

GEORGIA PACIFIC CORP
Form SC TO-C
March 28, 2003
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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE TO-C

TENDER OFFER STATEMENT UNDER SECTION 14(d) OR 13(e)(1)
OF THE SECURITIES EXCHANGE ACT OF 1934

GEORGIA-PACIFIC CORPORATION

(Name of Subject Company (Issuer))

GEORGIA-PACIFIC CORPORATION

(Names of Filing Persons (Offeror))

Georgia-Pacific Group Common Stock, Par Value \$0.80 Per Share

(Title of Class of Securities)

373298108

(CUSIP Number of Class of Securities)

Kenneth F. Khoury, Esq.

Vice President, Deputy General Counsel and Secretary

GEORGIA-PACIFIC CORPORATION

133 Peachtree Street, N.E.

Atlanta, Georgia 30303

(404) 652-4000

Copy To:

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Atlanta, Georgia 30308

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(Name, Address and Telephone Numbers of Person

Authorized to Receive Notices and Communications on Behalf of Filing Persons)

CALCULATION OF FILING FEE*

Transaction	Amount of Filing Fee
Valuation	
Not Applicable	Not Applicable

* No filing fee is required because this filing contains only preliminary communications made before the commencement of a tender offer.

** Check the box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identifying the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid:	Not Applicable	Filing Party:	Not Applicable
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Form or Registration No.:	Not Applicable	Date Filed:	Not Applicable
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Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

Check the appropriate boxes below to designate any transactions to which the statement relates:

third-party tender offer subject to Rule 14d-1.

issuer tender offer subject to Rule 13e-4.

going-private transaction subject to Rule 13e-3.

amendment to Schedule 13D under Rule 13d-2.

Check the following box if the filing is a final amendment reporting the results of the tender offer:

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Attached hereto are Georgia-Pacific Corporation's Notice of 2003 Annual Meeting of Shareholders and Proxy Statement for its Annual Meeting of Shareholders to be held on May 6, 2003, and the related materials filed with the Securities and Exchange Commission in connection with the 2003 Annual Meeting (the Proxy Materials). The Proxy Materials contain a proposal asking Georgia-Pacific shareholders to amend various Georgia-Pacific employee benefit plans to permit the exchange of outstanding stock options for a lesser number of shares of restricted stock (the Option Exchange). If the benefit plan amendments are approved by shareholders, eligible employees will be offered the opportunity to participate in the Option Exchange. Simultaneously with the commencement of the Option Exchange, Georgia-Pacific will also offer eligible employees (directors and executive officers are not eligible to participate) the opportunity to exchange eligible stock appreciation rights (SARs) for a lesser number of replacement SARs (the SAR Exchange and together with the Option Exchange, the Exchange Program). The Proxy Materials do not constitute an offer to holders of eligible options to exchange their options for shares of restricted stock, nor do they constitute an offer to holders of eligible SARs to exchange their SARs for replacement SARs.

Georgia-Pacific has not commenced the Exchange Program and will not complete the Exchange Program unless shareholders approve the proposal referred to above. At the time the Exchange Program is commenced, eligible employees will be sent written materials explaining the precise terms and timing of the Exchange Program. Eligible employees are urged to read these written materials carefully when they become available, because they will contain important information about the Exchange Program. Upon commencement of the Exchange Program, Georgia-Pacific will file the written materials relating to the Exchange Program with the Securities and Exchange Commission as part of a tender offer statement on Schedule TO. Eligible employees, as well as shareholders and members of the public, will be able to obtain these written materials and other documents filed by Georgia-Pacific with the Securities and Exchange Commission free of charge from the Securities and Exchange Commission's website at www.sec.gov. Holders of eligible stock options and eligible SARs may obtain a written copy of the tender offer materials, when available, free of charge by calling Equiserve Trust Company, N.A. at 1-888-700-3837, or by writing to Equiserve at 525 Washington Boulevard, 6th Floor, Jersey City, NJ 07310, Attention: Georgia-Pacific Exchange Program.

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March 26, 2003

Dear Fellow Shareholder:

You are invited to attend Georgia-Pacific Corporation's Annual Meeting of Shareholders at 11:00 a.m., Eastern time, on Tuesday, May 6, 2003. The Annual Meeting will be held in the Auditorium at Georgia-Pacific Center, 133 Peachtree Street, N.E., in Atlanta, Georgia. We hope you can attend.

We look forward to reporting to you on recent events at your Company as well as on other important matters. In addition, we will vote on the matters set forth in the attached Notice of Annual Meeting and Proxy Statement.

We have again provided to you the option of voting by mail, telephone or the Internet. Your vote is important. Even if you plan to attend the meeting, please vote as soon as possible.

Sincerely,

A. D. Correll

Chairman and Chief Executive Officer

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS MAY 6,
2003**

TIME

11:00 a.m., Eastern time, on Tuesday, May 6, 2003

BUSINESS

- (1) Elect 5 members of the Board of Directors.
- (2) Consider and act on a proposal to (i) amend various Georgia-Pacific employee benefit plans to permit the exchange of outstanding stock options for a lesser number of shares of restricted stock and (ii) make an additional unrelated amendment to the Georgia-Pacific Corporation Long-Term Incentive Plan (the "LTIP").
- (3) Reapprove the LTIP's performance-based criteria in connection with Section 162(m) of the Internal Revenue Code of 1986, as amended.
- (4) Consider and act on a proposal approving the amendment and restatement of one of our existing employee stock purchase plans that is limited to employees of select companies in which we have at least a 50% ownership interest.
- (5) Consider and act on a shareholder proposal, if properly presented at the meeting, urging Georgia-Pacific to establish a policy prohibiting the harvesting and trading of products from primary, old growth or other endangered forests.
- (6) Consider and act on a shareholder proposal, if properly presented at the meeting, requesting Georgia-Pacific's Board of Directors to amend the Company's Bylaws to require that an independent director serve as the Chairman of our Board of Directors.
- (7) Consider and act on a shareholder proposal, if properly presented at the meeting, urging Georgia-Pacific to establish a policy of expensing the costs of all future stock options issued by the Company.

DOCUMENTS

The Proxy Statement, proxy card, Annual Review and our Annual Report on Form 10-K are included in this mailing. They are first being mailed to shareholders on or about March 31, 2003.

PLACE

The Auditorium at Georgia-Pacific Center

133 Peachtree Street, N.E.

Atlanta, Georgia

RECORD DATE

Owners of shares of common stock of Georgia-Pacific at the close of business on March 12, 2003 may attend and vote at the meeting.

EXECUTIVE OFFICES

Georgia-Pacific Corporation

133 Peachtree Street, N.E.

Atlanta, Georgia 30303-1847

VOTING

Even if you plan to attend the meeting in Atlanta, please provide us with your voting instructions in one of the following ways as soon as possible:

- (1) Internet use the Internet address on the proxy card;
- (2) Telephone use the toll-free number on the proxy card; or
- (3) Mail mark, sign, and date the proxy card and return it in the enclosed postage-paid envelope.

By order of the Board of Directors,

Kenneth F. Khoury

Vice President, Deputy General Counsel and Secretary

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QUESTIONS AND ANSWERS

Q: Who is entitled to vote?

A: Georgia-Pacific shareholders of record as of the close of business on March 12, 2003 are entitled to vote at the Annual Meeting.

Q: What will I likely be voting on?

A: There are 7 proposals that may be voted on at the Annual Meeting:

- n the election of 5 directors;
- n a proposal to (i) amend various Georgia-Pacific employee benefit plans to permit the exchange of outstanding stock options for a lesser number of shares of restricted stock (the Option Exchange) and (ii) make an additional unrelated amendment to the Georgia-Pacific Corporation Long-Term Incentive Plan (the LTIP);
- n a proposal to reapprove the LTIP 's performance-based criteria in connection with Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code);
- n a proposal to approve the amendment and restatement of one of our existing employee stock purchase plans that is limited to employees of select companies in which we have at least a 50% ownership interest (the Employee Stock Purchase Plan);
- n a shareholder proposal urging Georgia-Pacific to establish a policy prohibiting the harvesting and trading of products from primary, old growth or other endangered forests;
- n a shareholder proposal requesting Georgia-Pacific 's Board of Directors to amend the Company 's Bylaws to require that an independent director serve as the Chairman of our Board of Directors; and
- n a shareholder proposal urging Georgia-Pacific to establish a policy of expensing the costs of all future stock options issued by the Company.

The Board of Directors knows of no other matters to be voted on at the Annual Meeting.

Q: When and where is the Annual Meeting?

A: The Annual Meeting is scheduled to begin at 11:00 a.m. on Tuesday, May 6, 2003, in the Auditorium at Georgia-Pacific Center, 133 Peachtree Street, N.E., in Atlanta, Georgia.

Q: What are the Board 's recommendations?

A: In summary, the Board of Directors recommends a vote:

- n FOR the election of the nominated slate of directors (see pages 5-6);
- n FOR the approval of the amendments to benefit plans to implement the Option Exchange and to make an additional unrelated amendment to the LTIP (see pages 28-40);
- n FOR the reapproval of the LTIP 's performance-based criteria in connection with Section 162(m) of the Code (see page 41);

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- n FOR the amendment and restatement of the Employee Stock Purchase Plan (see pages 42-44);
- n AGAINST the establishment of a policy prohibiting the harvesting and trading of products from primary, old growth of other endangered forests (see pages 45-46);
- n AGAINST the amendment of our Bylaws to require that an independent director serve as the Chairman of our Board of Directors (see pages 47-48); and
- n AGAINST the establishment of a policy of expensing in the Company's annual income statement the costs of all future stock options issued by the Company (see pages 49-51).

Q: How many votes are needed to approve each item?

A: n Directors. The affirmative vote of a plurality of the votes cast by the shares entitled to vote at the Annual Meeting is required to elect each director.

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QUESTIONS AND ANSWERS

- n **Amendments to Benefit Plans to Implement the Option Exchange and an Additional Unrelated Amendment to the LTIP.** The votes cast in favor of this proposal must exceed the votes cast in opposition for the proposal to be adopted, provided that the total number of votes cast on this matter represents greater than 50% of our outstanding shares.
- n **Reapproval of the LTIP's Performance-Based Criteria.** The votes cast in favor of this proposal must exceed the votes cast in opposition for this proposal to be adopted.
- n **Approval of the Amendment and Restatement of the Employee Stock Purchase Plan.** The votes cast in favor of this proposal must exceed the votes cast in opposition for this proposal to be adopted.
- n **Shareholder Proposals.** The votes cast in favor of the shareholder proposal must exceed the votes cast in opposition for a proposal to be adopted.

Q: How will my proxy be voted?

- A:** Unless you give other instructions, the persons named as proxies on the enclosed proxy card will vote in accordance with the recommendation of the Board of Directors. Accordingly, if no specification is made, shares properly represented by proxies will be voted FOR the director nominees named on pages 5-6, FOR the amendments to our benefit plans to implement the Option Exchange and an additional unrelated amendment to the LTIP, FOR the reapproval of the LTIP's performance-based criteria, FOR the amendment and restatement of the Employee Stock Purchase Plan and AGAINST each of the shareholder proposals.

Q: How will abstentions and broker non-votes be treated?

- A:** n **Directors.** Abstentions and broker non-votes will not be counted as votes cast and will have no effect on the result of the vote, although they will count toward the presence of a quorum.
- n **Amendments to Benefit Plans to Implement the Option Exchange and an Additional Unrelated Amendment to the LTIP.** Except as described below, an abstention or broker non-vote will have the effect of a vote against this proposal since they are not counted as votes cast and therefore will not count towards the requirement that greater than 50% of our outstanding shares vote on this matter. However, if more than 50% of our outstanding shares vote on this proposal, abstentions and broker non-votes will have no effect on the result of the vote. In any event, abstentions and broker non-votes will count toward the presence of a quorum.
- n **Reapproval of the LTIP's Performance-Based Criteria.** Abstentions and broker non-votes will not be counted as votes cast and will have no effect on the result of the vote, although they will count toward the presence of a quorum.
- n **Approval of the Amendment and Restatement of the Employee Stock Purchase Plan.** Abstentions and broker non-votes will not be counted as votes cast and will have no effect on the result of the vote, although they will count toward the presence of a quorum.
- n **Shareholder Proposals.** Abstentions and broker non-votes will not be counted as votes cast and will have no effect on the result of the vote, although they will count toward the presence of a quorum.

Q: How will voting on any other business be conducted?

- A:** If any matter other than those currently scheduled to be voted on is properly raised and presented at the Annual Meeting, your vote gives authority to the persons named on

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QUESTIONS AND ANSWERS

the proxy card to vote on any such matter in their discretion. To the extent any other matter is voted on, generally the votes cast in favor of the matter must exceed those cast in opposition in order for the matter to be approved.

Q: How many votes is each share entitled to?

A: Each share of Georgia-Pacific common stock is entitled to one vote.

Q: How do I vote?

A: You may vote:

n by attending the Annual Meeting;

n via the Internet at www.eproxyvote.com/gp;

n by telephone at 1-877-779-8683 (1-877-PRX-VOTE) as directed on your proxy card; or

n by completing and mailing your proxy card.

Specific instructions for voting are described on the enclosed proxy card.

Q: Can I change my vote?

A: Yes. You may revoke your proxy by submitting a new proxy by one of the methods described in the previous question and answer, or by sending a written request to change your vote that must be received by our Secretary prior to the Annual Meeting. Giving your proxy does not deprive you of your right to vote in person should you attend the Annual Meeting.

Q: Who will tabulate the votes?

A: EquiServe Trust Company, N.A. (EquiServe) will tabulate the votes and act as inspector of election.

Q: How many votes does Georgia-Pacific need in order to hold the meeting?

A: As of the record date, March 12, 2003, 250,319,958 shares of common stock of Georgia-Pacific were outstanding. Accordingly, the total number of possible votes is 250,319,958. A number of votes equal to or greater than a majority of the possible votes, or 125,159,979 (including abstentions), will constitute a quorum. No business may be transacted at the Annual Meeting without a quorum. If you are present at the Annual Meeting in person or by proxy, or vote by proxy card, telephone or the Internet, you will be considered part of the quorum.

Q: Is my vote confidential?

A: Proxy cards, ballots and voting tabulations that identify individual shareholders are mailed or returned directly to EquiServe, and handled in a manner that protects your privacy. Your vote will not be disclosed except: (1) as needed to permit EquiServe to tabulate and certify the vote; (2) as required by law; (3) if we determine in good faith that a bona fide dispute exists as to the accuracy or authenticity of a proxy, ballot or vote; or (4) in the event of a proxy contest, unless all parties to the contest agree to follow Georgia-Pacific's confidentiality policy.

Q: What does it mean if I get more than one proxy card?

A: You may receive a proxy card for each account that you have, including shares held by the trustee in the Company's dividend reinvestment plan or any employee benefit plan. Please vote by proxy for all accounts to ensure that all of your shares are voted. The proxy card (or

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cards) you receive represents all of the shares you are entitled to vote. If you wish to consolidate multiple accounts, please contact our transfer agent, EquiServe, at 1-800-519-3111.

Q: How will shares in Georgia-Pacific employee benefit plans be voted?

A: This proxy statement is being used to solicit voting instructions for the shares of the Company's common stock which are held by the Trustee of the Company's benefit plans for the benefit of plan participants. Shares held in our benefit plans that are entitled to vote will

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QUESTIONS AND ANSWERS

be voted by the Trustee pursuant to your instructions. Shares held in any employee benefit plan that are entitled to vote but do not vote will not be counted. You must instruct the Trustee to vote your shares by utilizing the voting methods described above; namely, by the Internet, by telephone or by completing and mailing your proxy card.

Q: When are shareholder proposals intended for inclusion in next year's Annual Meeting Proxy Statement due?

A: The deadline for receipt of shareholder proposals intended to be included in the proxy statement or otherwise for next year's annual meeting is the close of business on December 1, 2003. They must be submitted in writing to Kenneth F. Khoury, Vice President, Deputy General Counsel and Secretary, Georgia-Pacific Corporation, 133 Peachtree Street, N.E., Atlanta, Georgia 30303.

Q: What if I do not meet the deadline for including a proposal in the proxy statement for next year's annual meeting?

A: Proposals not included in the proxy statement for next year's annual meeting may still be presented directly at the meeting. However, management will be able to vote proxies in its discretion on any such proposal if Georgia-Pacific: (1) receives notice of the proposal before the close of business on February 12, 2004, and advises shareholders in the annual meeting proxy statement about the nature of the matter and how management intends to vote on such matter; or (2) does not receive notice of the proposal prior to the close of business on February 15, 2004. Notices of intention to present proposals at next year's annual meeting should be addressed to Kenneth F. Khoury, Vice President, Deputy General Counsel and Secretary, Georgia-Pacific Corporation, 133 Peachtree Street, NE, Atlanta, Georgia 30303.

Q: Who are the proxy solicitors and what are the solicitation expenses?

A: We have hired D.F. King & Co., Inc. to solicit proxies for \$35,000, plus its costs, to assist in the distribution of proxy material and solicitation of votes by mail, telephone, facsimile or personal meetings. Our officers, directors and employees may also assist with solicitation efforts.

We will reimburse brokers and other custodians, nominees and fiduciaries for forwarding proxy and solicitation materials to owners of Georgia-Pacific stock in accordance with the fee schedule approved by the New York Stock Exchange.

Q: May I access this year's proxy statement and annual report via the Internet?

A: Yes. This proxy statement and our 2002 Annual Report on Form 10-K are available by accessing the Investor Information section under the About Us tab on our Internet site at www.gp.com. In addition, most shareholders can elect to receive future proxy statements, annual reports and proxy cards over the Internet instead of receiving paper copies in the mail. Links will be provided to elect this option if you vote on the Internet in accordance with the instructions on your proxy card.

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NOMINEES AND DIRECTORS

Proposal No. 1 Election of Directors

Our Bylaws divide the Board into 3 classes, with the directors in each class serving for a term of 3 years and until their successors are elected and qualified.

The persons named on the enclosed proxy card will vote each properly executed proxy for the election of the following nominees as directors unless authority to so vote is withheld. If any named nominee becomes unavailable for election, the Board may substitute another nominee or reduce the number of directors to be elected. In the event the Board names a substitute nominee, the proxy would be voted for the substitute nominee. The terms of the remaining directors of the Company will continue as indicated below. Proxies can be voted for no more than 5 persons.

The Board of Directors recommends that shareholders vote **FOR** the election of the 5 nominees named below.

CLASS I DIRECTOR NOMINEES, term ends May 2, 2006

JANE EVANS, 58, Chief Executive Officer of Opnix Internet Technologies (an Internet licensing company) since January 2003, has been one of our directors since 1994. From May 2001 to January 2003, Ms. Evans was the Chief Executive Officer of Opnix, Inc. (a provider of Internet traffic management and routing products). From August 1995 to May 2001, Ms. Evans served as President and Chief Executive Officer of GAMUT Interactive, Inc. (a provider of television and consumer operating systems). In May 2001, GAMUT filed for bankruptcy under Chapter 7 of the Bankruptcy Code. From April 1991 until March 1995, Ms. Evans was Vice President and General Manager of the Home and Personal Services Market Unit of US West Communications, Inc.

Ms. Evans is also a director of Hypercom Corporation, KB Home, Main Street and Main Incorporated, PETsMART, Inc. and Altria Group, Inc.

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SIR RICHARD V. GIORDANO, 69, Chairman of BG Group plc (oil and gas exploration and production distributor and seller of gas and gas supported services) since January 1994, has been one of our directors since 1984 and our Lead Director since November 2002.

He is also a director of Rio Tinto plc.

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NOMINEES AND DIRECTORS

M. DOUGLAS IVESTER, 56, President of Deer Run Investments, LLC (an investment management company) since February 2000, has been one of our directors since 1993. Mr. Ivester served as Chief Executive Officer of The Coca-Cola Company from October 1997 to February 2000 and as President and Chief Operating Officer from July 1994 until October 1997.

Mr. Ivester is also a director of SunTrust Banks, Inc., S1 Corporation and Service Central, Inc.

LOUIS W. SULLIVAN, M.D., 69, President Emeritus of Morehouse School of Medicine since July 2002, has been one of our directors since 1993. Dr. Sullivan served as President of Morehouse School of Medicine from January 1993 until July 2002 and as Secretary of the United States Department of Health and Human Services from March 1989 until January 1993.

Dr. Sullivan is also a director of Bristol-Myers Squibb Company, CIGNA Corporation, Equifax Inc., United Therapeutics, Inc., Minnesota Mining and Manufacturing Company, BioSante Pharmaceuticals, Inc. and Endovascular Instruments, Inc.

LEE M. THOMAS, 58, our President since September 2002, has been one of our directors since May 2002. Prior to becoming our President, Mr. Thomas served in a number of management positions with Georgia-Pacific, including President-Building Products and Distribution from March 2002 until September 2002, Executive Vice President-Consumer Products from August 2000 until March 2002, Executive Vice President-Paper and Chemicals from December 1997 until August 2000, Executive Vice President-Paper from January 1997 until December 1997, Senior Vice President-Paper from February 1995 until December 1996, and Senior Vice President-Environmental, Government Affairs and Communications from February 1994 until January 1995 and Senior Vice President-Environmental and Government Affairs from March 1993 until January 1994.

Mr. Thomas is also a director of Airgas, Inc.

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NOMINEES AND DIRECTORS

CONTINUING DIRECTORS

JAMES S. BALLOUN, 64, Chairman, Chief Executive Officer and President of Acuity Brands, Inc. (a manufacturer of lighting equipment and chemicals) since November 2001, has been one of our directors since 1998. His current term as director ends in 2005. Mr. Balloun served as Chairman, Chief Executive Officer and President of National Service Industries, Inc. (formerly, a diversified manufacturer and distributor of lighting equipment, chemicals, textiles and envelopes) from 1996 until October 2001 when it spun off Acuity Brands in a tax-free distribution to its shareholders. Mr. Balloun served as a director of McKinsey & Company, Inc. from 1976 until 1996.

