UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
F O R M 10 - K/A

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

For the fiscal year ended December 31, 1998

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

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 and Chicago Stock Exchanges
American & Foreign Power Company Inc. Debentures, 5% Series due 2030	New York Stock Exchange
Common Stock Purchase Rights	New York and Chicago Stock Exchanges

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

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

The aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the price at which the stock was sold as of the close of business on February 26, 1999: $1,751,052,982

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 26, 1999
Common Stock, $2.50 par value	56,371,927

Documents incorporated by reference

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

2. Portions of the registrant's proxy statement relating to its 1999 annual meeting of shareholders to be held on April 15, 1999 ("Boise Cascade's proxy statement"), are incorporated by reference into Part III of this Form 10-K/A, and

3. The registrant's Income Statement from the fourth quarter fact book for the three months ended December 31, 1998 is incorporated by reference into Parts II and IV of this Form 10-K/A.

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PART I

ITEM 1. BUSINESS

As used in this annual report, the terms "Boise Cascade" and "we" include Boise Cascade Corporation and its consolidated subsidiaries and predecessors.

Boise Cascade Corporation is a major distributor of office products and building materials and an integrated manufacturer and distributor of paper and wood products. We are headquartered in Boise, Idaho, with domestic and international operations. We own and manage over 2 million acres of timberland in the United States. We were 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, our name was changed to its present form.

Financial information pertaining to each of our industry segments and to each of our geographic areas for the years 1998, 1997, and 1996 is presented in Note 9, "Segment Information," of the Notes to Financial Statements of our 1998 Annual Report and is incorporated by reference.

Our 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 we serve. 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. Our 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 our building products businesses. In addition, energy and some operating costs may increase at facilities affected by cold weather. Seasonal influences, however, are generally not significant.

We have no unusual working capital practices. We believe the management practices followed by Boise Cascade and Boise Cascade Office Products with respect to working capital conform to common business practices in the United States.

We engage in acquisition and divestiture discussions with other companies and make acquisitions and divestitures from time to time. It is our policy to review our operations periodically and to dispose of assets which fail to meet our 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 our 1998 Annual Report. This information is incorporated by reference.)

OFFICE PRODUCTS

In April 1995, our then 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, Boise Cascade owned 82.7% of BCOP's outstanding common stock. At December 31, 1998, we owned 81.2% of BCOP's outstanding common stock. (See Note 6 of the Notes to Financial Statements of our 1998 Annual Report. This information is incorporated by reference.)

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

Customers with more than one location are sold to under the terms of one contract (national contract). These national contracts provide consistent pricing and product offerings to multiple locations. If the customer desires, we also provide summary billings, usage reporting, and other special services. At February 26, 1999, BCOP operated 68 distribution centers. During 1998, BCOP completed acquisitions of six businesses. BCOP also operates three 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:

	1998	1997	1996	1995	1994
Sales (millions)	$3,067	$2,597	$1,986	$1,316	$ 909

BUILDING PRODUCTS

Boise Cascade is a major producer of lumber, plywood, and particleboard, together with a variety of specialty wood products. We also manufacture 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 our production is sold to independent wholesalers and dealers and through our own wholesale building materials distribution outlets. Our wood products are used primarily in housing, industrial construction, and a variety of manufactured products. Wood products manufacturing sales for 1998, 1997, 1996, 1995, and 1994 were $861 million, $913 million, $867 million, $977 million, and $997 million.

The following table sets forth annual practical capacities of our wood products facilities as of December 31, 1998, and 1998 production:

	Number of Mills	Annual Practical Capacity(1)	Production
		(millions)	
Plywood and veneer (sq. ft.) (3/8" basis)(2)	11	1,555	1,809
Lumber (board feet)(3)	8	520	566
Particleboard (sq. ft.) (3/4" basis)	1	200	190
Oriented strand board (sq. ft.)(4)	1	400	346
Laminated veneer lumber (LVL) (cubic feet)(5)	2	14	7.6

(1) Annual practical capacity is production assuming normal operating shift configurations.

(2) Number of mills and practical capacity excludes the Medford plywood plant which was severely damaged by fire in September 1998. A portion of the plant is being rebuilt. Production in 1998 includes Medford until the fire.

(3) Number of mills and practical capacity excludes the Horseshoe Bend and Fisher sawmills which closed in September 1998. Production in 1998 includes these sawmills until the closures.

(4) In 1995, we formed a joint venture to build an oriented strand board (OSB) plant in Barwick, Ontario, Canada. We own 47% of the joint venture and account for it on the equity method. The 400 million square feet of annual capacity represents 100% of the production volume. The plant began production in 1997.

(5) A portion of LVL production is used in the manufacture of I-joists.

Boise Cascade operates 16 wholesale building materials distribution facilities. In January 1999, we started up a facility in Chicago, Illinois. These operations market a wide range of building materials, including lumber, plywood, particleboard, engineered wood products, roofing, insulation, 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 31% in 1998) of the wood products required by our building materials distribution facilities is provided by our manufacturing facilities, and the balance is purchased from outside sources.

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

	1998	1997	1996	1995	1994
			(millions)		
Plywood (square feet - 3/8" basis)	1,815	1,836	1,873	1,865	1,894
Lumber (board feet)	572	657	692	711	754
Particleboard (square feet - 3/4" basis)	190	195	195	196	194
Oriented strand board (square Feet-3/8" basis)(1)	347	151	-	-	-
Laminated veneer lumber (cubic feet)	3.8	2.7	2.2	1.8	1.4
I-joists (eq. lineal feet)	106	82	74	61	55
Building materials distribution (sales dollars)	$861	$ 732	$ 690	$ 598	$ 657

(1) Includes 100% of the sales volume from our joint venture, of which we own 47%.

TIMBER RESOURCES

Boise Cascade owns or controls approximately 2.4 million acres of timberland in the U.S. The amount of timber we harvest each year from our timber resources, compared with the amount we purchase from outside sources, varies according to the price and supply of timber for sale on the open market and according to what we deem to be in the interest of sound management of our timberlands. During 1998, our mills processed approximately 1.0 billion board feet of sawtimber (timber used to make lumber and veneer) and 1.5 million cords of pulpwood (timber used in paper making); 35% of the sawtimber and 42% of the pulpwood were harvested from our timber resources, and the balance was acquired from various private and government sources. Approximately 67% of the 1.0 million bone-dry units (a bone-dry unit is 2,400 dry pounds) of hardwood and softwood chips consumed by our Northwest pulp and paper mills in 1998 were provided from a whole-log chipping facility, our cottonwood fiber farm, and our Northwest wood products manufacturing facilities as residuals from the processing of solid wood products. Of the 559,000 bone-dry units of residual chips used in the South, 41% were provided by our Southern wood products manufacturing facilities. Our timberlands are managed as part of our building products and paper and paper products segments. The impact of our timberlands on our results of operations is included in these segments.

At December 31, 1998, 1997, and 1996 the acreages of owned or controlled timber resources by geographic area and the approximate percentages of total fiber requirements available from our respective timber resources in these areas and from the residuals from processed purchased logs are shown in the following table:

	Northwest(1)			Midwest(2)			South(3)			Total(4)		
	1998	1997	1996	1998	1997	1996	1998	1997	1996	1998	1997	1996
							(thousands of acres)					
Fee	1,333	1,331	1,328	308	308	308	418	418	419	2,059	2,057	2,055
Leases and contracts	44	51	51	-	-	-	285	284	290	329	335	341
	1,377	1,382	1,379	308	308	308	703	702	709	2,388	2,392	2,396
Approximate % of total fiber requirements available from:(5)												
Owned and controlled timber resources	29%	25%	21%	23%	23%	23%	39%	25%	25%	32%	25%	23%
Residuals from processed purchased logs	11	13	14	-	-	-	4	6	6	7	9	9
Total	40%	38%	35%	23%	23%	23%	43%	31%	31%	39%	34%	32%

(1) Principally sawtimber.

(2) Principally pulpwood.

(3) Sawtimber and pulpwood.

(4) On December 31, 1998, our inventory of merchantable

sawtimber was approximately 7.7 billion board feet, and our inventory of pulpwood was approximately 8.0 million cords. At December 31, 1997, these inventories were approximately 7.7 billion board feet and approximately 7.8 million cords, and at December 31, 1996, these inventories were approximately 7.6 billion board feet and approximately 7.6 million cords.

(5) Assumes harvesting of company-owned and controlled timber resources on a sustained timber yield basis and operation of our paper and wood products manufacturing facilities at practical capacity. Percentages shown represent weighted average consumption on a cubic volume basis.

During 1998, 50% of our timber needs were received from private sources, 11% were received from governmental sources, and 39% were provided from internal sources. During 1997, these percentages were 54%, 12%, and 34% and in 1996 were 54%, 14%, and 32%. Long-term leases generally provide Boise Cascade 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, we have an option to purchase approximately 204,000 acres of timberland under lease and/or contract in the South. We seek to maximize the utilization of our 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 being improved through a variety of methods, including genetic research and computerization.

We assume substantially all risks of loss from fire and other casualties on all the standing timber we own, as do most owners of timber tracts in the U.S.

Additional information pertaining to our timber resources is presented under the caption "Timber Supply and Environmental Issues" of the Financial Review of our 1998 Annual Report. This information is incorporated by reference.

PAPER AND PAPER PRODUCTS

Boise Cascade is a major North American pulp and paper producer with five paper mills. The total annual practical capacity of the mills was approximately 2.8 million tons at December 31, 1998. Our products are sold to distributors and industrial customers primarily by our own sales personnel.

The products manufactured by Boise Cascade, 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 our office products distribution operations. In addition, containerboard is used by Boise Cascade in the manufacture of corrugated containers.

Our paper mills are supplied with pulp principally from our own integrated pulp mills. Pulp mills in the Northwest manufacture chemical pulp primarily from wood waste produced as a by-product 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 our sawmills and plywood mills in the Northwest and, to a lesser extent, in the South, and the remainder is purchased from outside sources. Boise Cascade currently manufactures corrugated containers at seven plants, which have annual practical capacity of approximately 5.0 billion square feet. The containers produced at our plants are used to package fresh fruit and vegetables, processed food, beverages, and many other industrial and consumer products. We sell our corrugated containers primarily through our own sales personnel.

The following table sets forth annual practical capacities of our paper manufacturing locations as of December 31, 1998, and 1998 production:

	Number of Machines	Annual Practical Capacity(1)	Production
		(tons)	
PULP AND PAPER MILLS			
Jackson, Alabama			
Uncoated free sheet	2	500,000	436,578
DeRidder, Louisiana			
Containerboard	1	520,000	512,501
Newsprint	2	435,000	430,579
International Falls, Minnesota			
Uncoated free sheet	4	550,000	511,188
St. Helens, Oregon			
Uncoated free sheet	3	240,000	236,310

Market pulp	-	95,000	88,266
Wallula, Washington			
Uncoated free sheet	1	235,000	217,452
Market pulp	1	135,000	120,526
Containerboard	1	120,000	110,113
Total	15	2,830,000	2,663,513

ANNUAL PRACTICAL CAPACITY BY PRODUCT	
Uncoated free sheet	1,525,000
Containerboard	640,000
Newsprint	435,000
Market pulp	230,000
Total	2,830,000

(1) Annual practical capacity assumes 24-hour days, 365 days per year, except for days allotted for planned maintenance.

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

	1998	1997	1996	1995	1994
	(thousands of tons)				
Paper					
Uncoated free sheet	1,403	1,314	1,167	1,177	1,271
Containerboard	624	604	563	602	595
Newsprint	431	440	411	416	415
Market pulp	129	161	230	217	212
Discontinued grades	-	-	260	428	447
	2,587	2,519	2,631	2,840	2,940
	(millions of square feet)				
Corrugated Containers	4,182	3,568	3,201	3,114	3,237

In November 1996, we completed the sale of our coated publication paper business, consisting primarily of our pulp and paper mill in Rumford, Maine, and 667,000 acres of timberlands, to The Mead Corporation.

In October 1994, Rainy River Forest Products ("Rainy River"), our former Canadian subsidiary, completed an initial offering of units of its equity and debt securities. As a result of the offering, we owned 49% of the outstanding voting common shares and 60% of the total equity of Rainy River. Beginning January 1, 1994, we accounted for Rainy River on the equity method. In November 1995, we divested our remaining interest in Rainy River through Rainy River's merger with Stone-Consolidated Corporation (now Abitibi-Consolidated).

COMPETITION

The markets we serve are highly competitive, with a number of substantial companies operating in each. We compete in our markets principally through price, service, quality, and value-added products and services.

ENVIRONMENTAL ISSUES

Our discussion of environmental issues is presented under the caption "Timber Supply and Environmental Issues" of the Financial Review of our 1998 Annual Report. This information is incorporated by reference. In addition, environmental issues are discussed under "Item 3. Legal Proceedings," of this Form 10-K/A.

EMPLOYEES

As of December 31, 1998, we had 23,039 employees, 5,899 of whom were covered under collective bargaining agreements. In 1998, we obtained a labor contract extension effective until 2004 for our West Coast paper employees. In April 1999, contracts covering our International Falls, Minnesota, pulp and paper mill are scheduled to expire.

IDENTIFICATION OF EXECUTIVE OFFICERS

Information with respect to our executive officers is set forth in "Item 10. Directors and Executive Officers of the Registrant" of this Form 10-K/A and is incorporated into this Part I by reference.

CAPITAL INVESTMENT

Information concerning our capital expenditures is presented under the caption "Investing Activities" and in the table titled

"1998 Capital Investment by Business" of the Financial Review section of our 1998 Annual Report. This information is incorporated by reference.

ENERGY

The paper and paper products segment is our primary energy user. Self-generated energy sources in this segment, such as wood wastes, pulping liquors, and hydroelectric power, provided 59% of total 1998 energy requirements, compared with 57% in 1997 and 53% in 1996. The energy requirements fulfilled by purchased sources in 1998 were as follows: natural gas, 28%; electricity, 12%; and residual fuel oil, 1%.

ITEM 2. PROPERTIES

We own substantially all of our facilities other than those in our office products subsidiary. The majority of the office products facilities are rented under operating leases. Regular maintenance, renewal, and new construction programs have preserved the operating suitability and adequacy of our properties. Our properties are in good operating condition and are suitable and adequate for the operations for which they are used. We own substantially all equipment used in our facilities. Information concerning productive capacity and the utilization of our manufacturing facilities is presented in Item 1 of this Form 10-K/A.

Following is a list of our facilities by segment as of February 26, 1999. Information concerning timber resources is presented in Item 1 of this Form 10-K/A.

OFFICE PRODUCTS

68 distribution centers located in Arizona, California (2), Colorado, Connecticut, Delaware, Florida (3), Georgia, Hawaii, Idaho, Illinois, Indiana, Kentucky, Maine, Maryland, Massachusetts, Michigan (3), Minnesota, Missouri (2), Nevada (2), New Mexico, New York (2), North Carolina, Ohio (3), Oklahoma, Oregon (2), Pennsylvania (2), Tennessee (2), Texas (2), Utah, Vermont, Virginia, Washington (2), Wisconsin, Australia (7), Canada (8), France (2), Spain, and the United Kingdom (2).

Approximately 73 retail outlets located in Hawaii and Canada.

BUILDING PRODUCTS

8 sawmills located in Alabama, Idaho, Oregon (3), and Washington (3).

11 plywood and veneer plants located in Idaho, Louisiana (2), Oregon (6), and Washington (2). Excludes the Medford, Oregon plywood plant which was severely damaged by fire in 1998. A portion of the plant is being rebuilt.

1 particleboard plant located in Oregon.

2 laminated veneer lumber/wood I-joists plants located in Oregon and Louisiana.

1 wood beam plant located in Idaho.

47% owned oriented strand board joint venture located in Barwick, Ontario, Canada.

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

PAPER AND PAPER PRODUCTS

5 pulp and paper mills located in Alabama, Louisiana, Minnesota, Oregon, and Washington. In 1996, we sold our 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, we completed the reconfiguration of our Vancouver, Washington, mill by shutting down its paper making abilities and operating it only as a paper converting facility.

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

ITEM 3. LEGAL PROCEEDINGS

We have been notified that we are a "potentially responsible party" under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) or similar federal and state laws with respect to 33 active sites where hazardous substances or other contaminants are located. We cannot predict with certainty the total response and remedial costs, our 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 our investigations, our 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, we do not presently believe that the known actual and potential response costs will, in the aggregate, materially affect our financial condition or operations.

In December 1998, the Maine Environmental Protection Agency issued Notices of Violation for air and water permit exceedances at the Rumford, Maine, pulp and paper mill for the period 1994 until the mill was sold in 1996. We are investigating the validity of these allegations. Should the allegations prove to be valid, we do not expect the penalties to exceed $150,000.

We are involved in various litigation and administrative proceedings arising in the normal course of our business. In the opinion of management, our recovery, if any, or our liability, if any, under any pending litigation or administrative proceeding, including those described in the preceding paragraphs, would not materially affect our financial condition or operations.

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

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock is listed on the New York and Chicago Stock Exchanges. In January 1999, we voluntarily delisted our common stock and other securities from the Pacific Exchange due to the lack of trading activity. The high and low sales prices for our common stock, as well as the frequency and amount of dividends paid on such stock, is included in Note 11, "Quarterly Results of Operations," of the Notes to Financial Statements in our 1998 Annual Report. Additional information concerning dividends on common stock is presented under the caption "Financing Activities" of the Financial Review section of our 1998 Annual Report, and information concerning restrictions on the payments of dividends is included in Note 4, "Debt," of the Notes to Financial Statements in our 1998 Annual Report. The approximate number of common shareholders, based upon actual record holders at year-end, is presented under the caption "Financial Highlights" of our 1998 Annual Report. The information under these captions is incorporated by reference.

