between Boise Cascade Corporation and Morgan Guaranty Trust Company of New York, Trustee, dated October 1, 1985, as amended	-
4.2	1997 Revolving Credit Agreement -- \$600,000,000, dated as of March 11, 1997	-
4.3 (5)	Shareholder Rights Plan, as amended September 25, 1990	-
9	Inapplicable	-
10.1 (6)	Key Executive Performance Plan for Executive Officers, as amended through December 7, 1995	-
10.2 (6)	1986 Executive Officer Deferred Compensation Plan, as amended through December 7, 1995	-
10.3 (7)	1983 Board of Directors Deferred Compensation Plan, as amended through July 26, 1996	-
10.4 (6)	1982 Executive Officer Deferred Compensation Plan, as amended through December 7, 1995	-
10.5 (8)	Executive Officer Severance Pay Policy	-
10.6 (6)	Supplemental Early Retirement Plan for Executive Officers, as amended through December 7, 1995	-
10.7 (9)	Boise Cascade Corporation Supplemental Pension Plan, effective as of January 1, 1994	-
10.8 (7)	1987 Board of Directors Deferred Compensation Plan, as amended through July 26, 1996	-
10.9 (7)	1984 Key Executive Stock Option Plan and Form of Agreement, as amended through July 25, 1996	-
10.10 (8)	Executive Officer Group Life Insurance Plan description	-
10.11 (6)	Executive Officer 1980 Split-Dollar Life Insurance Plan, as amended through December 7, 1995	-
10.12 (6)	Forms of Agreements with Executive Officers, as amended through December 7, 1995	-
10.13	Supplemental Health Care Plan for Executive Officers, as revised July 31, 1996	-
10.14 (8)	Nonbusiness Use of Corporate Aircraft Policy, as amended	-
10.15 (8)	Executive Officer Financial Counseling Program description	-
10.16 (8)	Family Travel Program description	-
10.17 (8)	Form of Directors' Indemnification Agreement	-
10.18	Deferred Compensation and Benefits Trust, as amended and restated as of December 13, 1996	-
10.19 (6)	Director Stock Compensation Plan, as amended through December 7, 1995	-
10.20 (6)	Boise Cascade Corporation Director Stock Option Plan, as amended through December 7, 1995	-
10.21 (6)	1995 Executive Officer Deferred Compensation Plan, effective January 1, 1996	-
10.22 (6)	1995 Board of Directors Deferred Compensation Plan, effective January 1, 1996	-
10.23 (6)	Boise Cascade Corporation 1995 Split-Dollar Life Insurance Plan, as amended through December 7, 1995	-
10.24	1996 and 1997 Performance Criteria for the Key Executive Performance Plan for Executive Officers	-
11	Computation of Per Share Earnings	-
12	Ratio of Earnings to Fixed Charges	-
13.1	Incorporated sections of the Boise Cascade Corporation 1996 Annual Report	-
13.2	Incorporated sections of the Boise Cascade Corporation Fact Book for the fourth quarter of 1996	-
16	Inapplicable	-
18	Inapplicable	-
21	Significant subsidiaries of the registrant	-
22	Inapplicable	-
23	Consent of Arthur Andersen LLP (See page 19)	-
24	Inapplicable	-
27	Financial Data Schedule	-
99	Inapplicable	-

(1) Exhibit 2 was filed under the same exhibit number in the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996, and is incorporated herein by reference.

(2) The Restated Certificate of Incorporation was filed as Exhibit 3 in the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1996, and is incorporated herein by reference.

(3) The Bylaws, as amended September 29, 1994, were filed as Exhibit 3 in the Company's Quarterly Report on Form 10-Q for the quarter ended

September 30, 1994, and are incorporated herein by reference.

- (4) The Trust Indenture between Boise Cascade Corporation and Morgan Guaranty Trust Company of New York, Trustee, dated October 1, 1985, as amended, was filed as Exhibit 4 in the Registration Statement on Form S-3 No. 33 5673, filed May 13, 1986. The First Supplemental Indenture, dated December 20, 1989, to the Trust Indenture between Boise Cascade Corporation and Morgan Guaranty Trust Company of New York, Trustee, dated October 1, 1985, was filed as Exhibit 4.2 in the Pre-Effective Amendment No. 1 to the Registration Statement on Form S-3 No. 33-32584, filed December 20, 1989. The Second Supplemental Indenture, dated August 1, 1990, to the Trust Indenture was filed as Exhibit 4.1 in the Company's Current Report on Form 8-K filed on August 10, 1990. Each of the documents referenced in this footnote is incorporated herein by reference.
- (5) The Rights Agreement, dated as of December 13, 1988, as amended September 25, 1990, was filed as Exhibit 1 in the Company's Form 8-K filed with the Securities and Exchange Commission on September 25, 1990, and is incorporated herein by reference.
- (6) Exhibits 10.1, 10.2, 10.4, 10.6, 10.11, 10.12, 10.19, 10.20, 10.21, 10.22, and 10.23 were filed under the same exhibit numbers in the Company's 1995 Annual Report on Form 10-K and are incorporated herein by reference.
- (7) The 1983 Board of Directors Deferred Compensation Plan, 1987 Board of Directors Deferred Compensation Plan, and 1984 Key Executive Stock Option Plan and Form of Agreement were filed as Exhibits 10.1, 10.2, and 10.3, respectively, in the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996, and are incorporated herein by reference.
- (8) Exhibits 10.5, 10.10, 10.14, 10.15, 10.16, and 10.17 were filed under the same exhibit numbers in the Company's 1993 Annual Report on Form 10-K and are incorporated herein by reference.
- (9) Exhibit 10.7 was filed under the same exhibit number in the Company's 1994 Annual Report on Form 10-K and is incorporated herein by reference.

1997 REVOLVING CREDIT AGREEMENT

among

BOISE CASCADE CORPORATION,

BANK OF AMERICA NATIONAL TRUST  
AND SAVINGS ASSOCIATION,  
as Administrative Agent,

THE CHASE MANHATTAN BANK  
as Syndication Agent,

NATIONAL WESTMINSTER BANK PLC,  
as Documentation Agent,

and

THE FINANCIAL INSTITUTIONS PARTIES THERETO

Dated as of March 11, 1997

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- Schedule 3 - Form of Opinion of Company Counsel

REVOLVING CREDIT AGREEMENT dated as of March 11, 1997, among BOISE CASCADE CORPORATION, a Delaware corporation having its principal office at 1111 W. Jefferson Street, Boise, Idaho 83702 (herein called the "Company"), and the undersigned banks (herein collectively called the "Banks"), BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION ("Bank of America") (in its capacity as the Administrative Agent), THE CHASE MANHATTAN BANK ("Chase") (in its capacity as Syndication Agent), and NATIONAL WESTMINSTER BANK PLC ("NatWest") (in its capacity as the Documentation Agent).

The Company has requested the Banks to extend credit to the Company for the general corporate purposes of the Company. The Banks are prepared to extend credit as requested by the Company, on the terms hereof, and, accordingly, the parties agree as follows:

## ARTICLE I

### Definitions

SECTION 1.01. Certain Defined Terms. The following definitions shall apply throughout this Agreement:

"Administrative Agent" means Bank of America, in its capacity hereunder as Administrative Agent for the Banks.

"Agents" means Bank of America, Chase, and NatWest.

"Affiliate" of a specified Person means any other Person that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with the Person specified.

"Agent-Related Persons" means Bank of America, Chase and NatWest (in their respective capacities as Agents hereunder), and any successor agent arising under Article VIII, together with their respective Affiliates and the officers, directors, employees, agents and attorneys-in-fact of such Persons and Affiliates.

"Agreement" means this Revolving Credit Agreement dated as of March 11, 1997 among the Company, the Banks and the Agents.

"Applicable Percentage" means, with respect to any Bank, the percentage of the total Commitments represented by such Bank's Commitment. If the Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Commitments most recently in effect, giving effect to any assignments.

"Bank" means each financial institution which is a signatory to this Agreement and its successors and assigns permitted by this Agreement and includes the Agents in their capacities as lenders.

"Banking Day" means a day on which banks are required to be open for business in New York, New York, and San Francisco, California and transfers of funds can be made within the Federal Reserve System and with respect to LIBOR Loans, a day on which banking transactions in United States dollar deposits between banks are carried on in London, England, New York, New York, and San Francisco, California.

"Bankruptcy Code" means the Federal Bankruptcy Reform Act of 1978 as amended from time to time (11 U.S.C. Section 101, et seq.).

"Base Rate" for any day means the greater of (a) the daily Federal Funds Rate for such day plus .50% Per Annum or (b) the arithmetic average (rounded if necessary to the nearest 1/100 of a percentage point) of the interest rate publicly announced by each Agent to be its "prime rate" or "reference rate", as the case may be, for such day. Any change in the rate quoted by any Agent as its "prime rate" or "reference rate", as the case may be, shall take effect on the day specified in the public announcement of such change.

"Base Rate Loans" means the Loans included in a borrowing requested by the Company when the borrowing request specifies that the Borrowing Rate shall be based on the Base Rate. Each such Loan is referred to as a "Base

Rate Loan".

"Board of Directors" means the board of directors of the Company.

"Borrowing Rate" means the interest rate applicable to any Loan determined pursuant to one of the three optional methods set forth in subparagraphs (a), (b), and (c) below, as selected by the Company pursuant to the provisions of Section 3.04(a) or 3.04(b) in the case of a Revolving Loan:

(a) LIBOR. In the case of a Revolving Loan, if the Company elects to use LIBOR, the Borrowing Rate shall be equal to the sum of (x) LIBOR for the Interest Period plus (y) the applicable incremental rate Per Annum as determined by the Borrowing Rate and Facility Fee Table.

(b) Base Rate. In the case of a Revolving Loan, if the Company elects to use the Base Rate, the Borrowing Rate shall be equal to the sum of (x) Base Rate plus (y) the applicable incremental rate Per Annum as determined by the Borrowing Rate and Facility Fee Table.

(c) Swingline Rate. In the case of a Swingline Loan, the Borrowing Rate shall be equal to the Swingline Rate.

(d) The incremental rate as determined by the Borrowing Rate and Facility Fee Table shall be established as of the beginning of each Interest Period and shall be readjusted during such Interest Period for any changes in the Company's senior unsecured long-term debt credit rating, effective as of the date of the announcement of such rating change.

"Borrowing Rate and Facility Fee Table" means the following table which provides the pricing level which will be used to determine the Incremental Rate Per Annum for the Borrowing Rate applicable to any Revolving Loan and the facility fee.

BORROWING RATE AND FACILITY FEE TABLE  
(expressed in basis points per annum)

Pricing Level	Level 1	Level 2	Level 3	Level 4	Level 5
LIBOR Incremental Rate	20.00	25.00	30.00	40.00	50.00
Base Incremental Rate	0.00	0.00	0.00	0.00	0.00
Facility Fee	10.00	12.50	15.00	22.50	30.00

Incremental rate Per Annum and facility fee level description based on the Company's senior unsecured long-term debt rating as announced from time to time:

Level 1: BBB+ from S&P or Baa1 from Moody's or greater.  
Level 2: BBB from S&P or Baa2 from Moody's.  
Level 3: BBB- from S&P or Baa3 from Moody's.  
Level 4: BB+ from S&P or Ba1 from Moody's.  
Level 5: Equal to or less than BB from S&P or Ba2 from Moody's, or no rating available from S&P or Moody's.

Note: In the event the ratings of the two rating agencies do not result in the same incremental rate Per Annum or facility fee, the credit rating which results in the lower incremental rate Per Annum or facility fee shall be applicable unless one of the two ratings is two or more levels lower than the other, in which case, the level immediately below that of the higher rating shall apply; provided, however, if no rating is available from S&P or Moody's due to reasons other than issues relating to the Company, the rating of the remaining agency shall be used to determine the incremental rate Per Annum and the facility fee.

"Broken Interest Period Amount" means in respect of (i) any failure to borrow following notice given pursuant to Sections 3.04(a) or 3.04(b) or (ii) any repayment of a LIBOR Loan which occurs other than at the end of an Interest Period, the amount by which (a) the interest which would have been received from the Company on the amount not borrowed or the amount prepaid in respect of the portion of the Interest Period remaining after the date of the failure to borrow or prepayment exceeds (b) the interest which the applicable Bank or Banks could hypothetically obtain by

investing the amount so prepaid or not borrowed in the interbank dollar market corresponding to the LIBOR Rate in effect at the time of the failure to borrow or the prepayment for the Loan or Loans prepaid for the remaining portion of the Interest Period. The amount of hypothetical interest required for calculation of clause (b) shall be determined in good faith by each Bank, which determination shall be conclusive absent manifest error. If a Bank determines that the calculation required by clause (b) cannot be made because there is no market for LIBOR interbank dollar deposits as required by such clause, the Bank shall make the calculation on the basis of such other interbank dollar deposit market as may be reasonably available upon which to base such calculation.

"Capital" means the Consolidated Indebtedness of the Company and its Restricted Subsidiaries, plus the Consolidated Net Worth of the Company and its Restricted Subsidiaries.

"Capital Stock" as applied to the stock of any corporation, means the capital stock of every class whether now or hereafter authorized, regardless of whether such capital stock shall be limited to a fixed sum or percentage with respect to the rights of the holders thereof to participate in dividends and in the distribution of assets upon the voluntary or involuntary liquidation, dissolution or winding up of such corporation.

"CERCLA" means the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (42 U.S.C. Sections 9601 et seq.).

"Code" means the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder as from time to time in effect.

"Commitment" means in respect of any Bank the aggregate amount of money which such Bank is obligated to lend to the Company pursuant to the Agreement at the time of determination of such Bank's Commitment including Revolving Loans then outstanding and assuming that all conditions precedent to such Bank's obligation to lend money have been satisfied; provided, however that the term "Commitment" shall not include the Swingline Commitments. The initial Commitment of each Bank hereunder shall be the amount set forth opposite such Bank's name in Schedule 1 hereto. The Commitment is subject to optional and mandatory reduction in accordance with Section 3.02 or adjustment in accordance with Section 3.02.

"Company" shall include and mean not only Boise Cascade Corporation but also its successive successors and assigns. Nothing in the foregoing shall authorize any transaction by the Company which is prohibited by Sections 6.04 or 9.09. The phrase "Company and its Restricted Subsidiaries," when used in connection with calculations involving financial covenants, shall exclude assets, liabilities, equity, earnings, and losses of Unrestricted Subsidiaries.

"Consolidated" when used with reference to any term defined herein, means that term as applied to the accounts of the Company and its Restricted Subsidiaries unless the language of any specific provision in which this definition is used shall indicate a specific intent that the consolidation called for shall be of the Company and its Subsidiaries. Each such consolidation shall be prepared in accordance with Generally Accepted Accounting Principles.

"Documentation Agent" means NatWest.

"Domestic Lending Office" means, with respect to each Bank, the office of such Bank or its Affiliate specified as its "Domestic Lending Office" below its name on the signature pages hereof or such other office of such Bank or its Affiliate as such Bank may from time to time specify to the Administrative Agent and the Company as the office of such Bank or its Affiliate at which Base Rate Loans made by such Bank are to be maintained.

"EBITDA" means, for any fiscal period, (a) Consolidated Net Income for such period, adjusted to exclude, to the extent taken into account in determining such Consolidated Net Income and without duplication, for such period, the aggregate amount of (i) interest expense, (ii) income tax expense, (iii) minority interest, (iv) depreciation, amortization and other non-cash charges which do not require a cash outlay in such period or future periods, and (v) non-cash income or gains which do not involve cash receipts in such period or future periods and

(vi) equity in net income or loss of unconsolidated affiliates plus (b) cash distributions from unconsolidated affiliates.

"Environmental Claims" means all claims, however asserted, by any Governmental Authority or other Person alleging potential liability or responsibility for violation of any Environmental Law, or for release of hazardous substances or injury to the environment.

"Environmental Laws" means all federal, state, and local laws, statutes, common law duties, rules, regulations, ordinances and codes, together with all administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authorities, in each case relating to environmental, health, safety and land use matters.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder as from time to time in effect.

"ERISA Affiliate" means any trade or business (whether or not incorporated) under common control with the Company within the meaning of Section 414(b) or (c) of the Code (and Sections 414(m) and (o) for purposes of provisions relating to Section 412 of the Code).

"ERISA Event" means any of the following which could reasonably be expected to result in a Material Adverse Effect on the Company (a) a Reportable Event with respect to a Pension Plan or a Multiemployer Plan; (b) a withdrawal by the Company or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations which is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a complete or partial withdrawal by the Company or any ERISA Affiliate from a Multiemployer Plan or notification that a multiemployer is in reorganization; (d) the filing of a notice of intent to terminate, the treatment of a plan amendment as a termination under Section 4041 or 4041A of ERISA or the commencement of proceedings by the PBGC to terminate a Pension Plan or Multiemployer Plan; (e) a failure by the Company or any member of the controlled group to make required contributions to a Pension Plan, Multiemployer Plan or other Plan subject to Section 412 of the Code; (f) an event or condition which might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan or Multiemployer Plan; (g) the imposition of any liability under Title IV of ERISA, other than PBGC premiums due but not delinquent under Section 4007 of ERISA, upon the Company or any ERISA Affiliate; (h) an application for a funding waiver or an extension of any amortization period pursuant to Section 412 of the Code with respect to any Plan.

"1989 ESOP" means the amendments to the Company's Savings and Supplemental Retirement Plan adopted pursuant to a resolution of its Board of Directors dated May 2, 1989, and the transactions related thereto, including refinancing by the Trustee of such plan of any debt incurred in connection therewith.

"Event of Default" has the meaning given it in Section 7.01.

"Expansion Option" shall have the meaning set forth in Section 3.02.

"Eurodollar Lending Office" means, with respect to each Bank, the office of such Bank or its Affiliate specified as its "Eurodollar Lending Office" below its name on the signature pages hereof or such other office of such Bank or its Affiliate as such Bank may from time to time specify to the Administrative Agent and the Company as the office of such Bank or its Affiliate at which LIBOR Rate Loans made by such Bank are to be maintained.

"Federal Funds Rate" means, for any day, (a) the rate set forth in the weekly statistical release designated as H.15 (519), or any successor publication published by the Federal Reserve Bank of New York, on the preceding Business Day opposite the caption "Federal Funds (Effective)"; or, (b) if such rate is not so published on any such preceding Business Day, the rate for such day will be the arithmetic mean (rounded upwards, if necessary to the next 1/100th of 1%) as determined by the Administrative Agent of the rates for the last transaction in overnight Federal funds arranged

prior to 9:00 a.m. (New York City time) on that day by each of three leading brokers of Federal funds transactions in New York City selected by the Administrative Agent, subject to subsequent adjustment to the rate as determined in (a) above when such rate is available.

"Fiscal Year" and "Fiscal Quarter" means the fiscal year and fiscal quarter, respectively, used at the time by the Company for reporting income for purposes of federal taxes based thereon.

"Generally Accepted Accounting Principles" means generally accepted accounting principles set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the U.S. accounting profession), which are applicable to the circumstances as of the date of determination.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

"Indebtedness" as applied to any Person means (a) all indebtedness of such Person for money borrowed, the deferred purchase price of property (excluding current accounts payable incurred in the ordinary course of business), noncontingent obligations in respect of letters of credit, banker's acceptances, or similar instruments and leases required to be capitalized pursuant to Generally Accepted Accounting Principles; and (b) all direct or indirect, contingent or absolute guarantees by such Person of the liabilities of others for money borrowed. The term "Indebtedness" does not include unfunded pension or other post-retirement liabilities, nor shall it include any amount recorded on the financial statements of the Company in respect of the 1989 ESOP. In situations where the Company or a Restricted Subsidiary guarantees the liability of a Restricted Subsidiary for money borrowed, the calculation of Indebtedness shall be on a Consolidated basis.

"Indemnified Liabilities" has the meaning given to it in Section 8.07(b).

"Insolvency Proceeding" means (a) any case, action or proceeding before any court or other Governmental Authority relating to bankruptcy, reorganization, insolvency, receivership, or relief of debtors, or (b) with respect to the Company, liquidation, dissolution, or winding up, or (c) any general assignment for the benefit of creditors, composition, marshaling of assets for creditors or other similar arrangement in respect of its creditors generally or any substantial portion of its creditors; undertaken under U.S. federal, state, or foreign law, including the Bankruptcy Code.

"Insurance Company" has the meaning ascribed to it in Section 5.06.

"Interest Period" means:

(a) LIBOR. With respect to calculation of interest on Revolving Loans subject to LIBOR, a period of either one week or one, two, three, or six months in duration specified by the Company pursuant to Section 3.04(a) or 3.04(b); provided, however, if any LIBOR Interest Period determined pursuant to the preceding sentence ends on a day which is not a Banking Day, then such LIBOR Interest Period shall end on the next Banking Day unless the next succeeding Banking Day is in the next calendar month, in which event such Interest Period shall end on the last Banking Day of the calendar month of the day on which it would have otherwise ended; provided further, however, if an Event of Default exists, the Company may not elect a LIBOR interest period which exceeds one month.

(b) Base Rate. With respect to calculation of interest on Revolving Loans subject to the Base Rate, a period beginning on the date on which the Loan is made and running to the last day of the calendar quarter in which the Loan was made; provided that, the Company may at its option terminate the Interest Period of any Base Rate Loan on any date prior to its normal expiration by giving notice of a

reborrowing of funds owed pursuant to such Loan in accordance with Section 3.04(b) or a notice of prepayment in accordance with Section 3.05(b).

(c) **Swingline Rate.** With respect to calculation of interest on Swingline Loans, a period of up to seven days, beginning on the date the Swingline Loan is made and ending on the date set forth in the Swingline Quote; provided that the Company may, at its option, terminate the Interest Period of any Swingline Loan on any date prior to its normal expiration by a notice of prepayment in accordance with Section 3.05(b).

(d) **Duration Provisions.** No Interest Period may be selected by the Company which extends beyond the Termination Date.

"IRS" means the Internal Revenue Service or any entity succeeding to any of its principal functions under the Code.

"LIBOR" means for any Interest Period the TeleRate Rate (currently shown on screen T3750) at approximately 11:00 a.m. London time, two Banking Days prior to the first day of the applicable Interest Period; or, if such rate is unavailable or no longer published, an interest rate Per Annum which is equal to the arithmetic average (rounded up to the nearest 1/32 of a percentage point) of the rates of interest notified to the Administrative Agent by each of the Reference Banks as the rate at which United States dollars would be offered by such Reference Bank to prime banks in the London interbank market at approximately 11 a.m. London time, two Banking Days prior to the first day of the applicable Interest Period for the specified Interest Period and in an amount equal to the amount of the Loan requested from the Reference Bank. If any one Reference Bank fails to quote such a rate, the calculation of LIBOR shall be made on the basis of the rates quoted by the remaining two Reference Banks; if any two of the Reference Banks shall be unable or otherwise fail to notify a rate or shall notify the Administrative Agent that funds in an amount equal to the Reference Bank's share of the Loan requested are not generally available in the LIBOR market, the Borrowing Rate shall be determined on the basis of the Base Rate without prejudice to the right of the Company to reborrow on the basis of LIBOR once available.

When the Company gives notice of a borrowing specifying LIBOR as the method of determination of the interest rate, the Administrative Agent shall promptly obtain the quotations from the Reference Banks provided for above (if required), calculate LIBOR and the Borrowing Rate for the requested Loan and notify the Company of the Borrowing Rate applicable to such Loan. Borrowing Rate calculations for LIBOR Loans shall be made by the Administrative Agent in consultation with the Company.

"LIBOR Loans" means the Revolving Loans included in a borrowing requested by the Company when the borrowing request specifies that the Borrowing Rate shall be based on LIBOR. Each such Revolving Loan is referred to as a "LIBOR Loan".

"Loan" means any Revolving Loan or Swingline Loan.

"Majority Banks" means at any time and for any specific purpose the Bank or Banks holding at least 51% in aggregate unpaid principal amount of the Revolving Loans, or, if no Revolving Loans are at the time outstanding, the Bank or Banks having at least 51% of the aggregate Commitments.

"Margin Stock" means "margin stock" as such term is defined in Regulation G, T, U, or X of the Federal Reserve Board.

"Material Adverse Effect" means (i) a material adverse change in or a material adverse effect upon the operations, business, properties, condition (financial or otherwise) or prospects of the Company or the Company and its Subsidiaries taken as a whole; (ii) a material impairment of the ability of the Company to perform under this Agreement and to avoid any Event of Default; or (iii) a material adverse effect upon the legality, validity, binding effect or enforceability against the Company of this Agreement.

"Material Subsidiary" means, at any time, any Subsidiary where the Company's investment in the Subsidiary, as of the last day of the preceding fiscal quarter, shall exceed 10% of Consolidated Net Assets of the

Company and its Restricted Subsidiaries, in each case, based upon the Company's most recent annual or quarterly financial statements delivered under Section 5.01.

"Maximum Capitalization Ratio" means the ratio of Senior Funded Debt to Capital, in each case determined on a Consolidated basis.

"Moody's" means Moody's Investors Service, Inc.

"Multiemployer Plan" means a "multiemployer plan" (within the meaning of Section 4001(a)(3) of ERISA) and to which the Company or any ERISA Affiliate makes, is making, or is obligated to make contributions or, during the preceding three calendar years, has made, or been obligated to make, contributions.

"Net Assets" means with respect to any Person the aggregate amount of assets (less applicable reserves and other properly deductible items) of such Person after deducting therefrom (i) liabilities other than (x) deferred income taxes, (y) Indebtedness, and (z) liabilities in respect of the 1989 ESOP; and (ii) Restricted Investments, all as recorded in the books and records of such Person kept in accordance with Generally Accepted Accounting Principles. For purposes of this definition, the term "liability" shall not include amounts recorded on the Company's balance sheet under the headings "Shareholders' Equity" and "Mandatory Redeemable Preferred Stock."

"Net Income" for any period means the net income (or loss) of the Person or Persons referred to before extraordinary items, determined in accordance with Generally Accepted Accounting Principles.

"Net Worth" means total shareholders' equity and minority interest, in each case determined on a Consolidated basis.

"Notes" means the promissory notes of the Company delivered to the Banks pursuant to Section 3.09, if any such promissory notes are requested.

"PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to any of its principal functions under ERISA.

"Pension Plan" means a pension plan (as defined in Section 3(2) of ERISA) subject to Title IV of ERISA which the Company or any ERISA Affiliate sponsors, maintains, or to which it makes, is making, or is obligated to make contributions, or in the case of a multiple employer plan (as described in Section 4064(a) of ERISA) has made contributions at any time during the immediately preceding five (5) plan years, but excluding any Multiemployer Plan.

"Per Annum" as to LIBOR, Base Rate Loans based on the Federal Funds Rate, Swingline Rate, and the facility fee means a calculation based on a year having 360 days, for the actual days elapsed and, as to the Base Rate (except where based on the Federal Funds Rate), a calculation based on a year having 365 days or 366 days, as the case may be, for the actual days elapsed.

"Person" means a corporation, association, joint venture, partnership, limited liability company, trust, organization, business, individual or government or any governmental agency or political subdivision thereof.

"Plan" means an employee benefit plan (as defined in Section 3(3) of ERISA) which the Company or any ERISA Affiliate sponsors or maintains or to which the Company or any ERISA Affiliate makes, is making, or is obligated to make contributions and includes any Pension Plan or Multiemployer Plan.

"Principal Financial Officer" means the Chairman of the Board, any vice president in charge of financial affairs, the Treasurer or the Controller of the Company. The term "Officers' Certificate" shall mean a certificate signed by a Principal Financial Officer.

"Principal Property" means (a) any mill, converting plant, manufacturing plant or other facility owned at the date hereof or hereafter acquired by the Company or any Restricted Subsidiary of the Company which is located within the present 50 states of the United States of America or Canada and the gross book value (including related land and improvements thereon and all machinery and equipment included therein without deduction of any depreciation reserves) of which on the date as of which the

determination is being made exceeds 5% of Consolidated Net Assets, and (b) Timberlands, in each case other than (i) any property which is designated in a resolution of the Board of Directors as not being of material importance to the total business conducted by the Company as an entirety or (ii) any portion of a particular property which is similarly found not to be of material importance to the use or operation of such property or (iii) any minerals or mineral rights.

"Reference Banks" means Bank of America, Chase and NatWest.

"Reportable Event" means, any of the events set forth in Section 4043(b) of ERISA or the regulations thereunder, other than any such event for which the 30-day notice requirements under ERISA has been waived in regulations issued by the PBGC.

"Requirement of Law" means, as to any Person, any law (statutory or common), treaty, rule or regulation or determination of an arbitrator or of a Governmental Authority, in each case applicable to or binding upon the Person or any of its property or to which the Person or any of its property is subject.

"Restricted Investments" means investments in Unrestricted Subsidiaries and Securities other than:

- (a) investments in Restricted Subsidiaries;
- (b) investments in prime grade marketable Securities;
- (c) current assets arising from the sale of goods and services in the ordinary course of business; and
- (d) investments in Persons which within 18 months of the first investment become Restricted Subsidiaries.

"Restricted Subsidiary" means any Subsidiary of the Company; provided, however, there shall be excluded (i) Subsidiaries substantially all of whose assets consist of loans to the Company and its Subsidiaries from funds obtained by borrowings, guaranteed by the Company, and (ii) any Subsidiary declared by the Board of Directors to be an Unrestricted Subsidiary, provided, however, at the time of declaration there can be no Event of Default and the Company must be able to incur \$1 of additional Senior Funded Debt under the terms of this Agreement. Any Subsidiary declared an Unrestricted Subsidiary may later be declared a Restricted Subsidiary by a Principal Financial Officer, provided that (a) there is no Event of Default and the Company is able to incur \$1 of additional Senior Funded Debt under the terms of this Agreement and (b) such Subsidiary does not have any outstanding secured Indebtedness that would be prohibited by Section 6.02 if such Subsidiary had been a Restricted Subsidiary for the entire time it has been a Subsidiary.

"Revolving Loan" means, in respect of any Bank, each separate advance of funds made by such Bank to the Company pursuant to a request for a borrowing by the Company made pursuant to Section 3.04(a) or 3.04(b). Each reborrowing made by the Company pursuant to Section 3.04(b) or 3.04(c) shall constitute a separate Revolving Loan.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc.

"Securities" means any stock, shares or other form of equity ownership interest in any Person, any bonds, debentures, notes or other indebtedness for money borrowed issued by any Person and any guarantee of any of the foregoing or any warrant, option or other right to subscribe for or purchase any of the foregoing. Any of the foregoing rights and interests shall be treated as a Security for purposes of this Agreement whether or not they are evidenced by a certificate or other written instrument or agreement.

"Senior Funded Debt" means Indebtedness that is not subordinated in right of payment to the Loans and is classified, in accordance with Generally Accepted Accounting Principles, as long-term debt (and the current portion thereof) as of the date of determination. Senior Funded Debt shall also include all direct or indirect, contingent, or absolute guarantees of Indebtedness by the Company or a Restricted Subsidiary other than guarantees with respect to the 1989 ESOP.

"Special Counsel to the Agents" means Cravath, Swaine & Moore.

"Subsidiary" or "Subsidiaries" means any Person of which the Company and/or any of its other Subsidiaries (as herein defined) directly or indirectly owns at the time at least a majority of the outstanding stock or shares of beneficial interest having by the terms thereof ordinary voting power to elect a majority of the directors (or other persons performing similar functions) of such Person, irrespective of whether or not at the time shares of any other class or classes of such Person shall have or might have voting power by reason of the happening of any contingency. Cuban Electric Company, a Florida corporation, shall not be deemed to be a "Subsidiary" so long as neither the Company nor any other Subsidiary shall have outstanding any investment in said corporation (other than investments existing on December 31, 1972) or any guaranty of the Indebtedness of any corporation.

"Swingline Bank" means Bank of America or Chase.

"Swingline Borrowing" means a borrowing of a Swingline Loan made by the Company from a Swingline Bank for up to seven days.

"Swingline Commitment" means \$25,000,000 for each Swingline Bank.

"Swingline Loan" means each separate advance of funds made by a Swingline Bank to the Company pursuant to a request by the Company made pursuant to Section 3.04(f).

"Swingline Quote" means a Swingline Rate quoted by a Swingline Bank in writing via facsimile, which quote shall state the Interest Period, which shall not exceed seven days. Such rate shall be quoted no later than 30 minutes after the time of the request for the Swingline Quote.

"Swingline Rate" means the rate quoted to the Company from a Swingline Bank for a Swingline Borrowing.

"Syndication Agent" means Chase.

"Termination Date" means June 28, 2002, or any earlier date established under Sections 3.02(b), 3.16 or 7.02 if the Commitments of all Banks are terminated in full.

"Timberlands" means any real property of the Company or any Restricted Subsidiary of the Company located within the present 50 states of the United States of America or Canada, which directly provides a material portion of the fiber required to operate any mill, converting plant, manufacturing plant or other facility included in subsection (a) of the definition of Principal Property and which contains standing timber which is (or upon completion of a growth cycle then in process is expected to become) of a commercial quantity and of merchantable quality, excluding, however, any such real property which at the time of determination is held primarily for development or sale, and not primarily for the production of forest products.

"Unfunded Pension Liability" means the excess of a Pension Plan's benefit liabilities under Section 4001(a)(16) of ERISA, over the current value of that Plan's assets, determined in accordance with the assumptions used for funding the Pension Plan pursuant to Section 412 of the Code for the applicable plan year.

"Unrestricted Subsidiary" means any Subsidiary in whom the Company or any Subsidiary has an investment other than a Restricted Subsidiary.

## ARTICLE II

### Representations

SECTION 2.01. Representations as of Date of Agreement. The Company represents and warrants that as of the date hereof:

(a) Subsidiaries. The Company has heretofore furnished to the Administrative Agent a correct list of all Subsidiaries as of December 31, 1996 (excepting those whose total assets are less than \$10,000,000 individually and \$25,000,000 collectively), and except as set forth on such list, and except for directors' qualifying shares, the Company and/or another Subsidiary or Subsidiaries owns, with unrestricted right to vote, all of the issued and outstanding shares of voting stock of each such Subsidiary, and all such shares of stock of any such Subsidiary have been duly authorized and issued and are fully paid and

nonassessable.

(b) Annual Reports and Financial Information.