Mr. Balloun is also a director of Acuity Brands, Inc., Radiant Systems, Inc. and Wachovia Corporation.

BARBARA L. BOWLES, 55, Chairman, Chief Executive Officer and Chief Investment Officer of The Kenwood Group, Inc. (an investment advisory firm) since 1989, has been one of our directors since 2000. Her current term as director ends in 2004. Ms. Bowles served as a director of Fort James Corporation from 1997 until the completion of our acquisition of Fort James in 2000.

Ms. Bowles is also a director of The Black & Decker Corporation, Wisconsin Energy Corporation, Wisconsin Electric Power Company, Wisconsin Gas Company, Hyde Park Bank of Chicago and Dollar General Corporation.

WORLEY H. CLARK, JR., 70, President of W.H. Clark Associates, Ltd. (a consulting firm) since 1994, has been one of our directors since 2000. His current term as director ends in 2005. Mr. Clark retired from Ondo Nalco Company (formerly, Nalco Chemical Company) in 1994, where he served as Chairman and Chief Executive Officer. Mr. Clark served as a director of Fort James Corporation from 1993 until the completion of our acquisition of Fort James in 2000.

Mr. Clark is also a director of Merrill Lynch & Co., Inc., Bethlehem Steel Corporation, Valero Energy Corp., Millennium Chemicals, Inc. and the Merchants Exchange and Exchange Cubed, LLC.

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ALSTON D. CORRELL, 61, our Chairman and Chief Executive Officer since December 1993 and May 1993, respectively, and President from July 1991 to September 2002, has been one of our directors since 1992. His current term as director ends in 2005.

Mr. Correll is also a director of Norfolk Southern Corporation, Mirant Corporation and SunTrust Banks, Inc.

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NOMINEES AND DIRECTORS

DONALD V. FITES, 69, retired Chairman and Chief Executive Officer of Caterpillar Inc., a position he held from 1990 until February 1999, has been one of our directors since 1992. His current term as director ends in 2004.

Mr. Fites is also a director of AT&T Wireless Services, Inc., Exxon Mobil Corporation, AK Steel Corporation, Oshkosh Truck Corporation and Wolverine World Wide, Inc.

DAVID R. GOODE, 62, Chairman, President and Chief Executive Officer of Norfolk Southern Corporation since September 1992 and an executive officer of that company since 1985, has been one of our directors since 1992. His current term as director ends in 2004.

Mr. Goode is also a director of Norfolk Southern Corporation, Norfolk Southern Railway Company, Caterpillar Inc., Delta Air Lines, Inc. and Texas Instruments Incorporated.

JAMES B. WILLIAMS, 70, Chairman of the Executive Committee of SunTrust Banks, Inc. since March 1998, has been one of our directors since 1989. His current term as director ends in 2004. Mr. Williams held the positions of Chairman and Chief Executive Officer of SunTrust Banks, Inc. from April 1991 and April 1990, respectively, until March 1998.

Mr. Williams is also a director of SunTrust Banks, Inc., The Coca-Cola Company, Genuine Parts Company, Rollins, Inc., RPC Energy Services, Inc. and Marine Products Corporation.

JOHN D. ZEGLIS, 55, Chief Executive Officer and Chairman, AT&T Wireless Services since December 1999, has been one of our directors since 2001. His current term as director ends in 2005. Mr. Zeglis served as President of AT&T Corporation from December 1997 to July 2001, Vice Chairman from June 1997 to November 1997, General Counsel and Senior Executive Vice President from 1996 to 1997 and Senior Vice President and General Counsel from 1986 to 1996.

Mr. Zeglis is also a director of Helmerich and Payne Corporation.

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CORPORATE GOVERNANCE

Q: How is Georgia-Pacific managed?

A: We are managed by a core group of officers who are governed by a Board of Directors, the number of which is currently set at 13 members. Our Bylaws divide the Board into 3 classes of approximately equal size with each class being elected for three years.

Q: Has the Board of Directors adopted corporate governance principles?

A: Yes. For a number of years, our Board has had in place a set of Board Policies and Procedures, which address a number of corporate governance principles, including director independence, mandatory retirement, evaluation of the CEO, composition of the Board and succession planning. Our corporate governance principles are reviewed by the Executive and Governance Committee on a regular basis and any proposed additions or amendments to the principles are reviewed and approved by the Board.

The New York Stock Exchange (the NYSE) has proposed rules that would require listed companies like Georgia-Pacific to adopt governance guidelines covering certain matters. The Company has reviewed its corporate governance principles and, to the extent necessary, will amend them to ensure compliance when these rules are adopted in their final form.

In order to provide shareholders with greater knowledge regarding the Board's processes, the corporate governance principles adopted by the Board of Directors will be posted on our website at www.gp.com in the near future.

Q: Does the Board of Directors have a lead director?

A: Yes. In November 2002, the Executive and Governance Committee approved and recommended to the Board for approval a presiding director (the Lead Director). The Lead Director, who shall be the Chairman of the Executive and Governance Committee, presides over any executive session of the non-management directors. The Lead Director also serves as a liaison between the non-management members of the Board and the Chairman, and discusses with the Chairman, to the extent appropriate, matters discussed by the non-management directors in executive session.

As Chairman of the Executive and Governance Committee, Sir Richard V. Giordano serves as our Lead Director.

Q: Do non-management directors meet without management present?

A: Yes. Our non-management directors meet in executive session without management present. During 2002, our non-management directors met 5 times and discussed such topics as management's performance, succession planning and the recommendations of the Compensation Committee regarding the Chief Executive Officer's compensation.

Q: How many directors are independent?

A: Of the Board's 13 members, 11 are independent. A director's independence is determined by the Board pursuant to our corporate governance principles, which define an independent director as one who is not an officer or former officer of Georgia-Pacific, or a relative of such officer, is not an officer of a significant customer or supplier to Georgia-Pacific, does not have a personal services contract with Georgia-Pacific, is not a significant advisor or consultant to Georgia-Pacific and is not affiliated with a tax-exempt entity that receives significant contributions from Georgia-Pacific. The Board has determined, after careful review, that each member of the Board is independent as defined.

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CORPORATE GOVERNANCE

in our corporate governance principles, with the exception of Messrs. Correll and Thomas, who are employed by Georgia-Pacific.

Q: Does the Board of Directors evaluate its own performance and effectiveness?

A: Yes. The Board evaluates its performance and effectiveness through annual self-assessments. This process commences with each director completing a questionnaire with respect to the following topics:

- n Whether Board meetings foster open communication and timely resolution of issues presented.
- n The Board's expectations concerning director responsibilities and the productivity of Board and Committee meetings.
- n The appropriateness of the Company's long-term operating and financial strategies and its success in executing those plans.
- n Senior management's accessibility to provide the Board with important information about the Company.
- n The structure of the Board and its Committees, as well as the frequency of Board and Committee meetings.
- n The characteristics and expertise of the Board required to ensure its effectiveness.
- n The adequacy of existing accounting and financial controls, and the ethical conduct and legal compliance of the Company.
- n Compliance by the Board and senior management with the Board's corporate governance principles.
- n The succession plans for the Chief Executive Officer and senior management.
- n Whether the Company has met its obligations to its employees and to the communities in which it operates.

The collective ratings and comments of our directors are compiled and presented by the Chairman of the Executive and Governance Committee to the full Board for discussion, for the assessment of progress in the areas targeted for improvement a year earlier, and for the development of recommendations to enhance the Board's effectiveness over the next year.

Q: What are non-employee directors paid each year?

A: Each director's compensation consists of:

- n \$40,000 in cash;
- n stock options to purchase shares of Georgia-Pacific stock worth \$40,000 on the date of grant;
- n a restricted stock grant of Georgia-Pacific stock worth \$40,000 on the date of grant; and
- n group term life insurance in the amount of \$50,000.

Committee Chairmen also receive a \$5,000 annual fee.

Directors have the option to defer all or part of the cash compensation payable to them so long as they defer at least \$10,000 in each calendar year. A deferral gives a director the option of being paid as if such funds had been invested in:

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- n shares of Georgia-Pacific stock;
- n a promissory note with a floating interest rate equal to $\frac{3}{4}\%$ over the six-month Treasury Bill rate; or
- n an S&P 500 Index Fund.

The deferred fees (adjusted for investment gains or losses) are paid upon retirement in a single payment or in annual cash payments.

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CORPORATE GOVERNANCE

BOARD COMMITTEES

The Board has determined, after careful review, that all of the members of our Board Committees are independent, as defined by our corporate governance principles.

Audit Committee

- n Members are James S. Balloun, Barbara L. Bowles, David R. Goode (Chairman), M. Douglas Ivester and Louis W. Sullivan.
- n Met 11 times in 2002.
- n Reviews financial statements and periodic filings with the Securities and Exchange Commission (the SEC) and discusses them with management.
- n Reviews the scope and results of the audit of our financial statements by our independent auditors, including significant changes in accounting principles and practices, significant proposed adjustments and disagreements with management, if any.
- n Recommends independent auditors and reviews their services, independence and fees.
- n Pre-approves all audit and significant permissible non-audit services to be performed by our independent auditors.
- n Evaluates critical accounting policies.
- n Reviews policies and meets with management to assess whether Georgia-Pacific is in material compliance with applicable laws and regulations.
- n Reviews internal controls in place to prevent and detect employee conflicts of interest, misconduct and fraud, and the results of certain examinations performed by the Internal Audit Department.
- n Issues annual Audit Committee Report contained in the proxy statement.

Executive and Governance Committee

- n Members are Donald V. Fites, Sir Richard V. Giordano (Chairman), David R. Goode and James B. Williams.
- n Met 7 times in 2002.
- n If necessary, exercises the power of the full Board between meetings except for certain fundamental transactions and matters of corporate governance.
- n Reviews corporate governance issues, including the composition, work, organization and compensation of the Board and its committees.
- n Conducts an annual self-assessment of the performance of the Board as a whole.
- n Considers and recommends nominees for election as directors, and also accepts and considers recommendations from shareholders subject to the requirements described in the following paragraph.

Except as described below, shareholders making nominee recommendations must submit a written notice not less than 60, nor more than 75, days before the applicable meeting accompanied by:

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- n the name and address of record of the nominating shareholder;
- n a representation that the shareholder is a record shareholder;
- n a representation that the shareholder intends to appear in person or by proxy at the meeting to nominate the person specified in the notice;
- n the class and number of shares held of record, owned beneficially and represented by proxy, by the shareholder as well as each proposed nominee;
- n the name, age, business and residential address, and principal occupation or employment of each proposed nominee;
- n a description of all arrangements or understandings between the shareholder and each proposed nominee; and
- n any other information regarding each nominee that is required to be included in a proxy statement filed pursuant to the rules of the SEC.

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CORPORATE GOVERNANCE

Georgia-Pacific may require each proposed nominee to submit reasonable additional information that will help determine his or her eligibility to serve as a director. If less than 70 days notice or prior public disclosure of the meeting is given or made to shareholders, the notice nominating a director must be received by the 10th day following the date of the notice of the meeting or public disclosure of the meeting.

The final selection of the Board's nominees is within the sole discretion of the Board.

Compensation Committee

- n Members are Worley H. Clark, Jr., Jane Evans, Donald V. Fites (Chairman) and Sir Richard V. Giordano.
- n Met 7 times in 2002.
- n Evaluates the annual performance of Georgia-Pacific's executive officers.
- n Determines officer salaries.
- n Administers compensation programs, including:
 - n designing officer and other employee compensation plans;
 - n making stock grants and awards to officers and other employees; and
 - n setting performance targets for officers and other employees for future periods and verifying performance for past periods.
- n Issues annual Compensation Committee Report contained in the proxy statement.

Finance Committee

- n Members are Barbara L. Bowles, M. Douglas Ivester, James B. Williams (Chairman) and John D. Zeglis.
- n Met 6 times in 2002.
- n Reviews financial plans and major financings.
- n Reviews management policies regarding borrowing, leasing, acquisitions, dispositions and capital expenditures.
- n Recommends dividends.

Meetings of the Board

The Board of Directors met 10 times in 2002. The Board and its committees met a total of 41 times in 2002. Average director attendance at all Board and committee meetings was 87%. All members of the Board attended at least 75% of all Board and committee meetings in 2002.

Compensation Committee Interlocks and Insider Participation

As was the case during fiscal 2002, our Compensation Committee the members of which are Worley H. Clark, Jr., Jane Evans, Donald V. Fites and Sir Richard V. Giordano is comprised entirely of independent directors. Other than his or her directorship, the members of our Compensation Committee do not have any material relationship with Georgia-Pacific, our Chief Executive Officer or any other executive officer of Georgia-Pacific.

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AUDIT COMMITTEE REPORT AND RELATED MATTERS

To the Board of Directors:

We have reviewed and discussed with management Georgia-Pacific's audited financial statements as of and for the year ended December 28, 2002.

We have discussed with Georgia-Pacific's independent auditors, Ernst & Young LLP, the matters required to be discussed by Statement on Auditing Standards No. 61, *Communication with Audit Committees*, as amended, and issued by the Auditing Standards Board of the American Institute of Certified Public Accountants.

We have received and reviewed the written disclosures and the letter from Ernst & Young required by Independence Standard No. 1, *Independence Discussions with Audit Committees*, as amended, and issued by the Independence Standards Board, and have discussed with the auditors their independence.

We have also considered whether the provision of services provided by Ernst & Young, not related to the audit of the financial statements referred to above and to the reviews of the interim financial statements included in Georgia-Pacific's Form 10-Qs for the quarters ended March 30, 2002, June 29, 2002, and September 28, 2002, is compatible with maintaining Ernst & Young's independence.

Based on the reviews and discussions referred to above, we recommend to the Board of Directors that the financial statements referred to above be included in the Company's Annual Report on Form 10-K for the year ended December 28, 2002.

The foregoing report has been furnished by the Audit Committee of Georgia-Pacific's Board of Directors.

David R. Goode, Chairman

James S. Balloun

Barbara L. Bowles

M. Douglas Ivester

Louis W. Sullivan

The foregoing report of the Audit Committee shall not be deemed to be incorporated by reference in any previous or future documents filed by the Company with the SEC under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that Georgia-Pacific specifically incorporates the report by reference in any such document.

Independent Auditor Fee Information

Audit Fees. Fees for audit services totaled approximately \$20.9 million in 2002, including fees associated with the 2002 annual audit and reviews of the Company's quarterly reports on Form 10-Q, audits of the Company's 1999 through 2001 consolidated financial statements, registration statements, consents, comfort letters and statutory audits required internationally.

Audit-Related Fees. Fees for audit-related services totaled approximately \$500,000 in 2002 and \$100,000 in 2001. Audit-related services principally include audits of employee benefit plans, accounting consultations and information systems audits.

Tax Fees. Fees for tax services, including tax compliance, tax advice and tax planning, totaled approximately \$300,000 in 2002 and \$500,000 in 2001.

All Other Fees. Fees for all other services not included above totaled approximately \$1 million in 2002 and \$400,000 in 2001, principally for support and advisory services related to the Company's risk management procedures.

The Audit Committee has reviewed the fee information above and recognizes that the Company's 2002 audit fees were significantly higher than in previous years. These fees were principally driven by the extensive audit work required by the Company's new auditors, Ernst & Young, in connection with the re-audit of the

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AUDIT COMMITTEE REPORT AND RELATED MATTERS

Company's 1999 through 2001 consolidated financial statements. In addition, the higher fees for 2002 were largely the result of one-time expenses associated with the proposed separation of the Company's building and consumer products businesses, the Company's \$1.5 billion debt offering and the sale by the Company of 60% of Unisource Worldwide, Inc. The Audit Committee has discussed the provision of these services, many of which were one-time engagements, and the other services provided by Ernst & Young and considers them to be compatible with maintaining the independence of such firm.

Statement Regarding Independent Auditor

On April 9, 2002, the Audit Committee voted to dismiss its independent public accountants, Arthur Andersen LLP and to engage the services of Ernst & Young to serve as Georgia-Pacific's independent auditors for the 2002 fiscal year, effective as of that date.

Arthur Andersen's reports on Georgia-Pacific's consolidated financial statements for each of the fiscal years ended December 29, 2001 and December 30, 2000 did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles.

During the fiscal years ended December 29, 2001 and December 30, 2000, and through the interim period ending April 9, 2002, there were no disagreements with Arthur Andersen on any matter of accounting principle or practice, financial statement disclosure, or auditing scope or procedure which, if not resolved to Arthur Andersen's satisfaction, would have caused Arthur Andersen to make reference to the subject matter in connection with its report on Georgia-Pacific's consolidated financial statements for such years; and there were no reportable events as defined in Item 304(a)(1)(v) of Regulation S-K.

Ernst & Young has audited the accounts of Georgia-Pacific and its subsidiaries since 2002 and will continue in that capacity during 2003. A representative of Ernst & Young is expected to be present at the Annual Meeting, will have the opportunity to make a statement if he or she desires to do so and is expected to be available to respond to appropriate questions.

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COMPENSATION COMMITTEE REPORT

What is Georgia-Pacific's executive compensation philosophy?

We have designed our executive compensation to attract, retain and reward quality people in a highly competitive business environment. Our annual and long-term incentive compensation strategy is designed to link our strategic business objectives and the enhancement of shareholder returns with the compensation of our managers. We believe that our long-term stock-based incentive compensation plans align the interests of management and shareholders. From time to time, we work with outside consultants to ensure that we have the appropriate mix of compensation arrangements.

What comprises total executive compensation?

- n Base salaries;
- n annual cash bonuses for achieving annual corporate and business unit goals; and
- n long-term, stock-based incentives consisting of stock options, performance rights and/or restricted stock.

Total executive compensation targets, including payments and awards under our incentive plans, are set by us at approximately the median, or 50th percentile, of compensation practices at a cross-section of United States industrial companies, representing a range of industries which are similar to Georgia-Pacific in terms of size and complexity of operations. As selected by the Compensation Committee, these companies also may include companies listed in the Standard & Poor's Forest Products Index, the Standard & Poor's Paper Products Index and the Standard & Poor's Household Products (nondurables) Index. We believe the industrial companies we have selected to be in Georgia-Pacific's peer group compete with us in the hiring and retention of executives. Cash and stock-based incentive compensation targets were set at levels that we believed would result in overall compensation to executives below, at or above the median of those industrial companies depending upon our relative Economic Value Added (as described below, our EVA) or total shareholder return performance as compared to our peers.

Base Salaries. Base salaries of all officers, including the executive officers named in the Summary Compensation Table on page 18 are set at a level approximating median pay for similar positions at the cross-section of United States industrial companies discussed above. There is some variation from the median based on individual performance, the nature of responsibilities and competitive marketplace data.

Annual Performance Bonuses. Annual bonuses are provided under the Economic Value Incentive Plan (the EVIP). However, payments under this plan depend on the achievement of performance targets (discussed below) set at the beginning of each year which have both objective and subjective components. Performance above or below these targets results in proportionately higher or lower bonuses up to the maximum (200% of target bonus) or down to the threshold (50% of target bonus) level. A bonus will not be paid unless the threshold level is achieved. No participant (other than Mr. Correll) was entitled to receive a bonus of more than 125% of his or her base salary in 2002.

For 2002, annual bonuses were based on Georgia-Pacific's relative EVA performance as compared to a peer group of companies in the Standard & Poor's Forest Products Index, the Standard & Poor's Paper Products Index and the Standard & Poor's Household Products (nondurables) Index.

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In 2002, we used EVA as our principal financial metric to measure our ability to generate net after-tax operating profits in excess of our cost of capital (both equity and debt).

Target bonuses were determined for 2002 based on a percentage of a participant's base salary grade midpoint and range from 35% to 110% for

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COMPENSATION COMMITTEE REPORT

all officers, and 10% to 35% for all other participants. The executive officers named in the Summary Compensation Table on page 18 had target bonuses ranging from 55% to 80% of their base salary grade midpoint (other than Mr. Correll whose target award is 110% of midpoint).

The objective portion of the bonus (based on relative EVA performance of Georgia-Pacific) determined up to 50% of the target bonus. For 2002, the relative percentile ranking EVA performance targets were:

n Threshold	30th percentile
n Target	54th percentile
n Maximum	100th percentile

On a relative EVA basis, Georgia-Pacific performed at the 73rd percentile level in 2002. As a result, for 2002, the average participant received a cash award of 135% of his or her target objective bonus. However, as discussed on the following page, the Chief Executive Officer received no bonus for 2002.

The subjective portion of the bonus determined up to 50% of the target bonus. It is based on the CEO's assessment of:

- n actual performance compared to targeted performance of business units, divisions or segments for the plan year; and
- n actions taken by business units, divisions or segments to increase EVA in future years.

For 2002, the average participant received 15% of his or her subjective bonus for a total average award of 82% of his or her combined objective and subjective target bonus under the EVIP.

Long-Term Equity Incentive Compensation. The Georgia-Pacific Corporation Long-Term Incentive Plan (the LTIP) gives Georgia-Pacific the ability to structure incentives for employees that are tied directly to the price performance of the Company's common stock. The Compensation Committee has the authority under this Plan to set the terms and conditions of any grants and awards.

The LTIP authorizes grants of stock options, restricted stock and performance rights with respect to Georgia-Pacific stock. On January 31, 2002, all Georgia-Pacific executive officers and other key employees were granted options to purchase Georgia-Pacific stock. On that date, the fair market value of Georgia-Pacific stock was \$24.44. This price fixed the exercise price of the options. These options will expire on January 30, 2012 and will vest and become exercisable in substantially equal amounts over three years beginning January 31, 2003. In addition, on February 21, 2002, the Committee made an LTIP grant of 156,700 options to Mr. Correll subject to the same terms and conditions of the stock option grants made on January 31, 2002. This award was made to properly align Mr. Correll's long-term incentive award level with prevailing market

practice.