SHAREHOLDER RIGHTS PLAN

The company has had a shareholder rights plan since January 1986. The current plan took effect in December 1998. At that time, the rights under the previous plan expired and we distributed to our common stockholders one new right for each common share held. The rights become exercisable ten days after a person or group acquires 15% of our 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. Each full right, if it becomes exercisable, entitles the holder to purchase one share of common stock at a purchase price of $175 per share, subject to adjustment. In addition, upon the occurrence of certain events, and upon payment of the then-current purchase price, the rights may "flip in" and entitle holders to buy common stock or "flip over" and entitle holders to buy common stock in an acquiring entity in such amount that the market value is equal to twice the purchase price. The rights are nonvoting and may be redeemed by the company for one cent per right at any time prior to the tenth day after an individual or group acquires 15% of our voting stock, unless extended, and expire in 2008. Additional details are set forth in the Renewed Rights Agreement filed with the Securities and Exchange Commission as Exhibit 4.2 in our Form 10-Q dated September 30, 1997.

ITEM 6. SELECTED FINANCIAL DATA

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

	1998(1)	1997	1996(2)	1995(3)	1994(4)
	(expressed in millions, except per-common-share amounts)				
Assets					
Current assets	$1,368	$1,354	$1,355	$1,313	$ 918
Property and equipment, net	2,571	2,630	2,554	2,604	2,494
Other	1,032	986	802	739	882

	$4,971	$4,970	$4,711	$4,656	$4,294
Liabilities and Shareholders' Equity					
Current liabilities	$1,130	$ 894	$ 933	$ 770	$ 658
Long-term debt, less current portion	1,578	1,726	1,330	1,365	1,625
Guarantee of ESOP debt	156	177	196	214	231
Minority interest	117	105	82	68	-
Other	559	455	490	545	415
Shareholders' equity	1,431	1,613	1,680	1,694	1,365
	$4,971	$4,970	$4,711	$4,656	$4,294
Net sales	$6,162	$5,494	$5,108	$5,074	$4,140
Net income (loss) before cumulative effect of accounting change	$ (26)	$ (30)	$ 9	$ 352	$ (63)
Cumulative effect of accounting change, net	(8)	-	-	-	-
Net income (loss)	$ (34)	$ (30)	$ 9	$ 352	$ (63)
Net income (loss) per common share					
Basic before cumulative effect of accounting change	$ (.81)	$(1.19)	$ (.63)	$ 6.62	$(3.08)
Cumulative effect of accounting change	(.15)	-	-	-	-
Basic (5)	$ (.96)	$(1.19)	$ (.63)	$ 6.62	$(3.08)
Net income (loss) per common share					
Diluted before cumulative effect of accounting change	$ (.81)	$(1.19)	$ (.63)	$ 5.39	$(3.08)
Cumulative effect of accounting change	(.15)	-	-	-	-
Diluted(5)	$ (.96)	$(1.19)	$ (.63)	$ 5.39	$(3.08)
Cash dividends declared per common share	$ .60	$ .60	$ .60	$ .60	$ .60

(1) 1998 includes a pretax charge of $37,982,000 for a company wide cost-reduction initiative and the restructuring of certain operations.

1998 includes a pretax gain of $45,000,000 related to an insurance settlement for our Medford, Oregon, plywood plant which was severely damaged by fire.

1998 includes a pretax charge of $61,900,000 for the restructuring of our wood products manufacturing business and a pretax charge of $19,000,000 for the revaluation of paper-related assets.

1998 includes a net of tax charge of $8,590,000 for the adoption of AICPA Statement of position 98-5, "Reporting on the Costs of Start-Up Activities."

1998 net loss per common share includes a negative seven cents related to the redemption of our Series F preferred stock.

(2) 1996 includes a pretax gain of approximately $40,395,000 as a result of the sale of our coated publication paper business. In addition, approximately $15,341,000 of pretax expense arising from related tax indemnification requirements was recorded. Assets were reduced by $632,246,000 as a result of the sale.

1996 includes $9,955,000 before taxes for the write-down of paper assets.

1996 includes a gain of $2,880,000 as a result of shares issued by BCOP for stock options and to effect various acquisitions.

(3) 1995 includes a charge of $74,900,000 before taxes 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 Assets and for Long-Lived Assets to be Disposed Of."

1995 includes a pretax gain of $68,900,000 as a result of the sale of our remaining interest in Rainy River.

1995 includes a gain of $6,160,000 as a result of shares issued by BCOP to effect various acquisitions. 1995 includes a gain of $60,000,000 from the BCOP initial public offering.

1995 includes $32,500,000 of income taxes for the tax effect of the difference in the book and tax bases of our stock ownership in Rainy River.

1995 includes a pretax charge of $19,000,000 for the establishment of reserves for the write-down of certain paper assets. Also included is our addition to existing reserves of $5,000,000 before taxes for environmental and other contingencies.

(4) 1994 includes a charge of $10,200,000 before taxes as a result of the sale of securities by Rainy River. It also includes the recognition of a noncash charge of $20,200,000 for U.S. taxes on previously undistributed Canadian earnings.

(5) The computation of diluted net loss per common share was antidilutive in the years 1998, 1997, 1996, and 1994; therefore, the amounts reported for basic and diluted loss per share are the same. In 1997, we adopted SFAS No. 128, "Earnings Per Share," effective December 15, 1997. As a result, our basic earnings per share for 1995 increased 69 cents to $6.62 over the previously reported primary income per common share. The accounting change had no effect on any of the other reported amounts.

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 our 1998 Annual Report and are incorporated by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information concerning quantitative and qualitative disclosures about market risk is included under the caption, "Disclosures of Certain Financial Market Risks," in the Financial Review section of our 1998 Annual Report and is incorporated by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our consolidated financial statements and related notes, together with the report of the independent public accountants, are presented in our 1998 Annual Report and are incorporated by reference.

The consolidated income statement for the three months ended December 31, 1998, is presented in our Fact Book for the fourth quarter of 1998 and is incorporated by reference.

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 (change of control), as defined, and a rating decline, as defined, the holders of these securities may require Boise Cascade 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

The directors and nominees for directors are presented under the caption "Board of Directors" in our proxy statement. This information is incorporated by reference.

Executive Officers as of February 26, 1999

Name	Age	Position or Office	Date First Elected as an Officer
George J. Harad(1)	54	Chairman of the Board and	

		Chief Executive Officer	5/11/82
Theodore Crumley	53	Senior Vice President and Chief Financial Officer	5/10/90
A. Ben Groce	57	Senior Vice President	2/8/91
John W. Holleran	44	Senior Vice President and General Counsel	7/30/91
Terry R. Lock	57	Senior Vice President	2/17/77
Christopher C. Milliken(2)	53	Senior Vice President	2/3/95
Richard B. Parrish	60	Senior Vice President	2/27/80
N. David Spence	63	Senior Vice President	12/8/87
A. James Balkins III(3)	46	Vice President	9/5/91
Stanley R. Bell	52	Vice President	9/25/90
John C. Bender	59	Vice President	2/13/90
Charles D. Blencke	55	Vice President	12/11/92
Tom E. Carlile	47	Vice President and Controller	2/4/94
Graham L. Covington	56	Vice President	9/24/98
Karen E. Gowland	40	Vice President and Corporate Secretary	9/25/97
J. Michael Gwartney	58	Vice President	4/25/89
Vincent T. Hannity	54	Vice President	7/26/96
Guy G. Hurlbutt	56	Vice President	7/31/98
Irving Littman	58	Vice President and Treasurer	11/1/84
Jeffrey G. Lowe	57	Vice President	12/11/92
Richard W. Merson	56	Vice President	12/12/97
Carol B. Moerdyk(4)	48	Vice President	5/10/90
David A. New	48	Vice President	4/30/97

(1) Chairman of the Board, Boise Cascade Office Products Corporation

(2) Chief Executive Officer, Boise Cascade Office Products Corporation

(3) Senior Vice President, Chief Financial Officer, and Treasurer, Boise Cascade Office Products Corporation

(4) Senior Vice President, North American and Australian Contract Operations, Boise Cascade Office Products Corporation

All of the officers named above except for David A. New, who joined the company in 1997, have been employees of Boise Cascade or one of its subsidiaries for at least five years.

Terry M. Plummer, vice president, resigned from his position with Boise Cascade effective October 31, 1998. J. Kirk Sullivan, vice president, retired from his position with Boise Cascade effective July 1, 1998. Gary M. Watson, vice president, resigned from his position with Boise Cascade effective February 26, 1999. Terry R. Lock, senior vice president, and J. Michael Gwartney, vice president, will retire from their positions with Boise Cascade on March 31, 1999.

Graham L. Covington was elected vice president in September 1998. Mr. Covington received a bachelor's degree in English from Williams College and a MBA from the University of California at Berkeley. Mr. Covington joined Boise Cascade in 1972 as a Paper Division sales representative and held several managerial positions in the division's sales and marketing organization before being named director of sales and marketing.

Guy G. Hurlbutt was elected vice president in July 1998. Mr. Hurlbutt received a bachelor's degree in forestry from the University of Georgia, a law degree from the University of South Carolina, and a master's degree in environmental law from George Washington University. Mr. Hurlbutt joined Boise Cascade in 1984 as an associate general counsel. He became director of environmental affairs in August 1997 and assumed responsibility for public policy in June 1998.

ITEM 11. EXECUTIVE COMPENSATION

Information concerning compensation of Boise Cascade's executive officers for the year ended December 31, 1998, is presented under the caption "Compensation Tables" in our proxy statement. This information is incorporated 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, 1998, is set forth under the caption "Ownership of More Than 5% of Boise Cascade Stock" in Boise Cascade's proxy statement and is incorporated by reference.

(b) Information concerning security ownership of management as of December 31, 1998, is set forth under the caption "Stock Ownership - Directors and Executive Officers" in Boise Cascade's proxy statement and is incorporated 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 Boise Cascade's proxy statement and is incorporated by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information concerning certain relationships and related transactions during 1998 is set forth under the caption "Business Relationships with Directors" in Boise Cascade's proxy statement and is incorporated 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/A for Boise Cascade:

(1) Financial Statements

(i) The Income Statement for the three months ended December 31, 1998, is incorporated by reference from Boise Cascade's Fact Book for the fourth quarter of 1998.

(ii) The Financial Statements, the Notes to Financial Statements, and the Report of Independent Public Accountants and the Report of Management are incorporated by reference from Boise Cascade's 1998 Annual Report.

- Balance Sheets as of December 31, 1998 and 1997.
- Statements of Income (Loss) for the years ended December 31, 1998, 1997, and 1996.
- Statements of Cash Flows for the years ended December 31, 1998, 1997, and 1996.
- Statements of Shareholders' Equity for the years ended December 31, 1998, 1997, and 1996.
- Notes to Financial Statements.
- Report of Independent Public Accountants.
- Report of Management.

(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 by reference.

(b) Reports on Form 8-K.

On December 15, 1998, we filed a Form 8-K with the Securities and Exchange Commission announcing a company-wide cost-reduction initiative and the restructuring of certain operations. No other Form 8-K's were filed during the fourth quarter of 1998.

(c) Exhibits.

See Index to Exhibits.

SIGNATURES

Pursuant to the requirements of Section 12b-15 of the Securities Exchange Act of 1934, the registrant has duly caused this amendment to be signed on its behalf by the undersigned, thereunto duly authorized.

Boise Cascade Corporation

/s/ Tom E. Carlile

Tom E. Carlile
Chief Accounting Officer
Vice President and Controller

Dated: October 14, 1999

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we consent to the incorporation of our report dated October 14, 1999, incorporated by reference in this Form 10-K/A for the year ended December 31, 1998, 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. 33-55396); the registration statement on Form S-8 (File No. 33-62263); the registration statement on Form S-8 (File No. 333-59273); the pre-effective amendment No. 1 to Form S-3 registration statement (File No. 333-41033); the registration statement on Form S-8 (File No. 333-86425); and the registration statement on Form S-8 (File No. 333-86427.

ARTHUR ANDERSEN LLP

Boise, Idaho
October 14, 1999

BOISE CASCADE CORPORATION

INDEX TO EXHIBITS

Filed with the Annual Report
on Form 10-K/A for the
Year Ended December 31, 1998

Number	Description	Page Number
11	Computation of Per Share Earnings	
12	Ratio of Earnings to Fixed Charges	
13.1	Incorporated sections of the Boise Cascade Corporation 1998 Annual Report	
13.2	Incorporated sections of the Boise Cascade Corporation Fact Book for the fourth quarter of 1998	
27	Financial Data Schedule	

EXHIBIT 11

Boise Cascade Corporation
Computation of Per Share Earnings

	1998	1997	1996
	(expressed in thousands, except per share amounts)		
Net income (loss) as reported, before cumulative effect of accounting change	$ (25,692)	$ (30,410)	$ 9,050
Preferred dividends	(15,578)	(31,775)	(39,248)
Excess of Series F Preferred Stock redemption price over carrying value	(3,958)	-	-
Basic loss before cumulative effect of accounting change	(45,228)	(62,185)	(30,198)
Cumulative effect of accounting change	(8,590)	-	-
Basic loss	$ (53,818)	$ (62,185)	$ (30,198)
Average shares outstanding used to determine basic loss per common share	56,307	52,049	48,277
Net loss per common share			
Basic loss before cumulative affect of accounting change	$ (.81)	$ (1.19)	$ (.63)
Cumulative affect of accounting change	(.15)	-	-
Basic loss per common share (1)	$ (.96)	$ (1.19)	$ (.63)
Basic loss before cumulative effect of accounting change	$ (45,228)	$ (62,185)	$ (30,198)
Preferred dividends eliminated	14,133	20,965	28,438
Supplemental ESOP contribution	(12,079)	(12,114)	(12,659)
Diluted loss before cumulative effect of accounting change	(43,174)	(53,334)	(14,419)
Cumulative effect of accounting change	(8,590)	-	-
Diluted loss	$ (51,764)	$ (53,334)	$ (14,419)
Average shares outstanding used to determine basic loss per common share	56,307	52,049	48,277
Stock options, net	204	615	735
Series G conversion preferred stock	-	3,647	6,909
Series D convertible preferred stock	4,396	4,310	4,590
Average shares used to determine diluted loss per common share	60,907	60,621	60,511
Diluted loss before cumulative effect of accounting change	$ (.71)	$ (.88)	$ (.24)
Cumulative affect of accounting change	(.14)	-	-
Diluted loss per common share(1)	$ (.85)	$ (.88)	$ (.24)

(1) Because the computation of diluted loss per common share was antidilutive, the diluted loss per common share reported for the years ended December 31, 1998, 1997, and 1996 were the same as basic loss per common share.

EXHIBIT 12

BOISE CASCADE CORPORATION AND SUBSIDIARIES

Ratio of Earnings to Fixed Charges

	Year Ended December 31				
	1998	1997	1996	1995	1994
	(dollar amounts expressed in thousands)				
Interest costs	$ 174,541	$ 153,691	$ 146,234	$ 154,469	$ 169,170
Interest capitalized during the period	1,341	10,575	17,778	3,549	1,630
Interest factor related to noncapitalized leases(1)	11,308	11,931	12,982	8,600	9,161
Total fixed charges	$ 187,190	$ 176,197	$ 176,994	$ 166,618	$ 179,961
Income (loss) before income taxes, minority interest, and cumulative effect of accounting change	$ (16,878)	$ (28,930)	$ 31,340	$ 589,410	$ (64,750)
Undistributed (earnings) losses of less than 50% owned persons, net of distributions received	3,791	5,180	(1,290)	(36,861)	(1,110)
Total fixed charges	187,190	176,197	176,994	166,618	179,961
Less: Interest capitalized	(1,341)	(10,575)	(17,778)	(3,549)	(1,630)
Guarantee of interest on ESOP debt	(14,671)	(16,341)	(17,874)	(19,339)	(20,717)
Total earnings before fixed charges	$ 158,091	$ 125,531	$ 171,392	$ 696,279	$ 91,754
Ratio of earnings to fixed charges	-	-	-	4.18	-
Excess of fixed charges over earnings before fixed charges	$ 29,099	$ 50,666	$ 5,602	$ -	$ 88,207

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

EXHIBIT 13.1

FINANCIAL HIGHLIGHTS

	1998	1997	1996
Sales	$6,162,123,000	$5,493,820,000	$5,108,220,000
Net income (loss)	$ (34,282,000)	$ (30,410,000)	$ 9,050,000
Net income (loss) per common share			
Basic	$ (.96)	$(1.19)	$(.63)
Diluted	$ (.96)	$(1.19)	$(.63)
Shareholders' equity per common share	$23.89	$25.39	$27.30
Capital expenditures	$313,660,000	$ 578,619,000	$ 832,167,000
Number of employees	23,039	22,514	19,976
Number of common shareholders	17,842	19,045	20,370
Number of shares of common stock outstanding	56,338,426	56,223,923	48,476,366

STATEMENTS OF INCOME (LOSS)
Boise Cascade Corporation and Subsidiaries

	Year Ended December 31		
	1998	1997	1996
	(expressed in thousands)		
Revenues			
Sales	$6,162,123	$5,493,820	$5,108,220
Costs and expenses			
Materials, labor, and other operating expenses	4,849,678	4,436,650	4,152,150
Depreciation, amortization, and cost of company timber harvested	282,737	256,570	255,000
Selling and distribution expenses	666,759	553,240	446,530
General and administrative expenses	150,455	139,060	119,860
Other (income) expense, net	67,443	710	(14,520)
	6,017,072	5,386,230	4,959,020
Equity in net income (loss) of affiliates	(3,791)	(5,180)	2,940
Income from operations	141,260	102,410	152,140
Interest expense	(159,870)	(137,350)	(128,360)
Interest income	2,274	6,000	3,430
Foreign exchange gain (loss)	(542)	10	(1,200)
Gain on subsidiary's issuance of stock	-	-	5,330
	(158,138)	(131,340)	(120,800)
Income (loss) before income taxes, minority interest, and cumulative effect of accounting change	(16,878)	(28,930)	31,340
Income tax (provision) benefit	959	9,260	(11,960)
Income (loss) before minority interest and cumulative effect of accounting change	(15,919)	(19,670)	19,380
Minority interest, net of income tax	(9,773)	(10,740)	(10,330)
Income (loss) before cumulative effect of accounting change	(25,692)	(30,410)	9,050
Cumulative effect of accounting change, net of income tax	(8,590)	-	-
Net income (loss)	$ (34,282)	$ (30,410)	$ 9,050
Net loss per common share			
Basic and diluted before cumulative effect of accounting change	$ (.81)	$(1.19)	$(.63)
Cumulative effect of accounting			

change	(.15)	-	-
Basic and diluted	$ (.96)	$(1.19)	$(.63)

