

BOISE INC.
 Form 10-Q
 August 01, 2013

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

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

For the quarterly period ended June 30, 2013

or

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

For the transition period from to

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

(Registrants' telephone number, including area code)

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

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

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

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

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

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

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

(Do not check if smaller reporting company)

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BZ Intermediate Holdings LLC	Large accelerated filer	..	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 100,882,326 common shares, \$0.0001 per share par value, of Boise Inc. outstanding as of July 24, 2013.

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

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

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Boise Inc.

Consolidated Statements of Operations

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

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
Sales				
Trade	\$604,821	\$618,585	\$1,196,142	\$1,252,113
Related party	16,843	19,255	32,540	30,573
	621,664	637,840	1,228,682	1,282,686
Costs and expenses				
Materials, labor, and other operating expenses (excluding depreciation)	495,689	507,343	991,958	1,009,642
Fiber costs from related party	5,319	4,466	11,465	9,412
Depreciation, amortization, and depletion	43,891	37,303	87,319	74,859
Selling and distribution expenses	33,764	30,568	62,613	61,210
General and administrative expenses	19,693	20,035	38,616	40,043
Restructuring costs	9,011	—	9,474	—
Other (income) expense, net	1,930	381	1,798	81
	609,297	600,096	1,203,243	1,195,247
Income from operations	12,367	37,744	25,439	87,439
Foreign exchange gain (loss)	(415)	102	(756)	259
Interest expense	(15,456)	(15,433)	(30,875)	(30,798)
Interest income	7	54	34	98
	(15,864)	(15,277)	(31,597)	(30,441)
Income (loss) before income taxes	(3,497)	22,467	(6,158)	56,998
Income tax (provision) benefit	1,289	(8,805)	2,725	(21,998)
Net income (loss)	\$(2,208)	\$13,662	\$(3,433)	\$35,000
Weighted average common shares outstanding:				
Basic	100,531	100,116	100,387	99,584
Diluted	100,531	101,008	100,387	101,182
Net income (loss) per common share:				
Basic	\$(0.02)	\$0.14	\$(0.03)	\$0.35
Diluted	\$(0.02)	\$0.14	\$(0.03)	\$0.35

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	
	2013	2012	2013	2012
Net income (loss)	\$(2,208)	\$13,662	\$(3,433)	\$35,000
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustment, net of tax of \$69, \$0, \$29, and \$0, respectively	(195)	(2,307)	(423)	(1,452)
Cash flow hedges:				
Change in fair value, net of tax of (\$671), \$913, \$367, and (\$475), respectively	(1,069)	1,459	587	(756)
(Gain) loss included in net income, net of tax of \$64, \$380, \$2, and \$891, respectively	101	604	3	1,421
Amortization of actuarial loss and prior service cost for defined benefit pension plans, net of tax of \$845, \$993, \$1,670, and \$2,012, respectively	1,349	1,585	2,665	3,210
Other, net of tax of (\$14), (\$2), (\$29), and (\$6), respectively	(24)	(5)	(48)	(10)
	162	1,336	2,784	2,413
Comprehensive income (loss)	\$(2,046)	\$14,998	\$(649)	\$37,413

See accompanying condensed notes to unaudited quarterly consolidated financial statements.

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

	June 30, 2013	December 31, 2012
ASSETS		
Current		
Cash and cash equivalents	\$61,086	\$49,707
Receivables		
Trade, less allowances of \$1,349 and \$1,382	254,348	240,459
Other	9,861	8,267
Inventories	288,707	294,484
Deferred income taxes	10,068	17,955
Prepaid and other	14,139	8,828
	638,209	619,700
Property		
Property and equipment, net	1,212,663	1,223,001
Fiber farms	25,113	24,311
	1,237,776	1,247,312
Deferred financing costs	24,380	26,677
Goodwill	160,132	160,130
Intangible assets, net	142,018	147,564
Other assets	6,629	7,029
Total assets	\$2,209,144	\$2,208,412

See accompanying condensed notes to unaudited quarterly consolidated financial statements.

Boise Inc.

Consolidated Balance Sheets (continued)

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

	June 30, 2013	December 31, 2012
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current		
Current portion of long-term debt	\$ 15,000	\$ 10,000
Accounts payable	203,202	185,078
Accrued liabilities		
Compensation and benefits	65,386	70,950
Interest payable	10,529	10,516
Other	25,158	20,528
	319,275	297,072
Debt		
Long-term debt, less current portion	760,000	770,000
Other		
Deferred income taxes	189,918	198,370
Compensation and benefits	116,153	121,682
Other long-term liabilities	73,990	73,102
	380,061	393,154
Commitments and contingent liabilities		
Stockholders' equity		
Preferred stock, \$0.0001 par value per share: 1,000 shares authorized; none issued	—	—
Common stock, \$0.0001 par value per share: 250,000 shares authorized; 100,884 and 100,503 shares issued and outstanding	12	12
Treasury stock, 21,151 shares held	(121,423	) (121,423)
Additional paid-in capital	871,065	868,840
Accumulated other comprehensive income (loss)	(98,520	) (101,304)
Retained earnings	98,674	102,061
Total stockholders' equity	749,808	748,186
Total liabilities and stockholders' equity	\$ 2,209,144	\$ 2,208,412

See accompanying condensed notes to unaudited quarterly consolidated financial statements.

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

	Six Months Ended June 30		
	2013	2012	
Cash provided by (used for) operations			
Net income (loss)	\$(3,433	) \$35,000
Items in net income (loss) not using (providing) cash			
Depreciation, depletion, and amortization of deferred financing costs and other	89,793	77,190	
Share-based compensation expense	3,076	2,729	
Pension expense	3,020	5,474	
Deferred income taxes	(2,624	) 12,610
Restructuring costs	9,992	—	
Other	1,400	(43)
Decrease (increase) in working capital			
Receivables	(15,731) (12,050)
Inventories	2,566	(20,224)
Prepaid expenses	(2,127) (4,869)
Accounts payable and accrued liabilities	1,040	(14,061)
Current and deferred income taxes	(689	) 7,452
Pension payments	(5,091) (18,191)
Other	404	2,110	
Cash provided by operations	81,596	73,127	
Cash provided by (used for) investment			
Expenditures for property and equipment	(64,595) (52,457)
Other	690	586	
Cash used for investment	(63,905) (51,871)
Cash provided by (used for) financing			
Payments of long-term debt	(5,000) (5,000)
Payments of special dividend	—	(47,483)
Other	(1,312) (6,267)
Cash used for financing	(6,312) (58,750)
Increase (decrease) in cash and cash equivalents	11,379	(37,494)
Balance at beginning of the period	49,707	96,996	
Balance at end of the period	\$61,086	\$59,502	

See accompanying condensed notes to unaudited quarterly consolidated financial statements.

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

	Three Months Ended		Six Months Ended June 30	
	June 30 2013	2012	2013	2012
Sales				
Trade	\$604,821	\$618,585	\$1,196,142	\$1,252,113
Related party	16,843	19,255	32,540	30,573
	621,664	637,840	1,228,682	1,282,686
Costs and expenses				
Materials, labor, and other operating expenses (excluding depreciation)	495,689	507,343	991,958	1,009,642
Fiber costs from related party	5,319	4,466	11,465	9,412
Depreciation, amortization, and depletion	43,891	37,303	87,319	74,859
Selling and distribution expenses	33,764	30,568	62,613	61,210
General and administrative expenses	19,693	20,035	38,616	40,043
Restructuring costs	9,011	—	9,474	—
Other (income) expense, net	1,930	381	1,798	81
	609,297	600,096	1,203,243	1,195,247
Income from operations	12,367	37,744	25,439	87,439
Foreign exchange gain (loss)	(415)	102	(756)	259
Interest expense	(15,456)	(15,433)	(30,875)	(30,798)
Interest income	7	54	34	98
	(15,864)	(15,277)	(31,597)	(30,441)
Income (loss) before income taxes	(3,497)	22,467	(6,158)	56,998
Income tax (provision) benefit	1,289	(8,805)	2,725	(21,998)
Net income (loss)	\$(2,208)	\$13,662	\$(3,433)	\$35,000

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		Six Months Ended	
	June 30		June 30	
	2013	2012	2013	2012
Net income (loss)	\$(2,208)	\$13,662	\$(3,433)	\$35,000
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustment, net of tax of \$69, \$0, \$29, and \$0, respectively	(195)	(2,307)	(423)	(1,452)
Cash flow hedges:				
Change in fair value, net of tax of (\$671), \$913, \$367, and (\$475), respectively	(1,069)	1,459	587	(756)
(Gain) loss included in net income, net of tax of \$64, \$380, \$2, and \$891, respectively	101	604	3	1,421
Amortization of actuarial loss and prior service cost for defined benefit pension plans, net of tax of \$845, \$993, \$1,670, and \$2,012, respectively	1,349	1,585	2,665	3,210
Other, net of tax of (\$14), (\$2), (\$29), and (\$6), respectively	(24)	(5)	(48)	(10)
	162	1,336	2,784	2,413
Comprehensive income (loss)	\$(2,046)	\$14,998	\$(649)	\$37,413

See accompanying condensed notes to unaudited quarterly consolidated financial statements.

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

	June 30, 2013	December 31, 2012
ASSETS		
Current		
Cash and cash equivalents	\$61,086	\$49,707
Receivables		
Trade, less allowances of \$1,349 and \$1,382	254,348	240,459
Other	9,861	8,267
Inventories	288,707	294,484
Deferred income taxes	11,997	17,955
Prepaid and other	14,139	8,828
	640,138	619,700
Property		
Property and equipment, net	1,212,663	1,223,001
Fiber farms	25,113	24,311
	1,237,776	1,247,312
Deferred financing costs	24,380	26,677
Goodwill	160,132	160,130
Intangible assets, net	142,018	147,564
Other assets	6,629	7,029
Total assets	\$2,211,073	\$2,208,412

See accompanying condensed notes to unaudited quarterly consolidated financial statements.

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

	June 30, 2013	December 31, 2012
LIABILITIES AND CAPITAL		
Current		
Current portion of long-term debt	\$ 15,000	\$ 10,000
Accounts payable	203,202	185,078
Accrued liabilities		
Compensation and benefits	65,386	70,950
Interest payable	10,529	10,516
Other	25,158	20,528
	319,275	297,072
Debt		
Long-term debt, less current portion	760,000	770,000
Other		
Deferred income taxes	183,300	189,823
Compensation and benefits	116,153	121,682
Other long-term liabilities	74,040	73,152
	373,493	384,657
Commitments and contingent liabilities		
Capital		
Business unit equity	856,825	857,987
Accumulated other comprehensive income (loss)	(98,520	) (101,304
	758,305	756,683
Total liabilities and capital	\$ 2,211,073	\$ 2,208,412

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		
	2013	2012	
Cash provided by (used for) operations			
Net income (loss)	\$(3,433	) \$35,000
Items in net income (loss) not using (providing) cash			
Depreciation, depletion, and amortization of deferred financing costs and other	89,793	77,190	
Share-based compensation expense	3,076	2,729	
Pension expense	3,020	5,474	
Deferred income taxes	(2,624	) 12,610
Restructuring costs	9,992	—	
Other	1,400	(43)
Decrease (increase) in working capital			
Receivables	(15,731) (12,050)
Inventories	2,566	(20,224)
Prepaid expenses	(2,127) (4,869)
Accounts payable and accrued liabilities	1,040	(14,061)
Current and deferred income taxes	(689	) 7,452
Pension payments	(5,091) (18,191)
Other	404	2,110	
Cash provided by operations	81,596	73,127	
Cash provided by (used for) investment			
Expenditures for property and equipment	(64,595) (52,457)
Other	690	586	
Cash used for investment	(63,905) (51,871)
Cash provided by (used for) financing			
Payments of long-term debt	(5,000) (5,000)
Payments (to) from Boise Inc., net	(1,100) (52,440)
Other	(212) (1,310)
Cash used for financing	(6,312) (58,750)
Increase (decrease) in cash and cash equivalents	11,379	(37,494)
Balance at beginning of the period	49,707	96,996	
Balance at end of the period	\$61,086	\$59,502	

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 also have operations in 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. We manufacture linerboard, which when combined with corrugating medium is used in the manufacture of corrugated sheets and containers. The term containerboard is used to describe linerboard, corrugating medium, or a combination of the two. We also manufacture communication papers such as office papers, commercial printing papers, envelopes, 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 and Other
Segment

See Note 16, 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, including 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 2012 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. Restructuring Costs

2013 Restructuring Costs

In May 2013, we announced our decision to shut down two paper machines and an off-machine coater at our mill in International Falls, Minnesota. These closures, which we expect to occur in early fourth quarter 2013, will reduce our annual uncoated freesheet capacity by approximately 115,000 tons, or 9%. This decision will result in the loss of approximately 300 jobs. During the three months ended June 30, 2013, we recorded \$13.3 million of pretax restructuring costs, of which \$12.3 million was recorded in our Paper segment and related primarily to this decision. We recorded \$1.0 million of costs in our Packaging segment related to restructuring activities in connection with our recently announced project to convert a machine at our DeRidder, Louisiana, mill to produce lightweight linerboard and corrugating medium. In addition to the amounts recorded in "Restructuring costs" on our Consolidated Statements of Operations, we recorded \$4.0 million of other restructuring costs that related primarily to inventory write-downs in "Materials, labor, and other operating expenses (excluding depreciation)", during the three and six months ended June 30, 2013.