Further, in 2002, performance rights were granted to key executive officers. These performance rights provide for the issuance of stock to these officers upon the achievement of a specified relative total shareholder return as compared to our peers in the Standard & Poor's Forest Products Index, the Standard & Poor's Paper Products Index and the Standard & Poor's Household Products (nondurables) Index. Depending upon the achieved relative total shareholder return, 0% to 200% of the target number of shares may be awarded. For the performance period ending on December 31, 2002, 0% of the target level award of restricted shares were issued.

During 2002, the Committee considered the fact that most outstanding employee stock options have grant prices that are well above the current market value of the Company's stock. As a result, few of such options have been exercised or have perceived value to employees. The Committee's primary concerns were the significant number of unexercised options as a percentage of shares outstanding, and the impact of under water options on employee morale and retention. The

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COMPENSATION COMMITTEE REPORT

Committee concluded that some action is appropriate, but only with shareholder concurrence. Accordingly, the proposal outlined on pages 28-40 of this proxy statement describes the action the Committee is recommending that shareholders approve.

Policy on Income Tax Deductibility of Executive Compensation

Section 162(m) of the Internal Revenue Code precludes the deductibility of an executive's compensation that exceeds \$1 million per year unless the compensation is paid under a performance-based plan that has been approved by shareholders. Georgia-Pacific has obtained shareholder approval for the LTIP; however, our policy is to maximize long-term shareholder value, and tax deductibility is only one factor considered in setting compensation.

Chief Executive Officer Compensation

Mr. Correll participates in the compensation programs described in this report. His compensation for 2002 is summarized on the pages that immediately follow this report. The specific bases for our determination of Mr. Correll's compensation, in 2002, included:

- n Financial results of Georgia-Pacific, including:
 - n EVA of Georgia-Pacific, for 2002, that ranked at the 73rd percentile of all companies in our peer group; and
 - n Free cash flow results that exceeded our plan for the year.
- n Continued efforts to develop and implement a major transformation strategy to redirect the focus of Georgia-Pacific away from commodities and into consumer/branded products;
- n Successful completion of the sale of a 60% interest in Georgia-Pacific's distribution subsidiary, Unisource Worldwide, Inc., to Bain Capital;
- n Successful execution of work required to separate Georgia-Pacific into two distinct companies and then reconsolidate the organization after the separation was indefinitely postponed;
- n Aggressive leadership in areas of interest to Georgia-Pacific's diverse constituency;
- n Building a strong management team;
- n Maintaining a safe working environment; and
- n Environmental stewardship.

Mr. Correll's base salary, annual bonus and long-term stock-based incentive awards are intended to keep his compensation competitive with chief executive officers of comparable industrial companies in the forest and paper products industry, the consumer products industry and general industry over the short and long term. We believe the grants of options and performance rights to him from time to time are consistent with our philosophy of aligning the interests of Mr. Correll with those of our shareholders.

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Mr. Correll was awarded no bonus under the EVIP for 2002, despite the fact that he was entitled to a bonus of approximately \$2 million for that year. In addition, Mr. Correll received no increase in his base compensation from 2001 to 2002. Although the Committee strongly supports Mr. Correll's efforts and his strategy for Georgia-Pacific, we nonetheless exercised our discretion under the plan to award no bonus to him. In so doing, we focused on several key factors including, but not limited to, the following:

- n Georgia-Pacific's failure to meet its overall business plan for earnings; and
- n The continued decline in Georgia-Pacific's stock price during 2002 and over the past three years, and the resulting loss of value to our shareholders.

The foregoing report has been furnished by the Compensation Committee of Georgia-Pacific's Board of Directors.

Donald V. Fites, Chairman

Worley H. Clark, Jr.

Jane Evans

Sir Richard V. Giordano

Table of Contents**SUMMARY COMPENSATION TABLE**

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation			All Other Compensation (\$)(5)
		Salary(\$)	Bonus (\$)(1)	Other Annual Compensation (\$)(2)	Awards		Payouts(\$)	
					Securities Underlying G-P Group Options(#)	Securities Underlying Timber Co. Options(#)(3)	LTIP Payouts (\$)(4)	
Alston D. Correll Chairman and Chief Executive Officer	2002	1,236,000	-0-	105,636	450,000	-0-	-0-	11,713
	2001	1,236,000	-0-	77,060	223,050	-0-	124,908	13,830
	2000	1,200,000	1,800,000	61,026	96,700	129,300	243,397	3,723
Lee M. Thomas President	2002	598,850	350,000	24,232	103,050	-0-	-0-	7,294
	2001	585,000	-0-	24,375	76,350	-0-	43,072	572,800
	2000	510,000	475,000	26,915	42,100	-0-	83,041	10,722
Danny W. Huff Executive Vice President Finance and Chief Financial Officer	2002	481,900	275,000	23,606	78,150	-0-	-0-	10,082
	2001	460,000	-0-	24,375	57,400	-0-	8,614	418,920
	2000	400,000	382,000	24,990	27,600	36,900	17,181	3,143
John F. Lundgren⁽⁶⁾ President European Consumer Products	2002	500,000	537,192	1,512,417	36,400	-0-	-0-	1,486,672
Ronald L. Paul Executive Vice President Wood Products	2002	496,000	266,500	142,422	78,150	-0-	-0-	10,212
	2001	485,000	300,000	139,758	57,400	-0-	43,072	13,465
	2000	470,000	340,000	70,926	42,100	-0-	83,041	3,553

(1) Reflects bonuses paid under our EVIP, as described on pages 15-17. Based on the Company's financial performance in 2002, Mr. Correll was eligible to receive a cash bonus under the EVIP; however, the Compensation Committee determined that no such bonus should be paid. See Compensation Committee Report. The bonus for Mr. Lundgren was paid pursuant to the terms of the Company's agreement with him. Mr. Lundgren is entitled to receive a guaranteed bonus of \$537,192 for 2003. See page 24 Other Agreements with Executive Officers.

(2) Other annual compensation consists of annual compensation not properly categorized as salary or bonus. Other annual compensation in 2002, 2001 and 2000 for Mr. Correll includes accounting and tax preparation fees of \$25,000. Other annual compensation for Mr. Correll also includes personal use of Company aircraft of \$52,495 in 2002, \$36,436 in 2001 and \$16,293 in 2000. Mr. Correll is required by the Company to use Company aircraft for such travel when practicable. Other annual compensation for Mr. Paul consists of personal use of Company aircraft of \$129,906 in 2002, \$139,758 in 2001 and \$67,033 in 2000. Other annual compensation for Mr. Lundgren includes tax equalization payments of \$1,250,488 and other payments made in conjunction with his international assignment, including a housing allowance of \$185,003, a utility allowance of \$2,943 and a goods and services allowance of \$55,464. The net payments made by the Company for Mr. Lundgren's housing and tax expenses were \$133,247 and \$273,260, respectively, after deducting Mr. Lundgren's contributions to those expenses.

(3) In October 2001, Georgia-Pacific completed the spin-off of The Timber Company, its timber and timberlands business, and the merger of The Timber Company with and into Plum Creek Timber Company. In connection with the merger, outstanding options to purchase shares of The Timber Company common stock became fully vested and were converted into options to purchase shares of Plum Creek common stock. Both the number of shares subject to such outstanding options and the exercise prices of such outstanding options were adjusted in the conversion based on the exchange ratio of 1.37 shares of Plum Creek common stock for each share of The Timber Company common stock.

(4) Reflects the value of awarded, but unvested, performance share awards. The total value of restricted shares held (based on the December 27, 2002 closing price of Georgia-Pacific common stock on the New York Stock Exchange of \$15.80, the last trading day prior to our fiscal year-end) are as follows: Mr. Correll \$454,155, Mr. Thomas \$155,282, Mr. Huff \$32,611, Mr. Lundgren \$0, and Mr. Paul \$155,282.

Table of Contents**SUMMARY COMPENSATION TABLE**

(5) The 2001 amount includes the value of stock option grants made by the Compensation Committee in 2002 to Messrs. Thomas and Huff in lieu of cash bonus awards earned under our EVIP for 2001 performance. The option award amounts and the value of such amounts based on the Black-Scholes method of valuation calculated as of the grant date are as follows: Mr. Thomas 56,950 shares with value of \$556,000 and Mr. Huff 41,850 shares with value of \$409,000. Includes a retention bonus of \$1,481,538 paid to Mr. Lundgren in 2002, as more fully described on page 24 under the section entitled "Other Agreements with Executive Officers." Also includes our contributions in 2002 to the Salaried 401(k) Plan and premiums for term life insurance (TLI):

	401(k)	TLI
Mr. Correll	\$ -0-	\$ 11,713
Mr. Thomas	-0-	7,294
Mr. Huff	6,000	4,082
Mr. Lundgren	-0-	5,134
Mr. Paul	-0-	10,212

(6) Mr. Lundgren became an executive officer of Georgia-Pacific effective March 29, 2002. Therefore, his compensation for 2001 and 2000 is not presented.

Table of Contents**OPTION AND PERFORMANCE RIGHTS GRANTS IN 2002**

The following table sets forth information concerning Georgia-Pacific stock options that were granted to the named executive officers during the fiscal year ended December 28, 2002.

Option Grants In Last Fiscal Year**Individual Grants**

Name	Number of Securities Underlying Options Granted(1)	Percent of Total Options Granted to Employees in 2002(2)	Exercise or Base Price (\$/Sh)	Expiration Date	Grant Date Present Value\$(3)
Alston D. Correll	450,000	14.4	24.44	1/31/12	4,437,000
Lee M. Thomas	160,000	5.1	24.44	1/31/12	1,577,600
Danny W. Huff	120,000	3.8	24.44	1/31/12	1,183,200
John F. Lundgren	36,400	1.2	24.44	1/31/12	358,904
Ronald L. Paul	78,150	2.5	24.44	1/31/12	770,559

(1) Grants vest annually over 3 years at rates of 34%, 33% and 33% on the anniversary date of the grant. In the event of a change of control, these options become fully vested and are immediately exercisable for the remainder of their term. Grants shown for Messrs. Thomas and Huff include grants made in 2002 in lieu of cash bonuses earned in 2001 under the EVIP. See Note 5 to the Summary Compensation Table on page 19.

(2) A total of 3,112,050 stock options were granted in 2002.

(3) Present value was established by using the Black-Scholes valuation model and is for illustrative purposes only. The actual value, if any, depends on the market value of the underlying stock at a future date. Significant assumptions used for this calculation are shown below:

Volatility	Risk Free Rate of Return	Dividend Yield	Term	Discount for Forfeiture Risk Before Vesting	Discount for Forfeiture Risk After Vesting and Prior to Option Expiration Date
45.0%	5.02%	2.05%	10 yrs	7.75%	11.73%

Table of Contents**OPTION AND PERFORMANCE RIGHTS GRANTS IN 2002**

The following table sets forth information concerning the exercise of Georgia-Pacific stock options during the fiscal year ended December 28, 2002 by the named executive officers and the aggregate value of Georgia-Pacific stock options held by the named executive officers as of December 28, 2002.

Aggregated Option Exercises In**Last Fiscal Year And Fiscal Year-End Option Values**

Name	Number of Shares Acquired on Exercise(#)	Value Realized(\$)	Number of Securities Underlying Unexercised Options at Fiscal Year-End		Value of Unexercised In-The-Money Options\$(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Alston D. Correll	-0-	-0-	1,165,826	629,124	-0-	-0-
Lee M. Thomas	-0-	-0-	285,366	224,284	-0-	-0-
Danny W. Huff	-0-	-0-	78,008	166,992	-0-	-0-
John F. Lundgren	-0-	-0-	245,279	53,758	-0-	-0-
Ronald L. Paul	-0-	-0-	100,523	129,927	-0-	-0-

(1) These amounts represent the difference between the exercise price of the stock options and the \$15.80 closing price of the Company's common stock on the New York Stock Exchange on December 27, 2002, the last trading day prior to our fiscal year-end (the exercise prices of all of the stock options were greater than the closing price of the Company's common stock).

The following table sets forth information concerning Georgia-Pacific performance-based awards during the fiscal year ended December 28, 2002 to the named executive officers.

Long-Term Incentive Plans Awards In Last Fiscal Year

**Estimated Future Payouts Under
Non-Stock Price Based Plans(3)**

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Name	Number of Shares(1)	Performance or Other Period Until Maturation or Payout(2)	Threshold	Target	Maximum
Alston D. Correll	153,050	December 31, 2004	76,525	153,050	306,100
Lee M. Thomas	53,800	December 31, 2004	26,900	53,800	107,600
Danny W. Huff	40,800	December 31, 2004	20,400	40,800	81,600
John F. Lundgren	19,000	December 31, 2004	9,500	19,000	38,000
Ronald L. Paul	40,800	December 31, 2004	20,400	40,800	81,600

(1) Performance rights grants pursuant to the LTIP in January 2002.

(2) The performance period for each grant began on January 1, 2002 and ends on the date indicated in the above chart.

(3) If the performance goals are met, awards are made in stock at the end of the performance period. The actual amount of any award of stock is determined by Georgia-Pacific's percentile total shareholder return as compared to selected companies in the Standard & Poor's Forest Products Index, the Standard & Poor's Paper Products Index (except Georgia-Pacific) and the Standard and Poor's Household Products Index. For the above grant, those percentile performance targets are:

n Threshold 30th percentile

n Target 54th percentile

n Maximum 100th percentile

See Compensation Committee Report Long-Term Equity Incentive Compensation beginning on page 16 for a description of the above grants. Upon the conclusion of the respective performance period, an LTIP payout (i.e. the value of the award), if any, will be reported in the Summary Compensation Table.

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AGREEMENTS WITH EXECUTIVE OFFICERS

Change of Control Agreements

We have agreements with each of our executive officers, including the executive officers named on page 18.

If an officer's employment is terminated during the 3 year period following a change of control:

- n involuntarily for other than cause, death or disability,
- n voluntarily following an adverse change in such officer's position, authority, duties or responsibilities, or
- n voluntarily following specified changes in the place of such officer's employment;

Then the officer will receive a lump sum payment equal to:

- n a multiple (not to exceed 3) of the sum of annual salary and the greater of the average of (up to 3) the most recent annual bonus awards or the target bonus for the year in which the change of control occurs,
- n any federal excise and related income tax payments payable by the officer as a result of the agreement, and
- n employer contributions, and interest thereon, that would have been made under Georgia-Pacific's Salaried Pension Plan and Salaried 401(k) Plan and under any non-qualified retirement plan.

The officer also will receive medical and welfare benefits for a maximum of 3 years and up to 3 years of age and service credit under his or her Retirement Agreement as described below. Benefits under the Retirement Agreement will be payable in a single lump sum.

Also, the terms of most restricted stock and stock option grants to officers provide for immediate vesting of such grants in the event of a change in control. In such an event, Georgia-Pacific will transfer the funds required to be paid under these agreements and under each Retirement Agreement to a trustee.

Officers' Retirement Agreements

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We have separate but substantially similar Retirement Agreements with each executive officer. Generally, these agreements provide a normal retirement benefit equal to 50% of the greater of the average of the highest cash compensation paid in 4 consecutive calendar years during the last 10 years or the average of the last 4 years cash compensation (Average Compensation). For this purpose, cash compensation includes the bonus actually paid during each such year. Post-retirement payments will be made as follows at the executive officer's election:

Alternative 1

- n annually for life; and
- n annually for surviving spouse's life, 50% of amount payable to officer.

Alternative 2

- n actuarially equivalent (to Alternative 1) amounts made in equal monthly payments:
- n for officer's and surviving spouse's life; or
- n for 120 months.

Benefits under either alternative are generally payable as follows:

Retirement Age	Minimum Years of Service	Payments Begin at	Proportionately Reduced for Retirement Below
55 to 64	15	Retirement	Age 62
Any age to 64	3	Age 62	*
65+		Retirement	

* Benefits reduced proportionally for service under 15 years

Retirement Agreement benefits are subject to offset for employer contributions to our Salaried Pension Plan and Salaried 401(k) Plan (on or before December 31, 2001) by deducting the actuarial equivalents of such amounts from amounts payable under the Retirement Agreement. Death and disability benefits are also provided. Benefits under the Retirement Agreement terminate if an officer competes with, solicits customers or employees of, or discloses trade secrets or confidential information of, Georgia-Pacific.

Table of Contents**AGREEMENTS WITH EXECUTIVE OFFICERS**

The following table shows the maximum estimated annual benefit payable upon retirement under the retirement agreement before reduction for offsets under our salaried pension plan and our salaried 401(k) plan:

Estimated Annual Retirement Benefits Based On Average Compensation

Average Compensation	Years of Service				
	5	10	15	20	25
\$400,000	\$ 66,667	\$ 133,333	\$ 200,000	\$ 200,000	\$ 200,000
600,000	100,000	200,000	300,000	300,000	300,000
800,000	133,333	266,666	400,000	400,000	400,000
1,000,000	166,666	333,333	500,000	500,000	500,000
1,500,000	250,000	500,000	750,000	750,000	750,000
2,000,000	333,333	666,666	1,000,000	1,000,000	1,000,000
2,500,000	416,666	833,333	1,250,000	1,250,000	1,250,000

The table below shows the estimated annual benefits under the Retirement Agreements for the named executive officers (a) assuming retirement as of January 1, 2003 (using credited service as of that date and Average Compensation as of December 31, 2002) and (b) assuming retirement at age 65 (using projected years of credited service at age 65 and Average Compensation as of December 31, 2002), without reduction for offsets provided for in such agreements. Because such benefits exceed the total of such offsetting payments, the amounts disclosed in the table below represent the estimated maximum aggregate benefit payable to the named executive officers under all pension and other retirement plans.

Estimated Annual Retirement Benefit of Named Executive Officers**Based on Average Compensation⁽¹⁾**

	Retirement on January 1, 2003			Retirement at Age 65
	Age	Years of Credited Service(2)	Average Compensation	Annual Benefit(3)
Mr. Correll	61	14	2,255,400	1,127,700
Mr. Thomas	58	9	956,826	478,413
Mr. Huff	51	23	665,334	332,667
Mr. Lundgren	51	2	869,872	434,936
Mr. Paul	59	7	815,313	407,657

-
- (1) Compensation for these purposes means only base salary (including salary deferred as before-tax contributions to the 401(k) Plan) and annual incentive bonuses, if any, and excludes any other cash or non-cash compensation items.
 - (2) For purposes of eligibility for early or vested retirement benefits only, Mr. Lundgren has 27 years of service.
 - (3) Represents the formula benefit at the normal retirement age of 65 under the Retirement Agreement.

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AGREEMENTS WITH EXECUTIVE OFFICERS

Other Agreements with Executive Officers

After the acquisition of Fort James Corporation, Georgia-Pacific entered into an agreement with Mr. Lundgren (a former Fort James executive officer). Mr. Lundgren's agreement provides for an initial base salary of \$500,000 and an annual bonus through 2003 of \$537,192, with subsequent bonuses paid according to the bonus program in effect for similarly situated officers. Mr. Lundgren also received stock options and performance shares under the LTIP and retirement, health and other benefits consistent with similarly situated salaried employees. In addition, Mr. Lundgren received a signing bonus of approximately \$1.5 million in 2001 and a retention bonus of approximately \$1.5 million in January 2002. The agreement also contains certain nonexclusivity and noncompetition provisions and provides for Mr. Lundgren's participation in Georgia-Pacific's tax equalization policy. Effective March 29, 2002, Mr. Lundgren became a Georgia-Pacific executive officer.

Table of Contents**OWNERSHIP OF COMMON STOCK OF GEORGIA-PACIFIC**

Set forth below is the number of shares beneficially owned, as of March 12, 2003, by persons known to us to be beneficial owners of more than 5% of the outstanding shares of Georgia-Pacific common stock based on data furnished by such persons. Also set forth below is the number of shares of Georgia-Pacific common stock beneficially owned on March 12, 2003 by all directors and nominees for director, by each of the executive officers named in the Summary Compensation Table on page 18, and by all directors and executive officers as a group, based on data furnished by such directors, nominees and executive officers. Unless otherwise specifically stated below, or in a Schedule 13G, all such persons have sole voting and investment power with respect to shares listed.

Name	Number of Shares	Percent of Class
	Beneficially Owned	Beneficially Owned
Greater Than 5% Beneficial Owners⁽¹⁾:		
AXA Financial, Inc.		
Alliance Capital Management L.P.		
The Equitable Life Assurance Society of the United States and certain of their affiliates		
1290 Avenue of the Americas		
New York, NY 10104	21,597,113	8.6
Capital Research and Management Company		
The Income Fund of America, Inc.		
333 South Hope Street		
Los Angeles, CA 90071	23,967,540	9.6
Vanguard Fiduciary Trust Company		
500 Admiral Nelson Blvd.		
Malvern, PA 19355	29,844,897	11.935
Directors and Executive Officers:		
James S. Balloun	9,881 ⁽²⁾⁽³⁾	*
Barbara L. Bowles	13,496 ⁽²⁾⁽³⁾⁽⁴⁾	*
Worley H. Clark, Jr.	19,394 ⁽³⁾⁽⁴⁾	*
Alston D. Correll	1,615,087 ⁽⁵⁾	*
Jane Evans	11,693 ⁽²⁾⁽³⁾	*
Donald V. Fites	17,350 ⁽²⁾⁽³⁾	*
Sir Richard V. Giordano	19,169 ⁽²⁾⁽³⁾	*
David R. Goode	13,338 ⁽²⁾⁽³⁾	*
M. Douglas Ivester	13,518 ⁽²⁾⁽³⁾	*
Louis W. Sullivan	13,972 ⁽²⁾⁽³⁾	*
Lee M. Thomas	398,682 ⁽⁵⁾	*
James B. Williams	36,305 ⁽²⁾⁽³⁾	*
John D. Zeglis	5,016 ⁽²⁾⁽³⁾	*

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Danny W. Huff	153,844 ⁽⁵⁾	*
John F. Lundgren	277,571 ⁽⁵⁾	*
Ronald L. Paul	169,757 ⁽⁵⁾	*
All Directors and Executive Officers as a Group (24 persons)	3,629,539 ⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾	1.45

* Less than 1 percent.