There have been furnished to each Bank copies of the Consolidated balance sheets of the Company and its Subsidiaries (when and as acquired) at December 31 in the years 1993 through 1996, inclusive, and the related statements of Consolidated income, cash flow, and additional paid-in capital and retained earnings or shareholders' equity for said years, all certified by Arthur Andersen & Co., or Arthur Andersen LLP, or other nationally recognized accounting firm. Such financial statements (including any related schedules or notes) are true and correct in all material respects and have been prepared in accordance with Generally Accepted Accounting Principles followed throughout the periods involved and show all liabilities, direct and contingent, of the Company and its Subsidiaries required to be shown in accordance with such principles. The balance sheets fairly present, in all material respects, the condition of the Company and its Subsidiaries as of the dates thereof, and the statements of income, or cash flow and additional paid-in capital and retained earnings or shareholders' equity fairly present, in all material respects, the results of the operations of the Company and its Subsidiaries for the periods indicated. There have also been furnished to each Bank copies of the annual reports of the Company on Form 10-K as filed with the Securities and Exchange Commission for the years 1993 through 1995. Such annual reports contain all information required to be contained therein as of the respective dates thereof and do not contain any statement which at the time and in light of the circumstances under which it was made was false or misleading with respect to any material fact.

(c) Changes in Condition; Full Disclosure.

(a) Since December 31, 1996, there has been no material adverse change in the business, condition or operations (financial or otherwise) of the Company, or of the Company and its Subsidiaries on a combined basis except as otherwise disclosed to the Banks in writing prior to the date of this Agreement; and (b) the financial statements referred to in Section 2.01(b) do not, nor does this Agreement or any written statement furnished by the Company to each Bank in connection with the making of the Loans, contain any untrue statement of a material fact or omit a material fact necessary to make the statements contained therein or herein not misleading; provided, however, that it is understood that the Company is in no way representing or warranting the accuracy of any forecast or financial projection contained in any of the foregoing.

(d) Title to Properties and Stock of

Subsidiaries. The Company and its Subsidiaries, respectively, have good and merchantable title in fee to such of the fixed assets as are real property, and good and merchantable title to the other assets, reflected in the Consolidated balance sheet at December 31, 1996, referred to in Section 2.01(b), or acquired since said date (except for certain properties disposed of since said date in the ordinary course of business), subject to no mortgage, pledge, charge, lien, security interest or other encumbrance except as such are permitted by this Agreement. The Company or a Subsidiary, as the case may be, has good title to the outstanding shares of Capital Stock of its Subsidiaries, subject to no lien, pledge or other encumbrance, except as permitted by this Agreement, and all such shares have been duly authorized and validly issued and are fully paid and nonassessable. The Company and its Subsidiaries enjoy peaceful and undisturbed possession under all leases under which they are operating and all said leases are valid and subsisting and in full force and effect.

(e) Litigation. There is no action, proceeding

or investigation before any court or any governmental agency pending or, to the Company's knowledge, threatened which may result in any judgment, order, decree, or liability having a Material Adverse Effect and no judgment, decree or order has been issued against the Company or any Subsidiary which has or will have such an effect. Certain litigation is disclosed in the SEC form 10-K filings referred to in Section 2.01(b).

(f) Tax Returns. The Company and its

Subsidiaries have filed all federal, state, local and other tax returns required by law to be filed by them, and all taxes shown to be due have been paid. The Federal income tax liabilities of the Company for the year ended December 31, 1991, and for all prior years, have been determined or accepted by the Internal Revenue Service. No objection to any return or claim for additional taxes is being asserted which, if sustained or allowed, would have a Material

Adverse Effect. The Company believes all filed returns were prepared in accordance with applicable statutes and generally accepted principles applicable to taxation, and it believes that reserves for taxes in said balance sheet are sufficient for the payment of accrued and unpaid taxes of the Company and its Subsidiaries, or that if not sufficient, such insufficiency is not such as would have a Material Adverse Effect.

(g) Credit Ratings. The Company's senior unsecured long-term debt ratings are BBB- and Baa3 from S&P and Moody's, respectively. The Company is not aware of any adverse pending action by either S&P or Moody's with respect to the Company's current ratings that has not been disclosed to the Banks in writing.

(h) ERISA Compliance. (i) Except as specifically disclosed in writing to the Banks, each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other federal or state law. Each Plan which is intended to qualify under Section 401(a) of the Code has received a favorable determination letter from the IRS and to the best knowledge of the Company, nothing has occurred which would cause the loss of such qualification.

(ii) There are no pending or, to the best knowledge of Company, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan which has resulted or could reasonably be expected to result in a Material Adverse Effect. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan which has resulted or could reasonably be expected to result in a Material Adverse Effect.

(iii) No ERISA Event (excluding any issuance of a notice of intent to terminate with respect to a "standard termination" as described in Section 4041(b) of ERISA) has occurred within the preceding five plan years which has generated a liability that remains undischarged as of the date hereof.

(iv) Except as specifically disclosed in writing to the Banks, no Pension Plan has any Unfunded Pension Liability and no Multiemployer Plan has any withdrawal liability under Title IV of ERISA, determined as though the withdrawal of the Company and all ERISA Affiliates occurred as of the date hereof.

(v) No unexempted "prohibited transaction" within the meaning of Section 406 of ERISA exists which could expose the Company or its ERISA Affiliates to a material liability.

(i) No Defaults. No event has occurred and is continuing which is, or with the lapse of time or notice or both would be, an Event of Default.

(j) Environmental Matters. The Company conducts in the ordinary course of business a review of the effect of existing Environmental Laws and existing Environmental Claims on its business, operations and properties, and as a result thereof the Company has reasonably concluded that, except as specifically disclosed in writing to the Banks, such Environmental Laws and Environmental Claims could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

SECTION 2.02. Representations for Closing and Incremental Borrowing. The Company represents and warrants that as of the date hereof and as of the date of any Revolving Loan made pursuant to a notice of borrowing delivered under Section 3.04(a) and as of the date of any Swingline Loan:

(a) Organization and Good Standing of Company and Material Subsidiaries. The Company and its Material Subsidiaries are duly organized and validly existing corporations in good standing under the laws of their respective jurisdictions of incorporation and are duly qualified and in good standing as foreign corporations in all jurisdictions in which the nature of their respective businesses or properties makes such qualification necessary, except where such failure would not have a Material Adverse Effect. The Company and its Material Subsidiaries have the corporate power to own their respective properties and assets, and to carry on their respective businesses, all as, and in the places where, such properties and assets are now owned or operated or such businesses are now conducted, except where such failure would not have a Material Adverse

Effect.

(b) Regulation U. The Company is not engaged, principally or as one of its important activities, in the business of purchasing or carrying Margin Stock or in the business of extending credit for the purpose of purchasing or carrying Margin Stock and its assets do not include any material amount of Margin Stock.

(c) Authorization; Enforceability. The execution, delivery, and performance of this Agreement and the Notes and any instrument or agreement required hereunder are within the corporate powers of the Company, have been duly authorized by all necessary corporate action, and are not in conflict with the terms of any charter, by-law, or other organization papers of the Company. The execution, delivery, and performance of this Agreement and the Notes and any instrument or agreement required hereunder are not in conflict with any instrument or agreement to which the Company or any Subsidiary is a party or by which the Company or any Subsidiary or any of the Company's or any Subsidiary's properties are bound or affected. This Agreement is a legal, valid, and binding agreement of the Company, enforceable against the Company in accordance with its terms, and any instrument or agreement required hereunder, when executed and delivered, will be similarly legal, valid, binding, and enforceable, subject only to the operation of the Bankruptcy Code and other similar statutes for the benefit of debtors generally and the application of general equitable principles.

(d) Governmental Consent. Neither the nature of the Company or of any Subsidiary, nor any of their respective businesses or properties, nor any relationship between the Company or any Subsidiary and any other Person, nor any circumstance in connection with the execution or delivery of this Agreement and the Notes is such as to require any consent, approval or other action by or any notice to or filing with any court or administrative or governmental body (other than routine filings after the date hereof with the Securities and Exchange Commission and/or State Blue Sky authorities) in connection with the execution and delivery of this Agreement, the execution or delivery of the Notes or fulfillment of or compliance with the terms and provisions hereof or of the Notes.

(e) Public Utility Holding Company Act and Investment Company Act. The Company is exempt from the Public Utility Holding Company Act of 1935. The Company is not, and immediately after the application by the Company of the proceeds of each borrowing hereunder will not be, an "investment company" or a company controlled by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

### ARTICLE III

#### Terms of Credit

SECTION 3.01. Commitment To Lend. (a) Each of the Banks severally agrees on the terms and subject to the conditions herein set forth that from the date hereof to the Termination Date, it will loan money to the Company in an amount up to the amount of the Bank's Commitment for the term and on the other terms and conditions provided for herein; provided, however, that a Bank shall not be required to make any Revolving Loan which would result in the aggregate amount of its Revolving Loans plus its Applicable Percentage of all outstanding Swingline Loans exceeding its Commitment. The aggregate of all Commitments shall not exceed \$600 million, except as provided in Section 3.02(c) below. Each borrowing of Revolving Loans made by the Company pursuant to this Agreement which bears interest based upon Base Rate or LIBOR shall be in an aggregate amount of \$10.0 million (except the amount shall be at least \$50.0 million in the case of one week LIBOR Loans) or an integral multiple of \$2.5 million in excess thereof and shall be made from the several Banks ratably in proportion to their respective Commitments.

(b) Each of the Swingline Banks severally agrees on the terms and subject to the conditions herein set forth, that from the date hereof to the Termination Date, it will loan money to the Company in an amount up to the amount of its Swingline Commitment, for the term, and on the other terms and conditions provided for herein. Such Swingline Loans, when aggregated with the Swingline Bank's Revolving Loans, may exceed the Swingline Bank's Commitment; provided that at no time shall (a) the sum of all Loans exceed the combined Commitments; or (b) the amount of all Swingline

Loans outstanding by a Swingline Bank at any one time exceed the Swingline Commitment of that Swingline Bank.

(c) Within the foregoing limits, and subject to the terms and conditions hereof, the Company may borrow and repay and reborrow money from each Bank and each Bank shall lend money to and accept repayment from the Company in amounts up to but not in excess of such Bank's Commitment (except for Swingline Banks, as set forth in the preceding paragraph) at any time prior to the Termination Date.

(d) A Swingline Bank may by written notice given to the Administrative Agent not later than 9:00 a.m. (San Francisco time) on any Business Day require the Banks to acquire participations on such Business Day in all or a portion of such Swingline Bank's Swingline Loans outstanding; provided, however, that a Swingline Bank may not require the Banks to so acquire participations in any particular Swingline Loan prior to the end of the Interest Period therefor. Such notice shall specify the aggregate amount of Swingline Loans in which Banks will participate. Promptly upon receipt of such notice, the Administrative Agent will give notice thereof to each Bank, specifying in such notice such Bank's Applicable Percentage of such Swingline Loan or Loans. Each Bank hereby absolutely and unconditionally agrees, upon receipt of notice as provided above, to pay to the Administrative Agent, for the account of the applicable Swingline Bank, such Bank's Applicable Percentage of such Swingline Loan or Loans. Each Bank acknowledges and agrees that its obligation to acquire participations in Swingline Loans pursuant to this paragraph is absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of a Default, Event of Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Each Bank shall comply with its obligation under this paragraph by wire transfer of immediately available funds, in the same manner as provided in Section 3.07 with respect to Revolving Loans made by such Bank (and Section 3.07 shall apply, mutatis mutandis, to the payment obligations of the Banks), and the Administrative Agent shall promptly pay to the applicable Swingline Bank the amounts so received by it from the Banks. The Administrative Agent shall notify the Company of any participations in any Swingline Loan acquired pursuant to this paragraph, and thereafter payments in respect of such Swingline Loan shall be made to the Administrative Agent and not to the applicable Swingline Bank. Any amounts received by a Swingline Bank from the Company (or other party on behalf of the Company) in respect of a Swingline Loan after receipt by such Swingline Bank of the proceeds of a sale of participations therein shall be promptly remitted to the Administrative Agent; any such amounts received by the Administrative Agent shall be promptly remitted by the Administrative Agent to the Banks that shall have made their payments pursuant to this paragraph and to the Swingline Bank, as their interests may appear. The purchase of participations in a Swingline Loan pursuant to this paragraph shall not relieve the Company of any default in the payment thereof.

SECTION 3.02. Reduction or Increase of Commitments. (a) Mandatory Reductions. On the Termination Date, the Commitment of each Bank and the Swingline Commitment of each Swingline Bank shall be reduced to zero.

(b) Optional Reductions. The Company may at any time, by giving ten Banking Days' written notice to the Banks, reduce the aggregate Commitments in any integral multiple of \$10.0 million which the Company elects so long as the aggregate Commitments remain at least equal to the aggregate principal amount of the Loans outstanding hereunder. Any such notice shall be irrevocable. Any reduction in Commitments shall be apportioned among the Banks in proportion to their respective Commitments.

(c) Expansion Option. At the Company's request, made at any time or from time to time, the aggregate of the Commitments under this Agreement may be increased by up to an amount equal to \$150,000,000 for an aggregate Commitment hereunder of up to \$750,000,000 ("Expansion Option"), as may be reduced from time to time pursuant to Section 3.02(b); provided, however, that no Bank shall be obligated to increase its Commitment without its consent; and provided further that the increase in Commitments may not be made in a manner that would result in any Bank having more than 12.5% of the aggregate Commitments. At the Company's option, part or all of the increase in aggregate Commitments may consist of the addition of new financial institutions, which shall be added as additional Banks for all purposes

under this Agreement. Consent from the existing Banks or Agents will not be required to exercise the Expansion Option or to add new Banks, except that the consent of the Swingline Banks is required for the addition of new Banks, such consent not to be unreasonably withheld. The parties hereto agree to execute and deliver any and all amendments and other agreements, documents or instruments as may be reasonably requested by the Company or the Administrative Agent to evidence the addition of such new Banks, and the increase in the total Commitments hereunder. Any new Banks shall be entitled to facility fees beginning on the date they are added as New Banks and shall participate in Loans beginning on the date of any Borrowing or reborrowing hereunder made on or after the date such Bank is added as a New Bank, as and when borrowed or reborrowed.

SECTION 3.03. Facility Fees. During the period commencing on March 11, 1997, and ending on the Termination Date, the Company shall pay to the Administrative Agent, for the account of the respective Banks, on the last Banking Day of each calendar quarter commencing June 30, 1997, a facility fee in an amount equal to the product of (x) the daily average amount of each Bank's Commitment (whether used or unused) from the due date of the last facility fee payment (or from March 11, 1997, in the case of the first such payment) through the next to the last day of such quarter (both dates inclusive) and (y) the facility fee Per Annum determined by the Borrowing Rate and Facility Fee Table (adjusted during any such period for any changes in the Company's credit rating, effective as of the date of the announcement of such rating change); provided, however, that if any Loans shall remain outstanding after the Termination Date, the facility fees set forth in this Section 3.03 shall continue to accrue, except that the amount of such fees shall be calculated based upon the actual aggregate amount of such outstanding Loans and not on the amount of any then-expired Commitment and such fees shall be due and payable by the Company to the Administrative Agent upon demand.

SECTION 3.04. Method of Borrowing.

(a) Incremental Borrowings. If the Company borrows money under this Agreement and such borrowing causes the aggregate amount of the Revolving Loans of any Bank outstanding under this Agreement to increase, the Company shall give the Administrative Agent written notice of the borrowing specifying the following information:

(i) The interest rate determination method selected (LIBOR or Base Rate).

(ii) The Interest Period selected. No Interest Period may be specified if the Base Rate is selected as the interest rate determination method.

(iii) The date of the borrowing, which shall be a Banking Day.

(iv) The aggregate amount of the borrowing.

(v) An identification of the Company's bank account in the United States to which the Company wishes to have the incremental funds to be advanced pursuant to the borrowing transferred, including the name and address of the bank and the account number.

The foregoing notice of borrowing shall be given by 9:00 a.m. San Francisco, California, time on the Banking Day next preceding the date of the borrowing if the method of interest rate determination selected is the Base Rate and not less than three Banking Days prior to the date of the borrowing if the method of interest rate determination selected is LIBOR. Any notice of borrowing of Revolving Loans shall be given to the Administrative Agent.

(b) Other Borrowings. If the Company elects at the end of any Interest Period for Revolving Loans to reborrow an amount equal to or less than the principal amount then outstanding under the Revolving Loans subject to the Interest Period then expiring, it shall give the Administrative Agent written notice of such reborrowing specifying the following information:

(i) The interest rate determination method selected (LIBOR or Base Rate).

(ii) The Interest Period selected. No Interest Period may be specified if the Base Rate is selected as the interest rate determination method.

(iii) The aggregate dollar amount to be reborrowed and the aggregate dollar amount of the reduction in the

Loans subject to the Interest Period then expiring, if any.

(iv) The date of the reborrowing, which shall be the Banking Day on which the Loan to be repaid matures.

The foregoing notice of reborrowing shall be given by 9:00 a.m. San Francisco, California, time not less than one Banking Day prior to expiration of the Interest Period of the Revolving Loan then maturing if the method of interest rate determination being selected is the Base Rate and not less than three Banking Days prior to expiration of the Interest Period if the method of interest rate determination being selected is LIBOR. If the Company gives notice of an incremental borrowing pursuant to Section 3.04(a) which coincides with the expiration of the Interest Period for any then existing Revolving Loan, it may include the amount of the existing Revolving Loan in the notice of incremental borrowing and, if it does so, need not give notice pursuant to this Section, but shall separately state in the notice of borrowing the amount of the incremental borrowing and the amount of the reborrowing.

Any notice of reborrowing of Revolving Loans shall be given to the Administrative Agent.

The reborrowing of Revolving Loans pursuant to this Section 3.04(b) shall not constitute the incurrance of Indebtedness (or Senior Funded Debt) for purposes of Section 6.01 hereof or for any other purpose under this Agreement where the outstanding principal amount of Revolving Loans of any Bank has not been increased.

(c) Repayments; Deemed Election. If the Company elects to fully repay any Loan at the end of the Interest Period, it shall give notice of such intention to the Administrative Agent. Such notice need only specify the Company's intent to repay the Loan in full.

If the Company fails to give notice of reborrowing or repayment pursuant to Section 3.04(b) or this Section 3.04(c) in respect of any Revolving Loan prior to one Banking Day before the expiration of the Interest Period applicable to any Base Rate Loan or three Banking Days before the expiration of the Interest Period applicable to any LIBOR Loan, it shall be deemed to have elected to reborrow the full amount of such Revolving Loan, and it shall be deemed to have selected the Base Rate as the method of interest rate determination for such Revolving Loan.

(d) Notice Irrevocable; Effect of Notice. Any notice of borrowing, reborrowing or prepayment, given by the Company shall be irrevocable. Upon receipt of such notice by the Administrative Agent by 9:00 a.m. San Francisco, California, time on the required Banking Day and satisfaction of all applicable conditions precedent set forth in Article IV hereof, each Bank (or a Swingline Bank, in the case of Swingline Loans) shall be unconditionally obligated to lend the amount requested on the date specified in the notice so long as immediately after the making of such Loan (i) the aggregate amount of Swingline Loans from each Swingline Bank is less than or equal to its Swingline Commitment; (ii) the aggregate amount of all Revolving Loans outstanding from such Bank plus its Applicable Percentage of the aggregate amount of Swingline Loans outstanding is equal to or less than such Bank's Commitment; and (iii) the aggregate amount of all Loans is less than or equal to the total Commitments. Failure of any Bank to honor its Commitment shall not excuse any other Bank from honoring its Commitment in full.

If the Company fails to borrow any incremental amount called for in a notice of borrowing given by it, the Company shall pay a Broken Interest Period Amount calculated in respect of such incremental borrowing.

(e) Notice to Banks. Promptly upon receipt of any notice given by the Company pursuant to Section 3.04(a), 3.04(b), or 3.04(c), the Administrative Agent shall calculate each Bank's respective share of the incremental borrowing, reborrowing, and/or repayment requested in such notice and transmit such information, together with the applicable Borrowing Rate and all other information included with such notice, to each of the Banks. Such calculation and transmittal shall be made by the Administrative Agent.

(f) Swingline Loans. To request a Swingline Loan, the Company shall give the Administrative Agent written notice of the borrowing by 2:00 p.m. New York, New York time, on the day of borrowing if Chase is the Swingline Bank requested to make such Swingline Loan (in which case Chase shall also be given notice); and by 2:00 p.m. San

Francisco, California time on the day of the borrowing, if Bank of America is the Swingline Bank requested to make such Swingline Loan. Any such notice shall specify the following information:

(i) The Interest Period selected.

(ii) The date of the borrowing, which shall be a Banking Day.

(iii) The aggregate amount of the borrowing, which shall be in even \$100,000 increments totalling not less than \$1,000,000.

(iv) An identification of the Company's bank account in the United States to which the Company wishes to have the funds to be advanced pursuant to the Swingline Loan transferred, including the name and address of the bank and the account number.

The Company may borrow and prepay Swingline Loans pursuant to Section 3.04 and Section 3.05 provided that in any 15-day period there shall be at least one day in which there is no Swingline Loan outstanding.

#### SECTION 3.05. Repayment and Prepayment.

(a) Repayment. Each Loan shall mature and be due and payable in full together with all interest accruing thereon on the last day of the Interest Period applicable to such Loan. If the Company shall have given notice of borrowing or reborrowing in respect of any Revolving Loans pursuant to Section 3.04(a) or 3.04(b) or be deemed pursuant to Section 3.04(c) to have elected to reborrow in respect of any Revolving Loans, each Bank shall advance the funds it is required to loan on the last day of the Interest Period then expiring in satisfaction (or partial satisfaction if less than a full reborrowing is elected by the Company) of the principal then due to it. The Bank shall apply the funds so advanced to make payment of any Revolving Loans then due to it. All interest owed by the Company pursuant to any Loans and any principal of such Loans which is not required to be satisfied by a reborrowing in accordance with the preceding two sentences, shall be paid by the Company on the maturity date of the Loan in accordance with the provisions of Section 3.07. If any Bank fails to advance sums which it is legally obligated to advance, interest shall accrue on any Loan from such Bank which was to have been refinanced by such amount at the Borrowing Rate specified by the Company in its notice of borrowing which was not honored. Such interest shall begin on the date which the advance should have been made and be payable at the end of the Interest Period specified in the Company's notice of borrowing.

(b) Prepayment. The Company may prepay sums owed hereunder on the following terms and conditions. Prepayment may occur at any time but shall be preceded, in the case of Revolving Loans, by at least three Banking Days' written notice (or one Banking Day's written notice if the Revolving Loans to be prepaid are Base Rate Loans) from the Company to the Administrative Agent and in the case of Swingline Loans shall be preceded by written notice to the applicable Swingline Bank with a copy of such notice to the Administrative Agent not later than 2:00 p.m. local time (on the date of prepayment) in the city in which notices are to be delivered to the applicable Swingline Bank pursuant to this Agreement, in each case specifying:

(i) The aggregate amount of the prepayment.

(ii) The date of the prepayment, which shall be a Banking Day.

(iii) The Loans to which the prepayment is to be applied.

Any prepayment made pursuant to this Section shall be in an integral multiple of \$10.0 million (or in the case of a Swingline Loan in an integral multiple of \$100,000 and a minimum of \$1,000,000) or in full. On the date of any prepayment the Company shall pay, in addition to the principal to be prepaid, all accrued and unpaid interest owed on the Loans being prepaid. If the Loans being prepaid, by acceleration or otherwise, earn interest on the basis of LIBOR, the Company shall also pay the Broken Interest Period Amount. Any prepayment shall be distributed on the date received by the Administrative Agent pro rata among all Banks in proportion to their respective shares of the Loan or Loans prepaid. The Broken Interest Period Amount shall be paid to the Banks as soon after the date of prepayment as the necessary calculations can be made by each Bank.

SECTION 3.06. Calculation and Payment of Interest. Interest shall accrue on each Revolving Loan at a rate determined pursuant to the method of interest rate determination specified by the Company in its notice of borrowing given in respect of such Loan pursuant to Section 3.04 or, in the case of a Swingline Loan, at the applicable Swingline Rate. Such interest shall be payable upon maturity, prepayment, or acceleration of the Loan, except in the case of six month LIBOR loans, where three months accrued interest is payable at the end of three months and upon maturity. The amount of interest payable by the Company in respect of a Loan shall be equal to the sum of the daily borrowing costs for each day of the Interest Period applicable to such Loan (or portion thereof during which the Loan is outstanding in the event a prepayment occurs). The daily borrowing costs for any Loan shall be equal to the product of (x) the principal amount of the Loan and (y) the Borrowing Rate applicable to such Loan converted to a per diem basis. If the Borrowing Rate is determined on the basis of the Base Rate calculated under clause (b) of the definition of Base Rate, the conversion from an annual rate to a per diem rate shall be made on the basis of a year of 365 or 366 days, as the case may be. If the Borrowing Rate is determined on the basis of the Federal Funds Rate, LIBOR, or Swingline Rate the conversion from an annual rate to a per diem rate shall be made on the basis of a year of 360 days. The calculation of interest due each Bank shall be made by the Administrative Agent (or, in the case of Swingline Loans, the applicable Swingline Bank) in consultation with the Company.

SECTION 3.07. Payments. All payments of principal, interest, facility fees, expenses, or other charges due from the Company to any Bank pursuant to this Agreement and all advances of funds made by any Bank to the Company pursuant to this Agreement shall be made in lawful money of the United States of America in immediately available funds irrespective of any set off, counterclaim, or defense in payment (except where a Bank has failed to advance funds to refinance Revolving Loans as provided for in the last sentence of the second paragraph of the form of promissory note attached as Schedule 2).

All fund transfers required by this Agreement, except for payments required to be made by the Company pursuant to Sections 3.10, 3.12, and 9.02, shall be made through the Administrative Agent.

(a) Any such fund transfer shall be made to the Administrative Agent on the date due by not later than 10:00 a.m. San Francisco, California, time, in which case the Administrative Agent receiving each such fund transfer shall in turn transfer such funds to the party entitled thereto on the same day as it receives such funds. If any fund transfer is received by the Administrative Agent after 10:00 a.m. San Francisco, California, time, it shall use commercially reasonable efforts to retransfer the funds to the party entitled thereto on the same day, but in no event later than the next Banking Day. The amount of interest payable by the Company hereunder shall be based upon the actual date on which funds are received by the party entitled thereto and not on the date they are received by the Administrative Agent.

(b) The Administrative Agent may, but shall not be required to, make funds available to any Bank on a short-term basis if the Company has failed to make a timely transfer of funds, and it may, but shall not be obligated to, make funds available to the Company if any Bank has failed to make a timely transfer of funds. In the event of any such covering advance, the party receiving such funds shall repay them to the Administrative Agent on demand, together with interest which shall accrue thereon in respect of advances to a Bank at the overnight Federal Funds Rate as determined by the Administrative Agent and in respect of advances to the Company at the Borrowing Rate applicable to the Loan for which such funds were to have been advanced. The fact that the party failing to make a timely transfer has not yet completed the required fund transfer shall not provide a defense to the foregoing repayment obligation.

Except as provided in the definition of "Interest Period", if the principal or interest owed in respect of any Loan or any facility fee or other fee or sum owed hereunder by the Company falls due on a day which is not a Banking Day, then such principal, interest, or fees shall be due and payable on the next day thereafter which is a Banking Day, and interest shall be payable in respect of such extension of principal until paid at the Borrowing Rate last in effect in respect of such principal. Any amount which shall not be

paid when due (at maturity, by acceleration or otherwise) shall thereafter bear interest payable on demand at a rate Per Annum equal to 2% above the Base Rate plus the applicable incremental rate Per Annum.

#### SECTION 3.08. Pro Rata Treatment; Sharing.

(a) Pro Rata Treatment. Except with respect to Swingline Loans, each borrowing from and change in the Commitments of the Banks hereunder shall be made pro rata according to their respective Commitments. Subject to Section 3.01(d), each payment and prepayment of principal owed in respect of any Revolving Loans of like maturity shall be allocated among the Banks by the Administrative Agent pro rata in proportion to the unpaid portion of such Revolving Loans held by each of them. Each payment of facility fees shall be allocated among the Banks by the Administrative Agent pro rata in proportion to the Commitments of each of them. Except as otherwise provided in Section 3.01(d), each payment and prepayment of principal owed in respect of any Swingline Loans shall be allocated between the Swingline Banks pro rata in proportion to the principal of the Swingline Loans then due and payable to each of them. Each payment of interest shall be allocated among the Banks by the Administrative Agent pro rata in proportion to the interest then due and payable to each of them.

(b) Sharing. The Banks agree among themselves that, if a Bank shall obtain payment of any Loan or interest or fee payable thereon held by it through the exercise of a right of set-off, banker's lien or counterclaim in excess of its ratable amount, it shall promptly purchase from the other Banks participations in the Loans held by the other Banks in such amounts and make such other adjustments from time to time as shall be equitable, to the end that all the Banks shall share the benefit of such payment pro rata as specified in Section 3.08(a). If all or any portion of such excess payment is thereafter recovered from such Bank, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest. The Company agrees that any Bank so purchasing a participation in the Loans held by the other Banks may exercise all rights of set-off, banker's lien and counterclaim with respect to such participation as fully as if such Bank were a direct holder of Loans in the amount of such participation.

#### SECTION 3.09. Loan Accounts and Notes. Each Bank

shall maintain in respect of Loans made pursuant to this Agreement a loan account in which it shall record each Loan made by it to the Company pursuant to this Agreement and each payment or prepayment of principal and interest received by it in respect of such Loans; provided, however, that failure to do so shall not relieve the Company from the obligation to repay principal and to pay interest on the Loans. Any Bank may elect by written notice given to the Company at any time to require the Company to deliver to the Bank the Company's promissory note evidencing the Loans which shall be in the form attached as Schedule 2 (with appropriate changes thereto, if such promissory note is to be issued to a Swingline Bank to evidence Swingline Loans). Each Bank shall make prompt and accurate entries in such loan account or on the grid attached to its Note of the making of each Loan and each repayment or prepayment of principal thereof and payment of interest thereon, provided, however, that failure to do so shall not relieve the Company from the obligation to repay principal and to pay interest on the Loans. Loan accounts or grids attached to Notes maintained by the Banks are prima facie evidence of the amount of the Loans outstanding.

#### SECTION 3.10. Illegality and Change in Law.

(a) Illegality. If it shall become illegal for any Bank to make or maintain any Loans made hereunder, such Bank shall promptly notify the Company and the Administrative Agent in writing of such fact, and the Bank shall thereafter be excused from its obligation to make or maintain Loans hereunder for so long as it shall remain unlawful to do so. Upon receipt of such notice, the Company shall prepay within three Banking Days all Loans from such Bank then outstanding determined to be illegal, together with all accrued and unpaid interest owed in respect of such Loan and, as soon thereafter as the necessary calculations can be made, the Company shall pay each such Bank any applicable Broken Interest Period Amount arising from such prepayment. The Company may at its option reborrow all or any portion of such Loans from the affected Bank or Banks on the basis of an interest rate formula provided for herein which is not illegal, if such shall exist.

(b) Change in Law. If the cost to any Bank of making or maintaining any Revolving Loan on the basis of LIBOR is increased because of either of the reasons set

forth in subsections 3.10(b)(i) and 3.10(b)(ii) below, such Bank may by written notice given to the Company and the Administrative Agent require the Company to pay with respect to all or any portion of any Interest Period following the delivery of such notice to the Company a sum equal to its additional cost incurred in maintaining or making such Revolving Loan, but in no event shall the Company be obligated to reimburse any costs incurred for periods earlier than six months prior to the delivery of the written notice. Said sum shall be paid upon maturity or prepayment of the Revolving Loan or as soon thereafter as the amount can be determined. Any Bank asserting a right to recover such excess costs shall certify in its notice required by this Section 3.10(b) the cause and amount of such additional cost. If the interest payable by the Company to any Bank is increased pursuant to this subsection, the Company may at its option at any time during which the interest rate payable hereunder is so increased prepay on three Banking Days' notice all but not part of the Revolving Loan or Loans subject to such increase in the interest rate to the Administrative Agent for the account of the Bank or Banks claiming increased costs under this subsection. If the Company prepays any Revolving Loan pursuant to this subsection, it shall also pay at the time of such prepayment all accrued and unpaid interest owed to the Bank or Banks whose Revolving Loan or Loans are prepaid on account of the Revolving Loan or Loans so prepaid and as soon thereafter as the necessary calculations may be made, it shall pay the Broken Interest Period Amount to such Bank or Banks. If the Company elects to prepay the Revolving Loans of any Bank claiming increased costs under this subsection, it may, but shall not be obligated to, either reborrow such sums from the claiming Bank or Banks on the basis of a method of interest rate determination which is not subject to such claim for increased costs or (provided that, after giving effect thereto and to any concurrent prepayment of Loans, the aggregate principal amount of outstanding Loans shall not exceed the sum of the Commitments) terminate the Commitment of the claiming Bank or Banks. Any election by the Company to prepay one or more claiming Banks or to reborrow sums prepaid to claiming Banks from such Banks on the basis of a different method of determining the interest rate or to terminate the Commitment of one or more claiming Banks, shall have no effect on the obligation of the remaining Bank or Banks to maintain existing Loans and to make additional Revolving Loans up to the full amount of such Banks' Commitment on the basis of any of the methods of interest rate determination available under this Agreement. In the event the Commitment of any Bank is terminated, any subsequent proration among the remaining Banks shall be done on the basis of the remaining Commitments. Any Bank may claim additional costs pursuant to this subsection if either of the following conditions precedent are satisfied:

(i) The compliance by such Bank with any Requirement of Law effective after the date hereof or any guideline, request, or directive from any central bank or other Governmental Authority or any other law, rule, or regulation (whether or not having the force of law) effective after the date hereof which increases the Bank's cost of maintaining Loans on the basis of LIBOR.

(ii) Any tax, levy, impost, duty, fee, deduction or withholding is levied or assessed against or required of any Bank on account of or in connection with its Commitment or Loans made hereunder, the payment or repayment thereof or payment of interest thereon which is not levied or assessed on such Commitment or Loans on the date hereof, other than changes in the rate of tax on the net income of the Bank.

