

BOISE CASCADE CORP
Form DEF 14A
March 04, 2003

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SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant /x/

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Check the appropriate box:

// Preliminary Proxy Statement

// **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

/x/ Definitive Proxy Statement

// Definitive Additional Materials

// Soliciting Material Pursuant to §240.14a-12

Boise Cascade Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

/x/ No fee required

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(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

Boise Cascade Corporation

Annual Meeting of Shareholders

Boise, Idaho April 17, 2003

Notice and Proxy Statement

BOISE CASCADE CORPORATION

NOTICE OF ANNUAL MEETING

Thursday, April 17, 2003
12 noon, Mountain Daylight Time

Powerhouse Event Center
621 South 17th Street
Boise, Idaho

March 12, 2003

Dear Shareholder:

You are cordially invited to attend our 2003 annual meeting of shareholders to:

elect five directors to serve three-year terms;

approve the 2003 Boise Incentive and Performance Plan;

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approve the 2003 Director Stock Compensation Plan;

approve the appointment of our independent auditors for 2003;

consider and act upon three shareholder proposals; and

conduct other business properly brought before the meeting.

Shareholders who owned stock at the close of business on February 24, 2003, can vote at the meeting.

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

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

Sincerely yours,

George J. Harad
Chairman and
Chief Executive Officer

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Boise Cascade Corporation

Boise Cascade Corporation ("Boise"), through our three major businesses, Boise Office Solutions, Boise Building Solutions, and Boise Paper Solutions, helps our customers manage productive offices and construct well-built homes—two of the most important activities in our society. Boise's 24,000 employees help people work more efficiently, build more effectively, and create new ways to meet business challenges. Boise also provides constructive solutions for environmental conservation by managing natural resources for the benefit of future generations. The address of our corporate headquarters is 1111 West Jefferson Street, PO Box 50, Boise, Idaho 83728, and our telephone number is 208/384-6161. You can visit us on the Internet at www.bc.com.

Annual Meeting Information

Proxy Statement

This proxy statement summarizes information we must provide to you under the rules of the Securities and Exchange Commission (SEC). It is designed to assist you in voting your shares. We began mailing these proxy materials on or about March 12, 2003.

Voting

If your shares are registered directly in your name, you are considered a shareholder of record and will receive your proxy materials from us. If your shares are held through a broker, bank, or other financial institution, you are considered the beneficial owner of shares held in street name and will receive your proxy materials from your broker or other institution.

Shareholders of record can vote by:

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returning a completed proxy card by mail to our independent tabulator, Corporate Election Services, Inc.;

delivering a completed proxy card to the inspector of election prior to the annual meeting; or

completing a ballot and returning it to the inspector of election during the annual meeting.

If you hold your shares in street name, you can vote by submitting a voting instruction card to your broker or other institution.

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

election of the five nominees to serve three-year terms on our board of directors;

approval of the 2003 Boise Incentive and Performance Plan;

approval of the 2003 Director Stock Compensation Plan; and

appointment of KPMG LLP ("KPMG") as our independent auditors for 2003;

and *against* the shareholder proposals to:

declassify our board of directors;

solicit shareholder approval of the Shareholder Rights Plan; and

make all future stock option grants to senior executives have an industry indexed exercise price such that the options have value only if they exceed the industry peer group's performance.

1

If you are a shareholder of record, you may revoke or change your proxy instructions at any time prior to the vote at the annual meeting. To do so:

deliver a new proxy to the independent tabulator, Corporate Election Services, Inc.;

give us written notice of your change or revocation; or

attend the annual meeting and vote in person.

If you hold your shares in street name, you may revoke or change your proxy instructions at any time prior to the vote at the annual meeting by submitting new voting instructions to your broker or other institution.

Each share of Boise stock is entitled to one vote. As of February 24, 2003 (the record date for determining shareholders entitled to vote at the meeting), we had the following outstanding voting stock:

Type/Series of Stock	Number of Shares Outstanding
Common stock	58,291,049
Convertible preferred stock, Series D (ESOP)	4,247,012

Employees Who Are Shareholders

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

Confidential Voting Policy

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

Votes Necessary for Action to be Taken

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

The five nominees who receive the greatest number of votes at the annual meeting will be elected as directors. Approval of the 2003 Boise Incentive and Performance Plan and 2003 Director Stock Compensation Plan require an affirmative vote of the majority of the votes cast on these matters.

The shareholder proposals regarding our classified board, Shareholder Rights Plan, and stock option grants with an industry indexed exercise price will be approved if the votes for the proposals exceed the votes against the proposals. Reinstating an annual election for directors will not automatically occur if the classified board proposal is approved. Eliminating board classification requires a formal amendment to our Certificate of Incorporation. Amendment of the Certificate of Incorporation requires approval by at least 80% of the outstanding shares entitled to vote.

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If the proposals regarding our Shareholder Rights Plan and stock option grants with an industry indexed exercise price are approved, our board of directors will make a determination whether to solicit shareholder approval of the current or any future shareholder rights plan and whether to require that our senior executives' stock option grants have an industry indexed exercise price.

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

Proxy Solicitation

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

Items You May Vote On

1. Election of Directors

We have five nominees for election this year. Detailed information on each nominee is provided beginning on page 16. If a nominee is unavailable for election, either we will vote the proxies for another nominee recommended by the Governance Committee and nominated by the

board of directors or the board may reduce the number of directors to be elected at the meeting.

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

2. Approval of 2003 Boise Incentive and Performance Plan

In February 2003, our board adopted the 2003 Boise Incentive and Performance Plan (the "2003 Plan") and is unanimously recommending that shareholders approve the 2003 Plan. The board believes the 2003 Plan is integral to Boise's compensation strategies and programs. If approved by shareholders, it will give us more flexibility in providing competitive incentive compensation that closely aligns the interests of our employees and nonemployee directors with those of our shareholders. If approved, the 2003 Plan will be effective as of January 1, 2003.