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

BALANCE SHEETS
Boise Cascade Corporation and Subsidiaries

Assets	December 31 1998	1997
	(expressed in thousands)	
Current		
Cash	$ 66,469	$ 56,429
Cash equivalents	7,899	7,157
	74,368	63,586
Receivables, less allowances of $10,933,000 and $9,689,000	526,359	570,424
Inventories	625,218	633,290
Deferred income tax benefits	92,426	54,312
Other	50,035	32,061
	1,368,406	1,353,673
Property		
Property and equipment		
Land and land improvements	63,307	57,260
Buildings and improvements	575,509	554,712
Machinery and equipment	4,082,724	4,055,065
	4,721,540	4,667,037
Accumulated depreciation	(2,150,385)	(2,037,352)
	2,571,155	2,629,685
Timber, timberlands, and timber deposits	270,570	273,001
	2,841,725	2,902,686
Goodwill, net of amortization of $37,327,000 and $24,020,000	501,691	445,722
Investments in equity affiliates	27,162	32,848
Other assets	232,115	234,995
Total assets	$ 4,971,099	$ 4,969,924

Liabilities and Shareholders' Equity	1998	1997
Current		
Short-term borrowings	$ 129,512	$ 94,800
Current portion of long-term debt	161,473	30,176
Income taxes payable	-	3,692
Accounts payable	499,489	470,445
Accrued liabilities		
Compensation and benefits	130,480	126,780
Interest payable	36,166	39,141
Other	172,980	128,714
	1,130,100	893,748
Debt		
Long-term debt, less current portion	1,578,136	1,725,865
Guarantee of ESOP debt	155,731	176,823
	1,733,867	1,902,688
Other		
Deferred income taxes	257,360	230,840
Other long-term liabilities	301,920	224,663
	559,280	455,503
Minority interest	116,753	105,445
Commitments and contingent liabilities		
Shareholders' equity		
Preferred stock - no par value; 10,000,000 shares authorized;		
Series D ESOP: $.01 stated value; 5,356,648 and 5,569,684 shares outstanding	241,049	250,636
Deferred ESOP benefit	(155,731)	(176,823)
Series F: $.01 stated value; 115,000 shares outstanding in 1997	-	111,043
Common stock - $2.50 par value; 200,000,000 shares authorized; 56,338,426 and 56,223,923 shares outstanding	140,846	140,560
Additional paid-in capital	420,890	416,691

Retained earnings	791,618	879,043
Accumulated other comprehensive income (loss)	(7,573)	(8,610)
Total shareholders' equity	1,431,099	1,612,540
Total liabilities and shareholders' equity	$ 4,971,099	$ 4,969,924
Shareholders' equity per common share	$23.89	$25.39

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

STATEMENTS OF CASH FLOWS
Boise Cascade Corporation and Subsidiaries

	Year Ended December 31		
	1998	1997	1996
	(expressed in thousands)		
Cash provided by (used for) operations			
Net income (loss)	$ (34,282)	$ (30,410)	$ 9,050
Cumulative effect of accounting change, net of income tax	8,590	-	-
Items in income (loss) not using (providing) cash			
Equity in net (income) loss of affiliates	3,791	5,180	(2,940)
Depreciation, amortization, and cost of company timber harvested	282,737	256,570	255,000
Deferred income tax provision (benefit)	(9,330)	(18,593)	(13,498)
Minority interest, net of income tax	9,773	10,740	10,330
Restructuring charges and write-down of assets	118,882	-	9,955
Other	(654)	1,265	3,322
Gain on sales of assets	-	-	(25,054)
Gain on subsidiary's issuance of stock	-	-	(5,330)
Receivables	44,331	(12,291)	(3,298)
Inventories	11,030	(66,060)	(15,914)
Accounts payable and accrued liabilities	48,029	(10,523)	6,045
Current and deferred income taxes	(5,480)	2,735	(37,394)
Other	(8,676)	(9,577)	3,229
Cash provided by operations	468,741	129,036	193,503
Cash provided by (used for) investment			
Expenditures for property and equipment	(229,305)	(279,557)	(595,253)
Expenditures for timber and timberlands	(7,420)	(6,232)	(5,510)
Investments in equity affiliates, net	(429)	(20,276)	(9,736)
Purchases of assets	(27,282)	(246,861)	(188,463)
Sales of assets	-	-	781,401
Other	(33,672)	(27,687)	(26,271)
Cash used for investment	(298,108)	(580,613)	(43,832)
Cash provided by (used for) financing			
Cash dividends paid			
Common stock	(33,775)	(30,176)	(28,909)
Preferred stock	(21,866)	(39,808)	(44,389)
	(55,641)	(69,984)	(73,298)
Short-term borrowings	34,712	58,100	19,700
Additions to long-term debt	170,122	417,989	611,158
Payments of long-term debt	(187,823)	(159,201)	(509,456)
Series F Preferred Stock redemption	(115,001)	-	-
Other	(6,220)	7,408	11,607
Cash provided by (used for) financing	(159,851)	254,312	59,711
Increase (decrease) in cash and cash equivalents	10,782	(197,265)	209,382
Balance at beginning of the year	63,586	260,851	51,469
Balance at end of the year	$ 74,368	$ 63,586	$ 260,851

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

STATEMENTS OF SHAREHOLDERS' EQUITY
Boise Cascade Corporation and Subsidiaries

For the Years Ended December 31, 1996, 1997, and 1998

(expressed in thousands)

Common Shares Outstanding		Total Share-holders' Equity	Preferred Stock	Deferred ESOP Benefit	Common Stock	Addi-tional Paid-In Capital	Retained Earnings	Accumu-lated Other Compre-hensive-Income (Loss)
47,759,946	Balance at December 31, 1995	$1,694,438	$ 562,747	$(213,934)	$119,400	$205,107	$1,029,547	$(8,429)
	Comprehensive income (loss)							
	Net income	9,050	-	-	-	-	9,050	-
	Other comprehensive income, net of tax							
	Cumulative foreign currency translation adjustment	1,520	-	-	-	-	-	1,520
	Minimum pension liability adjustment	5,563	-	-	-	-	-	5,563
	Other comprehensive income	7,083	-	-	-	-	-	7,083
	Comprehensive income	$ 16,133						
	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	31,167	-	17,818	-	132	13,217	-
48,476,366	Balance at December 31, 1996	1,680,491	553,162	(196,116)	121,191	230,728	972,872	(1,346)
	Comprehensive income (loss)							
	Net loss	(30,410)	-	-	-	-	(30,410)	-
	Other comprehensive income (loss), net of tax							
	Cumulative foreign currency translation adjustment	(8,135)	-	-	-	-	-	(8,135)
	Minimum pension liability adjustment	871	-	-	-	-	-	871
	Other comprehensive loss	(7,264)	-	-	-	-	-	(7,264)
	Comprehensive loss	$ (37,674)						
	Cash dividends declared							
	Common stock	(31,415)	-	-	-	-	(31,415)	-
	Preferred stock	(36,402)	-	-	-	-	(36,402)	-
6,907,440	Conversion of Series G Preferred Stock	-	(176,404)	-	17,269	159,135	-	-
842,153	Stock options exercised	28,092	-	-	2,105	25,987	-	-
(3,092)	Treasury stock cancellations	(15,193)	(15,079)	-	(8)	(18)	(88)	-
1,056	Other	24,641	-	19,293	3	859	4,486	-
56,223,923	Balance at December 31, 1997	1,612,540	361,679	(176,823)	140,560	416,691	879,043	(8,610)
	Comprehensive income (loss)							
	Net loss	(34,282)	-	-	-	-	(34,282)	-
	Other comprehensive income (loss), net of tax							
	Cumulative foreign currency translation adjustment	2,181	-	-	-	-	-	2,181
	Minimum pension liability adjustment	(1,144)	-	-	-	-	-	(1,144)
	Other comprehensive income	1,037	-	-	-	-	-	1,037
	Comprehensive loss	$ (33,245)						
	Cash dividends declared							
	Common stock	(33,792)	-	-	-	-	(33,792)	-
	Preferred stock	(19,161)	-	-	-	-	(19,161)	-
	Redemption of Series F Preferred Stock	(115,001)	(111,043)	-	-	-	(3,958)	-
110,839	Stock options exercised	3,489	-	-	277	3,212	-	-
(1,433)	Treasury stock cancellations	(9,637)	(9,587)	-	(4)	(11)	(35)	-
5,097	Other	25,906	-	21,092	13	998	3,803	-
56,338,426	Balance at December 31, 1998	$1,431,099	$ 241,049	$(155,731)	$140,846	$420,890	$ 791,618	$(7,573)

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

NOTES TO FINANCIAL STATEMENTS
Boise Cascade Corporation and Subsidiaries

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) EXPENSE, NET. "Other (income) expense, net" includes gains and losses on the sale and disposition of property and other miscellaneous income and expense items. Late in the fourth quarter of 1998, we announced companywide cost-reduction initiatives and the restructuring of certain operations. Also, Boise Cascade Office Products (BCOP), our 81.2%-held subsidiary, is restructuring certain of its European operations. On September 6, 1998, our Medford, Oregon, plywood plant was severely damaged by fire. In the third quarter of 1998, we recorded a net gain in the building products segment and a loss in corporate and other related to an insurance settlement for this fire. Late in the second quarter of 1998, we adopted a plan to restructure our wood products manufacturing business by permanently closing four facilities. Also in the second quarter of 1998, our paper and paper products segment recorded a charge for the revaluation of paper-related assets (see Note 8).

In the fourth quarter of 1996, we completed the sale of our coated publication paper business, consisting primarily of our pulp and paper mill in Rumford, Maine, and 667,000 acres of timberland, to The Mead Corporation. Also in 1996, we wrote down certain paper assets.

The components of "Other (income) expense, net" in the Statements of Income (Loss) are as follows:

	Year Ended December 31		
	1998	1997	1996
	(expressed in thousands)		
Fourth-quarter restructuring charges	$ 37,022	$ -	$ -
Medford fire gain	(45,000)	-	-
Second-quarter restructuring charges	80,900	-	-
Asset write-down	-	-	9,955
Rumford sale	-	-	(25,054)
Other, net	(5,479)	710	579
	$ 67,443	$ 710	$(14,520)

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 all years, the computation of diluted net loss per share was antidilutive; therefore, the amounts reported for basic and diluted loss were the same.

	Year Ended December 31		
	1998	1997	1996
	(expressed in thousands)		
Net income (loss) as reported before cumulative effect of accounting change	$(25,692)	$(30,410)	$ 9,050
Preferred dividends(1)	(15,578)	(31,775)	(39,248)
Excess of Series F preferred stock redemption price over carrying value(2)	(3,958)	-	-
Basic and diluted loss before cumulative effect of accounting change	(45,228)	(62,185)	(30,198)
Cumulative effect of accounting change, net of income tax	(8,590)	-	-
Basic and diluted loss(3)	$(53,818)	$(62,185)	$(30,198)

	1998	1997	1996
Average shares outstanding used to determine basic and diluted loss per common share	56,307	52,049	48,277

(1) The dividend attributable to our Series D convertible preferred stock held by the company's ESOP (employee stock ownership plan) is net of a tax benefit.

(2) 1998 included a negative 7 cents related to the redemption of the Series F preferred stock. The loss used in the calculation of loss per share was increased by the excess of the amount paid to redeem the preferred stock over its carrying value.

(3) Adjustments reducing the net loss to arrive at diluted loss totaling $2,054,000, $8,851,000, and $15,779,000 in 1998, 1997, and 1996 were excluded because the calculation of diluted loss per share was antidilutive. Also in 1998, 1997, and 1996, common shares of 4,601,000, 8,572,000, and 12,234,000 were excluded from average shares because they were antidilutive.

In 1997, we adopted SFAS No. 128, "Earnings per Share," effective December 15, 1997. The accounting change had no effect on any previously reported 1996 loss-per-share amounts.

By July 15, 1997, 8,625,000 depositary shares of our Series G preferred stock were converted or redeemed for 6,907,440 shares of common stock (see Note 7). Had the conversion occurred on January 1, 1997, the reported basic and diluted net loss per common share for the year ended December 31, 1997, would have decreased 20 cents to 99 cents.

FOREIGN CURRENCY TRANSLATION. Local currencies are considered the functional currencies for most of the company's operations outside the United States. Assets and liabilities are translated into U.S. dollars at the rate of exchange in effect at the balance sheet date. Revenues and expenses are translated into U.S. dollars at average monthly exchange rates prevailing during the year. Resulting translation adjustments are included in "Accumulated other comprehensive income (loss)." The 1998, 1997, and 1996 foreign exchange gain and losses reported on the Statements of Income (Loss) arose primarily from translation adjustments where the U.S. dollar is the functional currency.

REVENUE RECOGNITION. We recognize revenue when title to the goods sold passes to the buyer, which is at the time of shipment.

CASH AND CASH EQUIVALENTS. Cash equivalents consist of short-term investments that had a maturity of three months or less at the date of purchase. At December 31, 1998, $18,795,000 of cash, cash equivalents, and certain receivables of a wholly owned insurance subsidiary were committed for use in maintaining statutory liquidity requirements of that subsidiary.

RECEIVABLES. In late September 1998, we sold fractional ownership interests in a defined pool of trade accounts receivable. At December 31, 1998, $79,000,000 of sold accounts receivable were excluded from receivables in the accompanying balance sheet and represented an increase in cash provided by operations. The portion of fractional ownership interest retained by us is included in accounts receivable in the balance sheet. This program represents a revolving sale of receivables committed to by the purchasers for 364 days and is subject to renewal. Costs related to the program are included in "Other (income) expense, net" in the Statements of Income (Loss). Under the accounts receivable sale agreement, the maximum amount available from time to time is subject to change based on the level of eligible receivables, restrictions on concentrations of receivables, and the historical performance of the receivables we sell.

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 our domestic wood products and paper manufacturing facilities. In 1998, our building products segment reduced certain inventory quantities that were valued at lower LIFO costs prevailing in prior years. The effect of this reduction was to increase operating income by approximately $6,100,000. 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	
	1998	1997
	(expressed in thousands)	
Finished goods and work in process	$456,577	$453,268
Logs	87,688	107,625
Other raw materials and supplies	145,319	149,870
LIFO reserve	(64,366)	(77,473)
	$625,218	$633,290

PROPERTY. Property and equipment are recorded at cost. Cost includes expenditures for major improvements and replacements and the net amount of interest cost associated with significant capital additions. Capitalized interest was $1,341,000 in 1998, $10,575,000 in 1997, and $17,778,000 in 1996. Substantially all of our 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.

Beginning in 1999, we will discontinue the use of composite depreciation. This change is not expected to have a material impact on our results of operations or financial position. Depreciation is computed over the following estimated useful lives:

Buildings and improvements	5 to 40 years
Furniture and fixtures	5 to 10 years
Machinery, equipment, and delivery trucks	3 to 20 years
Leasehold improvements	5 to 10 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 cost of timber previously harvested.

A portion of our 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 we become liable to purchase the timber. At December 31, 1998, based on average prices at the time, the unrecorded amount of those contracts was estimated to be approximately $82,000,000.

In recent years, the amount of government timber available for commercial harvest 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.

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 over 40 years. Periodically, 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 existed at December 31, 1998. Amortization expense was $12,893,000 in 1998, $11,037,000 in 1997, and $6,830,000 in 1996.

INVESTMENTS IN EQUITY AFFILIATES. As of December 31, 1998, our principal investment in affiliates accounted for using the equity method was a 47% interest in Voyageur Panel, which built an oriented strand board plant in Barwick, Ontario, Canada. We have an agreement with Voyageur Panel under which we operate the plant and market its product. The debt of this affiliate has been issued without recourse to the company.

DEFERRED SOFTWARE COSTS. We defer certain software costs that benefit future years. These costs are amortized on the straight-line method over a maximum of five years or the expected life of the software, whichever is less. "Other assets" in the Balance Sheets includes deferred software costs of $47,128,000 and $31,137,000 at

December 31, 1998 and 1997. Amortization of deferred software costs totaled $9,624,000, $4,499,000, and $3,693,000 in 1998, 1997, and 1996. AICPA Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," is effective beginning in 1999. We currently account for software costs in accordance with this statement.

ENVIRONMENTAL REMEDIATION AND COMPLIANCE. 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 - Timber Supply and Environmental Issues."

RESEARCH AND DEVELOPMENT COSTS. Research and development costs are expensed as incurred. During 1998, research and development expenses were $11,769,000, compared with $10,482,000 in 1997 and $11,403,000 in 1996.

SUBSIDIARY'S ISSUANCE OF STOCK. Changes in the company's proportionate interest in its subsidiaries from the subsidiaries' issuance of stock to third parties are recorded in income at the time the stock is issued by the subsidiaries. Because we anticipated purchasing shares of a subsidiary's stock, the change in our proportionate interest was included in "Additional paid-in capital" in 1998 and 1997.

CUMULATIVE EFFECT OF ACCOUNTING CHANGE. As of January 1, 1998, we adopted the provisions of a new accounting standard, AICPA Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities," which required the write-off of previously capitalized preoperating costs. Adoption of this standard resulted in a charge for the cumulative effect of accounting change, net of tax, of $8,590,000, or 15 cents per basic and diluted loss per share, for the year ended December 31, 1998.

