BOISE INC.
Form 10-Q
August 02, 2012

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

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2012

or

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

1111 West Jefferson Street, Suite 200
Boise, Idaho 83702-5388
(Address of principal executive offices) (Zip Code)
(208) 384-7000
(Registrants' telephone number, including area code)

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

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

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

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

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

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

Boise Inc.	Large accelerated filer	x	Accelerated filer	¨
	Non-accelerated filer (Do not check if smaller reporting company)	¨	Smaller reporting company	¨

BZ Intermediate Holdings LLC	Large accelerated filer	¨	Accelerated filer	¨
	Non-accelerated filer (Do not check if smaller reporting company)	x	Smaller reporting company	¨

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

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

There were 100,482,144 common shares, $0.0001 per share par value, of Boise Inc. outstanding as of July 31, 2012.

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

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PART I — FINANCIAL INFORMATION

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

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Boise Inc.
Consolidated Statements of Income
(unaudited, dollars and shares in thousands, except per-share data)

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
Sales				
Trade	$618,585	$592,784	$1,252,113	$1,153,104
Related parties	19,255	10,351	30,573	18,794
	637,840	603,135	1,282,686	1,171,898
Costs and expenses				
Materials, labor, and other operating expenses	507,343	485,001	1,009,642	934,071
Fiber costs from related parties	4,466	4,383	9,412	8,823
Depreciation, amortization, and depletion	37,303	36,090	74,859	70,064
Selling and distribution expenses	30,568	29,483	61,210	48,856
General and administrative expenses	20,035	14,622	40,043	27,319
Other (income) expense, net	381	(813)	81	264
	600,096	568,766	1,195,247	1,089,397
Income from operations	37,744	34,369	87,439	82,501
Foreign exchange gain	102	55	259	187
Interest expense	(15,433)	(16,072)	(30,798)	(32,439)
Interest income	54	74	98	152
	(15,277)	(15,943)	(30,441)	(32,100)
Income before income taxes	22,467	18,426	56,998	50,401
Income tax provision	(8,805)	(6,529)	(21,998)	(19,810)
Net income	$13,662	$11,897	$35,000	$30,591
Weighted average common shares outstanding:				
Basic	100,116	106,754	99,584	93,928
Diluted	101,008	111,772	101,182	101,117
Net income per common share:				
Basic	$0.14	$0.11	$0.35	$0.33
Diluted	$0.14	$0.11	$0.35	$0.30

See accompanying condensed notes to unaudited quarterly consolidated financial statements.

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

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
Net income	$13,662	$11,897	$35,000	$30,591
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustment	(2,307)	—	(1,452)	—
Cash flow hedges:				
Change in fair value, net of tax of $913, $0, ($475), and $0, respectively	1,459	—	(756)	—
Loss included in net income, net of tax of $380, $0, $891, and $0, respectively	604	—	1,421	—
Amortization of actuarial loss and prior service cost for defined benefit pension plans, net of tax of $990, $539, $2,006, and $1,080, respectively	1,580	861	3,200	1,716
Other	—	20	—	(1)
	1,336	881	2,413	1,715
Comprehensive income	$14,998	$12,778	$37,413	$32,306

See accompanying condensed notes to unaudited quarterly consolidated financial statements.

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

	June 30, 2012	December 31, 2011
ASSETS		
Current		
Cash and cash equivalents	$59,502	$96,996
Receivables		
Trade, less allowances of $1,091 and $1,343	240,157	228,838
Other	8,033	7,622
Inventories	327,259	307,305
Deferred income taxes	6,928	20,379
Prepaid and other	14,314	6,944
	656,193	668,084
Property		
Property and equipment, net	1,223,631	1,235,269
Fiber farms	22,331	21,193
	1,245,962	1,256,462
Deferred financing costs	28,940	30,956
Goodwill	160,555	161,691
Intangible assets, net	152,634	159,120
Other assets	8,188	9,757
Total assets	$2,252,472	$2,286,070

See accompanying condensed notes to unaudited quarterly consolidated financial statements.

Boise Inc.
Consolidated Balance Sheets (continued)
(unaudited, dollars and shares in thousands, except per-share data)

	June 30, 2012	December 31, 2011
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current		
Current portion of long-term debt	$15,000	$10,000
Income taxes payable	825	590
Accounts payable	197,339	201,994
Accrued liabilities		
Compensation and benefits	57,402	64,907
Interest payable	10,540	10,528
Other	25,847	22,540
	306,953	310,559
Debt		
Long-term debt, less current portion	780,000	790,000
Other		
Deferred income taxes	172,273	161,260
Compensation and benefits	156,107	172,394
Other long-term liabilities	54,515	57,010
	382,895	390,664
Commitments and contingent liabilities		
Stockholders' equity		
Preferred stock, $0.0001 par value per share: 1,000 shares authorized; none issued	—	—
Common stock, $0.0001 par value per share: 250,000 shares authorized; 100,487 and 100,272 shares issued and outstanding	12	12
Treasury stock, 21,151 shares held	(121,423)	(121,421)
Additional paid-in capital	865,206	866,901
Accumulated other comprehensive income (loss)	(119,549)	(121,962)
Retained earnings	158,378	171,317
Total stockholders' equity	782,624	794,847
Total liabilities and stockholders' equity	$2,252,472	$2,286,070

See accompanying condensed notes to unaudited quarterly consolidated financial statements.

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

	Six Months Ended June 30 2012	2011
Cash provided by (used for) operations		
Net income	$35,000	$30,591
Items in net income not using (providing) cash		
Depreciation, depletion, and amortization of deferred financing costs and other	77,190	73,188
Share-based compensation expense	2,729	1,771
Pension expense	5,474	5,875
Deferred income taxes	12,610	17,182
Other	(43)	298
Decrease (increase) in working capital, net of acquisitions		
Receivables	(12,050)	(11,060)
Inventories	(20,224)	8,640
Prepaid expenses	(4,869)	(3,326)
Accounts payable and accrued liabilities	(14,061)	(4,505)
Current and deferred income taxes	7,452	690
Pension payments	(18,191)	(25,291)
Other	2,110	2,049
Cash provided by operations	73,127	96,102
Cash provided by (used for) investment		
Acquisition of businesses and facilities, net of cash acquired	—	(200,832)
Expenditures for property and equipment	(52,457)	(53,737)
Purchases of short-term investments	—	(3,494)
Maturities of short-term investments	—	14,114
Other	586	1,318
Cash used for investment	(51,871)	(242,631)
Cash provided by (used for) financing		
Payments of special dividend	(47,483)	(47,916)
Issuances of long-term debt	—	75,000
Payments of long-term debt	(5,000)	(93,750)
Proceeds from exercise of warrants	—	284,785
Other	(6,267)	(2,160)
Cash provided by (used for) financing	(58,750)	215,959
Increase (decrease) in cash and cash equivalents	(37,494)	69,430
Balance at beginning of the period	96,996	166,833
Balance at end of the period	$59,502	$236,263

See accompanying condensed notes to unaudited quarterly consolidated financial statements.

BZ Intermediate Holdings LLC
Consolidated Statements of Income
(unaudited, dollars in thousands)

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
Sales				
Trade	$618,585	$592,784	$1,252,113	$1,153,104
Related parties	19,255	10,351	30,573	18,794
	637,840	603,135	1,282,686	1,171,898
Costs and expenses				
Materials, labor, and other operating expenses	507,343	485,001	1,009,642	934,071
Fiber costs from related parties	4,466	4,383	9,412	8,823
Depreciation, amortization, and depletion	37,303	36,090	74,859	70,064
Selling and distribution expenses	30,568	29,483	61,210	48,856
General and administrative expenses	20,035	14,622	40,043	27,319
Other (income) expense, net	381	(813)	81	264
	600,096	568,766	1,195,247	1,089,397
Income from operations	37,744	34,369	87,439	82,501
Foreign exchange gain	102	55	259	187
Interest expense	(15,433)	(16,072)	(30,798)	(32,439)
Interest income	54	74	98	152
	(15,277)	(15,943)	(30,441)	(32,100)
Income before income taxes	22,467	18,426	56,998	50,401
Income tax provision	(8,805)	(6,529)	(21,998)	(19,810)
Net income	$13,662	$11,897	$35,000	$30,591

See accompanying condensed notes to unaudited quarterly consolidated financial statements.