(c) Increased Risk-Based Capital Cost. If the cost to any Bank of maintaining its Commitment or Swingline Commitment is increased because of a Requirement of Law which becomes effective after the date hereof by the Board of Governors of the Federal Reserve System or any guideline, request, or directive from any central bank or other Governmental Authority or any other law, rule, or regulation (whether or not having the force of law) effective after the date hereof, or other regulatory entity of any country, with respect to risk-based capital requirements or other similar regulation of lending commitments, such Bank may, by written notice given to the Company and the Administrative Agent, require the Company to pay as an increase to the facility fee specified in Section 3.03, commencing on the last day of the first full calendar quarter following receipt of such notice, an amount equal to such Bank's additional cost. Any Bank asserting a right to recover such increased costs shall certify in its notice required by this Section 3.10(c) in reasonable detail the cause and amount of such additional cost. At any time after receipt of such notice the Company may, at its option, elect to terminate the Commitment or

Swingline Commitment of any such claiming Bank or Banks as a group or individually. If the Company elects, pursuant to the preceding sentence, to terminate the Commitment of any Bank, such reduction in Commitment shall be limited in amount to the portion thereof in excess of the sum of such Bank's Revolving Loans plus its Applicable Percentage of the outstanding Swingline Loans or, if the Company shall so elect, the full Commitment shall be terminated and on the date of such termination, all principal, accrued and unpaid interest, and accrued and unpaid facility fees owed to such Bank shall be paid (and if, after giving effect thereto, the outstanding principal amount of the Loans exceeds the total Commitments, the Company shall prepay additional Loans in an amount sufficient to eliminate the excess) as soon thereafter as the necessary calculations can be made, a Broken Interest Period Amount for the Loan or Loans so prepaid shall be paid to such Bank. In the event the Commitment of any Bank is terminated, any subsequent proration among the remaining Banks shall be done on the basis of the remaining Commitments. If the Company elects pursuant to this Section, to terminate the Swingline Commitment of any Bank, the Company shall repay, in full, any Swingline Loans outstanding from such Bank concurrently with such termination.

SECTION 3.11. U.S. Tax Treaty Certificate.

(a) Each Bank, other than a Bank organized and existing under the laws of the United States of America or any political subdivision in or of the United States, shall deliver to the Company and the Administrative Agent on the date hereof a certificate dated as of the date hereof to the effect that, at the date of the certificate, the Bank is entitled under the provisions of either:

(i) an applicable double tax treaty concluded by the United States of America (in which case each such certificate shall be accompanied by two signed copies of Form 1001 of the United States Internal Revenue Service); or

(ii) Section 1441(c) or 1442(a) of the Code (in which case each such certificate shall be accompanied by two signed copies of Form 4224 of the Internal Revenue Service); to receive payments of interest under this Agreement without deduction or withholding or with reduced withholding of United States Federal income tax. Each Bank covenants to the Company and the Administrative Agent that the certificate so delivered by it will be true and accurate and agrees to deliver to the Company and the Administrative Agent additional true and accurate certificates promptly after the occurrence of events requiring a change in the most recent certificate previously delivered. Unless an event has occurred which renders delivery of the relevant form inapplicable, each Bank will deliver to the Company two further signed copies of Form 1001 as and when required by the Internal Revenue Service or (as the case may be) an annual Form 4224, and, in addition (if necessary), two signed copies of Form W-9.

(b) If any Bank is entitled to a reduction in the applicable withholding tax, the Company or the Administrative Agent may withhold from any interest payment to such Bank an amount equivalent to the applicable withholding tax after taking into account such reduction. If the forms or other documentation required by this Section are not delivered to the Company and the Administrative Agent, then the Company or the Administrative Agent may withhold from any interest payment to such Bank not providing such forms or other documentation an amount equivalent to the applicable withholding tax.

(c) If the IRS or any other Governmental Authority of the United States or other jurisdiction asserts a claim that the Company or the Administrative Agent did not properly withhold tax from amounts paid to or for the account of any Bank (because the appropriate form was not delivered, was not properly executed, or because such Bank failed to notify the Company and the Administrative Agent of a change in circumstances which rendered the exemption from, or reduction of, withholding tax ineffective, or for any other reason) such Bank shall indemnify the Company and the Administrative Agent fully for all amounts paid, directly or indirectly, by the Company and the Administrative Agent as tax or otherwise, including penalties and interest, and including any taxes imposed by any jurisdiction on the amounts payable to the Company and the Administrative Agent under this Section, together with all costs and expenses (including legal costs). The obligation of the Banks under this subsection shall survive the payment of all obligations and the resignation or replacement of the Administrative

Agent.

SECTION 3.12. Compensation for Special Reserve Requirements and Taxes. If any Bank shall determine that any rule, regulation or policy of the Board of Governors of the Federal Reserve System or any tax, levy, impost, duty, fee, deduction or withholding as in effect as of the date hereof requires it to maintain any ordinary, emergency, supplemental, or other reserve or incur any other cost in respect of obligations incurred by it to fund any Loan made by it hereunder on the basis of LIBOR which is a reserve or other cost not generally incurred by the Banks in respect of the funding of Loans hereunder, it may notify the Company and the Administrative Agent of the existence and amount of such additional reserve or costs and the Company shall for so long thereafter as the affected Loan remains outstanding reimburse such Bank for its additional costs described in such notice. The foregoing additional compensation shall include compensation for reserve requirements imposed in respect of LIBOR Loans pursuant to Regulation D of the Board of Governors of the Federal Reserve System. All such payments shall be made directly from the Company to the affected Bank and not through the Administrative Agent. The Company shall have the right upon receipt of any such notice, or at anytime thereafter so long as such additional costs remain in effect, to (i) require such Bank to relend on the basis of another interest rate formula which does not cause the Bank to incur such additional reserves or costs, or (ii) prepay the affected Loan from such Bank (with payment of any applicable Broken Interest Period Amount), and suspend the Commitment (in which case such Commitment shall be deemed terminated for all purposes of this Agreement so long as such suspension remains in effect) and the facility fee of such Bank, except with respect to its then outstanding Loans, for so long as such Bank has not given the Company and the Administrative Agent notice that the conditions resulting in such additional reserves or costs no longer remain in effect. Any Bank claiming additional compensation pursuant to this Section 3.12 shall promptly notify the Company of the end of any period of entitlement to such additional compensation.

SECTION 3.13. Unavailability of Rates. Notwithstanding anything herein to the contrary, if prior to the beginning of an Interest Period as to interest on Revolving Loans calculated according to a Borrowing Rate based upon LIBOR, (i) the TeleRate Rate is unavailable; and (ii) any two of the Reference Banks state their inability for any reason to identify particular rates or obtain sufficient funds in the respective market or to make or maintain the funds available where, when and for as long as specified by the Company as to those Revolving Loans, then the Company shall at its option upon notice from the Administrative Agent either (a) withdraw the borrowing request (or prepay the affected Revolving Loans) or (b) draw (or continue) the Revolving Loans with interest based upon Base Rate, without impairing the Company's option to elect a further change in the Borrowing Rate for such Revolving Loans in the manner provided by Section 3.04(b).

SECTION 3.14. Interest Limitation. The obligation of the Company to pay interest on the Loans and the Notes shall be subject to the limitation that payment of interest or a portion thereof shall not be required to the extent that receipt of such payment or portion by any Bank would be in excess of the amounts permitted by any law applicable to such Bank existing on the date hereof limiting the maximum rate of interest which may be charged or collected by such Bank. Any such limitation on interest as to a Bank that reduces the amount of interest collectible by that Bank below the applicable Borrowing Rate by two percent of such Borrowing Rate or more shall require a change to another Borrowing Rate with respect to that Bank which would not result in such a reduction, pursuant to Section 3.04(b) and, if none is available, shall excuse the Bank from making the Loan in like manner to Section 3.10.

SECTION 3.15. Assignments; Delegation of Lending Commitments; Participations. Without the prior written consent of the Company (which may be withheld by the Company in its sole discretion) and the Swingline Banks (which consent shall not be unreasonably withheld), no Bank shall sell, convey, transfer, or assign any Loan outstanding hereunder, or which may come to be outstanding hereunder, except to a wholly owned Affiliate of such Bank or to the extent that it may be required to do so or to preserve the right to do so under applicable law or under this Agreement. No Bank shall delegate its Commitment to any Person. Except as provided in Section 3.01(d) or Section 3.08(b), no Bank shall create or grant any participation in any Loan. In the event of any transfer of a Loan or interest therein or

delegation of its Commitment in violation of the provisions of the preceding three sentences, such transferee shall have none of the rights accorded a Bank hereunder or under the Notes, the Company shall not be required to deal with or accept a Loan from any such improper delegee, and it may continue to look to the improperly delegating Bank for performance of the Commitment. Notwithstanding any other provision of this Agreement, any Bank may at any time create a security interest in, or pledge, all or any portion of its rights under and interest in this Agreement and the Note held by it in favor of any Federal Reserve Bank in accordance with Regulation A of the Federal Reserve Board or U.S. Treasury Regulation 31 CFR Section 203.14, and such Federal Reserve Bank may enforce such pledge or security interest in any manner permitted under applicable law.

SECTION 3.16. Special Mandatory Prepayment. If either of the events described in Sections 3.16(a) and 3.16(b) below occur, the Majority Banks may require a special mandatory prepayment of all Loans outstanding hereunder and terminate the Commitments of the Banks in accordance with the following procedures: the Majority Banks may make a preliminary determination that such event has impaired or most likely will impair the Company's ability to repay Loans then outstanding or which may be requested thereafter by the Company or otherwise perform in accordance with the terms hereof. The Administrative Agent shall notify the Company of such preliminary determination. At any time after the 10th day following such notice, the Majority Banks may make such preliminary determination final, and upon receipt by the Company of notice from the Administrative Agent of such final determination, all principal and accrued and unpaid interest and all accrued and unpaid facility fees owed hereunder or under the Notes shall be immediately due and payable and the Commitments of all Banks hereunder shall be terminated. The events which may permit such special mandatory prepayment are:

(a) Change in the Board. A material change in the Board of Directors which will be conclusively deemed to have occurred if, and only if, during any period of two consecutive years individuals who at the beginning of such period constitute the Board of Directors (including for this purpose any new director whose election or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period), cease for any reason to constitute a majority of the Board of Directors.

(b) Change in Shareholders. A material change in the Company's stockholders which will be conclusively deemed to have occurred if, and only if, any Person or related group of Persons (other than a trustee or other entity which holds the Company's stock on behalf of an employee benefit plan whose participants are all current or former employees of the Company) shall acquire ownership or control by proxy or otherwise of 50% or more of the Company's Voting Securities. The term "Voting Securities" shall mean all Capital Stock of the Company which is entitled to vote for the election of directors.

SECTION 3.17. Lending Offices. Base Rate Loans made by each Bank shall be made from and maintained at such Bank's Domestic Lending Office. LIBOR Loans made by each Bank shall be made from and maintained at such Bank's Eurodollar Lending Office. Each Bank may, from time to time by written notice given to the Company and the Administrative Agent, change its designation of lending office for Loans based on any Borrowing Rate. Designation by any Bank of an Affiliate as the Domestic Lending Office or the Eurodollar Lending Office shall not affect the obligations of such Bank or the Company hereunder.

SECTION 3.18. Survival. All liabilities of the Company under this Agreement arising prior to the Termination Date shall survive termination of this Agreement and/or repayment of Loans.

#### ARTICLE IV

##### Conditions Precedent

SECTION 4.01. Initial Loans. The initial Loan under this Agreement shall not be made earlier than March 11, 1997. The obligation of each Bank to make the initial Loan under this Agreement shall not arise earlier than March 11, 1997, and shall be subject to the following conditions precedent (all documents required to be delivered hereunder shall be delivered with the number of originals

and copies requested by the Administrative Agent). It shall not be necessary for the Company to borrow hereunder on the date that the following conditions precedent are satisfied in order to establish the effectiveness of its right to borrow hereunder.

(a) Notes. The Company shall have furnished the Administrative Agent with a Note for each Bank requesting such.

(b) Signatures. The Company shall have certified to the Administrative Agent the name and signature of each officer of the Company authorized to sign this Agreement and the Notes and to borrow and effect other transactions hereunder. The Administrative Agent and the Banks may conclusively rely on such certification until they receive notice in writing to the contrary.

(c) Opinion of Company's General Counsel. The Administrative Agent shall have received from the General Counsel of the Company an opinion in the form attached as Schedule 3.

(d) Proof of Corporate Action. The Administrative Agent shall have received certified copies of all corporate action taken by the Company to authorize the execution, delivery and performance of this Agreement and the Notes, and the borrowings hereunder, and such other papers as the Administrative Agent shall reasonably require.

(e) Officer's Certificate. The Administrative Agent shall have received a certificate of a Principal Financial Officer to the effect that since December 31, 1996, there has been no material adverse change in the business, condition or operations (financial or otherwise) of the Company or of the Company and its Subsidiaries on a combined basis, except as disclosed pursuant to Section 2.01(c) and that no event has occurred and is continuing which, under the terms hereof, is an Event of Default or would, with the lapse of time or notice or both, become an Event of Default.

(f) Opinion of Special Counsel to the Agents. Special Counsel to the Agents shall have rendered its opinion to the Agents and the Banks concerning this Agreement and the Notes which shall be satisfactory in form and substance to the Agents.

(g) Notice of Borrowing. Satisfaction of the conditions precedent set forth in Section 4.02(a) and, if applicable, 4.02(b).

(h) Prior Revolving Loan Agreement. All amounts due under the Boise Cascade Corporation 1994 Revolving Loan Agreement dated as of April 15, 1994, as amended, have been paid and the commitments of the banks thereunder terminated.

(i) Credit Agreement. The Administrative Agent shall have received this Agreement executed by the Company, the Agents and the Banks.

SECTION 4.02. Incremental Borrowings. The obligation of each Bank to make each Revolving Loan required by a notice of borrowing given pursuant to Section 3.04(a), and the obligation of each Swingline Bank to make each Swingline Loan, shall be subject to the following conditions precedent:

(a) Absence of Default. No Event of Default, and no event which with notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such Loan and the representations and warranties of the Company set forth in Section 2.02 shall be deemed to be remade as of the date of such Loan and shall be true and correct in all material respects.

(b) Notice. Notice of the borrowing shall have been given in accordance with Section 3.04(a) or 3.04(f), as applicable.

SECTION 4.03. Other Borrowings. The obligation of each Bank to make each Revolving Loan required by a notice of Borrowing given or deemed given pursuant to Section 3.04(b) shall be subject to the conditions precedent that the Company shall have complied with its obligations under Section 5.01(g) and the Majority Banks have not terminated the Banks' Commitments and/or accelerated payment on the unpaid balance of all Loans pursuant either to Section 3.16 or Section 7.02. Each such reborrowing shall be deemed a certification by the Company that this condition is satisfied.

## ARTICLE V

### Affirmative Covenants

From the date hereof and so long as the Commitment of any Bank shall be outstanding and until the payment in full of all sums owed hereunder and under the Notes and the performance of all other obligations of the Company under this Agreement, the Company agrees that, unless the Majority Banks shall otherwise consent in writing:

SECTION 5.01. Information and Reports To Be Furnished by the Company. The Company will furnish to each Bank (in duplicate if requested) the following information and reports:

(a) Quarterly Reports. As soon as available and, in any event, within 45 days after the end of each of the first three Fiscal Quarters and within 90 days after the end of the fourth Fiscal Quarter in each of the Company's Fiscal Years, the Consolidated balance sheets of the Company and its Restricted Subsidiaries as of the close of such quarter, and the related Consolidated statements of income and cash flows for the expired portion of the Fiscal Year then ended, together with comparative Consolidated figures for the same periods of the preceding year. Such financial statements have been prepared from the books and records of the Company and its Subsidiaries kept in accordance with Section 5.02. So long as the book value of the Company's aggregate investment in and advances to its Unrestricted Subsidiaries is less than 5% of Consolidated Net Assets, the financial statements and certification required by this Section 5.01(a) may be presented without exclusion of such Unrestricted Subsidiaries.

(b) Annual Statements. As soon as available and, in any event, within 90 days after the end of each Fiscal Year, the Consolidated balance sheets of the Company and its Subsidiaries as at the end of such year, and the related Consolidated statements of income, retained earnings, shareholders' equity and cash flows for such year, together with comparative figures for the immediately preceding Fiscal Year, all in reasonable detail and accompanied by (i) reports or certificates of independent public accountants of recognized national standing stating, with respect to such Consolidated financial statements, that the financial statements were prepared in accordance with Generally Accepted Accounting Principles without any qualification due to limited investigation, such accountants to be satisfactory to the Majority Banks, and (ii) the statement of such public accountants that they have caused the provisions of this Agreement to be reviewed and have no knowledge of any default by the Company in the performance or observance of any of the provisions of Sections 6.01, 6.02, 6.03, and 6.04 of this Agreement or the Notes or, if they have such knowledge, specifying such default and the nature thereof.

(c) Compliance Certificate and Computations. At the time of delivery of each quarterly and annual statement furnished pursuant to Section 5.01, a certificate signed by a Principal Financial Officer, stating that he has caused the provisions of this Agreement to be reviewed and has no knowledge of the occurrence of any default by the Company in the performance or observance of any of the provisions of this Agreement or the Notes or if he has such knowledge, specifying such default and the nature and status thereof, and setting forth computations in reasonable detail showing, as of the end of the period covered by such statement, the amounts of Consolidated Senior Funded Debt and Net Worth. Such certificate shall also show compliance with Sections 6.01 and 6.03 as appropriate.

(d) Credit Rating. Prompt written notice of any change in the Company's senior unsecured long-term debt rating by either S&P or Moody's.

(e) Reports to Stockholders. Promptly upon the sending, making available or filing of the same, all such debt registration statements, proxy statements, financial statements and reports as the Company shall send or make available to its stockholders or to any holder of its public Senior Funded Debt for borrowed money or filed with the Securities and Exchange Commission, excluding filings made with the SEC solely in respect of securities issued pursuant to employee benefit plans of the Company and its Subsidiaries.

(f) Miscellaneous Information; Inspection. From

time to time upon request, such information regarding the business and affairs and condition (financial and other) of the Company, its Restricted Subsidiaries, and its Material Subsidiaries and their respective properties in such detail as may reasonably be requested by each Bank; and each Bank shall also have the right at its expense to visit and inspect any of such properties, to examine books of account, records and other papers of the Company, its Restricted Subsidiaries, and its Material Subsidiaries and to take notes and make transcripts therefrom, and to discuss their affairs, finances and accounts with, and be advised as to the same by, their officers, all at such reasonable times and intervals as may be requested.

(g) Notice of Event of Default. Promptly upon a Principal Financial Officer obtaining knowledge of an Event of Default, the Company shall give written notice to the Administrative Agent of the Event of Default and what action the Company proposes to take with respect thereto. The Company shall also give the Administrative Agent a copy of any such notice any time a notice of reborrowing is given pursuant to Section 3.04(b) or deemed to be given under Section 3.04(c), if the Event of Default is continuing at the time such reborrowing notice is given or is deemed to be given.

(h) ERISA. The Company shall promptly notify the Banks of:

(i) any ERISA Event affecting the Company or any ERISA Affiliate, together with a copy of any notice with respect to such event that may be required to be filed with a Governmental Authority and any notice delivered by a Governmental Authority to the Company or any ERISA Affiliate with respect to such event;

(ii) any material increase in the Unfunded Pension Liability of any Pension Plan or any material increase in the withdrawal liability of any Multiemployer Plan, whether arising under an existing Pension Plan or Multiemployer Plan or such a plan that is subsequently adopted or maintained; and

(iii) the occurrence of any "prohibited transaction" within the meaning of Section 406 of ERISA, that is not covered by an exemption, and which could expose the Company or its ERISA Affiliates to a material liability.

(i) Litigation. Notice of any litigation or administrative proceeding that has resulted or may result in a Material Adverse Effect, including (i) breach or nonperformance of, or any default under, a contractual obligation of the Company or any Subsidiary; (ii) any litigation or proceeding between the Company or any Subsidiary and any Governmental Authority; or (iii) the commencement of, or any material development in, any litigation or proceeding affecting the Company or any Subsidiary; including pursuant to any applicable Environmental Laws. Such notice shall be given within ten days after a Principal Financial Officer of the Company has determined that such litigation or proceeding has resulted or may result in a Material Adverse Effect.

(j) Subsidiaries. The Company shall deliver to the Banks prompt notice of any Subsidiary becoming or ceasing to be an Unrestricted Subsidiary.

SECTION 5.02. Accounts. The Company and its Subsidiaries will each keep true records and books of account in which full, true and correct entries will be made of all dealings or transactions in relation to its business and affairs in accordance with Generally Accepted Accounting Principles.

SECTION 5.03. Prompt Payment of Indebtedness. The Company and its Restricted Subsidiaries and Unrestricted Subsidiaries (but only to the extent that nonpayment of the following items shall create a payment obligation to the Company or a Restricted Subsidiary) will each promptly pay and discharge, when due and payable, all lawful taxes, assessments and governmental charges or levies imposed upon it or its property, and all its other Indebtedness, provided, however, that any such tax, assessment, charge, levy or other Indebtedness need not be paid: (a) if the validity thereof shall currently be contested in good faith by appropriate action or proceedings, the Company or the Restricted Subsidiary concerned shall have set aside on its books adequate reserves with respect thereto and no proceedings shall have been commenced to foreclose any lien securing any such tax, assessment, charge or levy; or (b) on

any note secured by a mortgage or deed of trust on property held by the Company or its Restricted Subsidiaries or in connection with any tax, assessment, government charge or levy, if the sole recourse of the mortgage or deed of trust holder or taxing authority is to foreclose on the property subject to such mortgage or tax and so long as any such sum is due and unpaid the assets so encumbered are excluded from the calculation of Consolidated Net Worth.

SECTION 5.04. Conduct of Business and Corporate Existence. The Company and its Restricted Subsidiaries will each do all things necessary to preserve, renew and keep in full force and effect its corporate existence and its rights and franchises by it deemed necessary to continue its business. Nothing in the preceding sentence shall preclude the Company from liquidating any of its Subsidiaries or merging any of its Subsidiaries into the Company or another of its Subsidiaries so long as such action does not constitute a breach of any other portion of this Agreement or result in an Event of Default. The Company and its Restricted Subsidiaries will each comply with all applicable laws, ordinances and regulations in respect of the conduct of its business and the ownership of its property, except to the extent that noncompliance therewith would not have a Material Adverse Effect.

SECTION 5.05. Maintenance of Property and Leases. The Company and its Restricted Subsidiaries will each keep its properties in such repair, working order and condition as shall be in the best interest of its business, and from time to time will make all needful and proper repairs, renewals, replacements, additions and improvements thereto, and will comply with the provisions of all leases to which it is a party or under which it occupies property so as to prevent any loss or forfeiture thereof or thereunder; but nothing in this Section 5.05 shall prevent the Company or any Restricted Subsidiary from selling, abandoning or otherwise disposing of any property or lease if such property or lease is no longer useful in the business of the Company or Restricted Subsidiary.

SECTION 5.06. Insurance. The Company and its Restricted Subsidiaries will each keep its assets which are of an insurable character (except timberlands and other assets which are not customarily insured by other companies engaged in similar businesses, and except minor assets which in the aggregate do not constitute a material part of the assets of the Company or any Restricted Subsidiary) insured by financially sound and reputable insurers against loss or damage by fire and extended coverage in amounts sufficient to prevent the Company or any Restricted Subsidiary from becoming a coinsurer and not in any event less than 80% of the actual cash value of the property insured; and will maintain, with financially sound and reputable insurers, insurance against other hazards and risks and liability to persons and property to the extent and in the manner customary for companies in similar businesses; provided, however, that the Company and any Restricted Subsidiary may self-insure against liability to workers in any state or jurisdiction, or may effect workers' compensation insurance therein through an insurance fund operated by such state or jurisdiction, if the limitation upon liability imposed by the applicable workers' compensation law is and remains effective; provided further that the Company and its Restricted Subsidiaries may self-insure or otherwise retain risk in respect of any insurance coverage required by this Section 5.06 for the first \$5,000,000 per occurrence or loss. The foregoing retainage of risk may be structured as a deductible or other direct risk retention feature or it may be structured by placement of the required insurance coverage with a Subsidiary insurance company (the "Insurance Company") so long as the Insurance Company reinsures the required coverage with financially sound and reputable reinsurance companies to the extent necessary to ensure that the total portion of required coverage risk retained by the Company and its Subsidiaries (including the Insurance Company) is less than or equal to \$5,000,000 per occurrence or loss. Coverage which the Company elects to carry in excess of the amount required by this Section 5.06 may be carried subject to any level of risk retention deemed appropriate by the Company.

SECTION 5.07. Use of Proceeds. The Company shall not, and shall not suffer or permit any Subsidiary to, use any portion of the Loan proceeds, directly or indirectly, (i) to purchase or carry Margin Stock, (ii) to repay or otherwise refinance indebtedness of the Company or others incurred to purchase or carry Margin Stock, or (iii) to extend credit for the purpose of purchasing or carrying any Margin Stock.

ARTICLE VI

Financial Covenants

From the date hereof, and so long as the Commitment of any Bank shall be outstanding, and until the payment in full of all sums owed hereunder and under the Notes, and the performance of all other obligations of the Company under this Agreement, the Company agrees that, unless the Majority Banks shall otherwise consent in writing, it will comply with the financial covenants set forth in Sections 6.01 through 6.04 below.

SECTION 6.01. Senior Funded Debt. Neither the Company nor any Restricted Subsidiary will create, assume or guarantee, or otherwise become liable, directly or indirectly (collectively, "Incur"), upon or in respect of any Senior Funded Debt (except for extensions, renewals, rollovers or reborrowings of existing Senior Funded Debt on substantially the same terms and conditions) unless each of the following conditions is satisfied:

(a) The Maximum Capitalization Ratio of the Company and its Restricted Subsidiaries at the end of the most recent fiscal quarter ended prior to such date shall not be greater than .55 to 1 (and would not have been greater than .55 to 1 if the Senior Funded Debt proposed to be Incurred, and all other Senior Funded Debt Incurred or repaid or retired since the end of such fiscal quarter, including any concurrent repayment or retirement of Senior Funded Debt, had been Incurred, repaid or retired as of the end of such fiscal quarter).

(b) As of the end of the most recent fiscal quarter ended prior to such date, Consolidated EBITDA of the Company and its Restricted Subsidiaries for the four fiscal quarters ended as of the end of such fiscal quarter shall equal or exceed 200% of the actual interest expense as reported in the Consolidated income statement of the Company for those four fiscal quarters but excluding interest expense of Unrestricted Subsidiaries.

SECTION 6.02. Restrictions on Secured Debt. The Company will not itself, and will not permit any Restricted Subsidiary to, incur, issue or assume any Indebtedness secured after the date hereof by pledge of, or mortgage or lien on, any Principal Property of the Company or any Restricted Subsidiary or any shares of Capital Stock of or Indebtedness of any Restricted Subsidiary (mortgages, pledges and liens being hereinafter in this Section 6.02 called "Mortgage" or "Mortgages"), without effectively providing that the Company's obligations under this Agreement and the Notes (together with, if the Company shall so determine, the Company's guaranty of debt issued in connection with the 1989 ESOP and any other indebtedness of the Company or such Restricted Subsidiary then existing or thereafter created which is not subordinate to the Loans) shall be secured equally and ratably with (or, at the option of the Company, prior to) such secured Indebtedness until such secured Indebtedness has been repaid in full and the liens relating thereto have been released (provided that at the time of such payment no Event of Default exists), unless, after giving effect thereto, the aggregate amount of all such secured Indebtedness would not exceed 10% of Consolidated Net Assets of the Company and its Restricted Subsidiaries; provided, however, that this Section 6.02 shall not apply to, and there shall be excluded from secured Indebtedness in any computation under this Section 6.02, Indebtedness secured by:

(a) mortgages on property of, or on any shares of Capital Stock of or Indebtedness of, any corporation existing at the time such corporation becomes a Restricted Subsidiary;

(b) mortgages in favor of the Company or any Restricted Subsidiary;

(c) mortgages in favor of any governmental body to secure progress, advance or other payments pursuant to any contract or provision of any statute;

(d) mortgages on property, shares of Capital Stock or Indebtedness existing at the time of acquisition thereof (including acquisition through merger or consolidation) or to secure the payment of all or any part of the purchase price thereof or construction thereon or to secure any Indebtedness incurred prior to, at the time of, or within 180 days after the later of the acquisition of such property, shares of Capital

Stock or Indebtedness or the completion of construction for the purpose of financing all or any part of the purchase price thereof or construction thereon; provided, however, that if such financing is in connection with the acquisition of any Timberlands, and the Board of Directors of the Company has determined, prior to or at the time of such acquisition, that the Company will seek such financing (from a lender or investor not including the Company or any Subsidiary), then the applicable Mortgage shall be deemed to be included in this Section 6.02(d) if such Mortgage is created within a further 180 days after the end of such first 180-day period;

(e) mortgages securing obligations issued by a state, territory or possession of the United States, or any political subdivision of any of the foregoing, or the District of Columbia, to finance the acquisition or construction of property, and on which the interest is not, in the opinion of tax counsel of recognized standing or in accordance with a ruling issued by the Internal Revenue Service, includable in gross income of the holder by reason of Section 103(a)(1) of the Code (or any successor to such provision) as in effect at the time of the issuance of such obligations;

(f) any extension, renewal or replacement (or successive extensions, renewals or replacements), as a whole or in part, of any Mortgage referred to in the foregoing Sections 6.02(a) to 6.02(e), inclusive; provided, however, that such extension, renewal or replacement Mortgage shall be limited to all or part of the same property, shares of Capital Stock or Indebtedness that secured the Mortgage extended, renewed or replaced (plus improvements on such property); or

(g) any mortgage, pledge, lien, sale, or assignment of Margin Stock.

SECTION 6.03. Minimum Net Worth. The Company and its Restricted Subsidiaries shall maintain, as of the end of each fiscal quarter, Consolidated Net Worth equal to at least \$1,400,000,000, plus the sum of 50% of cumulative quarterly Consolidated Net Income, for each fiscal quarter with respect to which quarterly Consolidated Net Income is not a loss, for the period beginning with the fiscal quarter ending March 31, 1997.

SECTION 6.04. Consolidation, Merger, and Sale of All Assets. The Company shall not convey or transfer its properties and assets substantially as an entirety to any Person or Persons in a single transaction or related series of transactions. The Company shall not consolidate with or merge with any Person unless each of the following requirements is satisfied:

(a) The Company shall be the surviving corporation in any such consolidation or merger.

(b) Immediately after giving effect to such consolidation or merger, no Event of Default, and no event which, after notice or lapse of time, or both, would become an Event of Default, shall have happened and be continuing.

(c) No such consolidation, merger, conveyance or transfer shall be entered into or made by the Company with or to another corporation which has outstanding any obligations secured by a Mortgage (as defined in Section 6.02) if, as a result of such consolidation, merger, conveyance or transfer, any Principal Property of the Company or any Restricted Subsidiary would be subjected to the lien of such Mortgage and such Mortgage is not expressly excluded from the restrictions or permitted by the provisions of Section 6.02 unless simultaneously therewith or prior thereto effective provision shall be made for the securing of all of the Company's obligations under this Agreement and the Notes (together with, if the Company shall so determine, the Company's guaranty of debt issued in connection with the 1989 ESOP and any other Indebtedness of the Company now existing or hereafter created which is not subordinated to the obligations of the Company hereunder and under the Notes), equally and ratably with (or, at the option of the Company, prior to) the obligations secured by such Mortgage by a lien upon such Principal Property.

Any corporation formed by a merger or consolidation permitted by this Section 6.04 shall constitute for all purposes hereunder the successor to the Company and have and be entitled to exercise all rights, powers and privileges of the Company hereunder and be

obligated to fully and completely perform all duties and obligations of the Company hereunder.

## ARTICLE VII

### Default

SECTION 7.01. Events of Default. The occurrence of one or more of the following events shall constitute an "Event of Default" under this Agreement:

(a) if default shall be made in the payment of principal on any of the Loans when and as the same shall become due and payable or in any of the covenants contained in Sections 6.01, 6.02, 6.03 or 6.04; or

(b) if default shall be made in the payment of any interest on any of the Loans or any facility fees or other amounts when and as the same shall become due and payable and any such default shall continue for a period of six days; or

(c) if default shall be made in the observance or performance of any other covenant or provision of the Notes or of this Agreement, and such default shall continue for a period of 30 days after the Company shall have obtained knowledge thereof; or

(d) if default shall be made under the terms of any note, debenture, bond, agreement or other instrument relating to money borrowed by the Company or a Restricted Subsidiary with an unpaid principal balance in excess of \$5,000,000 and such default shall continue beyond the period of grace, if any, specified therein, but excluding any default on any note secured by a mortgage or deed of trust on property held by it if the only recourse of the holder of such note shall be to foreclose the mortgage or deed of trust; and provided further, that if the Company or Restricted Subsidiary committing such default shall effect a cure thereof or obtain a waiver thereof from the holder of such debt prior to action by the Majority Banks pursuant to Section 7.02 hereof, no Event of Default shall exist under this Section;

(e) if any representation or warranty made by the Company in this Agreement, or in connection with any amendment hereof, or in any certificate delivered or deemed to have been delivered pursuant hereto shall prove to have been untrue in any material respect as of the date made; or

(f) if the Company or any Material Subsidiary shall be involved in financial difficulties as evidenced by:

(i) the Company or any Material Subsidiary (A) ceases or fails to be solvent, or generally fails to pay, or admits in writing its inability to pay, its debts as they become due, subject to applicable grace periods, if any, whether at stated maturity or otherwise, (B) voluntarily ceases to conduct its business in the ordinary course, (C) commences any Insolvency Proceeding with respect to itself, or (D) takes any action to effectuate or authorize any of the foregoing, or

(ii) (A) any involuntary Insolvency Proceeding is commenced or filed against the Company or any Material Subsidiary, or any writ, judgment, warrant of attachment, execution or similar process, is issued or levied against a substantial part of the Company's or any Material Subsidiary's properties, and any such proceeding or petition shall not be dismissed, or such writ, judgment, warrant of attachment, execution or similar process shall not be released, vacated or fully bonded within 60 days after commencement, filing or levy, (B) the Company or any Material Subsidiary admits the material allegations of a petition against it in any Insolvency Proceeding, or an order for relief (or similar order under non-U.S. law) is ordered in any Insolvency Proceeding, or (C) the Company or any Material Subsidiary acquiesces in the appointment of a receiver, trustee, custodian, conservator, liquidator, mortgagee in possession (or agent therefor), or other similar Person for itself or a substantial portion of its property or business;

(g) if any judgments or awards for the payment of money in excess of \$1,000,000 in the aggregate shall have been rendered against the Company or any Restricted Subsidiary and the same shall have remained unsatisfied and in effect, without stay of execution, for any period of 60 consecutive days; or

(h) (i) the occurrence of an ERISA Event with respect to a Pension Plan or Multiemployer Plan which has resulted or is expected to result in liability of the Company under Title IV of ERISA to the Pension Plan, Multiemployer Plan or the PBGC in an aggregate amount in excess of 20% of Consolidated Net Worth, (ii) the commencement or increase of contributions to, or the adoption of or the amendment of a Pension Plan by the Company or an ERISA Affiliate which has resulted or will result in an increase in net Unfunded Pension Liability among all Pension Plans in an aggregate amount in excess of 20% of Consolidated Net Worth, or (iii) the Company or an ERISA Affiliate shall fail to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan, which has resulted or could reasonably be expected to result in a Material Adverse Effect.