Currently, we have several incentive compensation plans:

Key Executive Performance Plan for Executive Officers an annual incentive plan for Boise's executive officers based on financial measures identified by the board's Executive Compensation Committee, including economic value added.

Key Executive Performance Plan for Key Executives/Key Managers an annual incentive plan substantially similar to the executive officers' annual incentive plan but for nonofficer employees.

1984 Key Executive Stock Option Plan a long-term incentive plan that is limited to grants of stock options and stock appreciation rights ("1984 KESOP").

Key Executive Performance Unit Plan a medium-term incentive plan, approved by shareholders in 2001, that rewards senior executives based on the comparison of our three-year financial performance to that achieved by our key business competitors ("KEPUP").

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Director Stock Option Plan a long-term incentive plan that is limited to grants of stock options only to our nonemployee directors ("DSOP").

The 2003 Plan is intended to replace all these existing plans. If the 2003 Plan is approved by shareholders, no further grants or awards will be made under the Key Executive Performance Plans, 1984 KESOP, KEPUP, or DSOP after 2003.

The 2003 Plan is intended to:

Attract, motivate, reward, and retain the broad-based talent critical to achieving our business goals;

Link a portion of each participant's compensation to the performance of both Boise and the individual participants; and

Encourage ownership of our common stock by participants.

The 2003 Plan will permit grants of annual incentive awards, stock, restricted stock, restricted stock units, performance stock, performance units, stock appreciation rights (SARs), and stock options (including performance based or indexed stock options).

We have included in the 2003 Plan several provisions that are favored by shareholders and that were contained in the plans being replaced. These provisions include a commitment that we will not amend outstanding stock options to lower the exercise price of the stock option or grant new stock options in substitution for previously outstanding stock options. We have also provided that we will not grant stock options with a grant price that is below the fair market value of our stock on the date the stock option is granted.

The board of directors believes the 2003 Plan provides flexibility to shape incentive awards that align shareholders' interests with those of our employees. The board strongly recommends the approval of the 2003 Plan. A more detailed description of the 2003 Plan follows.

Material Features of the Plan

There are generally eight types of awards that may be granted under the 2003 Plan:

stock options (including both incentive stock options ("ISOs") within the meaning of Section 422 of the Internal Revenue Code and nonqualified stock options, which are options that do not qualify as ISOs);

stock appreciation rights;

restricted stock;

restricted stock units;

performance units;

performance shares;

annual incentive awards; and

stock bonus awards.

A total of 2,200,000 shares of common stock is reserved for issuance under the 2003 Plan. These shares are subject to adjustment upon the occurrence of any stock dividend or other distribution, recapitalization, stock split, subdivision, reorganization, merger, consolidation, combination, share repurchase, or share exchange, or other similar corporate transaction or event. Also, the following shares of stock will again be available for issuance under the 2003 Plan: (i) shares subject to an award that is cancelled, expired, forfeited, or otherwise settled without the issuance of stock (including shares subject to awards under the 1984 KESOP outstanding on December 31, 2002); (ii) shares of restricted stock that are forfeited; (iii) shares tendered to satisfy

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the exercise price of an option; and (iv) shares tendered or withheld to satisfy tax withholding requirements.

Approximately 700 of our executive officers, key employees, and nonemployee directors are eligible to receive awards under the 2003 Plan at the discretion of the Executive Compensation Committee. The 2003 Plan restricts the number of stock options, stock appreciation rights, restricted stock, restricted stock units, and performance shares that can be granted during any fiscal year. In addition, the 2003 Plan also limits the amount that may be paid to a participant for performance units granted in a single fiscal year.

This plan is intended to provide performance-based compensation within the meaning of Section 162(m) of the Internal Revenue Code. Section 162(m) generally limits the deduction by an employer for compensation of covered officers. The Section 162(m) limitations do not apply to compensation based on the attainment of performance goals, if specific requirements are met, one of which is obtaining shareholder approval of the compensation plan. If our shareholders approve the 2003 Plan and other Section 162(m) conditions relating to performance-based compensation are satisfied, compensation paid to our officers under this plan will be deductible.

Awards will become exercisable or otherwise vest at the times and upon the conditions that the Executive Compensation Committee may determine, as reflected in the applicable award agreement. The committee can accelerate the vesting and/or exercisability of any outstanding award as it, in its sole discretion, deems appropriate. The committee may also make any or all awards performance-based, which means the award will be paid out based on the attainment of specified performance goals, in addition to any other conditions the committee may establish. Awards under the 2003 Plan are discretionary. To date, no awards have been granted under this plan.

Stock Options. Stock options entitle the holder to purchase shares of our common stock during a specified period at a purchase price set by the Executive Compensation Committee (not less than 100% of the fair market value of the common stock on the grant date). Each option granted under the 2003 Plan will be exercisable for a period of 10 years from the date of grant (or for a lesser period if the committee so determines). Participants exercising an option may pay the exercise price by any lawful method permitted by the committee. Incentive stock options may not be granted under the 2003 Plan on or after January 1, 2013. No participant may receive more than 1,500,000 incentive stock options in any fiscal year.