BZ Intermediate Holdings LLC
Consolidated Statements of Comprehensive Income
(unaudited, dollars in thousands)

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
Net income	$13,662	$11,897	$35,000	$30,591
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustment	(2,307)	—	(1,452)	—
Cash flow hedges:				
Change in fair value, net of tax of $913, $0, ($475), and $0, respectively	1,459	—	(756)	—
Loss included in net income, net of tax of $380, $0, $891, and $0, respectively	604	—	1,421	—
Amortization of actuarial loss and prior service cost for defined benefit pension plans, net of tax of $990, $539, $2,006, and $1,080, respectively	1,580	861	3,200	1,716
Other	—	20	—	(1)
	1,336	881	2,413	1,715
Comprehensive income	$14,998	$12,778	$37,413	$32,306

See accompanying condensed notes to unaudited quarterly consolidated financial statements.

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BZ Intermediate Holdings LLC
Consolidated Balance Sheets
(unaudited, dollars in thousands)

	June 30, 2012	December 31, 2011
ASSETS		
Current		
Cash and cash equivalents	$59,502	$96,996
Receivables		
Trade, less allowances of $1,091 and $1,343	240,157	228,838
Other	8,033	7,622
Inventories	327,259	307,305
Deferred income taxes	6,928	20,379
Prepaid and other	14,314	6,944
	656,193	668,084
Property		
Property and equipment, net	1,223,631	1,235,269
Fiber farms	22,331	21,193
	1,245,962	1,256,462
Deferred financing costs	28,940	30,956
Goodwill	160,555	161,691
Intangible assets, net	152,634	159,120
Other assets	8,188	9,757
Total assets	$2,252,472	$2,286,070

See accompanying condensed notes to unaudited quarterly consolidated financial statements.

BZ Intermediate Holdings LLC
Consolidated Balance Sheets (continued)
(unaudited, dollars in thousands)

	June 30, 2012	December 31, 2011
LIABILITIES AND CAPITAL		
Current		
Current portion of long-term debt	$15,000	$10,000
Income taxes payable	825	590
Accounts payable	197,339	201,994
Accrued liabilities		
Compensation and benefits	57,402	64,907
Interest payable	10,540	10,528
Other	25,847	22,540
	306,953	310,559
Debt		
Long-term debt, less current portion	780,000	790,000
Other		
Deferred income taxes	163,726	152,712
Compensation and benefits	156,107	172,394
Other long-term liabilities	54,565	57,061
	374,398	382,167
Commitments and contingent liabilities		
Capital		
Business unit equity	910,670	925,306
Accumulated other comprehensive income (loss)	(119,549)	(121,962)
	791,121	803,344
Total liabilities and capital	$2,252,472	$2,286,070

See accompanying condensed notes to unaudited quarterly consolidated financial statements.

BZ Intermediate Holdings LLC
Consolidated Statements of Cash Flows
(unaudited, dollars in thousands)

	Six Months Ended June 30	
	2012	2011
Cash provided by (used for) operations		
Net income	$35,000	$30,591
Items in net income not using (providing) cash		
Depreciation, depletion, and amortization of deferred financing costs and other	77,190	73,188
Share-based compensation expense	2,729	1,771
Pension expense	5,474	5,875
Deferred income taxes	12,610	17,182
Other	(43)	298
Decrease (increase) in working capital, net of acquisitions		
Receivables	(12,050)	(11,060)
Inventories	(20,224)	8,640
Prepaid expenses	(4,869)	(3,326)
Accounts payable and accrued liabilities	(14,061)	(4,505)
Current and deferred income taxes	7,452	690
Pension payments	(18,191)	(25,291)
Other	2,110	2,049
Cash provided by operations	73,127	96,102
Cash provided by (used for) investment		
Acquisition of businesses and facilities, net of cash acquired	—	(200,832)
Expenditures for property and equipment	(52,457)	(53,737)
Purchases of short-term investments	—	(3,494)
Maturities of short-term investments	—	14,114
Other	586	1,318
Cash used for investment	(51,871)	(242,631)
Cash provided by (used for) financing		
Issuances of long-term debt	—	75,000
Payments of long-term debt	(5,000)	(93,750)
Payments (to) from Boise Inc., net	(52,440)	236,869
Other	(1,310)	(2,160)
Cash provided by (used for) financing	(58,750)	215,959
Increase (decrease) in cash and cash equivalents	(37,494)	69,430
Balance at beginning of the period	96,996	166,833
Balance at end of the period	$59,502	$236,263

See accompanying condensed notes to unaudited quarterly consolidated financial statements.

Condensed Notes to Unaudited Quarterly Consolidated Financial Statements

1. Nature of Operations and Basis of Presentation

Boise Inc. is a large, diverse manufacturer and seller of packaging and paper products. Our operations began in February 2008. We are headquartered in Boise, Idaho, and we operate largely in the United States but have recently expanded our operations into Europe, Mexico, and Canada. We manufacture and sell corrugated containers and sheets, protective packaging products and papers associated with packaging, such as label and release papers, and newsprint. Additionally, we manufacture linerboard and corrugating medium, which are combined to make corrugated board, the base raw material in our corrugated sheets and containers. We are also the third-largest North American manufacturer of communication papers such as office papers, commercial printing papers, envelope papers, and forms.

Our organizational structure is noted below:

Boise Inc.

BZ Intermediate Holdings LLC

Boise Paper Holdings, L.L.C.

Packaging Segment	Paper Segment	Corporate Segment

See Note 5, Segment Information, for additional information about our three reportable segments, Packaging, Paper, and Corporate and Other (support services).

The unaudited quarterly consolidated financial statements included herein are those of the following:

- Boise Inc. and its wholly owned subsidiaries, including BZ Intermediate Holdings LLC (BZ Intermediate).
- BZ Intermediate and its wholly owned subsidiaries, parent company to Boise Paper Holdings, L.L.C. (Boise Paper Holdings).

In these unaudited quarterly consolidated financial statements, unless the context indicates otherwise, the terms "the Company," "we," "us," "our," or "Boise" refer to Boise Inc. and its consolidated subsidiaries, including BZ Intermediate. There are no significant differences between the results of operations, financial condition, and cash flows of Boise Inc. and those of BZ Intermediate other than income taxes and common stock activity. Some amounts in prior periods' consolidated financial statements have been reclassified to conform with the current period's presentation, none of which were considered material.

The quarterly consolidated financial statements presented have not been audited by an independent registered public accounting firm but, in the opinion of management, include all adjustments, consisting of normal, recurring adjustments, necessary to present fairly the results for the periods presented. The preparation of the consolidated financial statements involves the use of estimates and accruals. Actual results may vary from those estimates. Quarterly results are not necessarily indicative of results that may be expected for the full year. These condensed notes to unaudited quarterly consolidated financial statements should be read in conjunction with our 2011 Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, and the other reports we file with the Securities and Exchange Commission (SEC).

2. Acquisition of Hexacomb

On December 1, 2011, we acquired Hexacomb Corporation and its affiliated companies and all of the honeycomb packaging-related assets of Pregis Mexico (Hexacomb) for $125 million (Hexacomb Acquisition), subject to post-closing adjustments. In connection with the acquisition, we allocated the purchase price to the assets acquired and liabilities assumed based on estimates of the fair value at the date of the acquisition. See Note 3, Acquisitions, of the Notes to Consolidated Financial Statements in "Part II, Item 8. Financial Statements and Supplementary Data" of our 2011 Form 10-K. During the six months ended June 30, 2012, we recorded approximately $1.1 million of purchase price adjustments that decreased goodwill. These adjustments related primarily to changes in deferred tax liabilities that resulted from further analysis of the tax basis of acquired assets and liabilities and other tax adjustments. The purchase price continues to be preliminary.

3. Net Income Per Common Share

Net income per common share is computed by dividing net income by the weighted average number of shares of common stock outstanding during the period. Net income per common share is not applicable to BZ Intermediate because it does not have common shares. For the three and six months ended June 30, 2012 and 2011, Boise Inc.'s basic and diluted net income per share is calculated as follows (dollars and shares in thousands, except per-share data):

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
Net income	$13,662	$11,897	$35,000	$30,591
Weighted average number of common shares for basic net income per common share (a)	100,116	106,754	99,584	93,928
Incremental effect of dilutive common stock equivalents:				
Restricted stock and restricted stock units	680	2,500	1,362	2,721
Performance units	211	—	235	—
Common stock warrants (a)	—	2,513	—	4,464
Stock options (b)	1	5	1	4
Weighted average number of common shares for diluted net income per common share	101,008	111,772	101,182	101,117
Net income per common share:				
Basic	$0.14	$0.11	$0.35	$0.33
Diluted	$0.14	$0.11	$0.35	$0.30

(a) During the six months ended June 30, 2011, warrant holders exercised their warrants, resulting in the issuance of 38.4 million common shares. We repurchased 21.2 million common shares in the second half of 2011.