SECTION 7.02. Acceleration of Loans. If any Event of Default shall occur and shall be continuing, the Majority Banks, by notice given in writing to the Company by the Administrative Agent, may terminate the Banks' Commitments and Swingline Commitments and/or declare the unpaid balance of all Loans, interest accrued and unpaid thereon, and all accrued and unpaid facility fees to be forthwith due and payable, and thereupon such balance, such interest, and such facility fees shall become so due and payable without presentation, protest or further demand or notice of any kind, all of which are hereby expressly waived; provided that, if the Event of Default occurring shall be an event specified in Section 7.01(f), all Commitments and Swingline Commitments shall automatically terminate, all sums owed in respect of any Loan and all facility fees shall be automatically due and payable immediately upon the occurrence of such event without the necessity of any action by either Administrative Agent, the Majority Banks, or any Bank.

## ARTICLE VIII

### The Agents

SECTION 8.01. Appointment and Authorization; "Agents". Each Bank hereby irrevocably (subject to Section 8.09) appoints, designates and authorizes the Agents to take such action on its behalf under the provisions of this Agreement and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement, together with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere in this Agreement, the Agents shall not have any duties or responsibilities, except those expressly set forth herein, nor shall the Agents have or be deemed to have any fiduciary relationship with any Bank, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or otherwise exist against the Agents. Without limiting the generality of the foregoing sentence, the use of the terms "agent" or "agents" in this Agreement with reference to any of the Agents is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties.

SECTION 8.02. Delegation of Duties. The Agents may execute any of their duties under this Agreement by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Agents shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that they select with reasonable care.

SECTION 8.03. Liability of Agents. None of the Agent-Related Persons shall (i) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any Note or the transactions contemplated hereby (except for their own gross negligence or willful misconduct), or (ii) be responsible in any manner to any of the Banks for any recital, statement,

representation or warranty made by the Company or any Subsidiary or Affiliate of the Company, or any officer thereof, contained in this Agreement or in any certificate, report, statement or other document referred to or provided for in, or received by the Agents under or in connection with, this Agreement or any other such certificate, report, statement or other document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other such certificate, report, statement or other document, or for any failure of the Company to perform its obligations hereunder or thereunder. The Agents and any Agent-Related Persons shall not be under any obligation to any Bank to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or any conditions of, this Agreement or any other such certificate, report, statement or other document, or to inspect the properties, books or records of the Company or any of the Company's Subsidiaries or Affiliates.

SECTION 8.04. Reliance by Agent. (a) The Agents shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to the Company), independent accountants and other experts selected by the Agents. The Agents shall be fully justified in failing or refusing to take any action under this Agreement or any Note unless they shall first receive such advice or concurrence of the Majority Banks as they deem appropriate and, if they so request, they shall first be indemnified to their satisfaction by the Banks against any and all liability and expense which may be incurred by them by reason of taking or continuing to take any such action. The Agents shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any Note in accordance with a request or consent of the Majority Banks (or, when expressly required hereby, all the Banks) and such request and any action taken or failure to act pursuant thereto shall be binding upon all of the Banks.

(b) For purposes of determining compliance with the conditions specified in Section 4.01, each Bank that has executed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter either sent (or made available) by the Agents to such Bank for consent, approval, acceptance or satisfaction, or required thereunder to be consented to or approved by or acceptable or satisfactory to the Bank.

SECTION 8.05. Notice of Default. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any default or Event of Default, except with respect to defaults in the payment of principal, interest and fees required to be paid to the Administrative Agent for the account of the Banks, unless the Administrative Agent shall have received written notice from a Bank or the Company referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". The Administrative Agent will notify the Banks of its receipt of any such notice. The Administrative Agent shall take such action with respect to such default or Event of Default as may be requested by the Majority Banks in accordance with Section 7.02; provided, however, that unless and until the Administrative Agent has received any such request, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such default or Event of Default as it shall deem advisable or in the best interest of the Banks.

SECTION 8.06. Credit Decision. Each Bank acknowledges that none of the Agents or Agent-Related Persons have made any representation or warranty to it, and that no act by the Administrative Agent hereinafter taken, including any review of the affairs of the Company and its Subsidiaries, shall be deemed to constitute any representation or warranty by the Agents or any Agent-Related Persons to any Bank. Each Bank represents to the Agents that it has, independently and without reliance upon any Agent-Related Persons and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of the Company and its Subsidiaries, and all applicable bank regulatory laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to the

Company hereunder. Each Bank also represents that it will, independently and without reliance upon any Agent-Related Persons and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and any Note, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of the Company. Except for notices, reports and other documents expressly herein required to be furnished to the Banks by the Agents, the Agents shall not have any duty or responsibility to provide any Bank with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of the Company which may come into the possession of any of the Agents or any of the Agent-Related Persons.

SECTION 8.07. Indemnification. (a) Whether or not the transactions contemplated hereby are consummated, the Banks shall indemnify upon demand the Agents or any Agent-Related Persons (to the extent not reimbursed by or on behalf of the Company and without limiting the obligation of the Company to do so), pro rata, from and against any and all Indemnified Liabilities; provided, however, that no Bank shall be liable for the payment to the Agent-Related Persons of any portion of such Indemnified Liabilities to the extent that they are found by a final decision of a court of competent jurisdiction to have resulted solely from such Person's gross negligence or willful misconduct. Without limitation of the foregoing, each Bank shall reimburse the Agents upon demand for its ratable share of any costs or out-of-pocket expenses (including all fees and disbursements of any law firm or other external counsel, the allocated cost of internal legal services and all disbursements of internal counsel) incurred by the Agents in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, or any document contemplated by or referred to herein, to the extent that the Agents are not reimbursed for such expenses by or on behalf of the Company. The undertaking in this Section shall survive the termination of this Agreement and/or the repayment of Loans.

(b) The Company shall indemnify and hold harmless the Agents, the Banks, and their respective directors, officers, agents, and employees from and against all losses, claims, damages, expenses, or liabilities, including but not limited to legal (including all fees and disbursements of any law firm or other external counsel, the (allocated cost of internal legal services and all disbursements of internal counsel) or other expenses incurred in connection with investigating, preparing to defend, or defending any such loss, claim, damage, expense, or liability incurred in respect of the financing contemplated hereby or the proposed use of the proceeds of such financing (all of the foregoing collectively, the "Indemnified Liabilities"). This indemnity shall not apply to claims by a Bank (including the Agents or their respective Agent-Related Persons) against another Bank (including Agents or their respective Agent-Related Persons).

SECTION 8.08. Agent in Individual Capacity. The Agents or any other Agent-Related Persons may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with the Company and its Subsidiaries and Affiliates as though the Agents were not the Agents hereunder and without notice to or consent of the Banks. The Banks acknowledge that, pursuant to such activities, the Agents may receive information regarding the Company or its Subsidiaries or Affiliates (including information that may be subject to confidentiality obligations in favor of the Company or such Subsidiary or Affiliate) and acknowledge that the Agents shall be under no obligation to provide such information to them. With respect to their respective Loans, the Agents shall have the same rights and powers under this Agreement as any other Bank and may exercise the same as though they were not the Agents, and the terms "Bank" and "Banks" include the Agents in their individual capacities.

SECTION 8.09. Successor Administrative Agent. The Administrative Agent may, and at the request of the Majority Banks shall, resign as Administrative Agent upon 30 days' notice to the Banks and the Company. If the Administrative Agent resigns under this Agreement, the Company may elect to have either of the remaining Agents

succeed to all of the rights, powers and duties of the resigning Administrative Agent. If all of the Agents resign under this Agreement, the Majority Banks shall appoint from among the Banks a successor agent for the Banks which successor agent shall be approved by the Company. If no successor agent is appointed prior to the effective date of the resignation of the Administrative Agent, the Administrative Agent may appoint, after consulting with the Banks and the Company, a successor agent from among the Banks. Upon the acceptance of its appointment as successor agent hereunder, such successor agent shall succeed to all the rights, powers and duties of the retiring Administrative Agent and the term "Administrative Agent" shall mean such successor agent and the retiring Administrative Agent's appointment, powers and duties as Administrative Agent shall be terminated. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Article VIII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement. If no successor agent has accepted appointment as Administrative Agent by the date which is 30 days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective and the Banks and the Company shall perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Majority Banks appoint a successor agent which successor agent shall be approved by the Company as provided for above. Notwithstanding the foregoing, however, Bank of America may not be removed as the Administrative Agent at the request of the Majority Banks unless Bank of America shall also simultaneously be replaced as a "Swingline Bank" hereunder pursuant to documentation in form and substance reasonably satisfactory to Bank of America.

SECTION 8.10. Arrangement and Agency Fees. The Company shall pay to each Agent, for its own account, arrangement and agency fees in the amounts and at the times required under the separate letter agreements between the Company and each such Agent relating thereto.

SECTION 8.11. Syndication Agent; Documentation Agent. Neither of the Banks identified on the facing page or signature pages of this Agreement as the "Syndication Agent" or "Documentation Agent" shall have any right, power, obligation, liability, responsibility or duty under this Agreement as such. Without limiting the foregoing, neither of the Banks so identified as the "Syndication Agent" or "Documentation Agent" shall have or be deemed to have any fiduciary relationship with any Bank.

## ARTICLE IX

### Miscellaneous

SECTION 9.01. Waivers. No failure on the part of any Bank or the Agents to exercise, and no delay in exercising, and no course of dealing with respect to, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 9.02. Expenses. The Company agrees to promptly pay, whether or not any Loan is made hereunder; (a) the reasonable fees and disbursements of the Special Counsel to the Agents in connection with the negotiation of this Agreement and preparation for the initial borrowing hereunder; (b) all taxes, if any, upon any documents or transactions pursuant to this Agreement; provided that each Bank shall pay all of its income taxes owing to the United States, any state or their respective political subdivisions and income taxes owing to any country located outside the United States; and (c) costs of collection or enforcement incurred by the Agents and any Bank (including allocated costs for in-house legal services and reasonable counsel fees) in connection with any Event of Default or any effort to collect sums past due hereunder (including in connection with any "workout" or restructuring regarding the Loans, and including in any Insolvency Proceeding or appellate proceedings).

SECTION 9.03. Offsets. Nothing in this Agreement shall be deemed a waiver or prohibition of any Bank's right of banker's lien or offset.

SECTION 9.04. Governing Law. This Agreement and

the Notes shall be construed in accordance with and governed by the law of the State of New York.

SECTION 9.05. Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Agreement by signing any such counterpart.

SECTION 9.06. Notices. Notices and the communication provided for herein shall be in writing and shall be delivered by manual delivery, mail, express delivery, and telecopy, as follows:

(a) if to the Borrower, to it at 1111 West Jefferson Street, P.O. Box 50, Boise, Idaho 83728-0001, Attention of Treasurer (Telecopy No. 208-384-4913);

(b) (i) if a funding notice to the Administrative Agent, to Bank of America National Trust and Savings Association Agency Administrative Services #5596, 1455 Market Street, 13th Floor, San Francisco, California 94103, Attention of Robert Crabbe (Telephone No. 415-436-2774 (Telecopy No. 415-436-2700); or (ii) If any other notice to the Administrative Agent, to Bank of America National Trust and Savings Association Credit Products #3838, 555 California Street, 41st Floor, San Francisco, California 94104, Attention of Michael J. Balok, (Telephone No. 415-622-2018), (Telecopy No. 415-622-4585)

(c) if to a Bank or a Swingline Bank, to it at its address (or telecopy number) set forth on Schedule 1 or in the Assignment and Acceptance pursuant to which such Bank shall have become a party hereto.

Notices may be given in connection with this Agreement by any party to any other party by any of the foregoing means at the address for such means specified in respect of such party herein or on Schedule 1 hereto.

Except for notices of borrowings given pursuant to Sections 3.04(a), 3.04(b), 3.04(c) and 3.04(f), which shall be effective upon receipt by the Administrative Agent, notices shall be deemed effectively given as follows:

(a) when notices are manually delivered, they shall be effective upon delivery to a responsible person at the office of the party to whom they are intended as specified herein or on Schedule 1 hereto; (b) when notices are given by mail or express delivery service, they shall be effective when they are deposited in the mail (certified or registered, return receipt requested) or posted with an express delivery company; or (c) notices given by telecopy shall be effective upon receipt by the sending party of telephonic confirmation of receipt from the party to whom the notice is intended.

Whenever this Agreement provides that the Company shall give notice to the Administrative Agent of certain matters, the Administrative Agent shall promptly, after receipt of any such notice, and notify each Bank of the contents of such notice by (a) telecopy in the case of any notice under Sections 3.04 or 3.05 and (b) any means permitted by this Section 9.06 in the case of any other notice.

The Company and the Agents may change any of the addresses for notices set forth in this Section 9.06 at any time by giving notice of such change in accordance with the provisions of this Agreement to all parties to this Agreement. Any Bank may change any of the addresses for notices set forth on Schedule 1 hereto at any time by giving notice of such change in accordance with the provisions of this Agreement to the Administrative Agent and the Company.

Any agreement of the Agents and the Banks herein to receive certain notices by telephone or facsimile is solely for the convenience and at the request of the Company. The Agents and the Banks shall be entitled to rely on the authority of any Person they in good faith believe to be a Person authorized by the Company to give such notice and the Agents and the Banks shall not have any liability to the Company or other Person on account of any action taken or not taken by the Agents or the Banks in reliance upon such telephonic or facsimile notice. Except where the Agents or the Banks have failed to act in good faith, the obligation of the Company to repay Loans where it did not receive the benefit of the proceeds, or pay any other amounts due hereunder, shall not be affected in any way or to any extent by any failure by the Agents and the Banks to receive written confirmation of any telephonic or facsimile notice or the receipt by the Agents and the Banks of a

confirmation which is at variance with the terms understood by the Agents and the Banks to be contained in the telephonic or facsimile notice. Notwithstanding anything set forth in this Section 9.06, identification of the Company's bank account to which any funds are to be advanced or transferred may only be in writing.

SECTION 9.07. Amendments. This Agreement may not be amended, supplemented or modified, nor may any of its terms be waived, except by written instruments signed by the Company and the Majority Banks and, in the case of amendments affecting Swingline Banks in their capacity as Swingline Banks, the Swingline Banks; provided, however, that no amendatory, supplemental or modifying agreement or waiver shall (i) extend the term of, or increase the amount of, the Commitment of any Bank (except such an increase in amount with such Bank's consent pursuant to the Expansion Option), reduce the rate of, or extend the time for payment of, facility fees payable hereunder, extend the maturity of any Loan or reduce the rate of interest thereon, extend the time of payment of interest thereon or reduce the principal amount thereof or change the provisions contained in Sections 3.08, 3.10, or 3.12, (ii) change the percentage specified in the definition of Majority Banks in Section 1.01 of this Agreement, or (iii) amend this Section 9.07, without the written consent of all of the Banks. Any such amendatory, supplemental or modifying agreement or waiver shall apply equally to each of the Banks and shall be binding upon the Company and all of the Banks. Nothing contained in the foregoing shall prohibit any Bank from waiving any of its rights hereunder so long as such waiver shall have no effect on the rights of any other Bank hereunder. Notwithstanding the foregoing, no amendment, waiver, or consent shall, unless in writing and signed by the Administrative Agent in addition to the Majority Banks, affect the rights or duties of the Administrative Agent under this Agreement.

SECTION 9.08. Successors. This Agreement shall be binding upon and inure to the benefit of the Company, the Agents and the Banks and their respective successors and assigns.

SECTION 9.09. Assignment. The Company shall not sell or assign this Agreement or any of its rights and powers hereunder or delegate its obligations hereunder to any Person without the prior written consent of all of the Banks except as permitted by Section 6.04.

SECTION 9.10. Dispositions. Each Bank represents to the Company that it will make the Loans to be made by it hereunder in the ordinary course of its commercial banking business and will not transfer any interest in any such Loan in violation of the provisions of this Agreement or of the Securities Act of 1933, as amended, and the regulations thereunder.

SECTION 9.11. Effective Date. This Agreement shall be and become effective as of March 11, 1997, when the Administrative Agent shall have received duly executed counterparts hereof from all of the parties hereto and all fees and expenses due upon closing to the Agents and Banks in connection with this Agreement have been paid. Any Bank may sign a counterpart and send the signature pages bearing its signature to the Administrative Agent by facsimile transmissions, followed by prompt delivery of an original of such signature pages to the Administrative Agent.

SECTION 9.12. Consent to Jurisdiction. The Company hereby irrevocably submits to the nonexclusive jurisdiction of any state or Federal court sitting in the State of New York in any action or proceeding arising out of or relating to this Agreement, and the Company hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in any such court. The Company hereby irrevocably waives to the fullest extent it may effectively do so, the defense of an inconvenient forum to the maintenance of such action or proceeding. Nothing in this Section 9.12. shall affect the right of the Agents or any Bank to bring any action or proceeding against the Company or its property in the courts of any other jurisdiction.

SECTION 9.13. Confidentiality. Information provided to the Banks pursuant to Section 5.01 shall be maintained in confidence by the Banks in accordance with the following:

(a) The term "Confidential Information" means all information designated by the Company as confidential, whether of an operational, economic, or accounting

nature, except information which is now or hereafter becomes generally known in the financial community through no fault of the Bank or information which was in the Bank's possession at the time of receipt from the Company and which was obtained by the Bank from third parties lawfully in possession of such information without any breach by such third party of a duty of confidentiality to or for the benefit of the Company or by analysis by the Bank of nonconfidential information possessed by it. Disclosures made under this Agreement which are specific shall not be deemed to be within the foregoing exceptions merely because they are embraced by more general information possessed by the Bank which is not confidential information within the meaning of the preceding sentence.

(b) Each Bank shall designate a specific department or departments or specific representatives for receiving Confidential Information.

(c) Each Bank severally agrees:

(i) not to make any use whatsoever of the Confidential Information except in connection with present or future Loans to the Company or any of its Subsidiaries or Affiliates;

(ii) not to reveal any Confidential Information to any third parties, to any other divisions, departments, Affiliates, or subsidiaries of the Bank, or to any officer or employee of the Bank who does not have a direct need to know the Confidential Information in connection with present or future Loans to the Company or any of its Subsidiaries or Affiliates; and

(iii) to file the Confidential Information in secure places which ensure restricted accessibility.

(d) Notwithstanding the provisions of Section 9.13(c) any Bank may disclose the Confidential Information, as required from time to time, in the following circumstances: (i) at the request or pursuant to any requirement of any Governmental Authority to which the Bank is subject or in connection with an examination of such Bank by any such authority; (ii) pursuant to subpoena or other court process; (iii) when required to do so in accordance with the provisions of any applicable Requirement of Law; (iv) to the extent reasonably required in connection with any litigation or proceeding to which the Agents, any Bank or their respective Affiliates may be party; (v) to the extent reasonably required in connection with the exercise of any remedy hereunder; (vi) to such Bank's independent auditors and other professional advisors; and (vii) as to any Bank, as expressly permitted under the terms of any other document or agreement regarding confidentiality to which the Company is party with such Bank; provided that if any Bank is served with legal process which may require disclosure of Confidential Information it shall promptly notify the Company of such fact.

(e) The provisions hereof shall remain in effect for so long as this Agreement shall remain in effect plus a period of three years thereafter.

(f) Each Bank agrees that it will periodically sign a nondisclosure agreement reconfirming its obligations under this Section 9.13.

SECTION 9.14. Interpretation. The following rules shall apply to the construction of this Agreement unless the context requires otherwise: (a) the singular includes the plural and the plural the singular; (b) words importing any gender include the other genders; (c) references to statutes are to be construed as including all statutory provisions consolidating, amending, or replacing the statute to which reference is made, and all regulations adopted and publications promulgated pursuant to such statutes; (d) references to "writing" include printing, photocopy, typing, lithography, and other means of reproducing words in a tangible, visible form; (e) the words "including", "includes", and "include" shall be deemed to be followed by the words "without limitation"; (f) references to sections (or subdivisions of sections), exhibits, appendices, annexes, or schedules are to those of this Agreement unless otherwise indicated; (g) references to agreements and other contractual instruments shall be deemed

to include all subsequent amendments and other modifications to such instruments, but only to the extent that such amendments and other modifications are permitted or not limited by the terms of this Agreement; and (h) references to Persons include their respective permitted successors and assigns.

SECTION 9.15. Entire Agreement. This Agreement embodies the entire Agreement and understanding among the Company, the Banks, and the Agents and supersedes all prior or contemporaneous agreements and understandings of such persons, verbal or written, relating to the subject matter hereof, except for fee letters between the Company and the Agents.

SECTION 9.16. Waiver of Jury Trial. Each of the Agents, the Banks, and the Company hereby knowingly, voluntarily, and intentionally waives any rights it may have to a trial by jury in respect of any litigation based hereon, or arising out of, under, or in connection with this Agreement. This provision is a material inducement for the Agents and the Banks entering into this Agreement.

IN WITNESS WHEREOF the parties have caused this Agreement to be signed as of the date first set forth above.

BOISE CASCADE CORPORATION,

by \_\_\_\_\_  
Name:  
Title:

BANK OF AMERICA NATIONAL TRUST  
AND SAVINGS ASSOCIATION, as  
Administrative Agent,

by \_\_\_\_\_  
Name:  
Title:

NATIONAL WESTMINSTER BANK PLC,  
as Documentation Agent,

by \_\_\_\_\_  
Name:  
Title:

THE CHASE MANHATTAN BANK,  
as Syndication Agent,

by \_\_\_\_\_  
Name:  
Title:

WACHOVIA BANK OF GEORGIA, N.A.,

by \_\_\_\_\_  
Name:  
Title:

ABN/AMRO BANK NV, SEATTLE  
BRANCH

by \_\_\_\_\_  
Name:  
Title:

by \_\_\_\_\_  
Name:  
Title:

BANK OF AMERICA NATIONAL TRUST  
AND SAVINGS ASSOCIATION, in its  
capacity as Bank and Swingline  
Bank,

by \_\_\_\_\_  
Name:  
Title:

THE CHASE MANHATTAN BANK,  
in its capacity as Bank and  
Swingline Bank

by \_\_\_\_\_  
Name:  
Title:

BANK OF MONTREAL,

by \_\_\_\_\_  
Name:  
Title:

CIBC INC.,

by \_\_\_\_\_  
Name:  
Title:

WELLS FARGO BANK N.A.,

by \_\_\_\_\_  
Name:  
Title:

CREDIT SUISSE FIRST BOSTON

by \_\_\_\_\_  
Name:  
Title:

FIRST BANK NATIONAL  
ASSOCIATION,

by \_\_\_\_\_  
Name:  
Title:

FIRST SECURITY BANK, N.A.,

by \_\_\_\_\_  
Name:  
Title:

AUSTRALIA AND NEW ZEALAND  
BANKING GROUP LTD,

by \_\_\_\_\_  
Name:  
Title:

CREDIT LYONNAIS NEW YORK  
BRANCH,

by \_\_\_\_\_  
Name:  
Title:

THE INDUSTRIAL BANK OF JAPAN,  
LIMITED, LOS ANGELES AGENCY,

by \_\_\_\_\_  
Name:  
Title:

THE LONG TERM CREDIT BANK OF  
JAPAN, LTD., LOS ANGELES  
AGENCY,

by \_\_\_\_\_  
Name:  
Title:

MELLON BANK, N.A.,

by \_\_\_\_\_  
Name:  
Title:

MORGAN GUARANTY TRUST COMPANY  
OF NEW YORK,

by \_\_\_\_\_  
Name:  
Title:

NATIONAL WESTMINSTER BANK PLC,

by \_\_\_\_\_  
Name:  
Title:

NATIONSBANK OF NORTH CAROLINA, N.A.,

by \_\_\_\_\_  
Name:  
Title:

THE NORTHERN TRUST COMPANY,

by \_\_\_\_\_  
Name:  
Title:

ROYAL BANK OF CANADA,

by \_\_\_\_\_  
Name:

Title:

SOCIETE GENERALE,

by \_\_\_\_\_  
Name:  
Title:

U.S. BANK OF IDAHO

by \_\_\_\_\_  
Name:  
Title:

THE SANWA BANK LIMITED, LOS  
ANGELES BRANCH,

by \_\_\_\_\_  
Name:  
Title:

by \_\_\_\_\_  
Name:  
Title:

TORONTO DOMINION (Texas), Inc.,

by \_\_\_\_\_  
Name:  
Title:

UNION BANK OF SWITZERLAND,  
NEW YORK BRANCH,

by \_\_\_\_\_  
Name:  
Title:

by \_\_\_\_\_  
Name:  
Title:

## BANKS, COMMITMENTS AND ADDRESSES

Name and Address of Bank	Commitment Amount	Commitment Percentage
BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION CREDIT PRODUCTS #3838 555 California Street, 41st Floor San Francisco, CA 94104  Attention: Michael J. Balok Telephone: (415) 622-2018 Fax: (415) 622-4585	\$40,000,000.00	6.666666667%
THE CHASE MANHATTAN BANK 270 Park Avenue New York, NY 10017  Attention: Thomas Kozlark  Vice President Telephone: (212) 270-3480 Fax: (212) 270-1063	\$40,000,000.00	6.666666667%
EURODOLLAR: Same as domestic  Attention: Vito Cipriano Telephone: Fax: (718) 552-5662		
NATIONAL WESTMINSTER BANK PLC, NY Branch c/o NatWest Bank Plc 175 Water Street New York, NY 10038  EURODOLLAR: NATIONAL WESTMINSTER BANK PLC Nassau Branch c/o Natwest Bank Plc 175 Water Street New York, NY 10038  Attention: Scott Baskind Telephone: (212) 602-4498 Fax: (212) 602-4118	\$40,000,000.00	6.666666667%

ABN/AMRO BANK NY \$30,000,000.00 5.0000000000%  
One Union Square  
600 University Street,  
Suite 2323  
Seattle, WA 98101-2070

ABNAUS6S  
277164 ABNS UR

Attention: Lee-Lee Miao  
Telephone: (206) 654-0362  
Fax No.: (206) 682-5641

CIBC INC. \$30,000,000.00 5.0000000000%  
350 South Grand Ave., #2600  
Los Angeles, CA 90071

Attention: Clare Coyne  
Telephone: (770) 319-4836  
Fax: (770) 319-4950

MELLON BANK, N.A. \$30,000,000.00 5.0000000000%  
Three Mellon Bank Center  
Room 2304  
Pittsburgh, PA 15259

Attention: Damon Carr  
Telephone: (412) 234-1872  
Fax: (412) 236-2027

MORGAN GUARANTY TRUST COMPANY OF NEW YORK \$30,000,000.00 5.0000000000%  
500 Stanton Christiana Road  
Newark, DE 19713

Attention: Lisa Lynch  
Telephone: (302) 634-1091/1872  
Fax: (302) 634-1937

BANK OF MONTREAL \$25,000,000.00 4.166666667%  
115 South Lasalle Street  
12th Fl. West  
Chicago, IL 60603

Attention: Anita Blake  
Telephone: (312) 750-4359  
Fax No.: (312) 750-6061

CREDIT LYONNAIS NEW YORK BRANCH \$25,000,000.00 4.166666667%  
1301 Avenue of the Americas  
New York, NY 10019

Attention: Kathy Daniele-Otero  
Telephone: (212) 261-7341  
Telefax: (212) 459-3179

NATIONSBANK, N.A. \$25,000,000.00 4.166666667%  
One Independence Center  
NC 1-001-1506  
101 N. Tryon Street  
Charlotte, NC 28255-0001

Attention: Marcella Graham  
Telephone: (704) 388-1114  
Fax: (704) 386-8694

THE NORTHERN TRUST COMPANY \$25,000,000.00 4.166666667%  
50 South LaSalle Street  
Chicago, IL 60675

Attention: Linda Halton  
Telephone: (312) 444-3532  
Fax: (312) 630-1566

ROYAL BANK OF CANADA \$25,000,000.00 4.166666667%  
c/o New York Branch  
Financial Square, 23rd Floor  
32 Old Slip  
New York, NY 10005-3531

Attention: Linda Smith  
Telephone: (212) 428-6323  
Fax: (212) 428-2372

with a copy to:

ROYAL BANK OF CANADA  
600 Wilshire Boulevard  
Suite 800  
Los Angeles, CA 90017

Attention: B. W. Dixon  
Telephone: (213) 955-5316  
Fax: (213) 955-5316

SOCIETE GENERALE \$25,000,000.00 4.166666667%  
2029 Century Park East  
Suite 2900  
Los Angeles, CA 90067

Attention: Tulin Wu  
Telephone: (310) 788-7117  
Telefax: (310) 203-0539

TORONTO DOMINION (TEXAS), INC. \$25,000,000.00 4.166666667%  
909 Fannin Street  
Houston, TX 77010

Attention: Neva Nesbitt  
Telephone: (713) 653-8261  
Fax: (713) 951-9921

UNION BANK OF SWITZERLAND, NEW YORK BRANCH 299 Park Avenue New York, NY 10171	\$25,000,000.00	4.166666667%
Attention: Mike Petersen Telephone: (212) 821-3230 Fax: (212) 821-3259		
WACHOVIA BANK OF GEORGIA, N.A. 191 Peachtree St., N.E. Atlanta, GA 30303	\$25,000,000.00	4.166666667%
Attention: Sarah Fulton Telephone: (888) 255-1880 Fax: (910) 732-5021		
AUSTRALIA AND NEW ZEALAND BANKING GROUP LTD. 1177 Avenue of the Americas New York, NY 10036	\$15,000,000.00	2.500000000%
Attention: Doreen Klingenbeck Telephone: (212) 801-9726 Fax: (212) 801-9715		
CREDIT SUISSE FIRST BOSTON 633 West 5th Street 64th Floor Los Angeles, CA 90071	\$15,000,000.00	2.500000000%
Attention: Rita Asa Telephone: (213) 955-8284 Fax: (213) 955-8245		
FIRST BANK NATIONAL ASSOCIATION 601 Second Avenue South Minneapolis, MN 55402	\$15,000,000.00	2.500000000%
Attention: Rochelle Treziok Telephone: (612) 973-0556 Fax: (612) 973-0824		
FIRST SECURITY BANK, N.A. 119 North 9th Street P.O. Box 7069 Boise, ID 83730-1069	\$15,000,000.00	2.500000000%
Attention: Rhonda Miller Telephone: (208) 393-4117 Fax: (208) 393-4540		
THE INDUSTRIAL BANK OF JAPAN, LIMITED, LOS ANGELES AGENCY 350 S. Grand Avenue Suite 1500 Los Angeles, CA 90071	\$15,000,000.00	2.500000000%
Attention: Sue Tam/Lynn Santos Telephone: (213) 893-6498/6345 Telefax: (213) 688-7486		
THE LONG TERM CREDIT BANK OF JAPAN, LTD., LOS ANGELES AGENCY 350 South Grand Avenue Suite 3000 Los Angeles, CA 90071	\$15,000,000.00	2.500000000%
Attention: Mitchell Davis Telephone: (213) 689-6251 Fax: (213) 626-1067		
THE SANWA BANK, LIMITED, Los Angeles Branch 601 South Figueroa Street Los Angeles, CA 90017	\$15,000,000.00	2.500000000%
Attention: Washington Boza Telephone: (213) 896-7434 Fax: (213) 623-4912		
U.S. BANK OF IDAHO 101 S. Capitol Blvd. Corporate Banking IDW-0159=0475 Boise, ID 83733	\$15,000,000.00	2.500000000%
Attention: Intermountain Commercial Loan Service Center Telephone: (208) 383-3328 Fax: (208) 383-5990		

WELLS FARGO BANK N.A.  
201 Third Street - 8th Floor  
San Francisco, CA 94163

\$15,000,000.00 2.500000000%

Attention: Edith Lim  
Telephone: (213) 614-3403  
Fax: (503) 614-2569

## FORM OF PROMISSORY NOTE

New York, New York  
March 11, 1997

\$ \_\_\_\_\_

FOR VALUE RECEIVED, BOISE CASCADE CORPORATION, a Delaware corporation, promises to pay to the order of (the "Bank") at the offices of Bank of America National Trust and Savings Association, at 555 California Street, San Francisco, California 94101, the principal sum of (\$ \_\_\_\_\_), or so much thereof as shall have been advanced hereunder against and shall be outstanding in lawful money of the United States together with interest on said principal sum or the unpaid balance thereof from time to time outstanding at the Borrowing Rate as determined from time to time pursuant to the Boise Cascade Corporation 1997 Revolving Credit Agreement dated as of March 11, 1997, by and among the Company and the Bank together with certain other banks and the Agents named therein ("Revolving Credit Agreement").

The Revolving Credit Agreement contemplates that the Company shall have the right to obtain a series of Revolving Loans from the Bank during a period beginning on the date hereof and ending on June 30, 2002. This Note is intended to evidence the aggregate principal amount of such Revolving Loans which may be from time to time outstanding as recorded on the schedule attached hereto. All accrued and unpaid interest owed in respect of each Revolving Loan shall be payable on the last day of the Interest Period or quarterly, whichever occurs earlier. Each Revolving Loan, together with all accrued and unpaid interest owed in respect thereof, shall be due and payable on the last day of the Interest Period applicable to such Revolving Loan. All sums owed pursuant to this Note must be paid in full on or before June 30, 2002. The Revolving Credit Agreement requires upon satisfaction of certain conditions precedent that the Bank must advance within the limits of its Commitment sufficient funds to refinance Revolving Loans evidenced hereby as they mature; failure of the Bank to so refinance Revolving Loans shall (provided such conditions precedent have been satisfied) provide a defense to the Company's obligations to pay the principal (but not the interest) owed in respect of such Revolving Loan when due to the extent and for so long as the aggregate principal amount of Revolving Loans outstanding under this Note is equal to or less than the amount of the Bank's Commitment.

Payment of principal and interest owed pursuant to this Note may be accelerated in accordance with the provisions of the Revolving Credit Agreement governing such acceleration. If any principal owed hereunder is not paid when due, it shall bear interest at a rate two percent above the Base Rate from time to time in effect from the date on which payment of such principal was due to the date on which it is paid. The Company may, at its option, prepay all or any portion of the principal outstanding under this Note, but only on the terms and conditions set forth in the Revolving Credit Agreement.

This Note is one of the Notes referred to in the Revolving Credit Agreement and is subject in all respects to the terms and conditions thereof. Any term specifically defined in the Revolving Credit Agreement shall have the same meaning when used in this note.

The amount, date, Interest Period and Borrowing Rate for each Revolving Loan made by the Bank, and each payment or prepayment made on account of the principal thereof or interest thereon, shall be recorded by the Bank on its books.

