

BlueLinx Holdings Inc.  
Form 10-K  
February 20, 2013  
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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Form 10-K

(Mark One)

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

For the fiscal year ended December 29, 2012

OR

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

Commission file number: 1-32383

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BLUELINX HOLDINGS INC.  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

77-0627356  
(I.R.S. Employer  
Identification No.)

4300 Wildwood Parkway, Atlanta, Georgia  
(Address of principal executive offices)

30339  
(Zip Code)

Registrant's telephone number, including area code:  
770-953-7000

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

Title of Each Class	Name of Each Exchange on Which Registered
Common stock, par value \$0.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:  
None

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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

Indicate by check mark 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

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. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant as of June 30, 2012 was \$46,947,438, based on the closing price on the New York Stock Exchange of \$2.35 per share on June 29, 2012.

As of February 20, 2013, the registrant had 63,766,266 shares of common stock outstanding.

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DOCUMENTS INCORPORATED BY REFERENCE

None.

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BLUELINX HOLDINGS INC.

ANNUAL REPORT ON FORM 10-K  
For the Fiscal Year Ended December 29, 2012

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain the words “anticipate,” “believe,” “could,” “expect,” “estimate,” “intend,” “may,” “project,” “plan,” “should,” “will be,” “will likely continue,” “will likely result” or words or phrases of similar meaning. You should read statements containing these words carefully, because they discuss our future expectations, contain projections of our future results or state other “forward-looking” information.

Forward-looking statements are based on estimates and assumptions made by us that, although believed by us to be reasonable, involve inherent risks and uncertainties, including, but not limited to, economic, competitive, governmental and technological factors outside of our control, that may cause our business, strategy or actual results to differ materially from the forward-looking statements. We operate in a changing environment in which new risks can emerge from time to time. It is not possible for management to predict all of these risks, nor can it assess the extent to which any factor, or a combination of factors, may cause our business, strategy or actual results to differ materially from those contained in forward-looking statements. Factors you should consider that could cause these differences include, among other things:

- changes in the prices, supply and/or demand for products which we distribute, especially as a result of conditions in the residential housing market;

- the acceptance by our customers of our privately branded products;

- inventory levels of new and existing homes for sale;

- general economic and business conditions in the United States;

- the financial condition and credit worthiness of our customers;

- the activities of competitors;

- changes in significant operating expenses;

- fuel costs;

- risk of losses associated with accidents;

- exposure to product liability claims;

- changes in the availability of capital and interest rates;

- immigration patterns and job and household formation;

- our ability to identify acquisition opportunities and effectively and cost-efficiently integrate acquisitions;

- adverse weather patterns or conditions;

- acts of war or terrorist activities, including cyber intrusion;

variations in the performance of the financial markets, including the credit markets;

failure to complete the rights offering on the terms described in the Form S-1 filed with the SEC on January 10, 2013; and

the risk factors discussed under Item 1A. Risk Factors and elsewhere in this Form 10-K.

Forward-looking statements speak only as of the date of this Form 10-K. Except as required under federal securities laws and the rules and regulations of the SEC, we do not have any intention, and do not undertake, to update any forward-looking statements to reflect events or circumstances arising after the date of this Form 10-K, whether as a result of new information, future events or otherwise. As a result of these risks and uncertainties, readers are cautioned not to place undue reliance on the forward-looking statements included in this Form 10-K or that may be made elsewhere from time to time by or on behalf of us. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

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PART I

As used herein, unless the context otherwise requires, “BlueLinx,” the “Company,” “we,” “us” and “our” refer to BlueLinx Holdings Inc. and its subsidiaries. BlueLinx Corporation is the wholly-owned operating subsidiary of BlueLinx Holdings Inc. and is referred to herein as the “operating company” when necessary. Reference to “fiscal 2012” refers to the 52-week period ended December 29, 2012. Reference to “fiscal 2011” refers to the 52-week period ended December 31, 2011. Reference to “fiscal 2010” refers to the 52-week period ended January 1, 2011.

ITEM 1. BUSINESS.

Company Overview

BlueLinx Holdings Inc., operating through our wholly-owned subsidiary, BlueLinx Corporation, is a leading distributor of building products in the United States. We operate in all of the major metropolitan areas in the United States and, as of December 29, 2012, we distributed approximately 10,000 products from over 750 suppliers to service more than 11,500 customers nationwide, including dealers, industrial manufacturers, manufactured housing producers and home improvement retailers. We operate our distribution business from sales centers in Atlanta and Denver, and our network of approximately 55 distribution centers.

We distribute products in two principal categories: structural products and specialty products. Structural products, which represented approximately 42%, 39% and 46% of our fiscal 2012, fiscal 2011 and fiscal 2010 gross sales, respectively, include plywood, oriented strand board (“OSB”), rebar and remesh, lumber and other wood products primarily used for structural support, walls and flooring in construction projects. Specialty products, which represented approximately 58%, 61% and 54% of our fiscal 2012, fiscal 2011 and fiscal 2010 gross sales, respectively, include roofing, insulation, specialty panels, moulding, engineered wood products, vinyl products (used primarily in siding), outdoor living and metal products (excluding rebar and remesh).

Our customers include building materials dealers, industrial users of building products, manufactured housing builders and home improvement centers. We purchase products from over 750 vendors and serve as a national distributor for a number of our suppliers. We distribute products through our owned and leased fleet of over 500 trucks and over 900 trailers, as well as by common carrier.

Our principal executive offices are located at 4300 Wildwood Parkway, Atlanta, Georgia 30339 and our telephone number is (770) 953-7000. Our filings with the U.S. Securities and Exchange Commission, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and amendments to those reports, are accessible free of charge at our official website, [www.BlueLinxCo.com](http://www.BlueLinxCo.com). We have adopted a Code of Ethics within the meaning of Item 406(b) of Regulation S-K. This Code of Ethics applies to our principal executive officer, principal financial officer and principal accounting officer. This Code of Ethics, our board committee charters and our corporate governance guidelines are publicly available without charge at [www.BlueLinxCo.com](http://www.BlueLinxCo.com) or without charge upon request by writing to BlueLinx Holdings Inc., Attn: Corporate Secretary, 4300 Wildwood Parkway, Atlanta, Georgia 30339. If we make substantial amendments to our Code of Ethics or grant any waiver, including any implicit waiver, we will disclose the nature of such amendment or waiver on our website or in a report on Form 8-K. The reference to our website does not constitute incorporation by reference of the information contained at the site, and our website is not considered part of this filing.

History

We were created on March 8, 2004 as a Georgia corporation named ABP Distribution Holdings Inc. (“ABP”). ABP was owned by Cerberus Capital Management, L.P. (Cerberus Capital Management, L.P. and its subsidiaries are referred to

herein as “Cerberus”), a private, New York-based investment firm, and members of our management team. Prior to May 7, 2004, certain of our assets were owned by the distribution division (the “Division”) of Georgia-Pacific Corporation (“Georgia-Pacific” or “G-P”). The Division commenced operations in 1954 with 13 warehouses primarily used as an outlet for G-P’s plywood. On May 7, 2004, G-P sold the assets of the Division to ABP. ABP subsequently merged into BlueLinx Holdings Inc. On December 17, 2004, we consummated an initial public offering of our common stock.



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### Products and Services

As of December 29, 2012, we distributed approximately 10,000 different structural and specialty products to approximately 11,500 customers nationwide. Our structural products are primarily used for structural support, walls, flooring and roofing in construction projects. Additional end uses of our structural products include outdoor decks, sheathing, crates and boxes. Our specialty products include engineered lumber, roofing, insulation, metal products (excluding rebar and remesh), vinyl products (used primarily in siding), moulding, outdoor living and particle board. In some cases, these products are branded by us.

We also provide a wide range of value-added services and solutions to our customers and vendors including:

providing “less-than-truckload” delivery services;

pre-negotiated program pricing plans;

inventory stocking;

automated order processing through an electronic data interchange, or EDI, that provides a direct link between us and our customers;

inter-modal distribution services, including railcar unloading and cargo reloading onto customers’ trucks; and

back-haul services, when otherwise empty trucks are returning from customer deliveries.

### Distribution Channels

We sell products through three main distribution channels:

#### Warehouse Sales

Warehouse sales are delivered from our warehouses to dealers, home improvement centers and industrial users. We deliver products primarily using our fleet of over 500 trucks and over 900 trailers, but also occasionally use common carriers for peak load flexibility. We operate in all of the major metropolitan areas in the United States through our network of approximately 55 distribution centers. Our warehouses have approximately ten million square feet of space under roof plus significant outdoor storage space. Warehouse sales accounted for approximately 71% of our fiscal 2012 and 66% of our fiscal 2011 gross sales.

#### Reload Sales

Reload sales are similar to warehouse sales but are shipped from third-party warehouses where we store owned product in order to expand our geographic reach. This channel is employed primarily to service strategic customers that would be uneconomical to service from our warehouses and to distribute large volumes of imported products such as metal or hardwood plywood from port facilities. Reload sales accounted for approximately 9% and 13% of our gross sales in fiscal 2012 and fiscal 2011, respectively.

#### Direct Sales

Direct sales are shipped from the manufacturer to the customer without our taking physical inventory possession. This channel requires the lowest amount of committed capital and fixed costs. Direct sales accounted for approximately

20% and 21% of our fiscal 2012 and fiscal 2011 gross sales, respectively.

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### Customers

As of December 29, 2012, our customer base included approximately 11,500 customers across multiple market segments and various end-use markets, including the following types of customers:

building materials dealers;

industrial users of building products;

manufactured housing builders; and

home improvement centers.