(b) We excluded 0.8 million and 0.3 million stock options from the computation of diluted net income per share because they were antidilutive for both the three and six months ended June 30, 2012 and 2011, respectively.

4. Income Taxes

For the three and six months ended June 30, 2012, we recorded $8.8 million and $22.0 million of income tax expense and had an effective tax rate of 39.2% and 38.6%, respectively. During the three and six months ended June 30, 2012, the primary reason for the difference from the federal statutory income tax rate of 35% was the effect of state income taxes.

For the three and six months ended June 30, 2011, we recorded $6.5 million and $19.8 million of income tax expense and had an effective tax rate of 35.4% and 39.3%, respectively. During the three and six months ended June 30, 2011, the primary reason for the difference from the federal statutory income tax rate of 35% was the effect of state income taxes and discrete tax items.

Uncertain Income Tax Positions

We recognize tax liabilities and adjust these liabilities when our judgment changes as a result of the evaluation of new information not previously available or as new uncertainties occur. We recognize interest and penalties related to uncertain tax positions as income tax expense in the Consolidated Statements of Income. Interest expense and penalties relating to uncertain tax positions were nominal for all periods presented.

Other

Due to Internal Revenue Code Section 382, changes in our ownership limit the amount of net operating losses that we may utilize in any one year. To the extent the annual limitation is not used in any year, the unutilized limitation amount will carry over and add to the limitation in the subsequent tax year. However, we believe it is more likely than not that our net operating losses will be fully realized before they expire.

We file federal income tax returns in the U.S., state income tax returns in various state jurisdictions, and foreign income tax returns in various foreign jurisdictions. In the normal course of business, we are subject to examination by taxing authorities. BZ Intermediate is a wholly owned, consolidated entity of Boise Inc., and its tax return is filed under the consolidated tax return of Boise Inc. Open tax years for Boise Inc. are 2011, 2010, 2009, and 2008. Some foreign tax jurisdictions are also open for the 2007 tax year.

As of June 30, 2012, we had not recognized U.S. deferred income taxes on our cumulative total of undistributed earnings for non-U.S. subsidiaries. Determining the unrecognized deferred tax liability related to investments in these non-U.S. subsidiaries that are indefinitely reinvested is not practicable. We currently intend to indefinitely reinvest those earnings in operations outside the United States.

During the six months ended June 30, 2012, refunds received, net of cash paid for taxes, were $0.7 million. Cash paid for taxes, net of refunds received, was $1.7 million during the six months ended June 30, 2011.

5. Segment Information

We operate and report our business in three reportable segments: Packaging, Paper, and Corporate and Other (support services). These segments represent distinct businesses that are managed separately because of differing products and services. Each of these businesses requires distinct operating and marketing strategies. Management reviews the performance of the Company based on these segments. There are no differences in our basis of segmentation or in our basis of measurement of segment profit or loss from those disclosed in Note 6, Segment Information, of the Notes to Consolidated Financial Statements in "Part II, Item 8. Financial Statements and Supplementary Data" in our 2011 Form 10-K.

An analysis of operations by segment is as follows (dollars in millions):

	Sales						
Three Months Ended June 30, 2012	Trade	Related Parties	Inter-segment	Total	Income (Loss) Before Income Taxes	Depreciation, Amortization, and Depletion	EBITDA (b)
Packaging	$264.9	$19.3	$0.6	$284.8	$24.8	$ 15.1	$ 40.0
Paper	345.5	—	17.7	363.3	19.6	21.3	40.9
Corporate and Other	8.2	—	9.0	17.2	(6.6)	0.8	(5.7)
Intersegment eliminations	—	—	(27.4)	(27.4)	—	—	—
	$618.6	$19.3	$—	$637.8	37.8	$ 37.3	$ 75.1
Interest expense					(15.4)		

Interest income	0.1
	$22.5

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	Sales						
Three Months Ended June 30, 2011	Trade	Related Parties	Inter-segment	Total	Income (Loss) Before Income Taxes	Depreciation, Amortization, and Depletion	EBITDA (b)
Packaging	$231.9	$10.4	$1.1	$243.3	$27.5	$12.8	$40.3
Paper	353.2	—	17.8	371.1	13.2	22.4	35.5
Corporate and Other	7.7	—	8.9	16.6	(6.2)	0.9	(5.3)
Intersegment eliminations	—	—	(27.9)	(27.9)	—	—	—
	$592.8	$10.4	$—	$603.1	34.4	$36.1	$70.5
Interest expense					(16.1)		
Interest income					0.1		
					$18.4		

	Sales						
Six Months Ended June 30, 2012	Trade	Related Parties	Inter-segment	Total	Income (Loss) Before Income Taxes	Depreciation, Amortization, and Depletion	EBITDA (b)
Packaging	$525.1	$30.6	$1.4	$557.1	$47.3	$30.6	$77.9
Paper	711.1	—	34.6	745.7	53.5	42.5	96.0
Corporate and Other	15.9	—	19.5	35.3	(13.1)	1.7	(11.4)
Intersegment eliminations	—	—	(55.4)	(55.4)	—	—	—
	$1,252.1	$30.6	$—	$1,282.7	87.7	$74.9	$162.6
Interest expense					(30.8)		
Interest income					0.1		
					$57.0		

	Sales						
Six Months Ended June 30, 2011	Trade	Related Parties	Inter-segment	Total	Income (Loss) Before Income Taxes	Depreciation, Amortization, and Depletion	EBITDA (b)
Packaging	$426.3	$18.8	$1.6	$446.7	$41.1 (a)	$23.8	$64.9 (a)
Paper	711.9	—	34.3	746.2	54.1	44.4	98.5
Corporate and Other	14.9	—	17.9	32.7	(12.6)	1.8	(10.7)
Intersegment eliminations	—	—	(53.8)	(53.8)	—	—	—
	$1,153.1	$18.8	$—	$1,171.9	82.7	$70.1	$152.8
Interest expense					(32.4)		
Interest income					0.2		
					$50.4		

(a) In connection with the Tharco purchase price allocation, inventories were written up to their estimated fair market value. As the related inventories were sold, we recognized $2.2 million of expense in "Materials, labor, and other operating expenses" in our Consolidated Statement of Income for the six months ended June 30, 2011.

(b) EBITDA represents income before interest (interest expense and interest income), income tax provision, and depreciation, amortization, and depletion. EBITDA is the primary measure used by our chief operating decision maker to evaluate segment operating performance and to decide how to allocate resources to segments. We believe EBITDA is useful to investors because it provides a means to evaluate the operating performance of our segments and our company on an ongoing basis using criteria that are used by our internal decision makers and because it is frequently used by investors and other interested parties in the evaluation of companies. We believe EBITDA is a meaningful measure because it presents a transparent view of our recurring operating performance and allows management to readily view operating trends, perform analytical comparisons, and identify strategies to improve operating performance. For example, we believe that the inclusion of items such as taxes, interest expense, and interest income distorts management's ability to assess and view the core operating trends in our segments. EBITDA, however, is not a measure of our liquidity or financial performance under generally accepted accounting principles (GAAP) and should not be considered as an alternative to net income, income from operations, or any other performance measure derived in accordance with GAAP or as an alternative to cash flow from operating activities as a measure of our liquidity. The use of EBITDA instead of net income or segment income (loss) has limitations as an analytical tool, including the inability to determine profitability; the exclusion of interest expense, interest income, and associated significant cash requirements; and the exclusion of depreciation, amortization, and depletion, which represent significant and unavoidable operating costs, given the capital expenditures needed to maintain our businesses. Management compensates for these limitations by relying on our GAAP results. Our measures of EBITDA are not necessarily comparable to other similarly titled captions of other companies due to potential inconsistencies in the methods of calculation.