Stock Appreciation Rights. A stock appreciation right, or SAR, is the right, denominated in shares, to receive upon exercise, without payment to the company, an amount equal to the excess of the fair market value of the common stock on the exercise date over the fair market value of the stock on the grant date. Payment may be made in cash, stock, or a combination of cash and stock. The Executive Compensation Committee may grant SARs to participants as either freestanding awards or as awards related to stock options. For SARs related to an option, the terms and conditions of the grant will be substantially the same as the terms and conditions applicable to the related option, and exercise of either the SAR or the option will cause the cancellation of the other, unless otherwise determined by the committee. The committee will determine the terms and conditions applicable to awards of freestanding SARs. No participant may receive more than 1,500,000 stock appreciation rights in any fiscal year.

Restricted Stock. Restricted stock is common stock that is transferred or sold by the company to a participant and that is subject to a substantial risk of forfeiture and to restrictions on sale or transfer for a period of time. The Executive Compensation Committee will determine the amounts, terms, and conditions (including the attainment of performance goals) of any grant of restricted stock. Except for restrictions on transfer (and any other restrictions that the committee may impose), participants will have all the rights of a shareholder with respect to the restricted stock.

Unless the committee determines otherwise, a participant's termination of employment during the restricted period will result in forfeiture of all shares subject to restrictions. No participant may receive more than 1,500,000 shares of restricted stock in any fiscal year.

Restricted Stock Units. Restricted stock units are similar to restricted stock, except that the shares of stock are not issued to the participant until after the end of the restriction period and any other applicable conditions are satisfied. Restricted stock units may also be paid in cash rather than stock, or in a combination of cash and stock. No participant may receive more than 1,500,000 restricted stock units in any fiscal year.

Performance Units. Performance units, which are the right to receive a payment upon the attainment of specified performance goals, may also be awarded by the Executive Compensation Committee. The committee will establish the applicable performance goals at the time the units are awarded. Payment may be made in cash, stock, or a combination of cash and stock, at the committee's discretion. The maximum amount that may be paid to a participant for performance units granted in a single fiscal year is \$4,000,000.

Performance Shares. Performance shares represent the right to receive a payment at a future date based on the value of the common stock in accordance with the terms of the grant and upon the attainment of specified performance goals. The Executive Compensation Committee shall establish the performance goals and all other terms applicable to the grant. Payment may be made in cash, stock, or a combination of cash and stock, at the committee's discretion. No participant may receive more than 1,500,000 performance shares in any fiscal year.

Annual Incentive Awards. Annual incentive awards are payments based on the attainment of performance goals specified by the Executive Compensation Committee. Awards are calculated as a percentage of salary, based on the extent to which the performance goals are met during the year, as determined by the committee. Awards are paid in cash, unless the committee determines otherwise.

Stock Bonuses. Stock bonus awards, consisting of common stock, may be made at the discretion of the Executive Compensation Committee upon the terms and conditions (if any) determined by the committee.

Performance Goals. Awards of restricted stock, performance units, performance shares, annual incentive awards, and other awards under the 2003 Plan may be subject to the attainment of performance goals relating to one or more business criteria within the meaning of Section 162(m) of the Internal Revenue Code. These goals may include or be based upon, without limitation: sales; gross revenue; gross margins; internal rate of return; cost; ratio of debt to debt plus equity; profit before tax; earnings before interest and taxes; earnings before interest, taxes, depreciation, and amortization; earnings per share; operating earnings; economic value added; ratio of operating earnings to capital spending; cash flow; free cash flow; net operating profit; net income; net earnings; net sales or net sales growth; price of our common stock; return on capital, net assets, equity, or shareholders' equity; segment income; market share; productivity ratios; expense targets; working capital targets; or total return to shareholders. Performance goals may be used to measure the company's performance as a whole or any subsidiary, business unit, or segment of the company, may be adjusted to include or exclude extraordinary items, and may reflect absolute entity performance or a relative comparison of entity performance to the performance of a peer group, index, or other external measure.

Administration of the Plan. The plan is administered by our board's Executive Compensation Committee, which consists of two or more independent directors. The board of directors may amend the 2003 Plan at any time and may make adjustments to the 2003 Plan and outstanding

options, without shareholder approval, to reflect a stock split, stock dividend, recapitalization, merger, consolidation, or other corporate events. Shareholders must approve amendments that:

change the number of shares subject to this plan;

decrease the grant or exercise price of any stock-based award to less than the fair market value of our common stock on the date of grant;

materially increase the cost of the 2003 Plan to the company or the benefits to participants; or

are required by applicable law to be approved by shareholders.

The board may terminate the plan at any time. The plan, however, will remain in effect as awards may extend beyond that time in accordance with their terms.

Change in Control. A change in control (as defined in the plan) will accelerate the vesting of all outstanding awards. This means that, in general, upon a change in control, all outstanding stock options and SARs will become fully exercisable; the restriction period applicable to outstanding shares of restricted stock and restricted stock units will lapse; and all performance goals will be deemed attained. Upon a change in control, each annual incentive award will be payable at the greater of target or the actual award amount determined by year-to-date performance, in either case prorated for the portion of the performance period completed prior to the change in control.

Federal Income Tax Consequences

The following discussion covers some of the United States federal income tax consequences with respect to awards that may be granted under the 2003 Plan. It is a brief summary only. Participants should refer to the Internal Revenue Code for a complete statement of all relevant federal tax consequences or discuss the tax consequences with their tax advisor. This summary does not describe state, local, or foreign tax consequences of an individual's participation in the 2003 Plan.

Stock Options. A participant usually does not realize taxable income upon the grant of a nonqualified stock option (NQSO). Upon the exercise of an NQSO, a participant will realize ordinary income equal to the difference between the fair market value of the common stock being purchased and the exercise price. We will generally be entitled to take a federal income tax deduction in the amount of ordinary income recognized by the participant.

If a participant exercises an NQSO and subsequently sells the option shares, any appreciation will be taxed as capital gain in an amount equal to the excess of the sales proceeds for the option shares over the participant's basis in the option shares. The participant's basis in the option shares will generally be the amount paid for the shares plus the amount included in the participant's ordinary income upon exercise.