### Sales and Marketing

Our sales efforts are directed primarily through our sales force of 401 sales representatives, of which 215 are primarily located at our two sales centers in Denver and Atlanta and inside various branch locations. Within these sales centers, our sales representatives interact with our customers over the telephone. The remaining 186 sales representatives are located throughout the country and are responsible for maintaining a local dialogue with our customers, including making frequent, in-person visits.

Our sales force is separated between industrial/dealer sales and home improvement center sales. Industrial/dealer sales are managed by regional vice-presidents with sales teams organized by geographical customer regions. The majority of industrial/dealer orders are processed by telephone and are facilitated by our centralized database of customer preferences and purchasing history. We also have dedicated cross-functional customer support teams focused on strategic growth with the home improvement centers.

### Suppliers

As of December 29, 2012, our vendor base included over 750 suppliers of both structural and specialty building products. In some cases, these products are branded. We have supply contracts in place with many of our vendors. Terms for these agreements frequently include prompt payment discounts, freight allowances and occasionally include volume discounts, growth incentives, marketing allowances, and consigned inventory.

On February 12, 2012, our three-year purchase agreement with G-P for engineered lumber expired in accordance with its terms. We continue to distribute a variety of G-P building products, but no longer are contractually obligated to make minimum purchases of products from G-P or to purchase certain products exclusively from G-P.

### Competition

The U.S. building products distribution market is a highly fragmented market, served by a small number of multi-regional distributors, several regionally focused distributors and a large number of independent local distributors. Local and regional distributors tend to be closely held and often specialize in a limited number of segments, such as the roofing segment, in which they offer a broader selection of products. Some of our multi-regional competitors are part of larger companies and therefore have access to greater financial and other resources than we do. We compete on the basis of breadth of product offering, consistent availability of product, product price and quality, reputation, service and distribution facility location.

Our two largest competitors are Weyerhaeuser Company and Boise Cascade Company. Most major markets are served by at least one of these distributors.

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### Seasonality

We are exposed to fluctuations in quarterly sales volumes and expenses due to seasonal factors. These seasonal factors are common in the building products distribution industry. The first and fourth quarters are typically our slowest quarters due to the impact of poor weather on the construction market. Our second and third quarters are typically our strongest quarters, reflecting a substantial increase in construction due to more favorable weather conditions. Our working capital and accounts receivable and payable generally peak in the third quarter, while inventory generally peaks in the second quarter in anticipation of the summer building season.

### Trademarks

As of December 29, 2012, we had 37 U.S. trademark applications and registrations, one issued U.S. patent and one Canadian trademark registration. Depending on the jurisdiction, trademarks are valid as long as they are in use and/or their registrations are properly maintained and they have not become generic. Registrations of trademarks generally can be renewed indefinitely as long as the trademarks are in use. We do not believe our business is dependent on any one of our trademarks or on our patent.

### Employees

As of December 29, 2012 we employed approximately 1,868 persons on a full-time basis. Approximately 30% of our employees were represented by various labor unions. As of December 29, 2012, we had 42 collective bargaining agreements, of which 10, covering approximately 132 total employees, are up for renewal in fiscal 2013. We consider our relationship with our employees generally to be good.

### Environmental and Other Governmental Regulations

Our operations are subject to various federal, state, provincial and local laws, rules and regulations. We are subject to environmental laws, rules and regulations that limit discharges into the environment, establish standards for the handling, generation, emission, release, discharge, treatment, storage and disposal of hazardous materials, substances and wastes, and require cleanup of contaminated soil and groundwater. These laws, ordinances and regulations are complex, change frequently and have tended to become more stringent over time. Many of them provide for substantial fines and penalties, orders (including orders to cease operations) and criminal sanctions for violations. They may also impose liability for property damage and personal injury stemming from the presence of, or exposure to, hazardous substances. In addition, certain of our operations require us to obtain, maintain compliance with, and periodically renew permits.

Certain of these laws, including the Comprehensive Environmental Response, Compensation, and Liability Act, may require the investigation and cleanup of an entity's or its predecessor's current or former properties, even if the associated contamination was caused by the operations of a third party. These laws also may require the investigation and cleanup of third-party sites at which an entity or its predecessor sent hazardous wastes for disposal, notwithstanding that the original disposal activity accorded with all applicable requirements. Liability under such laws may be imposed jointly and severally, and regardless of fault.

G-P has agreed to indemnify us against any claim arising from environmental conditions that existed prior to May 7, 2004 in connection with the properties acquired when G-P sold the assets of the Division to us (see "History" above). In addition, we carry environmental insurance. While we do not expect to incur significant costs to BlueLinx arising from environmental conditions, there can be no assurance that all such costs will be covered by indemnification or insurance.

We are also subject to the requirements of the U.S. Department of Labor Occupational Safety and Health Administration, or OSHA. In order to maintain compliance with applicable OSHA requirements, we have established uniform safety and compliance procedures for our operations and implemented measures to prevent workplace injuries.

The U.S. Department of Transportation, or DOT, regulates our operations in domestic interstate commerce. We are subject to safety requirements governing interstate operations prescribed by the DOT. Vehicle dimensions and driver hours of service also remain subject to both federal and state regulation.

We incur and will continue to incur costs to comply with the requirements of environmental, health and safety and transportation laws, ordinances and regulations. We anticipate that these requirements could become more stringent in the future, and we cannot assure you that compliance costs will not be material.

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ITEM 1A. RISK FACTORS.

In addition to the other information contained in this Form 10-K, the following risk factors should be considered carefully in evaluating our business. Our business, financial condition, or results of operations could be materially adversely affected by any of these risks. Additional risks not presently known to us or that we currently deem immaterial may also impair our business and operations.

Our industry is highly cyclical, and prolonged periods of weak demand or excess supply may reduce our net sales and/or margins, which may reduce our net income or cause us to incur losses.

The building products distribution industry is subject to cyclical market pressures. Prices of building products are determined by overall supply and demand in the market for building products. Market prices of building products historically have been volatile and cyclical, and we have limited ability to control the timing and amount of pricing changes for building products. Demand for building products is driven mainly by factors outside of our control, such as general economic and political conditions, interest rates, availability of mortgage financing, the construction, repair and remodeling and industrial markets, weather and population growth. The supply of building products fluctuates based on available manufacturing capacity, and excess capacity in the industry can result in significant declines in market prices for those products. To the extent that prices and volumes experience a sustained or sharp decline, our net sales and margins likely would decline as well. Because we have substantial fixed costs, a decrease in sales and margin generally may have a significant adverse impact on our financial condition, operating results and cash flows. Our results in some periods have been affected by market volatility, including a reduction in gross profits due to a decline in the resale value of our structural products inventory. All of these factors make it difficult to forecast our operating results.

Our industry is dependent on the homebuilding industry which has suffered from a prolonged significant downturn, and any slowdown in the current recovery or any future downturns would materially affect our business, liquidity and operating results.

Our sales depend heavily on the strength of national and local new residential construction and home improvement and remodeling markets. The strength of these markets depends on new housing starts and residential renovation projects, which are a function of many factors beyond our control. Some of these factors include general economic conditions, employment levels, job and household formation, interest rates, housing prices, tax policy, availability of mortgage financing, prices of commodity wood and steel products, immigration patterns, regional demographics and consumer confidence. The overall housing market and the economy are improving; however, the U.S. residential construction market has suffered from a multi-year downturn that was one of the most severe housing downturns in United States history. While the government's legislative and administrative measures aimed at restoring liquidity to the credit markets and providing relief to homeowners facing foreclosure are beginning to show positive results and there have been signs of improvement in the U.S. economy generally, and in the residential housing market in particular, it is unclear if and to what extent the residential construction market will continue to improve during fiscal 2013.

Our results of operations were adversely affected by the severe downturn in new housing activity in the United States, and, while currently improving, any slowdown in the current recovery or any future downturns in the markets that we serve or in the economy generally will have a material adverse effect on our operating results, liquidity and financial condition. Reduced levels of construction activity may result in continued intense price competition among building materials suppliers, which may adversely affect our gross margins. We cannot provide assurance that our responses to future downturns in the economy in general, and in the residential housing market in particular, will be successful.

A significant portion of our sales are on credit to our customers. Material changes in their credit worthiness or our inability to forecast deterioration in their credit position could have a material adverse effect on our operating results, cash flow and liquidity.

The majority of our sales are on account where we provide credit to our customers. Continued market disruptions could cause additional economic downturns, which may lead to lower demand for our products and increased incidence of customers' inability to pay their accounts. Bankruptcies by our customers may cause us to incur bad debt expense at levels higher than historically experienced. In fiscal 2012, approximately 0.1% in bad debt expense to total net sales was incurred related to credit sales. Our customers are generally susceptible to the same economic business risks as we are. Furthermore, we may not necessarily be aware of any deterioration in their financial position. If our customers' financial position becomes impaired, it could have a significant impact on our bad debt exposure and could have a material adverse effect on our operating results, cash flow and liquidity. In addition, certain of our suppliers potentially may be impacted as well, causing disruption or delay of product availability. These events would adversely impact our results of operations, cash flows and financial position.



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Our cash flows and capital resources may be insufficient to make required payments on our substantial indebtedness and future indebtedness or to maintain our required level of excess liquidity.

We have a substantial amount of debt. As of December 29, 2012, we had outstanding borrowings of \$169.5 million and excess availability of \$86.0 million under the terms of our U.S. revolving credit facility, outstanding borrowings of \$1.9 million and excess availability of \$2.0 million under our Canadian revolving credit facility and outstanding letters of credit totaling \$4.5 million. As of December 29, 2012, the principal amount outstanding on our mortgage loan was \$206.0 million.