⁽¹⁾ According to a Schedule 13G filed with the SEC and subject to the qualifications therein.

Table of Contents**OWNERSHIP OF COMMON STOCK OF GEORGIA-PACIFIC**

(2) Includes the following number of restricted shares received under the Outside Directors Stock Plan:

	<u>Number of Shares</u>
Mr. Balloun	6,547
Ms. Bowles	3,396
Mr. Clark	3,396
Ms. Evans	10,359
Mr. Fites	12,188
Sir Richard V. Giordano	15,835
Mr. Goode	11,004
Mr. Ivester	10,184
Dr. Sullivan	11,662
Mr. Williams	14,971
Mr. Zeglis	2,682

(3) Includes the following number of shares as to which the following directors have the right to acquire beneficial ownership through the exercise of stock options:

	<u>Number of Shares</u>
Mr. Balloun	1,334
Ms. Bowles	1,334
Mr. Clark	1,334
Ms. Evans	1,334
Mr. Fites	1,334
Sir Richard V. Giordano	1,334
Mr. Goode	1,334
Mr. Ivester	1,334
Dr. Sullivan	1,334
Mr. Williams	1,334
Mr. Zeglis	1,334

(4) Includes the following number of shares as to which the following directors have the right to acquire beneficial ownership through the exercise of stock options under the Fort James Corporation Stock Option Plan for Outside Directors:

	<u>Number of Shares</u>
Ms. Bowles	8,393
Mr. Clark	14,033

(5) Includes the following number of shares as to which the following executive officers have the right to acquire beneficial ownership through the exercise of stock options:

Number of Shares

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Mr. Correll	1,324,343
Mr. Thomas	378,854
Mr. Huff	146,858
Mr. Lundgren	266,334
Mr. Paul	159,929

- ⁽⁶⁾ Includes, as of March 12, 2003, an aggregate of 841,466 shares of Georgia-Pacific common stock, including restricted stock and stock which may be acquired through the exercise of stock options, of which our executive officers (other than Messrs. Correll, Thomas, Huff, Lundgren and Paul) have beneficial ownership.

Table of Contents**FIVE-YEAR PERFORMANCE GRAPH**

The following graph compares cumulative shareholder returns for our common stock, the Standard & Poor's 500 Stock Index and the Standard & Poor's Paper Products Index over a five-year period beginning on December 31, 1997 and ending on December 31, 2002. During 2001, Standard & Poor's separated our former industry index, the Standard & Poor's Paper and Forest Products Index, into two new indexes, the Standard & Poor's Forest Products Index (of which we are not a member) and the Standard & Poor's Paper Products Index (of which we are a member). Accordingly, we use the Standard & Poor's Paper Products Index as our industry based index for purposes of this performance graph.

	1997	1998	1999	2000	2001	2002
Georgia-Pacific	\$ 100	\$ 98	\$ 172	\$ 107	\$ 97	\$ 58
S&P 500 Stock Index	\$ 100	\$ 128	\$ 155	\$ 141	\$ 124	\$ 97
S&P Paper Products Index	\$ 100	\$ 103	\$ 151	\$ 104	\$ 113	\$ 106

* Assumes that the value of the investment in Georgia-Pacific and each index was \$100 on December 31, 1997 and that all dividends were reinvested.

** As reported by Bloomberg L.P.

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APPROVAL OF BENEFIT PLAN AMENDMENTS

Proposal No. 2 Approval of Amendments to Benefit Plans

This proposal, regarding amendments to some of our employee benefit plans and other matters, contains two subparts:

(1) Amendments to each of the following plans in order to facilitate a special one-time program under which eligible employees (our directors and our executive officers are not eligible to participate) will be given the opportunity to exchange eligible stock options for a lesser number of restricted shares of Georgia-Pacific common stock (the Option Exchange):

- n the Georgia-Pacific Corporation Long-Term Incentive Plan (the LTIP),
- n the Georgia-Pacific Corporation 1995 Shareholder Value Incentive Plan,
- n the Fort James Corporation 1996 Stock Incentive Plan, and
- n the James River Corporation of Virginia 1987 Stock Option Plan.

(2) An additional amendment to the LTIP to eliminate the internal plan limit on the number of shares that may be granted in the form of restricted shares or performance awards.

Approval of this proposal requires the affirmative vote of a majority of the votes cast, provided that the total votes cast represent greater than 50% of our outstanding shares. Votes may be cast for or against this proposal, or shareholders may abstain from voting thereon. Except as described below, an abstention or broker non-vote will have the effect of a vote against this proposal since they are not counted as votes cast and therefore will not count towards the requirement that greater than 50% of our outstanding shares vote on this matter. However, if more than 50% of our outstanding shares vote on this proposal, abstentions and broker non-votes will have no effect on the result of the vote. Proxies solicited on behalf of the Board will be voted **FOR** this proposal unless shareholders specify a contrary choice.

Simultaneously with the Option Exchange, we will also offer eligible employees (our directors and executive officers are not eligible to participate) the opportunity to exchange eligible stock appreciation rights (SARs) for a lesser number of replacement SARs (the SAR Exchange and together with the Option Exchange, the Exchange Program). As discussed in greater detail below, although shareholder approval is not required to implement the SAR Exchange, we will not consummate the SAR Exchange unless shareholders approve this entire proposal.

The Board of Directors recommends that you vote **FOR** the approval of the adoption of this proposal.

Reasons for the Exchange Program

We believe that using equity incentive awards, including stock options, restricted stock and SARs, helps align our employees' interests with those of our shareholders by motivating them to act as owners. When properly structured, we believe these awards are a cost-effective means of compensation that can drive superior employee performance that increases the value of the Company and that helps retain key employees.

Despite consistently outperforming a majority of our peers, recent market uncertainty and market perception of our potential asbestos liability has had a significantly negative impact on our stock price, including a market price discount to our peers that we believe is not justified by financial performance. Leading stock market analysts have attempted to value our stock and explain its market price discount and have concluded that our perceived asbestos liability is the predominant cause. Although we believe we have taken prudent steps to control and manage our asbestos liability, the equity markets continue to deeply discount our stock.

As a result, for approximately the last 18 months, our stock has been trading at levels below the

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APPROVAL OF BENEFIT PLAN AMENDMENTS

exercise price or grant price of virtually all outstanding options and SARs currently held by our employees. We expect this situation to continue for the foreseeable future. Consequently, it is becoming increasingly difficult to motivate and retain these talented individuals with our existing equity incentive awards. For our equity incentive awards to provide the desired results, our employees must feel that these awards provide an opportunity through their efforts to realize value within a reasonable period of time. In addition, because these options have been under water for an extended period of time, the number of shares subject to options has steadily built as a percentage of shares outstanding, creating a significant overhang, which we believe also has negatively impacted our stock price.

Through the Exchange Program, we propose to provide our employees the benefit of holding shares of restricted stock or replacement SARs that, over time, may have a greater potential to increase in value. We believe the Exchange Program will create an incentive for our employees to remain with us and contribute to the attainment of our business and financial objectives. In other words, the purpose of the Exchange Program is to better align our employees' interests with those of our shareholders.

Under the Exchange Program, eligible employees will be given the one-time opportunity to exchange eligible stock options for proportionately fewer restricted shares of our common stock, and to exchange eligible SARs for proportionately fewer replacement SARs at a lower grant price. **In every case, an employee will surrender more than one existing option or SAR to receive a single new share of restricted stock or replacement SAR.** The exchange ratios used in the Exchange Program are intended to result in the delivery of restricted shares or replacement SARs with a value approximately equal to that of the options or SARs being replaced. Because employees will be exchanging a greater number of stock options (many of which are fully vested) for a lesser number of shares of restricted stock, the number of shares of stock granted to employees through benefit plans will be reduced, lessening the overhang.

Another benefit to shareholders is the manner in which the Exchange Program has been structured with respect to the vesting of awards. Shares of restricted stock and replacement SARs issued through the Exchange Program will be subject to new vesting requirements, without regard to the prior vesting schedules of the exchanged options or SARs. The new vesting schedules will help ensure that our most talented employees continue in our employ and are retained to help achieve our business goals.

It should be noted that the Exchange Program will not be open to members of our Board of Directors or any of our current top 12 members of management, which includes our CEO. These individuals, who comprise all of our current major operations and staff group heads, will be unable to take advantage of the benefits received by the employees who participate in the Exchange Program. Our Board of Directors believes that the interests of the Board and our executive officers are currently aligned through appropriate compensation programs. As a result, the Board has structured the Exchange Program to specifically focus on those individuals outside of this group who are in the best position to help Georgia-Pacific attain its business and financial objectives.

Amendments to several of our equity incentive plans are necessary to implement the Exchange Program and we must receive shareholder approval in order to amend these plans.

Important Note Regarding the Exchange Program

Georgia-Pacific has not commenced the Exchange Program and will not complete the Exchange

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APPROVAL OF BENEFIT PLAN AMENDMENTS

Program unless shareholders approve this proposal. At the time the Exchange Program is commenced, eligible employees will be sent written materials explaining the precise terms and timing of the Exchange Program. Eligible employees are urged to read these written materials carefully when they become available, because they will contain important information about the Exchange Program. Upon commencement of the Exchange Program, Georgia-Pacific will file the written materials relating to the Exchange Program with the Securities and Exchange Commission as part of a tender offer statement on Schedule TO. Eligible employees, as well as shareholders and members of the public, will be able to obtain these written materials and other documents filed by Georgia-Pacific with the Securities and Exchange Commission free of charge from the Securities and Exchange Commission's website at www.sec.gov. Holders of eligible stock options and eligible SARs may obtain a written copy of the tender offer materials, when available, free of charge by calling Equiserve Trust Company, N.A. at 1-888-700-3837, or by writing to Equiserve at 525 Washington Boulevard, 6th Floor, Jersey City, NJ 07310, Attention: Georgia-Pacific Exchange Program.

Background

We generally make equity incentive awards on an annual basis, which typically take the form of stock options and/or SARs. When an option is granted, we specify the price per share that the employee must pay in order to receive the underlying share of common stock. After vesting, an employee can exercise the option to purchase shares of common stock. The employee will receive value if he or she exercises the options and sells the underlying shares at a price that exceeds the option's exercise price. We do not grant stock options with an exercise price that is less than the fair market value of our common stock as of the grant date.

At the time a SAR is granted, we specify the number of units of common stock that will be used as a basis to determine the eventual value of the SAR and the grant price from which stock appreciation will be measured. After vesting, an employee may exercise the SAR and will receive a cash payment from the Company equaling the amount by which the trading price of our common stock on the date of exercise exceeds the grant price of the SAR multiplied by the number of common stock units exercised. We do not grant SARs with a grant price that is less than the fair market value of our common stock as of the grant date.

As of March 1, 2003, there were approximately 10.6 million shares of common stock underlying the stock options eligible for the Exchange Program. The stock options and SARs eligible for the Exchange Program have exercise or grant prices ranging from \$16.23 to \$41.59. Approximately 3,000 employees worldwide hold exchangeable options and SARs.

Each SAR that is eligible for exchange in the Exchange Program was originally granted under the Georgia-Pacific Corporation Long-Term Appreciation Plan (the "LTAP"), and each replacement SAR will once again be issued under the LTAP. Each option that is eligible for exchange under the Exchange Program was granted under one of the following plans:

- n the LTIP,
- n the Georgia-Pacific Corporation 1995 Shareholder Value Incentive Plan,
- n the Fort James Corporation 1996 Stock Incentive Plan, or
- n the James River Corporation of Virginia 1987 Stock Option Plan.

Regardless of the plan under which eligible options were originally granted, the shares of restricted stock issued under the Exchange Program will be granted under the LTIP. We do not currently grant awards under any of these stock option plans other than the LTIP; therefore, with the exception of the LTIP, the shares of common stock underlying options surrendered in the Exchange

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APPROVAL OF BENEFIT PLAN AMENDMENTS

Program will be cancelled and will not be available for future grants under the plan from which they were initially issued.

Description of the Exchange Program

Grants of Restricted Stock or Replacement SARs. Under the Exchange Program, eligible employees may make a one-time election to return for cancellation all of their eligible stock options and SARs in exchange for proportionally fewer shares of restricted stock and for proportionally fewer replacement SARs at a lower grant price. These new grants of restricted stock and replacement SARs will be effective as of the first business day after the final day of the Exchange Program. Participation in the program will be voluntary. To participate, however, an eligible employee must elect to surrender all of his or her eligible options and SARs. In other words, the exchange will be on an all-or-nothing basis and an employee may not elect to exchange some of his or her eligible options and/or SARs and retain others. However, any options or SARs that have a grant price less than the closing price on the New York Stock Exchange of Georgia-Pacific common stock on the last day of the Exchange Program will not be included in the Exchange Program.

Eligibility. The Exchange Program is open to all of our active employees, other than those indicated below, who hold eligible options or eligible SARs. The program will include the employees of our participating subsidiaries worldwide (those in which Georgia-Pacific owns at least a 50% interest), except where securities or local laws make it impracticable. However, as previously stated, the Exchange Program will not be open to members of our Board of Directors or any of our current top 12 members of management, which includes our CEO. The Exchange Program is also not available to former employees or retirees.

Stock Option Exchange Ratio. The exchange ratio for a given class of eligible stock options is the ratio that determines the number of options an employee must surrender in order to receive one share of restricted stock. The exchange ratio for each class of options was computed using the Black-Scholes valuation model, which is a recognized and accepted method for determining the value of derivative securities like stock options and SARs. Based on the Black-Scholes value for each option grant, and the recent trading price of our common stock, we determined an exchange ratio for each class of outstanding options that is intended to deliver restricted shares with a value approximately equal to that of the options being replaced. By structuring the exchange ratios in this manner, we intend to make the Exchange Program a value-neutral transaction for our shareholders. In every case, an employee will surrender more than one existing option to receive a single new share of restricted stock.

The number of shares of restricted stock an employee will receive with respect to his or her eligible options will be determined by (1) dividing the number of options tendered for exchange in each class by the exchange ratio for that class (as set forth below), and (2) adding the results for all of those classes (rounded up to the nearest whole share). The classes of eligible options and the applicable exchange ratios are listed in the following table:

Eligible Options and Exchange Ratios

LTIP and Georgia-Pacific Corporation 1995 Shareholder Value Incentive Plan

<u>Class</u>	<u>Time of Grant</u>	<u>Exchange Ratio</u>
A	2001 through 2002	2.0
B	1997 through 2000	3.0
C	1996	4.0
D	1995	5.0

Fort James Corporation 1996 Stock

Incentive Plan

<u>Class</u>	<u>Time of Grant</u>	<u>Exchange Ratio</u>
E	August 1999 through 2000	2.0
F	1996 through January 1999	
	(other than the class G options)	3.0
G	August 1997	4.0

Table of Contents**APPROVAL OF BENEFIT PLAN AMENDMENTS****James River Corporation of Virginia 1987****Stock Option Plan**

Class	Exercise Price(s)	Exchange Ratio
H	\$16.23 through \$22.03	3.0
I	\$23.06 through \$25.24	4.0

Vesting of Restricted Stock Awards. Regardless of the class of option surrendered in the exchange and subject to the employee's continued employment with us, all new restricted stock awards will vest in accordance with the following schedule: 25% of the shares will vest on each of the first and second anniversaries of the date of grant, with the remaining 50% vesting on the third anniversary of the grant date. Accelerated vesting will occur upon retirement (after age 62 and 10 years of service or age 65), death or disability, or upon a change of control of Georgia-Pacific. When a share of restricted stock vests, the share becomes non-forfeitable and freely tradable, subject to applicable securities laws. The vesting schedule for the restricted stock will not take into account the extent that exchanged options were already vested, nor will it give credit for prior service with Georgia-Pacific or its subsidiaries. The vesting schedule for shares of restricted stock granted through the Exchange Program is more restrictive than our normal vesting schedule for stock options. Under our typical option vesting schedule, 34% of the options vest on the first anniversary of the date of grant and 33% of the options vest on each of the second and third anniversaries of the grant date. We believe the new vesting schedule under the Exchange Program will enhance its motivational and retentive elements with respect to eligible employees and will thus benefit our shareholders.

SAR Exchange Ratio. The SAR exchange ratio for a given class of eligible SARs is the ratio that determines the number of SARs an employee must surrender in order to receive a single replacement SAR. The exchange ratio for each class of SARs was computed using the Black-Scholes valuation model. These values were then compared to the Black-Scholes value of the replacement SARs to determine the exchange ratio for each class of exchange eligible SARs. As with stock options, the SAR exchange ratio is intended to be essentially value-neutral to our shareholders. In every case, an employee will surrender more than one existing SAR to receive a single replacement SAR.

The number of replacement SARs an employee will receive with respect to his or her eligible SARs will be determined by (1) dividing the number of SARs tendered for exchange in each class by the exchange ratio for that class (as set forth below), and (2) adding the results for both SAR classes (rounded up to the nearest whole share). The two

classes of eligible SARs and the applicable exchange ratios are listed in the following table:

Eligible SARs and Exchange Ratios

Class	Time of Grant	Exchange
		Ratio
J	2002	1.2
K	2001	1.3

Vesting of Replacement SARs. Regardless of the class of SARs surrendered in the exchange and subject to the employee's continued employment with us, all replacement SARs will vest in accordance with the following schedule: 25% of the underlying shares will vest on each of the first and second anniversaries of the grant date and 50% will vest on the third anniversary of the date of grant. Accelerated vesting will occur upon retirement (after age 62 and 10 years of service or age 65), death or disability, or upon a change of control of Georgia-Pacific. After a replacement SAR vests, the employee may exercise the replacement SAR and receive a cash payment from the Company to the extent the fair market value of our common stock on the date of exercise exceeds the grant price of the replacement SAR. The vesting schedule for new SARs will not take into account the extent that exchanged SARs were already vested, nor will it give credit for prior service with the Company. We believe this vesting schedule will enhance the Exchange Program's motivational and retentive elements and will thus benefit our shareholders.

Table of Contents**APPROVAL OF BENEFIT PLAN AMENDMENTS**

Implementation of the Exchange Program. If this proposal is approved by shareholders, eligible employees will be offered the opportunity to participate in the Exchange Program promptly after the Annual Meeting. Employees will be given an election period (a minimum of 20 business days) in which to accept the offer to surrender all of their eligible options and eligible SARs in exchange for new restricted stock awards and replacement SARs. All of the eligible options and SARs of participating employees will be cancelled

on the last day of the election period. The restricted stock and replacement SARs will be granted on the first business day after the end of the election period.

Accounting Treatment. Under current APB 25 accounting rules, we will be required to record a fixed compensation expense on our income statement equal to the fair market value of the shares of restricted stock granted in the Exchange Program. This cost generally will be amortized over the three-year vesting period for these shares. Any eligible options that are not surrendered for exchange will, as of the end of the election period, become subject to variable accounting (i.e., the accounting charge will vary in accordance with the market price of the common stock) until such options are exercised, forfeited or expire unexercised. The existing SARs, and any replacement SARs issued through the Exchange Program, will continue to be subject to variable accounting until such SARs are exercised, forfeited or expire unexercised.

U.S. Federal Income Tax Consequences. The Exchange Program should be treated as a non-taxable exchange, and no income for U.S. federal income tax purposes should be recognized by participating employees or the Company upon the grant of the new restricted stock awards or replacement SARs.

International Tax Consequences. The Exchange Program will be offered on a worldwide basis and, therefore, participants residing outside of the U.S. may be subject to laws other than those of this country. The international tax implications of the Exchange Program are not discussed in this proxy statement; however, the tender offer documents we deliver to eligible employees will contain a summary of the applicable international tax laws.

Maximum Participation. The following table indicates the maximum number of options and SARs that are eligible for exchange through the Exchange Program and the maximum number of shares of restricted stock and replacement SARs that could be granted, assuming all of the eligible employees within the indicated groups elect to participate in the Exchange Program.

Maximum Participation in the Exchange Program

<u>Name</u>	Maximum Number of Shares of Stock Underlying Eligible Options that	Maximum Number of Restricted Shares to be Granted	Maximum Number of Eligible SARs that could be Exchanged	Maximum Number of New SARs to be Granted
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	<u>could be Exchanged</u>	_____	_____	_____
All executive officers	-0-	-0-	-0-	-0-
All employees (other than executive officers) as a group	10,577,895	4,018,901	4,278,000	3,454,160

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APPROVAL OF BENEFIT PLAN AMENDMENTS

Because the decision whether to participate in the Exchange Program will be completely voluntary, we are not able to predict which eligible employees will participate, if any. As previously stated, our Board of Directors and our current top 12 members of management (which includes our CEO) are not eligible to participate in the Exchange Program.

Proposed Plan Amendments

Four of our equity incentive plans must be amended in order to implement the Exchange Program. There is also an additional proposed amendment to the LTIP which is not directly related to the Exchange Program. We believe that this additional LTIP amendment will add greater flexibility to the LTIP, generally enhance its usefulness and be consistent with current trends in the marketplace.

Amendments Related to the Exchange Program

The LTIP, the Georgia-Pacific Corporation 1995 Shareholder Value Incentive Plan, the Fort James Corporation 1996 Stock Incentive Plan, and the James River Corporation of Virginia 1987 Stock Option Plan do not specifically permit the cancellation of an outstanding stock option in exchange for the issuance of a replacement equity award. Consequently, we are asking our shareholders to approve amending each of these plans to specifically allow us to offer the Exchange Program on a one-time basis. The proposed amendments also affirmatively prohibit any other future direct or indirect repricing of options granted under each of the plans without prior shareholder approval. Additionally, for each of the plans other than the LTIP, the applicable amendment provides that the shares underlying options surrendered pursuant to the Exchange Program will not be available for future grants under the applicable plan.