The following is a reconciliation of net income to EBITDA for Boise Inc. and BZ Intermediate (dollars in millions):

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
Net income	$13.7	$11.9	$35.0	$30.6
Interest expense	15.4	16.1	30.8	32.4
Interest income	(0.1)	(0.1)	(0.1)	(0.2)
Income tax provision	8.8	6.5	22.0	19.8
Depreciation, amortization, and depletion	37.3	36.1	74.9	70.1
EBITDA	$75.1	$70.5	$162.6	$152.8

6. Debt

At June 30, 2012, and December 31, 2011, our long-term debt and the interest rates on that debt were as follows (dollars in thousands):

	June 30, 2012		December 31, 2011	
	Amount	Interest Rate	Amount	Interest Rate
Tranche A term loan, due 2016	$195,000	2.25 %	$200,000	2.30 %
9% senior notes, due 2017	300,000	9.00	300,000	9.00
8% senior notes, due 2020	300,000	8.00	300,000	8.00
Long-term debt	795,000	6.97	800,000	6.95
Current portion of long-term debt	(15,000)	2.25	(10,000)	2.30
Long-term debt, less current portion	$780,000	7.06 %	$790,000	7.01 %

As of June 30, 2012, our debt consisted of the following:

- The Revolving Credit Facility: A five-year nonamortizing $500 million senior secured revolving credit facility with variable annual interest. In addition to paying interest, we pay an annual commitment fee for undrawn amounts at a rate of either 0.35% or 0.50% depending on our total leverage ratio.
- The Tranche A Term Loan Facility: A five-year amortizing $200 million senior secured loan facility with variable annual interest.
- The 9% Senior Notes: An eight-year nonamortizing $300 million senior unsecured debt obligation with fixed annual interest of 9%.
- The 8% Senior Notes: A ten-year nonamortizing $300 million senior unsecured debt obligation with fixed annual interest of 8%.

Interest on our Credit Facilities is determined at our election and is based on an alternate base rate or the London Interbank Offered Rate (LIBOR), which is our current election, plus an applicable spread based on our total leverage ratio. Our total leverage ratio is essentially our total net debt divided by our four trailing quarters of Adjusted Consolidated EBITDA (as defined in the credit agreement). At June 30, 2012, the interest rate on our Credit Facilities is LIBOR plus 200 basis points. Based on our current election of one-month LIBOR, we pay interest on the Credit Facilities monthly and in arrears.

At June 30, 2012, and December 31, 2011, we had no borrowings outstanding under our Revolving Credit Facility. We had availability of $492.6 million under our Revolving Credit Facility at June 30, 2012, which is net of outstanding letters of credit of $7.4 million.

The Credit Facilities and senior note agreements contain certain restrictions relating to dividend payments, capital expenditures, financial ratios, guarantees, and the incurrence of additional indebtedness, which are discussed in Note 7, Debt, of the Notes to Consolidated Financial Statements in "Part II, Item 8. Financial Statements and Supplementary Data" in our 2011 Form 10-K.

Other

Subject to specified exceptions, the Credit Facilities require that the proceeds from certain asset sales, casualty insurance, and certain debt issuances be used to pay down outstanding borrowings. As of June 30, 2012, required debt principal repayments were as follows (dollars in thousands):

	Remaining 2012	2013	2014	2015	2016	Thereafter
Required debt principal repayments	$5,000	$20,000	$20,000	$30,000	$120,000	$600,000

At June 30, 2012, and December 31, 2011, we had $28.9 million and $31.0 million, respectively, of costs recorded in "Deferred financing costs" on our Consolidated Balance Sheets. We record the amortization of deferred financing costs in interest expense using the effective interest method over the term of the loans. For the three months ended June 30, 2012 and 2011, we recorded $1.1 million and $1.5 million, respectively, and for the six months ended June 30, 2012 and 2011, we recorded $2.2 million and $3.0 million, respectively, of amortization expense in "Interest expense" in our Consolidated Statements of Income.

For the six months ended June 30, 2012 and 2011, cash payments for interest were $28.7 million and $29.4 million, respectively.

With the exception of the Credit Facilities, our debt is fixed-rate debt. At June 30, 2012, the book value of our fixed-rate debt was $600.0 million, and the fair value was estimated to be $728.4 million. The difference between the book value and fair value is due to the difference between the period-end market interest rate and the stated rate of our fixed-rate, long-term debt. We estimated the fair value of our fixed-rate debt using quoted market prices (Level 1 inputs), discussed further in Note 7, Financial Instruments.

7. Financial Instruments

Our primary objective in holding derivative financial instruments is to manage cash flow risk. We do not use derivative instruments for speculative purposes.

We enter into transactions to hedge the variable cash flow risk of natural gas purchases. At June 30, 2012, these derivatives included caps and call spreads, which we account for as economic hedges, and swaps, which are accounted for as cash flow hedges. As of June 30, 2012, we had entered into derivative instruments related to the following approximate percentages of our forecasted natural gas purchases:

	July 2012 Through October 2012	November 2012 Through March 2013	April 2013 Through October 2013	November 2013 Through March 2014	April 2014 Through October 2014	November 2014 Through March 2015	April 2015 Through October 2015
Approximate percent hedged	83 %	71 %	63 %	46 %	42 %	40 %	35 %

Economic Hedges

For derivative instruments that are designated and qualify as economic hedges, the gain or loss on the derivatives is recognized in "Materials, labor, and other operating expenses" in the Consolidated Statements of Income. During the three months ended June 30, 2012 and 2011, we recognized $0.1 million of income and $0.1 million of expense, respectively, and during the six months ended June 30, 2012 and 2011, we recognized $0.2 million and $0.7 million of income related to natural gas contracts we account for as economic hedges.

Cash Flow Hedges

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of "Accumulated other comprehensive income (loss)" on our Consolidated Balance Sheets and is recognized in "Materials, labor, and other operating expenses" in our Consolidated Statements of Income in the period in which the hedged transaction affects earnings. Financial instruments designated as cash flow hedges are assessed both at inception and quarterly thereafter to ensure they are effective in offsetting changes in the cash flows of the related underlying exposures. The fair value of the instruments is reclassified out of accumulated other comprehensive income (loss) to earnings if the hedge ceases to be highly effective or if the hedged transaction is no longer probable. At June 30, 2012, and December 31, 2011, we had $3.0 million and $3.7 million of losses, respectively, net of tax, recorded in "Accumulated other comprehensive income (loss)" on our Consolidated Balance Sheets related to our natural gas contracts. Based on June 30, 2012, pricing, the estimated loss, net of tax, to be recognized in earnings during the next 12 months is $2.2 million.

The effects of our cash flow hedging instruments on our Consolidated Balance Sheets and Consolidated Statements of Income were as follows (dollars in thousands):

	(Gain) Loss Recognized in Accumulated Other Comprehensive Income				Loss Reclassified From Accumulated Other Comprehensive Income Into Earnings			
	Three Months Ended June 30		Six Months Ended June 30		Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011	2012	2011	2012	2011
Natural gas contracts	$(2,372)	$—	$1,231	$—	$984	$—	$2,312	$—

Fair Value Measurements

The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) establishes a fair value hierarchy, which prioritizes the inputs of valuation techniques used to measure fair value into three levels. The fair value hierarchy gives the highest priority to quoted market prices (Level 1) and the lowest priority to unobservable inputs (Level 3). Where applicable, we use quoted prices in active markets for identical assets or liabilities to determine fair value (Level 1). If quoted prices in active markets for identical assets or liabilities are not available to determine fair value, we use quoted prices for similar assets and liabilities or inputs that are observable either directly or indirectly (Level 2). If quoted prices for identical or similar assets are not available or are unobservable, we may use internally developed valuation models, whose inputs include bid prices and third-party valuations utilizing underlying asset assumptions (Level 3). Outstanding financial derivative instruments expose us to credit loss in the event of nonperformance by the counterparties to the agreements. We monitor credit ratings of counterparties to the agreements, which are large financial institutions, to consider the impact, if any, on the determination of fair value. No significant adjustments were made in any periods presented.

Fair Values of Derivative Instruments

At June 30, 2012, and December 31, 2011, the fair value of our financial instruments was determined based on New York Mercantile Exchange (NYMEX) price quotations under the terms of the contracts, using current market information as of the reporting date. The derivatives were valued by us using third-party valuations based on quoted prices for similar assets and liabilities. Accordingly, all of our fair value measurements use Level 2 inputs.

All of our derivative instruments are recorded in "Accrued liabilities, Other" on our Consolidated Balance Sheets. We offset asset and liability balances, by counterparty, where legal right of setoff exists. The following table presents the fair value of these instruments at June 30, 2012, and December 31, 2011 (dollars in thousands):

	Level 2: Significant Other Observable Inputs	
	June 30, 2012	December 31, 2011
Natural gas contracts		
Cash flow hedges	$4,941	$6,022
Economic hedges	2,156	2,370
Total	$7,097	$8,392

Derivative instruments in an asset position at June 30, 2012, were not material. We did not have any derivative instruments in an asset position at December 31, 2011.