BOISE CASCADE CORPORATION

by \_\_\_\_\_

## Form of Opinion of Company's Counsel

March 11, 1997

Each of the Banks Which  
Is a Party to the Boise  
Cascade Corporation  
1997 Revolving Credit  
Agreement referred to below

Ladies and Gentlemen:

I am Senior Vice President and General Counsel of Boise Cascade Corporation (the "Company") and have held the position of Vice President and General Counsel for a number of years. As such, I am familiar with the affairs of the Company and its Subsidiaries, including the state of corporate organization and business qualification of said corporations, and am familiar with corporate proceedings undertaken to authorize the Boise Cascade Corporation 1997 Revolving Credit Agreement dated as of March 11, 1997, among the Company, Bank of America National Trust and Savings Association, as Administrative Agent, The Chase Manhattan Bank, as Syndication Agent, National Westminster Bank PLC, as Documentation Agent, and the financial institutions parties thereto (the "Credit Agreement"). In connection with the preparation of this opinion, I have reviewed such records of the Company and its Subsidiaries and made such inquiries of officers and employees of the Company and its Subsidiaries as I deemed necessary and prudent. All terms specifically defined in the Credit Agreement shall have the meaning assigned therein wherever they are used in this opinion.

On the basis of the foregoing, I am of the opinion that as of the date hereof:

1. The Company is a corporation duly organized and validly existing in good standing under the laws of Delaware, and each Subsidiary is a corporation, duly organized and validly existing in good standing under the law of the state or nation of its incorporation.
2. The Company now has, and did have, at all relevant times in the past, full power and authority to make and perform the Credit Agreement and the Notes. The Company and each Subsidiary have full power and authority to conduct their respective business as they are currently being conducted.
3. The Company and each Subsidiary are duly qualified, in good standing, to conduct business in each jurisdiction where their respective ownership of property or the nature of the business transacted by them makes such qualification necessary.
4. The execution, delivery and performance of the Credit Agreement and the Notes were duly authorized by all necessary corporate action by the Company.
5. Subject to limitations as to enforceability which may result from bankruptcy, insolvency and other similar laws affecting creditors' rights generally, the obligations of the Company under the Credit Agreement and the Notes are legal, valid and binding obligations which are enforceable in accordance with their terms.
6. There is no action, proceeding or investigation before any court or any governmental agency pending or, to the best of my knowledge, threatened, which, to the best of my knowledge, may result in any judgment, order, decree or liability having a Material Adverse Effect upon the business or condition, financial or other, of the Company, or of the Company and its Subsidiaries on a combined basis, and no judgment, decree or order has been issued against the Company which has or will have such an effect.
7. Neither the execution and delivery of the Credit Agreement, the execution and delivery of the Notes nor the offering, issuance, performance and compliance with the terms of the Credit Agreement and the Notes conflict with or result in a breach of the terms, conditions or provisions of or constitute a default under, or result in the creation of any lien upon any of the

properties or assets of the Company or any of its Subsidiaries, or require any authorization, consent, approval, exemption or other action by or notice to or filing with any court or administrative or governmental body (other than routine filings after the date hereof with the Securities and Exchange Commission and/or state Blue Sky authorities) pursuant to, the charter or bylaws of the Company or any of its Subsidiaries, any applicable law, statute, rule or regulation or, to the best of my knowledge, any agreement, instrument, order, judgment or decree to which the Company or any of its Subsidiaries is subject.

8. Borrowings in conformity with the Credit Agreement will be in compliance with Regulation U of the Board of Governors of the Federal Reserve System.

Very truly yours,

---

John W. Holleran  
Senior Vice President and  
General Counsel

## SUPPLEMENTAL HEALTH CARE PLAN FOR EXECUTIVE OFFICERS

## SUPPLEMENTAL HEALTH CARE PLAN FOR EXECUTIVE OFFICERS

## INTRODUCTION

Boise Cascade Corporation (the "Company") has adopted a Supplemental Health Care Plan for Executive Officers (the "Plan") in addition to the Company's Preferred Provider Network Medical Plan, Dental Plan, Vision Plan, and Prescription Drug Plan. While you share in the cost of your medical care by paying a monthly contribution, a deductible, and a percentage of the remaining expenses, the combination of the plans pays most of the major charges for covered health care expenses for you and your dependents.

## WHO IS ELIGIBLE

As an executive officer of the Company, you are automatically eligible for coverage under the Plan. Your dependents' coverage under the Plan will become effective on the same date that your own coverage begins.

Your dependents who are eligible for coverage under this Plan include your spouse plus any unmarried children under age 23, if they do not regularly work full-time and are dependent on you for support. Under certain circumstances, a child with disabilities may be covered beyond age 23.

## HOW BENEFITS BECOME PAYABLE

Medical benefits become payable under this Plan after benefits for covered charges under the Preferred Provider Network Medical Plan have been applied to medical expenses incurred by you or your covered dependent. The Plan will pay 100% of the remaining charges for the treatment, services, and supplies listed under "What the Plan Covers." Amounts applied to the deductible and copayments under the Preferred Provider Network Medical Plan are not covered under this Plan.

Dental and vision benefits become payable under this Plan after benefits for scheduled amounts covered under the Dental Plan or the Vision Plan have been applied to dental or vision expenses incurred by you or your covered dependent. The Plan will pay 100% of the remaining charges for the services and supplies shown under "What the Plan Covers."

The deductible and copayment amounts under the Prescription Drug Plan are not covered under this Plan.

## WHAT THE PLAN COVERS

Medical expenses incurred will be reduced by the amount considered as covered charges under the Preferred Provider Network Medical Plan. The Plan will pay 100% of the remaining charges for the following medical expenses:

- o Hospital room and board charges.
- o Hospital intensive care (ICU) and cardiac care unit (CCU) charges.
- o Hospital services and supplies (inpatient or outpatient).
- o Medical treatment or surgery by a physician.
- o Outpatient surgical facility services and supplies.
- o Private-duty nursing by a registered nurse (R.N.), a licensed vocational nurse (L.V.N.), or a licensed practical nurse (L.P.N.) upon the written recommendation of a physician.
- o Ambulance service.
- o Prescription drugs and medicines.
- o Immunizations.
- o Anesthetics and oxygen and their administration.
- o Rental or purchase (at the Company's option) of approved durable medical equipment and appliances.
- o Physical therapy by a licensed physiotherapist for treatment by physical or mechanical means only.
- o Outpatient rehabilitative speech and occupational therapy. Care must be provided by a licensed therapist who is referred and supervised by a licensed physician.
- o Blood and blood plasma which are not replaced by donation, and their administration.
- o Diagnostic x-rays and laboratory tests.
- o Extended-care facility confinement, including services and supplies.
- o Medical social services while a patient is in an extended-care facility.

- o Psychiatric care provided by a physician.
- o Mammograms.

The Plan will also pay 100% of the remaining charges for vision exams, eyeglasses, contact lenses, hearing aids, and dental expenses (including orthodontia and expenses for repair and maintenance of covered items) after benefits under the Dental Plan, the Vision Plan, or the Preferred Provider Network Medical Plan, have been applied.

#### WHAT THE PLAN DOES NOT COVER

Expenses for items shown in the list that follows are not covered under the Plan:

- o Injury or illness resulting from war or an act of war, whether declared or undeclared.
- o Items payable by workers' compensation or any other government program.
- o Items for which no charge would have been made in the absence of medical coverage, or items for which you are not legally obligated to pay.
- o Prescription drugs obtained through the Company's Prescription Drug Plan.
- o Items for which the Company, by law or regulation, may not provide benefits.
- o Medical services rendered prior to the date your coverage by this plan began.
- o Charges which are applied to the deductible and copayments under the Preferred Provider Network Medical Plan.
- o Charges which are applied to additional deductibles under the HRM Care Management Program.

#### HEALTH CARE CLAIMS

The necessary forms to file a claim for covered health care expenses under this Plan are available from the Boise Cascade Corporation Group Benefits Office in Boise, Idaho.

#### PLAN ADMINISTRATION, ERISA RIGHTS

The BCC Benefits Health Care booklet (the Summary Plan Description) identifies the Plan administrator and explains your ERISA rights under this plan. If a dispute or disagreement arises regarding terms of coverage, or benefits provided under this Plan, you must use the "claims/appeal" processes described in that booklet.

#### CONTINUATION OF COVERAGE/QUALIFIED MEDICAL CHILD SUPPORT ORDERS

The Plan is subject to the requirements of federal law as they relate to continuation of medical benefits pursuant to provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA") and to "Qualified Medical Child Support Orders" under the Omnibus Budget Reconciliation Act of 1993. These requirements are described in more detail in the BCC Benefits Health Care booklet.

#### SOURCE OF FUNDING

This Plan is self-insured by the Company. Payments for benefits under this Plan are made from the general assets of the Company as benefits become payable.

#### TAXABILITY

All benefits payable under this Plan are considered taxable income to you, are subject to tax withholding requirements, and will be reflected in you Form W-2 earnings.

#### COVERAGE DURING A LEAVE OF ABSENCE

Your medical coverages may be continued while you are still employed by the Company but are not actively at work because of an accident or illness or certain other company-approved leaves of absence. Under such conditions, coverage will continue in keeping with the provisions of the leave.

#### WHEN YOUR COVERAGE ENDS

Your coverage under the Plan ends on the earliest of the following dates:

o On the date your employment with the Company ends.

- o On the date you become ineligible to participate in these coverages -- for example, if you cease to be an executive officer of the Company.
- o On the date the Company elects to discontinue this Plan.

WHEN YOUR DEPENDENTS' COVERAGE ENDS

Your dependents' coverage under this Plan ends on the earliest of the following dates:

- o On the date your coverage ends.
- o On the date your dependent ceases to be eligible because of a change in age or dependent status as defined under the Preferred Provider Network Medical Plan.
- o On the date your dependent begins active duty in the armed forces of any country, state, or international organization.
- o On the date the Company elects to discontinue this Plan.

The Company expressly reserves the right to amend or terminate this Plan at any time. Coverage under this Plan is not and should not be deemed to create a contract of employment and under no circumstances shall be construed to give any participant a right to remain an employee or officer of the Company for any period. Any participant in this Plan is employed solely at the will of the Company.

To the extent not governed by federal law, this Plan will be construed according to the laws of the state of Idaho. In the event any lawsuit or legal action is brought (by any party, person, or entity regarding this Plan, benefits hereunder, or any related issue), such action or suit may be brought only in Federal District Court in the District of Idaho.

BOISE CASCADE CORPORATION  
DEFERRED COMPENSATION AND BENEFITS TRUST

TRUST AGREEMENT

By and Between

BOISE CASCADE CORPORATION  
and  
AMERICAN NATIONAL BANK AND TRUST COMPANY OF CHICAGO

Dated  
November 2, 1987  
As Amended and Restated  
As of December 13, 1996

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V.	Trustee Section 5.01 Trustee..... Section 5.02 Successor Trustee.....	
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Attachments

Exhibit A	List of Plans Subject to the Trust
Schedule 1	Executive List
Schedule 2	Trustee's Fee Schedule
Exhibit B	Funding Assumptions

BOISE CASCADE CORPORATION  
DEFERRED COMPENSATION AND BENEFITS TRUST

TRUST AGREEMENT (the "Trust"), dated November 2, 1987, as amended and restated as of December 13, 1996, by and between BOISE CASCADE CORPORATION, a Delaware corporation (the "Company"), and AMERICAN NATIONAL BANK AND TRUST COMPANY OF CHICAGO (the "Trustee").

WHEREAS, the Company is or may become obligated under certain employee benefit plans or agreements to make payments to certain of its directors and executives (the "Executives"); and

WHEREAS, the aforesaid obligations of the Company are not funded or otherwise secured and the Company has agreed to assure that the future payment of such amounts will not be improperly withheld in the event that a "Change in Control" of the Company (as defined herein) should occur; and

WHEREAS, for purposes of assuring that payments will be made in accordance with the terms of the plans, the Company shall deposit with the Trustee, subject only to the claims of the Company's creditors as provided herein, amounts of cash, marketable securities, and other property acceptable to the Trustee, sufficient to fund the payments as they may become due and payable; and

WHEREAS, this Trust is intended to be a grantor trust within the meaning of Section 671 of the Internal Revenue Code of 1986;

NOW, THEREFORE, in consideration of the mutual agreements contained herein and for other good and valuable consideration, the parties hereto agree as follows:

ARTICLE I

THE PLANS

SECTION 1.01 Plans. The Company plans and agreements (collectively referred to as the "Plans") listed on Exhibit A, which is attached hereto and incorporated herein by this reference, are subject to this Trust.

The Company may, from time to time, add other plans and agreements to this Trust pursuant to the terms herein.

Attached as Schedule 1 is a list of the names and mailing addresses of Executives currently participating in the Plans (the "Executive List"). The Company will revise the Executive List no less often than quarterly to reflect, among other things, the addition of new Plans and changes in the identity of Executives participating in the Plans.

The creation and funding of this Trust will not discharge the Company's obligations under the Plans. Distributions made from the Trust to or for Executives in respect of the Plans pursuant to Section 4.02 hereof, shall, to the extent of such distributions, satisfy the Company's obligation to pay benefits to Executives under the Plans.

Subject to the terms of each of the Plans, the Company reserves the right to amend any of the Plans at any time prior to a Change in Control of the Company, in which case the Plans, as amended, shall continue to be subject to this Trust. At any time prior to a Change in Control of the Company, the Company may cause additional plans to become Plans subject to this Trust. Any amended or additional plans shall become Plans subject to this Trust only upon receipt by the Trustee of the amended or additional plan documents. Upon and after a Change in Control of the Company, the Company may not amend any Plan, withdraw any Plan from this Trust, cause any additional plans to become Plans hereunder, or add any participants to any Plan.

ARTICLE II

TRUST AND THE TRUST CORPUS

SECTION 2.01 Delivery of Funds.

(a) (1) Concurrently with the execution of this Trust, the Company is delivering to the Trustee to be held in trust hereunder the sum of \$1,000 in cash to be administered and disposed of by the Trustee as provided herein. (2) Within 60 days following a Potential Change in Control of the Company (as defined in Article III hereof), the Company shall deliver to the Trustee such sums of cash, marketable securities, and other property acceptable to the Trustee in an amount equal to 105% of the amount necessary to provide on an actuarial basis for the payment when due of all the Company's obligations to or on behalf of Executives under the Plans (the "Funding Amount") which shall

be invested by the Trustee and administered in accordance with the terms of this Trust. The Trustee shall have no duty to perform or independently evaluate the calculations and determinations of the Company made pursuant to this Section 2.01(a).

(b) In the event of a Potential Change in Control of the Company, the Company shall, no less often than every six months from the date of such Potential Change in Control unless the entire Trust Corpus shall theretofore have been released pursuant to Article IV hereof, recalculate the Funding Amount as of the end of the month immediately preceding such six-month interval date as if the Potential Change in Control had occurred at the end of such month. If the amount so calculated exceeds the then fair market value of the Trust Corpus, the Company shall transfer to the Trustee an amount in cash, marketable securities, or any other property acceptable to the Trustee equal to the excess. If the Funding Amount so calculated is less than the then fair market value of the Trust Corpus, the Trustee, upon receipt of a written request from the Company and subject to Section 4.03, shall distribute to the Company the difference in cash.

(c) After a Change in Control shall have occurred and at all times prior to the release of the entire Trust Corpus pursuant to Article IV hereof, the Funding Amount shall be recalculated by Milliman & Robertson, Inc., consulting actuaries (the "Actuary"), and subject to the limitations of Section 4.02(b) hereof, the recalculation by the Actuary shall be binding on the Company, the Executives, and the Trustee. The Trustee shall have no duty to perform or independently evaluate the determination of the Actuary made pursuant to this Section 2.01(c). If Milliman & Robertson, Inc. should decline to serve as Actuary or should discontinue business with no successor, or if 65% or more in number of the Executives reflected on the then most recent Executive List should notify the Trustee in writing to select another Actuary, the Trustee shall select another firm of consulting actuaries to serve as Actuary hereunder. The Trustee and the Company shall provide the Actuary with such relevant information as may be in their possession that is necessary to make the recalculation. The first recalculation shall be made by the Actuary as soon as possible after the end of the second calendar year following the year in which the Change in Control occurred, and thereafter the Actuary shall recalculate the Funding Amount annually. Upon any recalculation by the Actuary, if the amount so calculated exceeds the then fair market value of the Trust Corpus, the Actuary shall so notify the Company and the Trustee, and the Company shall forthwith transfer to the Trustee an amount in cash equal to such excess. If the then fair market value of the Trust Corpus exceeds 125% of the Funding Amount so calculated, the Trustee, upon receipt of a written request from the Company and subject to Section 4.03, shall distribute to the Company in cash an amount equal to such excess.

(d) The Funding Amount shall be determined from time to time in accordance with the terms of each of the Plans and in accordance with the assumptions set forth in Exhibit B hereto.

(e) Payment by the Company pursuant to Section 2.01(a), (b), or (c) hereof shall be accompanied by a Payment Schedule (as defined in Section 4.02(a) hereof) with respect to each Executive for whose account the payment is being made.

#### SECTION 2.02 Trust Corpus.

(a) As used herein, the term "Trust Corpus" shall mean the amounts delivered to the Trustee pursuant to the terms hereof, less amounts distributed or paid from the Trust pursuant to the terms hereof, plus all income earned by the Trust, in whatever form held or invested as provided herein. Upon the transfer to the Trustee of the amounts provided in subsection 2.01(a)(2), to the extent the transferred amount consists of property other than cash, the Trustee shall hold such property in the form in which it was transferred and shall have no power or authority to liquidate, transfer, or sell the property prior to the date of a Change in Control without written instructions from the Company to do so. To the extent the transferred property consists of cash, the Trustee shall invest it in the Short-Term Portfolio as defined below. Upon the occurrence of a Change in Control, the Trustee shall, in an orderly manner, liquidate all the noncash assets of the Trust Corpus other than any split-dollar life insurance policies or corporate-owned life insurance policies and shall invest the proceeds of the liquidation in two portfolios as follows: (i) a short-term fixed income portfolio (the "Short-Term Portfolio") which, except as otherwise provided below in this Section 2.02(a), shall be invested solely in U.S. Treasury obligations having maturities of less than one year, and (ii) an immunized/dedicated fixed income portfolio ("the "Dedicated

Portfolio") which shall constitute a portfolio of cash and/or U.S. Treasury obligations that will produce a cash flow sufficient to provide for the payment when due of all the Company's obligations to Executives under those Plans, the benefits under which are to be paid from the Dedicated Portfolio, as reflected on Exhibit B hereto. So long as the Dedicated Portfolio has a current and projected cash flow sufficient to pay when due all amounts to be paid from the Dedicated Portfolio, the Trustee shall hold the assets of the Dedicated Portfolio in that form. If the Trustee is advised by the Actuary that the Dedicated Portfolio is no longer sufficient for that purpose, the Trustee shall liquidate and reinvest the assets in the Trust Corpus as may be necessary to cause the Dedicated Portfolio to be sufficient for that purpose, or as nearly so as possible, all in accordance with the instructions of Loomis, Sayles and Company, Inc., or its successor (the "Advisor"), or if that Company has discontinued business with no successor, with the instructions of a recognized professional expert in the creation of immunized/dedicated fixed income portfolios to be selected by the Trustee. The Trustee shall have no responsibility to verify any advice by the Actuary or instructions from the Advisor. Any portion of the Trust Corpus not allocated to the Dedicated Portfolio shall be allocated to the Short-Term Portfolio. Prior to a Potential Change in Control of the Company, the original funding of \$1,000 shall be held uninvested by the Trustee.

(b) All expenses (including, as provided in Section 5.01 hereof, any expenses of the Trustee) charged against the Trust Corpus shall be for the account of the Company and the Company shall be obligated promptly to reimburse the Trust Corpus for any expense charged against the Trust Corpus except to the extent that the amounts have been applied to reduce amounts payable to the Company pursuant to Section 2.01(b) or (c) hereof. The Trustee shall notify the Company from time to time of the amount of the expenses, and the Company shall promptly reimburse the Trust Corpus for those amounts. Notwithstanding the foregoing, in determining the expenses charged against the Trust Corpus, no amounts that may be paid pursuant to the Payment Schedules shall be considered to be "expenses."

### ARTICLE III

#### CHANGE IN CONTROL

SECTION 3.01 Definition of Potential Change in Control. For purposes of this Trust, a "Potential Change in Control" 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.

SECTION 3.02 Definition of Change in Control. For purposes of this Trust, 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.

SECTION 3.03 Notice of Change. For purposes of this Trust, a Potential Change in Control or a Change in Control of the Company shall be deemed to have occurred only upon receipt by the Trustee of written notice to that effect from the Board of Directors or the Chief Executive Officer of the Company.

SECTION 3.04 Definition of Beneficial Owner. For purposes of this Article III, "Beneficial Owner" shall have the meaning set forth in Rule 13d-3 under the Exchange Act.

SECTION 3.05 Definition of Person. For purposes of this Article III, "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.

#### ARTICLE IV

##### RELEASE OF THE TRUST CORPUS

SECTION 4.01 Delivery to the Company. Except as provided in Section 4.03, when the Company delivers the Funding Amount to the Trustee upon a Potential Change in Control, the remaining Trust Corpus, less the original funding of \$1,000, shall be returned to the Company one year after delivery to the Trustee unless a Change in Control shall have occurred during the one-year period. The one-year period shall recommence in the event of and upon the date of any subsequent Potential Change in Control. If another Potential Change in Control should occur after the Funding Amount has been returned to the Company as provided in this Section 4.01, the Company shall deliver a new Funding Amount to the Trustee pursuant to Section 2.01. The Company shall provide written notice to the Trustee of the occurrence of a Change in Control or Potential Change in Control or the passage of the one-year period requiring the return of trust assets to the Company pursuant to the terms of this Section 4.01.

SECTION 4.02 Deliveries to Participants. The Trustee shall hold the Trust Corpus in its possession under the provisions of this agreement until authorized to deliver the Trust Corpus or any specified portion thereof as follows:

(a) In connection with any payment of the Funding

Amount, the Company shall deliver to the Trustee schedules (the "Payment Schedules") indicating the amounts payable to or on behalf of each Executive, or providing a formula or instructions for determining the amounts so payable, the person or persons to whom so payable, the form in which the amount is to be paid (as provided for or available under the Plans), and the time of commencement for payment of the amounts. The Company (or, after a Change in Control of the Company, the Actuary) shall revise the Payment Schedules from time to time to the extent required under the Plans or pursuant to this Trust Agreement. The appropriate Payment Schedule also shall be delivered by the Trustee to each Executive. Modified Payment Schedules shall be delivered by the Company or the Actuary to the Trustee and by the Trustee to the Executives at each time that additional amounts are paid by the Company to the Trustee (or refunded to the Company) under the terms hereof and upon the occurrence of any event, such as the addition of new Executives or Plans or early retirement of an Executive, requiring a modification of any Payment Schedule. The Trustee shall have no duty to perform or to evaluate independently the determination of the Company or the Actuary made pursuant to this Section 4.02(a). At any time prior to a Change in Control of the Company, the Company may add additional Plans or additional Executives under any of the Plans, in which case both the Payment Schedules and the Funding Amount shall be adjusted accordingly. Except as otherwise provided herein, the Trustee shall make payments to or for the Executives only in accordance with the Payment Schedules. Upon and after a Change in Control of the Company, the Company may not cause any additional plans to become Plans hereunder nor may any additional Executive be added under any of the Plans.

(b) After a Change in Control of the Company has occurred, an Executive who reasonably believes that the then current Funding Amount is inadequate or that the then current Payment Schedule applicable to him or her does not properly reflect the amount payable to or for the Executive or the time or form of payment from the Trust Corpus in respect of the Plans may deliver to the Trustee written notice (the "Executive's Notice") setting forth the Funding Amount and/or payment instructions for the amount the Executive believes is due under the relevant terms of the Plans. The Trustee shall deliver a copy of the Executive's Notice to the Company and the Actuary and to each other Executive within 10 business days of the delivery to the Trustee, and the Trustee will engage one or more independent attorneys, accountants, actuaries, or other experts (the "Experts"), including, if the Trustee so determines, the Actuary and/or the Advisor, to determine the correct Funding Amount and the correct Payment Schedule. The Trustee shall have no duty to perform or independently evaluate the determination of the Experts made pursuant to this Section 4.02(b). After any determinations, appropriate adjustments to the Funding Amount and the affected Payment Schedule may be made in accordance with the determination of the Experts, and any increase in the Funding Amount may be paid by the Company, in its sole discretion, to the Trustee as provided in Section 2.01(c).

(c) The Trustee shall withhold from any payment due to an Executive hereunder the amount required by law to be so withheld under federal, state, and local wage withholding requirements or otherwise and shall pay over to the appropriate government authority the amounts so withheld.

(d) Except as otherwise provided herein, in the event of any final determination by the Internal Revenue Service or a court of competent jurisdiction, which determination is not appealable or with respect to which the time for appeal has expired, that the Executives or any particular Executive is subject to federal income taxation on amounts held in Trust hereunder prior to the distribution to the Executives or Executive of such amounts, the Trustee shall, on receipt by the Trustee of notice of the determination, pay to each Executive the portion of the Trust Corpus includable in the Executive's federal gross income.

(e) Any revisions, modifications, or additions pertaining to Payment Schedules, Plans, or the Executive List shall not be subject to this Trust until receipt by the Trustee of copies thereof.

**SECTION 4.03 Deliveries to Creditors of the Company.** The Trust Corpus is and shall remain at all times subject to the claims of the general creditors of the Company in the event of the Company's insolvency or bankruptcy as defined in Section 4.04. Accordingly, the Company shall not create, and except as otherwise provided by Section 5.01(f) this Trust Agreement shall not be construed to create, a security interest in the Trust Corpus in favor of the Executives or any creditor. If the Trustee receives the notice provided for in Section 4.04 hereof, or if the Trustee receives a written allegation from a person or entity claiming to be a creditor of the Company that the Company is bankrupt or insolvent, the Trustee shall

discontinue payments to or on behalf of any of the Executives. The Trustee shall, as soon as practicable thereafter, determine whether the Company is bankrupt or insolvent, based upon the evidence as may be available to the Trustee which would provide a reasonable basis for making such a determination. Unless the Trustee has actual knowledge or has received the notice or written allegation referred to hereinabove, the Trustee shall have no duty to inquire or determine whether the Company is bankrupt or insolvent. If the Trustee determines that the Company is bankrupt or insolvent, the Trustee shall hold the Trust Corpus for the benefit of the Company's general creditors and deliver any remaining Trust Corpus to satisfy the claims of the creditors as a court of competent jurisdiction may direct, and the Trustee is authorized to institute or participate in appropriate legal proceedings to obtain directions or to determine if the Company is bankrupt or insolvent. The Trustee shall resume distributions of Trust Corpus to or for the Executives under the terms hereof, including any arrearages, after so notifying the Company, if it determines that the Company was not, or is no longer, bankrupt or insolvent, or pursuant to an order of a court of competent jurisdiction.

SECTION 4.04 Notification of Bankruptcy or Insolvency. The Board of Directors and Chief Executive Officer of the Company shall advise the Trustee in writing of the Company's bankruptcy or insolvency within three business days following the occurrence of an event of bankruptcy or insolvency. The Company shall be deemed to be bankrupt or insolvent upon the occurrence of either of the following:

- (i) The Company is unable to pay its debts as the debts become due; or
- (ii) The Company is subject to a pending proceeding as a debtor under the Bankruptcy Code.

#### ARTICLE V

#### TRUSTEE

#### SECTION 5.01 Trustee.

(a) The duties and responsibilities of the Trustee shall be limited to those expressly set forth in this Trust, and no implied covenants or obligations shall be read into this Trust against the Trustee. The Trustee shall be entitled to reasonable fees for the performance of its duties hereunder, as reflected on Schedule 2, attached.

(b) The Trustee shall maintain such books, records, and accounts as may be necessary for the proper administration of the Trust Corpus based upon information supplied to the Trustee by the Company or the Actuary. After the delivery to the Trustee of the amounts specified in Section 2.01(a) hereof, the Trustee shall render to the Company and to each Executive, on or prior to each April 1 until the termination of this Trust (and within a reasonable period of time after the date of termination), an accounting with respect to the Trust Corpus as of the end of the then most recent calendar year (and as of the date of termination). Unless the Company or any Executive shall have filed with the Trustee written exceptions or objections to any accounting within 180 days after receipt thereof, the Company or the Executive, as the case may be, shall be deemed to have approved the accounting, and in such case the Trustee shall be forever released and discharged with respect to all matters and things reported in the accounting as though it had been settled by a decree of a court of competent jurisdiction in an action or proceeding to which the Company and the Executive were parties.

(c) The Trustee shall not be liable for any act taken or omitted to be taken hereunder if taken or omitted to be taken by it in good faith. Subject to the express provisions of Section 4.03, the Trustee shall rely at all times on, and shall have no duty of inquiry with respect to the most current Payment Schedule, Plans, Executive List, or other notice or instruction provided to it in accordance with this Trust Agreement.

(d) The Trustee may consult with legal counsel, the Actuary, the Advisor, or other Experts to be selected by it, and the Trustee shall not be liable for any action taken or suffered by it in good faith in accordance with the advice of the Experts.

(e) The Company shall reimburse the Trustee for all reasonable expenses incurred in connection with the performance of duties hereunder, including, but not limited to, any fees or expenses incurred by the Trustee, the Actuary, the Experts, or any Executives pursuant to Sections 2.01(c), 4.02(b), 4.03, 5.01, or 5.02. The provisions of this Section 5.01(e) shall survive the termination of this Trust Agreement.

(f) The Company agrees to indemnify and hold harmless

the Trustee from and against any and all damages, losses, claims, or expenses as incurred (including, without limitation, expenses of legal proceedings, including reasonable counsel fees, investigation, and fees and disbursements of the Actuary, the Advisor, the Experts, or counsel to the Trustee, and any taxes imposed on the Trust Corpus or income of the Trust) arising out of or in connection with the performance by the Trustee of its duties hereunder. Notwithstanding any other provision hereof, any amount payable under paragraph (e) of this Section 5.01 or this paragraph (f) and not previously paid by the Company shall be paid by the Company promptly upon demand therefor or, if the Trustee so chooses in its sole discretion, from the Trust Corpus. In the event that payment is made hereunder from the Trust Corpus, the Trustee shall promptly notify the Company in writing of the amount of the payment. The Company agrees that, upon receipt of notice, it will deliver to the Trustee to be held in the Trust an amount in cash equal to any payments made from the Trust Corpus pursuant to paragraph (e) of this Section 5.01 or this paragraph (f). The failure of the Company to transfer any amount shall not in any way impair the Trustee's right to indemnification, reimbursement, and payment pursuant to paragraph (e) of this Section 5.01 or this paragraph (f).

(g) The Trustee is specifically authorized to take any action as may be necessary or appropriate, including the institution of litigation or other legal process, to enforce the Company's obligations hereunder on behalf of either itself or the Executives. Notwithstanding anything in this Trust Agreement to the contrary, the Trustee shall not be obligated to take or to continue any action hereunder that would cause an expense to it in excess of the then fair market value of the Trust Corpus.

(h) Payments to or for Executives hereunder shall be made when due in accordance with the Plans and the Payment Schedules. In the event the Trust Corpus should be insufficient to pay when due all amounts payable hereunder to or for the Executives, amounts due first in time shall be paid in full without proration until the Trust Corpus is exhausted. The Trustee shall have no duty to make payments hereunder except from the Trust Corpus.

SECTION 5.02 Successor Trustee. The Trustee may resign from its duties hereunder at any time by giving notice in writing of its resignation to the Company and each Executive specifying a date (not less than 30 days after the giving of such notice) when its resignation shall take effect. Promptly after notice, the Company, or if a Change in Control shall previously have occurred, the Company and a least 65% in number of the Executives reflected on the then most recent Executive List, shall appoint a successor trustee, and the successor trustee shall become Trustee hereunder upon the resignation date specified in the notice. If the Company is unable to designate a successor or if the Company and the Executives are unable to so agree upon a successor trustee within 30 days after notice, the successor trustee shall be selected by the vote of not less than 65% in number of the Executives. If the Executives cannot so agree on a successor trustee, the Trustee shall be entitled to petition a United States District Court or any court of competent jurisdiction in the state in which the Trustee maintains its principal place of business to relieve the Trustee of its duties hereunder. The Trustee shall continue to serve until its successor accepts the trust and receives delivery of the Trust Corpus. The Company, or if a Change in Control shall previously have occurred, the Company and at least 65% in number of the Executives reflected on the then most recent Executive List, may at any time substitute a new trustee by giving 15 days' notice thereof to the Trustee then acting. In the event of removal or resignation, the Trustee shall duly file with the Company and, on and after a Change in Control, the Executives, a written statement or statements of accounts and proceedings as provided in Section 5.01(b) hereof for the period since the last previous annual accounting of the Trust, and if written objection to such account is not filed as provided in Section 5.01(b) hereof, the Trustee shall, to the maximum extent permitted by applicable law, be forever released and discharged from all liability and accountability with respect to the propriety of its acts and transactions shown in such account. Any successor trustee shall have no liability for the acts or omissions of a predecessor trustee.

## ARTICLE VI

### TERMINATION AND AMENDMENT

SECTION 6.01 Termination. Except as provided herein, this Trust shall be irrevocable. At any time prior to a Change in Control of the Company, this Trust may be terminated by agreement of the Company and at least 65% in number of the Executives reflected on the then most recent Executive List. Upon or after a Change in Control of the Company, this Trust shall be terminated upon the earliest to occur of the following events:

(i) the written agreement to so terminate of the Company and all

of the Executives reflected on the then most recent Executive List, provided, however, that no termination due to this event shall operate to accelerate payment of any amount to or for the Executives; (ii) the final payment from the Trust of the remaining balance of the Trust Corpus; or (iii) 21 years after the death of the last survivor of all of the Executives included on the original Executive List and those persons now living who have been designated as beneficiaries of the Executives in accordance with the terms of any of the Plans. Promptly upon termination of this Trust, any remaining portion of the Trust Corpus shall be paid to the Company or its successor in interest.

#### SECTION 6.02 Amendment.

(a) At any time prior to a Change in Control of the Company, this Trust may be amended by the Company, provided, however, that no amendment may be made that would contravene the terms of any of the Plans or accelerate payment to or for the Executives thereunder and provided further that the Trustee must consent to any amendment that would increase its duties hereunder.