In order to implement the Exchange Program, we need to make an amendment exclusively to the LTIP. There are currently 16,000,000 shares authorized for grant under the LTIP, of which 4,259,286 remained available for future grants as of March 1, 2003. Each share of restricted stock granted through the Exchange Program will be issued under the LTIP. One of our goals is to complete the Exchange Program without permanently increasing the total number of shares authorized under the LTIP. Therefore, while we propose to amend the LTIP to increase the number of authorized shares by the number of restricted shares that are actually issued in exchange for tendered options originally awarded under option plans other than the LTIP, this increase will be only temporary. Immediately following the exchange, the increased authorized share limit will be reduced, share for share, so that the number of authorized shares under the LTIP will return to the LTIP's original authorization of 16 million shares. This action, combined with the amendments prohibiting the reissuance of options surrendered under plans other than the LTIP, results in a net reduction in the number of shares available for future issuance under all of our long-term incentive plans.

The replacement SARs that will be granted in exchange for eligible SARs will be issued under the LTAP. We will need to amend the LTAP in order to implement this aspect of the Exchange Program. However, pursuant to the terms of the LTAP, we are able to make these amendments without shareholder approval. However, we will not amend the LTAP unless shareholders approve this proposal.

Additional Unrelated Amendment to the LTIP

The LTIP contains a limit on the number of authorized shares that can be granted in the form of restricted shares or performance awards. That limit is currently 4,000,000 shares, which is a sub-limit of the overall 16,000,000 share plan limit described above. In order to provide future

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APPROVAL OF BENEFIT PLAN AMENDMENTS

flexibility within the LTIP and to be consistent with current trends in the marketplace, we propose to amend the LTIP to eliminate the limit on the total number of shares that are able to be granted in connection with restricted stock or performance awards. This will not create an increase in the total number of shares that can be granted. Instead, it will allow the remaining portion of the LTIP's 16,000,000 authorized shares that are available for issuance to be used for restricted and/or performance-based stock grants as the Compensation Committee determines to be appropriate. Our Compensation Committee believes that removing the LTIP's sub-limit for restricted shares and performance awards will provide the flexibility to design future incentive programs using an appropriate mix of awards in light of trends expected to result from new accounting rules for stock-based compensation.

Summary of the Plans as Proposed to be Amended

A summary of each of the plans, as proposed to be amended and restated is set forth below. These summaries are qualified in entirety by reference to the text of the proposed amendments to each of the plans, which are attached to this proxy statement in Appendix A, and the full text of the relevant plan, which are attached to this proxy statement in Appendix B.

Fort James Corporation 1996 Stock Incentive Plan and James River Corporation of Virginia 1987 Stock Option Plan

The Fort James Corporation 1996 Stock Incentive Plan and the James River Corporation of Virginia 1987 Stock Option Plan were assumed by Georgia-Pacific in connection with its acquisition of Fort James Corporation in November 2000. Awards then outstanding under these plans were converted into awards with respect to shares of Georgia-Pacific common stock. These plans generally provided for the grant of stock options and equity-based awards to employees of the respective companies and their affiliates. No new stock options or other awards will be granted under these plans.

Georgia-Pacific Corporation 1995 Shareholder Value Incentive Plan

The Georgia-Pacific Corporation 1995 Shareholder Value Incentive Plan was established by Georgia-Pacific in 1995 for the purpose of attracting and retaining qualified employees by granting options based on the achievement of established performance objectives. In 1997, Georgia-Pacific common stock was converted into two classes of stock intended to reflect the business and operations of the manufacturing and timber segments of Georgia-Pacific. In connection with this tracking stock transaction, the Georgia-Pacific Corporation 1995 Shareholder Value Incentive Plan was amended and restated to reflect the division of the common stock into two classes and to provide that no further options may be granted under the plan after 1997.

Georgia-Pacific Corporation Long-Term Incentive Plan

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Purpose. The purpose of the LTIP is to promote the interests of Georgia-Pacific, its subsidiaries and its shareholders by attracting and retaining exceptional executives and key employees, motivating employees by means of performance-related incentives to achieve long-range performance goals and enabling employees to participate in our long-term growth and financial success.

Participation. As of March 1, 2003, there were approximately 3,000 employees who held outstanding awards under the LTIP. As of March 1, 2003, there were approximately 11,075,643 shares of common stock subject to outstanding awards, and approximately 4,259,286 shares of common stock reserved and available for future awards under the LTIP (excluding the proposed share increase related to the Exchange Program, as discussed above).

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APPROVAL OF BENEFIT PLAN AMENDMENTS

Permissible Awards. The LTIP authorizes the granting of awards in any of the following forms:

- n options to purchase shares of common stock,
- n restricted or unrestricted shares of common stock,
- n dividend equivalents, and
- n performance awards payable in cash, stock or options.

Limitations on Awards. Currently, no more than 4,000,000 of the shares authorized under the LTIP may be granted as restricted shares or performance awards. As discussed above, this limit is proposed to be eliminated. Additionally, with respect to grants to a single employee during a calendar year, no more than 1,200,000 shares may be issued in connection with stock options, no more than 150,000 shares may be issued in the form of restricted stock, and no more than 300,000 shares may be issued in connection with other stock-based performance awards. The maximum aggregate amount payable under any cash-based performance awards granted in any year to an employee is \$2,500,000.

Administration. The LTIP is administered by the Compensation Committee of our Board of Directors. The Compensation Committee has the sole authority to designate participants and determine the type, terms and conditions of awards to be granted.

Stock Options. Our Compensation Committee is authorized to grant incentive stock options or non-qualified stock options under the LTIP. Georgia-Pacific generally does not grant incentive stock options. The exercise price of an option granted under the LTIP may not be less than the fair market value of the underlying stock on the date of grant.

Restricted Stock Awards. Our Compensation Committee may make awards of restricted stock to participants, which are subject to such restrictions on transferability and other restrictions as the Compensation Committee may deem appropriate.

Performance Awards. Our Compensation Committee may grant performance awards that are payable in cash, restricted or unrestricted shares of common stock, or stock options. The Compensation Committee has the complete discretion to determine the number of performance awards granted to any participant and to set performance goals and other terms or conditions to payment of the performance awards. The extent to which these performance goals are met determines the number and value of performance awards that will be paid to the participant.

Performance Goals. Any award made to an officer of the Company that is a qualified performance-based award is fully deductible without regard to the \$1,000,000 deduction limit imposed by Section 162(m) of the Code. Each year the Compensation Committee establishes objectively determinable performance goals for the award based on one or more performance criteria, which are currently being submitted to

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shareholders for reapproval under Proposal No. 3 on page 41. The goals may be particular to an officer or may be based, in whole or part, on the performance of the division, department, line of business, subsidiary or other business unit in which the officer works, or on the performance of the Company generally. Our Compensation Committee must establish such goals prior to the beginning of the period for which such performance goal relates (or such later date as may be permitted under applicable tax regulations). Any payment of an award granted with performance goals is conditioned on the written certification of the Compensation Committee in each case that the performance goals and any other material conditions were satisfied.

Limitations on Transfer; Beneficiaries. No award is assignable or transferable by a participant other than by will or the laws of descent and distribution; provided, however, that the Compensation Committee may (but need not) permit other transfers where it concludes that such

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APPROVAL OF BENEFIT PLAN AMENDMENTS

transferability does not result in accelerated taxation, does not cause any option intended to be an incentive stock option to fail to qualify as such, and is otherwise appropriate and desirable, taking into account applicable tax or securities laws. A participant may, in the manner determined by the Compensation Committee, designate a beneficiary to exercise the rights of the participant and to receive any distribution with respect to any award upon the participant's death.

Change of Control. Upon the occurrence of a change of control of Georgia-Pacific, as defined in the LTIP, all outstanding awards will become noncancellable, fully vested and exercisable, and all performance goals applicable to an award will be deemed automatically satisfied with respect to the maximum compensation attainable pursuant to such award, so that all of such compensation shall be immediately vested and payable. Our Compensation Committee may permit any award to be cashed out based on the change of control value. If, after a change of control, a participant's employment is terminated for any reason other than death or retirement, his or her options will remain exercisable for a period of 90 days or such longer period as the award agreement may provide, but not beyond the expiration date of the option.

Adjustments. In the event of a merger, reorganization, recapitalization, stock dividend, stock split or other change in corporate structure affecting our common stock, our Compensation Committee may make adjustments in the aggregate number and kind of shares reserved for issuance under the LTIP, in the maximum number of shares that may be granted in any calendar year, and in the number, kind and exercise price of shares subject to outstanding awards, and may make such other adjustments as it may determine to be appropriate to ensure that participants are treated equitably.

Termination and Amendment. Our Board of Directors may terminate or amend the LTIP at any time without shareholder approval, but only to the extent that shareholder approval is not required by applicable law or regulation. Our Compensation Committee may amend or terminate outstanding awards. However, such amendments may require the consent of the participant and, unless approved by the Company's shareholders or otherwise permitted by the antidilution provisions of the LTIP, the exercise price of an outstanding option may not be reduced, directly or indirectly, and the original term of an option may not be extended.

U.S. Federal Income Tax Consequences

Nonqualified Stock Options. There will be no federal income tax consequences to the optionee or to Georgia-Pacific upon the grant of a nonqualified stock option under the LTIP. When the optionee exercises a nonqualified option, however, he or she will realize ordinary income in an amount equal to the excess of the fair market value of the common stock received at the time of exercise over the exercise price, and we will be allowed a corresponding deduction. Any gain that the optionee realizes when he or she later sells or disposes of the option shares will be short-term or long-term capital gain, depending on how long the shares were held.

Incentive Stock Options. There typically will be no federal income tax consequences to the optionee or to Georgia-Pacific upon the grant or exercise of an incentive stock option. If the optionee holds the option shares for the required holding period of at least two years after the date the option was granted or one year after exercise, the difference between the exercise price and the amount realized upon sale or disposition of

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the option shares will be long-term capital gain or loss, and we will not be entitled to a federal income tax deduction. If the optionee disposes of the option shares in a sale,

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APPROVAL OF BENEFIT PLAN AMENDMENTS

exchange, or other disqualifying disposition before the required holding period ends, he or she will realize taxable ordinary income in an amount equal to the excess of the fair market value of the option shares at the time of exercise over the exercise price, and we will be allowed a federal income tax deduction equal to such amount. While the exercise of an incentive stock option does not result in current taxable income, the excess of the fair market value of the option shares at the time of exercise over the exercise price will be an item of adjustment for purposes of determining the optionee's alternative minimum taxable income.

Restricted Stock. Unless a participant makes an election to accelerate recognition of the income to the date of grant (as described below), the participant will not recognize income, and we will not be allowed a tax deduction, at the time a restricted stock award is granted. When the restrictions lapse, the participant will recognize ordinary income equal to the fair market value of the common stock as of that date (less any amount paid for the stock), and we will be allowed a corresponding federal income tax deduction at that time, subject to any applicable limitations under Section 162(m) of the Code. If the participant files an election under Section 83(b) of the Code within 30 days of the date of grant of the restricted stock, he or she will recognize ordinary income as of the date of grant equal to the fair market value of the stock as of that date (less any amount paid for the stock), and we will be allowed a corresponding federal income tax deduction at that time, subject to any applicable limitations under Section 162(m). Any future appreciation in the stock will be taxable to the participant at capital gains rates. However, if the stock is later forfeited, the participant will not be able to recover the tax previously paid pursuant to a Section 83(b) election.

Performance Awards. A participant generally will not recognize income, and we will not be allowed a tax deduction, at the time performance awards are granted, so long as the awards are subject to a substantial risk of forfeiture. When the participant receives or has the right to receive payment of cash or shares under the performance award, the cash amount of the fair market value of the shares of stock will be ordinary income to the participant, and we will be allowed a corresponding federal income tax deduction at that time, subject to any applicable limitations under Section 162(m).

Table of Contents**APPROVAL OF BENEFIT PLAN AMENDMENTS****Awards to Named Executive Officers and Others**

The table below reflects awards granted under the LTIP during the fiscal year ended December 28, 2002 to the persons and groups shown in the table below. Except as shown in the table on page 33 with respect to the maximum number of shares that may be issued in the Exchange Program, any future awards under the LTIP will be made at the discretion of our Compensation Committee. Consequently, we cannot determine, with respect to any particular person or group, either the benefits or amounts that will be received in the future pursuant to the LTIP. As previously stated, the Exchange Program will not be open to members of our Board of Directors or our current top 12 members of management, which includes our CEO.

Grants Under the LTIP During 2002

Name and Position	Stock Option Grants ⁽¹⁾		Performance Share Awards ⁽²⁾
	Dollar Value of Options ⁽³⁾	Number of Options	Target Number of Shares
Alston D. Correll			
Chairman and Chief Executive Officer	0	450,000	153,050
Lee M. Thomas			
President	0	160,000	53,800
Danny W. Huff			
Executive Vice President Finance and Chief Financial Officer	0	120,000	40,800
John F. Lundgren			
President European Consumer Products	0	36,400	19,000
Ronald L. Paul			
Executive Vice President Wood Products	0	78,150	40,800
All Executive Officers as a Group	0	1,215,700	484,050
All Non-Executive Officer Employees			
as a Group	0	1,794,550	353,300

-
- (1) The options granted in 2002 vest as to 34% of the shares on the first anniversary of the grant date and 33% on the second and third anniversaries of the grant date. The weighted average exercise price per share for options granted under the LTIP during the fiscal year ended December 28, 2002 was \$24.44 per share.
 - (2) Actual awards will be based on the Company's total shareholder return performance for the period January 1, 2002 through December 31, 2004, relative to a peer group of companies. The actual awards may range from 0% of the target grant to 200% of the target grant.
 - (3) The dollar value of the above options is dependent on the difference between the exercise price and the fair market value of the underlying shares on the date of exercise. As of March 12, 2003, the fair market value of the shares was \$13.07, based on the closing price of the common stock on the New York Stock Exchange on that day.

Table of Contents**APPROVAL OF BENEFIT PLAN AMENDMENTS****Equity Compensation Plan Information**

The following table provides information as of December 28, 2002 about the common stock that may be issued under all of our existing equity compensation plans. The table does not include information with respect to shares subject to outstanding options granted under equity compensation plans assumed by us in connection with mergers and acquisitions of the companies that originally granted those options. Footnote 8 to the table sets forth the total number of shares of our common stock issuable upon the exercise of those assumed options as of December 28, 2002, and the weighted average exercise price of those options. No additional options may be granted under those assumed plans.

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity Compensation Plans	11,028,226 ⁽¹⁾	\$34.55	4,148,903 ⁽²⁾
Approved by Shareholders	4,331,503 ⁽³⁾	\$26.94	-0-
	102,223 ⁽⁴⁾	n/a	262,403
	n/a	n/a	5,360,211 ⁽⁵⁾
Equity Compensation Plans Not Approved by Shareholders	44,000 ⁽⁶⁾	\$24.80	206,000
	n/a	n/a	432,455 ⁽⁷⁾
Total	15,505,950		10,409,972

(1) The LTIP.

(2) Amount remaining available for issuance will increase based on the number of restricted shares granted in exchange for options surrendered under other option plans pursuant to the Exchange Program, if approved by shareholders, as described in this proposal.

(3) Georgia-Pacific Corporation 1995 Shareholder Value Incentive Plan.

(4) Georgia-Pacific Corporation Outside Directors Stock Plan (1995).

(5) Georgia-Pacific Corporation 2000 Employee Stock Purchase Plan.

(6) Georgia-Pacific Corporation Outside Directors Stock Option Plan (2002). The Company reserved 250,000 shares of common stock for issuance under this plan, which provides for the issuance of non-qualified stock options to nonemployee directors of the Company. Option grants generally vest ratably over a three-year period and expire and cease to be exercisable ten years after the date of grant.

(7) Georgia-Pacific Corporation Non-Qualified Employee Stock Purchase Plan (formerly known as the Georgia-Pacific Tissue 2000 Employee Stock Purchase Plan).

(8) The table does not include information for the following equity compensation plans assumed by the Company in connection with mergers and acquisitions of the companies that originally established those plans: the Fort James Corporation 1996 Stock Incentive Plan, the Fort James Corporation Stock Option Plan for Outside Directors, the James River Corporation of Virginia 1987 Stock Option Plan, the Fort Howard Corporation Management Equity Plan, the Fort Howard Corporation 1995 Stock Incentive Plan, the Fort Howard Corporation 1996 Executive Share Option Scheme, the Wisconsin Tissue Management LLC Stock Option Plan, and the Unisource Worldwide Stock Option Plan. As of December 28, 2002, a total of 6,938,795 shares of our common stock were issuable upon exercise of outstanding options under those assumed plans. The weighted average exercise price of those outstanding options is \$26.01 per share. No additional options may be granted under those assumed plans.

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REAPPROVAL OF PERFORMANCE-BASED CRITERIA

Proposal No. 3 Reapproval of Performance-Based Criteria in Connection with Internal Revenue Code Section 162(m)

The Board of Directors is asking shareholders to reapprove the criteria upon which objective performance goals may be established by the Compensation Committee in order to permit the grant of performance based awards under the Georgia-Pacific Long-Term Incentive Plan (the LTIP) that are deductible under Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code). Pursuant to Section 162(m) of the Code, these criteria are required to be approved by shareholders at least every five years. The LTIP (and the criteria for establishing objective performance based goals) was originally approved by shareholders on December 17, 1997. The reapproval sought in this proposal is separate from the shareholder approval sought in connection with Proposal No. 2 (Approval of Benefit Plan Amendments).

In order to be approved, the votes cast in favor of this proposal by the shareholders present, in person or by proxy, and entitled to vote at the Annual Meeting must exceed the votes cast in opposition. Proxies solicited on behalf of the Board of Directors will be voted **FOR** this proposal unless shareholders specify a contrary choice.

Description of Performance-Based Criteria

Section 162(m) of the Code provides that for any given calendar year, we are limited to a \$1,000,000 deduction for compensation paid to our chief executive officer and to our four other most highly paid executive officers. However, compensation that qualifies as performance-based compensation, as defined in the tax regulations, does not count against the \$1,000,000 deductible compensation limit. Stock options granted under the LTIP are automatically deemed to be performance-based compensation for purposes of Code Section 162(m). However, other forms of performance-based awards under the LTIP must be conditioned on the attainment of objectively determinable performance goals established from time to time by our Compensation Committee. While the performance goals need not be set or approved by shareholders, the business criteria on which they are based must be approved by shareholders at least every five years.

Our Compensation Committee has reapproved the following list of business criteria upon which it may base performance goals for deductible performance-based awards made to officers of the Company. These are the same criteria that the Compensation Committee has historically used in establishing performance-based awards. We are asking shareholders to reapprove the Compensation Committee's use of the following criteria as benchmarks for evaluating the achievement of performance-based goals in incentive awards made to officers of the Company under the LTIP:

- n the price of our common stock,
- n market share,
- n sales,
- n return on equity, assets or capital,
- n economic profit (economic value added),

- n total shareholder return,
- n costs,
- n margins,
- n earnings or earnings per share,
- n cash flow,
- n customer satisfaction, and
- n operating profit.

Approval of this action with respect to the LTIP will enable the Company to realize a full income tax deduction for performance-based awards made under the LTIP; this will save us money while allowing us to pay our officers competitively and reward them for their performance.

A summary of the terms of the LTIP is contained in Proposal No. 2. This summary is qualified in entirety by reference to the full text of the LTIP, which is attached to this proxy statement in Appendix B-1.

The Board of Directors recommends that you vote **FOR** the approval of the adoption of this proposal.

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**APPROVAL OF AMENDMENT AND RESTATEMENT OF THE
EMPLOYEE STOCK PURCHASE PLAN**

Proposal No. 4 Approval of the Amendment and Restatement of the Employee Stock Purchase Plan

The Georgia-Pacific Corporation Non-Qualified Employee Stock Purchase Plan (the Employee Stock Purchase Plan) (formerly known as the Georgia-Pacific Tissue 2000 Employee Stock Purchase Plan), was amended and restated, effective November 1, 2002, subject to shareholder approval. The Board of Directors is thus seeking shareholder approval of the Employee Stock Purchase Plan, as amended and restated.

In order to be approved, the votes cast in favor of this proposal by the shareholders present, in person or by proxy, and entitled to vote at the Annual Meeting must exceed the votes cast in opposition. Proxies solicited on behalf of the Board of Directors will be voted **FOR** this proposal unless shareholders specify a contrary choice.

Background

The Employee Stock Purchase Plan was initially designed as a non-tax qualified stock purchase plan for employees of Wisconsin Tissue Management, LLC and Georgia-Pacific Tissue, LLC. Both Wisconsin Tissue Management and Georgia-Pacific Tissue are limited liability companies as opposed to corporations. As discussed further under the caption Federal Income Tax Consequences, tax laws prevent the Company from offering its tax qualified stock purchase plan to employees of subsidiaries that are not corporations (we refer to these entities as non-corporation subsidiaries). The Employee Stock Purchase Plan provided eligible employees of these two limited liability companies the opportunity to obtain or increase an equity ownership position in the Company by subscribing for shares of common stock on an installment basis through payroll deductions. In 2001, we sold Georgia-Pacific Tissue and since that time Wisconsin Tissue Management has not had any active employees.

Prior to the Employee Stock Purchase Plan s amendment and restatement, employees of Color-Box, LLC, a wholly-owned, non-corporation subsidiary of the Company, have not been eligible to participate in any Georgia-Pacific stock purchase plan. The Company desires to extend the benefit of a stock purchase plan to Color-Box employees. However, rather than creating a new non-qualified stock purchase plan, the Company elected to amend and restate the Employee Stock Purchase Plan (which had been dormant due to the sale of Georgia-Pacific Tissue and the inactivity of Wisconsin Tissue Management) effective November 1, 2002, to change the group of employees eligible to participate. This amendment and restatement will be null and void if shareholders do not approve this proposal at the Annual Meeting.

