

BOISE INC.
Form 10-Q
May 02, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended March 31, 2013

or

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

For the transition period from to

1111 West Jefferson Street, Suite 200
Boise, Idaho 83702-5388
(Address of principal executive offices) (Zip Code)
(208) 384-7000

(Registrants' telephone number, including area code)

Commission File Number	Exact Name of Registrant as Specified in Its Charter	State or Other Jurisdiction of Incorporation or Organization	I.R.S. Employer Identification No.
001-33541	Boise Inc.	Delaware	20-8356960
333-166926-04	BZ Intermediate Holdings LLC	Delaware	27-1197223

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Boise Inc.	Yes	x	No	..
BZ Intermediate Holdings LLC	Yes	x	No	..

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Boise Inc.	Yes	x	No	..
BZ Intermediate Holdings LLC	Yes	x	No	..

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Boise Inc.	Large accelerated filer	x	Accelerated filer	..
	Non-accelerated filer	..	Smaller reporting company	..

(Do not check if smaller reporting company)

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BZ Intermediate Holdings LLC	Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
	Non-accelerated filer (Do not check if smaller reporting company)	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Boise Inc.	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
BZ Intermediate Holdings LLC	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

There were 100,885,033 common shares, \$0.0001 per share par value, of Boise Inc. outstanding as of April 30, 2013.

This Form 10-Q is a combined quarterly report being filed separately by two registrants: Boise Inc. and BZ Intermediate Holdings LLC. BZ Intermediate Holdings LLC meets the conditions set forth in general instruction H(1)(a) and (b) of Form 10-Q and is therefore filing this form with the reduced disclosure format. Unless the context indicates otherwise, any reference in this report to the "Company," "we," "us," "our," or "Boise" refers to Boise Inc. together with BZ Intermediate Holdings LLC and its consolidated subsidiaries.

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All reports we file with the Securities and Exchange Commission (SEC) are available free of charge via the Electronic Data Gathering Analysis and Retrieval (EDGAR) System on the SEC website at www.sec.gov. We also provide copies of our SEC filings at no charge upon request and make electronic copies of our reports available through our website at www.boiseinc.com as soon as reasonably practicable after filing such material with the SEC.

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Boise Inc.

Consolidated Statements of Operations

(unaudited, dollars and shares in thousands, except per-share data)

	Three Months Ended March 31	
	2013	2012
Sales		
Trade	\$591,321	\$633,528
Related party	15,697	11,318
	607,018	644,846
Costs and expenses		
Materials, labor, and other operating expenses (excluding depreciation)	496,269	502,299
Fiber costs from related party	6,146	4,946
Depreciation, amortization, and depletion	43,428	37,556
Selling and distribution expenses	28,849	30,642
General and administrative expenses	18,923	20,008
Other (income) expense, net	331	(300)
	593,946	595,151
Income from operations	13,072	49,695
Foreign exchange gain (loss)	(341	) 157
Interest expense	(15,419	) (15,365)
Interest income	27	44
	(15,733	) (15,164)
Income (loss) before income taxes	(2,661	) 34,531
Income tax (provision) benefit	1,436	(13,193)
Net income (loss)	\$(1,225	) \$21,338
Weighted average common shares outstanding:		
Basic	100,242	99,052
Diluted	100,242	101,414
Net income (loss) per common share:		
Basic	\$(0.01	) \$0.22
Diluted	\$(0.01	) \$0.21

See accompanying condensed notes to unaudited quarterly consolidated financial statements.

Boise Inc.
 Consolidated Statements of Comprehensive Income
 (unaudited, dollars in thousands)

	Three Months Ended March 31	
	2013	2012
Net income (loss)	\$(1,225	) \$21,338
Other comprehensive income (loss), net of tax		
Foreign currency translation adjustment, net of tax of (\$40) and \$0, respectively	(228	) 855
Cash flow hedges:		
Change in fair value, net of tax of \$1,038 and (\$1,388), respectively	1,656	(2,215
(Gain) loss included in net income, net of tax of (\$62) and \$511, respectively	(98	) 817
Actuarial gain (loss) and prior service cost (including related amortization) for defined benefit pension plans, net of tax of \$825 and \$1,019, respectively	1,316	1,625
Other, net of tax of (\$15) and (\$4), respectively	(24	) (5
	2,622	1,077
Comprehensive income	\$1,397	\$22,415

See accompanying condensed notes to unaudited quarterly consolidated financial statements.

Boise Inc.
 Consolidated Balance Sheets
 (unaudited, dollars in thousands)

	March 31, 2013	December 31, 2012
ASSETS		
Current		
Cash and cash equivalents	\$57,416	\$49,707
Receivables		
Trade, less allowances of \$1,425 and \$1,382	247,172	240,459
Other	9,289	8,267
Inventories	306,752	294,484
Deferred income taxes	9,521	17,955
Prepaid and other	10,321	8,828
	640,471	619,700
Property		
Property and equipment, net	1,214,785	1,223,001
Fiber farms	24,170	24,311
	1,238,955	1,247,312
Deferred financing costs	25,528	26,677
Goodwill	160,219	160,130
Intangible assets, net	144,598	147,564
Other assets	6,802	7,029
Total assets	\$2,216,573	\$2,208,412

See accompanying condensed notes to unaudited quarterly consolidated financial statements.

Boise Inc.

Consolidated Balance Sheets (continued)

(unaudited, dollars and shares in thousands, except per-share data)

	March 31, 2013	December 31, 2012
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current		
Current portion of long-term debt	\$ 10,000	\$ 10,000
Accounts payable	206,778	185,078
Accrued liabilities		
Compensation and benefits	54,669	70,950
Interest payable	23,724	10,516
Other	21,145	20,528
	316,316	297,072
Debt		
Long-term debt, less current portion	765,000	770,000
Other		
Deferred income taxes	190,541	198,370
Compensation and benefits	121,311	121,682
Other long-term liabilities	73,076	73,102
	384,928	393,154
Commitments and contingent liabilities		
Stockholders' equity		
Preferred stock, \$0.0001 par value per share: 1,000 shares authorized; none issued	—	—
Common stock, \$0.0001 par value per share: 250,000 shares authorized; 100,885 and 100,503 shares issued and outstanding	12	12
Treasury stock, 21,151 shares held	(121,423	) (121,423)
Additional paid-in capital	869,540	868,840
Accumulated other comprehensive income (loss)	(98,682	) (101,304)
Retained earnings	100,882	102,061
Total stockholders' equity	750,329	748,186
Total liabilities and stockholders' equity	\$ 2,216,573	\$ 2,208,412

See accompanying condensed notes to unaudited quarterly consolidated financial statements.

Boise Inc.
 Consolidated Statements of Cash Flows
 (unaudited, dollars in thousands)

	Three Months Ended March 31	
	2013	2012
Cash provided by (used for) operations		
Net income (loss)	\$(1,225	) \$21,338
Items in net income (loss) not using (providing) cash		
Depreciation, depletion, and amortization of deferred financing costs and other	44,659	38,702
Share-based compensation expense	1,324	1,233
Pension expense	1,348	2,771
Deferred income taxes	(1,003	) 8,838
Other	(92	) (429
Decrease (increase) in working capital		
Receivables	(7,070	) (12,313
Inventories	(12,316	) (12,467
Prepaid expenses	746	(21
Accounts payable and accrued liabilities	13,965	(7,585
Current and deferred income taxes	(770	) (684
Pension payments	(49	) (9,094
Other	346	1,190
Cash provided by operations	39,863	31,479
Cash provided by (used for) investment		
Expenditures for property and equipment		