In general, a participant granted an incentive stock option has no income tax consequences at the time of grant or exercise (except for purposes of computing liability for alternative minimum tax, if any), and we are not entitled to take a deduction. Upon sale of the underlying stock after satisfying applicable holding period requirements, any amount realized in excess of the exercise price paid will be taxed to the participant as capital gain. If the holding periods are not satisfied, the participant will realize ordinary income equal to the difference between the fair market value of the common stock being purchased and the exercise price. We will also be entitled to a deduction in the amount of ordinary income realized by the participant.

Stock Appreciation Rights. The tax treatment of a stock appreciation right is essentially the same as for an NQSO. Thus, a participant will realize no income upon the grant of an SAR. Upon the exercise of an SAR, a participant will realize ordinary income equal to the amount of cash

and/or the fair market value of the common stock received. We will generally be entitled to take a federal income tax deduction in the amount of ordinary income recognized by the participant.

Restricted Stock. A participant will not recognize any income upon the receipt of restricted stock unless he or she elects under Section 83(b) of the Internal Revenue Code, within 30 days of receipt, to recognize ordinary income equal to the fair market value of the restricted stock at the time of receipt, less any amount paid for the shares. If the election is made, the holder will not be allowed a deduction for amounts subsequently required to be returned to the company. If the election is not made, then on the date that the restrictions to which the restricted stock are subject are removed, the holder will generally recognize ordinary income in an amount equal to the fair market value of the shares on that date, less any amount paid for the shares. At the time the holder recognizes ordinary income, the company generally will be entitled to a deduction in the same amount.

Generally, upon a sale or other disposition of restricted stock with respect to which the holder has recognized ordinary income (i.e., a Section 83(b) election was previously made or the restrictions were previously removed), the holder will recognize capital gain or loss in an amount equal to the difference between the amount realized on the sale or other disposition and the holder's basis in the shares. The holder's basis will generally equal the fair market value of the shares at the time the restrictions were removed or, in the case of a Section 83(b) election, the fair market value of the shares on the date of grant.

Other. Upon the payment of an award of restricted stock units, performance shares, or performance units, or an annual incentive award or stock bonus, the participant will recognize ordinary income equal to the amount of cash received and the fair market value of any shares received. The company generally will be entitled to a federal income tax deduction in the same amount.

Additional Information

As of February 24, 2003, the closing price of our common stock on the New York Stock Exchange was \$23.82 per share. Each of our nonemployees directors will receive a stock option grant of 3,000 shares on July 31, 2003, under the 2003 Plan. The grant price will be the closing price of our common stock on that date. We cannot determine the number of any other awards under the 2003 Plan that will be granted in 2003 to participants. A copy of the plan was filed with the Securities and Exchange Commission as an exhibit to our Form 10-K for the year ended December 31, 2002.

The Board of Directors Unanimously Recommends a Vote "FOR" the Approval of the 2003 Boise Incentive and Performance Plan.

3. Approval of 2003 Director Stock Compensation Plan

We ask you to consider and approve the 2003 Director Stock Compensation Plan ("DSCP"), adopted by the board of directors in February 2003. This plan replaces our previous Director Stock Compensation Plan (approved by shareholders in 1992), which expired on January 1, 2003. The new DSCP is quite similar to our former plan. No further stock options can be issued under our old plan.

Under the DSCP, nonemployee directors have the opportunity to increase their ownership of Boise stock by receiving all or a portion of their compensation in the form of stock options rather than cash. We believe the DSCP is an integral part of a competitive compensation program, helping to support our ability to attract and retain highly qualified outside directors.

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

Material Features of the Plan

Only our nonemployee directors may participate in the DSCP. Our Executive Compensation Committee administers the plan. The committee may amend the DSCP at any time and may make adjustments to the DSCP and outstanding options, without shareholder approval, to reflect a stock split, stock dividend, recapitalization, merger, consolidation, or other corporate events. Shareholders, however, must approve amendments that:

change the number of shares subject to this plan;

change director eligibility requirements;

change the formulas to determine the amount, price, or timing of options; or

materially increase the cost of the DSCP to the company or the benefits to participants.

The committee may not amend the plan more frequently than once every six months, other than to comply with changes in the law, including changes to the Internal Revenue Code or the Employee Retirement Income Security Act.

Options will be granted under the DSCP to purchase shares of our common stock. The DSCP allows a total of 75,000 shares of common stock to be granted. We will file a registration statement under the Securities Act of 1933 with the SEC and a listing application with the NYSE to cover the common stock. The plan will remain in effect until all stock subject to the plan has been purchased through the exercise of options granted under the plan or until all unexercised options have expired.

Options are granted to participating directors on December 31 of each calendar year. The number of option shares granted to a participating director is based on the amount of compensation he or she elected to have paid in options, the cash dividend attributable to stock options previously granted, and the market value of our common stock on July 31 of each year. The options have an exercise price of \$2.50 per share. The difference in value between the exercise price and our common stock's market value at the time of each grant is designed to be equal to the compensation a director has elected not to receive in cash.

The plan does not permit "repricing" of previously granted options. No incentive stock options, stock appreciation rights, or tax offset bonuses may be granted under the plan. Options are exercisable six months after the grant date. They become immediately exercisable, however, upon a director's retirement because of age, disability, or death or upon the occurrence of certain types of mergers, consolidations, or changes in control of the company. Options expire three years from the date of a participant's termination as a director.