(b) Upon and after a Change in Control of the Company, the following rules will govern amendments: (i) this Trust may not be amended except by an instrument in writing signed on behalf of the Trustee and the Company, together with the written consent of at least 65% in number of the Executives reflected on the then most recent Executive List; (ii) notwithstanding the foregoing, any amendment may be made by written agreement of the Trustee and the Company without obtaining the consent of the Executives if the amendment does not adversely affect the rights of any Executive hereunder or if the amendment is necessary in order to obtain a favorable determination of the Internal Revenue Service as to the federal income tax consequences to the Executives of the creation and funding of the Trust hereunder; (iii) no amendment relating to this Trust may be made that would decrease the amounts payable hereunder to a particular Executive unless the Executive has agreed in writing to the amendment; and (iv) no amendment relating to this Trust may be made that would contravene the terms of any of the Plans as in existence prior to a Change in Control of the Company or accelerate payment to or for the Executives thereunder.

### ARTICLE VII

#### GENERAL PROVISIONS

SECTION 7.01 Further Assurances. The Company shall, at any time and from time to time, upon the reasonable request of the Trustee, execute and deliver further instruments and do further acts as may be necessary or proper to effectuate the purposes of this Trust. The Trustee shall incur no liability under this Trust Agreement for any failure to act pursuant to any notice, direction, or other communication from any person entitled to instruct the Trustee hereunder, or in the absence thereof, unless and until the Trustee shall have received instructions in form satisfactory to it.

#### SECTION 7.02 Certain Provisions Relating to This Trust.

(a) This Trust sets forth the entire understanding of the parties with respect to the subject matter hereof and supersedes any and all prior agreements, arrangements, and understandings relating thereto. This Trust shall be binding upon and inure to the benefit of the parties and their respective successors and legal representatives.

(b) This Trust shall be governed by and construed in accordance with the laws of the state of Illinois, other than and without reference to any provisions of the laws regarding choice of laws or conflict of laws.

(c) In the event that any provision of this Trust or the application thereof to any person or circumstances shall be determined by a court of proper jurisdiction to be invalid or unenforceable to any extent, the remainder of this Trust, or the application of any provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each provision of this Trust shall be valid and enforced to the fullest extent permitted by law.

(d) No Executive shall have any preferred claim on, or any beneficial ownership interest in, any assets of the Trust before the assets are paid to or for the Executive as provided in Section 4.02, and all rights created under the Trust and the Plans shall be unsecured contractual rights of the Executive against the Company. No part of, or claim against, the assets of the Trust may be assigned, anticipated, alienated, encumbered, garnished, attached, or in any other manner disposed of by any of the Executives, and no part of or claim against shall be subject to any legal process or claims of creditors of any of the

Executives. Any amounts transferred to the Trust shall not in any way represent security for payment of benefits under the Plans, and benefits under the Plans are in no way governed or limited by the amounts of assets, if any, held in this Trust. The Company shall make no representation that the assets of the Trust are not subject to claims of the Company's creditors in the event of bankruptcy or insolvency of the Company.

SECTION 7.03 Notices. Any notice, report, demand, or waiver required or permitted hereunder shall be in writing and shall be given personally or by prepaid registered or certified mail, return receipt requested, addressed as follows:

If to the Company: Boise Cascade Corporation  
Attention General Counsel  
1111 W. Jefferson Street  
P.O. Box 50  
Boise, ID 83728

If to the Trustee: American National Bank and Trust  
Company of Chicago  
Attention Trust Administration  
Division  
33 North LaSalle Street  
Chicago, IL 60690

If to an Executive: The address of the Executive as listed on the then most recent Executive List.

A notice shall be deemed received upon the date of delivery if given personally or, if given by mail, upon the receipt thereof.

SECTION 7.04 Trust Beneficiaries. Each Executive is an intended beneficiary under this Trust and shall be entitled to

enforce all terms and provisions hereof with the same force and effect as if he or she had been a party hereto.

IN WITNESS WHEREOF, the parties have executed this Trust as of the date first written above.

BOISE CASCADE CORPORATION

By: \_\_\_\_\_  
          J. Michael Gwartney  
Title: Vice President, Human Resources

AMERICAN NATIONAL BANK AND  
TRUST COMPANY OF CHICAGO

By: \_\_\_\_\_  
Title: \_\_\_\_\_

BOISE CASCADE CORPORATION  
KEY EXECUTIVE PERFORMANCE PLAN

1996 Payout Criteria Based on Economic Value Added (EVA)

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

Improvement in EVA	PAYOUT AS A PERCENT OF SALARY		
	CEO	EVP/SVP	VP
Less than			
(\$619,742,000)	0.0%	0.0%	0.0%
(\$350,000,000)	30.9%	24.1%	18.0%
(\$175,000,000)	50.9%	39.6%	29.7%
(\$103,742,000)	75.4%	58.6%	44.0%
(\$103,741,999)	105.4%	82.0%	61.5%
\$0	140.9%	109.6%	82.2%
\$175,000,000	160.9%	125.2%	93.9%
\$350,000,000	173.9%	135.3%	101.5%

o For Improvement in EVA in excess of \$350 Million the payout increases proportionally to the increase from \$175 Million to \$350 Million.

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

EVA = Net Operating Profit Before Tax - Capital Charge

Net Operating Profit Before Tax (NOPBT)\* =

Income from operating assets	+	Imputed interest of capitalized lease obligations
Increase (decrease) in LIFO reserve	+	
Amortization of restructuring losses	-	

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

Capital Charge = EVA Capital x 16%

EVA Capital\*\* =

Operating Capital	+	Imputed capital value of lease obligations
Total LIFO reserve account	+	
Gain from the sale of assets	-	
Unamortized restructuring losses	+	

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

BOISE CASCADE CORPORATION  
KEY EXECUTIVE PERFORMANCE PLAN

I. 1997 Payout Criteria Based on Economic Value Added (EVA)

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

Improvement in EVA	PAYOUT AS A PERCENT OF SALARY		
	CEO	EVP/SVP	VP
(\$161,005,000)	0.0%	0.0%	0.0%
(\$135,000,000)	3.5%	2.2%	1.7%
\$40,000,000	73.5%	47.2%	36.7%
\$127,500,000	108.5%	69.7%	54.2%
\$215,000,000	120.1%	77.2%	60.1%
\$477,775,000	152.8%	98.3%	76.4%
\$477,775,001	166.8%	107.3%	83.4%
\$577,775,000	180.2%	115.8%	90.1%

o For Improvement in EVA in excess of \$577.8 Million, the payout increases proportionally to the increase from \$477.8 Million to \$577.8 Million.

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

EVA = Net Operating Profit Before Tax - Capital Charge

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

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

Capital Charge =            EVA Capital x 16%

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

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

## II. Alternative Payout

An Alternative Payout shall be calculated as follows: the actual  
percentage payouts earned for the 1997 plan year under the Company's  
Paper Division Incentive Plan, Packaging Division Incentive Plan,  
Timber and Wood Products Division Incentive Plan, BMDD Incentive Plan,  
BCOP Incentive Plan, and Trucking Division Incentive Plan shall be  
averaged (weighted according to the total capital of each respective  
division). This average payout shall then be multiplied by the ratio  
each officer's target payout bears to the target payout of key execu-  
tives in such plans (e.g., VP ratio = 35/24; EVP/SVP ratio = 45/24;  
CEO ratio = 70/24) to arrive at the Alternative Payout percentage.  
The Alternative Payout may be reduced by the Executive Compensation  
Committee, in its sole discretion, to any percentage amount  
(including zero).

Payout under the Plan will be the greater of (1) payout determined  
under criteria based on EVA or (2) the Alternative Payout.

Computation of Per Share Earnings

	Year Ended December 31		
	1996	1995	1994
	(expressed in thousands)		
Net income (loss) as reported	\$ 9,050	\$351,860	\$ (62,610)
Preferred dividends	(39,248)	(25,550)	(54,586)
Primary income (loss)	<u>(30,198)</u>	<u>326,310</u>	<u>(117,196)</u>
Assumed conversions:			
Preferred dividends eliminated	28,438	14,740	43,776
Interest on 7% debentures eliminated	-	2,501	3,439
Supplemental ESOP contribution	(12,659)	(12,599)	(12,573)
Fully diluted income (loss)	<u>\$(14,419)</u>	<u>\$330,952</u>	<u>\$ (82,554)</u>
Average number of common shares			
Primary	48,277	55,028	38,110
Fully diluted	60,511	61,351	61,407
Net income (loss) per common share			
Primary	\$(.63)	\$5.93	\$(3.08)
Fully diluted	\$(.24)	\$5.39	\$(1.34)

BOISE CASCADE CORPORATION AND SUBSIDIARIES  
Ratio of Earnings to Fixed Charges

	Year Ended December 31				
	1992	1993	1994	1995	1996
	(dollar amounts expressed in thousands)				
Interest costs	\$ 191,026	\$ 172,170	\$ 169,170	\$ 154,469	\$146,234
Interest capitalized during the period	3,972	2,036	1,630	3,549	17,778
Interest factor related to noncapitalized leases(1)	7,150	7,485	9,161	8,600	12,982
<b>Total fixed charges</b>	<u>\$ 202,148</u>	<u>\$ 181,691</u>	<u>\$ 179,961</u>	<u>\$ 166,618</u>	<u>\$ 176,994</u>
Income (loss) before income taxes and minority interest	\$(252,510)	\$(125,590)	\$ (64,750)	\$ 589,410	\$ 31,340
Undistributed (earnings) losses of less than 50% owned persons, net of distributions received	(2,119)	(922)	(1,110)	(36,861)	(1,290)
Total fixed charges	202,148	181,691	179,961	166,618	176,994
Less: Interest capitalized	(3,972)	(2,036)	(1,630)	(3,549)	(17,778)
Guarantee of interest on ESOP debt	(23,380)	(22,208)	(20,717)	(19,339)	(17,874)
<b>Total earnings (losses) before fixed charges</b>	<u>\$ (79,833)</u>	<u>\$ 30,935</u>	<u>\$ 91,754</u>	<u>\$ 696,279</u>	<u>\$ 171,392</u>
<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 \$281,981,000, \$150,756,000, \$88,207,000, and \$5,602,000 for the years ended December 31, 1992, 1993, 1994, and 1996.

## Financial Highlights

	1996	1995	1994
Sales . . . . .	\$5,108,220,000	\$5,074,230,000	\$4,140,390,000
Net income (loss) . . . . .	\$ 9,050,000	\$ 351,860,000	\$ (62,610,000)
Net income (loss) per common share			
Primary . . . . .	\$ (.63)	\$ 5.93	\$ (3.08)
Fully diluted . . . . .	\$ (.63)	\$ 5.39	\$ (3.08)
Shareholders' equity per common share . . . . .	\$ 27.30	\$ 28.17	\$ 21.77
Capital expenditures. . . . .	\$ 832,167,000	\$ 427,497,000	\$ 271,864,000
Number of employees . . . . .	19,976	17,820	16,618
Number of common shareholders . . . . .	20,370	21,414	24,808
Number of shares of common stock outstanding . . . . .	48,476,366	47,759,946	38,284,186

## FINANCIAL REVIEW

### Results of Operations

1996 Compared With 1995. In 1996, Boise Cascade reported net income of \$9.1 million, or a net loss of 63 cents per fully diluted share after deducting preferred dividends. This compares with net income of \$351.9 million, or \$5.39 per fully diluted share, in 1995.

Earnings in 1996 included a pretax gain of approximately \$40.4 million from the sale of the Company's coated publication paper business based in Rumford, Maine. In addition, we recorded approximately \$15.3 million of pretax expense arising from related tax indemnification requirements. Also included in 1996 earnings was a pretax write-down of \$10.0 million for certain paper assets and \$5.3 million of gains from a subsidiary's issuance of stock. These items resulted in a net gain of \$14.5 million, or 30 cents per fully diluted share.

Earnings in 1995 included a net gain of approximately \$15.1 million, or 25 cents per fully diluted share. The gain resulted primarily from the sale of our remaining interest in our former Canadian subsidiary, Rainy River Forest Products Inc.; a gain from the initial public offering of a 17% stake in our office products distribution business; and charges for the revaluation of our Vancouver, Washington, pulp and paper mill and other paper-related reserves.

In 1996, the Company's pretax Economic Value Added (EVA) was a negative \$478 million, a decline of \$583 million from our 1995 EVA.

Sales in 1996 were \$5.11 billion, compared with \$5.07 billion in 1995. Higher sales by Boise Cascade Office Products were largely offset by lower paper revenues resulting from depressed paper prices and lower volumes.

A significant deterioration in our paper business led to the sharp fall in our 1996 results. Paper industry inventories rose to excessive levels during the cyclically strong year of 1995. That was followed in 1996 by industry inventory reductions, weak operating rates, increased machine downtime, and falling product prices.

Paper and Paper Products. This segment reported 1996 operating income of \$74.9 million, which included \$30.4 million of income from nonroutine items, compared with 1995 income of \$436.0 million, which was net of \$93.9 million of charges from nonroutine items. The decline was due primarily to lower paper prices and volumes. The average price for all of our pulp and paper grades fell more than 20%, in 1996. Sales volume totaled 2.6 million tons in 1996 and 2.8 million tons in 1995. In addition, we took approximately 199,000 tons of lack-of-order downtime. Segment sales declined 26% to \$1.9 billion, largely because of depressed paper prices and lower volumes, including the discontinuation of paper production at our Vancouver, Washington, facility in February and the sale of our Rumford, Maine, facility in November.

The segment's EVA was a negative \$399 million, a \$502 million decline from its EVA in 1995.

We continued to commit a significant amount of our uncoated free

sheet production -- more than 20% in 1996 -- to value-added grades. These grades generally have higher unit costs than commodities but also have wider profit margins. Overall, excluding Rumford, the net selling price of our value-added grades in 1996 was \$268 per ton higher than the net selling price of our commodities. The spread in 1995, excluding Rumford, was \$92 per ton.

In February 1996, we shut down 115,000 tons of paper capacity at our Vancouver, Washington, uncoated free sheet mill. In November 1996, we sold our coated publication paper business based in Rumford, Maine, and 667,000 acres of timberland for approximately \$639 million. The shutdown and sale reduced our annual paper capacity by approximately 600,000 tons.

Unit manufacturing costs declined in 1996 because of lower wood chip and purchased pulp costs. The elimination of high-cost uncoated free sheet capacity through the Vancouver shutdown and Rumford sale also contributed to reduced unit costs.

In October 1995, we announced our intention to form a joint venture to improve and expand our Jackson, Alabama, facility. In April 1996, we ended joint venture discussions and continued construction of a 330,000-ton-per-year uncoated free sheet machine at Jackson on our own. The new machine and related equipment are scheduled to start up in the second quarter of 1997 at a capital cost of approximately \$400 million.

Excess industry pulp and paper inventories were reduced, and overall demand improved in the second half of 1996. Industry fundamentals are expected to strengthen further in 1997, increasing our ability to run our facilities at full production.

Boise Cascade Office Products (BCOP). Segment operating income was a record \$101.5 million in 1996, compared with \$72.1 million in 1995. Dollar sales volume increased 51% to a record \$2.0 billion. Income and sales growth occurred as a result of acquisitions and internal growth. Internal growth was 14% over 1995 levels.

The segment's EVA was \$24 million in both 1996 and 1995.

Operating margins were 5.1% in 1996, compared with 5.3% in 1995. Gross profit as a percent of sales was 26.1% in 1996 and 25.5% in 1995.

BCOP completed acquisitions of 19 contract stationer and other related businesses, including operations in Canada and Australia. Annual sales of those businesses were approximately \$460 million at the time of announcement.

In 1995, BCOP sold a portion of its equity in an initial public offering; it trades on the New York Stock Exchange under the symbol BOP. The offering allows BCOP to have efficient access to financial markets to ensure funding for its rapid growth strategy. Since the offering, BCOP's value has become much more visible to investors. At year-end, the market value of BCOP was \$550 million greater than at the time of the offering. Boise Cascade holds approximately 81% of BCOP's common stock.

In May 1996, BCOP effected a two-for-one split of its common stock in the form of a 100% stock dividend.

Building Products. Operating income was \$36.1 million in 1996, compared with \$89.2 million in 1995. The decline in income was caused by depressed prices for residual wood chips and weaker plywood prices. Sales were \$1.6 billion in both 1996 and 1995.

The segment's EVA was a negative \$45 million, down \$65 million from 1995 EVA.

Relatively weak results in our building products business were offset in part by higher average lumber prices, modestly declining delivered-log costs, and increased contributions from our growing engineered wood products and building materials distribution businesses.

Late in 1996, we started up a new engineered wood products facility in Alexandria, Louisiana, with the capacity to produce 4.4 million cubic feet of laminated veneer lumber and wood I-joists annually.

Also in 1996, our joint venture, Voyageur Panel, continued construction of an oriented strand board (OSB) plant in Barwick, Ontario, Canada. The plant will have the capacity to produce 400 million square feet of OSB panels annually. Boise Cascade holds 47% of the equity and will operate the plant and market the product. We expect the plant to start up in the second quarter of 1997.

1995 Compared With 1994. Boise Cascade reported record net

income of \$351.9 million, or \$5.39 per fully diluted share, in 1995. This compares with a net loss of \$62.6 million, or \$3.08 per fully diluted share, in 1994.

Earnings in 1995 included a net gain of approximately \$15.1 million, or 25 cents per fully diluted share. The adjustment resulted primarily from a gain on the sale of our remaining interest in our former Canadian subsidiary, Rainy River Forest Products Inc.; a gain from the initial public offering of a 17% stake in our office products distribution business; and charges for the revaluation of our Vancouver, Washington, pulp and paper mill and other paper-related reserves. The 1994 loss included a net noncash charge of \$27 million, or 71 cents per share, related to Rainy River's sale of a portion of its equity in an initial public offering.

Excluding nonroutine gains and charges, we earned \$336.8 million, or \$5.14 per share, in 1995, compared with a loss of \$35.6 million, or \$2.37 per share, in 1994.

In 1995, the Company's pretax EVA was a positive \$105 million, an increase of \$668 million over our 1994 EVA.

Sales in 1995 were a record \$5.07 billion, compared with \$4.14 billion in 1994. The increase was due primarily to improving paper prices and to additional sales volume in Boise Cascade Office Products.

The turnaround in 1995 results can be attributed primarily to the recovery in our paper business. From 1991 through 1994, the North American paper industry and Boise Cascade's paper business suffered their worst downturn in postwar history. In 1995, our paper business, which reduced costs and improved its product mix during the downturn, participated in a sharp cyclical recovery -- growth in domestic demand, strengthening industry operating rates, and sharply rising product prices.

Paper and Paper Products. This segment reported record operating income in 1995 of \$436.0 million, which included \$93.9 million of charges from nonroutine items, compared with a loss of \$38.5 million in 1994. The improvement was due to rising paper prices and an improved product mix. The average price per ton for all of our grades of pulp and paper was 52% higher in 1995 than in 1994. Segment sales rose 40% to \$2.5 billion.

Unit manufacturing costs rose in 1995, largely because the cost of wood fiber and purchased pulp climbed sharply. However, since we are a net seller of market pulp, we gained more from market pulp sales than we lost in higher purchased pulp costs. Costs also rose because our shift to value-added grades accelerated in 1995. While value-added grades have higher unit costs than commodities, they also have wider profit margins. Overall, the net selling price of our value-added grades in 1995, excluding Rumford, was \$92 per ton higher than the net selling price of commodities.

Unit sales volume decreased approximately 3% to 2.8 million tons in 1995, because we took approximately 83,000 tons of lack-of-order downtime and built inventory in the second half of the year.

In November 1995, we completed our divestiture of Rainy River Forest Products, which owned our former newsprint mills in Kenora, Ontario, and West Tacoma, Washington, and our former uncoated groundwood paper mill in Fort Frances, Ontario. Overall, Boise Cascade was relieved of debt and received cash and marketable securities with a total value of approximately \$655 million from the divestiture. The divestiture also reduced our position in the newsprint business and allowed us to focus more closely on uncoated and coated business and printing papers.

In 1995, we adopted Financial Accounting Standards Board Statement 121, which establishes accounting rules for the impairment of long-lived assets. Also in 1995, we performed an evaluation of our Vancouver pulp and paper mill, resulting in a decision to reduce production at that facility over time. The paper and paper products segment recorded a pretax charge of \$74.9 million, or 76 cents per fully diluted share, primarily related to the revaluation of the Vancouver facility.

Boise Cascade Office Products (BCOP). Segment operating income was a record \$72.1 million in 1995, compared with \$42.0 million in 1994. Dollar sales volume increased 45% to a record \$1.3 billion. Sales grew as a result of acquisitions and increased business at existing facilities. Internal growth was 26% over 1994 levels.

Net operating margins expanded to 5.3% in 1995, compared with 4.6% in 1994. Gross profit as a percentage of sales was 25.5% in both years.

In April 1995, BCOP completed an initial public offering and now trades on the New York Stock Exchange under the symbol BOP. The offering of 10.6 million shares, about 17% of the shares outstanding, was priced at \$12.50 per share after the effect of a two-for-one stock split. Boise Cascade held 81.5% of BCOP at December 31, 1995.

The initial public offering allowed BCOP to have efficient access to financial markets to ensure funding for its rapid growth strategy and made BCOP's value more visible to investors. In 1995, BCOP completed or announced acquisitions of 13 office products distribution businesses, including businesses in Canada and the United Kingdom. Annual sales of the businesses announced or acquired were approximately \$516 million at the time of announcement.

Building Products. Operating income was \$89.2 million in 1995, compared with \$151.0 million in 1994. Sales declined 5% to \$1.6 billion. Average prices for lumber declined 13% from year-earlier levels, while average plywood prices increased 3%.

The decline in profitability in the wood products business occurred because the demand for wood products eased; the supply was ample, as lumber imports increased and new industry panel supply came on line; and the cost of logs to our converting facilities continued to climb.

In 1995, we increased the annual capacity of our White City, Oregon, engineered wood products facility by 50% to 6 million cubic feet. We also began construction of a facility near Alexandria, Louisiana, which added 4.4 million cubic feet of annual capacity in 1996.

#### Financial Condition

In 1996, operations provided \$193.5 million in cash, compared with \$592.3 million in 1995. The working capital ratio was 1.45:1 at the end of 1996, compared with 1.71:1 at the end of 1995. As of December 31, 1996, the Company had approximately \$260.9 million of cash and short-term investments, compared with \$51.5 million at December 31, 1995. The increase is due primarily to cash received from the sale of the coated publication paper business.

Our tax provision rate for 1996, excluding the effect of not providing taxes related to "Gain on subsidiary's issuance of stock," was 46%, compared with 38% in 1995. The rate increase was due primarily to the the sensitivity of the rate to lower income levels and the mix of income sources.

Interest expense in 1996 was \$128.4 million, compared with \$135.1 million in 1995. However, capitalized interest in 1996 increased to \$17.8 million from \$1.9 million in 1995. The increase was due primarily to the expansion of the Jackson pulp and paper mill. The overall increase in interest was due to higher debt levels. Our debt is predominantly fixed-rate. Consequently, we experience only modest changes in interest expense when market interest rates change.

At December 31, 1996, the Company's total debt was \$1.7 billion, compared with \$1.6 billion at year-end 1995. On December 31, 1996, our long-term debt-to-equity ratio was .91:1, compared with .93:1 at the end of 1995. Our debt and debt-to-equity ratio include the guarantee by the Company of the remaining \$196 million of debt incurred by the trustee of our leveraged Employee Stock Ownership Plan (ESOP). While that guarantee has a negative impact on our debt-to-equity ratio, it has virtually no effect on our cash coverage ratios or on other measures of our financial strength.

In January 1996, the Company issued \$125 million of 7.35% debentures due in 2016 and \$75 million of medium-term notes. Also during the year, we retired \$30.8 million of debt through open-market purchases.

At the end of 1996, Boise Cascade enjoyed an investment-grade credit rating. Standard & Poor's Corporation rates our senior long-term debt at BBB- with a Stable Outlook. Moody's Investors Service rates our senior long-term debt at Baa3.

We have a revolving credit agreement with a group of banks, allowing us to borrow as much as \$600 million. As of December 31, 1996, there were no borrowings outstanding under the agreement. During the first quarter of 1997, the Company is negotiating an extension of and modifications to this agreement. The revolving credit agreement requires us to maintain a minimum net worth, a minimum interest coverage ratio, and a ceiling ratio of debt to net worth.

At December 31, 1996, we had \$200.4 million of shelf capacity registered with the Securities and Exchange Commission for

additional debt securities.

Additional information about our credit agreement and debt is in Note 3 accompanying the financial statements.

BCOP has a \$350 million revolving credit agreement that expires in 2001. As of December 31, 1996, BCOP had outstanding borrowings of \$140 million under this agreement.

The Company has limited exposure to foreign currency exchange rate risks. When appropriate, the Company may enter into foreign exchange contracts to further reduce any risk.

In October 1995, we announced our intention to purchase up to 4.3 million shares of our common stock or common stock equivalents, subject to market price, cash flow, and other Company considerations. Since then, we have purchased 623,112 shares of our common stock under this authorization. Because of weakening operating conditions in our paper and wood products businesses and our decision to fund the Jackson pulp and paper mill expansion without a joint venture partner, the Company has slowed the purchase of its common stock or common stock equivalents.

#### Capital Investment

Capital investment in 1996 was \$832 million, including \$231 million for acquisitions, compared with a total capital investment of \$428 million in 1995. Amounts include acquisitions made by BCOP through the issuance of common stock and the recording of liabilities. Capital investment in 1997 is expected to be approximately \$350 million, excluding acquisitions, and will be allocated to cost-saving, modernization, expansion, replacement, maintenance, and environmental and safety projects.

Acquisition expenditures are expected to occur primarily in Boise Cascade Office Products. BCOP's operating cash flow, issuance of additional securities, and borrowings under its \$350 million revolving credit facility may all provide funds for these acquisitions.

#### Dividends

In 1996, Boise Cascade's quarterly cash dividend was 15 cents per common share, the same as in 1995. The quarterly dividend was 58.75 cents on each depository share of the Series F cumulative preferred stock and 39.5 cents on each depository share of the Series G convertible preferred stock.

#### Timber Supply

In recent years, the amount of government timber available for commercial harvest in the Northwest has declined because of environmental litigation, changes in government policy, and other factors. More constraints on available timber supply may be imposed. As a result, we cannot accurately predict future log supply. In 1996, we curtailed three sawmill operations in Idaho, Oregon, and Washington, in part because of limited log supply. Additional curtailments or closures of our wood products manufacturing facilities are possible.

With less federal timber available than in years past, we are fortunate to have an important share of our Northwest raw material needs met by our approximately 1.4 million acres of timberlands in Idaho, Oregon, and Washington.

In addition, our Northwest pulp and paper mills receive approximately 97% of their softwood chips either directly from or through trades with our wood products and whole-log chipping operations. We have also taken steps to further reduce our need for externally purchased softwood chips. In early 1997, we began harvesting fast-growing hybrid cottonwood trees at our tree farm near Wallula, Washington. These hardwood chips will supply wood fiber for both our Wallula and St. Helens, Oregon, pulp and paper mills.

#### Environmental Issues

We invest substantial capital to comply with federal, state, and local environmental laws and regulations. During 1996, expenditures for our ongoing pollution prevention program amounted to \$14 million. We expect to spend approximately \$43 million in 1997 for this purpose. Failure to comply with applicable pollution control standards could result in interruption or suspension of our operations at affected facilities or could require additional expenditures. We expect that our operating procedures and expenditures for ongoing pollution prevention will allow us to continue to meet applicable environmental standards.

The Environmental Protection Agency is expected to issue final

rules in 1997 that will further regulate air and water emissions from pulp and paper mills. These rules may, among other things, set standards for chemical oxygen demand and discharge of chlorinated organics. We estimate that the cost for meeting the anticipated standards could range from \$100 million to \$150 million over the next several years. The amount and timing of our actual expenditures will depend on the standards and implementation schedule specified in the final rules.

We have begun to substitute chlorine dioxide for elemental chlorine in the pulp-bleaching process. Chlorine dioxide is a chemical with a name similar to elemental chlorine but with very different chemical and physical properties. Over time, we will continue to reduce elemental chlorine in our pulp-bleaching processes.

As of December 31, 1996, we had open issues with respect to 36 sites where we have been notified that we are a "potentially responsible party" under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) or under similar federal and state laws, or where we have received a demand or claim by a private party regarding environmental contamination issues. In most cases, Boise Cascade is one of many potentially responsible parties, and our alleged contribution to these sites is relatively minor. For those sites where a range of potential liability has been determined, we have established appropriate reserves. We believe we have minimal or no responsibility with regard to several other sites.

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

1996 Capital Investment by Business

	Expansion	Quality/ Efficiency(1) (expressed in millions)	Timber and Timberlands	Replacement, Environmental, and Other	Total
Paper and paper products	\$ 301	\$ 81	\$ -	\$ 88	\$ 470
Office products(2)	227	20	-	18	265
Building products	54	15	-	16	85
Timber and timberlands	-	-	6	-	6
Other	1	-	-	5	6
Total	<u>\$ 583</u>	<u>\$ 116</u>	<u>\$ 6</u>	<u>\$ 127</u>	<u>\$ 832</u>

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

(2) Capital expenditures include acquisitions made by BCOP through the issuance of common stock and the recording of liabilities.

## BOISE CASCADE CORPORATION AND SUBSIDIARIES

## BALANCE SHEETS

Assets	December 31	
	1996	1995
	(expressed in thousands)	
Current		
Cash and cash items	\$ 40,066	\$ 36,876
Short-term investments at cost, which approximates market	220,785	14,593
	<u>260,851</u>	<u>51,469</u>
Receivables, less allowances of \$4,911,000 and \$3,577,000	476,339	457,608
Inventories	540,433	568,905
Deferred income tax benefits	53,728	82,744
Other	24,053	152,442
	<u>1,355,404</u>	<u>1,313,168</u>
Property		
Property and equipment		
Land and land improvements	40,393	39,482
Buildings and improvements	452,578	459,897
Machinery and equipment	3,859,124	4,271,306
	<u>4,352,095</u>	<u>4,770,685</u>
Accumulated depreciation	(1,798,349)	(2,166,487)
	<u>2,553,746</u>	<u>2,604,198</u>
Timber, timberlands, and timber deposits	293,028	383,394
	<u>2,846,774</u>	<u>2,987,592</u>
Investments in equity affiliates	19,430	25,803
Other assets	489,101	329,623
Total assets	<u>\$4,710,709</u>	<u>\$4,656,186</u>

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

## BOISE CASCADE CORPORATION AND SUBSIDIARIES

## BALANCE SHEETS

Liabilities and Shareholders' Equity	December 31	
	1996	1995
	(expressed in thousands)	
Current		
Notes payable	\$ 36,700	\$ 17,000
Current portion of long-term debt	157,304	20,778
Income taxes payable	3,307	26,328
Accounts payable	427,224	379,523
Accrued liabilities		
Compensation and benefits	119,282	159,514
Interest payable	31,585	27,542
Other	157,156	139,222
	<u>932,558</u>	<u>769,907</u>
Debt		
Long-term debt, less current portion	1,330,011	1,364,835
Guarantee of ESOP debt	196,116	213,934
	<u>1,526,127</u>	<u>1,578,769</u>
Other		
Deferred income taxes	249,676	302,030
Other long-term liabilities	240,323	243,259
	<u>489,999</u>	<u>545,289</u>
Minority interest	81,534	67,783
	<u>81,534</u>	<u>67,783</u>
Commitments and contingent liabilities		
Shareholders' equity		
Preferred stock - no par value; 10,000,000 shares authorized;		
Series D ESOP: \$.01 stated value; 5,904,788 and 6,117,774 shares outstanding	265,715	275,300
Deferred ESOP benefit	(196,116)	(213,934)
Series F: \$.01 stated value; 115,000 shares outstanding in each period	111,043	111,043
Series G: \$.01 stated value; 862,500 shares outstanding in each period	176,404	176,404
Common stock - \$2.50 par value; 200,000,000 shares authorized; 48,476,366 and 47,759,946 shares outstanding	121,191	119,400
Additional paid-in capital	230,728	205,107
Retained earnings	971,526	1,021,118
Total shareholders' equity	<u>1,680,491</u>	<u>1,694,438</u>
Total liabilities and shareholders' equity	<u>\$4,710,709</u>	<u>\$4,656,186</u>
Shareholders' equity per common share	\$27.30	\$28.17

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

## BOISE CASCADE CORPORATION AND SUBSIDIARIES

## STATEMENTS OF INCOME (LOSS)

	Year Ended December 31		
	1996	1995	1994
	(expressed in thousands)		
Revenues			
Sales	\$5,108,220	\$5,074,230	\$4,140,390
Other income (expense), net	14,520	(16,560)	1,360
	<u>5,122,740</u>	<u>5,057,670</u>	<u>4,141,750</u>
Costs and expenses			
Materials, labor, and other operating expenses	4,163,360	3,764,960	3,453,730
Depreciation and cost of company timber harvested	232,600	240,920	236,430
Selling and administrative expenses	577,580	436,260	336,970
	<u>4,973,540</u>	<u>4,442,140</u>	<u>4,027,130</u>
Equity in net income (loss) of affiliates	2,940	40,070	(22,930)
Income from operations	<u>152,140</u>	<u>655,600</u>	<u>91,690</u>
Interest expense	(128,360)	(135,130)	(147,800)
Interest income	3,430	2,970	1,690
Foreign exchange loss	(1,200)	(300)	(130)
Gain (loss) on subsidiaries' issuance of stock	5,330	66,270	(10,200)
	<u>(120,800)</u>	<u>(66,190)</u>	<u>(156,440)</u>
Income (loss) before income taxes and minority interest	31,340	589,410	(64,750)
Income tax provision (benefit)	11,960	231,290	(2,140)
Income (loss) before minority interest	19,380	358,120	(62,610)
Minority interest, net of income tax	(10,330)	(6,260)	-
Net income (loss)	<u>\$ 9,050</u>	<u>\$ 351,860</u>	<u>\$ (62,160)</u>
Net income (loss) per common share			
Primary	\$ (.63)	\$ 5.93	\$(3.08)
Fully diluted	\$ (.63)	\$ 5.39	\$(3.08)