FINANCIAL INSTRUMENTS. At December 31, 1998, the estimated current market value of the company's debt, based on then current interest rates for similar obligations with like maturities, was approximately $25,000,000 greater than the amount of debt reported on the Balance Sheet. At December 31, 1998, we had two interest rate swaps. The liquidation value of the swaps, based on interest rates available for instruments with similar characteristics, would have been approximately $776,000. The estimated fair values of our other financial instruments, cash and cash equivalents, and short-term borrowings are the same as their carrying values. In the opinion of management, we do 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 our products are sold, as well as their dispersion across many geographic areas. We have only limited involvement with derivative financial instruments and do not use them for trading purposes. Financial instruments such as interest rate swaps, rate hedge agreements, and forward exchange contracts are used periodically to manage well-defined risks. Interest rate swaps and rate hedge agreements are used to hedge underlying debt obligations or anticipated transactions. For qualifying hedges, the interest rate differential is reflected as an adjustment to interest expense over the life of the swap or underlying debt. Gains and losses related to qualifying hedges of foreign currency firm commitments and anticipated transactions are deferred and recognized in income or as adjustments of carrying amounts when the hedged transaction occurs. All other forward exchange contracts are marked-to-market, and unrealized gains and losses are included in current period net income. At December 31, 1998, we had no material exposure to losses from derivative financial instruments (see Note 4).

NEW ACCOUNTING STANDARDS. In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." We plan to adopt this statement in the first quarter of 2000. We are in the process of reviewing this new standard. Adoption of this statement is not expected to have a significant impact on our results of operations or financial position.

2. INCOME TAXES

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

Year Ended December 31

	1998	1997	1996
	(expressed in thousands)		
Current income tax (provision) benefit			
Federal	$ -	$ -	$(10,807)
State	-	-	(11,510)
Foreign	(8,371)	(9,333)	(3,141)
	(8,371)	(9,333)	(25,458)
Deferred income tax(provision) benefit			
Federal	410	12,597	4,189
State	1,630	2,292	10,430
Foreign	7,290	3,704	(1,121)
	9,330	18,593	13,498
Total income tax (provision) benefit	$ 959	$ 9,260	$(11,960)

During 1998, we made cash payments net of refunds received of $13,033,000. In 1997, we received income tax refunds net of cash payments of $1,332,000. In 1996, we made cash payments net of refunds received of $55,368,000.

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

	Year Ended December 31		
	1998	1997	1996
	(expressed in thousands)		
Statutory tax (provision) benefit	$ 5,907	$ 10,128	$(10,969)
Changes resulting from:			
State taxes	512	1,490	(702)
Foreign tax provision different than theoretical rate	(3,166)	(4,599)	(2,364)
Effect of nontaxable gain on BCOP's issuance of stock	-	-	1,866
Other, net	(2,294)	2,241	209
Reported tax (provision) benefit	$ 959	$ 9,260	$(11,960)

At December 31, 1998, we had U.S. federal loss carryforwards of $168,752,000 expiring in 2012 and 2018. We believe that the loss carryforwards will be fully realized based on future reversals of existing temporary differences in taxable income. We also had $138,649,000 of alternative minimum tax credits, which may be carried forward indefinitely.

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

	December 31			
	1998		1997	
	(expressed in thousands)			
	Assets	Liabil-ities	Assets	Liabil-ities
Employee benefits	$ 89,131	$ 22,974	$ 92,139	$ 25,250
Property and equipment and timber and timberlands	33,299	511,528	63,875	459,982
Net operating losses	63,268	-	50,419	-
Alternative minimum tax	138,649	-	144,687	-
Reserves	60,704	8,288	21,421	909
Inventories	13,555	-	12,266	274
State income taxes	23,490	37,043	26,596	38,677
Deferred charges	6,584	6,174	404	2,776
Differences in bases of investments	3,365	959	8,382	55,574
Other	17,500	27,513	9,561	22,836
	$ 449,545	$ 614,479	$ 429,750	$ 606,278

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

Year Ended December 31		
1998	1997	1996

	(expressed in thousands)		
Domestic	$ 2,348	$ (26,189)	$ 32,452
Foreign	(19,226)	(2,741)	(1,112)
Pretax income (loss)	$ (16,878)	$ (28,930)	$ 31,340

At December 31, 1998, our foreign subsidiaries had $6,561,000 of undistributed earnings which have been indefinitely reinvested. It is not practical to make a determination of the additional U.S. income taxes, if any, that would be due upon remittance of these earnings until the remittance occurs.

Our federal income tax returns have been examined through 1993. Federal income tax returns for 1994 and 1995 are presently under examination. Certain deficiencies have been proposed, but we believe that we have adequately provided for any such deficiencies and that settlements will not have a material adverse effect on our financial condition or results of operations.

3. LEASES

Lease obligations for which we assume substantially all property rights and risks of ownership are capitalized. All other leases are treated as operating leases. The company did not have any material capital leases during any of the periods presented. Rental expenses for operating leases, net of sublease rentals, were $61,709,000 in 1998, $61,422,000 in 1997, and $52,090,000 in 1996. For operating leases with remaining terms of more than one year, the minimum lease payment requirements, net of sublease rentals, are $32,637,000 for 1999, $25,885,000 for 2000, $21,273,000 for 2001, $15,827,000 for 2002, and $13,248,000 for 2003, with total payments thereafter of $160,794,000.

Substantially all lease agreements have fixed payment terms based upon the passage of time. Some lease agreements provide us 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.

4. DEBT

At December 31, 1998, we had a revolving credit agreement with a group of banks. The agreement allows us to borrow as much as $600,000,000 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 ratio, and ceiling ratio of debt to capitalization. Under this agreement, the payment of dividends by the company is dependent upon the amount of net worth in excess of the defined minimum. Our net worth at December 31, 1998, exceeded the defined minimum by $120,712,000. At December 31, 1998, there was $115,000,000 outstanding under this agreement.

BCOP has a revolving credit agreement with a group of banks that allows them to borrow as much as $450,000,000 at variable interest rates based on customary indices and expires in June 2001. The BCOP revolving credit facility contains customary restrictive financial and other covenants, including a negative pledge and covenants specifying a minimum fixed charge coverage ratio and a maximum leverage ratio. BCOP may, subject to the covenants contained in the credit agreement and to market conditions, raise additional funds through the agreement and through other external debt or equity financings in the future. Borrowings under BCOP's agreement were $200,000,000 at December 31, 1998.

In October 1998, we entered into an interest rate swap with a notional amount of $75,000,000 and an effective fixed interest rate of 5.1% with respect to $75,000,000 of our revolving credit agreement borrowings. BCOP also entered into an interest rate swap with a notional amount of $25,000,000 and an effective fixed interest rate of 5.0% with respect to $25,000,000 of their revolving credit agreement borrowings. Both swaps expire in 2000. We are exposed to credit-related gains or losses in the event of nonperformance by counterparties to these swaps; however, we do not expect any counterparties to fail to meet their obligations.

At December 31, 1998 and 1997, we had $57,412,000 and $71,500,000 of short-term borrowings outstanding, and BCOP had $72,100,000 and $23,300,000 of short-term borrowings outstanding. The maximum amounts of short-term borrowings outstanding during the years ended December 31, 1998 and

1997, were $279,900,000 and $164,400,000. The average amount of short-term borrowings outstanding during the years ended December 31, 1998 and 1997, were $190,715,000 and $52,554,000. For 1998 and 1997, the average interest rates for these borrowings were 5.8% and 5.9%.

In May 1998, BCOP issued $150,000,000 of 7.05% notes due in May 2005.

In February 1999, we will redeem $100,000,000 of our 9.875% notes that were due in 2001.

At December 31, 1998, we had $489,400,000 and BCOP had $150,000,000 of unused borrowing capacity registered with the Securities and Exchange Commission for additional debt securities.

The scheduled payments of long-term debt are $161,473,000 in 1999, $116,982,000 in 2000, $240,574,000 in 2001, $240,609,000 in 2002, and $125,270,000 in 2003. Of the total amount shown in 2001, $200,000,000 represents the amount outstanding under BCOP's revolving credit agreement. Of the total amount shown in 2002, $115,000,000 represents the amount outstanding under our revolving credit agreement.

Cash payments for interest, net of interest capitalized, were $162,844,000 in 1998, $129,794,000 in 1997, and $124,317,000 in 1996.

We have guaranteed the 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). We have recorded the debt on our Balance Sheets, along with an offset in the shareholders' equity section that is titled "Deferred ESOP benefit." We have 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.

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

	December 31	
	1998(1)	1997
	(expressed in thousands)	
9.9% notes, due in 2000, net of unamortized discount of $66,000	$ 99,934	$ 99,879
9.875% notes, due in 2001, redeemed 1999	100,000	100,000
9.85% notes, due in 2002	125,000	125,000
7.05% notes, due in 2005, net of unamortized discount of $299,000	149,701	-
9.45% debentures, due in 2009, net of unamortized discount of $244,000	149,756	149,734
7.35% debentures, due in 2016, net of unamortized discount of $91,000	124,909	124,903
Medium-term notes, Series A, with interest rates averaging 8.1% and 8.2%, due in varying amounts through 2013	383,100	415,405
Revenue bonds and other indebtedness, with interest rates averaging 6.7% and 6.9%, due in varying amounts annually through 2027, net of unamortized discount of $669,000	271,357	285,301
American & Foreign Power Company Inc. 5% debentures, due in 2030, net of unamortized discount of $1,020,000	20,852	20,819
Revolving credit borrowings, with interest rates averaging 5.6% and 6.3%	315,000	435,000
	1,739,609	1,756,041
Less current portion	161,473	30,176
	1,578,136	1,725,865
Guarantee of ESOP debt, due in installments through 2004	155,731	176,823
	$1,733,867	$1,902,688

(1) The amount of net unamortized discount disclosed applies to long-term debt outstanding at December 31, 1998.

5. RETIREMENT AND BENEFIT PLANS

In February 1998, the Financial Accounting Standards Board issued SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits." This statement standardizes the disclosure requirements for pensions and other postretirement benefits. We adopted this standard at December 31, 1998.

Substantially all of our employees are covered by noncontributory defined benefit pension plans. The pension benefit for salaried employees is based primarily on the employees' years of service and highest five-year average compensation. The benefit for hourly employees is generally based on a fixed amount per year of service. Our contributions to our pension plans vary from year to year, but we have 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.

We also sponsor contributory savings and supplemental retirement plans for most of our salaried and hourly employees. The program for salaried employees includes an employee stock ownership plan. Under that plan, our 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 $22,197,000 in 1998, compared with $20,910,000 in 1997 and 20,128,000 in 1996.

The type of retiree health care benefits 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 we pay for salaried employees retiring in each year since 1986 has decreased. Beginning in 1998, new retirees pay 100% of the cost of their health care coverage premium. All of our postretirement health care plans are unfunded. We explicitly reserve the right to amend or terminate our 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, our ability to amend or terminate these plans. Amendment or termination may significantly impact the amount of expense incurred.

The following table, which includes only company-sponsored plans, reconciles the beginning and ending balances of our benefit obligation:

	Pension Benefits		Other Benefits	
	1998	1997	1998	1997
	(expressed in millions)			
Change in benefit obligation				
Benefit obligation at beginning of year	$1,179	$1,089	$ 83	$ 84
Service cost	29	26	1	1
Interest cost	83	79	5	6
Amendments	10	1	-	-
Actuarial (gain) loss	32	49	(1)	2
Closures and curtailments	12(1)	-	-	-
Benefits paid	(68)	(65)	(10)	(10)
Benefit obligation at end of year	$1,277	$1,179	$ 78	$ 83

(1) See Note 8.

The following table reconciles the beginning and ending balances of the fair value of plan assets:

	Pension Benefits		Other Benefits	
	1998	1997	1998	1997
	(expressed in millions)			
Change in plan assets				
Fair value of plan assets at beginning of year	$1,227	$1,103	$ -	$ -
Actual return on plan assets	128	177	-	-
Employer contribution	3	10	-	-
Benefits paid	(65)	(63)	-	-
Fair value of plan assets at end of year	$1,293	$1,227	$ -	$ -

The following table shows the funded status of our pension plans, including amounts not recognized and recognized in our Statements of Income (Loss). Our other benefit plans are unfunded.

	Pension Benefits	
	1998	1997
	(expressed in millions)	
Funded status	$ 12	$ 48
Unrecognized actuarial (gain) loss	(16)	(30)

Unrecognized prior service cost	27	21
Unrecognized net initial asset	-	(1)
Net amount recognized	$ 23	$ 38

The following table shows the amounts recognized in our Balance Sheets:

	Pension Benefits		Other Benefits	
	1998	1997	1998	1997
	(expressed in millions)			
(Accrued)/prepaid benefit cost	$ 54	$ 69	$ (92)	$ (99)
Accrued benefit liability	(48)	(41)	-	-
Intangible asset	11	6	-	-
Accumulated other comprehensive income	6	4	-	-
Net amount recognized	$ 23	$ 38	$ (92)	$ (99)

The assumptions used by our actuaries in the accounting for our plans are estimates of factors that will determine among other things, the amount and timing of future benefit payments. We also accrue postretirement benefit costs.

The following table presents the assumptions used:

	Pension Benefits			Other Benefits		
	1998	1997	1996	1998	1997	1996
Weighted average assumptions as of December 31						
Discount rate	7.00%	7.25%	7.50%	7.00%	7.25%	7.50%
Expected return on plan assets	9.75%	9.75%	9.75%	-	-	-
Rate of compensation increase	4.50%	5.00%	5.00%	-	-	-

For measurement purposes, a 7.0% annual rate of increase in the per capita cost of covered health care benefits was assumed for 1998. 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, 1998, benefit obligation by $1,705,000 and postretirement health care expense for the year ended December 31, 1998, by $146,000. A 1% decrease in the trend rate for medical care costs would have decreased the December 31, 1998, benefit obligation by $1,666,000 and postretirement health care expense for the year ended December 31, 1998, by $140,000.

The components of net periodic benefit cost are as follows:

	Pension Benefits			Other Benefits		
	Year Ended December 31			Year Ended December 31		
	1998	1997	1996	1998	1997	1996
	(expressed in thousands)			(expressed in thousands)		
Service cost	$ 28,876	$ 25,845	$ 25,843	$ 790	$ 730	$ 920
Interest cost	82,972	79,279	76,168	5,380	5,930	6,350
Expected return on plan assets	(110,587)	(98,739)	(91,712)	-	-	-
Recognized net initial asset	(611)	(2,571)	(2,119)	-	-	-
Recognized actuarial loss (gain)	531	179	568	(310)	(310)	(280)
Amortization of prior service costs	3,607	3,726	4,085	(2,320)	(2,320)	(2,820)
Company-sponsored plans	4,788	7,719	12,833	3,540	4,030	4,170
Multiemployer pension plans	544	592	593	-	-	-
Net periodic benefit cost	$ 5,332	$ 8,311	$ 13,426	$ 3,540	$ 4,030	$ 4,170

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were $354,000,000, $338,000,000, and $290,000,000 as of December 31, 1998 and $325,000,000, $316,000,000, and $279,000,000 as of December 31, 1997.

On September 25, 1997, BCOP issued 2,250,000 shares of unregistered common stock, all of which was purchased by Boise Cascade. The transaction was completed at a price of $21.5495 per share, for a total of $48,486,375. At December 31, 1998, we owned 53,398,724 shares, or 81.2% of BCOP's outstanding common stock.

In 1998, 1997, and 1996, 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 initial purchase price allocations may be adjusted within one year of the date of purchase for changes in estimates of the fair value of assets and liabilities. Such adjustments are not expected to be significant to our results of operations or financial position. The excess of the purchase price over the estimated fair value of the net assets acquired was recorded as goodwill and is being amortized over 40 years. The results of operations of the acquired businesses are included in our operations subsequent to the dates of acquisitions.

BCOP acquired six businesses during 1998, eight businesses during 1997, and 19 businesses during 1996. Amounts paid, acquisition liabilities recorded, debt assumed, and stock issued for these acquisitions were as follows:

	1998	1997	1996
	(expressed in thousands, except share amounts)		
Cash paid	$ 27,282	$254,025	$180,139
Acquisition liabilities recorded	$ 49,062	$ 12,674	$ 35,346
Debt assumed	$ 162	$ 10,137	$ -
Stock issued			
Shares	-	135,842	321,652
Value	$ -	$ 2,882	$ 6,886

On January 12, 1998, BCOP acquired the direct-marketing business of Fidelity Direct, based in Minneapolis, Minnesota. On February 28, 1998, BCOP acquired the direct-marketing business of Sistemas Kalamazoo, based in Spain. On August 14, 1998, BCOP acquired the contract stationer business of Wilson's, based in Canada. On October 1, 1998, they acquired the contract stationer business of Atlas Office Supplies, based in Indianapolis, Indiana. On November 2, 1998, they acquired the contract stationer business of Midesha Enterprises, based in Memphis, Tennessee. On November 27, 1998, they acquired the computer consumables business of Canadisc, based in Canada. These transactions were completed for cash of $19,897,000, debt assumed of $162,000, and the recording of $8,062,000 of acquisition liabilities.

The 1997 amounts include the acquisition of 100% of the shares of Jean-Paul Guisset S.A. (JPG) for approximately FF850,000,000 (US$144,000,000) plus a price supplement payable in the year 2000, if certain earnings and sales growth targets are reached. The maximum amount of the price supplement is FF300,000,000 or approximately US$51,000,000. At the time of purchase, no liability was recorded for the price supplement, as the amount of payment, if any, was not assured beyond a reasonable doubt. In 1998, a payment of US$4,430,000 was made and a payable of US$41,000,000 was recorded based on results in 1998 and 1997. Approximately FF128,500,000 (US$20,500,000) was repatriated to BCOP from JPG during the third quarter of 1997. In 1997, in addition to the cash paid, BCOP recorded approximately US$5,800,000 of acquisition liabilities and assumed US$10,137,000 of long-term debt. JPG is a direct marketer of office products in France.

In January 1997, BCOP formed a joint venture with Otto Versand (Otto) to begin direct marketing office products in Europe, initially in Germany. In December 1997, Otto purchased a 10% interest in JPG for approximately FF72,200,000 (US$13,000,000). The sale of BCOP's interest to Otto was at book value. In December 1998, BCOP and Otto dissolved the joint venture. Otto acquired BCOP's 50% interest in the joint venture. In addition, BCOP repurchased Otto's 10% interest in JPG for $2,955,000, plus the repayment of a loan and accrued interest from Otto of approximately $13,700,000. JPG is now 100% owned by BCOP.