Federal Income Tax Consequences

Under current federal law, a director granted a stock option under the DSCP has no income tax consequences at that time. If the director exercises an option, then at that time he or she will realize ordinary income equal to the difference between the value of the common stock and the \$2.50 exercise price. In general, shares acquired by exercising an option have a basis equal to the market value of the stock on the date of exercise. When a director exercises an option, the company is entitled to a federal income tax deduction in the same amount as the director's realized income.

Additional Information

As of February 24, 2003, the closing price of our common stock on the New York Stock Exchange was \$23.82 per share. We cannot determine the number of options under the DSCP that will be granted in 2003 to participating directors. The number of option shares granted is based on the amount of compensation a director elects to have paid in options and the market value of our

common stock on July 31 of each year. You can find more information regarding options held by our directors under our previous DSCP on page 22 under footnote 1 to the "Ownership of Boise Stock" table. A copy of the plan is on file with the Securities and Exchange Commission.

***The Board of Directors Unanimously Recommends a Vote "FOR" the Approval
of the 2003 Director Stock Compensation Plan.***

4. Appointment of Independent Auditors

Our Audit Committee appointed KPMG to serve as our independent auditors for 2003, subject to shareholder approval. Representatives of KPMG will be present at the annual meeting to answer questions. They will also have the opportunity to make a statement if they desire to do so.

Audit services provided by KPMG during 2002 included an audit of the consolidated financial statements included in our Form 10-K, audits of employee benefit plan financial statements, and a review of other filings with the SEC and other governmental agencies. For additional

information regarding the services KPMG provided for us during the year, see the "Audit Committee Report" on page 26.

On April 18, 2002, our Audit Committee engaged KPMG as the company's firm of independent auditors for 2002, replacing Arthur Andersen LLP, which had served the company since 1956. Arthur Andersen's reports on Boise's consolidated financial statements for the past two years did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope, or accounting principles.

During our two most recent fiscal years and through April 18, 2002, there were no disagreements with Arthur Andersen on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to Arthur Andersen's satisfaction, would have caused Arthur Andersen to make reference to the subject matter in connection with its report on Boise's consolidated financial statements for those years.

Your board unanimously recommends a vote "FOR" the approval of KPMG as our independent auditors for 2003.

5. Shareholder Proposal Regarding Classified Board

In November 2002, we received a shareholder proposal to declassify our board of directors.

Proposal

John Osborn, M.D., 2421 W. Mission, Spokane, Washington 99201, who owns 135 shares of Boise common stock, has given us notice that he intends to present the following proposal at the annual meeting.

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

Statement by Shareholder in Support of the Proposal

This resolution has been voted on by Boise Cascade shareholders for three years. It has won a commanding majority in all three years. The very fact that the board has chosen not to implement this measure raises questions about board accountability to shareholder interest.

This proposal aims to eliminate the Company's so-called "classified board," whereby the directors are divided into three classes, each serving a three-year term. Under the current structure,

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shareholders can only vote on one-third of the board at any given time. By classifying itself, a board insulates its members from immediate challenge.

We believe that insularity works primarily to hamper accountability. A classified board can prevent shareholders from mounting a successful opposition to the entire board, because only one-third of the directors are up for election in any given year. By way of contrast, a declassified board would stand for election in its entirety, every year. Many thoughtful investors believe that corporate governance procedures and practices, and the level of accountability they impose, are closely related to financial performance. It is intuitive that, when directors are accountable for their actions, they perform better. Boise Cascade's financial performance has disappointed.

I believe accountability is especially important at Boise Cascade. Our company's web site states that Boise's environmental goal is "conserving our natural resources for generations to come." Contrast Boise's words with Boise's action. Our company has advocated aggressive logging in our National Forests, and has been a corporate leader in opposing Roadless Area protection. More than a million public comment letters and numerous opinion polls have shown majority support for this conservationist measure. Indeed, Boise has not detailed the material harm it would suffer should these remnant wildlands be protected. Meanwhile, the public controversy over the National Forests has served to

question the good will that Boise Cascade needs to promote its products. Public good will is especially important for its brand name-sensitive Office Products division, which now accounts for greater revenue than its forest and paper products revenue combined.

I believe Boise's risky strategy on National Forests illustrates the need to establish accountability and integrity to the shareholder-management relationship at Boise Cascade.

I urge you to support this effort to improve accountability at Boise Cascade.

Statement by Directors in Opposition to the Proposal

Your board of directors continues to believe that a classified board structure is in the best interests of the company's shareholders. Shareholders implemented our current classified board structure for the following reasons, all of which remain important today:

A classified board assures continuity, stability, and knowledge in the business affairs and financial strategies of the company by ensuring that a majority of the directors always have prior experience as directors of the company. With this experience, the board has the background and knowledge necessary to lead the company and maximize shareholder value.

With staggered elections, at least two annual shareholders meetings are required to change control of the board. The board thus has additional time and flexibility in exercising its fiduciary duties when evaluating offers to gain control of the company. There have been a number of unsuccessful mergers and acquisitions in the past several years where shareholders have experienced negative returns. Any attempted takeover of the company, particularly in a hostile environment, should proceed only with due care.

Contrary to the assertions of the shareholder proponent, our classified structure has in no way diminished the board's role in monitoring the company's environmental practices, including forest management. Your board supports the company's dedicated commitment to sustainable forest management and other sound environmental policies. Electing directors on a more frequent basis will not affect the board's position on any matter concerning the company, including environmental interests.

Except for the chairman, your board is composed entirely of independent directors. Each year, a third of those directors stand for election, offering shareholders the opportunity to select board

members who will represent shareholder interests. In recent years, shareholders have overwhelmingly supported the nominees, who have, in turn, supported the company's position on environmental issues. Shareholders, free to express dissatisfaction with one-third of the directors each year, have not done so. Based on previous voting results, a declassified board structure would appear to have no effect on board composition.