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8. Retirement and Benefit Plans

The components of net periodic benefit cost are as follows (dollars in thousands):

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
Service cost	$705	$1,140	$1,440	$2,478
Interest cost	6,157	6,402	12,325	12,811
Expected return on plan assets	(6,803)	(6,125)	(13,579)	(12,223)
Amortization of actuarial loss	2,576	1,395	5,217	2,784
Amortization of prior service costs and other	2	12	5	25
Plan settlement curtailment loss	66	—	66	—
Net periodic benefit cost	$2,703	$2,824	$5,474	$5,875

Our funding practice for our pension plans is to contribute amounts sufficient to meet legal funding requirements, plus any additional amounts that we determine to be appropriate considering the funded status of the plan, tax deductibility, our cash flows from operations, and other factors. During the six months ended June 30, 2012, we contributed $18.2 million to our pension plans. Due to recent legislation, we expect our 2012 minimum required contributions to decrease below the amount we have already contributed. However, we may make additional contributions in 2012 to improve the funded status of our plans.

9. Stockholders' Equity and Share-Based Compensation

Special Dividend

On March 21, 2012, we paid a special cash dividend of $0.48 per common share to Boise Inc. shareholders of record at the close of business on March 9, 2012. The dividend payment was $47.5 million.

Share-Based Compensation

Under the Boise Inc. Incentive and Performance Plan (the Plan), the compensation committee of our board of directors has the ability to authorize the grant of restricted stock, restricted stock units, performance awards payable in stock upon the attainment of specified performance goals, stock options, and other stock- and cash-based awards. Awards granted under the Plan vest and expire in accordance with terms established at the time of grant. Shares issued pursuant to awards under the Plan are from our authorized but unissued shares or from treasury shares. Share-based compensation costs in BZ Intermediate's financial statements represent expenses for restricted stock, restricted stock units, stock options, and performance units of Boise Inc., which have been pushed down to BZ Intermediate for accounting purposes.

Restricted Stock and Performance Unit Awards. During the first half of 2012, we granted approximately 285,000 shares of restricted stock and approximately 151,000 restricted stock units (collectively restricted stock), the majority of which are subject to an EBITDA (earnings before interest, taxes, and depreciation, amortization, and depletion) performance-based goal and all of which are subject to time-based vesting restrictions. For members of management, one-third of the awards vest in each of the years 2013, 2014, and 2015, respectively, subject to the provisions of the award agreements. For elected non-employee directors, the awards will vest at the end of 2012. The fair values of these awards were based on the closing market price of our common stock on the date of grant, and compensation expense is recorded over the awards' vesting periods. These awards are eligible to participate in dividend payments, if any, which we accrue to be paid upon the vesting of those awards.

During 2012, we also granted members of management approximately 278,000 performance units, subject to adjustment based on the achievement of defined percentages of the two-year average return on net operating assets (RONOA). Because the RONOA component contains a performance condition, we record compensation expense, net of estimated forfeitures, over the requisite service period based on the most probable number of awards expected to vest. If the RONOA performance criteria are met, 50% of the performance units will vest in 2014 and the remaining will vest in 2015. Any shares not vested on or before March 16, 2015, will be forfeited. We based the fair value of these awards on the closing market price of our common stock on the grant date, and we record compensation expense over the awards' vesting periods. These awards are eligible to participate in dividend payments, if any, which we accrue to be paid upon the vesting of those awards.

Stock Option Awards. During the first half of 2012, we granted approximately 508,000 nonqualified stock options to members of management, of which one-third of the option awards vest and become exercisable in each of the years 2013, 2014, and 2015, respectively. The stock options have a contractual term of ten years. These awards are eligible to participate in dividend payments, if any, which we accrue to be paid upon the vesting of those awards.

The weighted average fair value of the stock options granted was $3.97 per share. We recognize compensation expense over the awards' vesting period. We calculated the fair value using a Black-Scholes-Merton option-pricing model based on the market price of our common stock at the grant date and the assumptions specific to the underlying options. We based the expected volatility assumption on our historical stock performance and the volatility of related industry stocks. We did not have sufficient historical data to provide a reasonable basis upon which to estimate expected life; therefore, we used the "simplified method" to determine the expected life assumption for the options. We based the risk-free interest rate upon yields of U.S. Treasury issues with terms similar to the expected life of the options.

The following table presents the range of assumptions used to calculate the fair value of stock options for the six months ended June 30, 2012:

Black-Scholes-Merton assumptions:		
Exercise price	$7.57	- $8.24
Expected volatility	50.00%	- 50.10%
Expected life (years)	5.91	- 6.00
Risk-free interest rate	1.08%	- 1.39%
Expected dividend yield	—	—

Compensation Expense. Most of our share-based compensation expense was recorded in "General and administrative expenses" in our Consolidated Statements of Income. Total recognized share-based compensation expense related to restricted stock, performance units, and stock options, net of estimated forfeitures, for the three months and six months ended June 30, 2012 and 2011, is as follows (dollars in thousands):

	Three Months Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
Restricted stock awards and performance units	$1,233	$1,007	$2,309	$1,615
Stock options	262	116	420	156
Total share-based compensation expense	$1,495	$1,123	$2,729	$1,771

The unrecognized compensation expense for all share-based awards at June 30, 2012, is as follows (dollars in thousands):

	Unrecognized Compensation Expense	Remaining Weighted Average Recognition Period (in Years)
Restricted stock awards and performance units	$6,908	1.7
Stock options	2,276	2.3
Total unrecognized share-based compensation expense	$9,184	1.9

10. Goodwill and Intangible Assets

Goodwill

Goodwill represents the excess of the cost of an acquired business over the fair value of the identifiable tangible and intangible assets acquired and liabilities assumed in a business combination. All of our goodwill is recorded in our Packaging segment.

Changes in the carrying amount of our goodwill are as follows (dollars in thousands):

	Goodwill	
Balance at January 1, 2011	$—	
Goodwill acquired	162,169	
Foreign currency translation adjustments	(478	)
Balance at December 31, 2011	161,691	
Foreign currency translation adjustments	(54	)
Additions (reductions) (a)	(1,082	)
Balance at June 30, 2012	$160,555	

(a) For further information regarding the Hexacomb acquisition, including purchase price adjustments, see Note 2, Acquisition of Hexacomb.

Intangible Assets

Intangible assets represent primarily the values assigned to customer relationships, trademarks and trade names, technology, and noncompete agreements. We had $152.6 million and $159.1 million of intangible assets at June 30, 2012, and December 31, 2011, net of $20.6 million and $14.3 million of accumulated amortization, respectively. During the three months ended June 30, 2012 and 2011, we recorded intangible asset amortization of $3.0 million and $1.8 million, respectively. During the six months ended June 30, 2012 and 2011, we recorded intangible asset amortization of $6.3 million and $2.9 million, respectively. Foreign intangible assets are affected by foreign currency translation.

11. Concentrations of Risk

Business

Sales to OfficeMax Incorporated (OfficeMax) represent a concentration in the volume of business transacted and in revenue generated from those transactions. Sales to OfficeMax were $121.9 million and $118.0 million, respectively, during the three months ended June 30, 2012 and 2011, representing 19% and 20% of total sales for those periods. Sales to OfficeMax were $251.9 million and $244.4 million, respectively, during the six months ended June 30, 2012 and 2011, representing 20% and 21% of total sales for those periods. At June 30, 2012, and December 31, 2011, we had $32.9 million and $35.3 million, respectively, of accounts receivable due from OfficeMax. We expect OfficeMax to continue to represent a concentration of our revenues and transacted business. Any significant change in the willingness of OfficeMax to purchase our products or a significant deterioration in the financial condition of OfficeMax that affects their ability to pay could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

Labor

As of June 30, 2012, we had approximately 5,400 employees. Approximately 51% of these employees worked pursuant to collective bargaining agreements. Approximately 6% worked pursuant to collective bargaining agreements that will expire within one year.

12. Inventories

The majority of our inventories are valued at the lower of cost or market, where cost is based on the average cost method of inventory valuation. Manufactured inventories include costs for materials, labor, and factory overhead. Other inventories are valued at the lower of either standard cost, which approximates cost based on the actual first-in, first-out usage pattern, or market.

Inventories include the following (dollars in thousands):

	June 30, 2012	December 31, 2011
Finished goods	$156,854	$155,588
Work in process	44,346	41,172
Fiber	49,252	38,469
Other raw materials and supplies	76,807	72,076
	$327,259	$307,305

13. Property and Equipment

Property and equipment consisted of the following asset classes (dollars in thousands):

	June 30, 2012	December 31, 2011
Land	$34,444	$34,735
Buildings and improvements	253,423	248,174
Machinery and equipment	1,424,123	1,375,069
Construction in progress	42,728	44,563
	1,754,718	1,702,541
Less accumulated depreciation	(531,087)	(467,272)
	$1,223,631	$1,235,269

Depreciation expense for the three months ended June 30, 2012 and 2011, was $32.8 million and $32.4 million, respectively. During the six months ended June 30, 2012 and 2011, depreciation expense was $65.4 million and $63.7 million, respectively.