During the three and six months ended June 30, 2013, we recognized \$5.5 million and \$10.8 million, respectively, of incremental depreciation expense related to shortening the useful lives of some of our assets, primarily at International Falls, Minnesota.

An analysis of the restructuring costs for the three and six months ended June 30, 2013, is as follows (in thousands):

	Noncash	Cash (a)	Total Costs
Employee-related and other costs	\$—	\$7,023	\$7,023
Inventory write-down	3,960	—	3,960
Asset write-down	2,016	—	2,016
Pension curtailment loss	271	—	271
	\$6,247	\$7,023	\$13,270

These costs were recorded in "Accrued liabilities, Compensation and benefits" on our Consolidated Balance Sheet. We expect to pay most of these costs in the second half of 2013 and the remainder in the first half of 2014. In (a) addition to the restructuring costs, above, we expect to incur approximately \$0.9 million of additional employee-related and other costs in 2013 and 2014 that will be recognized as a period expense when incurred.

2012 Restructuring Costs

In December 2012, we ceased paper production on our one remaining paper machine at our St. Helens, Oregon, paper mill. This reduced our annual uncoated freesheet capacity by almost 60,000 tons and resulted in the loss of approximately 100 jobs, primarily at the mill. During the three and six months ended June 30, 2012, St. Helens sales were \$17.5 million and \$35.6 million, respectively. The St. Helens operations had an insignificant impact on income during those periods. Accrued severance costs at January 1, 2013, were approximately \$5.1 million, and we have paid all but an insignificant amount as of June 30, 2013. For more information, see Note 3, St. Helens Charges, of the Notes to Consolidated Financial Statements in "Part II, Item 8. Financial Statements and Supplementary Data" in our 2012 Form 10-K.

3. Net Income (Loss) Per Common Share

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

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2013	2012	2013	2012
Net income (loss)	\$(2,208)	\$13,662	\$(3,433)	\$35,000
Weighted average number of common shares for basic net income (loss) per common share	100,531	100,116	100,387	99,584
Incremental effect of dilutive common stock equivalents (a):				
Restricted stock and restricted stock units	—	680	—	1,362
RONOA performance awards	—	211	—	235
Total Stockholder Return (TSR) market-condition awards	—	—	—	—
Stock options	—	1	—	1
Weighted average number of common shares for diluted net income (loss) per common share	100,531	101,008	100,387	101,182
Net income (loss) per common share:				
Basic	\$(0.02)	\$0.14	\$(0.03)	\$0.35
Diluted	\$(0.02)	\$0.14	\$(0.03)	\$0.35

During the three and six months ended June 30, 2013, we excluded a weighted average 0.8 million and 1.0 million potentially dilutive shares, respectively, from the diluted net income (loss) per share calculation as they would have (a) been antidilutive or were out-of-the-money. During the three and six months ended June 30, 2012, we excluded 0.8 million and 0.3 million potentially dilutive shares, respectively, as they would have been antidilutive or were out-of-the-money.

4. Income Taxes

For the three and six months ended June 30, 2013, we recorded \$1.3 million and \$2.7 million of income tax benefit and had an effective tax rate of 36.9% and 44.3%, respectively. During the three and six months ended June 30, 2013, the primary reason for the difference from the federal statutory income tax rate of 35% was the effect of lower income from operations, discrete items, and the effect of state 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 taxes.

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 Operations. Interest expense and penalties relating to uncertain tax positions were nominal for all periods presented. During the three and six months ended June 30, 2013, there were no significant changes to our uncertain tax positions. For more information, see Note 6, Income Taxes, of the Notes to Consolidated Financial Statements in "Part II, Item 8. Financial Statements and

Supplementary Data" in our 2012 Form 10-K.

As of June 30, 2013, 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

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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, 2013, cash paid for taxes, net of refunds received, was \$0.2 million. Refunds received, net of cash paid for taxes, were \$0.7 million during the six months ended June 30, 2012.

5. 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. At both June 30, 2013, and December 31, 2012, the carrying amount of goodwill was \$160.1 million. Goodwill is affected by foreign currency translation.

Intangible Assets

Intangible assets consist of customer relationships, trademarks and trade names, technology, and noncompete agreements. We had \$142.0 million and \$147.6 million of intangible assets at June 30, 2013, and December 31, 2012, net of \$30.8 million and \$26.3 million of accumulated amortization, respectively. During the three months ended June 30, 2013 and 2012, we recorded intangible asset amortization of \$2.5 million and \$3.0 million, respectively. During the six months ended June 30, 2013 and 2012, we recorded intangible asset amortization of \$5.3 million and \$6.3 million, respectively. Foreign intangible assets are affected by foreign currency translation.

6. Debt

At June 30, 2013, and December 31, 2012, our long-term debt and the interest rates on that debt were as follows (dollars in thousands):

	June 30, 2013		December 31, 2012		
	Amount	Interest Rate	Amount	Interest Rate	
Revolving credit facility, due 2016	\$—	—	% \$5,000	2.21	%
Tranche A term loan, due 2016	175,000	2.20	175,000	2.22	
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	775,000	7.08	780,000	7.05	
Current portion of long-term debt	(15,000)	) 2.20	(10,000)	) 2.22	
Long-term debt, less current portion	\$760,000	7.17	% \$770,000	7.11	%

As of June 30, 2013, 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 (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%.

Under our Credit Facilities (the Revolving Credit Facility together with the Term Loan Facility) we elect whether interest on our Term Loan and, separately, interest under any Revolving Credit Facility is based on an alternative base rate or the London Interbank Offered Rate (LIBOR), plus an applicable spread based on our total leverage ratio. Our total leverage ratio is essentially our total net debt divided by our trailing four quarters of Adjusted Consolidated EBITDA (as defined in the Credit Agreement). Based on our current one-month LIBOR

election, at June 30, 2013, the interest rate on our Credit Facilities was LIBOR plus 200 basis points, and we pay interest on the Credit Facilities monthly in arrears.

At June 30, 2013, we had no borrowings outstanding under our Revolving Credit Facility and had availability of \$493.0 million, which is net of outstanding letters of credit of \$7.0 million. The maximum borrowings under our Revolving Credit Facility for the six months ended June 30, 2013, was \$5.0 million, and the weighted average was \$0.7 million. For the six months ended June 30, 2013, the average interest rate for our outstanding borrowings under our Revolving Credit Facility was 2.21%.

The Credit Facilities and Senior Note indentures contain certain restrictions relating to dividend payments, capital expenditures, financial ratios, guarantees, and the incurrence of additional indebtedness, which are discussed in Note 8, Debt, of the Notes to Consolidated Financial Statements in "Part II, Item 8. Financial Statements and Supplementary Data" in our 2012 Form 10-K. Under our Credit Facilities and the indentures governing our Senior Notes, a dividend may be paid if it does not exceed our permitted restricted payment amount, which is calculated as the sum of 50% of our net income for distributions, together with other amounts as specified in the Credit Facilities and indentures. At June 30, 2013, the available restricted payment amount under our 8% Senior Notes indenture, which is more restrictive than our Credit Agreement and our 9% Senior Notes indenture, was approximately \$108.3 million. To the extent we do not have adequate surplus or net profits, or available restricted payment amounts, we will be prohibited from paying dividends.

The Credit Facilities require the proceeds from asset sales, subject to specified exceptions and casualty insurance, be used to pay down outstanding borrowings.

As of June 30, 2013, required debt principal repayments were as follows (dollars in thousands):

	Remaining 2013	2014	2015	2016	2017	Thereafter
Required debt principal repayments	\$5,000	\$20,000	\$30,000	\$120,000	\$300,000	\$300,000

For the six months ended June 30, 2013 and 2012, cash payments for interest were \$28.4 million and \$28.7 million, respectively.

With the exception of the Credit Facilities, our debt is fixed-rate debt. At June 30, 2013, the book value of our fixed-rate debt was \$600.0 million, and the fair value was estimated to be \$637.9 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, 2013, these derivatives included caps and call spreads, which we account for as economic hedges, and swaps, which are designated and accounted for as cash flow hedges. As of June 30, 2013, we had entered into derivative instruments related to the following approximate percentages of our forecasted natural gas purchases:

July 2013 Through	November 2013 Through	April 2014 Through	November 2014 Through	April 2015 Through	November 2015 Through	April 2016 Through
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	October 2013	March 2014	October 2014	March 2015	October 2015	March 2016	October 2016	
Approximate percent hedged	79	% 58	% 50	% 43	% 37	% 15	% 21	%

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Economic Hedges

For derivative instruments that are not designated as cash flow hedges for accounting purposes, the gain or loss on the derivatives is recognized in "Materials, labor, and other operating expenses (excluding depreciation)" in the Consolidated Statements of Operations. During the three and six months ended June 30, 2013 and 2012, we recognized an insignificant amount of expense and/or 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 (excluding depreciation)" in our Consolidated Statements of Operations 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, 2013, and December 31, 2012, we had \$0.6 million and \$1.2 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.

The effects of our cash flow hedging instruments on our Consolidated Balance Sheets and Consolidated Statements of Operations 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		Six Months Ended		Three Months Ended		Six Months Ended	
	June 30	June 30	June 30	June 30	June 30	June 30	June 30	June 30
	2013 (a)	2012	2013	2012	2013	2012	2013	2012
Natural gas contracts	\$1,740	\$(2,372)	\$(954)	\$1,231	\$165	\$984	\$5	\$2,312

(a) Based on June 30, 2013, pricing, the estimated income, net of tax, to be recognized in earnings during the next 12 months is \$0.6 million.

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, 2013, and December 31, 2012, 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.

We offset asset and liability balances, by counterparty, where legal right of offset exists. Our derivative contracts provide for netting of like transactions in the event a counterparty defaults or upon termination. No collateral was received or pledged in connection with these agreements. The following table presents the fair value of these instruments at June 30, 2013, and December 31, 2012 (dollars in thousands):

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Liabilities Presented in the Consolidated Balance Sheets
June 30, 2013			
Instruments in a net liability position, by counterparty			
(a)			
Cash flow hedges	\$(1,510	) \$103	\$(1,407)
Economic hedges	(2,457	) 352	(2,105)
Total	\$(3,967	) \$455	\$(3,512)
December 31, 2012			
Instruments in a net liability position, by counterparty			
(a)			
Cash flow hedges	\$(2,568	) \$203	\$(2,365)
Economic hedges	(2,582	) 385	(2,197)
Total	\$(5,150	) \$588	\$(4,562)

(a) At June 30, 2013, \$1.9 million was recorded in "Accrued liabilities, Other" and \$1.6 million was recorded in "Other long-term liabilities." At December 31, 2012, amounts were \$4.1 million and \$0.5 million, respectively.

8. Retirement and Benefit Plans

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

	Three Months Ended		Six Months Ended June	
	June 30		30	
	2013	2012	2013	2012
Service cost	\$558	\$705	\$1,131	\$1,440
Interest cost	5,957	6,157	11,936	12,325
Expected return on plan assets	(7,308	) (6,803	) (14,653	) (13,579
Amortization of actuarial loss	2,194	2,576	4,335	5,217
Amortization of prior service costs and other	—	2	—	5
Curtailment loss	271	66	271	66
Net periodic benefit cost	\$1,672	\$2,703	\$3,020	\$5,474

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 plans, tax deductibility, our cash flows from operations, and other factors.

9. Share-Based Compensation

Our shareholders have approved the Boise Inc. Incentive and Performance Plan (the Plan), which authorizes awards of share-based compensation, such as restricted stock, restricted stock units, performance units payable in stock, and stock options. These awards are at the discretion of the Compensation Committee of our board of directors, and they vest and expire in accordance with terms established at the time of grant. Most awards under the Plan are eligible to

participate in dividend or dividend equivalent payments, if any, which we accrue to be paid when the awards vest.

Shares issued pursuant to awards under the Plan are from our authorized but unissued shares or from treasury shares. The maximum number of shares approved for grant under the Plan is 17.2 million shares. As of June 30, 2013, 7.8 million shares remained available for future issuance under the Plan. Share-based compensation costs in BZ Intermediate's financial statements represent expenses for restricted stock, restricted

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stock units, stock options, and performance units of Boise Inc., which have been pushed down to BZ Intermediate for accounting purposes. Additional information regarding the Plan and awards can be found in Note 11, Share-Based Compensation, of the Notes to Consolidated Financial Statements in "Part II, Item 8. Financial Statements and Supplementary Data" in our 2012 Form 10-K.

Restricted Stock and Performance Units

Members of management and our directors have been granted restricted stock and restricted stock units (collectively restricted stock), the majority of which are subject to an EBITDA (earnings before interest, taxes, and depreciation, amortization, and depletion) goal and all of which are subject to service-based vesting restrictions. These awards generally vest over a three-year period. The fair values of our restricted stock 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 period.