Our substantial debt could have important consequences to you. For example, it could:

make it difficult for us to satisfy our debt obligations;

make us more vulnerable to general adverse economic and industry conditions;

limit our ability to obtain additional financing for working capital, capital expenditures, acquisitions and other general corporate requirements as our excess liquidity likely will decrease while our industry and our Company begins its recovery from the historic housing market downturn;

expose us to interest rate fluctuations because the interest rate on the debt under our U.S. revolving credit facility is variable;

require us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing the availability of our cash flow for operations and other purposes;

limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and

place us at a competitive disadvantage compared to competitors that may have proportionately less debt, and therefore may be in a better position to get favorable credit terms.

In addition, our ability to make scheduled payments or refinance our obligations depends on our successful financial and operating performance, cash flows and capital resources, which in turn depend upon prevailing economic conditions and certain financial, business and other factors, many of which are beyond our control. These factors include, among others:

economic and demand factors affecting the building products distribution industry;

pricing pressures;

increased operating costs;

competitive conditions; and

other operating difficulties.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, sell material assets or operations, obtain additional capital or restructure our debt. Obtaining additional capital or restructuring our debt could be accomplished in part through new or additional

borrowings or placements of debt or equity securities. There is no assurance that we could obtain additional capital or restructure our debt on terms acceptable to us or at all. In the event that we are required to dispose of material assets or operations to meet our debt service and other obligations, the value realized on the disposition of such assets or operations will depend on market conditions and the availability of buyers. Accordingly, any such sale may not, among other things, be for a sufficient dollar amount. Our obligations under the revolving credit facilities are secured by a first priority security interest in all of our operating subsidiary's and BlueLinx Building Products Canada Ltd.'s ("BlueLinx Canada's") (for the Canadian revolving credit facility) inventories, receivables and proceeds from those items. In addition, our mortgage loan is secured by the majority of our real property. The foregoing encumbrances may limit our ability to dispose of material assets or operations. We also may not be able to restructure our indebtedness on favorable economic terms, if at all. We may incur substantial additional indebtedness in the future, including under the revolving credit facilities. Our incurring additional indebtedness would intensify the risks described above.

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The instruments governing our indebtedness contain various covenants limiting the discretion of our management in operating our business, including requiring us to maintain a minimum level of excess liquidity.

Our revolving credit facilities and mortgage loan contain various restrictive covenants and restrictions, including financial covenants customary for asset-based loans that limit our management's discretion in operating our business. In particular, these instruments limit our ability to, among other things:

- incur additional debt;
- grant liens on assets;
- make investments, including capital expenditures;
- sell or acquire assets outside the ordinary course of business;
- engage in transactions with affiliates; and
- make fundamental business changes.

Under our U.S. revolving credit facility, we are required to maintain a fixed charge coverage ratio of 1.1 to 1.0 in the event our excess availability falls below the greater of \$30 million or the amount equal to 15% of the lesser of the borrowing base or \$400 million (the "Excess Availability Threshold"). If we fail to maintain this minimum excess availability, the U.S. revolving credit facility requires us to (i) maintain certain financial ratios, which we would not meet with current operating results triggering the lender's right to make the debt callable, and (ii) limit our capital expenditures. If we fail to comply with the restrictions in the U.S. revolving credit facility, the Canadian revolving credit facility, the mortgage loan documents or any other current or future financing agreements, a default may allow the creditors under the relevant instruments to accelerate the related debt and to exercise their remedies under these agreements, which will typically include the right to declare the principal amount of that debt, together with accrued and unpaid interest and other related amounts, immediately due and payable, to exercise any remedies the creditors may have to foreclose on assets that are subject to liens securing that debt and to terminate any commitments they had made to supply further funds.

We are dependent upon several large suppliers for a significant percentage of our products.

Although we have made progress in diversifying our supplier base, we are still dependent on several large suppliers for a significant percentage of our products. Purchases in fiscal 2012 from the five largest suppliers were approximately 25% in the aggregate, none of these suppliers individually constitute more than 10% of our product purchases.

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The market for our private label products may not develop as anticipated and we may have problems in the supply chain for these products.

We have been increasing the number of private label products that we offer to our customers. Private label products are those that are manufactured for us by third parties, but are then branded by us. The market for these products may be slow to develop or may not develop at all if customers prefer to purchase the more commonly recognized “name brand” versions of the same products. These products are manufactured on our behalf by third party suppliers, and we do not directly control the manufacturing process. As a result, while such products must generally meet certain quality standards set by us, it is possible that our results may be negatively impacted if there are defects in the manufacturing process that are not identified prior to our branding of the products and the sale to our customers. Further, problems in the supply chain for these products may adversely impact our ability to maintain sufficient inventory levels for the privately branded products.

Although in many instances we have agreements with our suppliers, these agreements are generally terminable by either party on limited notice. Failure by our suppliers to continue to supply us with products on commercially reasonable terms, or at all, could put pressure on our gross margins or have a material adverse effect on our financial condition, operating results, and cash flows.

We source many products internationally and are exposed to risks associated with doing business globally.

We import a variety of products from countries located in Asia, South America and the Middle East. The business, regulatory and political environments in these countries differ from those in the U.S. Our global sourcing strategy is subject to risks and uncertainties, including changes in foreign country regulatory requirements; differing business practices associated with foreign operations; imposition of foreign tariffs and other trade barriers; political, legal and economic instability; foreign currency exchange rate fluctuations; foreign country tax rules, regulations and other requirements, such as changes in tax rates and statutory and judicial interpretations in tax laws; inflation; differing labor laws and changes in those laws; government price controls; and work stoppages and disruptions in the shipping of imported and exported products.

Our transportation operations are subject to significant governmental regulation.

Our transportation operations are subject to the regulatory jurisdiction of the U.S. Department of Transportation (“DOT”). The DOT has broad administrative powers with respect to our transportation operations. If we fail to adequately comply with DOT regulations or regulations become more stringent, we could experience increased inspections, regulatory authorities could take remedial action including imposing fines or shutting down our operations or we could be subject to increased audit and compliance costs. If any of these events were to occur, our results of operations, business, cash flow, and financial condition would be adversely affected.

Product shortages, loss of key suppliers, and our dependence on third-party suppliers and manufacturers could affect our financial health.

Our ability to offer a wide variety of products to our customers is dependent upon our ability to obtain adequate product supply from manufacturers and other suppliers. Generally, our products are obtainable from various sources and in sufficient quantities. However, the loss of, or a substantial decrease in the availability of, products from our suppliers or the loss of key supplier arrangements could adversely impact our financial condition, operating results, and cash flows.

Although in many instances we have agreements with our suppliers, these agreements are generally terminable by either party on limited notice. Failure by our suppliers to continue to supply us with products on commercially

reasonable terms, or at all, could put pressure on our gross margins or have a material adverse effect on our financial condition, operating results, and cash flows.

Our industry is highly fragmented and competitive. If we are unable to compete effectively, our net sales and operating results will be reduced.

The building products distribution industry is highly fragmented and competitive, and the barriers to entry for local competitors are relatively low. Competitive factors in our industry include pricing and availability of product, service and delivery capabilities, ability to assist with problem-solving, customer relationships, geographic coverage and breadth of product offerings. Also, financial stability is important to suppliers and customers in choosing distributors for their products and affects the favorability of the terms on which we are able to obtain our products from our suppliers and sell our products to our customers.

Some of our competitors are part of larger companies and therefore have access to greater financial and other resources than those to which we have access. In addition, certain product manufacturers sell and distribute their products directly to customers. Additional manufacturers of products distributed by us may elect to sell and distribute directly to end-users in the future or enter into exclusive supply arrangements with other distributors. Finally, we may not be able to maintain our costs at a level sufficiently low for us to compete effectively. If we are unable to compete effectively, our net sales and net income will be reduced.

Integrating acquisitions may be time-consuming and create costs that could reduce our operating results and cash flows.

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We may elect to selectively pursue acquisitions. Any integration process may be complex and time consuming, may be disruptive to the business and may cause an interruption of, or a distraction of management's attention from, the business as a result of a number of obstacles, including but not limited to:

- the loss of key customers of the acquired company;
- the incurrence of unexpected expenses and working capital requirements;
- a failure of our due diligence process to identify significant issues or contingencies;
- difficulties assimilating the operations and personnel of the acquired company;
- difficulties effectively integrating the acquired technologies with our current technologies;
- our inability to retain key personnel of acquired entities;
- failure to maintain the quality of customer service;
- our inability to achieve the financial and strategic goals for the acquired and combined businesses; and
- difficulty in maintaining internal controls, procedures and policies.

Any of the foregoing obstacles, or a combination of them, could increase selling, general and administrative expenses in absolute terms and/or as a percentage of net sales, which could in turn negatively impact our operating results and cash flows.

We may not be able to consummate acquisitions in the future on terms acceptable to us, or at all. In addition, future acquisitions are accompanied by the risk that the obligations and liabilities of an acquired company may not be adequately reflected in the historical financial statements of that company and the risk that those historical financial statements may be based on assumptions which are incorrect or inconsistent with our assumptions or approach to accounting policies. Any of these material obligations, liabilities or incorrect or inconsistent assumptions could adversely impact our results of operations.

A significant percentage of our employees are unionized. Wage increases or work stoppages by our unionized employees may reduce our results of operations.

As of December 29, 2012, approximately 30% of our employees were represented by various labor unions. As of December 29, 2012, we had 42 collective bargaining agreements, of which 10, covering approximately 132 total employees, are up for renewal in fiscal 2013. Although we have generally had good relations with our unionized employees and expect to renew collective bargaining agreements as they expire, no assurances can be provided that we will be able to reach a timely agreement as to the renewal of the agreements, and their expiration or continued work under an expired agreement, as applicable, could result in a work stoppage. In addition, we may become subject to material cost increases, or additional work rules imposed by agreements with labor unions. The foregoing could increase our selling, general and administrative expenses in absolute terms and/or as a percentage of net sales. In addition, work stoppages or other labor disturbances may occur in the future, which could adversely impact our net sales and/or selling, general and administrative expenses. All of these factors could negatively impact our operating results and cash flows.