14. Leases

We lease our distribution centers, as well as other property and equipment, under operating leases. For purposes of determining straight-line rent expense, the lease term is calculated from the date of possession of the facility, including any periods of free rent and any renewal option periods that are reasonably assured of being exercised. Straight-line rent expense is also adjusted to reflect any allowances or reimbursements provided by the lessor. Rental expense for operating leases was $7.7 million and $6.5 million for the three months ended June 30, 2012 and 2011, respectively, and during the six months ended June 30, 2012 and 2011, rental expense was $14.7 million and $11.1 million, respectively. Sublease rental income was not material in any of the periods presented.

15. Transactions With Related Parties

Related-Party Sales

Louisiana Timber Procurement Company, L.L.C. (LTP) is a variable-interest entity that is 50% owned by Boise Inc. and 50% owned by Boise Cascade Holdings, L.L.C. (Boise Cascade). LTP procures sawtimber, pulpwood, residual chips, and other residual wood fiber to meet the wood and fiber requirements of Boise Inc. and Boise Cascade in Louisiana. We are the primary beneficiary of LTP, as we have the power to direct the activities that most significantly affect the economic performance of LTP. Therefore, we consolidate LTP in our financial statements in our Packaging segment. At June 30, 2012, and December 31, 2011, the carrying amounts of LTP's assets and liabilities on our Consolidated Balance Sheets were $4.6 million and $3.3 million, respectively, which related primarily to noninventory working capital items. During the three months ended June 30, 2012 and 2011, we recorded $19.3 million and $10.4 million, respectively, and during the six months ended June 30, 2012 and 2011, we recorded $30.6 million and $18.8 million, respectively, of LTP sales to Boise Cascade in "Sales, Related parties" in the Consolidated Statements of Income and approximately the same amount of expenses in "Materials, labor, and other operating expenses." The sales were at prices designed to approximate market prices.

Related-Party Costs and Expenses

During the three months ended June 30, 2012 and 2011, fiber purchases from related parties were $4.5 million and $4.4 million, respectively, and during the six months ended June 30, 2012 and 2011, fiber purchases from related parties were $9.4 million, and $8.8 million, respectively. Most of these purchases related to log and chip purchases by LTP from Boise Cascade's wood products business. Costs associated with these purchases were recorded as "Fiber costs from related parties" in the Consolidated Statements of Income.

16. New and Recently Adopted Accounting Standards

In July 2012, the FASB issued Accounting Standards Update (ASU) 2012-02, Intangibles - Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment. This ASU gives entities testing indefinite-lived intangible assets for impairment the option first to assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the indefinite-lived intangible asset is impaired. If, after assessing the totality of events and circumstances, an entity concludes that it is not more likely than not that the indefinite-lived intangible asset is impaired, the entity is not required to take further action. However, if an entity concludes otherwise, a quantitative impairment test is required. This guidance is effective for annual and interim impairment tests beginning January 1, 2013, with early adoption permitted. We do not believe the adoption of this update will have a material effect on our financial position and results of operations.

In June 2011, the FASB issued ASU 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income, which amends current comprehensive income guidance. This ASU increases the prominence of other comprehensive income in financial statements. Under this ASU, we have the option to present the components of net income and comprehensive income in either one or two consecutive financial statements. The ASU eliminates the option to present the components of other comprehensive income as part of the statement of equity. In December 2011, the FASB issued ASU 2011-12, Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05. This ASU indefinitely defers the ASU 2011-05 provision to present reclassification adjustments out of accumulated other comprehensive income by component in both the statement in which net income is presented and the statement in which other comprehensive income is presented (for both interim and annual financial statements). This requirement will be further deliberated by the FASB at a future date. We adopted the provisions of this guidance January 1, 2012. The adoption of this guidance resulted in adding the Consolidated Statements of Comprehensive Income to our Consolidated Financial Statements.

In September 2011, the FASB issued ASU 2011-08, Intangibles — Goodwill and Other (Topic 350): Testing Goodwill for Impairment. This ASU gives entities testing goodwill for impairment the option of performing a qualitative assessment before calculating the fair value of a reporting unit in step 1 of the goodwill impairment test. If entities determine, on the basis of qualitative factors, that the fair value of a reporting unit is more likely than not less than the carrying amount, the two-step impairment test would be required. Otherwise, further testing would not be needed. We adopted the provisions of this guidance January 1, 2012, and it had no effect on our financial position and results of operations.

There were no other accounting standards recently issued that had or are expected to have a material impact on our financial position or results of operations.

17. Commitments, Guarantees, and Legal Proceedings

Commitments

We have financial commitments for long-term debt and lease payments, and we are a party to a number of long-term log and fiber supply agreements that are discussed in Note 7, Debt, Note 14, Leases, and Note 19, Commitments, Guarantees, and Legal Proceedings, of the Notes to Consolidated Financial Statements in "Part II, Item 8. Financial Statements and Supplementary Data" in our 2011 Form 10-K. In addition, we have other financial obligations that we enter into in the normal course of our business to purchase goods and services and to make capital improvements to our facilities. At June 30, 2012, there have been no material changes.

Guarantees and Indemnifications

We provide a wide range of guarantees, assurances, and indemnification arrangements in the normal course of our business. These include guarantees of statutory environmental obligations, tort indemnifications, tax indemnifications, indemnifications against third-party claims arising out of arrangements to provide services to us, and indemnifications in financing, merger, and acquisition agreements. At June 30, 2012, we are not aware of any material liabilities arising from these indemnifications, and we are unable to estimate the maximum potential liability.

Legal Proceedings

We are a party to routine proceedings that arise in the course of our business. We are not currently a party to any legal proceedings or environmental claims that we believe would have a material adverse effect on our financial position, results of operations, or liquidity, either individually or in the aggregate.

18. Consolidating Guarantor and Nonguarantor Financial Information

Our 9% and 8% senior notes (Senior Notes) were issued by Boise Paper Holdings and co-issuers (Boise Co-Issuer Company and Boise Finance Company). The Senior Notes are jointly and severally guaranteed on a senior unsecured basis by BZ Intermediate and each of its existing and, to the extent they become guarantors under the Credit Facilities, future subsidiaries (other than: (i) Boise Paper Holdings and the co-issuers; (ii) Louisiana Timber Procurement Company, L.L.C.; and (iii) our foreign subsidiaries, including those recently acquired as part of the Hexacomb Acquisition).

The following consolidating financial statements present the results of operations, comprehensive income, financial position, and cash flows of (i) BZ Intermediate Holdings LLC (parent); (ii) co-issuers; (iii) guarantor subsidiaries; (iv) nonguarantor subsidiaries; and (v) eliminations to arrive at the information on a consolidated basis. Other than these consolidated financial statements and footnotes for Boise Inc. and BZ Intermediate, financial statements and other disclosures concerning the guarantors have not been presented because management believes that such information is not material to investors. Furthermore, the cancellation provisions of the guarantor subsidiaries are customary, and they do not include an arrangement that permits a guarantor subsidiary to opt out of the obligation prior to or during the term of the debt. Each guarantor subsidiary is automatically released from its obligations as a guarantor upon the sale of the subsidiary or substantially all of its assets to a third party, the designation of the subsidiary as an unrestricted subsidiary for the purposes of the covenants included in the indentures, the release of the indebtedness under the indentures, or if the issuers exercise their legal defeasance option or discharge their obligations in accordance with the indentures.