Members of management have been granted performance units, with some measured based on our return on net operating assets (RONOA) and others based on our comparative total stockholder return (TSR awards). The number of RONOAs performance units awarded is subject to adjustment based on the two-year average RONOAs. Because the RONOAs 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. Any shares not vested are forfeited. The fair values of the RONOAs performance units 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 period.

Market-condition awards, or TSR awards, have been granted to members of management. Each TSR award reflects a target number of shares that may be issued to the award recipient. The actual number of shares the recipient receives is determined at the end of a three-year performance period based on total stockholder return relative to a set of comparator companies. Market-condition awards represent a more difficult threshold to meet before payout, with greater uncertainty that the market condition will be satisfied; therefore, these awards have a lower fair value than those that vest based primarily on the passage of time. Compensation expense is required to be recognized for these awards regardless of when, if ever, the market condition is satisfied. Compensation expense is recorded over the awards' vesting period.

The following table presents the range of assumptions used to calculate, using a Monte Carlo simulation, the fair value of the TSR awards granted during the six months ended June 30, 2013:

Expected volatility	43.79% - 44.62%
Stock price on grant date	\$8.63 - \$8.87
Risk-free interest rate	0.37 % - 0.39 %
Expected term (years)	2.5 - 2.8
Expected dividend yield	—% - —%

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The following table presents restricted stock, RONO performance award, and TSR award activity for the six months ended June 30, 2013 (shares in thousands):

	Restricted Stock		RONOA Performance Awards		TSR Market-Condition Awards	
	Nonvested Shares	Weighted Average Grant-Date Fair Value	Nonvested Shares	Weighted Average Grant-Date Fair Value	Nonvested Shares	Weighted Average Grant-Date Fair Value
Outstanding at December 31, 2012 (a)	636	\$ 6.66	489	\$ 7.90	—	\$ —
Granted	422	8.61	264	8.69	236	8.54
Vested	(231)	8.52	(93)	8.53	—	—
Forfeited	(8)	8.48	(4)	8.50	—	—
Outstanding at June 30, 2013 (a)	819	\$ 7.12	656	\$ 8.13	236	\$ 8.54

(a) Outstanding awards include all nonvested and nonforfeited awards.

Stock Options

In 2012 and 2011, we granted nonqualified stock options to members of management. The stock options generally vest and become exercisable over three years. Our stock options generally have a contractual term of ten years, meaning the option must be exercised by the holder before the tenth anniversary of the grant date. No options were granted during the six months ended June 30, 2013.

The following is a summary of our stock option activity (number of options and aggregate intrinsic value in thousands):

	Options	Weighted Average Exercise Price	Weighted Average Remaining Life (in years)	Aggregate Intrinsic Value
Outstanding at December 31, 2012	841	\$8.34		
Exercised	—	—		
Forfeited	—	—		
Outstanding at June 30, 2013	841	\$8.34	8.3	\$ 169
Exercisable at June 30, 2013	335	\$8.37	8.2	\$ 57
Vested and expected to vest at June 30, 2013	825	\$8.34	8.3	\$ 165

Compensation Expense

Most of our share-based compensation expense was recorded in "General and administrative expenses" in our Consolidated Statements of Operations. Total recognized share-based compensation expense, net of estimated forfeitures, is as follows (dollars in thousands):

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
Restricted stock	\$828	\$771	\$1,277	\$1,604
RONOA performance awards	500	462	972	705
TSR market-condition awards	153	—	180	—
Stock options	271	262	647	420
Total share-based compensation expense	\$1,752	\$1,495	\$3,076	\$2,729

The unrecognized compensation expense for all share-based awards at June 30, 2013, is as follows (dollars in thousands):

	Unrecognized Compensation Expense	Remaining Weighted Average Recognition Period (in years)
Restricted stock	\$4,306	2.0
RONOA performance awards	3,140	1.8
TSR market-condition awards	1,685	2.7
Stock options	1,394	1.5
Total unrecognized share-based compensation expense	\$10,525	2.0

10. Stockholders' Equity

The following tables detail the changes in accumulated other comprehensive income (loss), net of tax, for the three and six months ended June 30, 2013 and 2012, respectively.

	Changes in Accumulated Other Comprehensive Income (Loss)				
	Three Months Ended June 30, 2013				
	Foreign Currency Translation Adjustments	Effective Portion of Cash Flow Hedges	Pension Benefits	Other	Total
Beginning balance	\$ (530)	) \$ 328	) \$ (98,792)	) \$ 312	) \$ (98,682)
Other comprehensive income (loss) before reclassification, net of tax	(195)	) (1,069)	) —	—	) (1,264)
Amounts reclassified from accumulated other comprehensive income, net of tax	—	101	1,349	(24)	) 1,426
Ending balance	\$ (725)	) \$ (640)	) \$ (97,443)	) \$ 288	) \$ (98,520)
	Changes in Accumulated Other Comprehensive Income (Loss)				
	Three Months Ended June 30, 2012				
	Foreign Currency Translation Adjustments	Effective Portion of Cash Flow Hedges	Pension Benefits	Other	Total
Beginning balance	\$ 503	) \$ (5,100)	) \$ (116,516)	) \$ 228	) \$ (120,885)
Other comprehensive income (loss) before reclassification, net of tax	(2,307)	) 1,459	—	—	) (848)
Amounts reclassified from accumulated other comprehensive income, net of tax	—	604	1,585	(5)	) 2,184
Ending balance	\$ (1,804)	) \$ (3,037)	) \$ (114,931)	) \$ 223	) \$ (119,549)
	Changes in Accumulated Other Comprehensive Income (Loss)				
	Six Months Ended June 30, 2013				
	Foreign Currency Translation	Effective Portion of Cash Flow	Pension Benefits	Other	Total

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	Adjustments	Hedges			
Beginning balance	\$(302)	\$(1,230)	\$(100,108)	\$336	\$(101,304)
Other comprehensive income (loss) before reclassification, net of tax	(423)	587	—	—	164
Amounts reclassified from accumulated other comprehensive income, net of tax	—	3	2,665	(48)	2,620
Ending balance	\$(725)	\$(640)	\$(97,443)	\$288	\$(98,520)

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Changes in Accumulated Other Comprehensive Income (Loss)					
Six Months Ended June 30, 2012					
	Foreign Currency Translation Adjustments	Effective Portion of Cash Flow Hedges	Pension Benefits	Other	Total
Beginning balance	\$ (352)	\$ (3,702)	\$ (118,141)	\$ 233	\$ (121,962)
Other comprehensive income (loss) before reclassification, net of tax	(1,452)	(756)	—	—	(2,208)
Amounts reclassified from accumulated other comprehensive income, net of tax	—	1,421	3,210	(10)	4,621
Ending balance	\$ (1,804)	\$ (3,037)	\$ (114,931)	\$ 223	\$ (119,549)

Reclassifications Out of Accumulated Other Comprehensive Income					
	Three Months Ended June 30		Six Months Ended June 30		
	2013	2012	2013	2012	
(Gains) losses on cash flow hedges					
Natural gas contracts (a)	\$ 165	\$ 984	\$ 5	\$ 2,312	
Tax benefit	(64)	(380)	(2)	(891)	
Net of tax	\$ 101	\$ 604	\$ 3	\$ 1,421	
Pension benefits					
Amortization of prior service cost	\$ —	\$ 2	\$ —	\$ 5	
Amortization of actuarial loss	2,194	2,576	4,335	5,217	
Total before tax (b)	2,194	2,578	4,335	5,222	
Tax benefit	(845)	(993)	(1,670)	(2,012)	
Net of tax	\$ 1,349	\$ 1,585	\$ 2,665	\$ 3,210	
Other	\$ (38)	\$ (7)	\$ (77)	\$ (16)	
Tax expense	14	2	29	6	
Net of tax	\$ (24)	\$ (5)	\$ (48)	\$ (10)	

(a) Amounts are recorded in "Materials, labor and other operating expenses (excluding depreciation)" in our Consolidated Statements of Operations.

(b) Amounts are included in the computation of net periodic pension cost. For additional information, see Note 8, Retirement and Benefit Plans.

11. 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 included the following (dollars in thousands):

	June 30, 2013	December 31, 2012
Finished goods	\$152,829	\$150,496
Work in process	43,096	41,575
Fiber	27,600	35,840
Other raw materials and supplies	65,182	66,573
	\$288,707	\$294,484

12. Property and Equipment

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

	June 30, 2013	December 31, 2012
Land	\$28,842	\$28,899
Buildings and improvements	266,628	260,607
Machinery and equipment	1,515,468	1,479,212
Construction in progress	68,430	46,538
	1,879,368	1,815,256
Less accumulated depreciation	(666,705)	(592,255)
	\$1,212,663	\$1,223,001

Depreciation expense for the three months ended June 30, 2013 and 2012, was \$39.5 million and \$32.8 million, respectively. During the six months ended June 30, 2013 and 2012, depreciation expense was \$78.1 million and \$65.4 million, respectively. We periodically assess the estimated useful lives of our assets. Changes in circumstances, such as changes to our operational or capital strategy, changes in regulations, or technological advances, may result in the actual useful lives differing from our estimates. Revisions to the estimated useful lives of assets requires judgment and constitutes a change in accounting estimate, which is accounted for prospectively by adjusting or accelerating depreciation and amortization rates. During the three and six months ended June 30, 2013, we recognized \$5.5 million and \$10.8 million, respectively, of incremental depreciation expense related to shortening the useful lives of some of our assets, primarily at International Falls, Minnesota. See Note 2, Restructuring Costs, for more information.

At June 30, 2013 and December 31, 2012, purchases of property and equipment included in accounts payable were \$20.2 million and \$10.8 million, respectively.

13. Leases

We lease some of our facilities, 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 \$7.3 million and \$7.7 million for the three months ended June 30, 2013 and 2012, respectively. During the six months ended June 30, 2013 and 2012, rental expense was \$14.2 million and \$14.7 million, respectively. Sublease rental income was not material in any of the periods presented.

14. Concentrations of Risk

Business

Our largest customer is OfficeMax Incorporated (OfficeMax). Although we expect our long-term business relationship with OfficeMax to continue, the relationship exposes us to a significant concentration of business and financial risk. Sales to OfficeMax were \$117.3 million and \$121.9 million, respectively, during the three months ended June 30,

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2013 and 2012, representing 19% of total sales for both periods. Sales to OfficeMax were \$235.1 million and \$251.9 million, respectively, during the six months ended June 30, 2013 and 2012, representing 19% and 20% of total sales for those periods. At June 30, 2013, and December 31, 2012, we had \$38.8 million and

\$39.5 million, respectively, of accounts receivable due from OfficeMax, which represented 15% and 16%, respectively, of our total company receivables.

In July 2013, OfficeMax and Office Depot shareholders voted in favor of merging the two companies. Our paper purchase agreement with OfficeMax provides that it would survive the merger with respect to the office paper requirements of the legacy OfficeMax business. We cannot predict how the merger, if finalized, would affect the financial condition of the combined company, the paper requirements of the legacy OfficeMax business, or the effects the combined company would have on the pricing and competition for office papers. Significant reductions in paper purchases from OfficeMax (or the post-merger entity) would cause us to expand our customer base and could potentially decrease our profitability if new customer sales required either a decrease in our pricing and/or an increase in our cost of sales. Any significant deterioration in the financial condition of OfficeMax (or the post-merger entity) affecting the ability to pay or causing a significant change in the willingness 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 liquidity.

Labor

At June 30, 2013, we had approximately 5,200 employees, and approximately 50% of these employees worked pursuant to collective bargaining agreements. Approximately 1% of our employees work pursuant to collective bargaining agreements that will expire within the next 12 months.

15. Transactions With Related Party

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. The carrying amounts of LTP's assets and liabilities (which relate primarily to noninventory working capital items) on our Consolidated Balance Sheets were \$3.9 million and \$4.0 million at June 30, 2013, and December 31, 2012, respectively. During the three months ended June 30, 2013 and 2012, we recorded \$16.8 million and \$19.3 million, respectively, and during the six months ended June 30, 2013 and 2012, we recorded \$32.5 million and \$30.6 million, respectively, of LTP sales to Boise Cascade in "Sales, Related party" in the Consolidated Statements of Operations and approximately the same amount of expenses in "Materials, labor, and other operating expenses (excluding depreciation)." The sales were at prices designed to approximate market prices.

Related-Party Costs and Expenses

During the three months ended June 30, 2013 and 2012, fiber purchases from a related party were \$5.3 million and \$4.5 million, respectively, and during the six months ended June 30, 2013 and 2012, fiber purchases from a related party were \$11.5 million and \$9.4 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 party" in the Consolidated Statements of Operations.

16. 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 17, Segment Information, of the Notes to Consolidated Financial Statements in "Part II, Item 8. Financial Statements and Supplementary Data" in our 2012 Form 10-K.