Increases in the cost of employee benefits, such as pension and other postretirement benefits, could impact our financial results and cash flow.

Unfavorable changes in the cost of our pension retirement benefits and current employees' medical benefits could materially impact our financial results and cash flow. We sponsor several defined benefit pension plans covering substantially all of our hourly employees. Our estimates of the amount and timing of our future funding obligations for our defined benefit pension plans are based upon various assumptions. These assumptions include, but are not limited to, the discount rate, projected return on plan assets, compensation increase rates, mortality rates, retirement patterns, and turnover rates. In addition, the amount and timing of our pension funding obligations can be influenced by funding requirements that are established by the Employee Retirement Income and Security Act of 1974 (ERISA), the Pension Protection Act, Congressional Acts, or other governing bodies. During fiscal 2010 and 2011, we met our required contribution to our defined benefit pension plans. As of December 29, 2012, the net unfunded status of our benefit plan was \$46.6 million. The Company's required cash contribution to the pension plan in 2012 was approximately \$3.3 million. The 2012 required contribution was comprised of approximately \$1.2 million related to our 2011 minimum required contribution and approximately \$2.1 million related to our 2012 minimum required contribution. The Company's minimum required contribution for plan year 2012 was \$3.2 million. The Company has funded the \$1.2 million related to its 2011 minimum required contribution with cash in 2012. However, in an effort to preserve additional cash for operations, we applied for a waiver from the Internal Revenue Service ("IRS") for our 2012 minimum required contribution. The waiver is still being reviewed by the IRS. No assurances can be provided, however, that any such waiver request will be granted. We have not made the \$2.1 million of required 2012 contributions related to the 2012 minimum required contribution. If we are granted the requested waiver, our contributions for 2012 will be amortized over the following five years, increasing our future minimum required contributions. We are currently required to make three quarterly cash contributions during fiscal 2013 of \$0.8 million per quarter related to our 2013 minimum required contribution. We are pursuing contributing personal property to the pension plan during fiscal 2013. We will designate the contribution such that it will offset our future minimum required contribution.

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We participate in various multi-employer pension plans in the United States. The majority of these plans are underfunded. If, in the future, we choose to withdraw from these plans, we likely would need to record a withdrawal liability, which may be material to our financial results.

The payment of dividends has been suspended, and resumption is dependent on business conditions, among other factors. Further, the instruments governing our indebtedness contain various covenants that may limit our ability to pay dividends.

We suspended the payment of dividends on our common stock for an indefinite period of time on December 5, 2007. Resumption of the payment of dividends will depend on, among other things, business conditions in the housing industry, our results of operations, cash requirements, financial condition, contractual restrictions, provisions of applicable law and other factors that our board of directors may deem relevant. Accordingly, we may not be able to resume the payment of dividends at the same quarterly rate in the future, if at all.

Federal and state transportation regulations could impose substantial costs on us which would reduce our net income.

We use our own fleet of over 500 tractors and over 900 trailers to service customers throughout the United States. The U.S. Department of Transportation, or DOT, regulates our operations in domestic interstate commerce. We are subject to safety requirements governing interstate operations prescribed by the DOT. Vehicle dimensions and driver hours of service also remain subject to both federal and state regulation. More restrictive limitations on vehicle weight and size, trailer length and configuration, or driver hours of service would increase our costs, which, if we are unable to pass these cost increases on to our customers, will increase our selling, general and administrative expenses and reduce our operating results.

Environmental laws impose risks and costs on us.

Our operations are subject to federal, state, provincial and local laws, rules and regulations governing the protection of the environment, including, but not limited to, those regulating discharges into the air and water, the use, handling and disposal of hazardous or toxic substances, the management of wastes, the cleanup of contamination and the control of noise and odors. We have made, and will continue to make, expenditures to comply with these requirements. While we believe, based upon current information, that we are in substantial compliance with all applicable environmental laws, rules and regulations, we could be subject to potentially significant fines or penalties for any failure to comply. Moreover, under certain environmental laws, a current or previous owner or operator of real property, and parties that generate or transport hazardous substances that are disposed of at that real property, may be held liable for the cost to investigate or clean up such real property and for related damages to natural resources. We may be subject to liability, including liability for investigation and cleanup costs, if contamination is discovered at one of our current or former warehouse facilities, or at a landfill or other location where we have disposed of, or arranged for the disposal of, wastes. Georgia-Pacific has agreed to indemnify us against any claim arising from environmental conditions that existed prior to May 7, 2004 in connection with the properties we acquired when we purchased the assets of the Division. We also carry environmental insurance. However, any remediation costs either not related to conditions existing prior to May 7, 2004 or on properties acquired after May 7, 2004 may not be covered by indemnification. In addition, certain remediation costs may not be covered by insurance. We could also be subject to claims brought pursuant to applicable laws, rules or regulations for property damage or personal injury resulting from the environmental impact of our operations. Increasingly stringent environmental requirements, more aggressive enforcement actions, the discovery of unknown conditions or the bringing of future claims may cause our expenditures for environmental matters to increase, and we may incur material costs associated with these matters.





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Failure to comply with governmental laws and regulations could harm our business.

Our business is subject to regulation by various federal, state, local and foreign governmental agencies, including agencies responsible for monitoring and enforcing employment and labor laws, workplace safety, product safety, environmental laws, consumer protection laws, anti-bribery laws, import/export controls, federal securities laws and tax laws and regulations. Noncompliance with applicable regulations or requirements could subject us to investigations, sanctions, mandatory product recalls, enforcement actions, disgorgement of profits, fines, damages, civil and criminal penalties or injunctions. If any governmental sanctions are imposed, or if we do not prevail in any possible civil or criminal litigation, our business, operating results and financial condition could be materially adversely affected. In addition, responding to any action will likely result in a significant diversion of management's attention and resources and an increase in professional fees. Enforcement actions and sanctions could harm our business, operating results and financial condition.

Affiliates of Cerberus control us and may have conflicts of interest with other stockholders in the future.

Cerberus beneficially owned approximately 52% of our common stock as of December 29, 2012. As a result, Cerberus is able to control the election of our directors, determine our corporate and management policies and determine, without the consent of our other stockholders, the outcome of any corporate transaction or other matter submitted to our stockholders for approval, including potential mergers or acquisitions, asset sales and other significant corporate transactions. This concentrated ownership position limits other stockholders' ability to influence corporate matters and, as a result, we may take actions that some of our stockholders do not view as beneficial.

Cerberus is controlled by Cerberus Capital Management. Three of our seven directors are employees of or current advisors to Cerberus Capital Management. Cerberus also has sufficient voting power to amend our organizational documents. The interests of Cerberus may not coincide with the interests of other holders of our common stock. Additionally, Cerberus is in the business of making investments in companies and may, from time to time, acquire and hold interests in businesses that compete directly or indirectly with us. Cerberus may also pursue, for its own account, acquisition opportunities that may be complementary to our business, and as a result, those acquisition opportunities may not be available to us. So long as Cerberus continues to own a significant amount of the outstanding shares of our common stock, it will continue to be able to strongly influence or effectively control our decisions, including potential mergers or acquisitions, asset sales and other significant corporate transactions. In addition, because we are a controlled company within the meaning of the New York Stock Exchange rules, we are exempt from the NYSE requirements that our board be composed of a majority of independent directors, that our compensation committee be composed entirely of independent directors, and that we maintain a nominating/corporate governance committee composed entirely of independent directors.

Even if Cerberus no longer controls us in the future, certain provisions of our charter documents and agreements and Delaware law could discourage, delay or prevent a merger or acquisition at a premium price.

Our Second Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws contain provisions that:

permit us to issue, without any further vote or action by the stockholders, up to 30 million shares of preferred stock in one or more series and, with respect to each series, to fix the number of shares constituting the series and the designation of the series, the voting powers (if any) of the shares of such series, and the preferences and other special rights, if any, and any qualifications, limitations or restrictions, of the shares of the series; and

limit the stockholders' ability to call special meetings.

These provisions may discourage, delay or prevent a merger or acquisition at a premium price.

In addition, we are subject to Section 203 of the General Corporation Law of the State of Delaware, or the DGCL, which also imposes certain restrictions on mergers and other business combinations between us and any holder of 15% or more of our common stock. Further, certain of our incentive plans provide for vesting of stock options and/or payments to be made to our employees in connection with a change of control, which could discourage, delay or prevent a merger or acquisition at a premium price.

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We are subject to cybersecurity risks and may incur increasing costs in an effort to minimize those risks.

Our business employs systems and a website that allow for the secure storage and transmission of customers' proprietary information. Security breaches could expose us to a risk of loss or misuse of this information, litigation and potential liability. We may not have the resources or technical sophistication to anticipate or prevent rapidly evolving types of cyber attacks. Any compromise of our security could result in a violation of applicable privacy and other laws, significant legal and financial exposure, damage to our reputation, and a loss of confidence in our security measures, which could harm our business. As cyber attacks become more sophisticated generally, we may be required to incur significant costs to strengthen our systems from outside intrusions and/or obtain insurance coverage related to the threat of such attacks.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

We own 52 warehouse facilities and lease 3 additional warehouse facilities. The total square footage under roof at our owned and leased warehouses is approximately 10 million square feet. Our Denver sales center and 51 of our owned warehouse facilities secure our mortgage loan.