An 80% affirmative vote of all outstanding shares is required to amend the company's Certificate of Incorporation to eliminate the classified board provision. In 2002, the shareholder proposal to declassify the board received a majority of shareholder votes cast but significantly less votes than would be required to amend the company's Certificate of Incorporation. Since the shareholder vote of 2002, your board has again reviewed the classified board structure. After thoughtful consideration and discussion, the board concluded that the classified structure continues to be in the best interests of the company's shareholders.

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

6. Shareholder Proposal Regarding Shareholder Rights Plan

In November 2002, we received a shareholder proposal requesting that our board of directors solicit shareholder approval for any shareholder rights plan that might be adopted or, if that approval is not received, that any rights plan be redeemed.

Proposal

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Bartlett Naylor, 1255 N. Buchanan, Arlington, Virginia 22205, who owns 200 shares of Boise common stock, has given us notice that he intends to present the following proposal at the annual meeting.

RESOLVED: That shareholders urge that the board of directors will solicit shareholder approval for any "shareholder rights" plan that might be adopted, and that if this approval is not granted in the form of a majority of the shares voted, then any rights plan be redeemed.

Statement by Shareholder in Support of the Proposal

A shareholder rights plan is commonly known as [sic] poison pill because it would "poison" the company should someone try to buy beyond a certain level of shares of the company's stock. Critics believe that "pills" insulate management from accountability. Naturally, voting shareholders often oppose poison pills. This resolution was actually voted on last year and won. Boise's board has failed to honor this vote.

Shareholder rights plans, sometimes called "poison pills," may be adopted by boards at any time. In the space of a year, our company might both redeem a pill and adopt a new one. Yet I believe shareholders frequently oppose "pills" when they are asked in a vote. This resolution merely urges the board to secure shareholder approval if and when a pill is put in place by the board. Companies such as Texaco and Compaq have instituted the policy imbedded in this resolution and highlight it as a sign of shareholder accountability.

Broadly, the poison pill and a board's actions to establish them without shareholder vote have come to signify management insulation. Shareholder accountability is the hallmark of leading institutional investors. Recently, such investors have declared that they will hold companies to account for social responsibility. This includes the Council of Institutional Investors, with more than \$1 trillion in assets. Members of the Council include the CalPERS as well as pension funds affiliated

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with ExxonMobil, Heinz, Eastman Kodak, and International Paper. Meanwhile, environmental groups have joined religious organizations to press such enlightened policies of social responsibility.

Boise Cascade has struggled to give a good account for itself on the stock market. Its share price has stagnated for more than five years, contrasted with the average S&P firm. Moreover, our company has struggled with a number of controversies, including issues involving the environment. For example, our company [sic] I believe our company needs a good governance system to promote accountability to shareholders. I believe this resolution can help improve that governance system. I urge you to vote YES for this proposal.

Statement by Directors in Opposition to the Proposal

This proposal on shareholder rights plans is virtually identical to last year's proposal submitted by this proponent. After last year's advisory vote, in which the proposal gained a majority of the shareholder votes cast, the board thoroughly reviewed the issue. Following due consideration and discussion, the board continues to believe that this shareholder proposal is not in the best interests of shareholders.

The company's shareholder rights plan has been in place since 1986 and does not expire until 2008. The board adopted the rights plan as a tool to maximize the company's value for its shareholders in the event of an unsolicited takeover attempt. The rights plan is not intended to prevent a takeover of the company. The rights plan guards against abusive and opportunistic takeover tactics designed to gain control of the company at depressed prices without paying shareholders fair value. The rights plan induces a bidder for the company to negotiate with the board, preserving the board's bargaining position. The board thus gains additional time and flexibility to evaluate offers, explore opportunities, and maximize shareholder value. In recent years, research has shown that large U.S. companies that were the target of an unsolicited merger or acquisition proposal received higher premiums if the companies had instituted a shareholder rights plan: see [It Sure Is Getting Hostile](#), *Business Week Magazine*, Jan. 14, 2002, at p. 29.

The board's fiduciary duties require a thorough evaluation of the merits of every acquisition proposal presented to the board to ensure that any such proposal delivers fair value to all shareholders. Given the current climate of rapid consolidation in our industry and the takeover activity associated with that consolidation, the shareholder rights plan is an important tool for our company. The board continues to believe that the shareholder proposal on shareholder rights plans is not in the best interests of its shareholders.

*The Board of Directors Unanimously Recommends a Vote "AGAINST"
the Proposal Soliciting Shareholder Approval of Shareholder Rights Plans.*

7. Shareholder Proposal Regarding Indexed Stock Option Grants to Senior Executives

In November 2002, we received a shareholder proposal requesting that our board adopt an executive compensation policy under which all future stock option grants to senior executives have an industry indexed exercise price such that the options have value only if they exceed a peer group's performance.

Proposal

Plumbers & Pipefitters National Pension Fund, 103 Oronoco Street, Alexandria, Virginia 22314, who owns 27,325 shares of Boise common stock, has given us notice that it intends to present the following proposal at the annual meeting.

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Resolved, that the shareholders of Boise Cascade (the "Company") request that the Board of Directors adopt an executive compensation policy that all future stock option grants to senior executives shall be performance-based. For the purposes of this resolution, a stock option is performance-based if the option exercise price is indexed or linked to an industry peer group stock performance index so that the options have value only to the extent that the Company's stock price performance exceeds the peer group performance level.