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

Three Months Ended June 30, 2013	Sales				Income (Loss) Before Income Taxes	Depreciation, Amortization, and Depletion (c)	EBITDA (d)
	Trade	Related Party	Inter- segment	Total			
Packaging (a)	\$283.0	\$16.8	\$0.8	\$300.6	\$31.3	\$16.8	\$48.1
Paper (a)	313.8	—	21.0	334.8	(9.9)	25.9	15.9
Corporate and Other (b)	8.1	—	7.7	15.7	(9.4)	1.2	(8.1)
Intersegment eliminations	—	—	(29.5)	(29.5)	—	—	—
	\$604.8	\$16.8	\$—	\$621.7	12.0	\$43.9	\$55.8
Interest expense					(15.5)		
Interest income					—		
					\$(3.5)		
Three Months Ended June 30, 2012	Sales				Income (Loss) Before Income Taxes	Depreciation, Amortization, and Depletion	EBITDA (d)
	Trade	Related Party	Inter- segment	Total			
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		
Six Months Ended June 30, 2013	Sales				Income (Loss) Before Income Taxes	Depreciation, Amortization, and Depletion (c)	EBITDA (d)
	Trade	Related Party	Inter- segment	Total			
Packaging (a)	\$553.6	\$32.5	\$1.4	\$587.6	\$32.2	\$33.1	\$65.3
Paper (a)	626.7	—	40.9	667.6	9.7	51.8	61.5
Corporate and Other (b)	15.8	—	16.2	32.0	(17.2)	2.4	(14.8)
Intersegment eliminations	—	—	(58.5)	(58.5)	—	—	—
	\$1,196.1	\$32.5	\$—	\$1,228.7	24.7	\$87.3	\$112.0
Interest expense					(30.9)		
Interest income					—		
					\$(6.2)		
Six Months Ended June 30, 2012	Sales				Income (Loss) Before Income Taxes	Depreciation, Amortization, and Depletion	EBITDA (d)
	Trade	Related Party	Inter- segment	Total			
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

During the three months ended June 30, 2013, we recorded \$13.3 million of pretax restructuring costs, of which \$12.3 million was recorded in our Paper segment, and related primarily to our plan to shut down two paper (a) machines and an off-machine coater at our mill in International Falls, Minnesota, in early fourth quarter 2013. We recorded \$1.0 million of costs in our Packaging segment related to restructuring activities due to the conversion of a machine at our mill in DeRidder, Louisiana.

(b) During the three months ended June 30, 2013, we recorded \$2.0 million of transaction-related costs in our Corporate and Other segment. Transaction-related costs include expenses associated with transactions, whether consummated or not. We explore strategic transactions to the extent we believe they may improve our competitive position or enhance shareholder value.

(c) During the three and six months ended June 30, 2013, we recognized \$5.5 million and \$10.8 million, respectively, of incremental depreciation expense related to shortening the useful lives of some of our assets, primarily at International Falls, Minnesota. We recognized \$3.8 million and \$7.6 million of incremental depreciation expense in our Paper segment during the three and six months ended June 30, 2013, respectively, and \$1.7 million and \$3.2 million of incremental depreciation expense, respectively, in our Packaging segment.

(d) EBITDA represents income (loss) before interest (interest expense and interest income), income tax provision (benefit), 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 (loss) 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 (loss) to EBITDA for Boise Inc. and BZ Intermediate (dollars in millions):

	Three Months Ended June 30		Six Months Ended June 30		
	2013	2012	2013	2012	
Net income (loss)	\$(2.2	) \$13.7	\$(3.4	) \$35.0
Interest expense	15.5	15.4	30.9	30.8	
Interest income	—	(0.1) —	(0.1)
Income tax provision (benefit)	(1.3	) 8.8	(2.7	) 22.0
Depreciation, amortization, and depletion (c)	43.9	37.3	87.3	74.9	
EBITDA	\$55.8	\$75.1	\$112.0	\$162.6	

17. New and Recently Adopted Accounting Standards

In July 2013, the FASB issued Accounting Standards Update (ASU) 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (Topic 740). This ASU requires that liabilities related to unrecognized tax benefits offset deferred tax assets for net operating loss carry forwards, a similar tax loss or a tax credit carry forward (Carryforward), if such settlement is required or expected in the event the uncertain tax position is disallowed. In situations in which a Carryforward cannot be used or the deferred tax asset is not intended to be used for such purpose, the unrecognized tax benefit should be recorded as a

liability and should not offset deferred tax assets. We plan to adopt this ASU in our financial statements for the year ended December 31, 2013. We continue to evaluate the impact of the ASU, but expect the adoption to decrease "Other long-term liabilities" and increase the "Deferred income taxes" liability recorded on our Consolidated Balance Sheets. This ASU will have no effect on our financial position and results of operations.

In February 2013, the FASB issued Accounting Standards Update (ASU) 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. This ASU requires entities to disclose additional information about changes in and significant items reclassified out of accumulated other comprehensive income. We have adopted the provisions of this guidance, and it had no effect on our financial position and results of operations. See Note 10, Stockholders' Equity, for the additional required disclosures.

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. We will consider the provisions of this guidance when we test our indefinite-lived intangible assets for impairment in the fourth quarter. This ASU will have no effect on our financial position and results of operations.

In December 2011, the FASB issued ASU 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities. This ASU improves reporting and transparency of offsetting (netting) assets and liabilities and the related effects on the financial statements. In January 2013, the FASB issued ASU 2013-01, Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. This ASU clarifies which instruments and transactions are subject to the offsetting disclosure requirements established by ASU 2011-11. We adopted the provisions of this guidance on January 1, 2013, and it had no effect on our financial position and results of operations. See Note 7, Financial Instruments, for the additional required disclosures.

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.

18. Commitments, Guarantees, Indemnifications, and Legal Proceedings

Commitments

We have financial commitments and obligations that arise in the ordinary course of our business. These include long-term debt, lease payments, derivative instruments, and obligations to purchase goods and services that are discussed in Note 8, Debt; Note 9, Financial Instruments; Note 14, Leases; and Note 18, Commitments, Guarantees, Indemnifications, and Legal Proceedings, of the Notes to Consolidated Financial Statements in "Part II, Item 8. Financial Statements and Supplementary Data" in our 2012 Form 10-K. At June 30, 2013, there have been no material changes to commitments outside the normal course of business.

Guarantees and Indemnifications

We provide guarantees, indemnifications, and other assurances to third parties in the normal course of our business. These include tort indemnifications, environmental assurances, and representations and warranties in merger and acquisition agreements. At June 30, 2013, we are not aware of any material liabilities arising from any guarantee, indemnification, or financial assurance we have provided. If we determined such liability was probable and subject to reasonable determination, we would accrue for it at that time.

Legal Proceedings

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

19. Consolidating Guarantor and Nonguarantor Financial Information

Our 9% and 8% Senior Notes were issued by Boise Paper Holdings and co-issuers Boise Co-Issuer Company and Boise Finance Company, respectively. 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 acquired as part of the Hexacomb Acquisition.

Each of the co-issuers of the Senior Notes and each of the subsidiaries of BZ Intermediate that is a guarantor thereof is 100% owned, directly or indirectly, by Boise Paper Holdings.

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) Boise Paper Holdings and 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. Management believes that such information is not material to investors and because the cancellation provisions of

the guarantor subsidiaries' guarantees are customary and do not permit a guarantor subsidiary to opt out of the obligation prior to or during the term of the debt. Under these cancellation provisions, 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 Senior Notes 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.

In the following consolidating financial statements, the reclassifications to net income (loss) from accumulated other comprehensive income are recorded primarily in our guarantor subsidiaries. See Note 10, Stockholders' Equity, for additional information related to reclassifications out of accumulated other comprehensive income.

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BZ Intermediate Holdings LLC and Subsidiaries
 Consolidating Statements of Operations
 For the Three Months Ended June 30, 2013
 (unaudited, dollars in thousands)

	BZ Intermediate Holdings LLC (Parent)	Boise Paper Holdings and Co-issuers	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
Sales						
Trade	\$—	\$3,998	\$588,133	\$12,690	\$—	\$604,821
Intercompany	—	—	2,319	27,417	(29,736)	—
Related party	—	—	—	16,843	—	16,843
	—	3,998	590,452	56,950	(29,736)	621,664
Costs and expenses						
Materials, labor, and other operating expenses (excluding depreciation)	—	3,751	472,833	48,841	(29,736)	495,689
Fiber costs from related party	—	—	—	5,319	—	5,319
Depreciation, amortization, and depletion	—	1,030	42,176	685	—	43,891
Selling and distribution expenses	—	—	33,179	585	—	33,764
General and administrative expenses	—	6,780	11,620	1,293	—	19,693
Restructuring costs	—	—	9,011	—	—	9,011
Other (income) expense, net	—	2,046	(246)	130	—	1,930
	—	13,607	568,573	56,853	(29,736)	609,297
Income (loss) from operations	—	(9,609)	21,879	97	—	12,367
Foreign exchange loss	—	(270)	(32)	(113)	—	(415)
Interest expense	—	(15,435)	—	(21)	—	(15,456)
Interest expense—intercompany	—	(56)	—	(20)	76	—
Interest income	—	1	6	—	—	7
Interest income—intercompany	—	13	63	—	(76)	—
	—	(15,747)	37	(154)	—	(15,864)
Income (loss) before income taxes and equity in net income (loss) of affiliates	—	(25,356)	21,916	(57)	—	(3,497)
Income tax (provision) benefit	—	1,313	(5)	(19)	—	1,289
Income (loss) before equity in net income (loss) of affiliates	—	(24,043)	21,911	(76)	—	(2,208)
Equity in net income (loss) of affiliates	(2,208)	21,835	—	—	(19,627)	—
Net income (loss)	\$(2,208)	\$(2,208)	\$21,911	\$(76)	\$(19,627)	\$(2,208)

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

	BZ Intermediate Holdings LLC (Parent)	Boise Paper Holdings and 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 party	—	—	—	19,255	—	19,255
	—	3,629	602,942	58,311	(27,042)	637,840
Costs and expenses						
Materials, labor, and other operating expenses (excluding depreciation)	—	3,544	479,689	51,152	(27,042)	507,343
Fiber costs from related party	—	—	—	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

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BZ Intermediate Holdings LLC and Subsidiaries

Consolidating Statements of Operations

For the Six Months Ended June 30, 2013

(unaudited, dollars in thousands)

	BZ Intermediate Holdings LLC (Parent)	Boise Paper Holdings and Co-issuers	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
Sales						
Trade	\$—	\$7,864	\$1,162,844	\$25,434	\$—	\$1,196,142
Intercompany	—	—	4,712	55,407	(60,119)	—
Related party	—	—	—	32,540	—	32,540
	—	7,864	1,167,556	113,381	(60,119)	1,228,682
Costs and expenses						
Materials, labor, and other operating expenses (excluding depreciation)	—	7,487	948,153	96,437	(60,119)	991,958
Fiber costs from related party	—	—	—	11,465	—	11,465
Depreciation, amortization, and depletion	—	1,980	83,993	1,346	—	87,319
Selling and distribution expenses	—	—	61,775	838	—	62,613
General and administrative expenses	—	13,994	22,044	2,578	—	38,616
Restructuring costs	—	—	9,474	—	—	9,474
Other (income) expense, net	—	2,076	(318)	40	—	1,798
	—	25,537	1,125,121	112,704	(60,119)	1,203,243
Income (loss) from operations	—	(17,673)	42,435	677	—	25,439
Foreign exchange loss	—	(434)	(48)	(274)	—	(756)
Interest expense	—	(30,862)	—	(13)	—	(30,875)
Interest expense—intercompany	—	(103)	—	(39)	142	—
Interest income	—	1	13	20	—	34
Interest income—intercompany	—	27	115	—	(142)	—
	—	(31,371)	80	(306)	—	(31,597)
Income (loss) before income taxes and equity in net income (loss) of affiliates	—	(49,044)	42,515	371	—	(6,158)
Income tax (provision) benefit	—	2,947	(33)	(189)	—	2,725
Income (loss) before equity in net income (loss) of affiliates	—	(46,097)	42,482	182	—	(3,433)
Equity in net income (loss) of affiliates	(3,433)	42,664	—	—	(39,231)	—
Net income (loss)	\$(3,433)	\$(3,433)	\$42,482	\$182	\$(39,231)	\$(3,433)

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BZ Intermediate Holdings LLC and Subsidiaries

Consolidating Statements of Operations

For the Six Months Ended June 30, 2012

(unaudited, dollars in thousands)

	BZ Intermediate Holdings LLC (Parent)	Boise Paper Holdings and 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 party	—	—	—	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 (excluding depreciation)	—	7,057	963,719	91,876	(53,010)	1,009,642
Fiber costs from related party	—	—	—	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

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BZ Intermediate Holdings LLC and Subsidiaries
 Consolidating Statements of Comprehensive Income
 For the Three Months Ended June 30, 2013
 (unaudited, dollars in thousands)

	BZ Intermediate Holdings LLC (Parent)	Boise Paper Holdings and Co-issuers	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	\$(2,208)	\$(2,208)	\$21,911	\$(76)	\$(19,627)	\$(2,208)
Other comprehensive income (loss), net of tax						
Foreign currency translation adjustment	—	—	—	(195)	—	(195)
Cash flow hedges:						
Change in fair value	—	(1,069)	—	—	—	(1,069)
Loss included in net income	—	101	—	—	—	101
Amortization of actuarial loss and prior service cost for defined benefit pension plans	—	1,349	—	—	—	1,349
Other	—	(24)	—	—	—	(24)
Equity in other comprehensive income of affiliates	162	(195)	—	—	33	—
	162	162	—	(195)	33	162
Comprehensive income (loss)	\$(2,046)	\$(2,046)	\$21,911	\$(271)	\$(19,594)	\$(2,046)