Our corporate headquarters located at 4300 Wildwood Parkway, Atlanta, Georgia 30339 is approximately 150,000 square feet. During the fourth quarter of fiscal 2007, as part of a restructuring effort, we vacated approximately 100,000 square feet of our corporate headquarters space in the building located at 4100 Wildwood Parkway, Atlanta, Georgia 30339 (the "unoccupied 4100 building"). During the third quarter of fiscal 2011, we entered into an amendment to our corporate headquarters lease in Atlanta, Georgia related to the unoccupied 4100 building. This amendment released us from our obligations with respect to this unoccupied space as of January 31, 2012, in exchange for a \$5.0 million space remittance fee, which was paid in the first quarter of 2012. We also paid \$0.9 million in the third quarter of fiscal 2012 and are obligated to pay an additional \$0.3 million on or before December 31, 2013 related to contractually obligated tenant improvement reimbursement expense. The provisions relating to the occupied 4300 building remain unchanged. Under the existing provisions, the current term of the lease ends on January 31, 2019. The amendment resulted in a reduction of our restructuring reserve of approximately \$2.0 million, with the credit recorded in "Selling, general, and administrative" expenses in the Consolidated Statements of Operations included in "Item 8. Financial Statements and Supplementary Data" during fiscal 2011.

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The following table summarizes our real estate facilities including their inside square footage:

Facility Type	Number	Owned Facilities (sq. ft.)	Leased Facilities (sq. ft.)
Office Space(1)	3	68,721	151,885
Warehouses	55	9,533,243	268,403
TOTAL	58	9,601,964	420,288

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(1) Includes corporate headquarters in Atlanta, the Denver Sales Center and a call center in Vancouver.

We also store materials, such as lumber and rebar, outdoors at all of our warehouse locations, which increases their distribution and storage capacity. We believe that substantially all of our property and equipment is in good condition, subject to normal wear and tear. We believe that our facilities have sufficient capacity to meet current and projected distribution needs.

### ITEM 3. LEGAL PROCEEDINGS.

We are, and from time to time may be, a party to routine legal proceedings incidental to the operation of our business. The outcome of any pending or threatened proceedings is not expected to have a material adverse effect on our financial condition, operating results or cash flows, based on our current understanding of the relevant facts. We establish reserves for pending or threatened proceedings when the costs associated with such proceedings become probable and can be reasonably estimated.

### ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

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## PART II

## ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our equity securities consist of one class of common stock, that is traded on the New York Stock Exchange under the symbol "BXC". The following table sets forth, for the periods indicated, the range of the high and low sales prices for the common stock as quoted on the New York Stock Exchange:

	High	Low
Fiscal Year Ended December 29, 2012		
First Quarter	\$2.87	\$1.45
Second Quarter	\$2.89	\$1.96
Third Quarter	\$2.72	\$1.97
Fourth Quarter	\$2.85	\$1.83
Fiscal Year Ended December 31, 2011		
First Quarter	\$3.90	\$3.41
Second Quarter	\$4.35	\$2.23
Third Quarter	\$2.40	\$1.39
Fourth Quarter	\$1.90	\$1.25

As of February 18, 2013, there were 44 registered stockholders, and, as of that date we estimate there were approximately 2,200 beneficial owners holding our common stock in nominee or "street" name.

In December 2007, we suspended the payment of dividends on our common stock for an indefinite period of time. Resumption of the payment of dividends will depend on, among other things, business conditions in the housing industry, our results of operations, cash requirements, financial condition, contractual restrictions, provisions of applicable law and other factors that our board of directors may deem relevant. See "Item 8. Financial Statements and Supplementary Data, Note 10. Revolving Credit Facilities" for additional information regarding limitations on the ability of BlueLinx Corporation to transfer funds to its parent, BlueLinx Holdings Inc., which could impact our ability to pay dividends to our stockholders. Accordingly, we may not be able to resume the payment of dividends at the same quarterly rate in the future, if at all.

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## Performance Graph

The chart below compares the quarterly percentage change in the cumulative total stockholder return on our common stock with the cumulative total return on the Russell 2000 Index and a peer group index for the period commencing December 27, 2007 and ending December 29, 2012, assuming an investment of \$100 and the reinvestment of any dividends.

Our peer group index was selected by us and is comprised of reporting companies with lines of business and product offerings that are comparable to ours and which we believe most accurately represent our business. Our peer group consists of the following companies: Beacon Roofing Supply Inc., Builders Firstsource, Building Materials HLDG CP (through January 4, 2010), Huttig Building Products Inc., Interline Brands Inc., Universal Forest Products Inc. and Watsco Inc.

## Comparison of Cumulative Total Return

Company Name/Index	Cumulative Total Return					
	Years Ending					
	Base					
	Period					
	12/29/07	01/03/09	01/02/10	01/01/11	12/31/11	12/29/12
BlueLinx Holdings Inc.	\$ 100	\$ 63.87	\$ 70.48	\$ 93.13	\$ 48.11	\$ 90.12
Russell 2000 Index	\$ 100	\$ 67.06	\$ 84.20	\$ 106.82	\$ 102.36	\$ 116.67
Peer Group	\$ 100	\$ 85.10	\$ 114.88	\$ 139.03	\$ 135.38	\$ 190.70

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## ITEM 6. SELECTED FINANCIAL DATA.

The following table sets forth certain historical financial data of our Company. The selected financial data for the fiscal years ended December 29, 2012, December 31, 2011, January 1, 2011, January 2, 2010 and January 3, 2009 have been derived from our audited financial statements included elsewhere in this Annual Report on Form 10-K or from prior financial statements. The following information should be read in conjunction with our financial statements and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

	Year Ended				
	December 29, 2012	Year Ended December 31, 2011	Year Ended January 1, 2011	Year Ended January 2, 2010	Year Ended January 3, 2009
	(In thousands, except per share data)				
Statements of Operations Data:					
Net sales	\$1,907,842	\$ 1,755,431	\$1,804,418	\$1,646,108	\$2,779,699
Cost of sales	1,677,772	1,545,282	1,593,745	1,452,947	2,464,766
Gross profit	230,070	210,149	210,673	193,161	314,933
Operating expenses:					
Selling, general and administrative	215,996	207,857	221,185	210,214	303,403
Net gain from terminating the Georgia-Pacific supply agreement	—	—	—	(17,772 )	—
Depreciation and amortization	8,565	10,562	13,365	16,984	20,519
Total operating expenses	224,561	218,419	234,550	209,426	323,922
Operating income (loss)	5,509	(8,270 )	(23,877 )	(16,265 )	(8,989 )
Non-operating expenses (income):					
Interest expense	28,157	30,510	33,788	32,456	38,547
Changes associated with the ineffective interest rate swap	—	(1,676 )	(4,603 )	6,252	—
Write-off of debt issue costs	—	—	183	1,407	—
Other (income) expense, net	(7 )	501	587	519	601
Loss before provision for (benefit from) income taxes	(22,641 )	(37,605 )	(53,832 )	(56,899 )	(48,137 )
Provision for (benefit from) income taxes	386	962	(589 )	4,564	(16,434 )
Net loss	\$(23,027 )	\$(38,567 )	\$(53,243 )	\$(61,463 )	\$(31,703 )
Basic weighted average number of common shares outstanding	60,080	43,187	30,688	31,017	31,083
Basic net loss per share applicable to common stock	\$(0.38 )	\$(0.89 )	\$(1.73 )	\$(1.98 )	\$(1.02 )
Diluted weighted average number of common shares outstanding	60,080	43,187	30,688	31,017	31,083
Diluted net loss per share applicable to common stock	\$(0.38 )	\$(0.89 )	\$(1.73 )	\$(1.98 )	\$(1.02 )
Dividends declared per share of common stock	\$—	\$ —	\$—	\$—	\$—
	Year Ended				
	December 29, 2012	Year Ended December 31, 2011	Year Ended January 1, 2011	Year Ended January 2, 2010	Year Ended January 3, 2009



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(In thousands, except per share data)

Other Financial Data:

Capital expenditures	\$2,826	\$ 6,533	\$4,140	\$1,815	\$4,919
EBITDA(1)	14,081	1,791	(11,099 )	200	10,929
Net cash (used in) provided by operating activities	(74,250 )	(50,332 )	(29,861 )	(19,853 )	190,390
Net cash provided by (used in) investing activities	16,369	11,822	(3,429 )	12,636	985
Net cash provided by (used in) financing activities	58,171	29,111	18,130	\$(113,679 )	\$(56,781 )
Balance Sheet Data (at end of period):					
Cash and cash equivalents	\$5,188	\$ 4,898	\$14,297	\$29,457	\$150,353
Working capital	272,403	233,414	236,168	247,722	320,527
Total assets	544,736	503,915	525,019	546,846	729,178
Total debt(2)	383,783	341,017	384,256	341,669	444,870
Stockholders' (deficit) equity	(20,592 )	8,374	991	\$50,820	\$102,852

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- (1) EBITDA is an amount equal to net (loss) income plus interest expense and all interest expense related items (e.g. changes associated with ineffective interest rate swap, write-off of debt issue costs, charges associated with mortgage refinancing), income taxes, and depreciation and amortization. EBITDA is presented herein because we believe it is a useful supplement to cash flow from operations in understanding cash flows generated from operations that are available for debt service (interest and principal payments) and further investment in acquisitions. However, EBITDA is not a presentation made in accordance with U.S. generally accepted accounting principles, (“GAAP”), and is not intended to present a superior measure of the financial condition from those determined under GAAP. EBITDA, as used herein, is not necessarily comparable to other similarly titled captions of other companies due to differences in methods of calculations.
- (2) Total debt represents long-term debt related to our mortgage and revolving credit facilities, including current maturities and capital lease obligations.