Summary of the Employee Stock Purchase Plan, as Amended and Restated

The following discussion summarizes the terms of the Employee Stock Purchase Plan, as amended and restated. Except for changes relating to the eligible employees, the original terms of the Employee Stock Purchase Plan remain substantially unchanged. The summary below is qualified in its entirety by reference to the full text of the Employee Stock Purchase Plan, as amended and restated, which is attached to this

proxy statement as Appendix C.

Participation. As noted above, initially the Employee Stock Purchase Plan was available only to employees of Wisconsin Tissue Management and Georgia-Pacific Tissue. As amended and restated, the Employee Stock Purchase Plan will allow participation by eligible employees of a non-corporation subsidiary in which the Company has at least a 50% interest, provided the non-corporation subsidiary is identified by the plan administrator as a participating entity in advance of the applicable purchase period. Currently, Color-Box is the only entity authorized

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**APPROVAL OF AMENDMENT AND RESTATEMENT OF THE
EMPLOYEE STOCK PURCHASE PLAN**

to participate in the Employee Stock Purchase Plan and approximately 960 Color-Box employees are eligible to participate. No employees of Georgia-Pacific are eligible to participate in the Employee Stock Purchase Plan.

Authorized Shares. Four Hundred Fifty-Thousand (450,000) shares of Georgia-Pacific common stock were originally authorized for issuance under the Employee Stock Purchase Plan, of which approximately 432,455 were available for issuance at March 18, 2003.

Subscription. Participants subscribe for shares of Georgia-Pacific common stock.

Limitations on Subscription. The Employee Stock Purchase Plan provides that a participant may subscribe for shares with an aggregate purchase price of no more than \$22,500 per purchase period. The minimum aggregate purchase price is \$600.00 per purchase period.

Purchase Price. The purchase price per share is set at 90% of the mean of the reported prices per share on either the first or last day of the purchase period, whichever is lower. Any employee may terminate his or her subscription at any time before purchasing the shares, and in that event, the employee will receive a cash payment for the full amount withheld, without interest.

Eligibility. Participation in the Employee Stock Purchase Plan is voluntary and requires an election by eligible employees.

Purchase Period. Each purchase period occurs over a 12-month window, as established by the plan administrator.

Payment. Payment for shares purchased under the Employee Stock Purchase Plan is made by payroll deductions over the course of the purchase period.

Administration. The plan is administered by the Executive Vice President-Human Resources of Georgia-Pacific.

Limitations on Transfer. Neither the balance credited to a participant's account nor the right to purchase shares are assignable or transferable by a participant. After a purchase period is completed, the shares subscribed for are freely transferable, subject to applicable securities laws.

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Capitalization Adjustments. In the event of a change in the capitalization of Georgia-Pacific (e.g., a capitalization change attributable to a merger, consolidation, reorganization, stock split, etc.), the plan administrator shall make corresponding adjustments to the number of shares covered by the Employee Stock Purchase Plan.

Termination and Amendment. The plan administrator may terminate or amend the Employee Stock Purchase Plan at any time. However, the plan administrator cannot modify, cancel, or amend any subscription for shares after the purchase period begins unless (i) affected participants consent in writing, (ii) the modification only accelerates the date deemed to be the final day of the purchase period, or (iii) the plan administrator, acting in good faith, deems that such action is required by law.

Federal Income Tax Considerations

Because the Employee Stock Purchase Plan is a non-tax qualified stock purchase plan, eligible employees recognize income at the time stock is purchased under the plan in an amount equal to the excess of the fair market value of the shares at the date of purchase over the purchase price for such shares. The Internal Revenue Code of 1986, as amended, does not permit the Company to offer employees of its non-corporation subsidiaries the tax benefits available under the Georgia-Pacific 2000 Employee Stock Purchase Plan, which is the tax-qualified plan offered to employees of the Company and its incorporated subsidiaries.

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**APPROVAL OF AMENDMENT AND RESTATEMENT OF THE
EMPLOYEE STOCK PURCHASE PLAN**

Benefits to Named Executive Officers and Others

Because participation in the Employee Stock Purchase Plan is voluntary, it is not presently possible to determine either the benefits or amounts that will be received in the future by any person or group pursuant to the plan. Employees and directors of Georgia-Pacific are not eligible to participate in the Employee Stock Purchase Plan.

The Board of Directors recommends that you vote **FOR** the approval of the adoption of this proposal.

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SHAREHOLDER PROPOSALS

Shareholder Proposal No. 1

Bartlett Naylor, 1255 N. Buchanan, Arlington, Virginia 22205, the beneficial owner of 200 shares of Georgia-Pacific stock, has notified us of his intention to present the following resolution for action at the Annual Meeting. The text of the resolution and the supporting statement exactly as submitted by the proponent are set forth below. If the proponent, or a representative who is qualified under state law, is present and submits the proposal for a vote, then the proposal will be voted upon at the Annual Meeting.

In order to be approved, the votes cast in favor of the proposal by the shareholders present, in person or by proxy, and entitled to vote at the Annual Meeting must exceed the votes cast in opposition. Proxies solicited on behalf of the Board of Directors will be voted **AGAINST** this proposal unless shareholders specify a contrary choice.

SHAREHOLDER RESOLUTION

RESOLVED: That shareholders urge the board of Georgia-Pacific to establish a policy prohibiting the harvest and trade in products from primary, old growth or other endangered forests in the United States and around the world.

SUPPORTING STATEMENT

As a leader in the wood products industry, Georgia-Pacific has recognized national and global environmental challenges and has committed itself to environmental leadership within the industry.

Old growth forests are the remnants of the world's original forests. While these forests cover less than 5% of the earth's surface, they are home to nearly 50% of the world's species. Old growth forests store extensive amounts of carbon and are, therefore, critical to moderating the effects of climate change. Old growth forests are home to more than 200 million indigenous people worldwide. Less than 20% of the world's old growth forests remain.

The public is overwhelmingly supportive of environmental protection and primary or old growth forest protection in particular. Leading lumber customer such as Home Depot, Lowe's and Centex have established policies not to buy products from old growth or other endangered forests.

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Leading paper customers such as Kinko's have pledged not to do business with wood product suppliers involved in logging or trade in old growth wood products.

More than 400 leading national brands and Fortune 500 companies have pledged not to purchase wood products from old growth and other endangered forests.

Some of our company's leading competitors such as Boise Corp. have responded to environmental concerns in the marketplace and have announced policies to ban the logging of old growth forests.

Such pledges not only reflect concern for the environment, but also an interest in retaining the good will of customers who themselves are concerned about the environment. Ongoing public campaigns demonstrate imminent damage to brand and franchise for wood products companies not publicly committed to protection of remaining old growth forests.

GEORGIA-PACIFIC STATEMENT IN OPPOSITION

The Board of Directors recommends a vote AGAINST the adoption of this shareholder proposal.

Georgia-Pacific is sensitive to environmental issues, including the issue of renewable natural resources, and is committed to responsible forest practices and conservation methods. We believe that our environmental policies, especially as they relate to our timber harvesting practices, are already consistent with the basic tenets of the proponent's proposal. Our objection to the proposal, however, is that it fails to provide clear,

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SHAREHOLDER PROPOSALS

precise standards against which our environmental record may be measured. For example, there is limited scientific consensus on endangered forests. Further, since there are a number of definitions of old growth and the proponent's resolution fails to definitively set a standard for which forests would be deemed to be old growth, it is doubtful whether we could ever monitor our compliance with the proponent's policy with any meaningful degree of certainty. As a result, our Board of Directors believes the proponent's proposal is not in the best interests of Georgia-Pacific or its shareholders.

We acquire all of our logs from North America, where forest land coverage has grown by over 1.5% in the last decade. We believe a primary reason for this growth is the practice of sustainable forest management by large timber harvesters like Georgia-Pacific. Georgia-Pacific is an active participant in the Sustainable Forest Initiative (SFI), a system of principles, objectives and performance measures designed to promote sustainable forest management. The program integrates the growing and harvesting of trees with the protection of wildlife, plants, soil and air and water quality. SFI requires participants to provide annual data on reforestation, harvesting, research and wildlife management as well as logger training, landowner outreach and conservation agreements. Since 1992, we have conducted annual forestry Best Management Practices audits on land Georgia-Pacific harvests and have voluntarily committed to third-party verification of all of our U.S. wood supply systems using verification criteria already established through SFI.

The primary body responsible for assuring Georgia-Pacific's adherence to its strict environmental policy is our Environmental Policy Committee (the EPC), which is composed of members of senior management and other high-level corporate staff and operating personnel. The EPC is directed by the Chairman and Chief Executive Officer of the Company through the EPC chairperson. The EPC is charged with establishing the Company's environmental protection policies, as well as its positions on environmental issues, while monitoring compliance with such policies and reporting significant environmental events to the Board of Directors. Lee M. Thomas, Georgia-Pacific's President, and a former administrator of the U.S. Environmental Protection Agency, has served on this committee since 1993. We also have an Environmental Affairs Department, which provides technical support to all corporate operations to assist with statutory and regulatory compliance efforts.

We recognize the value of communicating our environmental concerns and, since 1994, we have voluntarily reported our comprehensive environmental policy, practices, and procedures to our shareholders via the Company's biennial Environmental and Safety Report, available not only to the Company's shareholders, but also to the public on our web site at www.gp.com. Georgia-Pacific's environmental compliance and details of the Company's comprehensive and continuous environmental protection programs, including a report of our SFI activities, are set out in the Report.

In summary, Georgia-Pacific recognizes that the issue of forest conservation is an important one, and we agree that we need to work hard to protect our old growth forests and other environmentally sensitive areas. As a result, Georgia-Pacific has well-defined and measurable policies in place to address these concerns. We believe the proponent's proposal contains neither of these benefits and, in light of our long-standing commitment to protecting the environment, is not warranted. Accordingly, your Board of Directors recommends a vote **AGAINST** this shareholder proposal. Proxies solicited by the Board will be voted **AGAINST** this proposal unless shareholders specify a contrary choice.

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SHAREHOLDER PROPOSALS

Shareholder Proposal No. 2

Financial Investors Trust, 370 Seventeenth Street, Suite 3100, Denver, Colorado 80202-5627, has notified us, on behalf of the United Association S&P 500 Index Fund, the beneficial owner of 16,498 shares of Georgia-Pacific stock, of the Fund's intention to present the following resolution for action at the Annual Meeting. The text of the resolution and the supporting statement exactly as submitted by the proponent are set forth below. If the proponent, or a representative who is qualified under state law, is present and submits the proposal for a vote, then the proposal will be voted upon at the Annual Meeting.

In order to be approved, the votes cast in favor of the proposal by the shareholders present, in person or by proxy, and entitled to vote at the Annual Meeting must exceed the votes cast in opposition. Proxies solicited on behalf of the Board of Directors will be voted **AGAINST** this proposal unless shareholders specify a contrary choice.

SHAREHOLDER RESOLUTION

RESOLVED: The shareholders of Georgia-Pacific Corporation (Company) urge the Board of Directors to amend the Company's by laws to require that an independent director as defined by the rules of the New York Stock Exchange (NYSE) who has not served as an officer of the Company be its Chairman of the Board of Directors.

SUPPORTING STATEMENT

The recent wave of corporate scandals at such companies as Enron, WorldCom and Tyco has resulted in renewed emphasis on the importance of independent directors. For example, both the NYSE and NASDAQ have proposed new rules that would require corporations that wish to be traded on them to have a majority of independent directors.

Unfortunately, having a majority of independent directors alone is clearly not enough to prevent the type of scandals that have afflicted Enron, WorldCom, and Tyco. All of these corporations had a majority of independent directors on their boards when the scandal occurred.

All of these corporations also had a Chairman of the Board who was also an insider, usually the Chief Executive Officer (CEO), or a former CEO, or some other officer. Obviously, no matter how many independent directors there are on the board, the board is less likely to protect shareholder interests by providing independent oversight of the officers if the Chairman of the board is also the CEO, former CEO or some other

officer of the company.

We respectfully urge the board of our Company to dramatically change its corporate governance structure and the public's perception of it by having an independent director serve as its Chairman who is not a former CEO.

Although this change would be dramatic, it would hardly be radical. In the United Kingdom it is common to separate the office of Chairman and CEO. In 1996, a blue ribbon commission on Director Professionalism of the National Association of Corporate Directors recommended that an independent director should be charged with organizing the board's evaluation of the CEO and providing continuous ongoing feedback; chairing executive sessions of the board; setting the agenda with the CEO, and leading the board in anticipating and responding to crises.

GEORGIA-PACIFIC STATEMENT IN OPPOSITION

The Board of Directors recommends a vote AGAINST the adoption of this shareholder proposal.

The Board believes it is not in the best interests of the Company and its shareholders to institute an absolute rule that the Chairman cannot be a person who has served as an officer of the

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Company. The Chairman's position demands an individual with strong objective leadership skills as well as an intimate knowledge of the Company. The Board believes it is important to have the flexibility to select a Chairman who is the best person for the job, regardless of whether that person is someone who is currently serving, or has previously served, as an officer of the Company.

While the Board acknowledges that the Chairman need not necessarily be a former or current officer of the Company, the Board believes the Company is currently best served by having one person, A.D. Correll, serve as both the Chairman of the Board and the Chief Executive Officer of the Company. Mr. Correll has served as Chairman of the Board of Georgia-Pacific since 1993. We believe that a Chairman who also serves as the Chief Executive Officer provides the Board with unique benefits that may be lost by rigidly mandating that the Chairman be independent. Current Georgia-Pacific officers that serve on the Board have a knowledge of the Company's operations which often allows them to provide valuable insight during important Board deliberations. However, there is nothing in the Company's bylaws precluding the Board from concluding that the positions of Chairman and Chief Executive Officer should be held by different individuals upon a determination that this would best serve the best interests of the Company and its shareholders.

The Board of Directors understands and respects the integral role that independent directors play in corporate governance. Accordingly, in November 2002, our Executive and Governance Committee approved and recommended to the Board for approval a presiding director (the Lead Director). The Lead Director, who shall be the Chairman of the Executive and Governance Committee, presides over any executive session of the non-management directors. The Lead Director also serves as a liaison between the non-management members of the Board and the Chairman, and discusses with the Chairman, to the extent appropriate, matters discussed by the non-management directors in executive session. Consistent with the corporate governance best practice recommendations of the Conference Board Commission on Public Trust and Private Enterprise, the Lead Director also is to serve as a contact person to facilitate communications by Georgia-Pacific's employees and shareholders with the non-management members of the Board.

The Board believes that the interests of shareholders in strong objective leadership are well served by the Company's existing governance policies and procedures, which are described in detail on pages 9 through 12 of this proxy statement. Board independence and oversight is maintained effectively through sound Board practices requiring, among other things, that a majority of the Board and all of the members of the Audit and Compensation Committees maintain independence from the Company. While the Board zealously advocates director independence, the Board also believes that requiring the Chairman to be independent could tie the Board's hands in selecting one of the Company's most important leaders. The Board believes that the interests of Georgia-Pacific and its shareholders are currently best served by having one person act as a bridge between the Board and the operating organization. The proposed bylaw amendment could limit the Board's ability to select the best candidate to serve as Chairman; the Board finds this contrary to the goal of maximizing shareholder value through efficient operations and strong leadership. Accordingly, the Board of Directors recommends a vote **AGAINST** the shareholder proposal. Proxies solicited by the Board will be voted **AGAINST** this proposal unless shareholders specify a contrary choice.

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SHAREHOLDER PROPOSALS

Shareholder Proposal No. 3

The Teamster Affiliates Pension Plan, 25 Louisiana Ave., N.W., Washington, D.C. 20001, the beneficial owner of 63,000 shares of Georgia-Pacific stock, has notified us of its intention to present the following resolution for action at the Annual Meeting. The text of the resolution and the supporting statement exactly as submitted by the proponent are set forth below. If the proponent, or a representative who is qualified under state law, is present and submits the proposal for a vote, then the proposal will be voted upon at the Annual Meeting.

In order to be approved, the votes cast in favor of the proposal by the shareholders present, in person or by proxy, and entitled to vote at the Annual Meeting must exceed the votes cast in opposition. Proxies solicited on behalf of the Board of Directors will be voted **AGAINST** this proposal unless shareholders specify a contrary choice.

SHAREHOLDER RESOLUTION

RESOLVED: That the shareholders of Georgia-Pacific Corporation (the Company) hereby request that the Company's Board of Directors establish a policy of expensing in the Company's annual income statement the costs of all future stock options issued by the Company.

SUPPORTING STATEMENT

Current accounting rules give companies the choice of reporting stock option expenses annually in the company income statement or as a footnote in the annual report (See: Financial Accounting Standards Board Statement 123). Most companies, including ours, report the cost of stock options as a footnote in the annual report, rather than include the option costs in determining operating income. We believe that expensing stock options would more accurately reflect a company's operational earnings.

Stock options are an important component of our Company's executive compensation program. Options have replaced salary and bonuses as the most significant element of executive pay packages at numerous companies. The lack of option expensing can promote excessive use of options in a company's compensation plans, obscure and understate the cost of executive compensation and promote the pursuit of corporate strategies designed to promote short-term stock price rather than long-term corporate value.

A recent report issued by Standard & Poor's indicated that the expensing of stock option grant costs would have lowered operational earnings at companies by as much as 10 percent. The failure to expense stock option grants has introduced a significant distortion in reported earnings,

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stated Federal Reserve Board Chairman Alan Greenspan. Reporting stock options as expenses is a sensible and positive step toward a clearer and more precise accounting of a company's worth. Globe and Mail, "Expensing Options Is a Bandwagon Worth Joining," Aug. 16, 2002.

Warren Buffett wrote in a New York Times Op-Ed piece on July 24, 2002:

There is a crisis of confidence today about corporate earnings reports and the credibility of chief executives. And it's justified.

For many years, I've had little confidence in the earnings numbers reported by most corporations. I'm not talking about Enron and WorldCom examples of outright crookedness. Rather, I am referring to the legal, but improper, accounting methods used by chief executives to inflate reported earnings.

Options are a huge cost for many corporations and a huge benefit to executives. No wonder, then, that they have fought ferociously to avoid making a charge against their earnings. Without blushing, almost all C.E.O.'s have told their shareholders that options are cost-free.

When a company gives something of value to its employees in return for their services, it is clearly a compensation expense. And if expenses don't belong in the earnings statement, where in the world do they belong?

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Many companies have responded to investors' concerns about their failure to expense stock options. In recent months, more than 100 companies, including such prominent ones as Coca-Cola, the Washington Post, and General Electric, have decided to expense stock options in order to provide their shareholders more accurate financial statements.

Our Company has yet to act.

We urge you to vote **FOR** this proposal.

GEORGIA-PACIFIC STATEMENT IN OPPOSITION

The Board of Directors recommends a vote AGAINST the adoption of this shareholder proposal.

The shareholder proposal above asks Georgia-Pacific shareholders to approve a resolution that would cause the Company to adopt an alternative method of accounting for employee stock options for which there is no uniform valuation methodology and that is not presently used by most publicly traded companies. In accordance with our policy of providing full and transparent accounting disclosures that are consistent with the general practices of other publicly traded companies and allow for accurate comparisons with our peers, we believe there are compelling reasons why shareholders should vote **AGAINST** the adoption of this proposal.

Under generally accepted accounting principles, all companies are required to apply one of two alternative accounting methods for employee stock options. Georgia-Pacific, along with the substantial majority of publicly traded companies, applies the first of these accounting methods, known as the intrinsic-value method. Under the intrinsic-value method, a company generally includes compensation expense on its income statement for an employee stock option only if the market price of the company's stock on the date the option is granted exceeds the exercise price of the option. In furtherance of our policy of using stock options to encourage our employees to work towards long-term appreciation in the value of Georgia-Pacific, we have generally set the exercise price of each of our employee stock options at the present market price of the Company's common stock on the grant date. Consequently, under the intrinsic-value method, we typically do not incur compensation expense for employee stock options.

A second method of accounting for employee stock options, known as the fair-value method, is available under Statement of Financial Accounting Standards No. 123 (SFAS No. 123). Under this alternative (which is advocated in the shareholder proposal), compensation expense for an employee stock option is based on the option's estimated fair value, as computed under an option pricing model that involves numerous assumptions. The aggregate estimated fair value of the outstanding employee stock options are reflected as compensation expense on a company's income statement. While all companies applying SFAS No. 123 reflect an estimated compensation expense on the income statement,

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there is no uniform method for computing the estimated fair value of employee stock options. Consequently, differing methods, models and assumptions for estimating fair value are available (and appropriate), which can materially impact the fair value calculation and the associated expense.

As initially proposed, SFAS No. 123 would have required every company to adopt the fair-value method and reflect the estimated fair value of employee stock options as an expense on the income statement. Following significant debate, the final version of SFAS No. 123 left whether to apply either the intrinsic-value method or the fair-value method to the discretion of each company. Accordingly, we carefully evaluated the advisability of adopting the fair-value method in lieu of the intrinsic-value method. Following this

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Careful consideration, Georgia-Pacific, along with our major competitors and most other publicly traded companies, elected to continue the application of the intrinsic-value method. For a number of reasons, we maintain that, at present, application of the intrinsic-value method is in the best interests of Georgia-Pacific and its shareholders.

We believe it is generally advisable to follow the most widely used accounting method when alternative methods are available. As noted above, the substantial majority of all publicly traded companies (including similarly-sized companies and those within our industry) continue to apply the intrinsic-value method. While several major companies outside of our industry have adopted the fair-value method of accounting, until use of that method becomes more widespread, we believe continued application of the intrinsic-value method better allows shareholders and analysts to compare our performance with that of our peers. Also, we believe the absence of a uniform approach for determining the fair value of employee stock options and, consequently, the compensation expense reflected on the income statement, hinders comparability among even those companies applying the fair-value method.