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)	Boise Paper Holdings and 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	—	1,585	—	—	—	1,585

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benefit pension plans						
Other	—	(5) —	—	—	(5
Equity in other comprehensive	1,336	(2,307) —	—	971	—
income of affiliates	1,336	1,336	—	(2,307) 971	1,336
Comprehensive income (loss)	\$ 14,998	\$ 14,998	\$ 45,008	\$(1,892) \$(58,114) \$ 14,998

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BZ Intermediate Holdings LLC and Subsidiaries
 Consolidating Statements of Comprehensive Income
 For the Six Months Ended June 30, 2013
 (unaudited, dollars in thousands)

	BZ Intermediate Holdings LLC (Parent)	Boise Paper Holdings and Co-issuers	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	\$(3,433)	\$(3,433)	\$42,482	\$182	\$(39,231)	\$(3,433)
Other comprehensive income (loss), net of tax						
Foreign currency translation adjustment	—	—	—	(423)	—	(423)
Cash flow hedges:						
Change in fair value	—	587	—	—	—	587
Loss included in net income	—	3	—	—	—	3
Amortization of actuarial loss and prior service cost for defined benefit pension plans	—	2,665	—	—	—	2,665
Other	—	(48)	—	—	—	(48)
Equity in other comprehensive income of affiliates	2,784	(423)	—	—	(2,361)	—
	2,784	2,784	—	(423)	(2,361)	2,784
Comprehensive income (loss)	\$(649)	\$(649)	\$42,482	\$(241)	\$(41,592)	\$(649)

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)	Boise Paper Holdings and 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	—	3,210	—	—	—	3,210

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benefit pension plans						
Other	—	(10)	—	—	—	(10)
Equity in other comprehensive income 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 Balance Sheets at June 30, 2013
 (unaudited, dollars in thousands)

	BZ Intermediate Holdings LLC (Parent)	Boise Paper Holdings and Co-issuers	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
ASSETS						
Current						
Cash and cash equivalents	\$—	\$54,280	\$177	\$6,629	\$—	\$61,086
Receivables						
Trade, less allowances	—	1,316	243,151	9,881	—	254,348
Intercompany	—	3,265	330	2,149	(5,744)	—
Other	—	2,785	4,439	2,637	—	9,861
Inventories	—	4	284,254	4,449	—	288,707
Deferred income taxes	—	11,997	—	—	—	11,997
Prepaid and other	—	9,144	4,311	684	—	14,139
	—	82,791	536,662	26,429	(5,744)	640,138
Property						
Property and equipment, net	—	9,238	1,192,225	11,200	—	1,212,663
Fiber farms	—	—	25,113	—	—	25,113
	—	9,238	1,217,338	11,200	—	1,237,776
Deferred financing costs	—	24,380	—	—	—	24,380
Goodwill	—	—	153,576	6,556	—	160,132
Intangible assets, net	—	—	128,319	13,699	—	142,018
Investments in affiliates	758,305	1,744,654	—	—	(2,502,959)	—
Intercompany notes receivable	—	3,400	1,524	—	(4,924)	—
Other assets	—	5,945	499	185	—	6,629
Total assets	\$758,305	\$1,870,408	\$2,037,918	\$58,069	\$(2,513,627)	\$2,211,073

BZ Intermediate Holdings LLC and Subsidiaries
 Consolidating Balance Sheets at June 30, 2013 (continued)
 (unaudited, dollars in thousands)

	BZ Intermediate Holdings LLC (Parent)	Boise Paper Holdings and Co-issuers	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
LIABILITIES AND CAPITAL						
Current						
Current portion of long-term debt	\$—	\$ 15,000	\$—	\$—	\$—	\$ 15,000
Accounts payable						
Trade	—	11,423	186,106	5,673	—	203,202
Intercompany	—	210	1,934	3,569	(5,713)) —
Accrued liabilities						
Compensation and benefits	—	20,817	43,162	1,407	—	65,386
Interest payable	—	10,529	—	—	—	10,529
Other	—	3,859	17,832	3,498	(31)	) 25,158
	—	61,838	249,034	14,147	(5,744)	) 319,275
Debt						
Long-term debt, less current portion	—	760,000	—	—	—	760,000
Intercompany notes payable	—	—	—	4,924	(4,924)) —
	—	760,000	—	4,924	(4,924)	) 760,000
Other						
Deferred income taxes	—	126,476	53,497	3,327	—	183,300
Compensation and benefits	—	116,077	76	—	—	116,153
Other long-term liabilities	—	47,712	26,102	226	—	74,040
	—	290,265	79,675	3,553	—	373,493
Commitments and contingent liabilities						
Capital						
Business unit equity	856,825	856,825	1,709,209	36,171	(2,602,205)	) 856,825
Accumulated other comprehensive loss	(98,520)	) (98,520)	) —	(726)	) 99,246	(98,520)
	758,305	758,305	1,709,209	35,445	(2,502,959)	) 758,305
Total liabilities and capital	\$ 758,305	\$ 1,870,408	\$ 2,037,918	\$ 58,069	\$(2,513,627)	\$ 2,211,073

BZ Intermediate Holdings LLC and Subsidiaries
 Consolidating Balance Sheets at December 31, 2012
 (unaudited, dollars in thousands)

	BZ Intermediate Holdings LLC (Parent)	Boise Paper Holdings and Co-issuers	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
ASSETS						
Current						
Cash and cash equivalents	\$—	\$40,801	\$516	\$8,390	\$—	\$49,707
Receivables						
Trade, less allowances	—	1,458	230,178	8,823	—	240,459
Intercompany	—	2,234	1,580	2,670	(6,484)	—
Other	—	2,880	4,266	1,121	—	8,267
Inventories	—	3	291,065	3,416	—	294,484
Deferred income taxes	—	17,955	—	—	—	17,955
Prepaid and other	—	6,952	1,021	855	—	8,828
	—	72,283	528,626	25,275	(6,484)	619,700
Property						
Property and equipment, net	—	7,930	1,203,384	11,687	—	1,223,001
Fiber farms	—	—	24,311	—	—	24,311
	—	7,930	1,227,695	11,687	—	1,247,312
Deferred financing costs	—	26,677	—	—	—	26,677
Goodwill	—	—	153,576	6,554	—	160,130
Intangible assets, net	—	—	133,115	14,449	—	147,564
Investments in affiliates	756,683	1,778,531	—	—	(2,535,214)	—
Intercompany notes receivable	—	3,400	1,524	—	(4,924)	—
Other assets	—	5,992	902	135	—	7,029
Total assets	\$756,683	\$1,894,813	\$2,045,438	\$58,100	\$(2,546,622)	\$2,208,412

BZ Intermediate Holdings LLC and Subsidiaries
 Consolidating Balance Sheets at December 31, 2012 (continued)
 (unaudited, dollars in thousands)

	BZ Intermediate Holdings LLC (Parent)	Boise Paper Holdings and Co-issuers	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
LIABILITIES AND CAPITAL						
Current						
Current portion of long-term debt	\$—	\$ 10,000	\$—	\$—	\$—	\$ 10,000
Accounts payable						
Trade	—	18,547	160,152	6,379	—	185,078
Intercompany	—	571	2,090	3,842	(6,503)	—
Accrued liabilities						
Compensation and benefits	—	22,206	47,605	1,139	—	70,950
Interest payable	—	10,516	—	—	—	10,516
Other	—	3,773	14,033	2,703	19	20,528
	—	65,613	223,880	14,063	(6,484)	297,072
Debt						
Long-term debt, less current portion	—	770,000	—	—	—	770,000
Intercompany notes payable	—	—	—	4,924	(4,924)	—
	—	770,000	—	4,924	(4,924)	770,000
Other						
Deferred income taxes	—	132,841	53,497	3,485	—	189,823
Compensation and benefits	—	121,606	76	—	—	121,682
Other long-term liabilities	—	48,070	24,932	150	—	73,152
	—	302,517	78,505	3,635	—	384,657
Commitments and contingent liabilities						
Capital						
Business unit equity	857,987	857,987	1,743,053	35,779	(2,636,819)	857,987
Accumulated other comprehensive loss	(101,304)	(101,304)	—	(301)	101,605	(101,304)
	756,683	756,683	1,743,053	35,478	(2,535,214)	756,683
Total liabilities and capital	\$ 756,683	\$ 1,894,813	\$ 2,045,438	\$ 58,100	\$(2,546,622)	\$ 2,208,412

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BZ Intermediate Holdings LLC and Subsidiaries
 Consolidating Statements of Cash Flows
 For the Six Months Ended June 30, 2013
 (unaudited, dollars in thousands)

	BZ Intermediate Holdings LLC (Parent)	Boise Paper Holdings and Co-issuers	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
Cash provided by (used for) operations						
Net income (loss)	\$(3,433)	\$(3,433)	\$42,482	\$182	\$(39,231)	\$(3,433)
Items in net income (loss) not using (providing) cash						
Equity in net income of affiliates	3,433	(42,664)	—	—	39,231	—
Depreciation, depletion, and amortization of deferred financing costs and other	—	4,454	83,993	1,346	—	89,793
Share-based compensation expense	—	3,076	—	—	—	3,076
Pension expense	—	3,020	—	—	—	3,020
Deferred income taxes	—	(2,501)	—	(123)	—	(2,624)
Restructuring costs	—	—	9,992	—	—	9,992
Other	—	434	676	290	—	1,400
Decrease (increase) in working capital						
Receivables	—	(682)	(12,076)	(2,233)	(740)	(15,731)
Inventories	—	(1)	3,691	(1,124)	—	2,566
Prepaid expenses	—	990	(3,290)	173	—	(2,127)
Accounts payable and accrued liabilities	—	(10,294)	9,935	659	740	1,040
Current and deferred income taxes	—	(893)	1	203	—	(689)
Pension payments	—	(5,091)	—	—	—	(5,091)
Other	—	720	(338)	22	—	404
Cash provided by (used for) operations	—	(52,865)	135,066	(605)	—	81,596
Cash provided by (used for) investment						
Expenditures for property and equipment	—	(3,240)	(60,481)	(874)	—	(64,595)
Other	—	(434)	1,402	(278)	—	690
Cash used for investment	—	(3,674)	(59,079)	(1,152)	—	(63,905)
Cash provided by (used for) financing						
Payments of long-term debt	—	(5,000)	—	—	—	(5,000)
Payments (to) from Boise Inc., net	(1,100)	—	—	—	—	(1,100)
Due to (from) affiliates	1,100	75,018	(76,326)	208	—	—
Other	—	—	—	(212)	—	(212)

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Cash provided by (used for) financing	—	70,018	(76,326) (4) —	(6,312)
Increase (decrease) in cash and cash equivalents	—	13,479	(339) (1,761) —	11,379	
Balance at beginning of the period	—	40,801	516	8,390	—	49,707	
Balance at end of the period	\$—	\$ 54,280	\$ 177	\$ 6,629	\$—	\$ 61,086	

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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)	Boise Paper Holdings and Co-issuers	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
Cash provided by (used for) operations						
Net income	\$35,000	\$35,000	\$102,091	\$824	\$(137,915)	\$35,000
Items in net income not using (providing) cash						
Equity in net income of affiliates	(35,000)	(102,915)	—	—	137,915	—
Depreciation, depletion, and amortization of deferred financing costs and other	—	3,653	72,159	1,378	—	77,190
Share-based compensation expense	—	2,729	—	—	—	2,729
Pension expense	—	5,474	—	—	—	5,474
Deferred income taxes	—	12,750	—	(140)	—	12,610
Other	—	1	136	(180)	—	(43)
Decrease (increase) in working capital						
Receivables	—	(1,518)	(6,988)	(4,389)	845	(12,050)
Inventories	—	—	(19,888)	(336)	—	(20,224)
Prepaid expenses	—	188	(4,350)	(707)	—	(4,869)
Accounts payable and accrued liabilities	—	(16,116)	(1,025)	3,925	(845)	(14,061)
Current and deferred income taxes	—	7,221	1	230	—	7,452
Pension payments	—	(18,191)	—	—	—	(18,191)
Other	—	2,638	(708)	180	—	2,110
Cash provided by (used for) operations	—	(69,086)	141,428	785	—	73,127
Cash provided by (used for) investment						
Expenditures for property and equipment	—	(2,404)	(49,741)	(312)	—	(52,457)
Other	—	3	140	443	—	586
Cash provided by (used for) investment	—	(2,401)	(49,601)	131	—	(51,871)
Cash provided by (used for) financing						
Payments of long-term debt	—	(5,000)	—	—	—	(5,000)
Payments (to) from Boise Inc., net	(52,440)	—	—	—	—	(52,440)
Due to (from) affiliates	52,440	46,164	(100,312)	1,708	—	—
Other	—	(247)	—	(1,063)	—	(1,310)
Cash provided by (used for) financing	—	40,917	(100,312)	645	—	(58,750)
Increase (decrease) in cash and cash equivalents	—	(30,570)	(8,485)	1,561	—	(37,494)
Balance at beginning of the period	—	82,532	9,737	4,727	—	96,996
Balance at end of the period	\$—	\$51,962	\$1,252	\$6,288	\$—	\$59,502

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion and analysis includes statements regarding our expectations with respect to our future performance, liquidity, and capital resources. Such statements, along with any other nonhistorical statements in the discussion, are forward-looking. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in our 2012 Annual Report on Form 10-K, as well as those factors listed in other documents we file with the Securities and Exchange Commission (SEC). We do not assume any obligation to update any forward-looking statement. Our actual results may differ materially from those contained in or implied by any of the forward-looking statements in this Form 10-Q.