A reconciliation of net cash (used in) provided by operating activities, the most directly comparable GAAP measure, to EBITDA for each of the respective periods indicated is as follows (in thousands):

	Year Ended December 29, 2012	Year Ended December 31, 2011	Year Ended January 1, 2011	Year Ended January 2, 2010	Year Ended January 3, 2009
Net cash (used in) provided by operating activities	\$ (74,250 )	\$ (50,332 )	\$ (29,861 )	\$ (19,853 )	\$ 190,390
Amortization of debt issue costs	(3,746 )	(2,940 )	(1,963 )	(2,459 )	(2,479 )
Net gain from terminating the Georgia-Pacific supply agreement	—	—	—	17,772	—
Payments from terminating the Georgia-Pacific supply agreement	—	—	(4,706 )	(14,118 )	—
Vacant property charges, net	30	291	(53 )	(1,222 )	(4,441 )
Payments on modification of lease agreement	5,875	—	—	—	—
Deferred income tax benefit (provision)	20	25	600	(24,220 )	2,935
Prepayment fees associated with sale of property	—	—	—	(616 )	(1,868 )
Gain on sale of properties	9,885	10,604	—	10,397	1,936
Gain from insurance settlement	476	1,230	—	—	—
Gain from modification of lease agreement	—	1,971	—	—	—
Share-based compensation	(2,797 )	(1,974 )	(3,978 )	(2,922 )	(2,614 )
Excess tax benefits from share-based arrangements	—	—	—	—	81
Changes in assets and liabilities	50,045	11,444	(4,337 )	421	(195,124 )
Interest expense	28,157	30,510	33,788	32,456	38,547
Provision for (benefit from) income taxes	386	962	(589 )	4,564	(16,434 )
EBITDA	\$ 14,081	\$ 1,791	\$ (11,099 )	\$ 200	\$ 10,929

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion should be read in conjunction with our consolidated financial statements and related notes and other financial information appearing elsewhere in this Form 10-K. In addition to historical information, the following discussion and other parts of this Form 10-K contain forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated by this forward-looking information due to the factors discussed under “Risk Factors,” “Cautionary Statement Concerning Forward-Looking Statements” and elsewhere in this Form 10-K.

## Overview

### Company Background

BlueLinx is a leading distributor of building products in the United States. As of December 29, 2012, we distributed approximately 10,000 products from over 750 suppliers to service approximately 11,500 customers nationwide, including dealers, industrial manufacturers, manufactured housing producers and home improvement retailers. We operate our distribution business from sales centers in Atlanta and Denver, and our network of approximately 55 distribution centers. We distribute products in two principal categories: structural products and specialty products. Structural products include plywood, OSB, rebar and remesh, lumber and other wood products primarily used for structural support, walls and flooring in construction projects. Structural products represented approximately 42% and 39% of our fiscal 2012 and fiscal 2011 gross sales, respectively. Specialty products include roofing, insulation, moulding, engineered wood, vinyl products (used primarily in siding), outdoor living and metal products (excluding rebar and remesh). Specialty products accounted for approximately 58% and 61% of our fiscal 2012 and fiscal 2011 gross sales, respectively.

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### Industry Conditions

We operate in a changing environment in which new risks can emerge from time to time. A number of factors cause our results of operations to fluctuate from period to period. Many of these factors are seasonal or cyclical in nature. Conditions in the United States (“U.S.”) housing market continue to be at historically low levels. Our operating results have declined during the past several years as they are closely tied to U.S. housing starts. Additionally, the mortgage markets have experienced substantial disruption due to an unprecedented number of defaults in the “subprime” market. This disruption and the related defaults have increased the inventory of homes for sale and also have caused lenders to tighten mortgage qualification criteria, which further reduces demand for new homes. While there has been some recent improvement, we expect the lower than historical average level of new housing activity will continue to negatively impact our operating results. We continue to prudently manage our inventories, receivables and spending in this environment. However, along with many forecasters, we believe that we are in the beginning of a housing recovery and that U.S. housing demand will continue to improve in the long term based on population demographics and a variety of other factors.

As the housing market and general economic conditions continue to improve, the Company believes that additional capital would allow the Company to participate more fully in these improving conditions, and therefore the Company currently is seeking additional capital. The Company’s sales depend heavily on the strength of national and local new residential construction and home improvement and remodeling markets, which are showing signs of significant improvement. Moreover, the government’s legislative and administrative measures aimed at restoring liquidity to the credit markets and providing relief to homeowners facing foreclosure are beginning to show positive results. The overall housing market and economy are also improving, which is expected to lead to a considerable increase in residential construction and, to a lesser extent, in home improvement activity. If the Company and its industry continue to recover from the historic housing market downturn, the Company expects its sales to improve and therefore its need for inventory and its accounts receivable to increase. This increase in working capital is expected to use some of the Company’s current excess availability under its revolving credit facilities.

### Stock Rights Offerings

On January 10, 2013, we filed a registration statement on Form S-1 with the SEC for a planned rights offering of our common stock to our stockholders, which seeks to raise gross proceeds of \$40 million. In addition to being able to purchase their pro rata portion of the shares offered based on their ownership as of the record date for the rights offering, stockholders may oversubscribe for additional shares of common stock. The estimated net proceeds from the rights offering of approximately \$39 million will be used to pay down the U.S. revolving credit facility. Cerberus ABP Investor LLC (“Cerberus”), the Company’s majority stockholder, has indicated that it intends, subject to the exercise price of the rights being set at an acceptable amount, to exercise all of the rights issued to it and to subscribe for the maximum additional shares pursuant to the over-subscription privilege that it would be entitled to purchase. However, such indication is not binding, and Cerberus is not legally obligated to do so. The Company anticipates that the record date and the subscription price will be determined at or about the time that the SEC declares the Company’s registration statement effective.

On July 22, 2011, we concluded an offering of our common stock to our stockholders (the “2011 rights offering”), pursuant to which we distributed to our common stockholders transferable rights to subscribe for and purchase up to \$60 million of our common stock. The 2011 rights offering was fully subscribed and resulted in gross proceeds of approximately \$60 million. The net proceeds from the 2011 rights offering were approximately \$58 million, and \$56 million of the net proceeds were used to pay down the U.S. revolving credit facility. We accounted for the rights issued as a component of additional paid in capital as they were indexed to the Company’s equity and there were no net cash settlement provisions.

Private Label Products

On February 12, 2012, our three-year purchase agreement with G-P for engineered lumber expired in accordance with its terms. In February of 2012, we launched our own privately branded engineered product line for all geographic markets other than New England. In addition, on February 13, 2012 we entered into a distribution agreement with Weyerhaeuser Company for the sale of certain engineered wood products in the New England region. We have subsequently increased the number of private label products that we offer to customers and currently offer several products under our private labels.

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## Restructuring Charges

During fiscal 2007, we announced a plan to adjust our cost structure in order to manage our costs more effectively. The plan included the consolidation of our corporate headquarters and sales center to one building from two buildings which resulted in certain charges recorded in “Selling, general, and administrative” expenses in the Consolidated Statements of Operations during the fourth quarter of fiscal 2007.

During the third quarter of fiscal 2011, we entered into an amendment to our corporate headquarters lease in Atlanta, Georgia related to the unoccupied 4100 building. This amendment released us from our obligations with respect to this unoccupied space as of January 31, 2012, in exchange for a \$5.0 million space remittance fee, which was paid in the first quarter of 2012. We also paid \$0.9 million in the third quarter of fiscal 2012 and are obligated to pay an additional \$0.3 million on or before December 31, 2013 related to contractually obligated tenant improvement reimbursement expense. The provisions relating to the occupied 4300 building remain unchanged. Under the existing provisions, the current term of the lease ends on January 31, 2019. The amendment resulted in a reduction of our restructuring reserve of approximately \$2.0 million, with the credit recorded in “Selling, general, and administrative” expenses in the Consolidated Statements of Operations during fiscal 2011.

## Selected Factors that Affect our Operating Results

Our operating results are affected by housing starts, mobile home production, industrial production, repair and remodeling spending and non-residential construction. We believe a substantial percentage of our sales are directly related to new home construction.

Our operating results also are impacted by changes in product prices. Structural products prices can vary significantly based on short-term and long-term changes in supply and demand. The prices of specialty products also can vary from time to time, although they generally are significantly less variable than structural products.

The following table sets forth changes in net sales by product category, sales variances due to changes in unit volume and dollar and percentage changes in unit volume and price, in each case for fiscal 2012, fiscal 2011 and fiscal 2010:

## Sales Revenue Variances by Product

	Fiscal 2012	Fiscal 2011	Fiscal 2010		
	(Dollars in millions)				
Sales by Category					
Structural Products	\$806	\$705	\$835		
Specialty Products	1,114	1,068	985		
Other(1)	(12)	(18)	(16)	)	)
Total Sales	\$1,908	\$1,755	\$1,804		
Sales Variances					
Unit Volume \$ Change	\$42	\$(52)	\$36	)	
Price/Other(1)	111	3	122		
Total \$ Change	\$153	\$(49)	\$158	)	
Unit Volume % Change	2.3	% (2.8)	% 2.2	)%	%
Price/Other(1) % Change	6.4	% 0.1	% 7.4	%	%
Total % Change	8.7	% (2.7)	% 9.6	)%	%

(1) “Other” includes unallocated allowances and discounts.



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The following table sets forth changes in gross margin dollars and percentages by product category, and percentage changes in unit volume growth by product, in each case for fiscal 2012, fiscal 2011 and fiscal 2010:

	Fiscal 2012	Fiscal 2011	Fiscal 2010
	(Dollars in millions)		
Gross Margin \$ by Category			
Structural Products	\$77	\$65	\$74
Specialty Products	146	137	129
Other(1)	7	8	8
Total Gross Margin	\$230	\$210	\$211
Gross Margin % by Category			
Structural Products	9.6	% 9.2	% 8.9
Specialty Products	13.1	% 12.8	% 13.1
Total Gross Margin %	12.1	% 12.0	% 11.7
Unit Volume % Change by Product			
Structural Products	1.4	% (15.1)	)% (2.5)
Specialty Products	2.9	% 7.4	% 5.7
Total Unit Volume % Change	2.3	% (2.8)	)% 2.2

(1) "Other" includes unallocated allowances and discounts.