BZ Intermediate Holdings LLC and Subsidiaries
Consolidating Statements of Income
For the Three Months Ended June 30, 2012
(unaudited, dollars in thousands)

	BZ Intermediate Holdings LLC (Parent)	Co-issuers	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
Sales						
Trade	$—	$3,629	$602,193	$12,763	$—	$618,585
Intercompany	—	—	749	26,293	(27,042)	—
Related parties	—	—	—	19,255	—	19,255
	—	3,629	602,942	58,311	(27,042)	637,840
Costs and expenses						
Materials, labor, and other operating expenses	—	3,544	479,689	51,152	(27,042)	507,343
Fiber costs from related parties	—	—	—	4,466	—	4,466
Depreciation, amortization, and depletion	—	659	35,976	668	—	37,303
Selling and distribution expenses	—	—	30,627	(59)	—	30,568
General and administrative expenses	—	6,955	11,423	1,657	—	20,035
Other (income) expense, net	—	98	349	(66)	—	381
	—	11,256	558,064	57,818	(27,042)	600,096
Income (loss) from operations	—	(7,627)	44,878	493	—	37,744
Foreign exchange gain (loss)	—	(186)	33	255	—	102
Interest expense	—	(15,440)	—	7	—	(15,433)
Interest expense—intercompany	—	(48)	—	(14)	62	—
Interest income	—	14	40	—	—	54
Interest income—intercompany	—	14	48	—	(62)	—
	—	(15,646)	121	248	—	(15,277)
Income (loss) before income taxes and equity in net income (loss) of affiliates	—	(23,273)	44,999	741	—	22,467
Income tax provision	—	(8,488)	9	(326)	—	(8,805)
Income (loss) before equity in net income (loss) of affiliates	—	(31,761)	45,008	415	—	13,662
Equity in net income of affiliates	13,662	45,423	—	—	(59,085)	—
Net income	$13,662	$13,662	$45,008	$415	$(59,085)	$13,662

BZ Intermediate Holdings LLC and Subsidiaries
Consolidating Statements of Income
For the Three Months Ended June 30, 2011
(unaudited, dollars in thousands)

	BZ Intermediate Holdings LLC (Parent)	Co-issuers	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
Sales						
Trade	$—	$3,688	$587,606	$1,490	$—	$592,784
Intercompany	—	—	—	23,060	(23,060)	—
Related parties	—	—	—	10,351	—	10,351
	—	3,688	587,606	34,901	(23,060)	603,135
Costs and expenses						
Materials, labor, and other operating expenses	—	3,492	474,051	30,518	(23,060)	485,001
Fiber costs from related parties	—	—	—	4,383	—	4,383
Depreciation, amortization, and depletion	—	733	35,357	—	—	36,090
Selling and distribution expenses	—	—	29,425	58	—	29,483
General and administrative expenses	—	5,849	8,773	—	—	14,622
Other (income) expense, net	—	528	(1,276)	(65)	—	(813)
	—	10,602	546,330	34,894	(23,060)	568,766
Income (loss) from operations	—	(6,914)	41,276	7	—	34,369
Foreign exchange gain (loss)	—	(59)	114	—	—	55
Interest expense	—	(16,129)	57	—	—	(16,072)
Interest expense—intercompany	—	(49)	—	(4)	53	—
Interest income	—	72	2	—	—	74
Interest income—intercompany	—	4	49	—	(53)	—
	—	(16,161)	222	(4)	—	(15,943)
Income (loss) before income taxes and equity in net income (loss) of affiliates	—	(23,075)	41,498	3	—	18,426
Income tax provision	—	(6,521)	(8)	—	—	(6,529)
Income (loss) before equity in net income (loss) of affiliates	—	(29,596)	41,490	3	—	11,897
Equity in net income of affiliates	11,897	41,493	—	—	(53,390)	—
Net income	$11,897	$11,897	$41,490	$3	$(53,390)	$11,897

BZ Intermediate Holdings LLC and Subsidiaries
Consolidating Statements of Income
For the Six Months Ended June 30, 2012
(unaudited, dollars in thousands)

	BZ Intermediate Holdings LLC (Parent)	Co-issuers	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
Sales						
Trade	$—	$7,300	$1,220,608	$24,205	$—	$1,252,113
Intercompany	—	—	976	52,034	(53,010)	—
Related parties	—	—	—	30,573	—	30,573
	—	7,300	1,221,584	106,812	(53,010)	1,282,686
Costs and expenses						
Materials, labor, and other operating expenses	—	7,057	963,719	91,876	(53,010)	1,009,642
Fiber costs from related parties	—	—	—	9,412	—	9,412
Depreciation, amortization, and depletion	—	1,322	72,159	1,378	—	74,859
Selling and distribution expenses	—	—	60,847	363	—	61,210
General and administrative expenses	—	14,241	22,777	3,025	—	40,043
Other (income) expense, net	—	152	189	(260)	—	81
	—	22,772	1,119,691	105,794	(53,010)	1,195,247
Income (loss) from operations	—	(15,472)	101,893	1,018	—	87,439
Foreign exchange gain (loss)	—	3	76	180	—	259
Interest expense	—	(30,798)	—	—	—	(30,798)
Interest expense—intercompany	—	(95)	—	(28)	123	—
Interest income	—	48	50	—	—	98
Interest income—intercompany	—	28	95	—	(123)	—
	—	(30,814)	221	152	—	(30,441)
Income (loss) before income taxes and equity in net income (loss) of affiliates	—	(46,286)	102,114	1,170	—	56,998
Income tax provision	—	(21,629)	(23)	(346)	—	(21,998)
Income (loss) before equity in net income (loss) of affiliates	—	(67,915)	102,091	824	—	35,000
Equity in net income of affiliates	35,000	102,915	—	—	(137,915)	—
Net income	$35,000	$35,000	$102,091	$824	$(137,915)	$35,000

BZ Intermediate Holdings LLC and Subsidiaries
Consolidating Statements of Income
For the Six Months Ended June 30, 2011
(unaudited, dollars in thousands)

	BZ Intermediate Holdings LLC (Parent)	Co-issuers	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
Sales						
Trade	$—	$7,269	$1,143,063	$2,772	$—	$1,153,104
Intercompany	—	—	—	45,399	(45,399)	—
Related parties	—	—	—	18,794	—	18,794
	—	7,269	1,143,063	66,965	(45,399)	1,171,898
Costs and expenses						
Materials, labor, and other operating expenses	—	6,900	914,427	58,143	(45,399)	934,071
Fiber costs from related parties	—	—	—	8,823	—	8,823
Depreciation, amortization, and depletion	—	1,536	68,528	—	—	70,064
Selling and distribution expenses	—	—	48,695	161	—	48,856
General and administrative expenses	—	11,343	15,976	—	—	27,319
Other (income) expense, net	—	1,413	(974)	(175)	—	264
	—	21,192	1,046,652	66,952	(45,399)	1,089,397
Income (loss) from operations	—	(13,923)	96,411	13	—	82,501
Foreign exchange gain (loss)	—	81	106	—	—	187
Interest expense	—	(32,439)	—	—	—	(32,439)
Interest expense—intercompany	—	(93)	—	(7)	100	—
Interest income	—	148	4	—	—	152
Interest income—intercompany	—	7	93	—	(100)	—
	—	(32,296)	203	(7)	—	(32,100)
Income (loss) before income taxes and equity in net income (loss) of affiliates	—	(46,219)	96,614	6	—	50,401
Income tax provision	—	(19,754)	(56)	—	—	(19,810)
Income (loss) before equity in net income (loss) of affiliates	—	(65,973)	96,558	6	—	30,591
Equity in net income of affiliates	30,591	96,564	—	—	(127,155)	—
Net income	$30,591	$30,591	$96,558	$6	$(127,155)	$30,591

BZ Intermediate Holdings LLC and Subsidiaries
Consolidating Statements of Comprehensive Income
For the Three Months Ended June 30, 2012
(unaudited, dollars in thousands)

	BZ Intermediate Holdings LLC (Parent)	Co-issuers	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
Net income	$13,662	$13,662	$45,008	$415	$(59,085)	$13,662
Other comprehensive income (loss), net of tax						
Foreign currency translation adjustment	—	—	—	(2,307)	—	(2,307)
Cash flow hedges:						
Change in fair value	—	1,459	—	—	—	1,459
Loss included in net income	—	604	—	—	—	604
Amortization of actuarial loss and prior service cost for defined benefit pension plans	—	1,580	—	—	—	1,580
Equity in other comprehensive income (loss) of affiliates	1,336	(2,307)	—	—	971	—
	1,336	1,336	—	(2,307)	971	1,336
Comprehensive income (loss)	$14,998	$14,998	$45,008	$(1,892)	$(58,114)	$14,998

BZ Intermediate Holdings LLC and Subsidiaries
Consolidating Statements of Comprehensive Income
For the Three Months Ended June 30, 2011
(unaudited, dollars in thousands)

	BZ Intermediate Holdings LLC (Parent)	Co-issuers	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
Net income	$11,897	$11,897	$41,490	$3	$(53,390)	$11,897
Other comprehensive income (loss), net of tax						
Amortization of actuarial loss and prior service cost for defined benefit pension plans	—	861	—	—	—	861
Other	—	20	—	—	—	20
Equity in other comprehensive income of affiliates	881	—	—	—	(881)	—
	881	881	—	—	(881)	881