This section is provided with respect to Boise Inc. Unless indicated otherwise, BZ Intermediate Holdings LLC (BZ Intermediate) has materially the same financial condition and results of operations as those presented here.

Background

Boise Inc. is a large, diverse manufacturer and seller of packaging and paper products. 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. We are headquartered in Boise, Idaho, and have approximately 5,200 employees. We operate largely in the United States but also have operations in Europe, Mexico, and Canada.

We operate and report our results in three reportable segments: Packaging, Paper, and Corporate and Other (support services). See Note 16, Segment Information, of the Condensed Notes to Unaudited Quarterly Consolidated Financial Statements in "Part I, Item 1. Financial Statements" of this Form 10-Q for more information related to our segments.

Executive Summary and Outlook

During second quarter 2013, we reported a \$2.2 million net loss and \$71.2 million of EBITDA (earnings before interest, taxes, and depreciation, amortization, and depletion) excluding special items, compared with net income of \$13.7 million and EBITDA excluding special items of \$75.1 million during second quarter 2012. During the six months ended June 30, 2013, we reported a \$3.4 million loss and \$127.3 million of EBITDA excluding special items, compared with \$35.0 million of net income and \$162.6 million of EBITDA excluding special items during the six months ended June 30, 2012. During the three and six months ended 2013, our results were affected by \$15.3 million of expense for special items, related primarily to our plan to shut down two paper machines and an off-machine coater at our mill in International Falls, Minnesota, in early fourth quarter 2013. The changes at International Falls will reduce our annual uncoated freesheet capacity by approximately 115,000 tons, or 9%, and allow us to focus our efforts on key products and machines that drive our profitability, improve our cash flow, and enhance the overall competitiveness of our International Falls, Minnesota, mill and our Paper business. Additionally, during the three and six months ended June 30, 2013, we recorded \$5.5 million and \$10.8 million of incremental depreciation expense related to shortening the useful lives of some of our assets, primarily at our mill in International Falls. Compared with the first half of 2012, we recognized \$14.0 million of higher maintenance outage costs, related primarily to the cold outage in first quarter 2013 at our DeRidder, Louisiana, mill, which occurs once every five years. During the three and six months ended June 30, 2013, prices for our corrugated containers and sheets increased, compared with the same periods a year ago, while lower uncoated freesheet net sales prices affected our Paper segment results. See "Our Operating Results" in this Management's Discussion and Analysis of Financial Condition and Results of Operations for more information related to the special items and pricing for our products.

In our Packaging segment, year-to-date 2013 corrugated product sales volumes increased 5%, while U.S. industry year-to-date 2013 containerboard average weekly box shipments increased less than 1%, according to the American

Forest & Paper Association (AF&PA) compared with the same period in 2012. We benefited from the implementation of the linerboard price increase we announced in fall 2012. Sales prices for newsprint decreased during the quarter compared with the second quarter of last year. Prices for our corrugated containers and sheets increased \$4 per msf, or 5%, in second quarter 2013, compared with second quarter 2012. During second quarter 2013, we began to see some margin improvements in our operations in California and Texas, which experienced competitive pressures in recent quarters. We continue to increase our vertical integration, which reduces linerboard

sales to export markets.

In May 2013, we announced plans to convert our idled newsprint machine in DeRidder, Louisiana, to produce lightweight linerboard and corrugating medium and install an old corrugated container (OCC) pulping facility at the mill. We expect to invest between \$110 million and \$120 million on the conversion and OCC pulping facility. The investment increases the mill's overall containerboard output by approximately 300,000 tons. The project is underway, and we are targeting a mid-2014 start-up for the completed project.

In our Paper segment, we continue to face declining prices for our communication-grade papers. Excluding volumes from our St. Helens, Oregon, mill, which ceased paper production in December 2012, our average net sales price for uncoated freesheet declined from \$967 per short ton in second quarter 2012 to \$915 per short ton in second quarter 2013, or 5%, and our volumes increased 1%. According to AF&PA, U.S. industry shipments for uncoated freesheet papers were down 4% year-to-date 2013, compared with the same period in 2012.

Our financial position remains strong. As of June 30, 2013, we had \$61.1 million of cash and cash equivalents, \$775.0 million in total debt, and \$493.0 million of unused borrowing capacity under our revolving credit facility. In both our segments, we continue to look for ways to decrease production costs and improve our margins. In our Packaging segment, we expect to begin benefiting from the \$50-per-ton linerboard price increase, announced in May 2013, in third quarter with a full realization expected in fourth quarter 2013. During third quarter 2013, we will perform maintenance outage work on two power boilers at our mill in DeRidder, Louisiana, at an estimated total cost of approximately \$4 million. We expect total maintenance outage costs for our Packaging segment to be approximately \$26 million in 2013, compared with \$11 million in 2012. We expect the machine shut downs in International Falls, Minnesota, to proceed as planned in the second half of the year, with a modestly positive net cash effect, after considering working-capital recapture and tax benefits. In the second half of 2013, we expect higher overall energy prices and relatively stable fiber and chemical prices.

Financial Results

The following table sets forth our financial results (dollars in millions, except per-share data):

	Three Months Ended		Six Months Ended June	
	June 30		30	
	2013	2012	2013	2012
Sales	\$621.7	\$637.8	\$1,228.7	\$1,282.7
Net income (loss)	(2.2)	) 13.7	(3.4)	) 35.0
Net income (loss) per diluted share	(0.02)	) 0.14	(0.03)	) 0.35
Net income excluding special items	10.5	13.7	12.6	35.0
Net income excluding special items per diluted share	0.10	0.14	0.12	0.35
EBITDA	55.8	75.1	112.0	162.6
EBITDA excluding special items	71.2	75.1	127.3	162.6

For reconciliations and information on our use of measures that are not measures under U.S. generally accepted accounting principles (GAAP), including net income excluding special items, net income excluding special items per diluted share, EBITDA, and EBITDA excluding special items, see "Non-GAAP Measures" of this Management's Discussion and Analysis of Financial Condition and Results of Operations.

Non-GAAP Measures

This report contains several financial measures that are not measures under U.S. generally accepted accounting principles (GAAP). These measures include net income excluding special items, net income excluding special items per diluted share, EBITDA and EBITDA excluding special items. EBITDA represents income (loss) before interest (interest expense and interest income), income taxes, 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. Net income excluding special items represents net income adjusted by eliminating items that we believe are not consistent with our ongoing operations. The Company uses these measures to focus on ongoing operations and believes they are useful to investors because these measures enable meaningful comparisons of past and present operating results.

The following table reconciles net income (loss) to net income excluding special items and presents net income per diluted share excluding special items (dollars and shares in millions, except per-share data):

	Three Months Ended		Six Months Ended June	
	June 30		30	
	2013	2012	2013	2012
Net income (loss)	\$(2.2)	\$13.7	\$(3.4)	\$35.0
Restructuring costs (a)	13.3	—	13.3	—
Incremental depreciation due to changes in estimated useful lives (a)	5.5	—	10.8	—
Transaction-related costs (b)	2.0	—	2.0	—
Tax provision for special items (c)	(8.0)	—	(10.1)	—
Net income excluding special items	\$10.5	\$13.7	\$12.6	\$35.0
Weighted average diluted shares outstanding (d)	100.5	101.0	100.4	101.2
Net income (loss) per diluted share	\$(0.02)	\$0.14	\$(0.03)	\$0.35
Net income per diluted share excluding special items	\$0.10	\$0.14	\$0.12	\$0.35

(a) See "Our Operating Results" in this Management's Discussion and Analysis of Financial Condition and Results of Operations for more information related to restructuring costs and depreciation expenses.

(b) Transaction-related costs include expenses associated with transactions, whether consummated or not. We explore strategic transactions to the extent we believe they may improve our competitive position or enhance shareholder value.

(c) Special items are tax effected in the aggregate at an assumed combined federal and state statutory rate in effect for the period.

(d) For the three and six months ended June 30, 2013, basic and diluted weighted average common shares outstanding reported in our Consolidated Statements of Operations were 100.5 million and 100.4 million, respectively. Adjusting for the special items above, diluted weighted average common shares outstanding increased 0.3 and 0.5 million shares, respectively, to reflect the incremental effect of dilutive common stock equivalents.

The Company believes that using this information, along with their comparable GAAP measures, provides for a more complete analysis of the results of operations. The following table provides a reconciliation of net income (loss) to EBITDA and EBITDA excluding special items (dollars in millions):

	Three Months Ended		Six Months Ended June	
	June 30		30	
	2013	2012	2013	2012
Net income (loss)	\$(2.2)	\$13.7	\$(3.4)	\$35.0
Interest expense	15.5	15.4	30.9	30.8
Interest income	—	(0.1)	—	(0.1)
Income tax provision (benefit)	(1.3)	8.8	(2.7)	22.0
Depreciation, amortization, and depletion	43.9	37.3	87.3	74.9
EBITDA	\$55.8	\$75.1	\$112.0	\$162.6
Restructuring costs	13.3	—	13.3	—
Transaction-related costs	2.0	—	2.0	—
EBITDA excluding special items	\$71.2	\$75.1	\$127.3	\$162.6

Segment Highlights

Set forth below are our average net selling prices and volumes for our principal products, as well as some key financial information by segment (volumes in thousands of short tons and dollars per short ton, except corrugated containers and sheets, dollars in millions):

	Three Months Ended		Six Months Ended June	
	June 30		30	
	2013	2012	2013	2012
Packaging				
Net sales prices (a)				
Linerboard, Total	\$538	\$452	\$522	\$451
Linerboard, External sales	479	404	472	400
Newsprint	510	542	516	541
Corrugated containers and sheets (\$/msf)	80	76	79	76
Sales volumes (thousands of short tons, except corrugated)				
Linerboard, Total	151.5	146.0	290.3	298.6
Linerboard, External sales	38.6	38.2	75.3	91.1
Newsprint	58.4	58.3	112.3	113.0
Corrugated containers and sheets (mmsf)	2,613	2,485	5,165	4,918
Input and outage costs				
Key input costs				
Fiber, including purchased rollstock (b)	\$70.2	\$63.6	\$145.4	\$129.3
Energy	16.9	13.4	33.1	28.4
Chemicals	12.2	10.4	23.1	20.6
Outage costs	—	5.9	22.4	7.7
EBITDA (c)	48.1	40.0	65.3	77.9
EBITDA excluding special items (c)	49.1	40.0	66.3	77.9
Assets	986.1	943.5		
Paper				
Net sales prices (a)				
Uncoated freesheet (d)	\$914	\$972	\$922	\$974
Uncoated freesheet, excluding St. Helens (e)	915	967	922	970
Corrugating medium	586	481	574	482
Market pulp, External sales	472	481	471	479
Sales volumes				
Uncoated freesheet (d)	301.4	312.5	600.2	637.6
Uncoated freesheet, excluding St. Helens (e)	300.5	297.6	596.0	607.1
Corrugating medium	34.4	34.2	67.6	66.7
Market pulp, External sales	6.3	10.3	7.6	18.8
Input and outage costs				
Key input costs				
Fiber (f)	\$62.5	\$78.2	\$131.6	\$163.1
Energy	33.3	32.2	67.7	67.2
Chemicals	51.8	53.1	102.6	106.4
Outage costs	8.7	9.8	9.1	9.8
EBITDA (c)	15.9	40.9	61.5	96.0
EBITDA excluding special items (c)	28.2	40.9	73.8	96.0
Assets	1,110.6	1,198.3		

(a)

Average net selling prices for our principal products represent sales less freight costs, discounts, and allowances. As reported in Note 16, Segment Information, of the Condensed Notes to Unaudited Quarterly Consolidated Financial

Statements in "Part I, Item 1. Financial Statements" of this Form 10-Q, segment revenues include fees for shipping and handling charged to customers for sales transactions.

- (b) Includes purchases of corrugating medium from our Paper segment, which are eliminated in consolidation.
- (c) For reconciliations of non-GAAP measures see "Non-GAAP Measures" of this Management's Discussion and Analysis of Financial Condition and Results of Operations.
- (d) Includes cut-size office papers, printing and converting papers, and label and release papers.
- (e) We ceased paper production at our mill in St. Helens, Oregon, in December 2012.
- (f) Fiber costs at our mill in St. Helens, Oregon, were \$6.7 million and \$13.5 million for the three and six months ended June 30, 2012, respectively.