The following table sets forth changes in net sales and gross margin by channel and percentage changes in gross margin by channel, in each case for fiscal 2012, fiscal 2011 and fiscal 2010:

	Fiscal 2012	Fiscal 2011	Fiscal 2010
	(Dollars in millions)		
Sales by Channel			
Warehouse/Reload	\$1,534	\$1,397	\$1,409
Direct	386	376	411
Other(1)	(12 )	(18 )	(16 )
Total	\$1,908	\$1,755	\$1,804
Gross Margin by Channel			
Warehouse/Reload	\$199	\$179	\$182
Direct	24	23	21
Other(1)	7	8	8
Total	\$230	\$210	\$211
Gross Margin % by Channel			
Warehouse/Reload	13.0 %	12.8 %	12.9 %
Direct	6.2 %	6.1 %	5.1 %
Total	12.1 %	12.0 %	11.7 %

(1) "Other" includes unallocated allowances and discounts.

Fiscal Year



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Our fiscal year is a 52- or 53-week period ending on the Saturday closest to the end of the calendar year. Fiscal year 2012, 2011, and 2010 contained 52 weeks.

Results of Operations

Fiscal 2012 Compared to Fiscal 2011

The following table sets forth our results of operations for fiscal 2012 and fiscal 2011.

	% of Net Sales		% of Net Sales	
	Fiscal 2012	Fiscal 2011	Fiscal 2012	Fiscal 2011
	(Dollars in thousands)			
Net sales	\$1,907,842	100.0 %	\$1,755,431	100.0 %
Gross profit	230,070	12.1 %	210,149	12.0 %
Selling, general and administrative	215,996	11.3 %	207,857	11.8 %
Depreciation and amortization	8,565	0.4 %	10,562	0.6 %
Operating income (loss)	5,509	0.3 %	(8,270 )	(0.5 )%
Interest expense, net	28,157	1.5 %	30,510	1.7 %
Changes associated with the ineffective interest rate swap	—	0.0 %	(1,676 )	(0.1 )%
Other income (expense), net	(7 )	0.0 %	501	0.0 %
Loss before provision for income taxes	(22,641 )	(1.2 )%	(37,605 )	(2.1 )%
Provision for income taxes	386	0.0 %	962	0.1 %
Net loss	\$(23,027 )	(1.2 )%	\$(38,567 )	(2.2 )%

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**Net sales.** For the fiscal year ended December 29, 2012, net sales increased by 8.7%, or \$152.4 million, to \$1.9 billion. Sales during the fiscal year were positively impacted by a 28% increase in single family housing starts. Single family home construction has a significant impact on our sales. Structural sales increased by \$101.2 million, or 14.3% from a year ago, as a result of a 12.9% increase in structural product prices and a 1.4% increase in unit volume. In addition, specialty sales increased \$45.8 million, or 4.3% from a year ago, as a result of a 1.4% increase in specialty product prices and a 2.9% increase in unit volume.

**Gross profit.** Gross profit for fiscal 2012 was \$230.1 million, or 12.1% of sales, compared to \$210.1 million, or 12.0% of sales, in fiscal 2011. The increase in gross profit dollars compared to fiscal 2011 was driven primarily by the factors noted above, coupled with an improvement in gross margin percentage due to the Company's efforts to improve gross margin.

**Selling, general and administrative.** Selling, general and administrative expenses for fiscal 2012 were \$216.0 million, or 11.3% of net sales, compared to \$207.9 million, or 11.8% of net sales, during fiscal 2011. The increase in selling, general, and administrative expenses is primarily due to a reduction in other gains recorded in selling, general and administrative expenses in 2012 when compared to 2011 coupled with increases in certain variable costs and pension expense. During 2012 the Company recognized \$10.4 million of other gains compared to \$14.0 million of other gains recognized in fiscal 2011, both of which were recorded in selling, general and administrative expenses, resulting in an increase in total selling, general, and administrative expenses of \$3.6 million. In addition, during fiscal 2012 there were increases in pension expense, commissions, stock compensation and other salary based incentives of \$2.1 million, \$0.7 million, \$0.8 million and \$1.7 million, respectively. These increases were partially offset by a decrease in payroll of \$2.8 million.

The other gains recorded in selling, general and administrative expenses during fiscal 2012 were comprised of \$9.9 million of gains on property sales and a \$0.5 million gain related to the insurance settlement on the Newtown, Connecticut facility. In comparison, during fiscal 2011, other gains recorded in selling, general and administrative expenses were comprised of \$10.6 million of gains on property sales, a \$2.0 million gain related to the modification of the lease agreement for our headquarters in Atlanta, Georgia and a \$1.4 million gain related to the insurance settlement on the Newtown, Connecticut facility. The increase in pension expense was due to changes in the underlying pension valuation assumptions. The increases in incentives and commissions were largely attributable to higher sales activity in fiscal 2012. The \$2.8 million decrease in payroll was due to reduction in force activities occurring in fiscal 2011, which resulted in \$1.4 million in severance charges in fiscal 2011. We did not materially increase headcount during fiscal 2012 or perform any material restructuring.

**Depreciation and amortization.** Depreciation and amortization expense was \$8.6 million for fiscal 2012, compared to \$10.6 million for fiscal 2011. The \$2.0 million decrease in depreciation and amortization is primarily related to a portion of our property and equipment becoming fully depreciated during fiscal 2012 and replenishment of fixed assets occurring at a slower rate.

**Operating income (loss).** Operating income for fiscal 2012 was \$5.5 million compared to an operating loss of \$8.3 million for fiscal 2011. The change in operating income (loss) reflects a \$19.9 million increase in gross profit as a result of the above factors, and a decrease in depreciation of \$2.0 million. This change was partially offset by an increase in selling, general, and administrative expenses of \$8.1 million.

**Interest expense, net.** Interest expense for fiscal 2012 was \$28.2 million compared to \$30.5 million for fiscal 2011. The \$2.3 million decrease is due to a decrease of \$2.2 million in fees related to the interest rate swap due to the expiration of the interest rate swap during fiscal 2011 and a decrease in interest expense related to our mortgage of \$2.3 million due to a decrease in principal. These changes were partially offset by an increase in interest related to our revolving credit facilities of \$1.4 million and an increase in debt issuance cost amortization of \$0.8 million. Interest

expense included \$3.7 million and \$2.9 million of debt issue cost amortization for fiscal 2012 and fiscal 2011, respectively. In fiscal 2012, interest expense related to our revolving credit facilities and mortgage was \$9.6 million and \$14.7 million, respectively. In fiscal 2011, interest expense related to our revolving credit facilities and mortgage was \$10.3 million and \$17.0 million, respectively. See “Liquidity and Capital Resources” below for a description of agreements for the revolving credit facilities and the mortgage.

Changes associated with the ineffective interest rate swap. Changes associated with the ineffective interest rate swap totaled \$1.7 million of income in fiscal 2011. As the effective interest rate swap terminated in March of 2011, there was no comparable activity in the fiscal 2012.

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Provision for income taxes. Our effective tax rate was (1.7)% and (2.5)% for fiscal 2012 and fiscal 2011, respectively. The effective tax rate for fiscal 2012 and 2011 is largely due to a full valuation allowance recorded against our tax benefit related to our fiscal 2012 loss. The effect of the valuation allowance was offset by state income taxes, gross receipts taxes, and foreign income taxes recorded on a separate company basis partially offset by various refundable tax credits.

Net loss. Net loss for fiscal 2012 was \$23.0 million, compared to \$38.6 million for fiscal 2011 as a result of the factors discussed above.

On a per-share basis, basic and diluted loss applicable to common stockholders for fiscal 2012 each was \$0.38. For fiscal 2011, basic and diluted loss per share each was \$0.89.

## Fiscal 2011 Compared to Fiscal 2010

The following table sets forth our results of operations for fiscal 2011 and fiscal 2010.

	Fiscal 2011	% of Net Sales	Fiscal 2010	% of Net Sales
	(Dollars in thousands)			
Net sales	\$ 1,755,431	100.0 %	\$ 1,804,418	100.0 %
Gross profit	210,149	12.0 %	210,673	11.7 %
Selling, general and administrative	207,857	11.8 %	221,185	12.3 %
Depreciation and amortization	10,562	0.6 %	13,365	0.7 %
Operating loss	(8,270 )	(0.5 )%	(23,877 )	(1.3 )%
Interest expense, net	30,510	1.7 %	33,788	1.9 %
Changes associated with the ineffective interest rate swap	(1,676 )	(0.1 )%	(4,603 )	(0.3 )%
Write-off of debt issue costs	—	0.0 %	183	0.0 %
Other expense, net	501	0.0 %	587	0.0 %
Loss before provision for (benefit from) income taxes	(37,605 )	(2.1 )%	(53,832 )	(3.0 )%
Provision for (benefit from) income taxes	962	0.1 %	(589 )	0.0 %
Net loss	\$ (38,567 )	(2.2 )%	\$ (53,243 )	(3.0 )%

Net sales. For the fiscal year ended December 31, 2011, net sales decreased by 2.7%, or \$49.0 million, to \$1.8 billion. Sales during the fiscal year were negatively impacted by a 9% decrease in single family housing starts. Single family home construction has a significant impact on our sales. Structural sales, including plywood, OSB, lumber and metal rebar, decreased by \$129.8 million, or 15.5% from a year ago, as a result of a 0.4% decrease in structural product prices and a 15.1% decrease in unit volume. The decrease in structural sales was partially offset by an increase in specialty sales. Specialty sales, primarily consisting of roofing, specialty panels, insulation, moulding, engineered wood products, vinyl siding, outdoor living and metal products (excluding rebar and remesh) increased by \$84.6 million or 8.4% compared to fiscal 2010, due to a 7.4% increase in unit volume and a 1.0% increase in specialty product prices.