Also in 1997, BCOP acquired the assets of the promotional products business of OstermanAPI, Inc. (Osterman), based in Maumee, Ohio, for cash of $56,000,000 and the recording of $882,000 of liabilities. In conjunction with the acquisition of Osterman, BCOP formed a majority-owned subsidiary, Boise Marketing Services, Inc. (BMSI), of which BCOP owns 88%. BCOP's previously acquired promotional products company, OWNCO, also became part of BMSI.

The 1996 amounts include the acquisition of 100% of the shares of Grand & Toy Limited (Grand & Toy) from Cara Operations Limited (Toronto) for approximately C$140,000,000 (US$102,084,000). In addition, BCOP recorded acquisition liabilities of approximately US$9,907,000. Grand & Toy owns and operates office products distribution centers and approximately 70 retail stores across Canada.

Unaudited pro forma results of operations reflecting the acquisitions, net of the impact of the minority interest, are as follows. If the 1998 acquisitions had occurred January 1, 1998, sales for the year ended December 31, 1998, would have increased $39,000,000, net loss would have decreased $490,000, and basic and diluted loss per share would have decreased 1 cent. If the 1998 and 1997 acquisitions had occurred January 1, 1997, sales for the year ended December 31, 1997, would have increased $217,000,000, and net loss and basic and diluted loss per share would have been unchanged. If the 1997 and 1996 acquisitions had occurred January 1, 1996, sales for the year ended December 31, 1996, would have increased $417,000,000, net income would have increased $1,158,000, and basic and diluted loss per share would have decreased 2 cents. This unaudited pro forma financial information does not necessarily represent the actual results of operations that would have resulted if the acquisitions had occurred on the dates assumed.

As a result of BCOP's acquisition activity, short-term acquisition liabilities of $5,710,000 and $14,642,000 at December 31, 1998 and 1997, were included in "Other current liabilities." Additionally, long-term acquisition liabilities of $51,621,000, primarily for the JPG price supplement, and $15,869,000 at December 31, 1998 and 1997, were included in "Other long-term liabilities."

7. SHAREHOLDERS' EQUITY

PREFERRED STOCK. At December 31, 1998, 5,356,648 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 our 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 0.80357 share of common stock. The ESOP preferred shares may not be redeemed for less than the liquidation preference.

In February 1998, we redeemed 115,000 shares of our Series F preferred stock at a price of $1,000 per preferred share($25 per depositary share) plus accrued but unpaid dividends.

By July 15, 1997, 8,625,000 of our depositary shares of Series G preferred stock were converted or redeemed for 6,907,440 shares of our common stock.

COMMON STOCK. We are authorized to issue 200,000,000 shares of common stock, of which 56,338,426 shares were issued and outstanding at December 31, 1998. Of the unissued shares, a total of 10,022,604 shares were reserved for the following:

Conversion of Series D ESOP preferred stock	4,304,441
Issuance under Key Executive Stock Option Plan	5,529,278
Issuance under Director Stock Compensation Plan	88,885
Issuance under Director Stock Option Plan	100,000

We have a shareholder rights plan which was adopted in December 1988, amended in September 1990, and renewed in September 1997. The renewed rights plan became effective in December 1998. Details are set forth in the Renewed Rights Agreement filed with the Securities and Exchange Commission on November 12, 1997.

ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS). At December 31, 1998, the balance shown on the Statements of Shareholders' Equity for "Accumulated other comprehensive income (loss)," consisted of a minimum pension liability adjustment of $3,138,000 and a cumulative foreign currency translation adjustment of $4,435,000. These amounts are net of income taxes calculated at a rate of approximately 39%.

STOCK OPTIONS. We have 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 1998, 1997, and 1996 were $244,000, $227,000, and $810,000.

Had compensation costs for these five plans been determined consistent with SFAS No. 123, "Accounting for Stock-Based Compensation," our 1998 net loss would have been increased pro forma by $7,661,000, and basic and diluted loss per share would have increased pro forma by 14 cents. The pro forma increase to net loss in 1997 would have been $7,222,000, and basic and diluted loss per share would have increased 14 cents. The pro forma reductions in 1996 would have decreased net income $7,574,000, and basic and diluted loss per share would have increased 16 cents. 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 our common stock to key employees of the company. The exercise price is equal to the fair market value of our common stock on the date the options are granted. Options expire, at the latest, ten years and one day following the grant date.

The 4,321,756 options outstanding at December 31, 1998, have exercise prices between $18.125 and $43.75 and a weighted average remaining contractual life of 6.6 years.

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 1998, 1997, and 1996: risk-free interest rates of 5.4%, 6.0%, and 6.6%; expected dividends of 60 cents for each year; expected lives of 4.2 years for each year, and expected stock price volatility of 30% for each year.

A summary of the status of the BCC KESOP at December 31, 1998, 1997, and 1996, and the changes during the years then ended is presented in the table below:

	1998		1997		1996	
	Shares	Wtd. Avg. Ex. Price	Shares	Wtd. Avg. Ex. Price	Shares	Wtd. Avg. Ex. Price
Balance at beginning of year	3,649,966	$33.19	4,228,736	$32.55	4,340,033	$31.28
Options granted	841,890	28.88	751,100	36.88	804,900	31.38
Options exercised	(109,000)	25.30	(839,333)	28.25	(894,981)	25.02
Options expired	(61,100)	39.14	(490,537)	41.80	(21,216)	44.11
Balance at end of year	4,321,756	32.47	3,649,966	33.19	4,228,736	32.55
Exercisable at end of year	3,479,866	33.33	2,898,866	32.24	3,423,836	32.83
Weighted average fair value of options granted (Black-Scholes)	$7.89		$10.88		$9.30	

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 our 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, 1998, 1997, and 1996, were 70,500, 49,500, and 30,000, with weighted average exercise prices of $34.07, $36.57, and $36.25.

The BCC DSCP permits nonemployee directors to elect to receive grants of options to purchase shares of our 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, 1998, 1997, and 1996, were 43,172, 34,542, and 30,245.

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 are 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.

The 2,021,105 options outstanding at December 31, 1998, have exercise prices between $12.50 and $26.625 and a weighted average remaining contractual life of nine years.

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 1998, 1997, and 1996: risk-free interest rates of 5.5%, 6.1%, and 5.2%; no expected dividends; expected lives of 4.2 years for each year; and expected stock price volatility of 35% for each year.

A summary of the status of the BCOP KESOP at December 31, 1998, 1997, and 1996, and the changes during the years then ended is presented in the table below:

	1998		1997		1996	
	Shares	Wtd. Avg. Ex. Price	Shares	Wtd. Avg. Ex. Price	Shares	Wtd. Avg. Ex. Price
Balance at beginning of the year	1,490,139	$20.10	1,059,442	$18.66	647,400	$12.57
Options granted	782,200	18.22	495,700	23.08	501,200	25.54
Options exercised	(152,334)	12.50	(24,468)	12.50	(75,225)	12.50
Options expired	(98,900)	21.92	(40,535)	22.38	(13,933)	19.78
Balance at end of the year	2,021,105	19.86	1,490,139	20.10	1,059,442	18.66
Exercisable at end of the year	826,305	19.13	483,039	16.72	140,569	12.60
Weighted average fair value of options granted (Black-Scholes)	$6.78		$8.61		$9.14	

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, 1998, 1997, and 1996, were 64,000, 39,000, and 24,000, with weighted average exercise prices of $16.99, $18.58, and $17.50.

Under each of the plans, options may not, except under unusual circumstances, be exercised until one year following the grant date.

8. RESTRUCTURING ACTIVITIES

Late in the second quarter of 1998, we adopted a plan to restructure our wood products manufacturing business by permanently closing four facilities, including sawmills in Elgin, Oregon; Horseshoe Bend, Idaho; and Fisher, Louisiana; and a plywood plant in Yakima, Washington. These closures are due to poor financial results and a decrease in wood supply. The Horseshoe Bend and Fisher sawmills have closed. These closures resulted in the termination of 182 employees. We plan to close the Elgin sawmill and Yakima plywood plant in 1999. Approximately 312 employees will be affected by the closure of the Elgin and Yakima facilities. The Horseshoe Bend and Fisher facilities had sales of $30,595,000, $52,293,000, and $49,433,000 for the years ended December 31, 1998, 1997, and 1996, and operating losses of $7,015,000, $698,000, and $4,659,000 for the years ended December 31, 1998, 1997, and 1996. The Elgin and Yakima facilities had sales of $46,108,000, $46,498,000, and $57,796,000 for the years ended December 31, 1998, 1997, and 1996, and operating income of $3,637,000 in 1998 and operating losses of $9,028,000, and $2,425,000 for the years ended December 31, 1997 and 1996. Future operating results will benefit from the elimination of these losses.

The assets still to be shut down were written down to zero, their estimated net realizable value at the expected date of closure. Had we continued to depreciate these assets, 1998 operating expense would have increased approximately $2,000,000.

Also in the second quarter of 1998, our paper and paper products segment recorded a pretax charge related to the revaluation of paper-related assets. Included in the revaluation was the $8,000,000 write-down to zero of our investment in a now terminated joint venture in China that produced carbonless paper. Also written down by approximately $5,000,000 were the fixed assets of a small corrugating facility. We also wrote off $6,000,000 in an investment in a bankrupt joint venture and miscellaneous equipment that had no future value.

In the fourth quarter of 1998, we announced a companywide cost-reduction initiative and the restructuring of certain operations. Specific actions include the elimination of job positions in our paper and building products manufacturing businesses and Boise headquarters through a combination of early retirements, layoffs, and attrition. Our paper research and development facility in Portland, Oregon, will close by June 1999. BCOP will close eight facilities in the United Kingdom and integrate selected functions of the operations with their other United Kingdom operations. These BCOP closures are expected to be completed during the first half of 1999 and will result in work force reductions of approximately 140 employees. BCOP also dissolved an unprofitable joint venture in Germany at a cost of approximately $4,000,000.

We recorded pretax charges in 1998 as shown in the following table. Except for $960,000 of inventory write-downs recorded in "Material, labor, and other operating expenses," these charges were recorded in "Other (income) expense, net."

1998 Restructuring Charges

	Asset Write-Downs	Employee-Related Costs	Other Exit Costs	Total
	(expressed in thousands)			
Second Quarter				
Building products	$ 27,200	$ 14,000	$ 20,700	$ 61,900
Paper and paper products	18,800	200	-	19,000
Fourth Quarter				
Office products	300	1,400	9,400	11,100
Building products	-	2,800	-	2,800
Paper and paper products	7,200	11,300	-	18,500
Corporate and other	-	5,200	400	5,600
	$ 53,500	$ 34,900	$ 30,500	$118,900

Asset write-downs were for plant and equipment and investment in joint ventures. No intangible assets were written down. Employee-related costs are primarily for severance payments and the present value of unrecorded early retirement benefits. Approximately $12,000,000 of the employee-related costs will be paid by our retirement plans and will require no cash expenditures. Other exit costs include tear-down and environmental clean up costs related to the closing facilities, operating lease costs after operations cease, the write-down of contracts to their net realizable value, and the cost to dissolve the BCOP joint venture.

In addition to the charges recorded in 1998, we will record another $4,400,000 of restructuring expense in first quarter 1999. This additional noncash charge is for the present value of unrecorded early retirement benefits. The charges will not be accrued until the retiring individuals legally accept the retirement offer.

Restructuring activities related to these 1998 charges through December 31, 1998, and the reserve balances as of that date are as follows:

	Asset Write-Downs	Employee-Related Costs	Other Exit Costs	Total
	(expressed in thousands)			
SECOND QUARTER				
BUILDING PRODUCTS				
1998 expense recorded	$ 27,200	$ 14,000	$ 20,700	$ 61,900
Assets written down	(27,200)	-	-	(27,200)
1998 charges against reserve	-	(4,500)	(1,300)	(5,800)
Restructuring reserve at December 31, 1998	$ -	$ 9,500	$ 19,400	$ 28,900
PAPER AND PAPER PRODUCTS				
1998 expense recorded	$ 18,800	$ 200	$ -	$ 19,000
Assets written down	(18,800)	-	-	(18,800)
Restructuring reserve at				

December 31, 1998	$ -	$ 200	$ -	$ 200
FOURTH QUARTER				
OFFICE PRODUCTS				
1998 expense recorded	$ 300	$ 1,400	$ 9,400	$ 11,100
Assets written down	(300)	-	-	(300)
1998 charges against reserve	-	(200)	(3,300)	(3,500)
Restructuring reserve at December 31, 1998	$ -	$ 1,200	$ 6,100	$ 7,300
BUILDING PRODUCTS				
1998 expense recorded	$ -	$ 2,800	$ -	$ 2,800
Pension liability recorded	-	(2,200)	-	(2,200)
1998 charges against reserve	-	-	-	-
Restructuring reserve at December 31, 1998	$ -	$ 600	$ -	$ 600
PAPER AND PAPER PRODUCTS				
1998 expense recorded	$ 7,200	$ 11,300	$ -	$ 18,500
Assets written down	(7,200)	-	-	(7,200)
Pension liability recorded	-	(4,500)	-	(4,500)
1998 charges against reserve	-	(800)	-	(800)
Restructuring reserve at December 31, 1998	$ -	$ 6,000	$ -	$ 6,000
CORPORATE AND OTHER				
1998 expense recorded	$ -	$ 5,200	$ 400	$ 5,600
Pension liability recorded	-	(3,200)	-	(3,200)
1998 charges against reserve	-	-	-	-
Restructuring reserve at December 31, 1998	$ -	$ 2,000	$ 400	$ 2,400
TOTAL SECOND AND FOURTH QUARTER				
1998 expense recorded	$ 53,500	$ 34,900	$ 30,500	$118,900
Assets written down	(53,500)	-	-	(53,500)
Pension liability recorded	-	(9,900)	-	(9,900)
Current year reserves charged to income	-	25,000	30,500	55,500
1998 charges against reserve	-	(5,500)	(4,600)	(10,100)
Restructuring reserve at December 31, 1998	$ -	$ 19,500	$ 25,900	$ 45,400

Charges against the reserve for other exit costs were primarily a payment to dissolve the BCOP joint venture and the write-down of contracts to their realizable value.

Restructuring reserve liabilities are included in "Accrued liabilities, other" in the accompanying Balance Sheets. An analysis of total restructuring reserve activity is as follows:

	Year Ended December 31		
	1998	1997	1996
	(expressed in thousands)		
Balance at beginning of year	$ 1,400	$ 2,300	$ 18,400
Current-year reserves			
Charged to income	55,500	1,000	200
Reclassed from other accounts	-	-	-
Charges against reserves	(10,700)	(1,700)	(16,300)
Reserves credited to income	-	(200)	-
Balance at end of year	$ 46,200	$ 1,400	$ 2,300

The activity in 1996 and 1997 primarily relates to the reconfiguration of our Vancouver mill which began in 1995.

The estimated number of employees impacted by the 1998 restructuring activities described above and the number who have left the company as of December 31, 1998, are as follows:

	Employees To Be Terminated	Employees Terminated Through December 31, 1998
Second Quarter 1998		
Building products	494	182

Fourth Quarter 1998		
Office products	140	-
Building products	40	-
Paper and paper products	212	47
Corporate and other	92	-
Total	978	229

In addition to the employees discussed above, we expect to eliminate up to another 100 positions by not filling already vacant positions or through normal attrition. No reserves were established related to these job eliminations.

9. SEGMENT INFORMATION

In 1997, the Financial Accounting Standards Board issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." We adopted this statement at December 31, 1998. Adoption of the standard had no impact on our net income. Previously reported segment information has been restated to conform to the new standard.

We operate our business using four reportable segments. The segments include office products, building products, paper and paper products, and corporate and other. These segments represent distinct businesses that are managed separately because of the differing products and services. Each of these businesses requires distinct operating and marketing strategies. Management reviews the performance of the company based on these operating segments.

The office products segment (BCOP) is engaged in the marketing and selling of office supplies, computer consumables, office furniture, paper products, and promotional products. All of the products sold by this segment are purchased from manufacturers or from industry wholesalers, except office papers, which are sourced primarily from our paper operations. This segment has operations in the United States, Australia, Canada, France, Spain, and the United Kingdom.

The building products segment manufactures, markets, and distributes various products that are used for construction. These products include lumber, structural panels, particleboard, and engineered wood products. Most of these products are sold to independent wholesalers and dealers and through our own wholesale building materials distribution outlets.

The paper and paper products segment manufactures, markets, and distributes various paper products, including uncoated free sheet, packaging papers, newsprint, corrugated containers, and market pulp. These products are sold to distributors and industrial customers primarily by our own sales personnel.

The corporate and other segment includes corporate support staff services and related assets and liabilities.

The segments are measured on operating profits before interest expense, income taxes, minority interest, extraordinary items, and cumulative effect of accounting changes. Certain expenses are allocated to the operating segments. For some of these allocated expenses, the related assets and liabilities remain in the corporate and other segment. The segments follow the same accounting principles described in the Summary of Significant Accounting Policies. Sales between the segments are recorded primarily at market prices.

No single customer accounts for 10% or more of consolidated trade sales. Boise Cascade's export sales to foreign unaffiliated customers were $163,005,000 in 1998, $177,071,000 in 1997, and $182,889,000 in 1996.

During 1998, BCOP had foreign operations in Australia, Canada, France, Germany, Spain, and the United Kingdom. During 1997, BCOP had foreign operations in Australia, Canada, France, Germany, and the United Kingdom. During 1996, BCOP had operations in Australia, Canada, and the United Kingdom. For the years ended December 31, 1998, 1997, and 1996, BCOP's foreign operations had sales of $695,688,000, $517,202,000, and $296,396,000. Revenues are attributed to geographic regions based on the location of the business. At December 31, 1998, 1997, and 1996, long-lived assets of BCOP's foreign operations were $344,099,000, $290,966,000, and $130,963,000.