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

## BOISE CASCADE CORPORATION AND SUBSIDIARIES

## STATEMENTS OF CASH FLOWS

	Year Ended December 31		
	1996	1995	1994
	(expressed in thousands)		
Cash provided by (used for) operations			
Net income (loss)	\$ 9,050	\$ 351,860	\$ (62,610)
Items in income (loss) not using (providing) cash			
Equity in net (income) loss of affiliates	(2,940)	(40,070)	15,040
Depreciation and cost of company timber harvested	232,600	240,920	236,430
Deferred income tax provision (benefit)	(13,498)	126,096	(2,174)
Minority interest, net of income tax	10,330	6,260	-
Write-down of assets	9,955	78,491	-
Amortization and other	25,722	31,997	17,836
Gain on sales of assets	(25,054)	(68,900)	-
(Gain) loss on subsidiaries' issuance of stock	(5,330)	(66,270)	10,200
Receivables	(3,298)	(13,813)	(69,567)
Inventories	(15,914)	(135,334)	6,139
Accounts payable and accrued liabilities	6,045	60,286	55,329
Current and deferred income taxes	(37,394)	25,239	9,036
Other	3,229	(4,440)	94
Cash provided by operations	<u>193,503</u>	<u>592,322</u>	<u>215,753</u>
Cash provided by (used for) investment			
Expenditures for property and equipment	(595,253)	(341,486)	(187,040)
Expenditures for timber and timberlands	(5,510)	(5,688)	(5,174)
Investments in equity affiliates, net	(9,736)	(3,894)	(25,347)
Purchases of facilities	(188,463)	(61,638)	(78,454)
Sales of assets	781,401	183,482	171,383
Other	(26,271)	11,312	(50,428)
Cash used for investment	<u>(43,832)</u>	<u>(217,912)</u>	<u>(175,060)</u>

Cash provided by (used for) financing			
Cash dividends paid			
Common stock	(28,909)	(27,125)	(22,844)
Preferred stock	(44,389)	(48,731)	(60,871)
	<u>(73,298)</u>	<u>(75,856)</u>	<u>(83,715)</u>
Notes payable	19,700	(39,000)	25,000
Additions to long-term debt	611,158	10,140	138,842
Payments of long-term debt	(509,456)	(381,797)	(115,569)
Subsidiary's issuance of stock	-	123,076	-
Other	11,607	11,042	1,774
	<u>59,711</u>	<u>(352,395)</u>	<u>(33,668)</u>
Cash provided by (used for) financing			
	<u>59,711</u>	<u>(352,395)</u>	<u>(33,668)</u>
Increase in cash and short-term investments	209,382	22,015	7,025
Balance at beginning of the year	51,469	29,454	22,429
	<u>\$ 260,851</u>	<u>\$ 51,469</u>	<u>\$ 29,454</u>
Balance at end of the year			

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

## BOISE CASCADE CORPORATION AND SUBSIDIARIES

## STATEMENTS OF SHAREHOLDERS' EQUITY

For the Years Ended December 31, 1994, 1995, and 1996

Common Shares Outstanding		Total Share- holders' Equity	Preferred Stock	Deferred ESOP Benefit	Common Stock	Additional Paid-in Capital	Retained Earnings
(expressed in thousands)							
37,987,529	Balance at December 31, 1993	\$1,504,524	\$ 766,690	\$ (246,856)	\$ 94,969	\$ -	\$ 889,721
	Net loss	(62,610)	-	-	-	-	(62,610)
	Cash dividends declared						
	Common stock	(22,885)	-	-	-	-	(22,885)
	Preferred stock	(60,872)	-	-	-	-	(60,872)
296,657	Other	6,701	(4,507)	15,900	741	-	(5,433)
38,284,186	Balance at December 31, 1994	1,364,858	762,183	(230,956)	95,710	-	737,921
	Net income	351,860	-	-	-	-	351,860
	Cash dividends declared						
	Common stock	(28,549)	-	-	-	-	(28,549)
	Preferred stock	(44,872)	-	-	-	-	(44,872)
	Conversion of Series E Preferred Stock	-	(191,466)	-	21,563	169,903	-
8,625,000	Stock options exercised	38,018	-	-	3,161	34,857	-
1,264,503	Treasury stock cancellations	(23,972)	(7,970)	-	(1,121)	(2,036)	(12,845)
(448,396)	Other	37,095	-	17,022	87	2,383	17,603
34,653							
47,759,946	Balance at December 31, 1995	1,694,438	562,747	(213,934)	119,400	205,107	1,021,118
	Net income	9,050	-	-	-	-	9,050
	Cash dividends declared						
	Common stock	(29,050)	-	-	-	-	(29,050)
	Preferred stock	(44,389)	-	-	-	-	(44,389)
894,981	Stock options exercised	28,531	-	-	2,237	26,294	-
(178,561)	Treasury stock cancellations	(16,339)	(9,585)	-	(446)	(805)	(5,503)
	Other	38,250	-	17,818	-	132	20,300
48,476,366	Balance at December 31, 1996	\$1,680,491	\$ 553,162	\$ (196,116)	\$ 121,191	\$ 230,728	\$ 971,526

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

## NOTES TO FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**CONSOLIDATION AND USE OF ESTIMATES.** The financial statements include the accounts of the Company and all subsidiaries after elimination of intercompany balances and transactions. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

**OTHER INCOME.** "Other income (expense), net" on the Statements of Income (Loss) includes gains and losses on the sale and disposition of property and other miscellaneous income and expense items. In the fourth quarter of 1996, the Company completed the sale of its coated publication paper business consisting primarily of its pulp and paper mill in Rumford, Maine, and 667,000 acres of timberland, to The Mead Corporation for approximately \$639,000,000 in cash. After payment of certain related tax indemnification requirements, net cash proceeds from the sale are being used to reduce debt and to improve the competitive position of the Company's remaining paper business. The transaction resulted in a pretax gain of approximately \$40,395,000. In addition, approximately \$15,341,000 of pretax expense arising from the related tax indemnification was recorded. The net gain per fully diluted share was \$.32. Sales and operating income for the sold operations were \$308,844,000 and \$21,073,000 in 1996 and \$525,941,000 and \$136,612,000 in 1995. In 1994, the mill had sales of \$381,807,000 and an operating loss of \$4,226,000. Also in 1996, the Company recorded a pretax write-down totaling \$9,955,000, or \$.13 per fully diluted share, for certain paper assets.

In 1995, the Company recorded a pretax gain of \$68,900,000, or \$.70 per fully diluted common share, for the sale of its remaining interest in Rainy River Forest Products Inc. (Rainy River) (see Note 8). Also in 1995, the Company recorded a pretax charge of \$19,000,000, or \$.19 per fully diluted common share, for the establishment of reserves for the write-down of certain assets in the Company's paper and paper products segment to their net realizable value. In 1995, the Financial Accounting Standards Board (FASB) issued Statement 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." The Company adopted the statement in the fourth quarter of 1995. Following a review of the strategy for its paper business, a decision was made to reconfigure the Vancouver, Washington, pulp and paper mill and reduce, over time, its production. In the fourth quarter of 1995, the Company's paper and paper products segment recorded a pretax charge of \$74,900,000, or \$.76 per fully diluted share. Most of this charge was related to the write-down of certain of the mill's assets under the provisions of the new accounting standard. In April 1996, the Company completed the reconfiguration of the mill by permanently shutting down the mill's three paper machines and its recycled wastepaper operations. The mill operates as a paper converting facility, converting papers made elsewhere by the Company, primarily into security papers.

**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 1996 and 1994, the computation of fully diluted net loss per share was antidilutive; therefore, the amounts reported for primary and fully diluted loss were the same.

	Year Ended December 31		
	1996	1995	1994
	(expressed in thousands)		
Net income (loss) as reported	\$ 9,050	\$ 351,860	\$ (62,610)
Preferred dividends	(39,248)	(25,550)	(54,586)
Primary income (loss)	(30,198)	326,310	(117,196)
Assumed conversions:			
Preferred dividends eliminated	-	14,740	-
Interest on 7% debentures eliminated	-	2,501	-
Supplemental ESOP contribution	-	(12,599)	-
Fully diluted income (loss)	\$ (30,198)	\$ 330,952	\$ (117,196)
Average number of common shares			
Primary	48,277	55,028	38,110
Fully diluted	48,277	61,351	38,110

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

For the years ended December 31, 1996, 1995, and 1994, primary average shares included common shares outstanding and, if dilutive, common stock equivalents attributable to stock options, Series E conversion preferred stock prior to converting to shares of the Company's common stock on January 15, 1995, and Series G conversion preferred stock. For the years ended December 31, 1996 and 1994, common stock equivalents attributable to stock options and the effect of the Series G conversion preferred stock were antidilutive. Accordingly, 7,331,000 and 16,391,000 common equivalent shares were excluded from the average number of primary common shares for those periods. In addition to common and common equivalent shares, fully diluted average shares include common shares that would be issuable upon conversion of the Company's other convertible securities, if dilutive. For the years ended December 31, 1996 and 1994, all adjustments to arrive at the average number of fully diluted common shares were antidilutive. Accordingly, 12,234,000 and 23,297,000 common equivalent and other convertible shares were excluded from the average number of fully diluted common shares.

On September 27, 1995, the Company redeemed its 7% convertible subordinated debentures for cash and by issuing shares of common stock. The redemption resulted in the reduction of approximately 1,698,000 fully diluted shares. Had the conversion occurred on January 1, 1995, the reported fully diluted net income per share would have increased \$.08 to \$5.47 for the year ended December 31, 1995.

On January 15, 1995, the Company's Series E preferred stock converted to 8,625,000 shares of common stock (see Note 7). Had the conversion occurred on January 1, 1994, the reported primary and fully diluted net loss per common share for the year ended December 31, 1994, would have decreased \$.90 to \$2.18.

**FOREIGN CURRENCY TRANSLATION.** Foreign currency translation adjustments related to the Company's investments and operations in countries where the functional currency is the foreign currency are included in "Shareholders' equity" as a component of "Retained earnings" on the Balance Sheets due to their relative insignificance. The foreign currency translation related to the Company's investment in Stone-Consolidated Corporation as of December 31, 1995, was included in the mark-to-market adjustment recorded as a component of "Retained earnings" (see Note 8). The 1996 and 1995 foreign exchange losses reported on the Statements of Income (Loss) arose primarily from translation adjustments where the U.S. dollar is the functional currency. The 1994 foreign exchange loss reported on the Statement of Income (Loss) is due primarily to forward contracts to purchase Canadian dollars. Gains or losses in the market value of the forward contracts were recorded as they were incurred during the year. The forward contracts were terminated in September 1994. Foreign exchange gains and losses in 1994, arising primarily from translation of the Company's Canadian subsidiaries' net liabilities prior to the Rainy River transactions (see Note 8), are included in "Equity in net income (loss) of affiliates" on the Income Statement. Subsequent to the transactions, the functional currency was changed from the U.S. dollar to the Canadian dollar, and the cumulative foreign currency translation adjustment at December 31, 1994, of \$14,704,000, net of deferred income taxes, was included as a reduction to "Retained earnings."

CASH AND SHORT-TERM INVESTMENTS. Short-term investments consist of investments that had a maturity of three months or less at the date of purchase. At December 31, 1996, \$9,618,000 of cash, short-term investments, and certain receivables of a wholly owned insurance subsidiary was committed for use in maintaining statutory liquidity requirements of that subsidiary.

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

Inventories include the following:

	December 31	
	1996	1995
	(expressed in thousands)	
Finished goods and work in process	\$ 390,694	\$ 394,163
Logs	98,883	116,959
Other raw materials and supplies	131,631	175,877
LIFO reserve	(80,775)	(118,094)
	<u>\$ 540,443</u>	<u>\$ 568,905</u>

PROPERTY. Property and equipment are recorded at cost. Cost includes expenditures for major improvements and replacements and the net amount of interest cost associated with significant capital additions. Capitalized interest was \$17,778,000 in 1996, \$1,884,000 in 1995, and \$1,630,000 in 1994. Substantially all of the Company's paper and wood products manufacturing facilities determine depreciation by the units-of-production method, and other operations use the straight-line method. Gains and losses from sales and retirements are included in income as they occur except at certain pulp and paper mills that use composite depreciation methods. At those facilities, gains and losses are included in accumulated depreciation. Estimated service lives of principal items of property and equipment range from 3 to 40 years.

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

A portion of the Company's wood requirements are acquired from public and private sources. Except for deposits required pursuant to wood supply contracts, no amounts are recorded until such time as the Company becomes liable for the timber. At December 31, 1996, based on average prices at the time, the unrecorded amount of those contracts was estimated to be approximately \$127,000,000.

In recent years, the amount of government timber available for commercial harvest in the Northwest has declined because of environmental litigation, changes in government policy, and other factors. More constraints on available timber supply may be imposed. As a result, the Company cannot accurately predict future log supply. Curtailments or closures of certain wood products manufacturing facilities are possible.

PREOPERATING COSTS. Certain preoperating costs incurred during the construction of major expansions or new manufacturing facilities are capitalized. The remaining unamortized balance is being amortized over its expected useful life, not to exceed three years. The unamortized balance of these costs, included in "Other assets" on the Balance Sheets, was \$8,776,000 at December 31, 1996, and \$9,933,000 at December 31, 1995.

GOODWILL. Goodwill represents the excess of purchase price and related costs over the value assigned to the net tangible assets of businesses acquired. Goodwill is amortized on a straight-line basis, generally over 40 years. Annually, the Company reviews the recoverability of goodwill. The measurement of possible impairment is based primarily on the ability to recover the balance of the goodwill from expected future operating cash flows on an undiscounted basis. In management's opinion, no material impairment exists at December 31, 1996. The unamortized balance of goodwill included in "Other assets" on the Balance Sheets at December 31, 1996 and 1995, was \$262,533,000 and \$114,767,000.

ENVIRONMENTAL REMEDIATION AND COMPLIANCE. Generally, environmental expenditures resulting in additions to property, plant, and equipment that increase useful lives are capitalized, while other environmental expenditures are charged to expense. Liabilities are recorded when assessments and/or remedial efforts are probable and the cost can be reasonably estimated. For further information, see "Financial Review - Environmental Issues," which information is incorporated

herein by this reference.

**RESEARCH AND DEVELOPMENT COSTS.** Research and development costs are expensed as incurred. During 1996, research and development expenses were \$11,403,000, compared with \$10,756,000 in 1995 and \$11,461,000 in 1994.

**SUBSIDIARIES' ISSUANCE OF STOCK.** Changes in the Company's proportionate interest in its subsidiaries from the subsidiaries' issuance of stock are recorded in income at the time the stock is issued by the subsidiaries.

**FINANCIAL INSTRUMENTS.** At December 31, 1996, the estimated current market value of the Company's debt, based on then current interest rates for similar obligations with like maturities, was approximately \$77,000,000 greater than the amount of debt reported on the Balance Sheet. The estimated fair values of the Company's other financial instruments, cash and short-term investments, and notes payable are the same as their carrying values. In the opinion of management, the Company does not have any significant concentration of credit risks. Concentration of credit risks with respect to trade receivables is limited due to the wide variety of customers and channels to and through which the Company's products are sold, as well as their dispersion across many geographic areas. The Company has only limited involvement with derivative financial instruments and does not use them for trading purposes. Such financial instruments as interest rate swaps and forward exchange contracts are used periodically to manage well-defined risks.

2. INCOME TAXES

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

	Year Ended December 31		
	1996	1995	1994
	(expressed in thousands)		
Current income tax provision	\$ 25,458	\$ 105,194	\$ 34
Deferred income tax provision (benefit)	(13,498)	126,096	(2,174)
Total income tax provision (benefit)	\$ 11,960	\$ 231,290	\$ (2,140)

During 1996, the Company's cash payments for income taxes, net of refunds received, were \$55,368,000, compared with cash payments of \$73,609,000 in 1995 and net refunds of \$7,269,000 in 1994.

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

	Year Ended December 31		
	1996	1995	1994
	(expressed in thousands)		
Statutory tax provision (benefit)	\$ 10,969	\$ 206,293	\$ (22,661)
Changes resulting from:			
State taxes	702	19,615	(1,702)
Foreign tax provision different than theoretical rate	2,364	588	4,108
Provision for undistributed earnings	-	-	20,200
Provision for difference in book and tax bases of Rainy River stock	-	32,500	-
Effect of nontaxable gain on BCOP's issuance of stock	(1,866)	(27,279)	-
Other, net	(209)	(427)	(2,085)
Reported tax provision (benefit)	\$ 11,960	\$ 231,290	\$ (2,140)

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

	December 31			
	1996		1995	
	(expressed in thousands)			
	Assets	Liabilities	Assets	Liabilities
Employee benefits	\$ 89,616	\$ 24,545	\$ 99,022	\$ 30,481
Property and equipment and timber and timberlands	33,907	454,444	75,224	535,176
Alternative minimum tax	146,361	-	161,027	-
Tax credit carryovers	-	-	22,919	-
Reserves	27,620	6,295	26,933	2,716
Inventories	12,859	363	10,411	-
State income taxes	22,961	33,341	13,662	36,803
Deferred charges	891	1,103	558	6,289
Differences in bases of nonconsolidated entities	3,634	1,893	11,045	15,070
Other	10,045	21,858	10,952	24,504
	\$ 347,894	\$ 543,842	\$ 431,753	\$ 651,039

At December 31, 1996, the Company had \$146,361,000 of minimum tax credits, which may be carried forward indefinitely.

During 1995, the Company provided \$32,500,000 of income taxes for the tax effect of the difference in the book and tax bases of its stock ownership in Rainy River (see Note 8).

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

Pretax income (loss) from domestic and foreign sources is as follows:

	Year Ended December 31		
	1996	1995	1994
	(expressed in thousands)		
Domestic	\$ 32,452	\$ 554,325	\$ (37,783)
Foreign	(1,112)	35,085	(26,967)
Pretax income (loss)	\$ 31,340	\$ 589,410	\$ (64,750)

The Company's federal income tax returns have been examined through 1991, and 1992 and 1993 are currently under review. Certain deficiencies have been proposed, but the amount of the deficiencies, if any, that may result upon settlement of these years cannot be determined at this time. The Company believes that it has adequately provided for any such deficiencies and that settlements will not have a material adverse effect on the Company's financial condition or results of operations.

### 3. DEBT

At December 31, 1996, the Company had a revolving credit agreement with a group of banks that permitted it to borrow up to \$600,000,000, none of which was outstanding at that date. At the time of its expiration in June 2000, any amount outstanding will be due and payable. During the first quarter of 1997, the Company is negotiating an extension of and modifications to this agreement. The revolving credit agreement provides for variable interest rates based on customary indices. Commitment fees are required on the unused portion of the credit. The agreement requires the Company to maintain a minimum amount of net worth and a minimum interest coverage ratio and not to exceed a maximum ratio of debt to net worth.

At December 31, 1996, the Company's subsidiary, Boise Cascade Office Products Corporation (BCOP), had a \$350,000,000 revolving credit agreement with a group of banks that expires in 2001 and provides for variable rates of interest based upon customary indices. As of December 31, 1996, borrowings under the agreement totaled \$140,000,000. In June 1996, the revolving credit agreement was amended to extend the termination date from June 30, 1999, to June 30, 2001, and its size was increased from \$225,000,000 to \$350,000,000. Also at December 31, 1996, BCOP had \$36,700,000 of short-term borrowings outstanding with a weighted average annual interest rate of 7.7%. The BCOP revolving credit facility contains customary terms, including covenants specifying a minimum net worth, a minimum fixed charge coverage ratio, and a maximum leverage ratio. The lending banks may terminate the revolving credit agreement and accelerate the payment of any amounts borrowed thereunder in the event a change of control (as defined) of BCOP occurs.

On January 24, 1996, the Company sold \$125,000,000 of 7.35% debentures due 2016. At December 31, 1996, the Company had \$200,400,000 of unused shelf capacity registered with the Securities and Exchange Commission for additional debt securities.

The scheduled payments of long-term debt are \$157,304,000 in 1997, \$27,527,000 in 1998, \$43,163,000 in 1999, \$119,578,000 in 2000, and \$255,042,000 in 2001. Of the total amount shown in 2001, \$140,000,000 represents the amount outstanding under BCOP's revolving credit agreement.

Cash payments for interest, net of interest capitalized, were \$124,317,000 in 1996, \$143,631,000 in 1995, and \$143,693,000 in 1994.

At December 31, 1996, the Company had \$75,000,000 of tax-exempt bonds payable December 1, 2023, with weekly variable interest rates. On January 2, 1997, the bonds were converted to fixed-rate bonds bearing annual interest of 6.45% with the same maturity.

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

	December 31 1996(1)	1995
	(expressed in thousands)	
7.375% notes, due in 1997, net of unamortized discount of \$30,000	\$ 56,750	\$ 66,691
10.125% notes, due in 1997, net of unamortized discount of \$36,000	86,334	97,786
9.9% notes, due in 2000, net of unamortized discount of \$176,000	99,824	99,769
9.875% notes, due in 2001, callable in 1999	100,000	100,000
9.85% notes, due in 2002	125,000	125,000
9.45% debentures, due in 2009, net of unamortized discount of \$289,000	149,711	149,689
7.35% debentures, due in 2016, net of unamortized discount of \$102,000	124,898	-
Medium-term notes, Series A, with interest rates averaging 8.4% and 8.8%, due in varying amounts through 2013	317,905	269,405
Revenue bonds and other indebtedness, with interest rates averaging 6.3% and 6.5%, due in varying amounts annually through 2024, net of unamortized discount of \$979,000	265,649	270,271
American & Foreign Power Company Inc. 5% debentures, due in 2030, net of		

unamortized discount of \$1,109,000	21,244	22,002
Revolving credit borrowings, with interest rates averaging 5.8% and 6.3%	140,000	185,000
	<u>1,487,315</u>	<u>1,385,613</u>
Less current portion	157,304	20,778
	<u>1,330,011</u>	<u>1,364,835</u>
Guarantee of ESOP debt, due in installments through 2004	196,116	213,934
	<u>\$1,526,127</u>	<u>\$1,578,769</u>

(1) The amount of net unamortized discount disclosed applies to long-term debt outstanding at December 31, 1996.

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

On September 27, 1995, the Company redeemed its \$75,900,000 principal amount, 7.00% convertible subordinated debentures that were due May 1, 2016, at a price of 100.70% plus accrued interest. Alternatively, holders of the debentures could convert them to the Company's common stock through September 27, 1995, at the rate of 1.1415 shares of common stock for each \$50 principal amount of debentures. Common shares issued upon conversion totaled 34,653.

During 1996 and 1995, the Company made open-market purchases of approximately \$30,800,000 and \$84,800,000 principal amount of its public debt securities.

#### 4. LEASES

Lease obligations for which the Company assumes substantially all property rights and risks of ownership are capitalized. All other leases are treated as operating leases. Rental expenses for operating leases, net of sublease rentals, were \$52,090,000 in 1996, \$36,354,000 in 1995, and \$31,174,000 in 1994. For operating leases with remaining terms of more than one year, the minimum lease payment requirements, net of sublease rentals, are \$40,189,000 for 1997, \$36,863,000 for 1998, \$29,057,000 for 1999, \$24,865,000 for 2000, and \$18,433,000 for 2001, with total payments thereafter of \$170,054,000.

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

#### 5. RETIREMENT AND BENEFIT PLANS

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

The assumptions used by the Company's actuaries in the calculations of pension income or expense and plan obligations for the plans are estimates of factors that will determine, among other things, the amount and timing of future benefit payments. The asset return assumption was 9.75% in 1996 and 1995 and 10% in 1994. The discount rate assumption was 7.5% at December 31, 1996 and 1995. The discount rate was 8.25% at December 31, 1994. The salary escalation assumption used at December 31, 1996, 1995, and 1994, was 5%.

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

	Plans With Assets in Excess of the Accumulated Benefit Obligation December 31		Plans With an Accumulated Benefit Obligation in Excess of Assets December 31	
	1996	1995	1996	1995
	(expressed in millions)			
Accumulated benefit obligation				
Vested	\$(765.4)	\$(656.7)	\$(217.1)	\$(281.3)
Nonvested	(26.6)	(23.8)	(6.1)	(15.8)
Provision for salary escalation	(65.8)	(62.3)	(8.2)	(5.0)
Projected benefit obligation	<u>(857.8)</u>	<u>(742.8)</u>	<u>(231.4)</u>	<u>(302.1)</u>
Plan assets at fair market value	931.1	799.1	172.2	216.7
Net plan assets (obligation)	\$ 73.3	\$ 56.3	\$ (59.2)	\$ (85.4)

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

	Plans With Assets in Excess of the Accumulated Benefit Obligation December 31		Plans With an Accumulated Benefit Obligation in Excess of Assets December 31	
	1996	1995	1996	1995
	(expressed in millions)			
Net plan assets (obligation)	\$ 73.3	\$ 56.3	\$ (59.2)	\$ (85.4)
Remainder of unrecognized initial asset (1)	(3.0)	(3.6)	(.2)	(1.7)
Other unrecognized items (2)	5.2	14.1	18.0	38.5
Adjustment to record minimum liability	-	-	(11.4)	(32.8)
Net recorded prepayment (obligation)	<u>\$ 75.5</u>	<u>\$ 66.8</u>	<u>\$ (52.8)</u>	<u>\$ (81.4)</u>

- (1) The unrecognized initial asset calculated at January 1, 1986, is being amortized over a weighted average of 11 years.
- (2) "Other unrecognized items" reflects changes in actuarial assumptions, net changes in prior service costs, and net experience gains and losses since January 1, 1986.

The components of pension expense (income) are as follows:

	Year Ended December 31		
	1996	1995	1994
	(expressed in thousands)		
Benefits earned by employees	\$ 25,843	\$ 20,003	\$ 19,989
Interest cost on projected benefit obligation	76,168	72,606	67,710
(Earnings) losses from plan assets	(119,977)	(217,429)	9,985
Assumed earnings from plan assets (more) less than actual earnings	28,265	131,883	(97,681)
Amortization of unrecognized net initial asset	(2,119)	(9,898)	(9,985)
Amortization of net experience gains and losses from prior periods	568	(6)	237
Amortization of unrecognized prior service costs	4,085	3,873	2,931
Company-sponsored plans	<u>12,833</u>	<u>1,032</u>	<u>(6,814)</u>
Multiemployer pension plans	593	587	570
Total pension expense (income)	\$ <u>13,426</u>	\$ <u>1,619</u>	\$ <u>(6,244)</u>

The Company sponsors savings and supplemental retirement programs for its salaried and some hourly employees. The program for salaried employees includes an employee stock ownership plan. Under that plan, the Company's Series D ESOP convertible preferred stock (see Note 7) is being allocated to eligible participants through 2004, as principal and interest payments are made on the ESOP debt guaranteed by the Company. Total expense for these plans was \$20,128,000 in 1996, compared with \$20,236,000 in 1995 and \$20,150,000 in 1994.

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

The Company accrues postretirement benefit costs, including retiree health care costs. A discount rate of 7.5% was adopted effective as of December 31, 1996 and 1995. A discount rate of 8.25% was used at the end of 1994. The initial 1992 trend rate for medical care costs was 8.5%, which was assumed to decrease ratably over the subsequent ten years to 6%. A 1% increase in the trend rate for medical care costs would have increased the December 31, 1996, benefit obligation by \$2,940,000 and postretirement health care expense for the year ended December 31, 1996, by \$250,000.

The components of postretirement health care expense are as follows:

	Year Ended December 31		
	1996	1995	1994
	(expressed in thousands)		
Benefits earned by employees	\$ 920	\$ 1,180	\$ 1,850
Interest cost on accumulated postretirement health care benefit obligation	6,350	8,140	8,430
Amortization of unrecognized actuarial (gain) loss	(280)	120	410
Amortization of unrecognized items	(2,820)	(3,720)	(3,020)
Total postretirement health care expense	\$ 4,170	\$ 5,720	\$ 7,670

The accrued postretirement health care benefit obligation is included in "Other long-term liabilities" on the Balance Sheets. The components of the obligation with amounts as of December 31, 1996, reflecting the impact of the sale of the coated publication paper business, are as follows:

	December 31	
	1996	1995
	(expressed in thousands)	
Retirees	\$ 64,670	\$ 72,390
Fully eligible active employees	8,400	10,050
Other active employees	10,920	18,100
Accumulated postretirement health care benefit obligation	83,990	100,540
Unrecognized items	17,550	25,940
Unrecognized actuarial gain (loss)	2,580	(7,340)
Accrued postretirement health care benefit obligation	\$ 104,120	\$ 119,140

#### 6. BOISE CASCADE OFFICE PRODUCTS CORPORATION

In April 1995, the Company's wholly owned subsidiary, Boise Cascade Office Products Corporation ("BCOP") completed the initial public offering of 10,637,500 shares of common stock at a price of \$12.50 per share. After the offering, the Company owned 82.7% of the outstanding BCOP common stock. The net proceeds of the offering to BCOP were approximately \$123,076,000, of which approximately \$101,859,000 was indirectly (through retention of accounts receivable and a small dividend payment) available to the Company for general corporate purposes. The remainder of the proceeds was retained by BCOP for its general corporate purposes.

From the BCOP offering, the Company recorded a gain of approximately \$60,000,000, or \$.98 per fully diluted share. In 1995, BCOP also issued 905,276 shares of its stock to effect various acquisitions. As a result of these share issuances, the Company recorded a gain of \$6,270,000, or \$.10 per fully diluted share. In 1996, BCOP issued 457,542 shares of its stock to effect various acquisitions and for stock options exercised. As a result of these share issuances, the Company recorded a gain of \$5,330,000, or \$.11 per fully diluted share. In accordance with FASB Statement 109, "Accounting for Income Taxes," income taxes were not provided on the gains. At December 31, 1996, the Company owned 80.9% of the outstanding BCOP common stock.

In April 1996, BCOP's board of directors authorized a two-for-one split of BCOP common stock in the form of a 100% stock dividend. Each BCOP shareholder of record at the close of business on May 6, 1996, received one additional share for each share held on that date. The new shares were distributed on May 20, 1996. All references to numbers of shares of common stock of BCOP and common stock prices have been adjusted to reflect the stock split.

In 1996, 1995, and 1994, BCOP made various 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 excess of the purchase price over the estimated fair value of the net assets acquired was recorded as goodwill and is generally being amortized over 40 years. The results of operations of the acquired businesses are included in the Company's operations subsequent to the dates of acquisitions.

In 1996, BCOP acquired 19 contract stationer and other related businesses. These acquisitions were purchased for cash of \$180,139,000, \$6,886,000 of BCOP's common stock issued to the sellers, and the recording of \$35,346,000 of liabilities. Pro forma results of operations, reflecting these acquisitions are as follows.

If these businesses had been acquired on January 1, 1996, the Company's 1996 sales would have increased by \$146,000,000, net income would have increased by \$2,600,000, and primary and fully diluted earnings per common share would have increased by \$.05. If these businesses had been acquired on January 1, 1995, the Company's 1995 sales would have increased by \$419,000,000, net income would have decreased by \$2,100,000, and primary and fully diluted earnings per common share would have decreased by \$.04 and \$.03 respectively. In the first quarter of 1995, one of the businesses acquired recorded a restructuring charge. Excluding the impact of this restructuring charge, pro forma net income and earnings per share would have been essentially the same as the historical amounts reported for the year ended December 31, 1995.

In 1995, BCOP acquired 10 contract stationer businesses. These acquisitions were purchased for cash of \$62,138,000, \$18,185,000 of BCOP's common stock issued to the sellers, and the recording of \$10,571,000 of liabilities. Pro forma results of operations reflecting these acquisitions are as follows. If these businesses had been acquired on January 1, 1995, the Company's 1995 sales would have increased by \$160,540,000, net income would have increased by \$2,030,000, and primary and fully diluted earnings per common share would have increased by \$.04 and \$.03, respectively. If these businesses had been acquired on January 1, 1994, the Company's 1994 sales would have increased by \$212,600,000, net loss would have decreased by \$3,060,000, and primary and fully diluted loss per common share would have decreased by \$.08.

In April 1994, BCOP purchased the net assets of the direct-marketing mail office supply business of The Reliable Corporation for \$71,306,000 in cash. If this business had been acquired on January 1, 1994, the Company's pro forma 1994 sales would have increased by \$53,500,000, pro forma net loss would have decreased by \$1,900,000, and pro forma primary and fully diluted loss per common share would have decreased by \$.05.

This pro forma financial information does not necessarily represent the actual consolidated results of operations that would have resulted if the acquisitions had occurred on the dates assumed.

## 7. SHAREHOLDERS' EQUITY

PREFERRED STOCK. At December 31, 1996, 5,904,788 shares of 7.375% Series D ESOP convertible preferred stock were outstanding. The stock is shown on the Balance Sheets at its liquidation preference of \$45 per share. The stock was sold in 1989 to the trustee of the Company's Savings and Supplemental Retirement Plan for salaried employees (see Note 5). Each ESOP preferred share is entitled to one vote, bears an annual cumulative dividend of \$3.31875, and is convertible at any time by the trustee to .80357 share of common stock. The ESOP preferred shares may not be redeemed for less than the liquidation preference.

At December 31, 1996, two series of preferred stock outstanding were represented by depositary shares. These preferred issues are shown on the Balance Sheets at their respective liquidation preference, net of the costs of issuance. The details of the issues are as follows:

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

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

On October 15, 1997, each depositary share of Series G preferred stock will automatically convert to one share of the Company's common stock unless the Series G preferred stock and related depositary shares have been previously redeemed by the Company or converted by the shareholders. The Company may elect to redeem the Series G

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

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

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

(1) Call price.

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

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

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

COMMON STOCK. The Company is authorized to issue 200,000,000 shares of common stock, of which 48,476,366 shares were issued and outstanding at December 31, 1996. Of the unissued shares, a total of 18,541,065 shares were reserved for the following:

Conversion of Series D ESOP preferred stock	4,744,910
Conversion of Series G preferred stock	8,625,000
Issuance under Key Executive Stock Option Plan	4,977,611
Issuance under Director Stock Compensation Plan	93,544
Issuance under Director Stock Option Plan	100,000

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

STOCK OPTIONS. The Company has three stock option plans, the BCC Key Executive Stock Option Plan ("KESOP"), the BCC Director Stock Compensation Plan ("DSCP"), and the BCC Director Stock Option Plan ("DSOP"). In addition, BCOP has two stock option plans, the BCOP Key Executive Stock Option Plan ("KESOP") and the BCOP Director Stock Option Plan ("DSOP"). Both the Company and BCOP account for these plans under APB Opinion No. 25 "Accounting for Stock Issued to Employees". Under this opinion, the only compensation cost recognized is for grants under the BCC DSCP and for grants under terms of which the number of options exercisable is based on future performance. Compensation costs recognized in 1996, 1995, and 1994 were \$810,000, \$1,759,000, and \$163,000.

Had compensation cost for these five plans been determined consistent with FASB Statement 123, "Accounting for Stock-Based Compensation", the Company's 1996 net income would have been reduced pro forma by \$7,574,000 and primary and fully diluted loss per share would have increased pro forma by \$.16. Pro forma reductions in 1995 would have been net income, \$3,458,000 and primary and fully diluted earnings per share \$.06. The FASB Statement No. 123 method of accounting has not been applied to options granted prior to January 1, 1995. The pro forma compensation cost may not be representative of that to be expected in future years.

The BCC KESOP provides for the grant of options to purchase shares of the Company's common stock to key employees of BCC. The exercise price is equal to the fair market value of the Company's common stock on the date the options are granted. Options expire, at the latest, ten years and one day following the grant date.