Factors That Affect Our Operating Results

Our results of operations and financial performance are influenced by a variety of factors, including the following:

- Competing technologies, including electronic substitution, that affect the demand for our products.
- The commodity nature of our products and their price movements, which are driven largely by supply and demand.
- Availability and affordability of raw materials, including wood fiber, energy, and chemicals.
 - General global economic conditions, including, but not limited to, durable and nondurable goods production and white-collar employment.
- Legislative or regulatory environments, requirements, or changes affecting the businesses in which we are engaged.
- Integration of our acquisitions.
- Major equipment failure or significant operational setbacks.
- Our customer concentration and the ability of our customers to pay.
- Labor and personnel relations.
- The ability of our lenders, customers, and suppliers to continue to conduct their businesses.
- Pension funding requirements.
- Credit or currency risks affecting our revenue and profitability.
- Severe weather phenomena such as drought, hurricanes and significant rainfall, tornadoes, and fire.
- The other factors described in "Part I, Item 1A. Risk Factors" of our 2012 Annual Report on Form 10-K.

Our Operating Results

The following table sets forth our operating results in dollars and as a percentage of sales (dollars in millions, except percent-of-sales data):

	Three Months Ended June 30		Six Months Ended June 30		
	2013	2012	2013	2012	
Sales					
Trade	\$604.8	\$618.6	\$1,196.1	\$1,252.1	
Related party	16.8	19.3	32.5	30.6	
	621.7	637.8	1,228.7	1,282.7	
Costs and expenses					
Materials, labor, and other operating expenses (excluding depreciation)	495.7	507.3	992.0	1,009.6	
Fiber costs from related party	5.3	4.5	11.5	9.4	
Depreciation, amortization, and depletion	43.9	37.3	87.3	74.9	
Selling and distribution expenses	33.8	30.6	62.6	61.2	
General and administrative expenses	19.7	20.0	38.6	40.0	
Restructuring costs	9.0	—	9.5	—	
Other (income) expense, net	1.9	0.4	1.8	0.1	
	609.3	600.1	1,203.2	1,195.2	
Income from operations	\$12.4	\$37.7	\$25.4	\$87.4	
Sales					
Trade	97.3	% 97.0	% 97.4	% 97.6	%
Related party	2.7	3.0	2.6	2.4	
	100.0	% 100.0	% 100.0	% 100.0	%
Costs and expenses					
Materials, labor, and other operating expenses (excluding depreciation)	79.7	% 79.5	% 80.7	% 78.7	%
Fiber costs from related party	0.9	0.7	0.9	0.7	
Depreciation, amortization, and depletion	7.1	5.8	7.1	5.8	
Selling and distribution expenses	5.4	4.8	5.1	4.8	
General and administrative expenses	3.2	3.1	3.1	3.1	
Restructuring costs	1.4	—	0.8	—	
Other (income) expense, net	0.3	0.1	0.1	—	
	98.0	% 94.1	% 97.9	% 93.2	%
Income from operations	2.0	% 5.9	% 2.1	% 6.8	%

Operating Results

Sales

For the three months ended June 30, 2013, total sales decreased \$16.2 million, or 3%, to \$621.7 million, compared with \$637.8 million for the three months ended June 30, 2012. For the six months ended June 30, 2013, total sales decreased \$54.0 million, or 4%, to \$1,228.7 million, compared with \$1,282.7 million for the six months ended June 30, 2012. In both periods, the decrease was the result of a combination of lower sales prices for uncoated

freesheet in our Paper segment and lower sales prices for newsprint in our Packaging segment, offset partially by increases in prices and sales volumes for our corrugated products in our Packaging segment.

Packaging. Sales increased \$15.8 million, or 6%, to \$300.6 million for the three months ended June 30, 2013 from \$284.8 million for the three months ended June 30, 2012. Sales increased \$30.5 million, or 5%, to \$587.6 million for the six months ended June 30, 2013 from \$557.1 million for the six months ended June 30, 2012. The increase in both periods related primarily to benefits from the implementation of the linerboard price increase we announced in fall 2012, and 5% sales volume growth in our network of box plants, offset partially by a 6% decline in average newsprint sales prices. Prices for our corrugated containers and sheets increased \$4 per msf, or 5%, in second quarter 2013, compared with second quarter 2012, and \$3 per msf, or 4%, for the six months ended June 30, 2013, compared with the six months ended June 30, 2012, respectively.

Paper. Sales decreased \$28.4 million, or 8%, to \$334.8 million for the three months ended June 30, 2013, from \$363.3 million for three months ended June 30, 2012. Sales were \$667.6 million for the six months ended June 30, 2013, down from \$745.7 million for the six months ended June 30, 2012. The following discussion of our Paper sales excludes sales at our St. Helens, Oregon, mill, which ceased paper production in December 2012. Excluding St. Helens, sales decreased \$11.8 million and \$46.7 million, for the three and six months ended June 30, 2013, respectively. Our average net sales price for uncoated freesheet declined from \$967 per short ton in second quarter 2012 to \$915 in second quarter 2013, or 5%, which is consistent with the uncoated freesheet price declines of 5% reported by Resource Information Systems Inc. (RISI) over the same period. Our average net sales price for uncoated freesheet declined from \$970 per short ton for the first six months of 2012 to \$922 for the first six months of 2013, or 5%, which is slightly above the uncoated freesheet price declines of 4% reported by RISI over the same period. Sales volumes increased 1% during the second quarter 2013, compared with the second quarter 2012, but have declined 2% in the first half of 2013, compared with the first half of 2012.

Costs and Expenses

Materials, labor, and other operating expenses (excluding depreciation), including the cost of fiber from a related party, decreased \$10.8 million to \$501.0 million for the three months ended June 30, 2013, compared with \$511.8 million for the three months ended June 30, 2012. During the three months ended June 30, 2013 and 2012, materials, labor, and other operating expenses, including the cost of fiber from a related party, were 81% and 80% of sales, respectively. Materials, labor, and other operating expenses, including the cost of fiber from related parties, decreased \$15.6 million to \$1,003.4 million for the six months ended June 30, 2013, compared with \$1,019.1 million for the six months ended June 30, 2012. During these periods, materials, labor, and other operating expenses, including the cost of fiber from a related party, were 82% and 79% of sales, respectively, as our costs did not decline at the same rate as our sales. The increase as a percentage of sales is also due in part to \$22.4 million of costs related to the maintenance cold outage in first quarter 2013 at our DeRidder, Louisiana, mill.

The table below breaks out our most significant costs: fiber (including purchased rollstock consumed in our corrugated operations), chemicals, energy, and labor (dollars in millions):

	Three Months Ended		Six Months Ended June	
	June 30	June 30	30	30
	2013	2012	2013	2012
Fiber	\$110.9	\$123.4	\$234.7	\$256.4
Chemicals	64.0	63.5	125.7	127.0
Energy	50.2	45.6	101.0	95.8
Labor	86.9	90.1	174.4	181.0
	\$312.0	\$322.7	\$635.8	\$660.1

Fiber. Costs for fiber in second quarter 2013, including purchased rollstock consumed in our corrugated operations, increased \$6.6 million in our Packaging segment and decreased \$15.7 million in our Paper segment, compared with the same period in 2012. Delivered-fiber costs in all of our operating regions include the cost of diesel, which decreased slightly in second quarter 2013, compared with the prior-year quarter, but remains high. Compared with the

six months ended June 30, 2012, total costs for fiber, including purchased rollstock consumed in our corrugated operations, increased \$16.2 million in our Packaging segment and decreased \$31.5 million in our Paper segment. Higher diesel costs increased the cost to harvest and transport wood to the mills, unfavorably affecting fiber costs in all of our regions.

Fiber costs, including purchased rollstock costs, in our Packaging segment increased due to linerboard price increases and increases in sales volumes of our corrugated containers and sheets. Fiber costs at our mill in

DeRidder, Louisiana, increased in the second quarter and first half of 2013, compared with the same periods last year, due to higher prices for wood fiber, offset partially by decreased consumption of wood and secondary fiber.

Fiber costs decreased in our Paper segment during the second quarter by \$15.7 million and by \$31.5 million during the first half of 2013, compared with the same periods last year. As a result of ceasing paper production at our mill in St. Helens, Oregon, fiber costs decreased \$6.7 million and \$13.6 million, during the three and six months ended June 30, 2013. In Washington, fiber costs decreased for the three and six months ended June 30, 2013, compared with the corresponding periods in the prior year, due primarily to lower prices for wood and secondary fiber. In Minnesota, pulp prices decreased and consumption increased for both second quarter and year-to-date, and we reduced our consumption of wood fiber due to increased costs for wood fiber. In Alabama, fiber costs were essentially flat, as increases in prices were offset by lower consumption of fiber.

Chemicals. Chemical costs increased \$1.8 million in our Packaging segment and decreased \$1.3 million in our Paper segment during the three months ended June 30, 2013, compared with the three months ended June 30, 2012. Chemical costs increased \$2.5 million in our Packaging segment and decreased \$3.8 million in our Paper segment during the six months ended June 30, 2013, compared with the six months ended June 30, 2012. The increased costs in our Packaging segment were primarily the result of increased consumption. The decreased costs in our Paper segment were primarily the result of ceasing paper production at our St. Helens, Oregon, mill in December 2012.

Energy. Compared with the three months ended June 30, 2012, energy costs increased \$3.5 million in our Packaging segment and \$1.1 million in our Paper segment during the three months ended June 30, 2013. In our Packaging segment the increase related primarily to higher costs for electricity. In our Paper segment, the increase was due primarily to higher prices for fuel, offset partially by decreased consumption of fuel and electricity at our mill in St. Helens, Oregon. Energy costs increased \$4.7 million in our Packaging segment and \$0.5 million in our Paper segment during the six months ended June 30, 2013, compared with the six months ended June 30, 2012. The increase in energy costs in our Packaging segment was due primarily to higher prices for fuel and electricity.

Labor. Labor costs recorded in "Materials, labor, and other operating expenses (excluding depreciation)" decreased \$3.2 million and \$6.6 million, respectively, compared with the the three and six months ended June 30, 2012. The decreases were primarily attributable to ceasing paper production at our St. Helens, Oregon, mill in December 2012. Labor costs are not as volatile as wood fiber costs and energy; however, they make up a significant component of our operating costs and tend to increase over time.

Selling and distribution expenses. Selling and distribution expenses increased \$3.2 million and \$1.4 million, compared with the three and six months ended June 30, 2012, as a result of temporarily higher costs for marketing programs in our Paper segment.

Depreciation, amortization, and depletion increased during the three and six months ended June 30, 2013, compared with the corresponding periods in 2012. The increases were due primarily to incremental depreciation expense related to shortening the useful lives of some of our assets, primarily at our mill in International Falls, Minnesota.

General and administrative expenses were essentially flat as a percentage of sales for the three and six months ended June 30, 2013, compared with the same periods in 2012.

Restructuring costs. During second quarter 2013, we recorded \$13.3 million of pretax restructuring costs, of which \$12.3 million was recorded in our Paper segment and related primarily to our plan to shut down two paper machines and an off-machine coater at our mill in International Falls, Minnesota, in early fourth quarter 2013. We recorded \$1.0 million of costs in our Packaging segment related to restructuring activities in connection with our recently announced project to convert a machine at our DeRidder, Louisiana, mill to produce lightweight linerboard and corrugating medium. The \$13.3 million of costs included approximately \$6.3 million of noncash charges related primarily to

inventory and asset write-downs, and approximately \$7.0 million of cash costs related to employee severance. We expect to pay most of these cash costs in late 2013 and early 2014. In addition to the amounts recorded in "Restructuring costs" on our Consolidated Statements of Operations, we recorded \$4.0 million of other restructuring costs that related primarily to inventory write-downs in "Materials, labor, and other operating expenses (excluding depreciation)", during the three and six months ended June 30, 2013.

Other (income) expense, net. Other (income) expense, net increased \$1.5 million and \$1.7 million when comparing the three and six months ended June 30, 2013, with the corresponding periods in the prior year. This increase related primarily to transaction-related costs of \$2.0 million in the three and six months ended June 30, 2013.

Transaction-related costs include expenses associated with transactions, whether consummated or not. We explore strategic transactions to the extent we believe they may improve our competitive position or enhance shareholder value.

Income From Operations

Income from operations for the three months ended June 30, 2013, was \$12.4 million, compared with \$37.7 million for the three months ended June 30, 2012. For the six months ended June 30, 2013, income from operations was \$25.4 million, compared with \$87.4 million for the six months ended June 30, 2012. In both periods, our results were affected by the decrease in income from operations related primarily to charges taken for the announced restructuring activities, discussed above, at our mill in International Falls, Minnesota, incremental depreciation related to shortening the useful lives of some of our assets, and lower prices and volumes for uncoated freesheet and lower prices for newsprint, offset partially by higher prices for corrugated containers and sheets. During the six months ended June 30, 2013, we also recognized \$14.0 million of higher maintenance outage costs, related primarily to the cold outage, which occurs once every five years, at our DeRidder mill.