An analysis of segment sales by product line is as follows:

Year Ended December 31

	1998	1997	1996
	(expressed in thousands)		
Office products			
Office supplies	$1,875.4	$1,723.1	$1,353.1
Office papers	394.7	334.4	286.0
Computer consumables	313.5	180.9	126.5
Office furniture	378.3	284.2	215.1
Promotional products	105.4	74.1	4.8
	3,067.3	2,596.7	1,985.5
Building products			
Structural panels	620.3	539.6	454.8
Lumber	513.5	608.8	538.4
Building supplies	218.1	185.8	261.2
Engineered wood products	210.1	161.6	120.8
Particleboard	58.6	61.1	64.0
Other	101.9	88.3	117.9
	1,722.5	1,645.2	1,557.1
Paper and paper products			
Uncoated free sheet	1,024.9	933.5	928.9
Containerboard and corrugated containers	339.2	285.1	304.3
Newsprint	201.8	193.3	205.6
Market pulp	47.0	81.5	111.2
Other	138.7	111.2	323.2
	1,751.6	1,604.6	1,873.2
Corporate and other	79.8	76.3	74.7
Intersegment eliminations	(459.1)	(429.0)	(382.3)
Total	$6,162.1	$5,493.8	$5,108.2

An analysis of our operations by segment is as follows:

	Sales			Income (Loss) Before Taxes and Minority Interest(1)(2)	Selected Components of Income (Loss)		Capital Expenditures(3)	Assets	Investment in Equity Affiliates
	Trade	Intersegment	Total		Equity in Net Income (Loss) of Affiliates	Depreciation, Amortization, and Cost of Company Timber Harvested			
	(expressed in millions)								
YEAR ENDED DECEMBER 31, 1998									
Office products	$3,066.2	$ 1.1	$3,067.3	$ 121.5	$(4.2)	$ 51.2	$142.5	$1,461.3	$ -
Building products	1,682.5	40.0	1,722.5	57.7	1.9	41.3	45.7	611.6	27.2
Paper and paper products	1,389.3	362.3	1,751.6	10.0	(1.5)	181.1	119.7	2,646.7	-
Corporate and other	24.1	55.7	79.8	(46.2)	-	9.1	5.8	401.4	-
Total	6,162.1	459.1	6,621.2	143.0	(3.8)	282.7	313.7	5,121.0	27.2
Intersegment eliminations	-	(459.1)	(459.1)	-	-	-	-	(154.3)	-
Interest expense	-	-	-	(159.9)	-	-	-	-	-
Consolidated totals	$6,162.1	$ -	$6,162.1	$ (16.9)	$(3.8)	$282.7	$313.7	$4,966.7	$27.2
YEAR ENDED DECEMBER 31, 1997									
Office products	$2,595.1	$ 1.6	$2,596.7	$ 119.8	$(2.5)	$ 41.1	$346.6	$1,291.5	$ 4.3
Building products	1,603.6	41.6	1,645.2	45.0	(2.7)	42.0	53.2	653.7	23.6
Paper and paper products	1,275.2	329.4	1,604.6	(11.6)	-	166.2	173.0	2,760.0	4.9
Corporate and other	19.9	56.4	76.3	(44.8)	-	7.3	5.8	330.0	-
Total	5,493.8	429.0	5,922.8	108.4	(5.2)	256.6	578.6	5,035.2	32.8
Intersegment eliminations	-	(429.0)	(429.0)	-	-	-	-	(65.3)	-
Interest expense	-	-	-	(137.3)	-	-	-	-	-
Consolidated totals	$5,493.8	$ -	$5,493.8	$ (28.9)	$(5.2)	$256.6	$578.6	$4,969.9	$32.8
YEAR ENDED DECEMBER 31, 1996									
Office products	$1,983.5	$ 2.0	$1,985.5	$ 101.5	$ -	$ 27.2	$265.1	$ 905.3	$ -
Building products	1,505.5	51.6	1,557.1	36.0	-	40.4	88.4	661.9	13.6
Paper and paper products	1,601.6	271.6	1,873.2	77.9	2.9	179.6	472.7	2,648.9	5.8
Corporate and other	17.6	57.1	74.7	(55.7)	-	7.8	6.0	540.1	-

Total	5,108.2	382.3	5,490.5	159.7	2.9	255.0	832.2	4,756.2	19.4
Intersegment eliminations	-	(382.3)	(382.3)	-	-	-	-	(45.5)	-
Interest expense	-	-	-	(128.4)	-	-	-	-	-
Consolidated totals	$5,108.2	$ -	$5,108.2	$ 31.3	$ 2.9	$255.0	$832.2	$4,710.7	$19.4

(1) Interest income has been allocated to our segments in the amounts of $2,274,000 for 1998, $6,000,000 for 1997, and $3,430,000 for 1996.

(2) See Note 1 "Other (income) expense, net" and Note 8 "Restructuring activities" for an explanation of nonroutine items affecting our segments. Significant noncash items are discussed in Note 8.

(3) Capital expenditures include acquisitions made by BCOP through the issuance of common stock, assumption of debt, and recording of liabilities.

10. LITIGATION AND LEGAL MATTERS

We are involved in litigation and administrative proceedings primarily arising in the normal course of our business. In the opinion of management, our recovery, if any, or our liability, if any, under any pending litigation or administrative proceeding would not materially affect our financial condition or operations.

11. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

	1998				1997			
	Fourth (1)	Third (2)	Second (3)	First (4)	Fourth	Third	Second	First
	(expressed in millions, except per-share and stock price information)							
Net sales	$1,536	$1,598	$1,538	$1,490	$1,445	$1,442	$1,333	$1,274
Income from operations	19	111	(33)	44	57	33	7	5
Net income (loss) before cumulative effect of accounting change	(8)	47	(64)	(1)	7	(6)	(16)	(15)
Cumulative effect of accounting change, net of tax	-	-	-	(8)	-	-	-	-
Net income (loss)	(8)	47	(64)	(9)	7	(6)	(16)	(15)
Net income (loss) per share before cumulative effect of accounting change								
Basic	(.21)	.77	(1.20)	(.17)(5)	.02	(.23)	(.53)	(.51)
Diluted	(.21)	.72	(1.20)	(.17)(5)	.02	(.23)	(.53)	(.51)
Cumulative effect of accounting change, net of tax	-	-	-	(.15)	-	-	-	-
Net income (loss) per share								
Basic	(.21)	.77	(1.20)	(.32)(5)	.02	(.23)	(.53)	(.51)
Diluted	(.21)	.72	(1.20)	(.32)(5)	.02	(.23)	(.53)	(.51)
Common stock dividends paid per share	.15	.15	.15	.15	.15	.15	.15	.15
Common stock prices(6)								
High	32-3/4	33-5/8	40-3/8	37-1/8	45-9/16	43-1/4	38-3/4	38-1/8
Low	22-1/4	23-1/8	30-7/8	27-13/16	27-3/4	34-7/8	28-3/8	30-3/8

(1) Includes a pretax charge of $37,982,000 for a companywide cost-reduction initiative and the restructuring of certain operations (see Note 8).

(2) Includes a pretax gain of $45,000,000 related to an insurance settlement for our Medford, Oregon, plywood plant, which was severely damaged by fire (see Note 1).

(3) Includes a pretax charge of $61,900,000 for the restructuring of our wood products manufacturing business and a pretax charge of $19,000,000 for the revaluation of paper-related assets (see Note 8).

(4) Includes a net of tax charge of $8,590,000 for the adoption

of AICPA Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities" (see Note 1).

(5) Includes a negative 7 cents related to the redemption of the Series F preferred stock.

(6) Our 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, 1998 (as restated) and 1997, and the related statements of income (loss), cash flows, and shareholders' equity for the years ended December 31, 1998 (as restated), 1997, and 1996. 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, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

Arthur Andersen LLP

Boise, Idaho
October 14, 1999

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.

Our Internal Audit staff monitors our 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 our financial statements.

The Audit Committee of the board of directors, which is composed solely of nonemployee directors, meets periodically with management, representatives of our 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.

FINANCIAL REVIEW

Results of Operations

	1998	1997	1996

Sales	$ 6.2 billion	$ 5.5 billion	$ 5.1 billion
Net income (loss)	$(34.3) million	$(30.4) million	$ 9.1 million
Net income (loss) per diluted share	$(0.96)	$(1.19)	$(0.63)
Net income (loss) before nonroutine items	$ 20.7 million	$(30.4) million	$(5.4) million
Net income (loss) per diluted share before nonroutine items	$0.09	$(1.19)	$(0.93)
	(percent of sales)		
Materials, labor, and other operating expenses	78.7%	80.8%	81.3%
Selling and distribution expenses	10.8%	10.1%	8.7%
General and administrative expenses	2.4%	2.5%	2.3%

The net loss in 1998 includes a fourth quarter pretax charge of $38.0 million for the elimination of job positions in our paper and building products manufacturing businesses and Boise headquarters, through a combination of early retirements, layoffs, and attrition. Our paper research and development facility in Portland, Oregon, will close by June 1999. Boise Cascade Office Products will close eight facilities in the United Kingdom and integrate selected functions of the operations with their other United Kingdom operations. BCOP also dissolved an unprofitable joint venture in Germany. The 1998 net loss also includes a second quarter pretax charge of $80.9 million for the closure of four wood products manufacturing facilities and the revaluation of paper-related assets. The impact of these charges on our segments is included in the discussion by segment that follows in this Financial Review and in the table below. Included in the fourth quarter charge is $5.6 million related to our Corporate and Other segment. In addition to the charges recorded in 1998, we will record another $4.4 million of restructuring expense in this segment in first quarter 1999. This additional noncash charge is for the present value of unrecorded early retirement benefits. The charges will not be accrued until the retiring individuals legally accept the retirement offer. For more information on these 1998 restructuring charges, see Note 8 in the Notes to Financial Statements and "Financial Condition and Liquidity," and the discussion by segment in this Financial Review.

Additionally, 1998 results include a pretax gain of $45.0 million related to an insurance settlement for the company's plywood plant in Medford, Oregon, which was severely damaged by fire on September 6, 1998. This nonroutine item and almost all of the restructuring charges discussed above are included in "Other (income) expense, net" in the Statement of Income (Loss). As of January 1, 1998, we adopted the provisions of a new accounting standard, AICPA Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities." This statement required the write-off of previously capitalized preoperating costs, which resulted in an after-tax charge of $8.6 million, or 15 cents per diluted share. Also included in 1998 earnings per share is a negative 7 cents per diluted share related to the redemption of our Series F preferred stock. The after-tax and after-minority-interest effect of these nonroutine items negatively affected 1998 net income by $55.0 million, or $1.05 per diluted share.

Earnings in 1996 included a net pretax gain of approximately $25.1 million from the sale of our coated publication paper business based in Rumford, Maine. Also included in 1996 earnings was a pretax write-down of $10.0 million for paper assets and gains of $5.3 million from a subsidiary's issuance of stock. These items resulted in an after-tax gain of $14.5 million, or 30 cents per diluted share.

The following table shows income (loss) before taxes and minority interest as reported and adjusted for unusual items.

	Year Ended December 31					
	1998		1997		1996	
	As Reported	Before Non-routine Items	As Reported	Before Non-routine Items	As Reported	Before Non-routine Items
Office products	$ 121.5	$ 132.6	$ 119.8	$ 119.8	$ 101.5	$ 101.5
Building products	57.7	75.9	45.0	45.0	36.0	36.0
Paper and paper products	10.0	47.5	(11.6)	(11.6)	77.9	47.5
Corporate and other	(46.2)	(39.1)	(44.8)	(44.8)	(55.7)	(45.7)

Total	143.0	216.9	108.4	108.4	159.7	139.3
Interest expense	(159.9)	(159.9)	(137.3)	(137.3)	(128.4)	(128.4)
Consolidated totals	$ (16.9)	$ 57.0	$ (28.9)	$ (28.9)	$ 31.3	$ 10.9

On an overall basis, sales have increased over the last three years, primarily as a result of growth in our office products distribution business. This has been accomplished principally by increasing sales in existing operations and completing acquisitions. There has been a corresponding increase in selling and distribution expense as a percent of sales since office products sales have higher associated selling and distribution costs. In 1998, materials, labor, and other operating expenses decreased as a percent of sales primarily due to increased sales prices in the paper and paper products segment without a corresponding increase in costs, and lower net wood costs in our building products segment. Depreciation expense increased in 1998 over 1997 and 1996 due to a full year of depreciation for our new Jackson, Alabama, paper machine.

Interest expense was $159.9 million in 1998, $137.4 million in 1997, and $128.4 million in 1996. Part of the increase in interest expense was due to lower interest capitalized in conjunction with significant capital additions. Capitalized interest was $1.3 million in 1998, $10.6 million in 1997, and $17.8 million in 1996. The amount of interest capitalized has decreased significantly since the completion of the expansion of the Jackson, Alabama, pulp and paper mill in April 1997. The balance of the increase in interest expense was due primarily to higher debt levels.

Our 1998 tax benefit rate was 5.7%. Excluding the nonroutine items described above, the tax provision rate would have been 44%. Our 1997 tax benefit rate was 32%. We had a tax provision rate of 46% in 1996 excluding nonroutine items. The changes in our tax rates were due primarily to the sensitivity of the rate to lower income levels and the mix of income sources.

We continue to improve the competitive position of our businesses. For a discussion of the progress we've made in achieving our business strategies, see "Strategic Progress . . . In a Difficult Business Environment."

Office Products Distribution

	1998	1997	1996
Sales	$ 3.1 billion	$ 2.6 billion	$ 2.0 billion
Segment income	$121.5 million	$119.8 million	$101.5 million
Segment income before nonroutine items	$132.6 million	$119.8 million	$101.5 million
		(percentage of sales)	
Gross profit	25.7%	25.2%	26.1%
Operating expenses	21.7%	20.6%	21.0%
Operating expenses before nonroutine items	21.4%	20.6%	21.0%
Operating profit	4.0%	4.6%	5.1%
Operating profit before nonroutine items	4.3%	4.6%	5.1%

In the fourth quarter of 1998, Boise Cascade Office Products (BCOP) entered into a plan for restructuring their operations in the United Kingdom. The restructuring involves closing seven small contract stationer facilities and an administrative office and integrating selected functions with their other United Kingdom operations. These closures are expected to be completed during the first half of 1999.

Also during December 1998, BCOP terminated their joint venture with Otto Versand (Otto) at a cost of about $4.0 million. As a result of the dissolution of the joint venture, Otto acquired BCOP's 50% interest in the joint venture. In addition, BCOP repurchased Otto's 10% ownership interest in its French direct-marketing subsidiary, Jean Paul Guisset S.A. (JPG). Now, JPG is 100% owned by BCOP.

As a result of the restructuring and joint-venture dissolution, BCOP recorded charges of $11.1 million in the fourth quarter. Going forward, BCOP will benefit from the more efficient operations in the United Kingdom and the elimination of the joint venture losses which totaled approximately $4.2 million pretax in 1998.

BCOP's business strategy over the past three years has included aggressive sales growth. This has been accomplished principally by increasing sales in existing operations and completing acquisitions. Same-location sales grew 11% in 1998, compared with 1997, and 14% in 1997, compared with 1996. Both paper price changes and foreign currency fluctuations impact same-location sales growth. Holding paper prices constant and excluding the impact of foreign currency changes, BCOP's same-location sales growth would have been 12% in 1998 and 17% in 1997. BCOP completed six acquisitions in 1998, eight acquisitions in 1997, and 19 acquisitions in 1996. In 1998, sales of the businesses acquired during 1997 grew about $189 million. In 1997, sales of the businesses acquired during 1996 increased approximately $192 million.

The 1998 increase in gross profit as a percent of net sales, compared with 1997, was due in part to having a full calendar year of results for JPG. JPG has higher gross margins and higher operating expenses than BCOP's other operations. The 1998 increase was also due to lower procurement costs and to leveraging fixed occupancy costs over higher sales volume.

The 1997 decrease in gross profit as a percent of net sales, compared with 1996, resulted in part from competitive pressures on gross margins. Additionally, in the first half of 1996, paper costs to BCOP were declining rapidly from the peak reached late in 1995, which raised BCOP's gross profit in the first half of 1996. In 1997, paper costs were more stable but significantly lower, constraining 1997 margins.

The 1998 increase in operating expenses as a percent of sales, compared with 1997, was partly due to having a full year of operating expenses for JPG. The increase was also due to higher operating cost structures, relative to revenues, for several other European operations; additional costs associated with the move into a new Toronto warehouse; and costs for customer prospecting as part of BCOP's entry into Belgium. In addition, operating expenses were negatively impacted by the European restructuring charge and dissolution of the joint venture.

The 1997 decrease in operating expenses as a percent of sales, compared with 1996, resulted in part from leveraging expenses across a larger revenue base and from specific initiatives to increase efficiency, for example, by increasing central procurement and integrating distribution programs. The decrease also resulted from efficiencies gained from centralized customer service centers and centralization of the inventory rebuying function.

In January 1999, BCOP acquired the contract stationer business of Wallace Computer Services with annualized sales of about $40 million at the time of announcement.

In 1998, BCOP acquired six businesses, including one in Spain and two in Canada. The annualized sales of the acquisitions completed in 1998 were approximately $62 million at the time of announcement.

In 1997, BCOP acquired eight businesses, including two companies in France and one in the United Kingdom and entered into a joint venture. The annualized sales of the acquisitions completed in 1997 were $340 million at the time of announcement.

In 1996, BCOP acquired 19 businesses, including four companies in Canada and three in Australia. The annualized sales of the acquisitions completed in 1996 were $460 million at the time of announcement. Additional information about BCOP acquisitions is in Note 6 accompanying the financial statements.

Boise Cascade holds 81.2% of BCOP's common stock.

Building Products

	1998	1997	1996
Sales	$ 1.7 billion	$ 1.6 billion	$ 1.5 billion
Segment income	$57.7 million	$45.0 million	$36.0 million
Segment income before nonroutine items	$75.9 million	$45.0 million	$36.0 million

In the fourth quarter of 1998, the building products segment recorded a pretax charge of $2.8 million, primarily for the elimination of job positions through early retirements and layoffs.

On September 6, 1998, our Medford, Oregon, plywood plant was severely damaged by fire. The Medford plant fire temporarily reduced our plywood capacity by 20%. The building products segment realized a $46.5 million pretax gain as the result of an insurance settlement for the loss. We are also insured for business interruption losses while the plant is being rebuilt.

The rebuild of the plant with 200 million square feet of capacity should be completed by the end of 1999.