Gross profit. Gross profit for fiscal 2011 was \$210.1 million, or 12.0% of sales, compared to \$210.7 million, or 11.7% of sales, in fiscal 2010. The decrease in gross profit dollars compared to fiscal 2010 was driven primarily by a decrease in structural product volumes of 15.1% offset by an increase in specialty product volumes of 7.4%.

Selling, general and administrative. Selling, general and administrative expenses for fiscal 2011 were \$207.9 million, or 11.8% of net sales, compared to \$221.2 million, or 12.3% of net sales, during fiscal 2010. The decrease in selling, general, and administrative expenses is due to \$10.6 million of property sale gains that were recognized in fiscal 2011, a \$2.0 million gain related to the modification of the lease agreement for our headquarters in Atlanta, Georgia, and a \$1.4 million gain related to the insurance settlement on the Newtown, Connecticut facility. There were no similar property gains in fiscal 2010. However, in fiscal 2010 there were expenses incurred related to the failed tender offer of \$3.0 million partially offset by a gain related to the settlement received on an OSB class action lawsuit in which we were a claimant of \$5.2 million. In addition, decreases in payroll and payroll related costs of \$1.7 million, as well as decreases in stock compensation expense of \$2.0 million also contributed to the overall decrease in selling, general and administrative expense. These changes were largely related to fiscal 2011 reduction in force activities, as well as the vesting of certain restricted stock grants during fiscal 2011. Partially offsetting these fluctuations were increases to fuel expense and other operating expenses of \$2.9 million and \$1.4 million, respectively.

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**Depreciation and amortization.** Depreciation and amortization expense was \$10.6 million for fiscal 2011, compared to \$13.4 million for fiscal 2010. The \$2.8 million decrease in depreciation and amortization is primarily related to fiscal 2011 sales of certain depreciable properties, a portion of our property and equipment becoming fully depreciated during fiscal 2011 and replenishment of fixed assets occurring at a slower rate.

**Operating loss.** Operating loss for fiscal 2011 was \$8.3 million, or 0.5% of sales, compared to an operating loss of \$23.9 million, or 1.3% of sales, for fiscal 2010, reflecting the \$13.3 million decrease in selling, general and administrative expense and a \$2.8 million decrease in depreciation and amortization offset by a \$0.5 million decrease in gross profit.

**Interest expense, net.** Interest expense for fiscal 2011 was \$30.5 million compared to \$33.8 million for fiscal 2010. The \$3.3 million decrease is due to the \$45.1 million decrease in total debt and the related effect on interest expense. In fiscal 2011, interest expense related to our revolving credit facilities (including the Canadian revolving credit facility), and mortgage was \$10.3 million and \$17.0 million, respectively. In fiscal 2010, interest expense related to our U.S. revolving credit facility and mortgage was \$13.3 million and \$18.3 million, respectively. In addition, interest expense included \$2.9 million and \$2.0 million of debt issue cost amortization for fiscal 2011 and for fiscal 2010, respectively.

**Changes associated with the ineffective interest rate swap.** Changes associated with the ineffective interest rate swap recognized for fiscal 2011 was income of \$1.7 million compared to \$4.6 million of income for fiscal 2010. The decrease is primarily related to the change in the swap's fair value and a decrease in amortization of the accumulated loss in other comprehensive income into interest expense due to the termination of the swap in March 2011.

**Write-off of debt issue costs.** During fiscal 2010, we permanently reduced our revolving loan threshold limit. As a result, we recorded expense of \$0.2 million, for the write-off of deferred financing costs that had been capitalized associated with the borrowing capacities that were reduced during these periods. No similar activity occurred during fiscal 2011.

**Provision for (benefit from) income taxes.** Our effective tax rate was (2.5)% and 1.1% for fiscal 2011 and fiscal 2010, respectively. The effective tax rate for fiscal 2011 is largely due to a full valuation allowance recorded against our tax benefit related to our 2011 loss. The effect of the valuation allowance was offset by state income taxes, gross receipts taxes, and foreign income taxes recorded on a separate company basis partially offset by various refundable tax credits. The effective tax rate for fiscal 2010 is largely due to a full valuation allowance recorded against our tax benefit related to our fiscal 2010 loss and an allocation of income tax expense to other comprehensive income resulting in a tax benefit to continuing operations. This tax benefit was partially offset by gross receipts and other taxes.

**Net loss.** Net loss for fiscal 2011 was \$38.6 million, compared to \$53.2 million for fiscal 2010 as a result of the factors discussed above.

On a per-share basis, basic and diluted loss applicable to common stockholders for fiscal 2011 each was \$0.89. For fiscal 2010, basic and diluted loss per share each was \$1.73.

## Seasonality

We are exposed to fluctuations in quarterly sales volumes and expenses due to seasonal factors. These seasonal factors are common in the building products distribution industry. The first and fourth quarters are typically our slowest quarters due to the impact of poor weather on the construction market. Our second and third quarters are typically our strongest quarters, reflecting a substantial increase in construction due to more favorable weather conditions. Our

working capital and accounts receivable and payable generally peak in the third quarter, while inventory generally peaks in the second quarter in anticipation of the summer building season.

#### Liquidity and Capital Resources

We depend on cash flow from operations and funds available under our revolving credit facilities to finance working capital needs and capital expenditures. We had approximately \$86.0 million of excess availability under our U.S. revolving credit facility (the "U.S. revolving credit facility") and \$2.0 million under our Canadian revolving credit facility, described further below, as of December 29, 2012. As of December 29, 2012, we had excess availability of \$49.8 million above the minimum required under the U.S. revolving credit facility. As of the period ended December 29, 2012, under our amended U.S. revolving credit facility, we are required to maintain a fixed charge coverage ratio of 1.1 to 1.0 in the event our excess availability falls below the greater of \$30 million or the amount equal to 15% of the lesser of the borrowing base or \$400 million (the "Excess Availability Threshold"). If we fail to maintain this minimum excess availability, the amended U.S. revolving credit facility requires us to (i) maintain certain financial ratios, which we would not meet with current operating results, triggering the lender's right to make the debt callable, and (ii) limit our capital expenditures, which would have a negative impact on our ability to finance working capital needs and capital expenditures.

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In the event that excess availability falls below \$35 million or 15% of the lesser of the borrowing base or \$400 million, the U.S. revolving credit facility gives the lenders the right to dominion of our bank accounts. This would not make the underlying debt callable by the lender and may not change our ability to borrow on the U.S. revolving credit facility. However, we would be required to reclassify the “Long-term debt” to “Current maturities of long-term debt” on our Consolidated Balance Sheet. For additional information regarding our financial covenants under our revolving credit facilities, see the Risk Factors “The instruments governing our indebtedness contain various covenants limiting the discretion of our management in operating our business” set forth under Item 1.A. Risk Factors.

While the Company believes that the amounts currently available from its revolving credit facilities and other sources will be sufficient to fund its routine operations and capital requirements for at least the next 12 months, the Company believes that additional capital will provide it with a stronger liquidity position and allow it to more fully participate in the improving housing market. The Company believes that this stronger liquidity position will also give the Company an advantage over many competitors that have less liquidity and less or no access to additional capital, and therefore may not be able to fully participate in the opportunities that arise in a growing market.

On January 10, 2013, we filed a registration statement on Form S-1 with the SEC for a planned rights offering of our common stock to our stockholders, which seeks to raise gross proceeds of \$40 million. In connection with the rights offering we plan to distribute to our common stockholders non-transferable rights to subscribe for and purchase up to \$40 million of our common stock. The estimated net proceeds from the rights offering of approximately \$39 million will be used to pay down the U.S. revolving credit facility.

On July 22, 2011, we concluded an offering of our common stock to our stockholders, pursuant to which we distributed to our common stockholders transferable rights to subscribe for and purchase up to \$60 million of our common stock. The 2011 rights offering was fully subscribed and resulted in gross proceeds of approximately \$60 million. The majority of the net proceeds from the 2011 rights offering were used to pay down the U.S. revolving credit facility. The amendment to our U.S. revolving credit facility, which was a condition to the 2011 rights offering, and is described in more detail below, became effective upon the successful completion of the 2011 rights offering. In addition, as a condition to the 2011 rights offering, we entered into an amendment to our mortgage, as described in the Debt and Credit Sources section of this MD&A of Financial Condition and Results of Operations.

We may elect to selectively pursue acquisitions. Accordingly, depending on the nature of the acquisition, we may use cash or stock, or a combination of both, as acquisition currency. Our cash requirements may significantly increase and incremental cash expenditures will be required in connection with the integration of the acquired company’s business and to pay fees and expenses in connection with any acquisitions. To the extent that significant amounts of cash are expended in connection with acquisitions, our liquidity position may be adversely impacted. In addition, there can be no assurance that we will be successful in completing acquisitions in the future. For a discussion of the risks associated with our acquisition strategy, see the risk factor “Integrating acquisitions may be time-consuming and create costs that could reduce our net income and cash flows” set forth under Item 1A — Risk Factors.

The following tables indicate our working capital and cash flows for the periods indicated.

	December 29, 2012	December 31, 2011
	(Dollars in thousands)	
Working capital	\$272,403	\$ 233,414
	Year Ended	Year Ended
	Year Ended	Year Ended



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	December 29, 2012	December 31, 2011	January 1, 2011
Cash flows used in operating activities	\$(74,250 )	(Dollars in thousands)	