Further, we disagree with the suggestion in the shareholder proposal that a change in accounting methods would better allow shareholders and analysts to evaluate Georgia-Pacific's use of stock options. In accordance with generally accepted accounting principles, we already provide disclosure in our financial statements regarding the compensation expense that would have resulted had we applied the fair-value method. Particularly, Note 1 to Georgia-Pacific's audited financial statements for the years ended December 28, 2002, December 29, 2001 and December 30, 2000, highlights the estimated compensation expense and underlying assumptions that would have resulted under the fair-value method. As a result, without any change in our accounting methods, shareholders and analysts already have access to and, therefore, may evaluate the information requested through this shareholder proposal. In addition, given the significant ongoing debate regarding accounting for employee stock options, we believe it is advisable to await a consensus view rather than making a hurried change in accounting methods.

At the present time, we believe it is in the best interests of Georgia-Pacific and its shareholders to continue the application of the intrinsic-value method of accounting for employee stock options. The intrinsic-value method is currently the most widely used standard and it provides complete, comparable information with which to evaluate the Company's financial statements. Accordingly, the Board of Directors recommends that shareholders vote **AGAINST** this proposal. Proxies solicited by the Board will be voted **AGAINST** this proposal unless shareholders specify a contrary choice.

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OTHER MATTERS

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires Georgia-Pacific's directors and executive officers to file with the Securities and Exchange Commission and the New York Stock Exchange reports of changes in ownership of Common Stock. Securities and Exchange Commission regulations require that such directors and executive officers furnish to Georgia-Pacific copies of all Section 16(a) reports they file. To Georgia-Pacific's knowledge, based solely upon a review of the copies of such reports furnished to Georgia-Pacific and written representations that no other reports were required, except as noted below, all of its officers and directors complied with applicable Section 16(a) filing requirements during the fiscal year ended December 28, 2002.

Atlanta, Georgia

March 26, 2003

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BENEFIT PLAN

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AMENDMENT NUMBER FIVE

TO THE

GEORGIA-PACIFIC CORPORATION LONG-TERM INCENTIVE PLAN

WHEREAS, pursuant to Section 8 of the Georgia-Pacific Corporation Long-Term Incentive Plan (the "Plan"), the Board has the right to amend the Plan, with the approval of the shareholders of the Company where necessary or advisable; and

WHEREAS, at its January 31, 2003 meeting, the Board delegated to the Committee the authority to approve amendments to the Plan as necessary or appropriate to effectuate a program to offer employees an opportunity to exchange outstanding stock options under various option plans of the Company and its subsidiaries for a lesser number of Restricted Shares to be granted under the Plan, for the purpose of motivating and retaining employees (the "2003 Exchange Offer"); and

WHEREAS, in order to effectuate the 2003 Exchange Offer, the Committee deems it to be appropriate to amend the Plan, subject to the approval of the shareholders of the Company, to:

- (1) permit the surrender of outstanding Options in exchange for an Award of a lesser number of Restricted Shares in accordance with the 2003 Exchange Offer,
- (2) increase the number of shares of Common Stock available for issuance under the Plan by the number of Restricted Shares actually granted in the 2003 Exchange Offer resulting from the surrender of options outstanding under other option plans of the Company or its Subsidiaries; provided that any such Restricted Shares that may hereafter be forfeited shall not be available for future Awards under the Plan, and
- (3) eliminate the Plan limit on the number of shares of Common Stock that may be granted in the form of Restricted Shares or Performance Awards.

NOW, THEREFORE, the Committee hereby amends the Plan as follows, subject to and effective as of the date of shareholder approval:

1. Section 4(b) of the Plan is amended to read as follows:

(b) Plan Limitations. Subject to adjustment in accordance with the provisions of Sections 4(d) and 9, the total number of shares of Common Stock with respect to which Awards of Options, Restricted Shares and/or unrestricted Common Stock may be granted under this Plan may not exceed 16,000,000 shares.

2. Section 4(d) of the Plan is amended to read as follows:

(d) Calculation Procedures. For purposes of calculating the total number of shares of Common Stock available under this Plan for grants of Awards, (i) the grant of an Award of Options, Restricted Shares or a Performance Award shall be deemed to be equal to the maximum number of shares of Common Stock which may be issued under the Award, (ii) the total number of shares of Common Stock with respect to which Awards may be granted under this Plan shall be increased by the number of Restricted Shares issued under this Plan pursuant to the 2003 Exchange Offer (as defined in Section 8(b)) in exchange for surrendered options that were granted under other option plans of the Company or its

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Subsidiaries, and (iii) subject to the provisions of Sections 4(b) and 4(c), there shall again be available for Awards under this Plan all of the following: (A) shares of Common Stock represented by Awards which have been cancelled, forfeited, surrendered or terminated or which expire unexercised (other than Restricted Shares granted in the 2003 Exchange Offer in exchange for surrendered options that were granted under other option plans of the Company or its Subsidiaries); (B) the excess portion of variable Awards which become fixed at less than their maximum limitations; and (C) the number of shares of Common Stock delivered in full or partial payment of the exercise price of any Option granted under this Plan; provided, however, that shares so delivered by an Employee in full or partial payment of the exercise of his/her Option shall not reduce the number of Options granted to the Employee in any Plan Year for purposes of Section 4(c)(i); and provided further that in no event shall the aggregate number of shares issued or delivered pursuant to the exercise of Incentive Stock Options exceed 16,000,000 shares.

3. Section 8(b) of the Plan is amended to read as follows:

(b) Awards Previously Granted. At any time and from time to time, the Committee may amend, modify or terminate any outstanding Award without approval of the Participant; provided, however, that such amendment, modification or termination shall not, without the Participant's consent, reduce or diminish the value of such Award determined as if the Award had been vested, exercised, cashed in or otherwise settled on the later of the effective date or execution date of such amendment or termination; and provided further that, except as otherwise provided in Section 9 of this Plan or approved in advance by the Company's shareholders, the term of an outstanding Option may not be extended, and the exercise price of an outstanding Option may not be reduced, directly or indirectly, whether through direct amendment to the exercise price, through cancellation and replacement of the Option, or otherwise. Notwithstanding the foregoing, the Company may effect a one-time exchange offer to be commenced in the discretion of the Company no sooner than May 6, 2003 and no later than the 2004 annual meeting of the Company's shareholders, upon the terms and conditions described in the Company's proxy statement for the 2003 annual meeting of the Company's shareholders and in a Schedule TO to be filed with the Securities and Exchange Commission on or about May 6, 2003, as the same may be amended (the 2003 Exchange Offer).

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AMENDMENT NUMBER FIVE

TO THE

GEORGIA-PACIFIC CORPORATION

1995 SHAREHOLDER VALUE INCENTIVE PLAN

(As Amended and Restated Effective December 16, 1997)

WHEREAS, pursuant to Section 5.1 of the Georgia-Pacific 1995 Shareholder Value Incentive Plan, as amended and restated as of December 16, 1997 (the Plan), the Board has the right to amend the Plan, with the approval of the Shareholders of the Corporation where necessary or advisable; and

WHEREAS, at its January 31, 2003 meeting, the Board delegated to the Committee the authority to approve amendments to the Plan as necessary or appropriate to effectuate a program to offer employees an opportunity to exchange outstanding stock options under various option plans of the Corporation and its subsidiaries for a lesser number of restricted shares to be granted under the Georgia-Pacific Corporation Long-Term Incentive Plan, for the purpose of motivating and retaining employees;

NOW, THEREFORE, the Committee hereby amends the Plan as follows, subject to and effective as of the date of shareholder approval:

1. Section 5.1(d) of the Plan is amended to read as follows:

Notwithstanding the foregoing, no amendment may, without the approval of the Shareholders of the Corporation . . . :

(d) Reduce, directly or indirectly, the exercise price of an outstanding Option Grant, whether through direct amendment to the exercise price, through cancellation and replacement of the Option Grant, or otherwise (modification of the Option Price pursuant to Section 3.7 will not be considered amendments for purposes of this Section). Notwithstanding the foregoing, the Corporation may effect a one-time exchange offer to be commenced in the discretion of the Corporation no sooner than May 6, 2003 and no later than the 2004 annual meeting of the Corporation's Shareholders, upon the terms and conditions described in the Corporation's proxy statement for the 2003 annual meeting of the Corporation's Shareholders and in a Schedule TO to be filed with the Securities and Exchange Commission on or about May 6, 2003, as the same may be amended (the 2003 Exchange Offer). Upon surrender of Option Grants under the Plan pursuant to the 2003 Exchange Offer, the underlying shares shall not be available for future grants under the Plan.

AMENDMENT NUMBER ONE

TO THE

FORT JAMES CORPORATION 1996 STOCK INCENTIVE PLAN

(As Amended and Restated Effective August 12, 1997)

WHEREAS, Georgia-Pacific Corporation (the Company) assumed the Fort James Corporation 1996 Stock Incentive Plan, as amended and restated as of August 12, 1997 (the Plan) in connection with its acquisition of Fort James Corporation in November 2000; and

WHEREAS, pursuant to Section 14 of the Plan, the Board of Directors of the Company has the right to amend the Plan, with the approval of the shareholders of the Company where necessary or advisable; and

WHEREAS, at its January 31, 2003 meeting, the Board of Directors of the Company delegated to its Compensation Committee (the G-P Committee) the authority to approve amendments to the Plan as necessary or appropriate to effectuate a program to offer employees an opportunity to exchange outstanding stock options under various option plans of the Company and its subsidiaries for a lesser number of restricted shares to be granted under the Georgia-Pacific Corporation Long-Term Incentive Plan, for the purpose of motivating and retaining employees;

NOW, THEREFORE, the G-P Committee hereby amends the Plan as follows, subject to and effective as of the date of shareholder approval:

1. The definition of Company in Section 2(i), is amended to read as follows:

Company from and after the acquisition of Fort James Corporation by Georgia-Pacific Corporation in November 2000, means Georgia-Pacific Corporation, which assumed the Plan in connection with such acquisition.

2. Section 16(d) of the Plan is amended to read as follows:

(d) The Committee shall have the power to amend the terms of previously granted Awards, so long as the terms as amended are consistent with the terms of the Plan and, where applicable, are consistent with the qualification of an Option as an Incentive Stock Option; provided, however, that without the consent of the shareholders of the Company, the term of an outstanding Option may not be extended, and the exercise price of an outstanding Option may not be reduced, directly or indirectly, whether through direct amendment to the exercise price, through cancellation and replacement of the Option, or otherwise. The consent of the Participant must be obtained with respect to any amendment that would adversely affect the Participant's rights under the Award, except that such consent shall not be required if such amendment is for the purpose of complying with Rule 16b-3 or any requirement of the Code applicable to the Award. Notwithstanding the foregoing, the Company may effect a

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one-time exchange offer to be commenced in the discretion of the Company no sooner than May 6, 2003 and no later than the 2004 annual meeting of the shareholders of Company, upon the terms and conditions described in the proxy statement for the 2003 annual meeting of the Company's shareholders and in a Schedule TO to be filed with the Securities and Exchange Commission on or about May 6, 2003, as the same may be amended (the 2003 Exchange Offer). Upon surrender of Options granted under the Plan pursuant to the 2003 Exchange Offer, the underlying shares shall not be available for future grants under the Plan.

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**AMENDMENT NUMBER ONE TO THE
JAMES RIVER CORPORATION OF VIRGINIA 1987 STOCK OPTION PLAN
(As Amended and Restated Effective December 16, 1993)**

WHEREAS, Georgia-Pacific Corporation (the Company) assumed the James River Corporation of Virginia 1987 Stock Option Plan, as amended and restated as of December 16, 1993 (the Plan) in connection with its acquisition of Fort James Corporation in November 2000; and

WHEREAS, pursuant to Section 11 of the Plan, the Board of Directors of the Company has the right to amend the Plan, with the approval of the shareholders of the Company where necessary or advisable; and

WHEREAS, at its January 31, 2003 meeting, the Board of Directors of the Company delegated to its Compensation Committee (the G-P Committee) the authority to approve amendments to the Plan as necessary or appropriate to effectuate a program to offer employees an opportunity to exchange outstanding stock options under various option plans of the Company and its subsidiaries for a lesser number of restricted shares to be granted under the Georgia-Pacific Corporation Long-Term Incentive Plan, for the purpose of motivating and retaining employees;

NOW, THEREFORE, the G-P Committee hereby amends the Plan as follows, subject to and effective as of the date of shareholder approval:

1. The definition of Company in Section 2(g) of the Plan, is amended to read as follows:

COMPANY from and after the acquisition of Fort James Corporation by Georgia-Pacific Corporation in November 2000, means Georgia-Pacific Corporation, which assumed the Plan in connection with such acquisition.

2. A new Section 13A is added immediately following Section 13, to read as follows:

13A. OPTIONS PREVIOUSLY GRANTED.

Unless approved in advance by the shareholders of the Company, the term of an outstanding Option may not be extended, and the exercise price of an outstanding Option may not be reduced, directly or indirectly, whether through direct amendment to the exercise price, through cancellation and replacement of the Option, or otherwise. Notwithstanding the foregoing, the Company may effect a one-time exchange offer to be commenced in the discretion of the Company no sooner than May 6, 2003 and no later than the 2004 annual meeting of the Company's shareholders, upon the terms and conditions described in the proxy statement for the 2003 annual meeting of the shareholders of the Company

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and in a Schedule TO to be filed with the Securities and Exchange Commission on or about May 6, 2003, as the same may be amended (the 2003 Exchange Offer). Upon surrender of Options granted under the Plan pursuant to the 2003 Exchange Offer, the underlying shares shall not be available for future grants under the Plan.

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GEORGIA-PACIFIC CORPORATION

LONG-TERM INCENTIVE PLAN

ADOPTED BY THE BOARD OF DIRECTORS, SEPTEMBER 17, 1997

APPROVED BY THE SHAREHOLDERS, DECEMBER 16, 1997

(INCLUSIVE OF AMENDMENTS 1 THROUGH 4)

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GEORGIA-PACIFIC CORPORATION

LONG-TERM INCENTIVE PLAN

1. ADOPTION AND PURPOSE

Georgia-Pacific Corporation (the **Company**) hereby adopts this Georgia-Pacific Corporation Long-Term Incentive Plan, which was approved by its Board of Directors on September 17, 1997, subject to further approval by the Company's shareholders (the **Plan**). The purposes of the Plan are to promote the interests of the Company and its stockholders by (a) attracting and retaining exceptional executive personnel and other key employees for the Company and its Subsidiaries (as defined below), (b) motivating such employees by means of performance-related incentives to achieve long-range performance goals and (c) enabling such employees to participate in the long-term growth and financial success of the Company.

2. DEFINITIONS

The following words and phrases shall have the following meanings unless a different meaning is plainly required by the context:

(a) **Award.** **Award** means, individually or collectively, a grant under this Plan of Options, Restricted Shares, Dividend Equivalents and/or a Performance Award. The issuance of Options, Restricted Shares, shares of unrestricted Common Stock, Dividend Equivalents and/or cash pursuant to an Award or the taking of any other action mandated under the terms and conditions of an Award, shall not be deemed to be a new Award for any purpose under this Plan (including, but not limited to, Section 16).

(b) **Award Agreement.** **Award Agreement** means a written agreement entered into between the Company and a Participant setting forth the terms and conditions of an Award made to such Participant under this Plan, in the form prescribed by the Committee.

(c) **Board.** **Board** means the Board of Directors of the Company.

(d) **Cause.** **Cause** shall mean any of the following: (i) the willful failure of a Participant to perform satisfactorily the duties consistent with his title and position reasonably required of him by the Board or supervising management (other than by reason of incapacity due to physical or mental illness); (ii) the commission by a Participant of a felony, or the perpetration by a Participant of a dishonest act or common law fraud against the Company or any of its Subsidiaries; or (iii) any other willful act or omission (including without limitation the deliberate and willful violation of any corporate policy or regulation) which could reasonably be expected to expose the Company to civil liability under the law of the

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applicable jurisdiction or causes or may reasonably be expected to cause significant injury to the financial condition or business reputation of the Company or any of its Subsidiaries.

(e) **Change of Control.** **Change of Control** shall have the meaning specified in Section 11(b).

(f) **Code.** **Code** means the Internal Revenue Code of 1986, as amended. Reference to a specific section of the Code or regulation thereunder shall include such section or regulation, any valid regulation promulgated under such section, and any comparable provision of any future legislation or regulation amending, supplementing or superseding such section or regulation.

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(g) **Committee.** **Committee** means the Compensation Committee of the Board of Directors of the Company, as constituted from time to time, or such subcommittee of that body as the Compensation Committee shall specify to act for the Compensation Committee with respect to this Plan. Each member of the Committee shall be a non-employee director within the meaning of Rule 16b-3 under the Exchange Act and shall be an outside director within the meaning of Section 162(m) of the Code. The Committee shall be composed of at least two (2) such directors.

(h) **Common Stock.** **Common Stock** means the Company's common stock, par value \$0.80 per share.

(i) **Company.** **Company** means Georgia-Pacific Corporation, a Georgia corporation headquartered in Atlanta, Georgia.

(j) **Dividend Equivalent.** **Dividend Equivalent** means an Award granted to a Participant under Section 5(d).

(k) **Effective Date.** **Effective Date** means the effective date of this Plan as defined in Section 16.

(l) **Employee.** **Employee** means a common law employee of the Company or a Subsidiary (including, without limitation, any Company or Subsidiary officer).

(m) **Exchange Act.** **Exchange Act** means the Securities Exchange Act of 1934, as amended. Reference to a specific section of the Exchange Act or regulation thereunder shall include such section or regulation, any valid regulation promulgated under such section, and any comparable provision of any future legislation or regulation amending, supplementing or superseding such section or regulation.

(n) **Fair Market Value.** **Fair Market Value** means, on any date, the mean between the high and low sales prices of a share of Common Stock on that date as reported in The Wall Street Journal, New York Stock Exchange Composite Transactions, or as reported in any successor quotation system adopted prospectively for this purpose by the Committee, in its discretion. If the date of determination is not a trading date on the New York Stock Exchange, Fair Market Value shall be determined using the high and low sales prices of a share of Common Stock on the next preceding trading date. The Fair Market Value of the Stock shall be rounded to the nearest whole cent (with 0.5 cent being rounded to the next higher whole cent).

(o) **Incentive Stock Option.** **Incentive Stock Option** has the meaning specified in Section 5(a).

(p) **Non-Qualified Stock Option.** **Non-Qualified Stock Option** has the meaning specified in Section 5(a).

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(q) **Option.** **Option** means an Incentive Stock Option or a Non-Qualified Stock Option as defined in this Plan.

(r) **Participant.** **Participant** means an Employee who has been designated as such by the Committee pursuant to this Plan.

(s) **Performance Goals.** **Performance Goals** means, with respect to any Performance Period, one or more objective performance goals based on one or more of the following objective criteria

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established by the Committee prior to the beginning of such Performance Period or within such period after the beginning of the Performance Period as shall meet the requirements to be considered pre-established performance goals for purposes of Code Section 162(m): (i) increases in the price of the Common Stock; (ii) market share; (iii) sales; (iv) return on equity, assets or capital; (v) economic profit (economic value added); (vi) total shareholder return; (vii) costs; (viii) margins; (ix) earnings or earnings per share; (x) cash flow; (xi) customer satisfaction; (xii) operating profit; or (xiii) any combination of the foregoing. Such Performance Goals may be particular to an Employee or may be based, in whole or part, on the performance of the division, department, line of business, Subsidiary or other business unit, whether or not legally constituted, in which the Employee works or on the performance of the Company generally.

(t) Performance Award. Performance Award shall have the meaning specified in Section 5(b).

(u) Performance Period. Performance Period means the period of service designated by the Committee applicable to a Performance Award during which the Performance Goals will be measured.

(v) Plan. Plan means the Georgia-Pacific Corporation Long-Term Incentive Plan (formerly known as the Georgia-Pacific Corporation/Georgia-Pacific Group 1997 Long-Term Incentive Plan) as described in this plan document.

(w) Plan Year. Plan Year means the calendar year.

(x) Restricted Shares. Restricted Shares shall have the meaning specified in Section 5(c).

(y) Restriction Period. Restriction Period means a Performance Period and/or any other period during which full ownership of compensation contemplated in an Award remains restricted pursuant to the terms and conditions of that Award.

(z) Subsidiary. Subsidiary means any corporation or other entity, whether domestic or foreign, in which the Company has or obtains, directly or indirectly, a proprietary interest of more than 20% by reason of stock ownership or otherwise.

3. ELIGIBILITY

Any Employee designated by the Committee (in its sole discretion) as a Participant under this Plan will be eligible to receive an Award specified by the Committee in accordance with this Plan.

4. STOCK SUBJECT TO THE PROVISIONS OF THIS PLAN; LIMITATIONS

(a) Applicable Stock. The stock subject to the provisions of this Plan shall either be shares of authorized but unissued Common Stock, shares of Common Stock held as treasury stock or previously issued shares reacquired by the Company, including shares purchased on the open market.

(b) Plan Limitations. Subject to adjustment in accordance with the provisions of Sections 4(d) and 9, the total number of shares of Common Stock with respect to which Awards of Options, Restricted Shares and/or unrestricted Common Stock may be granted under this Plan may not exceed 16,000,000 shares, provided, however, that the total number of Restricted Shares and Performance Award shares that may be granted as Awards under this Plan may not exceed 4,000,000 shares.