Late in the second quarter of 1998, we adopted a plan to restructure our wood products manufacturing business by permanently closing sawmills in Elgin, Oregon; Horseshoe Bend, Idaho; and Fisher, Louisiana; and a plywood plant in Yakima, Washington. The building products segment recorded a pretax charge of $61.9 million related to these closures. At year-end, the sawmills in Fisher and Horseshoe Bend had been closed. We will close the Elgin sawmill and the Yakima plywood plant in 1999. The effect of these closures will be to reduce our plywood capacity by about 11% and our lumber capacity by about 28%. The Horseshoe Bend and Fisher facilities had sales of $30,595,000, $52,293,000, and $49,433,000 for the years ended December 31, 1998, 1997, and 1996, and operating losses of $7,015,000, $698,000, and $4,659,000 for the years ended December 31, 1998, 1997, and 1996. The Elgin and Yakima facilities had sales of $46,108,000, $46,498,000, and $57,796,000 for the years ended December 31, 1998, 1997, and 1996, and operating income of $3,637,000 in 1998 and operating losses of $9,028,000, and $2,425,000 for the years ended December 31, 1997 and 1996. Future operating results will benefit from the elimination of these losses.

Sales increased in 1998, relative to the prior years, primarily because of growth in building materials distribution. Building materials distribution sales were $861 million in 1998, $732 million in 1997, and $690 million in 1996. The sales growth increase resulted partly from the addition of three facilities in 1996 and one in 1997, as well as increasing sales at existing locations. Sales growth in engineered wood products and structural panels also contributed to the increase. Price declines of 8% in lumber and 2% in plywood, along with a 13% decline in lumber sales volume, partially offset the overall increase in sales in 1998, compared with 1997. In 1997, prices for lumber were up 10%, and prices for plywood were up 3% over those of 1996, while sales volumes for plywood and lumber were down slightly, compared with 1996.

Excluding nonroutine items, the increase in operating income in 1998 over 1997 was due to lower net wood costs and positive LIFO reserve adjustments arising primarily from lower log inventory levels. Increased contributions from our growing engineered wood products and building materials distribution businesses and oriented strand board (OSB) joint venture also contributed to the improved performance. However, decreasing sales prices in 1998, compared with 1997, as discussed above, partially offset these favorable variances.

The improvement in 1997 segment income, compared with 1996, was primarily due to higher average annual prices for lumber and plywood. These favorable price variances were partially offset by unfavorable net wood and conversion costs and less favorable LIFO reserve adjustments.

Late in 1996, we started up an 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. In 1998, the facility ran at 41% of capacity, and in 1997, the facility ran at 27% of capacity. In 1998, we added 3.6 million cubic feet of capacity, for a total of 8.0 million cubic feet.

In May 1997, our joint venture, Voyageur Panel, started up an OSB plant in Barwick, Ontario, Canada. At year-end 1998, the plant was operating at full capacity. The plant has the capacity to produce 400 million square feet of OSB panels annually. Boise Cascade holds 47% of the equity, operates the plant, and markets the product. We account for the joint venture on the equity method. Accordingly, its sales are not included in the building products segment sales. Segment results do include $1.9 million of equity in earnings in 1998 and $2.7 million of equity in losses in 1997 from this joint venture.

Paper and Paper Products

	1998	1997	1996
Sales	$ 1.8 billion	$ 1.6 billion	$ 1.9 billion
Segment income (loss)	$10.0 million	$(11.6) million	$77.9 million
Segment income (loss) before nonroutine items	$47.5 million	$(11.6) million	$47.5 million

In the fourth quarter of 1998, the paper and paper products segment recorded a pretax charge of $18.5 million for the restructuring of the paper manufacturing business, primarily by eliminating positions through a combination of early retirements and layoffs, and the closure of our paper research and development facility in Portland, Oregon, in 1999.

In the second quarter of 1998, our paper and paper products segment recorded a pretax charge related to the revaluation of paper-related assets. Included in the revaluation was the $8 million write-down to zero of our investment in a now terminated joint venture in China that produced carbonless paper. Also written down by approximately $5 million were the fixed assets of a small corrugating facility. We also wrote off $6 million in an investment in a bankrupt joint venture and miscellaneous equipment that had no future value.

In 1996, this segment recorded a nonroutine gain of approximately $40.4 million from the sale of our coated publication paper business in Rumford, Maine, on November 1, 1996, offset by a $10.0 million write-down of certain other paper assets. In 1996, Rumford contributed $21.1 million of operating income.

Segment sales increased 9% in 1998. Contributing to this increase was a 3% increase in weighted average product prices, along with nearly a 3% increase in overall sales volume. The increase in volume in 1998 was due primarily to operating our new Jackson, Alabama, paper machine at close to full capacity, offset in part by 84,000 tons of market- and weather-related production curtailments taken during the year. Sales volume from the new Jackson machine totaled 308,000 tons in 1998. In 1998, a significant amount of our uncoated free sheet sales volume from our smaller paper machines -- 21%, or 298,000 tons - - - was from value-added grades, a 7% increase over 1997. Value-added grades generally have higher unit costs than commodities but also higher net sales prices and profit margins. Overall, the net selling price of the 302,000 tons of value-added grades we sold in 1998 was $257 per ton higher than the net selling price of our commodities. The spread in 1997 was $287 per ton, and in 1996, excluding Rumford, $268 per ton.

Sales declined 14% in 1997, compared with 1996, primarily because of the sale of our Rumford facility. In 1996, the Rumford facility contributed $308.8 million of sales. Also in 1997, weighted average product prices were down 10%, and unit sales volumes were down 4%. The decrease in unit sales volume from 1996 to 1997 was the result of the sale of Rumford, which contributed 365,000 tons of sales volume in 1996, offset in part by increased production from our existing machines and the start-up of the new Jackson machine in April 1997. Sales volume from the new Jackson machine totaled 174,000 tons of uncoated free sheet paper in 1997.

Excluding nonroutine items, operating income increased in 1998 because of higher average paper prices and a modest increase in unit sales volume. The decrease between adjusted operating income in 1996 and the loss reported in 1997 was due primarily to lower paper prices, modestly lower sales volumes, and the 1996 contribution from the Rumford mill. Offsetting price and volume declines in 1997 was a 5% decrease in unit manufacturing costs, excluding costs at Rumford.

Financial Condition and Liquidity

Operating Activities. Cash provided by operations was $468.7 million in 1998, $129.0 million in 1997, and $193.5 million in 1996. The increase in 1998 was due, in part, to improved operating results, including the Medford fire insurance settlement gain and changes in working capital. In late September 1998, we sold fractional ownership interests in a defined pool of trade accounts receivable. At December 31, 1998, $79,000,000 of the sold accounts receivable were excluded from receivables in the balance sheet and represent an increase in cash provided by operations. The lower amounts in 1997 and 1996 were primarily due to lower income levels, after adjusting for noncash items, and higher inventory and receivable balances. Our working capital ratio was 1.21:1 in 1998, compared with 1.51:1 in 1997.

Investing Activities. Total capital investment in 1998 was $313.7 million, compared with total capital investments of $578.6 million in 1997 and $832.2 million in 1996. Amounts include acquisitions made by BCOP through the issuance of its common stock, assumption of debt, and recording of liabilities. Capital investment in 1999 is expected to be approximately $300 million, excluding acquisitions, and will be allocated to cost-saving, modernization, expansion, replacement, maintenance, and environmental and safety projects. Cash used for investment was $298.1 million in 1998, $580.6 million in 1997, and $43.8 million in 1996. Cash expenditures for property and equipment, timber and timberlands, and investments in equity affiliates totaled $237.2 million in 1998, $306.1 million in 1997, and $610.5 million in 1996. The decreasing amounts are primarily due to the completion of the Jackson pulp and paper mill expansion in 1997. Cash purchases of assets, primarily due to BCOP's expansion program, totaled $27.3 million in 1998, $246.9 million in 1997, and $188.5 million in 1996. Sources of cash in 1996 include cash proceeds totaling $781.4 million from sales of assets, primarily Rumford.

Financing Activities. Cash used for financing was $159.9 million in 1998. Cash provided by financing was $254.3 million in 1997 and $59.7 million in 1996. Dividend payments totaled $55.6 million in 1998, compared with $70.0 million and $73.3 million in 1997 and 1996. The decrease is due to the conversion of our Series G preferred stock into 6.9 million shares of common stock in 1997 and the redemption of our Series F preferred stock for $115 million in cash in early 1998. In all three years, our quarterly cash dividend was 15 cents per common share. In 1998, short-term borrowings, primarily notes payable, increased $34.7 million, compared with increases of $58.1 million and $19.7 million in 1997 and 1996. At December 31, 1998, we had $57.4 million of short-term borrowings outstanding, and BCOP had $72.1 million of short-term borrowings outstanding. At December 31, 1997, we had $71.5 million of short-term borrowings outstanding, while BCOP had $23.3 million outstanding. Long-term debt decreased $17.7 million in 1998 and increased $258.8 million and $101.7 million in 1997 and 1996. The increases in 1997 and 1996 were primarily due to our expansion at the Jackson mill and BCOP's acquisition program.

At December 31, 1998 and 1997, we had $2.0 billion of debt outstanding. Our debt-to-equity ratio was 1.41:1 and 1.26:1 at December 31, 1998 and 1997.

Our debt and debt-to-equity ratio include the guarantee by the company of the remaining $155.7 million of debt incurred by the trustee of our leveraged Employee Stock Ownership Plan. 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.

We have a revolving credit agreement with a group of banks that permits us to borrow as much as $600 million based on customary indices. As of December 31, 1998, borrowings under the agreement totaled $115 million. When the agreement expires in June 2002, any amount outstanding will be due and payable. In October 1998, we entered into an interest rate swap with a notional amount of $75 million that expires in 2000. This swap results in an effective fixed interest rate with respect to $75 million of our revolving credit agreement borrowings. The payment of dividends is dependent on the existence of and the amount of net worth in excess of the defined minimum under the agreement. As of December 31, 1998, we were in compliance with our debt covenants, and our net worth exceeded the defined minimum by $121 million.

At December 31, 1998, we had $489.4 million of borrowing capacity for additional debt securities registered with the Securities and Exchange Commission.

BCOP has a $450 million revolving credit agreement with a group of banks that expires in June 2001 and provides variable interest rates based on customary indices. In October 1998, BCOP entered into an interest rate swap with a notional amount of $25 million that expires in 2000. This swap results in an effective fixed interest rate with respect to $25 million of BCOP's revolving credit agreement borrowings. As of December 31, 1998, BCOP had outstanding borrowings of $200 million under this agreement and was in compliance with its debt covenants.

1998 Capital Investment by Business

	Expansion	Quality/ Efficiency(1)	Timber and Timberlands	Replacement, Environmental, and Other	Total
	(expressed in millions)				
Office products(2)	$ 82	$ 56	$-	$ 5	$143
Building products	12	14	4	16	46
Paper and paper products	18	25	3	73	119
Corporate and other	-	-	-	6	6
Total	$112	$ 95	$ 7	$100	$314

(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, assumption of debt, and recording of liabilities.

In April 1998, BCOP registered $300 million of shelf capacity with the Securities and Exchange Commission. On May 12, 1998, BCOP issued $150 million of 7.05% notes under this registration statement. The notes are due May 15, 2005. Proceeds from the issuance were used to repay borrowings under BCOP's revolving credit agreement. BCOP has $150 million of borrowing capacity remaining under this registration statement.

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

In February 1998, we redeemed 115,000 shares of our Series F preferred stock at a price of $1,000 per preferred share ($25 per depositary share) plus accrued but unpaid dividends. By July 15, 1997, we converted or redeemed 8.625 million depositary shares of our Series G conversion preferred stock for 6.907 million shares of common stock.

In February 1999, we redeemed $100 million of our 9.875% notes that were due in 2001. In addition we estimate that the restructuring programs announced in 1998 will require cash outlays of approximately $23 million in 1999. These and our other cash requirements will be funded through a combination of cash flows from operations, borrowings under our existing credit facilities, and issuance of new debt or equity securities.

Cash expenditures for the restructuring programs announced in 1998 totaled approximately $8.8 million in 1998, including $4.2 million for employee-related costs and $4.6 million for other exit costs, primarily the payment to dissolve the BCOP German joint venture.

We expect the restructuring programs announced in 1998 to be cash flow positive in 1999. We estimate that the programs will require cash outlays before any savings of approximately $23.0 million in 1999. These expected cash payments in 1999 include $13.0 million for employee-related costs, $10.0 million for other exit costs including $7.0 million for lease and other contract terminations, and $2.0 million for tear-down and environmental costs. Cash requirements related to our restructuring in 2000 and beyond are expected to total $17.0 million with most of that occurring in 2000 or early 2001. This and our other cash requirements, will be funded through a combination of cash flows from operations, borrowings under our existing credit facilities, and issuance of new debt or equity securities.

As we implement our restructuring initiatives and other cost saving measures, we anticipate annualized pretax cost savings of approximately $70.0 million by 2000. We estimate that about $64.0 million of that savings will be cash savings. About 60% of the savings is expected in our paper and paper products segment with the balance spread among our other three segments.

We believe inflation has not had a material effect on our financial condition or results of operations. However, there can be no assurance that we will not be affected by inflation in the future. Our sales overall are not subject to significant seasonal variations.

Disclosures of Certain Financial Market Risks

Changes in interest rates and currency rates expose the company to financial market risk. Our debt is predominantly fixed-rate. We experience only modest changes in interest expense when market interest rates change. Most foreign currency transactions have been conducted in the local currencies, limiting our exposure to changes in currency rates. Consequently, our market risk-sensitive instruments do not subject us to material market risk exposure. Changes in our debt and our continued international expansion could increase these risks. To manage volatility relating to these exposures, we may enter into various derivative transactions such as interest rate swaps, rate hedge agreements, and forward exchange contracts. We had no material exposure to losses from derivative financial instruments held at December 31, 1998. We do not use derivative financial instruments for trading purposes.

The following table provides information about our derivative financial instruments and other financial instruments that are sensitive to changes in interest rates, including interest rate swaps and debt obligations. For debt obligations, the table presents principal cash flows and related weighted average interest rates by expected maturity dates. For interest rate swaps, the table presents notional amounts and weighted average interest rates by expected (contractual) maturity dates.

Notional amounts are used to calculate the contractual payments to be exchanged under the contract. For obligations with variable interest rates, the table sets forth payout amounts based on current rates and does not attempt to project future interest rates. We have other instruments that are subject to market risk, such as obligations for pension plans and other postretirement benefits, that are not reflected in the table.

							December 31			
							1998		1997	
	1999	2000	2001	2002	2003	There-after	Total	Fair Value	Total	Fair Value
						(in millions)				
Debt (excludes ESOP debt guarantee)										
Short-term borrowings	$129.5	-	-	-	-	-	$ 129.5	$ 129.5	$ 94.8	$ 94.8
Average interest rates	6.1%	-	-	-	-	-	6.1%	-	7.0%	-
Long-term debt										
Fixed-rate debt	$160.7	$116.2	$ 64.8	$199.8	$124.9	$854.6	$1,521.0	$1,544.9	$1,305.1	$1,424.6
Average interest rates	9.0%	9.8%	7.0%	8.1%	9.0%	7.4%	8.0%	-	8.3%	-
Variable-rate debt	$ 0.8	$ 0.8	$175.8	$ 40.8	$ 0.4	-	$ 218.6	$ 218.6	$ 450.9	$ 450.9
Average interest rates	3.7%	3.7%	5.8%	5.9%	3.6%	-	5.8%	-	6.1%	-
Interest rate swaps										
Notional principal amount of interest rate exchange agreements (variable to fixed)	-	$100.0	-	-	-	-	$ 100.0	$ 0.8	-	-
Average pay rate	-	4.7%	-	-	-	-	4.7%	-	-	-
Average receive rate	-	5.1%	-	-	-	-	5.1%	-	-	-

Timber Supply and Environmental Issues

In recent years, the amount of timber available for commercial harvest in the United States has declined due to 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 1998, we closed sawmills in Fisher, Louisiana, and Horseshoe Bend, Idaho, largely because of reductions in timber supply and consequent increases in timber costs. We announced closures of a sawmill in Elgin, Oregon, and a plywood plant in Yakima, Washington, in part for the same reasons. In 1997, we reduced the number of work shifts at two wood products manufacturing facilities, partly 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 meet an important share of our raw material needs with our approximately 2.4 million acres of owned or controlled timberland. Our Northwest pulp and paper mills receive approximately 83% 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 reduce our need for externally purchased softwood chips. In 1997, we began harvesting fast-growing hybrid cottonwood trees at our fiber farm near Wallula, Washington. Roughly 25% of the pulp used by our Wallula white paper machine during 1998 was made from this cottonwood fiber.

We invest substantial capital to comply with federal, state, and local environmental laws and regulations. During 1998, expenditures for our ongoing environmental compliance program amounted to $16 million. We expect to spend approximately $35 million in 1999 for this purpose. Failure to comply with 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 issued rules in 1997 that further regulate air and water emissions from pulp and paper mills. These rules, among other things, set standards for the discharge of chlorinated organics. We estimate that the capital investment needed to meet the rule requirements will be approximately $120 million over the next four years. 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 that of 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, 1998, we had open issues with respect to 33 sites where we have been notified that we are a "potentially responsible party" under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) or similar federal and state laws or where we have received a demand or claim by a private party regarding hazardous substances or other contaminants. In most cases, Boise Cascade is one of many potentially responsible parties, and our alleged contribution to these sites is relatively minor. For sites where a range of potential liability can be determined, we have established appropriate reserves. We believe we have minimal or no responsibility with regard to several other sites. We cannot predict with certainty the total response and remedial costs, our 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 our investigations, our 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, we do not believe that the known actual and potential response costs will, in the aggregate, have a material adverse effect on our financial condition or the results of operations.