Statement by Shareholder in Support of the Proposal

As long-term shareholders of the Company, we support executive compensation policies and practices that provide challenging performance objectives and serve to motivate executives to achieve long-term corporate value maximization goals. While salaries and bonuses compensate management for short-term results, the grant of stock and stock options has become the primary vehicle for focusing management on achieving long-term results. Unfortunately, stock option grants can and do often provide levels of compensation well beyond those merited. It has become abundantly clear that stock option grants without specific performance-based targets often reward executives for stock price increases due solely to a general stock market rise, rather than to extraordinary company performance.

Indexed stock options are options whose exercise price moves with an appropriate peer group index composed of a company's primary competitors. The resolution requests that the Company's Board ensure that future senior executive stock option plans link the options exercise price to an industry performance index associated with a peer group of companies selected by the Board, such as those companies used in the Company's proxy statement to compare 5 year stock price performance.

Implementing an indexed stock option plan would mean that our Company's participating executives would receive payouts only if the Company's stock price performance was better than [sic] that of the peer group average. By tying the exercise price to a market index, indexed options reward participating executives for outperforming the competition. Indexed options would have value when our Company's stock price rises in excess of its peer group average or declines less than its peer group average stock price decline. By downwardly adjusting the exercise price of the option during a downturn in the industry, indexed options remove pressure to reprice stock options. In short, superior performance would be rewarded.

At present, stock options granted by the Company are not indexed to peer group performance standards. As long-term owners, we feel strongly that our Company would benefit from the implementation of a stock option program that rewarded superior long-term corporate performance. In response to strong negative public and shareholder reactions to the excessive financial rewards provided executives by non-performance based option plans, a growing number of shareholder organizations, executive compensation experts, and companies are supporting the implementation of performance-based stock option plans such as that advocated in this resolution. We urge your support for this important governance reform.

Statement by Directors in Opposition to the Proposal

Your company's board of directors has delegated the authority to review and approve all compensation plans for the company's senior executives to the Executive Compensation Committee, which is comprised entirely of independent directors. The Executive Compensation Committee regularly reviews all elements of executive compensation and uses various compensation tools, including salary, incentive units, stock option grants, and other compensation plans to provide a compensation structure that recognizes the company's performance, the executive's contribution to that performance, and market parameters for competitive compensation programs.

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The Executive Compensation Committee agrees that long-term incentive compensation is a valued aspect of executive compensation. To that end, it has designed the company's long-term executive compensation around two key components - traditional stock options and performance-based units. Historically, the committee has granted traditional stock options under the Key Executive Stock Option Plan ("KESOP") and has granted performance units under the Key Executive Performance Unit Plan ("KEPUP"). With traditional stock options, an option holder receives no benefit unless the company's stock price increases after the date of the stock option grant. All the company's compensation plans, including the KESOP, prohibit repricing without shareholder approval. Traditional stock units, therefore, closely align the interests of senior executives with those of shareholders generally, because increases in the value of the company's common stock benefits both shareholders and option holders alike.

The KEPUP, which shareholders adopted in 2001, rewards senior executives if the company's three-year financial performance compares favorably to that achieved by our key business competitors. Upon its adoption, the KEPUP reduced the amount of long-term compensation provided through traditional stock options. By substituting KEPUP grants for traditional stock options and tying awards under the KEPUP plan to the company's financial performance as compared with that of its key competitors, the Executive Compensation Committee effectively introduced the element of long-term performance-based compensation advocated by the shareholder proposal.

The Executive Compensation Committee and the board believe the combination of traditional stock options with performance-based units ensures alignment between the company's senior executives and the interests of shareholders. The board does not believe that the adoption of indexed stock option grants would result in any additional or superior alignment between its senior executives and shareholders.

***The Board of Directors Unanimously Recommends a Vote "AGAINST"
the Proposal to Make All Future Stock Option Grants to Senior
Executives Performance Based.***

8. Other Matters to be Presented at the Meeting

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

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Board of Directors

Structure

Our board of directors, comprised of 13 persons, is divided into three classes for purposes of election. Shareholders elect one class at each annual meeting to serve for a three-year term.

Five directors are nominees for reelection in 2003, each to hold office until the annual meeting of shareholders in 2006 or until he or she reaches mandatory retirement age, whichever is sooner.

Our other directors are not up for election this year and will continue in office for the remainder of their terms or until they retire. Philip J. Carroll resigned from the board of directors in September 2002.

Directors Nominated This Year for Terms Expiring in 2006

Richard R. Goodmanson, 55, joined our board of directors in 2000. Since February 2000, he has been an executive vice president and the chief operating officer of DuPont, a broadly diversified company and the largest chemicals producer in the U.S. He joined DuPont in May 1999 as an executive vice president and co-chief operating officer. Mr. Goodmanson was the president and chief executive officer of America West Airlines from 1996 to April 1999.

Edward E. Hagenlocker, 63, joined our board of directors in 1998. He retired from Ford Motor Company, an automotive manufacturer, after serving as its vice-chairman from November 1996 to January 1999. He also served as the chairman of Visteon Automotive Systems, an automotive parts business and enterprise of Ford Motor Company, from 1997 until his retirement in January 1999. Mr. Hagenlocker is also a director of Air Products and Chemicals, Inc., American Standard Companies Inc., and AmerisourceBergen Corporation.

George J. Harad, 58, is the company's chairman and CEO. He became a director and president of the company in 1991. He was elected chief executive officer of Boise in 1994 and became chairman of the board in 1995. Mr. Harad has been an executive officer of the company since 1982.

Donald S. Macdonald, 71, joined our board for the second time in 1996. He was originally elected in 1978 but resigned in 1986. In September 2002, Mr. Macdonald joined the Toronto law firm of Lang Michener as senior policy advisor. He served as a senior advisor to UBS Bunting Warburg, a business group of UBS AG, one of the leading global financial services firms, from November 2000 to December 2002. Mr. Macdonald was of counsel to the Toronto law firm of McCarthy Tétrault from 1991 until his retirement in March 2000. In addition, he has served as a member of the Canadian House of Commons, chairman of the Royal Commission on the Economic Union and Development Prospects for Canada, and Canadian High Commissioner to Great Britain and Northern Ireland. Mr. Macdonald is also a director of Aber Diamond Corporation.