Comprehensive income	$12,778	$12,778	$41,490	$3	$(54,271)	$12,778

BZ Intermediate Holdings LLC and Subsidiaries
Consolidating Statements of Comprehensive Income
For the Six Months Ended June 30, 2012
(unaudited, dollars in thousands)

	BZ Intermediate Holdings LLC (Parent)	Co-issuers	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
Net income	$35,000	$35,000	$102,091	$824	$(137,915)	$35,000
Other comprehensive income (loss), net of tax						
Foreign currency translation adjustment	—	—	—	(1,452)	—	(1,452)
Cash flow hedges:						
Change in fair value	—	(756)	—	—	—	(756)
Loss included in net income	—	1,421	—	—	—	1,421
Amortization of actuarial loss and prior service cost for defined benefit pension plans	—	3,200	—	—	—	3,200
Equity in other comprehensive income (loss) of affiliates	2,413	(1,452)	—	—	(961)	—
	2,413	2,413	—	(1,452)	(961)	2,413
Comprehensive income (loss)	$37,413	$37,413	$102,091	$(628)	$(138,876)	$37,413

BZ Intermediate Holdings LLC and Subsidiaries
Consolidating Statements of Comprehensive Income
For the Six Months Ended June 30, 2011
(unaudited, dollars in thousands)

	BZ Intermediate Holdings LLC (Parent)	Co-issuers	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
Net income	$30,591	$30,591	$96,558	$6	$(127,155)	$30,591
Other comprehensive income (loss), net of tax						
Amortization of actuarial loss and prior service cost for defined benefit pension plans	—	1,716	—	—	—	1,716
Other	—	(1)	—	—	—	(1)
Equity in other comprehensive income of affiliates	1,715	—	—	—	(1,715)	—
	1,715	1,715	—	—	(1,715)	1,715

Comprehensive income	$32,306	$32,306	$96,558	$6	$(128,870)	$32,306

BZ Intermediate Holdings LLC and Subsidiaries
Consolidating Balance Sheets at June 30, 2012
(unaudited, dollars in thousands)

	BZ Intermediate Holdings LLC (Parent)	Co-issuers	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
ASSETS						
Current						
Cash and cash equivalents	$—	$51,962	$1,252	$6,288	$—	$59,502
Receivables						
Trade, less allowances	—	1,197	229,234	9,726	—	240,157
Intercompany	—	222	69	2,714	(3,005)	—
Other	—	3,799	3,725	509	—	8,033
Inventories	—	3	324,301	2,955	—	327,259
Deferred income taxes	—	6,928	—	—	—	6,928
Prepaid and other	—	6,779	6,938	597	—	14,314
	—	70,890	565,519	22,789	(3,005)	656,193
Property						
Property and equipment, net	—	6,329	1,206,053	11,249	—	1,223,631
Fiber farms	—	—	22,331	—	—	22,331
	—	6,329	1,228,384	11,249	—	1,245,962
Deferred financing costs	—	28,940	—	—	—	28,940
Goodwill	—	—	156,088	4,467	—	160,555
Intangible assets, net	—	—	138,419	14,215	—	152,634
Investments in affiliates	791,121	1,820,396	—	—	(2,611,517)	—
Intercompany notes receivable	—	3,400	—	—	(3,400)	—
Other assets	—	6,358	1,688	142	—	8,188
Total assets	$791,121	$1,936,313	$2,090,098	$52,862	$(2,617,922)	$2,252,472

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BZ Intermediate Holdings LLC and Subsidiaries
Consolidating Balance Sheets at June 30, 2012 (continued)
(unaudited, dollars in thousands)

	BZ Intermediate Holdings LLC (Parent)	Co-issuers	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
LIABILITIES AND CAPITAL						
Current						
Current portion of long-term debt	$—	$15,000	$—	$—	$—	$15,000
Income taxes payable	—	(161)	886	100	—	825
Accounts payable						
Trade	—	10,099	179,460	7,780	—	197,339
Intercompany	—	555	1,676	774	(3,005)	—
Accrued liabilities						
Compensation and benefits	—	19,325	36,984	1,093	—	57,402
Interest payable	—	10,540	—	—	—	10,540
Other	—	7,662	16,979	1,206	—	25,847
	—	63,020	235,985	10,953	(3,005)	306,953
Debt						
Long-term debt, less current portion	—	780,000	—	—	—	780,000
Intercompany notes payable	—	—	—	3,400	(3,400)	—
	—	780,000	—	3,400	(3,400)	780,000
Other						
Deferred income taxes	—	107,053	53,268	3,405	—	163,726
Compensation and benefits	—	156,018	89	—	—	156,107
Other long-term liabilities	—	39,101	15,139	325	—	54,565
	—	302,172	68,496	3,730	—	374,398
Commitments and contingent liabilities						
Capital						
Business unit equity	910,670	910,670	1,785,617	36,583	(2,732,870)	910,670
Accumulated other comprehensive loss	(119,549)	(119,549)	—	(1,804)	121,353	(119,549)
	791,121	791,121	1,785,617	34,779	(2,611,517)	791,121
Total liabilities and capital	$791,121	$1,936,313	$2,090,098	$52,862	$(2,617,922)	$2,252,472

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BZ Intermediate Holdings LLC and Subsidiaries
Consolidating Balance Sheets at December 31, 2011
(unaudited, dollars in thousands)

	BZ Intermediate Holdings LLC (Parent)	Co-issuers	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
ASSETS						
Current						
Cash and cash equivalents	$—	$82,532	$9,737	$4,727	$—	$96,996
Receivables						
Trade, less allowances	—	1,183	220,621	7,034	—	228,838
Intercompany	—	40	21	2,099	(2,160)	—
Other	—	2,477	5,064	81	—	7,622
Inventories	—	3	304,490	2,812	—	307,305
Deferred income taxes	—	20,379	—	—	—	20,379
Prepaid and other	—	4,467	2,588	(111)	—	6,944
	—	111,081	542,521	16,642	(2,160)	668,084
Property						
Property and equipment, net	—	5,652	1,217,520	12,097	—	1,235,269
Fiber farms	—	—	21,193	—	—	21,193
	—	5,652	1,238,713	12,097	—	1,256,462
Deferred financing costs	—	30,956	—	—	—	30,956
Goodwill	—	—	156,305	5,386	—	161,691
Intangible assets, net	—	—	143,986	15,134	—	159,120
Investments in affiliates	803,344	1,817,537	—	—	(2,620,881)	—
Intercompany notes receivable	—	3,400	—	—	(3,400)	—
Other assets	—	5,805	3,948	4	—	9,757
Total assets	$803,344	$1,974,431	$2,085,473	$49,263	$(2,626,441)	$2,286,070

BZ Intermediate Holdings LLC and Subsidiaries
Consolidating Balance Sheets at December 31, 2011 (continued)
(unaudited, dollars in thousands)

	BZ Intermediate Holdings LLC (Parent)	Co-issuers	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
LIABILITIES AND CAPITAL						
Current						
Current portion of long-term debt	$—	$10,000	$—	$—	$—	$10,000
Income taxes payable	—	(396)	885	101	—	590
Accounts payable						
Trade	—	19,962	175,690	6,342	—	201,994
Intercompany	—	—	2,119	1	(2,120)	—
Accrued liabilities						
Compensation and benefits	—	24,581	39,457	869	—	64,907
Interest payable	—	10,528	—	—	—	10,528
Other	—	8,626	13,769	185	(40)	22,540
	—	73,301	231,920	7,498	(2,160)	310,559
Debt						
Long-term debt, less current portion	—	790,000	—	—	—	790,000
Intercompany notes payable	—	—	—	3,400	(3,400)	—
	—	790,000	—	3,400	(3,400)	790,000
Other						
Deferred income taxes	—	94,822	53,365	4,525	—	152,712
Compensation and benefits	—	172,305	89	—	—	172,394
Other long-term liabilities	—	40,659	16,261	141	—	57,061
	—	307,786	69,715	4,666	—	382,167
Commitments and contingent liabilities						
Capital						
Business unit equity	925,306	925,306	1,783,838	34,051	(2,743,195)	925,306
Accumulated other comprehensive loss	(121,962)	(121,962)	—	(352)	122,314	(121,962)
	803,344	803,344	1,783,838	33,699	(2,620,881)	803,344
Total liabilities and capital	$803,344	$1,974,431	$2,085,473	$49,263	$(2,626,441)	$2,286,070

BZ Intermediate Holdings LLC and Subsidiaries
Consolidating Statements of Cash Flows
For the Six Months Ended June 30, 2012
(unaudited, dollars in thousands)

	BZ Intermediate Holdings LLC (Parent)	Co-issuers	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
Cash provided by (used for) operations						