Year 2000 Computer Issue

Over the last two years, we have been replacing many of our business computer systems to realize cost savings and process improvements. These replacements, all of which are year 2000-compliant, will be completed before the year 2000. Many of the costs associated with these replacements have been and will be deferred and amortized over approximately five years. (See Note 1 in the Notes to Financial Statements.) A year 2000 compliance assessment was completed in 1998. Many of the existing systems were found to be compliant. We have begun appropriate modifications of the noncompliant systems. We expect to complete all necessary changes before year-end 1999.

We are currently surveying our critical suppliers and customers to determine whether critical processes may be impacted by a lack of year 2000 compliance. Most of our critical suppliers and customers have confirmed that they are or have plans to be compliant by year-end 1999.

Incremental costs to make our systems compliant are expected to range from $10 million to $13 million. These costs are being expensed as incurred. Approximately $5.7 million had been spent through December 31, 1998.

The most reasonably likely worst-case scenario of failure by us or our suppliers or customers to be year 2000-compliant would be a temporary slowdown of manufacturing operations at one or more of our locations and a temporary inability to process orders and billings in a timely manner and to deliver products to our customers in a timely manner. We are currently developing contingency options in the event that critical systems or suppliers encounter unforeseen year 2000 problems. Those contingency options will be completed by mid-1999.

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

Euro Conversion

In Europe, the conversion to the Euro required certain changes to BCOP's information technology and other systems to accommodate Euro-denominated transactions. The cost of these changes was not material. All of BCOP's European operations affected were Euro-compliant by the end of 1998.

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

New Accounting Standards

New accounting standards are discussed under the caption New Accounting Standards in Note 1 of the Notes to Financial Statements.

Outlook

BCOP expects to post significant growth in the year ahead, as they continue their efforts to increase sales to their existing customers and expand their customer base through expanded prospecting efforts. BCOP continues to evaluate acquisition candidates in the United States and internationally. BCOP's margins will be affected by the competitive environment in which they operate, as well as by their continued efforts to lower costs.

The performance of our building products business will continue to improve, as we shift our product mix to more engineered wood products and continue to grow our distribution business at a healthy rate.

We expect continued weakness in pulp and paper markets early in 1999, with supply and demand gradually coming back into balance during the course of the year. The rate of pulp and paper capacity additions in North America is at its lowest level in 40 years. Additions in Europe are almost as modest, and the longer global economic turmoil persists, the more difficult it will be to realize planned capacity additions in other parts of the world.

Forward-Looking Statements

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

STRATEGIC PROGRESS . . . IN A DIFFICULT BUSINESS ENVIRONMENT

As Boise Cascade makes progress toward accomplishing our business strategies, we are also making progress toward reaching our financial objectives: to be consistently profitable and to earn our cost of capital over the course of the business cycle. In 1998, we continued the fundamental shift in our business mix and in the mix of our products and services and made substantial progress toward improving the competitive position of each of our businesses.

Our orientation toward distribution continued to increase, and we expect our growth in distribution to continue to outpace our growth in manufacturing. In addition, both our manufacturing and distribution operations added more value-added products and services, which complement, and in some cases replace, commodity production.

BOISE CASCADE OFFICE PRODUCTS (BCOP)

BCOP sells office supplies, computer consumables, paper, office furniture, and promotional products. Sales occur primarily through the contract stationer channel, which includes midsize and large offices and national accounts, and the direct-marketing channel, which includes small and medium-sized offices. BCOP's growth was 18% in 1998.

BCOP's active acquisition program has helped its segment sales more than double in the last three years, from $1.3 billion in 1995 to $3.1 billion in 1998. Since the beginning of 1995, BCOP has made 43 acquisitions with total annualized revenues of over $1.1 billion at the time of acquisition. The pace of acquisitions slowed in 1998, as BCOP purchased six companies with annualized sales of approximately $62.0 million. Although most of our European acquisitions performed well in 1998, the underperformance of some caused BCOP to dissolve a German joint venture and announce the restructuring of operations in the United Kingdom. However, BCOP continues to look for acquisitions that will strengthen its market position.

During 1998, BCOP acquired a direct-marketing office products business in Spain, the largest regional computer supply company in Toronto, and a small office furniture business in Canada. BCOP's direct-marketing subsidiary, The Reliable Corporation, also expanded its domestic product offerings with the purchase of a mail-order business that sells packing, shipping, and graphic arts products. BCOP realized double-digit growth in direct-marketing sales in 1998 on the strength of improving domestic sales and growth in JPG in France.

Sales to U.S. national accounts -- large multisite customers -- increased 25% to over $1 billion in 1998. BCOP continues to stand out as the premier business-to-business distributor of office products today that can provide truly consistent national service for multisite operations. National accounts will continue to be a major component of our business.

Boise Marketing Services, Inc. (BMSI), a BCOP subsidiary that sells customized clothing, gifts, and other promotional merchandise, is one of the top U.S. companies in this industry. BMSI is working with BCOP's national accounts to promote and develop business. BMSI's revenues increased to $105 million in 1998.

BCOP continues to become more competitive and to expand its value-added services, such as comprehensive usage reporting and electronic commerce. The number of orders received electronically grew over 30% in 1998 and now represents 20% of BCOP's total orders. BCOP is also expanding its approach to the midsize market -- businesses of 25 to 100 employees -- with a custom-designed sales effort that includes specialized catalogs and an Internet-based ordering system.

BUILDING PRODUCTS

Our wholesale building materials distribution business sells a full line of building supplies to traditional building materials centers, consumer-oriented home centers, and industrial customers. Our distribution facilities sell about 40% of our laminated veneer lumber and wood I-joists and are a major channel for our traditional wood products as well. This business has grown significantly since 1995, expanding into the South and Midwest. In January 1999, we started up a distribution facility in the Chicago area, bringing the number of distribution facilities to 16. Sales volume grew 18% to $861 million in 1998.

We manufacture structural panels, lumber, and engineered wood products such as laminated veneer lumber (LVL) and wood I-joists. Increasingly, we are shifting our product mix in this business to engineered wood products. Sales of engineered wood products grew 32% in 1998, following a 17% increase in 1997. During 1998, we increased annual LVL capacity 35% to about 14 million cubic feet. And our joint-venture oriented strand board plant in Barwick, Ontario, Canada, which started up in May 1997, operated near full capacity during 1998.

In 1998, we closed sawmills in Fisher, Louisiana, and Horseshoe Bend, Idaho. We also announced that a sawmill in Elgin, Oregon, and a plywood plant in Yakima, Washington, will be closed in 1999. These facilities were unable to generate acceptable financial returns. The closures will reduce our lumber capacity by 28% and plywood capacity by 11%. In addition, our Medford, Oregon, plywood plant was severely damaged by fire in September 1998, reducing our plywood capacity an additional 20%. We plan to rebuild a portion of the plant with a smaller operation, which will supply raw material to our engineered wood products operations in nearby White City. The new plant should be completed in 1999.

Finally, as timber in North America becomes increasingly unavailable for harvest, we are taking steps to access foreign wood baskets. We began construction of a joint-venture lumber operation in Chile and recently received approval of our environmental impact statement for an OSB project there with the same partner. We have also signed an agreement to develop a joint-venture lumber operation in Brazil.

PAPER AND PAPER PRODUCTS

Boise Cascade manufactures uncoated free sheet papers (which include office papers, printing grades, forms bond, envelope papers, and value-added papers), packaging papers, corrugated containers, and newsprint. Our uncoated free sheet paper machine in Jackson, Alabama, which started up in 1997, would have operated at full capacity in 1998 but for market- and weather-related curtailments. As a result, our sales volume of uncoated free sheet paper increased 7% to 1.4 million tons. In addition, our corrugated container sales volume increased 17% to 4.2 billion square feet.

We continued to shift production on our smaller paper machines from commodity papers to value-added grades. We sold 302,000 tons of value-added papers in 1998, 298,000 of which were produced on our smaller machines, an increase of 7% over 1997 levels. Sales prices for our value-added grades averaged about $257 a ton more than for our commodity papers. Late in 1998, we installed an additional printing press at our paper converting facility in Vancouver, Washington, which will increase the plant's annual production capacity for value-added security grades by 3,500 tons.

The increased emphasis on uncoated free sheet paper and the shift to value-added grades on our smaller machines has helped to improve the competitive position of our business. Part of that improvement can be seen in the relative machine size of our uncoated free sheet system. In 1995, we had 17 uncoated free sheet machines with an average of 79,000 tons of capacity per machine. Ten other major North American producers had more capacity per machine. In 1998, we had ten uncoated free sheet machines with 153,000 tons of capacity per machine, the third-highest capacity per machine in the North American industry. When we've completed our switch to value-added grades on our smaller machines, most of our commodity uncoated free sheet will be produced on world-class machines.

Our employees' efforts to increase efficiency have also had an important impact on improving our competitive position. In 1998, after adjusting for market- and weather-related curtailments, our cash manufacturing costs were nearly 5% less than they were in 1995.

Integration also makes Boise Cascade a more efficient company. Boise Cascade Office Products is the single largest customer of our paper business. In 1998, BCOP bought 361,000 tons of our office papers, a 13% increase over the amount purchased in 1997. Our packaging plants used 52% of the containerboard we made, moving us closer to our goal of 55% integration with our existing container plants and our ultimate goal of 80% integration.

We also continue to work to improve our fiber base. Our paper mill in Wallula, Washington, is using more of the cottonwood fiber from our 18,000-acre fiber farm. And the growth rates on the fiber farm are higher than we thought they would be. We have established fiber farm assessment projects in Alabama, Louisiana, and Minnesota. In addition, we're increasing the amount of hardwood fiber used at our paper mill in St. Helens, Oregon. And our Louisiana foresters have adopted improved silvicultural methods that will increase the fiber yield from our forests there.

EXHIBIT 13.2

STATEMENTS OF INCOME (LOSS) (Unaudited)
Boise Cascade Corporation and Subsidiaries

	Three Months Ended December 31		Year Ended December 31	
	1998	1997	1998	1997
	(expressed in thousands)			
Revenues				
Sales	$1,536,183	$1,444,860	$6,162,123	$5,493,820
Costs and expenses				
Materials, labor, and other operating expenses	1,188,609	1,129,610	4,849,678	4,436,650
Depreciation, amortization, and cost of company timber harvested	71,417	70,780	282,737	256,570
Selling and distribution expenses	179,969	148,600	666,759	553,240
General and administrative expenses	38,934	36,800	150,455	139,060
Other (income) expense, net	37,793	(110)	67,443	710
	1,516,722	1,385,680	6,017,072	5,386,230
Equity in net loss of affiliates	(71)	(1,820)	(3,791)	(5,180)
Income from operations	19,390	57,360	141,260	102,410
Interest expense	(37,940)	(39,160)	(159,870)	(137,350)
Interest income	484	640	2,274	6,000
Foreign exchange gain (loss)	(242)	130	(542)	10
	(37,698)	(38,390)	(158,138)	(131,340)
Loss before income taxes, minority interest, and cumulative effect of accounting change	(18,308)	18,970	(16,878)	(28,930)
Income tax (provision) benefit	12,009	(8,460)	959	9,260
Income (loss) before minority interest and cumulative effect of accounting change	(6,299)	10,510	(15,919)	(19,670)
Minority interest, net of income tax	(2,043)	(3,280)	(9,773)	(10,740)
Income (loss) before cumulative effect of accounting change	(8,342)	7,230	(25,692)	(30,410)
Cumulative effect of accounting change, net of income taxes	-	-	(8,590)	-
Net income (loss)	$ (8,342)	$ 7,230	$ (34,282)	$ (30,410)
Net income (loss) per common share				
Diluted before cumulative effect of accounting change	$ (.21)	$ .02	$ (.81)	$ (1.19)
Cumulative effect of accounting change	-	-	(.15)	-
Diluted income (loss)	$ (.21)	$ .02	$ (.96)	$ (1.19)
Segment Information				
Segment sales				
Office products	$ 814,218	$ 718,514	$3,067,326	$2,596,732
Building products	410,215	382,404	1,722,496	1,645,236
Paper products	402,255	442,484	1,751,574	1,604,600
Intersegment eliminations and other	(90,505)	(98,542)	(379,273)	(352,748)
	$1,536,183	$1,444,860	$6,162,123	$5,493,820
Segment income (loss)				
Office products	$ 26,626	$ 38,501	$ 121,459	$ 119,802
Building products	27,197	4,814	57,720	45,009
Paper products	(17,193)	25,060	10,005	(11,551)

Corporate and other	(16,998)	(10,245)	(46,192)	(44,840)
Total	19,632	58,130	142,992	108,420
Interest expense	(37,940)	(39,160)	(159,870)	(137,350)
Loss before income taxes, minority interest, and cumulative effect of accounting change	$ (18,308)	$ 18,970	$ (16,878)	$ (28,930)

NOTES TO QUARTERLY FINANCIAL STATEMENTS
Boise Cascade Corporation and Subsidiaries

FINANCIAL INFORMATION. The Statements of Income (Loss) and Segment Information are unaudited statements that do not include all Notes to Financial Statements and should be read in conjunction with the 1998 Annual Report of the company. The annual report will be available in March 1999. Net income (loss) for the three months and year ended December 31, 1998 and 1997, involved estimates and accruals.

In December 1998, we announced a companywide cost-reduction initiative and the restructuring of certain operations as a result of the ongoing global financial crisis and the weak business environment. These initiatives include restructuring work, streamlining processes, and consolidating functions that will eliminate approximately 400 job positions, primarily in our manufacturing businesses and at our Boise headquarters. Staff reductions will occur through early retirements, layoffs, and attrition. Our paper research and development facility in Portland, Oregon, will close. Additionally, selected portions of our timberlands associated with facilities to be closed will be sold. Boise Cascade Office Products (BCOP), our 81%-held subsidiary, announced that they would restructure certain of their European operations. Related to these initiatives, we recorded a pretax loss in the fourth quarter of 1998 of approximately $38.0 million. Of this charge, all but $1.0 million for inventory write-offs is recorded in "Other (income) expense, net" in the accompanying Statements of Income (Loss).

The impact of the above items and related tax effects increased net loss $15.9 million, or 29 cents per basic and diluted share, for the three months ended December 31, 1998. Segment results decreased as follows: office products, $11.1 million; building products, $2.8 million; paper and paper products, $18.5 million; and corporate and other, $5.6 million.

On September 6, 1998, our Medford, Oregon, plywood plant was severely damaged by fire. In the third quarter of 1998, we recorded a net pretax gain of $46.5 million in the building products segment and a loss in corporate and other of $1.5 million related to an insurance settlement for this fire. This gain is recorded in "Other (income) expense, net" in the accompanying Statements of Income (Loss).

Late in the second quarter of 1998, we adopted a plan to restructure our wood products manufacturing business by permanently closing four facilities, including sawmills in Elgin, Oregon; Horseshoe Bend, Idaho; and Fisher, Louisiana; and a plywood plant in Yakima, Washington. At year-end, the sawmills in Fisher and Horseshoe Bend had been closed. We will close the Elgin sawmill and Yakima plywood plant in 1999. Related to these closures, our building products segment recorded a pretax loss in the second quarter of 1998 of approximately $61.9 million. This charge is recorded in "Other (income) expense, net" in the accompanying Statements of Income (Loss).

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

As of January 1, 1998, we adopted the provisions of a new accounting standard, AICPA Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities," which required the write-off of previously capitalized preoperating costs. Adoption of this standard resulted in a charge for the cumulative effect of accounting change, net of tax, of $8.6 million, or 15 cents per basic and diluted loss per share, for the year ended December 31, 1998. Also in the first quarter of 1998 we redeemed our Series F Preferred Stock. While this redemption had no impact on net loss, it increased net loss per share 7 cents.

The impact of the nonroutine items described above, together with the related impact on our 1998 taxes, increased net loss $55.0 million, or $1.05 per basic and diluted share, for the year ended December 31, 1998.

In 1998, our actual annual tax benefit rate was 5.7%. Excluding the nonroutine items, the tax provision rate would have been 44%. In 1997, we used an actual annual tax benefit rate of 32%. The tax rate percentage is subject to fluctuations due primarily to the sensitivity of the rate to low income levels, the impact of the nonroutine items described above, and the mix of income sources.

In 1997, the Financial Accounting Standards Board issued SFAS NO. 131, "Disclosures About Segments of an Enterprise and Related Information." We adopted this statement at December 31, 1998. Previously reported segment information has been restated to conform to the new standard.

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, 1998, and for the three months and year ended December 31, 1997, the computation of diluted net income (loss) per share was antidilutive; therefore, amounts reported for basic and diluted loss were the same.

	Three Months Ended December 31		Year Ended December 31	
	1998	1997	1998	1997
	(expressed in thousands)			
BASIC AND DILUTED				
Net income (loss) as reported before cumulative effect of accounting change	$ (8,342)	$ 7,230	$(25,692)	$(30,410)
Preferred dividends(1)	(3,484)	(6,229)	(15,578)	(31,775)
Excess of Series F Preferred Stock redemption price over carrying value(2)	-	-	(3,958)	-
Basic and diluted income (loss) before cumulative effect of accounting change	(11,826)	1,001	(45,228)	(62,185)
Cumulative effect of accounting change, net of income tax	-	-	(8,590)	-
Basic and diluted income (loss)	$(11,826)	$ 1,001	$(53,818)	$(62,185)
Average shares outstanding used to determine basic and diluted income (loss) per common share	56,335	56,191	56,307	52,049

(1) 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.

(2) Year ended December 31, 1998, included a negative 7 cents related to the redemption of the Series F Preferred Stock. The loss used in the calculation of loss per share was increased by the excess of the amount paid to redeem the preferred stock over its carrying value.

EXHIBIT 27

The data schedule contains summary financial information extracted from Boise Cascade Corporation's Balance Sheet at December 31, 1998, and from its Statement of Loss for the year ended December 31, 1998. The information presented is qualified in its entirety by reference to such financial statements.

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12-MOS
DEC-31-1998
DEC-31-1998
66,469
7,899
526,359
10,933
625,218
1,368,406
4,992,110
2,150,385
4,971,099
1,130,100
1,733,867
0
241,049
140,846
1,049,204
4,971,099
6,162,123
6,162,123
5,132,415
6,017,072
0
0
159,870
(16,878)
959
(25,692)
0
0
(8,590)
(34,282)
(.96)
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