A summary of the status of the BCC KESOP at December 31, 1996, 1995, and 1994, and the changes during the years then ended is presented in the table and narrative below:

	1996		1995		1994	
	Shares	Wtd. Avg. Ex. Price	Shares	Wtd. Avg. Ex. Price	Shares	Wtd. Avg. Ex. Price
Balance at beginning of the year	4,340,033	\$31.28	4,995,052	\$27.72	4,708,382	\$28.61
Options granted	804,900	31.38	748,800	43.82	1,039,600	24.88
Options exercised	(894,981)	25.02	(1,262,328)	24.20	(347,671)	22.19
Options expired	(21,216)	44.11	(141,491)	37.88	(405,259)	35.54
Balance at end of the year	<u>4,228,736</u>	32.55	<u>4,340,033</u>	31.28	<u>4,995,052</u>	27.72
Exercisable at end of the year	<u>3,423,836</u>	32.83	<u>3,595,433</u>	28.68	<u>3,959,452</u>	28.46
Weighted average fair value of options granted (Black-Scholes)	\$9.30		\$13.36		N/A	

The 4,228,736 options outstanding at December 31, 1996, have exercise prices between \$18.13 and \$46.65, and a weighted average remaining contractual life of six years.

Beginning in 1995, the fair value of each BCC option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in 1996 and 1995: risk-free interest rates of 6.6% and 6.2%; expected dividends of \$.60 for both years; expected lives of 4.2 years for both years and expected stock price volatility of 30% for both years.

The BCC DSOP, available only to nonemployee directors, provides for annual grants of options. The exercise price of these options is equal to the fair market value of the Company's common stock on the date the options are granted. The options expire the earlier of three years after the director ceases to be a director or ten years after the grant date. Total shares subject to options at December 31, 1996 and 1995 were 30,000 and 12,000, with weighted average exercise prices of \$36.25 and \$41.88.

The BCC DSCP permits nonemployee directors to elect to receive grants of options to purchase shares of the Company's common stock in lieu of cash compensation. The difference between the \$2.50-per-share exercise price of DSCP options and the market value of the common stock subject to the options is intended to offset the cash compensation that participating directors have elected not to receive. Options expire three years after the holder ceases to be a director. Total shares subject to options at December 31, 1996, 1995, and 1994, were 30,245, 22,893, and 19,951, with weighted average exercise prices of \$27.59, \$26.01, and \$21.83.

The BCOP KESOP provides for the grant of options to purchase shares of BCOP's common stock to key employees of BCOP. The exercise price is equal to the fair market value of BCOP's common stock on the date the options were granted. One-third of the options become exercisable in each of the three years following the grant date and expire, at the latest, ten years following the grant date.

A summary of the status of the BCOP KESOP at December 31, 1996 and 1995, and changes during the years then ended is presented in the table and narrative below. BCOP's stock option plans did not begin until 1995.

	1996		1995	
	Shares	Wtd. Avg. Ex. Price	Shares	Wtd. Avg. Ex. Price
Balance at beginning of the year	647,400	\$ 12.57	-	\$ -
Options granted	501,200	25.54	647,400	12.57
Options exercised	(75,225)	12.50	-	-
Options expired	(13,933)	19.78	-	-
Balance at end of the year	<u>1,059,442</u>	18.66	<u>647,400</u>	12.57
Exercisable at end of the year	140,569	12.60	-	-
Weighted average fair value of options granted (Black-Scholes)	\$ 9.14		\$ 4.87	

The 1,059,442 options outstanding at December 31, 1996, have exercise prices between \$12.50 and \$26.63, and a weighted average remaining contractual life of 8.3 years.

Beginning in 1995, the fair value of each BCOP option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in 1996 and 1995: risk-free interest rates of 5.2% and 7.3%; no expected dividends; expected lives of 4.2 years for both years; and expected stock price volatility of 35% for both years.

The BCOP DSOP, available only to nonemployee directors, provides for annual grants of options. The exercise price of options under this plan is equal to the fair market value of BCOP's common stock on the date the options are granted. Options expire the earlier of three years after the director ceases to be a director or ten years after the grant date. Total shares outstanding at December 31, 1996 and 1995 were 24,000 and 12,000, with weighted average exercise prices of \$17.50 and \$12.50.

Under each of the plans, options may not, except under unusual circumstances, be exercised until one year following the grant date.

OTHER. In October 1995, the Company announced that its board of directors had authorized the Company to purchase up to 4,300,000 shares of its common stock or common stock equivalents. The authorization superseded all previous stock buyback authorizations. In 1996, the Company announced that because of weakening operating conditions in the Company's paper and wood products businesses, and the decision to fund the Jackson pulp and paper mill expansion without a joint venture partner, the Company has slowed the purchase of its common stock or common stock equivalents. Since October 1995, the Company purchased 623,112 shares of stock under this program.

#### 8. INVESTMENTS IN EQUITY AFFILIATES

As of December 31, 1996, the Company's principal investments in affiliates accounted for using the equity method included a 47% interest in Voyageur Panel, which is building an oriented strand board plant in Barwick, Ontario, Canada, and a 25% interest in Ponderosa Fibres of Washington, which is building a recycled pulp production facility adjacent to the Company's Wallula, Washington, pulp and paper mill. The Company has an operating agreement with Voyageur Panel. The debt of each affiliate has been issued without recourse to the Company.

Prior to November 1, 1996, the Company had a 30% interest in Rumford Cogeneration Limited Partnership, which operates a cogeneration facility. This interest was sold along with the sale of the Company's coated publication paper business.

The Company had a 50% interest in the general partnership of Pine City Fiber Company, a wastepaper recycling plant located adjacent to the Company's Jackson, Alabama, pulp and paper mill. In December 1995, the Company entered into an agreement to purchase the other 50% interest. This transaction closed shortly after year-end 1995. Accordingly, as of December 31, 1995, this entity was consolidated with the Company's Financial Statements, resulting in additions of \$78,290,000 of assets, primarily property and equipment, and \$77,090,000 of liabilities, primarily long-term debt. These noncash additions were not reflected in the Company's 1995 Statement of Cash Flows.

In October 1995, the Company announced its intent to form a joint venture with Companhia Suzano de Papel e Celulose ("Suzano"), a Brazilian pulp and paper producer, to acquire and expand the Company's pulp and paper mill, in Jackson, Alabama. In April 1996, the Company announced that it had discontinued talks with Suzano regarding formation of the joint venture. The Company is completing the expansion of the mill, including construction of a new uncoated free sheet paper machine that should begin production in the second quarter of 1997.

In October 1994, Rainy River completed an initial public offering of units of its equity and debt securities. As a result of the offering, the Company owned 49% of the outstanding voting common shares and 60% of the total equity of Rainy River. Rainy River was accounted for on the equity method retroactive to January 1, 1994, in the Company's consolidated financial statements. Rainy River's results of operations were included in "Equity in net income (loss) of affiliates."

The equity securities were sold at a premium to the net book value of the Canadian company, but the translation into U.S. dollars and other costs of the transaction resulted in a charge to the Company of \$10,200,000 before taxes, or \$.18 per fully diluted common share, in the third quarter of 1994. This loss was recorded in "Gain (loss) on subsidiaries' issuance of stock," on the Statements of Income (Loss).

In November 1995, the Company divested its remaining interest in

Rainy River through Rainy River's merger with Stone-Consolidated Corporation, and received cash of approximately \$183,482,000 and Stone-Consolidated stock. The Company used the proceeds from this transaction to reduce debt. In 1996, the Company sold the Stone-Consolidated stock for \$133,628,000. After consideration of a bulk-sale reserve previously recorded by the Company, the transaction was at approximately book value.

The Company accounted for its holdings in Stone-Consolidated on the cost method. At December 31, 1995, the investment in Stone-Consolidated stock totaled \$130,953,000 and was included in "Other current assets" in the Balance Sheet. The investment was classified as available-for-sale and was marked-to-market. At December 31, 1995, "Retained earnings" was reduced by \$7,910,000, including the impact of foreign currency translation and deferred income taxes, for this market adjustment.

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

	Year Ended December 31		
	1996	1995	1994
	(expressed in thousands)		
Fees charged by and expenses reimbursable to the Company	\$ 12,754	\$ 23,420	\$ 36,430
Purchases from equity affiliates	37,190	111,590	98,180
Sales to equity affiliates	25,334	198,030	83,490
Amounts payable to equity affiliates	-	3,437	11,711
Amounts receivable from equity affiliates	2,706	6,333	29,170

Summarized financial information of the equity affiliates is as follows:

Year Ended December 31  
1996                      1995                      1994  
(expressed in thousands)

Condensed income statement  
information:

Sales	\$ 77,350	\$ 770,240	\$ 499,520
Gross profit	18,650	154,380	6,790
Net income (loss)	10,120	73,200	(15,300)

December 31  
1996                      1995

Condensed balance sheet  
information:

Current assets	\$ 48,689	\$ 115,217
Noncurrent assets	172,729	201,596
Current liabilities	9,145	23,741
Noncurrent liabilities	168,515	218,002

9. LITIGATION AND LEGAL MATTERS

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

10. SEGMENT INFORMATION

Boise Cascade Corporation is an integrated paper and forest products company headquartered in Boise, Idaho, with domestic and international operations. The Company manufactures and distributes paper and wood products, distributes office products and building materials, and owns and manages 2.4 million acres of timberland.

No single customer accounts for 10% of consolidated trade sales. Export sales to foreign unaffiliated customers are immaterial.

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

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

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

	Trade	Sales Inter- segment	Total (expressed in thousands)	Operating Income (Loss)(1)	Depreciation and Cost of Company Timber Harvested	Capital Expendi- tures	Assets
Year Ended December 31, 1996							
Paper and paper products	\$1,601,638	\$ 271,609	\$1,873,247	\$ 74,894(2)	\$ 169,418	\$ 470,059	\$2,497,908(2)
Office products	1,983,518	2,046	1,985,564	101,533(3)	18,512	265,081(4)	905,361(3)
Building products	1,505,538	51,589	1,557,127	36,074	38,498	85,565	500,456
Other operations	17,526	57,070	74,596	(2,609)	4,342	4,246	54,850
<b>Total</b>	<b>5,108,220</b>	<b>382,314</b>	<b>5,490,534</b>	<b>209,892</b>	<b>230,770</b>	<b>824,951</b>	<b>3,958,575</b>
Intersegment eliminations	-	(382,314)	(382,314)	1,018	-	-	(45,546)
Timber, timberlands, and timber deposits	-	-	-	-	-	5,510	293,028
Equity in affiliates	-	-	-	2,940	-	-	19,430
Corporate and other	-	-	-	(60,269)(2)	1,830	1,706	485,222
<b>Consolidated totals</b>	<b>\$5,108,220</b>	<b>\$ -</b>	<b>\$5,108,220</b>	<b>\$ 153,581</b>	<b>\$ 232,600</b>	<b>\$ 832,167</b>	<b>\$4,710,709</b>
Year Ended December 31, 1995							
Paper and paper products	\$2,255,643	\$ 262,530	\$2,518,173	\$ 435,988	\$ 185,378	\$ 242,518	\$2,793,621
Office products	1,313,908	2,045	1,315,953	72,055	11,975	102,569(4)	544,124
Building products	1,482,340	93,080	1,575,420	89,178	36,843	68,756	468,786
Other operations	22,339	54,301	76,640	299	4,716	6,035	61,263
<b>Total</b>	<b>5,074,230</b>	<b>411,956</b>	<b>5,486,186</b>	<b>597,520</b>	<b>238,912</b>	<b>419,878</b>	<b>3,867,794</b>
Intersegment eliminations	-	(411,956)	(411,956)	(1,209)	-	-	(50,084)
Timber, timberlands, and timber deposits	-	-	-	-	-	5,688	383,394
Equity in affiliates	-	-	-	40,070	-	-	25,803
Corporate and other	-	-	-	22,048(5)	2,008	1,931	429,279
<b>Consolidated totals</b>	<b>\$5,074,230</b>	<b>\$ -</b>	<b>\$5,074,230</b>	<b>\$ 658,429</b>	<b>\$ 240,920</b>	<b>\$ 427,497</b>	<b>\$4,656,186</b>
Year Ended December 31, 1994							
Paper and paper products	\$1,630,379	\$ 164,519	\$1,794,898	\$ (38,473)	\$ 181,729	\$ 138,892	\$2,607,716
Office products	907,276	1,244	908,520	42,008	10,377	86,137	348,122
Building products	1,589,693	63,732	1,653,425	150,978	36,159	35,324	443,075
Other operations	13,042	62,055	75,097	5,280	5,332	5,612	67,102
<b>Total</b>	<b>4,140,390</b>	<b>291,550</b>	<b>4,431,940</b>	<b>159,793</b>	<b>233,597</b>	<b>265,965</b>	<b>3,466,015</b>

Intersegment eliminations	-	(291,550)	(291,550)	(398)	-	-	(30,241)
Timber, timberlands, and timber deposits	-	-	-	-	-	5,174	397,721
Equity in affiliates	-	-	-	(22,930)	-	-	204,498
Corporate and other	-	-	-	(43,324)	2,833	725	256,084
Consolidated totals	<u>\$4,140,390</u>	<u>\$ -</u>	<u>\$4,140,390</u>	<u>\$ 93,141</u>	<u>\$ 236,430</u>	<u>\$ 271,864</u>	<u>\$4,294,077</u>

- (1) Operating income (loss) includes gains from sales and dispositions (see Note 1). In addition, interest income has been allocated to the Company's segments in the amounts of \$1,441,000 for 1996, \$2,829,000 for 1995, and \$1,451,000 for 1994.
- (2) As a result of the Company's sale of its coated publication paper business in 1996, paper and paper products includes a pretax gain of approximately \$40,395,000. In addition approximately \$15,341,000 of pretax expense arising from related tax indemnification requirements is included in "Corporate and other." Assets were reduced by \$632,246,000 as a result of the sale.
- (3) Included in the amounts shown are trade sales of \$296,396,000, operating income of \$12,510,000 and identifiable assets of \$221,743,000 related to foreign operations in Canada, Australia, and the United Kingdom.
- (4) Capital expenditures include acquisitions made by BCOP through the issuance of common stock and recording of liabilities.
- (5) Corporate and other operating income includes a gain of \$68,900,000 for the sale of the Company's remaining interest in Rainy River (see Note 1).

11. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

	1996				1995			
	Fourth(1,2,3,4)	Third	Second	First	Fourth(5,6)	Third(7)	Second(8,9,10)	First
	(expressed in millions, except per share and stock price information)							
Net sales	\$1,263	\$1,356	\$1,261	\$1,228	\$1,242	\$1,339	\$1,270	\$1,223
Gross profit	186	175	146	205	261	309	278	220
Net income (loss)	2	(2)	(17)	26	70	119	106	57
Net income (loss) per share(11)								
Primary	(.16)	(.24)	(.55)	.32	1.15	2.03	1.82	.93
Fully diluted	(.16)	(.24)	(.55)	.30	1.07	1.83	1.64	.85
Common stock dividends paid per share	.15	.15	.15	.15	.15	.15	.15	.15
Common stock prices(12)								
High	34	38 1/8	47 1/4	44 7/8	40 5/8	47 1/2	41 1/8	35 3/8
Low	27 3/8	30 1/8	36 5/8	32 3/4	30 3/8	38 1/2	30 1/2	26 1/4

- (1) Includes a pretax gain, as a result of the sale of the Company's coated publication paper business, of approximately \$40,395,000. In addition, by approximately \$15,341,000 of pretax expense arising from related tax indemnification requirements was recorded. The net gain per fully diluted common share was \$.32 (see Note 1).
- (2) Includes \$9,955,000 before taxes, or \$.13 per fully diluted share, for the write-down of certain paper assets (see Note 1).
- (3) Includes a gain of \$2,880,000, or \$.06 per fully diluted share, as a result of shares issued by BCOP for stock options and to effect various acquisitions.
- (4) Includes a reduction to net income of approximately \$1,379,000, or \$.03 per fully diluted share that otherwise would have been recorded in prior 1996 quarters, as a result of increasing the effective annual tax rate in the fourth quarter.
- (5) Includes a charge of \$74,900,000 before taxes, or \$.76 per fully diluted share, related primarily to the write-down of certain paper assets under the provisions of Financial Accounting Standards Board Statement 121, "Accounting for the Impairment of Long-Lived and for Long-Lived Assets to Be Disposed Of" (see Note 1).
- (6) Includes a pretax gain of \$68,900,000, or \$.70 per fully diluted share, as a result of the sale of the Company's remaining interest in Rainy River (see Note 1).
- (7) Includes a gain of \$6,160,000, or \$.10 per fully diluted share, as a result of shares issued by BCOP to effect various acquisitions (see Note 6).
- (8) Includes a gain of \$60,000,000, or \$.98 per fully diluted share, from the BCOP initial public offering (see Note 6).
- (9) Includes \$32,500,000 of income taxes, or \$.53 per fully diluted share, for the tax effect of the difference in the book and tax bases of the Company's stock ownership in Rainy River (see Note 2).
- (10) Includes a pretax charge of \$19,000,000, or \$.19 per fully diluted share, for the establishment of reserves for the write-down of certain paper assets (see Note 1). Also included is the Company's addition to its existing reserves of \$5,000,000 before taxes, or \$.05 per fully diluted share, for environmental and other contingencies.
- (11) The computation of fully diluted net loss per common share was antidilutive in the second, third, and fourth quarters of 1996; therefore, primary and fully diluted net loss per share are the same.
- (12) The Company's common stock is traded principally on the New York Stock Exchange.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders of Boise Cascade Corporation:

We have audited the accompanying balance sheets of Boise Cascade Corporation (a Delaware corporation) and subsidiaries as of December 31, 1996 and 1995, and the related statements of income (loss), cash flows, and shareholders' equity for the years ended December 31, 1996, 1995, and 1994. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boise Cascade Corporation and subsidiaries as of December 31, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

Boise, Idaho  
January 28, 1997

Arthur Andersen LLP

## REPORT OF MANAGEMENT

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

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

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

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

## STATEMENTS OF INCOME (LOSS) (UNAUDITED) Boise Cascade Corporation and Subsidiaries

	THREE MONTHS ENDED DECEMBER 31		YEAR ENDED DECEMBER 31	
	1996	1995	1996	1995
	(expressed in thousands)			
<b>REVENUES</b>				
Sales	\$1,262,740	\$1,241,960	\$5,108,220	\$5,074,230
Other income (expense), net	7,350	750	14,520	(16,560)
	<u>1,270,090</u>	<u>1,242,710</u>	<u>5,122,740</u>	<u>5,057,670</u>
<b>COSTS AND EXPENSES</b>				
Materials, labor, and other operating expenses	1,018,340	923,070	4,163,360	3,764,960
Depreciation and cost of company timber harvested	58,440	58,170	232,600	240,920
Selling and administrative expenses	158,520	121,110	577,580	436,260
	<u>1,235,300</u>	<u>1,102,350</u>	<u>4,973,540</u>	<u>4,442,140</u>
EQUITY IN NET INCOME OF AFFILIATES	140	6,760	2,940	40,070
INCOME FROM OPERATIONS	<u>34,930</u>	<u>147,120</u>	<u>152,140</u>	<u>655,600</u>
Interest expense	(30,640)	(29,750)	(128,360)	(135,130)
Interest income	2,300	760	3,430	2,970
Foreign exchange loss	(370)	(320)	(1,200)	(300)
Gain on subsidiary's sale of stock	2,880	110	5,330	66,270
	<u>(25,830)</u>	<u>(29,200)</u>	<u>(120,800)</u>	<u>(66,190)</u>
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	9,100	117,920	31,340	589,410
Income tax provision	4,240	44,770	11,960	231,290
INCOME BEFORE MINORITY INTEREST	<u>4,860</u>	<u>73,150</u>	<u>19,380</u>	<u>358,120</u>
MINORITY INTEREST, NET OF INCOME TAX	(2,720)	(2,730)	(10,330)	(6,260)
NET INCOME	<u>\$ 2,140</u>	<u>\$ 70,420</u>	<u>\$ 9,050</u>	<u>\$ 351,860</u>
<b>NET INCOME (LOSS) PER COMMON SHARE</b>				
Primary	\$ (.16)	\$ 1.15	\$ (.63)	\$ 5.93
Fully diluted	\$ (.16)	\$ 1.07	\$ (.63)	\$ 5.39
<b>SEGMENT INFORMATION</b>				
<b>SEGMENT SALES</b>				
Paper and paper products	\$ 411,016	\$ 590,413	\$1,873,247	\$2,518,173
Office products	556,680	374,911	1,985,564	1,315,953
Building products	372,021	368,264	1,557,127	1,575,420
Intersegment eliminations and other	(76,977)	(91,628)	(307,718)	(335,316)
	<u>\$1,262,740</u>	<u>\$1,241,960</u>	<u>\$5,108,220</u>	<u>\$5,074,230</u>
<b>SEGMENT OPERATING INCOME</b>				
Paper and paper products	\$ 26,600	\$ 41,709	\$ 74,894	\$ 435,988
Office products	26,986	24,615	101,533	72,055
Building products	15,942	13,267	36,074	89,178
Equity in net income of affiliates	140	6,760	2,940	40,070
Intersegment eliminations and other	(34,738)	60,769	(63,301)	18,309
INCOME FROM OPERATIONS	<u>\$ 34,930</u>	<u>\$ 147,120</u>	<u>\$ 152,140</u>	<u>\$ 655,600</u>

## BALANCE SHEETS (UNAUDITED) Boise Cascade Corporation and Subsidiaries

ASSETS	DECEMBER 31	
	1996	1995
	(expressed in thousands)	
CURRENT		
Cash and cash items	\$ 40,066	\$ 36,876
Short-term investments at cost, which approximates market	220,785	14,593
	<hr/>	<hr/>
Receivables, less allowances of \$4,911,000 and \$3,557,000	260,851	51,469
Inventories	476,339	457,608
Deferred income tax benefits	540,433	568,905
Other	53,728	82,744
	24,053	152,442
	<hr/>	<hr/>
	1,355,404	1,313,168
	<hr/>	<hr/>
PROPERTY		
Property and equipment		
Land and land improvements	40,393	39,482
Buildings and improvements	452,578	459,897
Machinery and equipment	3,859,124	4,271,306
	<hr/>	<hr/>
	4,352,095	4,770,685
Accumulated depreciation	(1,798,349)	(2,166,487)
	<hr/>	<hr/>
	2,553,746	2,604,198
Timber, timberlands, and timber deposits	293,028	383,394
	<hr/>	<hr/>
	2,846,774	2,987,592
	<hr/>	<hr/>
INVESTMENTS IN EQUITY AFFILIATES	19,430	25,803
OTHER ASSETS	489,101	329,623
	<hr/>	<hr/>
TOTAL ASSETS	\$4,710,709	\$4,656,186
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT		
Notes payable	\$ 36,700	\$ 17,000
Current portion of long-term debt	157,304	20,778
Income taxes payable	3,307	26,328
Accounts payable	427,224	379,523

Accrued liabilities		
Compensation and benefits	119,282	159,514
Interest payable	31,585	27,542
Other	157,156	139,222
	<u>932,558</u>	<u>769,907</u>
DEBT		
Long-term debt, less current portion	1,330,011	1,364,835
Guarantee of ESOP debt	196,116	213,934
	<u>1,526,127</u>	<u>1,578,769</u>
OTHER		
Deferred income taxes	249,676	302,030
Other long-term liabilities	240,323	243,259
	<u>489,999</u>	<u>545,289</u>
MINORITY INTEREST	<u>81,534</u>	<u>67,783</u>
SHAREHOLDERS' EQUITY		
Preferred stock - no par value; 10,000,000 shares authorized;		
Series D ESOP: \$.01 stated value; 5,904,788 and 6,117,774		
shares outstanding	265,715	275,300
Series D ESOP benefit	(196,116)	(213,934)
Series F: \$.01 stated value; 115,000 shares outstanding		
in each period	111,043	111,043
Series G: \$.01 stated value; 862,500 shares outstanding		
in each period	176,404	176,404
Common stock - \$2.50 par value; 200,000,000 shares authorized;		
48,476,366 and 47,759,946 shares outstanding	121,191	119,400
Additional paid-in capital	230,728	205,107
Retained earnings	971,526	1,021,118
Total shareholders' equity	<u>1,680,491</u>	<u>1,694,438</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$4,710,709	\$4,656,186
SHAREHOLDERS' EQUITY PER COMMON SHARE	\$27.30	\$28.17

## STATEMENTS OF CASH FLOWS (UNAUDITED) Boise Cascade Corporation and Subsidiaries

YEAR ENDED DECEMBER 31  
1996                      1995  
(expressed in thousands)

## CASH PROVIDED BY (USED FOR) OPERATIONS

Net income	\$ 9,050	\$351,860
Items in income (loss) not using (providing) cash		
Equity in net income of affiliates	(2,940)	(40,070)
Depreciation and cost of company timber harvested	232,600	240,920
Deferred income tax provision	(13,498)	126,096
Minority interest, net of income tax	10,330	6,260
Write-down of assets	9,955	78,491
Amortization and other	25,722	31,997
Gain on sale of assets	(25,054)	(68,900)
Gain on subsidiary's issuance of stock	(5,330)	(66,270)
Receivables	(3,298)	(13,813)
Inventories	(15,914)	(135,334)
Accounts payable and accrued liabilities	6,045	60,286
Current and deferred income taxes	(37,394)	25,239
Other	3,229	(4,440)
	<hr/>	<hr/>
Cash provided by operations	193,503	592,322

## CASH PROVIDED BY (USED FOR) INVESTMENT

Expenditures for property and equipment	(595,253)	(341,486)
Expenditures for timber and timberlands	(5,510)	(5,688)
Investments in equity affiliates, net	(9,736)	(3,894)
Purchases of facilities	(188,463)	(61,638)
Sale of assets	781,401	183,482
Other	(26,271)	11,312
	<hr/>	<hr/>
Cash used for investment	(43,832)	(217,912)

## CASH PROVIDED BY (USED FOR) FINANCING

Cash dividends paid		
Common stock	(28,909)	(27,125)
Preferred stock	(44,389)	(48,731)
	<hr/>	<hr/>
	(73,298)	(75,856)

Notes payable	19,700	(39,000)
Additions to long-term debt	611,158	10,140
Payments of long-term debt	(509,456)	(381,797)
Subsidiaries' issuance of stock	-	123,076
Other	11,607	11,042
	<u>59,711</u>	<u>(352,395)</u>
Cash provided by (used for) financing		
	<u>59,711</u>	<u>(352,395)</u>
INCREASE IN CASH AND SHORT-TERM INVESTMENTS	209,382	22,015
BALANCE AT THE BEGINNING OF THE YEAR	51,469	29,454
	<u>\$260,851</u>	<u>\$ 51,469</u>
BALANCE AT END OF YEAR		

Notes to Quarterly Financial Statements  
Boise Cascade Corporation and Subsidiaries

Financial Highlights. These statements are unaudited statements that do not include all Notes to Financial Statements and should be read in conjunction with the 1996 Annual Report of the Company. The 1996 Annual Report will be available in March 1997. The net income for the three months ended December 31, 1996 and 1995, was subject to seasonal variations and necessarily involved adjustments to estimates made at interim periods for accruals and allocations.

In the fourth quarter of 1996, the Company completed the sale of its coated publication paper business, consisting primarily of its pulp and paper mill in Rumford, Maine, and 667,000 acres of timberland, to The Mead Corporation for approximately \$639,000,000 in cash. After payment of certain related tax indemnification requirements, the net cash proceeds from the sale are being used to reduce debt and to improve the competitive position of the Company's remaining paper business. The transaction resulted in a pretax gain of approximately \$40,395,000, which was recorded in the paper and paper products segment. In addition, approximately \$15,341,000 of pretax expense arising from the related tax indemnification was recorded in the corporate and other caption in segment operating income. The net gain per fully diluted share was 32 cents.

Also in the fourth quarter of 1996, the Company recorded a pretax write-down totaling \$9,955,000, or 13 cents per fully diluted share, for certain paper assets. In the fourth quarter of 1996, the Company recorded a gain of \$2,880,000, or 6 cents per fully diluted share, related to the issuance of stock by Boise Cascade Office Products Corporation ("BCOP").

In the fourth quarter of 1996, the Company's effective annual tax provision rate, excluding the effect of not providing taxes related to "Gain on subsidiary's issuance of stock," was increased from the 39% rate used in the first three quarters of 1996 to 46%. The rate increase was due primarily to the sensitivity of the rate to lower income levels and the mix of income sources. The impact of changing the rate in the fourth quarter, that otherwise would have been recorded in prior 1996 quarters, was to reduce net income by approximately \$1,379,000, or 3 cents per fully diluted share. The effective tax provision rate for 1995, before any effects of the nonroutine items described below, was 38%.

The net effect on the fourth quarter of 1996 of the items discussed above was to increase net income by \$10,700,000, or 22 cents per fully diluted share.

In the fourth quarter of 1995, the Company adopted Financial Accounting Standards Board Statement 121, a new standard on accounting for the impairment of long-lived assets. Following a review of the strategy for its paper business, a decision was made to reconfigure the Company's Vancouver, Washington, pulp and paper mill and reduce, over time, its production. In the fourth quarter of 1995, the Company's paper and paper products segment recorded a charge of approximately \$74,900,000 before taxes, or 76 cents per fully diluted share. Most of this charge was related to the write-down of certain of the mill's assets under the provisions of the new accounting standard.

In the fourth quarter of 1995, the Company recorded a pretax gain of approximately \$68,900,000, or 70 cents per fully diluted share, for the sale of its remaining interest in Rainy River Forest Products Inc. ("Rainy River"), the Company's former Canadian subsidiary.

The net effect in the fourth quarter of 1995 of the gain on the sale of the Company's interest in Rainy River and the charge recorded in the paper and paper products segment decreased net income approximately \$3,700,000 and fully diluted earnings per share 6 cents for the quarter.

In April 1995, the Company's wholly owned subsidiary, BCOP, completed the initial public offering of 10,637,500 shares of common stock at a price of \$12.50 per share, after giving effect to a two-for-one stock split in May 1996. After the offering, the Company owned 82.7% of the outstanding BCOP common stock. The net proceeds of the offering to BCOP were approximately \$123,076,000, of which approximately \$101,859,000 was indirectly available to the Company for general corporate purposes. The remainder of the proceeds were retained by BCOP for its general corporate purposes.

Boise Cascade recorded a gain of approximately \$60,000,000, or 98 cents per fully diluted share, in the second quarter of 1995 from the offering. In the third quarter of 1995, BCOP issued 890,610 shares of its stock to effect various acquisi-

tions. As a result of these share issuances, the Company recorded a gain of \$6,160,000, or 10 cents per fully diluted share. In 1996, BCOP issued 457,542 shares of its stock to effect various acquisitions and for stock options exercised. As a result of these share issuances, the Company recorded a gain of \$5,330,000, or 11 cents per fully diluted share. In accordance with SFAS 109, Accounting for Income Taxes, income taxes were not provided on the gain. At December 31, 1996, the Company owned 80.9% of the outstanding BCOP common stock.

In the second quarter of 1995, the Company provided \$32,500,000 of income taxes, or 53 cents per fully diluted share, for the tax effect of the difference in the book and tax bases of its stock ownership in Rainy River.

In the second quarter of 1995, the Company established reserves for the write-down of certain assets in its paper and paper products segment to their net realizable value with a pretax charge of \$19,000,000, or 19 cents per fully diluted share after taxes. The Company also added to its existing reserves \$5,000,000 before taxes, or 5 cents per fully diluted share after taxes, for environmental and other contingencies.

The net effect of the gain on the sale of the Company's interest in Rainy River, the fourth-quarter charge recorded in the paper and paper products segment, the gains on the issuance of BCOP stock, the tax provision for Rainy River, and the establishment of the above second-quarter reserves increased net income \$15,100,000 and fully diluted earnings per share 25 cents for the year ended December 31, 1995.

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 three months and year ended December 31, 1996, the computation of fully diluted net loss per share was antidilutive; therefore, amounts reported for primary and fully diluted loss were the same.

For the years ended December 31, 1996 and 1995, primary average shares included common shares outstanding and, if dilutive, common stock equivalents attributable to stock options, Series E conversion preferred stock prior to converting to shares of the Company's common stock on January 15, 1995, and Series G conversion preferred stock. For the year ended December 31, 1996, common stock equivalents attributable to stock options and the effect of the Series G conversion preferred stock were antidilutive. Accordingly, 7,331,000 common equivalent shares are excluded from the average number of primary common shares for that period. In addition to common and common equivalent shares, fully diluted average shares include common shares that would be issuable upon conversion of the Company's other convertible securities, if dilutive. For the year ended December 31, 1996, all adjustments to arrive at the average number of fully diluted common shares were antidilutive. Accordingly, 12,234,000 common equivalent and other convertible shares are excluded from the average number of fully diluted common shares.

Year Ended December 31  
1996                      1995  
(expressed in thousands)

Net income as reported	\$ 9,050	\$351,860
Preferred dividends	(39,248)	(25,550)
	<u>(30,198)</u>	<u>326,310</u>
Primary income (loss)		
Assumed conversions:		
Preferred dividends eliminated	--	14,740
Interest on 7% debentures eliminated	--	2,501
Supplemental ESOP contribution	--	(12,599)
	<u>\$(30,198)</u>	<u>\$330,952</u>
Fully diluted income (loss)		
Average number of common shares		
Primary	48,277	55,028
Fully diluted	48,277	61,351

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

The significant subsidiaries of the Company are as follows:

	State or Other Jurisdiction of Incorporation or Organization	Percentage of Voting Securities Owned
Boise Casade Office Products Corporation	Delaware	80.88
BCC Mexico, S.A. De C.V.	Mexico	100.00
Boise Southern Company	Louisiana	100.00
Emmett Power Company	Delaware	100.00
International Falls Power Company	Delaware	100.00
Minidoka Paper Company	Delaware	100.00
Pine City Pulp and Paper Company, LLC	Delaware	100.00

The data schedule contains summary financial information extracted from Boise Cascade Corporation's Balance Sheet at December 31, 1996, and from its Statement of Income for the year ended December 31, 1996. The information presented is qualified in its entirety by reference to such financial statements.

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12-MOS	
	DEC-31-1996
	DEC-31-1996
	40,066
	220,785
	476,339
	4,911
	540,433
	1,355,404
	4,645,123
	1,798,349
	4,710,709
932,558	
	1,526,127
0	
	553,162
	121,191
	1,006,138
4,710,709	
	5,108,220
5,122,740	
	4,395,960
	4,973,540
	0
	0
128,360	
	31,340
	11,960
9,050	
	0
	0
	0
	9,050
	(.63)
	(.63)