Jane E. Shaw, 64, joined our board of directors in 1994. Since 1998, Dr. Shaw has been the chairman of the board and chief executive officer of Aerogen, Inc., a company specializing in the development of pulmonary drug delivery systems. She founded The Stable Network, a biopharmaceutical consulting firm, in 1995 and has worked as a consultant in the biopharmaceutical industry since that time. Dr. Shaw was the president and chief operating officer of ALZA Corporation, a pharmaceutical company, from 1987 to 1994. She is also a director of Intel Corporation and McKesson Corporation.

Directors Whose Terms Expire in 2005

Francesca Ruiz de Luzuriaga, 48, joined our board of directors in 1998. From November 1999 to April 2000, Ms. Luzuriaga served as the chief operating officer of Mattel Interactive, a business unit of Mattel, Inc., one of the major toy manufacturers in the world. Prior to holding this position, she served Mattel as its executive vice president, worldwide business planning and resources, from 1997 to 1999 and as its chief financial officer from 1995 to 1997. Since leaving Mattel, Ms. Luzuriaga has been working as an independent business development consultant. She is also a director of Providian Financial Corporation.

Frank A. Shrontz, 71, joined our board of directors in 1989. He is chairman emeritus of The Boeing Company, an aerospace company. Mr. Shrontz was the chairman of the board and chief executive officer of The Boeing Company from 1988 until his retirement in January 1997. He is also a director of ChevronTexaco Corp.

Carolyn M. Ticknor, 55, joined our board of directors in 2000. Ms. Ticknor was a vice president of Hewlett-Packard Company, a global provider of computing, printing, and imaging products and services, from 1995 until her retirement in February 2001. She was also the president of HP's Imaging and Printing Systems from 1999 until her retirement, and had served as the president or general manager of HP's LaserJet Solutions since 1994. Ms. Ticknor is a director of AT&T Wireless. She is also a director of the Lucile Packard Children's Hospital, a private organization, at the Stanford University Medical Center in California.

Ward W. Woods, 60, joined our board of directors in 1992. He was president and chief executive officer of Bessemer Securities, LLC, a privately held investment company, from 1989 until his retirement in December 1999. Mr. Woods is a member, through wholly owned corporations, of the general partner of Bessemer Holdings, L.P., and affiliated investment partnerships. He is also a special partner of Bessemer Holdings & Co. Mr. Woods is a director of Bessemer Securities, LLC, Bessemer Trust Co., and several other private companies.

Directors Whose Terms Expire in 2004

Claire S. Farley, 44, joined our board of directors in 2000. Since September 2002, Ms. Farley has been the chief executive officer of Randall & Dewey, a leading provider of transaction and advisory services to the oil and gas industry. She was the chief executive officer of Trade-Ranger Inc., a global Internet-based marketplace dedicated to buying and selling materials and services used by the energy industry, from January 2001 to May 2002. Ms. Farley was the chief executive officer of Intelligent Diagnostics, Inc., an Internet-based developer of artificial intelligence software used to diagnose medical conditions, from October 1999 to December 2000. She was a corporate officer for Texaco, Inc., from 1997 to October 1999, having been with the company since 1981. In addition, Ms. Farley served as president of Texaco's Worldwide Exploration and New Ventures division from 1998 to 1999 and as president of its Texaco North America Production from 1997 to 1998. She is also a director of Newfield Exploration Company.

Rakesh Gangwal, 49, joined our board of directors in 1998. Mr. Gangwal was the president and chief executive officer of US Airways Group, Inc., the parent corporation for US Airways' mainline jet and express divisions as well as several related companies, from 1998 until his resignation in November 2001. He was also the president and chief executive officer of US Airways, Inc., the main operating arm of US Airways Group, from 1998 until his resignation. Mr. Gangwal was the president and chief operating officer of US Airways Group, Inc., and US Airways, Inc., from 1996 to 1998.

Gary G. Michael, 62, joined our board of directors in 1997. Mr. Michael was the chairman of the board and chief executive officer of Albertsons, Inc., a retail food and drug company, from 1991 until his retirement in June 2001. He is also a director of Harrah's Entertainment Inc., IDACORP, Inc., Questar Corporation, and The Clorox Company and former chairman of the Federal Reserve Bank of San Francisco.

A. William Reynolds, 69, joined our board of directors in 1989. Since 1995, Mr. Reynolds has been the chief executive of Old Mill Group, a private investment firm. He was the chairman of the board and chief executive officer of GenCorp Inc., a diversified manufacturing and service company, from 1987 to 1995. Mr. Reynolds is also the former chairman of the Federal Reserve Bank of Cleveland.

Business Relationships with Directors

With the exception of Mr. Harad, our chairman and CEO, all our directors are independent, and we have no business relationships to report.

During 2002, our board of directors met five times. In addition to meetings of the full board, directors also attended meetings of board committees. All the directors, except Ms. Shaw, attended at least 75% of the meetings of the board and the committees on which they served. Ms. Shaw participated in four of the five board meetings but was unable to participate in three committee meetings, which, in the aggregate, resulted in her attending less than 75% of the total meetings of the board and the committees on which she served. Overall, our directors had an attendance rate of 94%.

The Board of Directors and Committee Membership

Director	Committee of Outside Directors	Executive Compensation Committee	Audit Committee	Governance Committee
Claire S. Farley	X	X	X	
Rakesh Gangwal				