

BOISE INC.
Form 10-K
March 02, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2010

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	I.R.S. Employer Identification No.	State or Other Jurisdiction of Incorporation or Organization
001-33541	Boise Inc.	20-8356960	Delaware
333-166926-04	BZ Intermediate Holdings LLC	27-1197223	Delaware

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

Title of Each Class	Name of Each Exchange On Which Registered
Common Stock, \$.0001 par value	New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

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

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	..	No	..
BZ Intermediate Holdings LLC	Yes	..	No	..

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) 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 amendments to this Form 10-K. x

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	..	Accelerated filer	x
	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 Act).

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

As of June 30, 2010, which was the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of Boise Inc.'s Common Stock, par value \$.0001 per share, held by non-affiliates was approximately \$432,546,329 based upon the closing price of \$5.49 per share as quoted on the New York Stock Exchange on that date.

There were 84,355,255 common shares, \$.0001 per share par value, of Boise Inc. and 1,000 common units, \$.01 per unit par value, of BZ Intermediate Holdings LLC outstanding as of January 31, 2011.

This Form 10-K is a combined annual 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 I(1)(a) and (b) of Form 10-K 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.

DOCUMENTS INCORPORATED BY REFERENCE

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Certain information required for Part III of this Annual Report on Form 10-K is incorporated by reference to the Boise Inc. definitive Proxy Statement for its 2011 Annual Shareholders Meeting, which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, within 120 days of Boise Inc.'s year-end.

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PART I

All of our filings with the Securities and Exchange Commission (SEC), which include this Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Registration Statements, Current Reports on Form 8-K, and all related amendments 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 we file with or furnish such reports to the SEC. Attached as exhibits to this Form 10-K are certifications of our Chief Executive Officer and Chief Financial Officer required under Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. In this filing, 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 Holdings LLC (BZ Intermediate).

ITEM 1. BUSINESS

Boise Inc. is a large, diverse United States-based manufacturer of paper and packaging products. The products we manufacture include papers used for communication, such as office papers, commercial printing papers, envelopes, forms, and newsprint, as well as papers that are associated with packaging, including label and release and flexible papers used for food wrap and other applications. We also manufacture linerboard and corrugating medium, which are combined to make containerboard, the base raw material in our corrugated sheets and containers.

Headquartered in Boise, Idaho, we have approximately 4,100 employees. We own paper mills in the following locations: Jackson, Alabama; International Falls, Minnesota; St. Helens, Oregon; and Wallula, Washington, all of which manufacture imaging, printing, and converting papers. All of these mills, except St. Helens, also manufacture pulp, which is either sold on the market or used in our own operations to manufacture paper.

We also own a mill in DeRidder, Louisiana, which produces linerboard and newsprint. Additionally, we own seven plants that manufacture corrugated packaging products. Our plants in Burley, Idaho; Nampa, Idaho; Sparks, Nevada; Salem, Oregon; Salt Lake City, Utah; and Wallula, Washington, all manufacture corrugated containers. Our plant in Waco, Texas, manufactures corrugated sheets.

Our operations began on February 22, 2008, when entities controlled by Boise Cascade Holdings, L.L.C. (Boise Cascade) sold their paper and packaging assets to Aldabra 2 Acquisition Corp. (the Acquisition). As part of the Acquisition, Aldabra 2 Acquisition Corp. changed its name to Boise Inc. In this Form 10-K, we use the term Predecessor to reference the periods before the Acquisition, including the period when our assets were operated by Boise Cascade.

Since the Acquisition, we have operated and reported our business in three reportable segments: Paper, Packaging, and Corporate and Other (support services). We present information about each of our segments and the geographic areas in which they operate in Note 18, Segment Information, of the Notes to Consolidated Financial Statements in Part II, Item 8. Financial Statements and Supplementary Data of this Form 10-K.

Corporate Structure

The following sets forth our operating structure at December 31, 2010:

Paper

Products

In our Paper segment, we manufacture and sell three general categories of products: (1) communication-based papers; (2) packaging-demand-driven papers; and (3) market pulp. These products can be either commodity papers or papers with specialized or custom features, such as colors, coatings, high brightness, or recycled content, which make them specialty or premium products.

Communication-Based Papers

Imaging papers for the office and home, also known as cut-size office papers.

Printing and converting papers: papers used by commercial printers or converters to manufacture envelopes, forms, and other commercial paper products.

Packaging-Demand-Driven Papers

Label and release papers: These papers include label facestocks, as well as release liners, which our customers combine and convert to labels for use on consumer and commercial packaged products.

Flexible packaging papers: coated and uncoated papers sold to customers that create flexible packaging products for food and nonfood applications.

Corrugating medium: unbleached paperboard, which when corrugated and combined with linerboard, forms corrugated board – the key raw material in the manufacture of corrugated sheets and containers. Corrugating medium is also part of a broader category of products called containerboard.

Market Pulp

Market pulp: pulp sold to customers in the open market for use in the manufacture of paper products.

We are the third-largest manufacturer of uncoated freesheet papers in North America. Cut-size office papers, printing and converting papers, label and release, and flexible packaging products are a subset of a larger product category called uncoated freesheet papers. Our cut-size office papers account for approximately 57% of segment sales. Total Paper segment capacity, including corrugating medium and market pulp, was approximately 1.5 million short tons (a short ton is equal to 2,000 pounds) at December 31, 2010.

Our strategy in our Paper segment is to focus our two largest paper machines on cut-size commodity office paper. Our long-term supply agreement with OfficeMax allows us to focus our largest paper machines on long, high-volume production runs, to continue to improve the capacity utilization of our largest paper machines, to achieve supply chain efficiencies, and to develop and test product and packaging innovations. We leverage the expertise developed in this relationship to better serve our other customers and to develop new customers and products while pursuing productivity improvements and cost reductions.

We focus our product mix on cut-size office papers and packaging-demand-driven papers to better align ourselves with changing end markets. Many traditional communication paper markets have declined as electronic document transmission and storage alternatives have developed. These declines have varied by specific products. For example, the use of business forms has declined significantly, while cut-size office paper consumption has declined more modestly over the past several years as increased printer placements in home and manufacturing environments have offset reductions in office consumption. Some paper markets, such as label and release papers and flexible packaging papers, are not as sensitive to electronic substitution. Sales volumes of label and release, flexible packaging, and premium office papers grew 13%, during the year ended December 31, 2010, compared with the year ended December 31, 2009.

The following table sets forth capacity and production by product for the periods indicated (in thousands of short tons):

	Boise Inc. Year Ended December 31			Predecessor January 1 Year Ended December 31 Through February 21, 2008	
	2010	2009	2008	2007	2006
Capacity (a)					
Uncoated freesheet	1,263	1,265	1,300	1,484	1,547
Containerboard (medium)	136	135	136	138	134
Market pulp	142	145	136	229	224