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(c) Individual Limitations. Subject to adjustment in accordance with Section 9, and subject to Section 4(b), (i) the total number of shares of Common Stock with respect to which Awards of Options may be granted in any Plan Year to any Employee shall not exceed 1,200,000 shares, (ii) the total number of Restricted Shares which may be granted in any Plan Year to any Employee shall not exceed 150,000 shares, (iii) the total number of Performance Award shares which may be granted in any Plan Year to any Employee shall not exceed 300,000 shares and (iv) the value of any Performance Awards payable in cash that may be granted in any Plan Year to any Employee shall not exceed \$2,500,000 (as determined on the date the Award is granted).

(d) Calculation Procedures. For purposes of calculating the total number of shares of Common Stock available under this Plan for grants of Awards, (i) the grant of an Award of Options, Restricted Shares or a Performance Award shall be deemed to be equal to the maximum number of shares of Common Stock which may be issued under the Award and (ii) subject to the provisions of Sections 4(b) and 4(c), there shall again be available for Awards under this Plan all of the following: (A) shares of Common Stock represented by Awards which have been cancelled, forfeited, surrendered or terminated or which expire unexercised; (B) the excess portion of variable Awards which become fixed at less than their maximum limitations; and (C) the number of shares of Common Stock delivered in full or partial payment of the exercise price of any Option granted under this Plan; provided, however, that shares so delivered by an Employee in full or partial payment of the exercise of his/her Option shall not reduce the number of Options granted to the Employee in any Plan Year for purposes of Section 4(c)(i); and provided further that in no event shall the aggregate number of shares issued or delivered pursuant to the exercise of Incentive Stock Options exceed 4,500,000 shares.

5. AWARDS UNDER THIS PLAN

Subject to the provisions of this Plan, the Committee shall have the sole and complete authority to determine the Employees to whom Awards shall be granted and the type, terms and conditions of such Awards. As the Committee may determine, the following types of Awards may be granted under this Plan to Employees on a stand alone, combination or tandem basis:

(a) Options. An Award consisting of a right to buy a specified number of shares of Common Stock at a fixed exercise price during a specified time, and subject to such other terms and conditions, all as the Committee may determine. Such Options may be Non-Qualified Stock Options or Incentive Stock Options. The exercise price for an Award of Options (whether or not they are Incentive Stock Options) may not be less than 100% of the Fair Market Value of the Common Stock on the grant date. The terms and conditions for an Award of Incentive Stock Options must otherwise comply with the requirements of Section 422 of the Code or any successor Section as it may be amended from time to time. Non-Qualified Stock Options are not intended to satisfy the Code requirements for Incentive Stock Options and need not meet such requirements. Each Stock Option granted as an Award under this Plan shall be subject to the provisions of this Plan and the applicable Award Agreement approved by the Committee pursuant to Section 6(b) governing that Option.

(b) Performance Awards. An Award granted to an Employee consisting of the right to receive cash, shares of Common Stock, Options or Restricted Shares that are not to be issued to the Employee

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until after the satisfaction of the related Performance Goals during the related Performance Period. Such Awards shall be subject to the following conditions and procedures:

(i) Administration. Performance Awards may be granted to Employees either alone or in addition to other Awards granted under this Plan. The Committee shall determine the Employees to whom Performance Awards shall be awarded for any Performance Period, the duration of the applicable Performance Period, the Performance Goals which must be met for the Award to be paid and the amount of cash and/or the number of shares of Common Stock, Options and/or Restricted Shares to be awarded at the end of a Performance Period to Employees if the Performance Goals are met or exceeded. Each such Performance Award shall be subject to the provisions of this Plan and the applicable Award Agreement approved by the Committee pursuant to Section 6(b) governing that Award.

(ii) Payment of Award. After the end of a Performance Period, the degree to which the Performance Goals related to such Performance Period have been met shall be determined by the Committee. If the Performance Goals are not met, no compensation shall be issued pursuant to the Performance Award. If the Performance Goals are met or exceeded, the Committee shall certify that fact in writing in the Committee minutes or elsewhere and authorize the payment of the amount of cash or issuance of the number of shares of Common Stock, Options and/or Restricted Shares as contemplated under the affected Performance Award in accordance with the related Award Agreement.

(iii) Further Restriction Period. At the discretion of the Committee, a Performance Award may provide for deferral of vesting and/or transfer rights with respect to all or some of the incidents of ownership of the compensation contemplated in the Award based on the satisfaction of terms and conditions in addition to the attainment of the stated Performance Goals during the related Performance Period over a further Restriction Period following the Performance Period. In such a case, such vesting and/or transfer rights with respect to the affected incidents of ownership shall be postponed until the Committee certifies that the additional conditions have been timely met and authorizes such vesting and/or transfer. Such acts by the Committee shall not be deemed to be a new Award.

(c) Restricted Shares. An Award consisting of a transfer of shares of Common Stock to a Participant, subject to such restrictions (e.g., the attainment of specified Performance Goals during a designated Performance Period, the passage of time or a combination of such restrictions and/or of other delayed vesting conditions) on transfer or other incidents of ownership, for such periods of time (with respect to each Award, the Restriction Period) as the Committee may determine. If the issuance, vesting and/or transfer of ownership of Restricted Shares granted under this Plan is contingent upon the attainment of Performance Goals during a designated Performance Period, the Award shall also be considered a Performance Award and shall be subject to the provisions of Section 6(b) as well as those of this Section 6(c). Awards of Restricted Shares under this Plan shall be subject to the following conditions and procedures:

(i) Issuance of Stock Certificates. At the time specified for issuance of the Restricted Shares under the applicable Award Agreement, the stock certificate or certificates representing Restricted Shares shall be registered in the name of the Participant to whom such Restricted

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Shares shall have been awarded. During the Restriction Period, certificates representing the Restricted Shares shall bear a restrictive legend to the effect that the Restricted Shares are subject to the restrictions, terms and conditions provided in this Plan and the applicable Award Agreement. Such certificates shall remain in the custody of the Company and the Participant shall deposit with the Company stock powers or other instruments of assignment, each endorsed in blank, so as to permit retransfer to the Company of all or any portion of the Restricted Shares that shall be forfeited or otherwise not become vested in accordance with the Plan and the applicable Award Agreement.

(ii) Status of Restricted Shares. Restricted Shares which have been issued in accordance with an Award Agreement shall constitute issued and outstanding shares of Common Stock for all corporate purposes.

(iii) Participant Rights With Respect to Issued Restricted Shares. The Participant will have the right to vote issued Restricted Shares, to receive and retain all dividends and distributions paid or distributed on such Restricted Shares, and to exercise all other rights, powers and privileges of a holder of Common Stock with respect to such Restricted Shares; except that (A) the Participant will not be entitled to delivery of the stock certificate or certificates representing such Restricted Shares until the Restriction Period shall have expired and unless all other vesting requirements with respect thereto shall have been fulfilled or waived; (B) the Company will retain custody of the stock certificate or certificates representing the Restricted Shares during the Restriction Period; (C) any such dividends and distributions paid in shares of Common Stock shall constitute Restricted Shares and be subject to all of the same restrictions during the Restriction Period as the Restricted Shares with respect to which they were paid; (D) the Participant may not sell, assign, transfer, pledge, exchange, encumber or dispose of the Restricted Shares or his or her interest in any of them during the Restriction Period; and (E) a breach of any restrictions, terms or conditions provided in the Plan or established by the Committee with respect to any Restricted Shares will cause a forfeiture of such Restricted Shares.

(d) Dividend Equivalents. An Award granted to an Employee consisting of the right to receive payment of dividends declared and paid on all or a portion of the number of shares of Common Stock subject to a specified Award under this Plan, as determined by the Committee. The Committee is authorized to grant Dividend Equivalents to Participants subject to such terms and conditions as it may determine. The Committee may provide that Dividend Equivalents be paid or distributed when accrued or be deemed to have been reinvested in additional shares of Common Stock or otherwise reinvested.

6. OTHER TERMS AND CONDITIONS

(a) Assignability; Designation of Beneficiaries.

(i) Prohibition on Transfer. An Award shall be nontransferable and may not be sold, hypothecated, assigned, anticipated, alienated, commuted, pledged, encumbered or otherwise conveyed by a Participant (whether voluntarily or involuntarily) to any party, nor may any award be subject to attachment or garnishment by any creditor or a Participant; provided that in the event of the incapacity (as determined by the Plan Administrator) or death of the Participant (but subject to Section 6(m) of this Plan), his/her attorney-in-fact pursuant to a valid power of

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attorney giving general or specific authority to make elections with respect to outstanding Awards, his/her court-appointed guardian or the custodian of his/her affairs or the executor or administrator of his/her estate (as the case may be) may exercise any rights with respect to any vested Award that the Participant could have exercised if he/she were still alive or not incapacitated. No assignment or transfer of any Award or the rights represented thereby, whether voluntary, involuntary, or by operation of law or otherwise, except by will or the laws of descent and distribution, shall vest in the assignee or transferee any interest or right herein whatsoever, and immediately upon any attempt to assign or transfer an Award, the Award shall terminate and be of no force or effect. Notwithstanding anything in this Section 6(a)(i) to the contrary, the Committee in its sole discretion may (but need not) permit transfers of Awards in other situations where the Committee concludes that such transferability (A) does not result in accelerated taxation, (B) does not cause any Option intended to be an Incentive Stock Option to fail to meet the statutory requirements for such Options referenced in Section 5(a), and (C) is otherwise appropriate and desirable, taking into account the impact on the Participant and the Company of applicable tax laws and/or securities laws as applied to transferable Awards.

(ii) Designation of Beneficiaries. Notwithstanding anything in Section 6(a)(i) to the contrary, a Participant may designate a person or persons to receive, in the event of his death, any rights to which he would be entitled under an Award granted under this Plan (the extent permitted under the applicable Award Agreement). A beneficiary designation may be changed or revoked by a Participant at any time by filing a written statement of such change or revocation with the Company. Such a designation (or modification of designation) shall be made in writing, and filed with the office of the Company designated in the Award Agreement. If a Participant fails to designate a beneficiary, then Section 6(a)(i) will apply.

(b) Award Agreement. Awards made pursuant to the Plan shall be evidenced by Award Agreements in such form as the Committee shall, from time to time, approve, provided that such agreements shall comply with, reflect and be subject to all the terms of this Plan. The Award Agreement will state the characteristics of the Award and all terms and conditions applicable to the Award, provided that the provisions of this Plan which apply to an Award Agreement will be deemed incorporated in such agreement regardless of whether they are specifically reiterated in the text of the Award Agreement. Whenever an Employee is granted an Award under this Plan, the Plan Administrator shall have the responsibility to provide to the designated Participant an Award Agreement governing the particular Award executed on behalf of the Company and, if one has not been supplied previously, a copy of this Plan.

Notwithstanding the terms of any Award Agreement granting options, on and after the Effective Time as defined under the Agreement and Plan of Merger by and among Plum Creek Timber Company, Inc., Georgia-Pacific Corporation and the Spincos (as defined therein) dated July 18, 2000, the period of time a Participant shall have to exercise an option granted to him under an Award Agreement shall include any period of employment with Plum Creek Timber Company, Inc., provided that in no event shall such period extend beyond the 10th anniversary of the date of grant of such option as set forth in the Participant's Award Agreement.

(c) Rights as a Shareholder. Except as otherwise specifically provided in this Plan or in any Award Agreement, a Participant shall have no rights as a shareholder with respect to shares of Common Stock covered by an Award until the date the Participant is the holder of record of such shares.

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(d) No Obligation to Exercise. The grant of an Award shall impose no obligation upon the Participant to exercise the Award.

(e) Payments by Participants. No payments or contributions are required to be made by Participants in this Plan other than such payments as may be required under an applicable Award Agreement, as specified by the Committee. The Committee may determine that Awards for which a payment is due from a Participant may be payable: (i) in U. S. dollars by personal check, bank draft or money order payable to the order of the Company, by money transfers or direct account debits; (ii) through the delivery or deemed delivery based on attestation to the ownership of shares of Common Stock with a Fair Market Value on the date of delivery to the Company equal to the total payment due from the Participant; (iii) by a combination of the methods described in (i) and (ii) above; or (iv) by such other methods as the Committee may deem appropriate. If shares of Common Stock are to be used in payment pursuant to an Award and such shares were acquired upon the exercise of a stock option (whether or not granted under this Plan), such shares must have been held by the Participant for at least six months.

(f) Tax Withholding. The Company shall have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state and local taxes (including the Participant's FICA obligation) required to be withheld with respect to an Award or any dividends or other distributions payable with respect thereto. The Committee, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit a Participant to satisfy such tax withholding obligation, in whole or in part, by (i) electing to have the Company withhold otherwise deliverable shares of Common Stock having a Fair Market Value not exceeding the minimum amount required to be withheld, (ii) delivering to the Company shares of Common Stock then owned by the Participant or (iii) such other methods as the Committee may deem appropriate. If shares of Common Stock are to be used in payment of such taxes and such shares were acquired upon the exercise of a stock option (whether or not granted under this Plan), such shares must have been held by the Participant for at least six months. The amount of the withholding obligation satisfied by shares of Common Stock withheld or delivered shall be the Fair Market Value of such shares determined as of the date that the taxes are required to be withheld.

(g) Restrictions on Exercise. No Option may be exercisable on or after the date which is the tenth anniversary of the date such Option was granted.

(h) Surrender of Options. The Committee, in its sole discretion, may incorporate one or more provisions in any Option granted under this Plan to allow a Participant to surrender his/her Option in whole or part in lieu of the exercise of all or part of that Option or in payment of any amounts due the Company upon the exercise of such Award. Such provision(s) may specify that the Committee may authorize such surrender after the grant, but before the exercise, of any such Option.

(i) Additional Options Upon Exercise. The Committee, in its sole discretion, may incorporate in any Option granted under this Plan a provision which requires the automatic grant of a new Option under this Plan (subject to the terms and limitations of this Plan) to any Participant who delivers shares of Common Stock as full or partial payment of the exercise price of the original Option. Any new Option granted in such a case (i) will be for the same number of shares of Common Stock as the Participant

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delivered in exercising the original Option, (ii) will have an exercise price equal to 100% of the Fair Market Value of the delivered shares on the date of such delivery (which shall be deemed to be the grant date for such new Option) and (iii) will have a term equal to the unexpired term of the original Option.

(j) **Requirements of Law.** The granting of Awards and the issuance of shares of Common Stock upon the exercise of Awards shall be subject to all applicable requirements imposed by federal and state securities and other laws, rules and regulations and by any regulatory agencies having jurisdiction, and by any stock exchanges upon which the Common Stock may be listed. As a condition precedent to the issuance of shares of Common Stock pursuant to the grant or exercise of an Award, the Company may require the Participant to take any reasonable action to meet such requirements.

(k) **Non-Exclusivity of the Plan.** Neither the adoption of the Plan by the Board nor the submission of the Plan to the shareholders of the Company for approval shall be construed as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including, without limitation, the granting of stock options and the awarding of stock and cash otherwise than under the Plan, and such arrangements may be either generally applicable or applicable only in specific cases.

(l) **Unfunded Plan.** Neither the Company nor any Subsidiary shall be required to segregate any cash or any shares of Common Stock which may at any time be represented by Awards, and the Plan shall constitute an unfunded plan of the Company. Neither the Company nor any Subsidiary shall, by any provisions of the Plan, be deemed to be a trustee of any Common Stock or any other property, and the liabilities of the Company and any subsidiary to any Employee pursuant to the Plan shall be those of a debtor pursuant to such contract obligations as are created by or pursuant to the Plan, and the rights of any Employee, former employee or beneficiary under the Plan shall be limited to those of a general creditor of the Company or the applicable Subsidiary, as the case may be. In its sole discretion, the Board may authorize the creation of trusts or other arrangements to meet the obligations of the Company under the Plan, provided, however, that the existence of such trusts or other arrangements shall be consistent with the unfunded status of the Plan.

(m) **Legends.** In addition to any legend contemplated by Section 5(c), each certificate evidencing Common Stock subject to an Award shall bear such legends as the Committee deems necessary or appropriate to reflect or refer to any terms, conditions or restrictions of the Award applicable to such shares, including, without limitation, any to the effect that the shares represented thereby may not be disposed of unless the Company has received an opinion of counsel, acceptable to the Company, that such disposition will not violate any federal or state securities laws.

(n) **Company's Retirement and Welfare Plans.** The value of compensation under this Plan will not be included as compensation for purposes of computing the benefits payable to any participant under the Company's retirement plans (both qualified and non-qualified) or welfare benefit plans unless such other plan expressly provides that such compensation shall be taken into account in computing a participant's benefit. No compensation paid pursuant to any Award under this Plan will constitute annual management incentive bonuses for purposes of calculating benefits under any Executive Retirement Agreement covering any Employee.

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(o) Forfeitures. Notwithstanding anything in this Plan to the contrary, to the extent permitted by applicable law:

(i) Violations of Company Policies. Any Award under this Plan may be reduced by the Committee (including reduction to zero) in the event that it determines (in its sole discretion) that any act (or failure to act) by the Participant or the business unit for which the Participant is responsible constitutes a deliberate violation of the Company's standing corporate policies (as in effect from time to time) and/or a violation of federal, state or local statutes or regulations. The Company policies considered for this purpose will include in particular (but without limitation) the Company's Code of Business Conduct and its antitrust, safety and environmental policies.

(ii) For Cause Termination. If the Committee (in its sole discretion) determines that a Participant has been terminated for Cause, all of such Participant's outstanding Awards under this Plan (whether or not vested under the terms of the applicable Award Agreement) shall terminate as of the Participant's date of termination.

(p) Requirement of Employment. To be entitled to receive the benefit of an Award under this Plan, a Participant must remain in the employment of the Company or its Subsidiaries through the end of the applicable Performance Period or further Restriction Period; provided, however, that the Committee may provide for partial or complete exceptions to this requirement (e.g., in the case of retirement, death or disability) as it deems equitable in its sole discretion.

(q) Code Section 162(m). Except where the Committee deems it in the best interest of the Company, the Committee shall use its best efforts to grant Awards under this plan which will qualify as performance based compensation under Code Section 162(m) or under such other circumstances as the Committee deems likely to result in an income tax deduction for the Company for the full amount of the compensation paid with respect to such Awards.

(r) Deferred Transfer of Shares Upon Exercise of Options. The Committee may determine, either at the time of grant of an Award or later, whether, and to what extent and under what circumstances, the transfer of shares issuable in connection with the exercise of a Non-Qualified Stock Option may be deferred at the election of the affected Participant.

7. PLAN ADMINISTRATION

(a) Committee as Plan Administrator. This Plan shall be administered by the Committee. The Committee shall periodically make determinations with respect to the participation of Employees in this Plan and, except as otherwise required by law or this Plan, the grant terms of Awards including vesting schedules, price, performance standards (including Performance Goals), length of relevant performance, restriction or option period, dividend rights, post-retirement and termination rights, payment alternatives such as cash, stock, contingent awards or other means of payment consistent with the purposes of this Plan, and such other terms and conditions as the Committee deems appropriate. Except as otherwise expressly required by this Plan, the Committee shall have the complete authority and absolute discretion to interpret and construe the

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provisions of this Plan and the Award Agreements and make determinations pursuant to any Plan provision or Award Agreement which shall be final and binding on all persons. No member of the Committee shall be liable to any person for any action taken or omitted in connection with

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the interpretation and administration of this Plan unless attributable to the member's own willful misconduct or lack of good faith.

(b) **Delegation.** The Committee, in its sole discretion and on such terms and conditions as it may provide, may delegate all or any part of its authority and powers under this Plan to one or more directors or officers of the Company; provided, however, that the Committee may not delegate its authority and powers (i) to identify Participants under this Plan, (ii) to make or adjust Awards under this Plan or (iii) in any way which would jeopardize this Plan's qualification under Section 162(m) of the Code.

(c) **Determinations Final.** All determinations and decisions made by the Committee, the Board and any delegate of the Committee appointed in accordance with Section 7(b) shall be final, conclusive, and binding on all persons, and shall be given the maximum deference permitted by law.

8. AMENDMENTS AND TERMINATION

(a) **Authority to Amend or Terminate.** Except as otherwise provided in this Plan, the Board may at any time terminate and, from time to time, may amend or modify this Plan. Any such action of the Board may be taken without the approval of the Company's shareholders, but only to the extent that such shareholder approval is not required by applicable law or regulation.

(b) **Awards Previously Granted.** At any time and from time to time, the Committee may amend, modify or terminate any outstanding Award without approval of the Participant; provided, however that such amendment, modification or termination shall not, without the Participant's consent, reduce or diminish the value of such Award determined as if the Award had been vested, exercised, cashed in or otherwise settled on the later of the effective date or execution date of such amendment or termination; and provided further that, except as otherwise provided in Section 9 of this Plan, the exercise price of any Option under this Plan may not be reduced and the term of any Option under this Plan may not be extended.

(c) **Limitations.** Notwithstanding the foregoing: (i) no amendment may, without the approval of the shareholders of the Company, (A) increase any of the grant limitations under Section 4 of this Plan or (B) extend the term of this Plan; (ii) no amendment, modification or termination shall in any manner adversely affect a Participant's rights under any Awards theretofore granted to a Participant under this Plan without the consent of such Participant; and (iii) no amendment may change any Performance Goal or increase the compensation payable for the achievement of a Performance Goal, after the Committee has established such Performance Goal with respect to a Performance Award.

9. CORPORATE RESTRUCTURING

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(a) No Bar to Corporate Restructuring. The existence of this Plan or outstanding Award under this Plan shall not affect in any way the right or power of the Company or its shareholders (i) to make or authorize any and all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, (ii) to issue bonds, debentures, preferred or preference stocks ahead of or affecting the Common Stock or the rights thereof, to dissolve or liquidate the Company, (iii) to sell or transfer all or part of its assets or business or (iv) to effect any other corporate act or proceeding, whether of a similar character or otherwise.

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APPENDIX B

(b) Capital Readjustments/Award Modifications. The Awards under this Plan involving Common Stock will be made in shares of the