Packaging. Segment income from operations increased \$6.5 million to \$31.3 million during the three months ended June 30, 2013, compared with \$24.8 million for the same period last year. The increase in segment income resulted from higher prices and volumes for corrugated products and \$5.9 million of lower maintenance outage costs, offset partially by lower prices for newsprint. Segment income from operations decreased \$15.1 million to \$32.2 million during the six months ended June 30, 2013, compared with \$47.3 million for the same period last year. This decrease is primarily attributable to higher maintenance outage costs of \$14.7 million and lower newsprint prices. Fiber, energy, and chemical costs all increased due to increased prices and consumption due to increased sales volumes.

Paper. Segment loss from operations was \$9.9 million during the three months ended June 30, 2013, compared with income of \$19.6 million for the three months ended June 30, 2012. Segment income from operations decreased \$43.8 million to \$9.7 million during the six months ended June 30, 2013, compared with \$53.5 million for the same period last year. In both periods, lower uncoated freesheet net selling prices negatively affected our results. In addition, both 2013 periods included \$12.3 million of pretax restructuring costs, which related to our announced shut down of two paper machines and an off-machine coater at our mill in International Falls, Minnesota, as discussed above. The three and six months ended June 30, 2013, also included \$3.8 million and \$7.6 million of incremental depreciation expense at International Falls, Minnesota, related to shortening the useful lives of the assets we will shut down in the second half of 2013. During the three months ended June 30, 2013, \$15.2 million, \$1.3 million, and \$1.1 million of lower fiber, chemical, and outage costs, respectively, partially offset the declines. During the six months ended June 30, 2013, fiber costs decreased \$30.6 million and chemical costs decreased \$3.8 million, due largely to our decision to cease paper production at our mill in St. Helens, Oregon, in December 2012.

Other

Income taxes. For the three months ended June 30, 2013 and 2012, we recorded \$1.3 million of income tax benefit and \$8.8 million of income tax expense, respectively, and had effective tax rates of 36.9% and 39.2%, respectively. For the six months ended June 30, 2013 and 2012, we recorded an income tax benefit of \$2.7 million and income tax expense of \$22.0 million, respectively, and had effective tax rates of 44.3% and 38.6%, respectively. In 2013, the primary reason for the difference from the federal statutory income tax rate of 35% was the effect of lower income from operations, discrete items, and the effect of state taxes. In 2012, the primary reason for the difference from the federal statutory income tax rate of 35% was the effect of state taxes.

Industry Activities

In May 2013, KPS Capital Partners, LP, announced that, through a newly formed company, Expera Specialty Solutions, LLC, it had entered into definitive agreements with Wausau Paper Corp. to acquire Wausau's specialty paper business and with Packaging Dynamics Corporation to acquire their specialty paper business known as Thilmany. Wausau and Thilmany are both leading, integrated North American manufacturers of specialty paper products for the food packaging, industrial, and pressure-sensitive release liner markets.

In July 2013, KapStone Paper and Packaging Corporation acquired the stock of Longview Fibre Paper and Packaging, Inc. Longview is a leading manufacturer of high-quality containerboard, lightweight high-performance multiwall paper, specialty Kraft papers, and corrugated containers located in the Pacific Northwest, including a mill located in Longview, Washington, equipped with five paper machines that produce 1.15 million tons of containerboard and Kraft paper annually.

We have not experienced any immediate impact on our operations as a result of these announcements.

Liquidity and Capital Resources

During the first half of 2013, we generated \$81.6 million of cash from operations, which included contributions of \$5.1 million to our pension plans, invested \$64.6 million in property and equipment, and repaid \$5.0 million of long-term debt. At June 30, 2013, we had \$61.1 million of cash and cash equivalents and \$493.0 million of liquidity from unused borrowing capacity under our revolving credit facility, net of letters of credit. Our cash equivalents are invested in bank deposits and money market funds that are broadly diversified in high-quality, short-duration securities, including commercial paper, certificates of deposit, U.S. government agency securities, and similar instruments.

We believe that our cash, as well as our cash flows from operations and the available borrowing capacity under our revolving credit facility, will be adequate to provide cash as required to support our ongoing operations, property and equipment expenditures, pension contributions, and debt service obligations for at least the next 12 months.

Sources and Uses of Cash

We generate cash primarily from sales of our products and from short- and long-term borrowings, as well as from the sale of nonstrategic assets. Our principal operating cash expenditures are for fiber, compensation, chemicals, energy, and interest. In addition to paying for ongoing operating costs, we use cash to invest in our business, return capital to shareholders, fund pension obligations, repay debt, and meet our contractual obligations and commercial commitments. Below is a summary table of our cash flows, followed by a discussion of our sources and uses of cash through operating activities (including a sensitivity analysis related to our sources and uses of cash from/for operating activities), investment activities, and financing activities (dollars in millions):

	Six Months Ended June 30	
	2013	2012
Cash provided by operations	\$81.6	\$73.1
Cash used for investment	(63.9	) (51.9
Cash used for financing	(6.3	) (58.8

Operating Activities

We operate in a cyclical industry, and our operating cash flows vary accordingly. During the six months ended June 30, 2013 and 2012, our operating activities provided \$81.6 million and \$73.1 million of cash, respectively. Compared with the six months ended June 30, 2012, cash provided by operations increased primarily as a result of a \$36.9 million decrease in cash used for working capital and a \$13.1 million decrease in pension contributions, offset partially by lower income from operations. See "Our Operating Results" in this Management's Discussion and Analysis of Financial Condition and Results of Operations for more information related to factors affecting our lower operating results.

Working capital increased \$14.3 million during the six months ended June 30, 2013, compared with an increase of \$51.2 million during the six months ended June 30, 2012. Working capital is subject to cyclical operating needs, the

timing of the collection of receivables, the payment of payables and expenses, and to a lesser extent, seasonal fluctuations in our operations. The increase in working capital during the six months ended June 30, 2013, related primarily to increased accounts receivable. Accounts receivable increased during the six months ended June 30, 2013, as the June month-end fell on a Sunday, affecting the timing of collections.

Sensitivity Analysis Related to Sources and Uses of Cash From/For Our Operating Activities

Our operations can be affected by the following sensitivities (dollars in millions):

Sensitivity Analysis (a)	Estimated Annual Impact on Income Before Taxes
Packaging	
Corrugated containers and sheets (\$1.00/msf change in price)	\$10
Linerboard (external sales) (\$10/short ton change in price)	2
Newsprint (\$10/short ton change in price)	2
Paper	
Uncoated freesheet (\$10/short ton change in price)	12
Interest rate (1% change in interest rate on our variable-rate debt)	2
Energy (b)	
Natural gas (\$1.00/mmBtu change in price)	11
Electricity (1% change in cost)	1
Diesel (\$0.50/gallon change in price)	6
Fiber (1% change in cost)	5
Chemicals (1% change in cost)	3

(a) Based on 2012 operations and adjusted for ceasing paper production at St. Helens.

(b) The allocation between energy sources may vary during the year in order to take advantage of market conditions.
The diesel sensitivity does not take into account any floors that may exist in rail or truck fuel surcharge formulas.

Investment Activities

Cash investment activities used \$63.9 million and \$51.9 million for the six months ended June 30, 2013 and 2012, respectively. In each period, these expenditures related primarily to expenditures for property and equipment.

We expect capital investments in 2013 to be between \$187 million and \$202 million, excluding acquisitions. This level of capital investment includes the planned conversion of our idled newsprint machine at our mill in DeRidder, Louisiana and the installation of an old corrugated container, or OCC, pulping facility at the mill, as well as planned cost-reduction and improvement projects in our corrugated operations. We expect to invest between \$110 million and \$120 million on the conversion and OCC pulping facility, of which we expect to spend \$35 million to \$40 million in 2013, with the remaining amounts invested in 2014. Our capital investments could increase or decrease as a result of a number of factors, including our financial results, future economic conditions, and our regulatory compliance requirements. Of the amount we expect to spend for capital investments in 2013, approximately \$4 million relates to environmental compliance requirements. Our estimated environmental expenditures could vary significantly depending upon the enactment of new environmental laws and regulations, including those related to greenhouse gas emissions and industrial boilers. Our preliminary estimates indicate we will incur additional capital spending of \$33 million to \$38 million for compliance with Boiler MACT rules at our paper mills over the next three years, which includes the \$4 million we expect to spend in 2013, as discussed above. For additional information, see the discussion under the heading "Environmental" in "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2012 Form 10-K.

Financing Activities

Cash used for financing activities was \$6.3 million for the six months ended June 30, 2013, compared with \$58.8 million of cash used by financing activities for the same period in 2012. Financing activities for the six months ended June 30, 2013, related primarily to \$5.0 million of debt repayments. Financing activities for the six months ended

June 30, 2012, included a \$47.5 million payment of a special dividend and \$5.0 million of debt repayments.

For additional information related to our borrowings, see Note 8, Debt, of the Notes to Consolidated Financial Statements in "Part II, Item 8. Financial Statements and Supplementary Data" in our 2012 Form 10-K and

Note 6, Debt, of the Condensed Notes to Unaudited Quarterly Consolidated Financial Statements in "Part I, Item 1. Financial Statements" of this Form 10-Q.

Contractual Obligations

For information on contractual obligations, see the discussion under the heading "Contractual Obligations" in "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2012 Form 10-K. At June 30, 2013, there have been no material changes to our contractual obligations from those disclosed in our 2012 Form 10-K.

Off-Balance-Sheet Activities

At June 30, 2013, we had no off-balance-sheet arrangements with unconsolidated entities.

Guarantees

Note 18, Commitments, Guarantees, Indemnifications, and Legal Proceedings, of the Condensed Notes to Unaudited Quarterly Consolidated Financial Statements in "Part I, Item 1. Financial Statements" of this Form 10-Q describes the nature of our guarantees and the events or circumstances that would require us to perform under the guarantees.

Environmental

For information on environmental issues, see the discussion under the heading "Environmental" in "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2012 Form 10-K. At June 30, 2013, there have been no material changes to our environmental information from that disclosed in our 2012 Form 10-K.

Critical Accounting Estimates

Critical accounting estimates are those that are most important to the portrayal of our financial condition and results. These estimates require management's most difficult, subjective, or complex judgments, often as a result of the need to estimate matters that are inherently uncertain. We review the development, selection, and disclosure of our critical accounting estimates with the Audit Committee of our board of directors. For information about critical accounting estimates, see the discussion under the heading "Critical Accounting Estimates" in "Part II, Item 7. Management's Discussion and Analysis of Financial Conditions and Results of Operations" in our 2012 Form 10-K. At June 30, 2013, there have been no material changes to our critical accounting estimates from those disclosed in our 2012 Form 10-K.

New and Recently Adopted Accounting Standards

For a listing of our new and recently adopted accounting standards, see Note 17, New and Recently Adopted Accounting Standards, of the Condensed Notes to Unaudited Quarterly Consolidated Financial Statements in "Part I, Item 1. Financial Statements" of this Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information relating to quantitative and qualitative disclosures about market risk can be found under the caption "Liquidity and Capital Resources" in "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2012 Form 10-K. At June 30, 2013, there have been no material changes in our exposure to market risk from those disclosed in our 2012 Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

Attached as exhibits to this Form 10-Q are certifications of our chief executive officer and chief financial officer. Rule 13a-14 of the Securities Exchange Act of 1934, as amended, requires that we include these certifications with this report. This Controls and Procedures section includes information concerning the disclosure controls and procedures referred to in the certifications. You should read this section in conjunction with the certifications for a more complete understanding of the topics presented.

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Evaluation of Disclosure Controls and Procedures

We maintain "disclosure controls and procedures," as Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended, defines such term. We have designed these controls and procedures to reasonably assure that information required to be disclosed in our reports filed under the Exchange Act, such as this Form 10-Q, is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. We have also designed our disclosure controls to provide reasonable assurance that such information is accumulated and communicated to our senior management, including our chief executive officer (CEO) and chief financial officer (CFO), as appropriate, to allow them to make timely decisions regarding our required disclosures.

We evaluate the effectiveness of our disclosure controls and procedures on at least a quarterly basis. A number of key components in our internal control system assist us in these evaluations. We have a disclosure committee that meets regularly and receives input from our senior management, general counsel, and internal audit staff. This committee is charged with considering and evaluating the materiality of information and reviewing the company's disclosure obligations on a timely basis. Our internal audit department also evaluates components of our internal controls on an ongoing basis. To assist in its evaluations, the internal audit staff identifies, documents, and tests our disclosure controls and procedures. Our intent is to maintain disclosure controls and procedures as dynamic processes that change as our business and working environments change.

Our management, including the CEO and CFO, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the quarter covered by the Quarterly Report on Form 10-Q. Based on that evaluation, our CEO and CFO have concluded that, as of such date, our disclosure controls and procedures were effective in meeting the objectives for which they were designed and were operating at a reasonable assurance level.

Limitations on the Effectiveness of Controls and Procedures

In designing and evaluating our disclosure controls and procedures, we recognize that disclosure controls and procedures, no matter how well-conceived and well-operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. We have also designed our disclosure controls and procedures based in part on assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Changes in Internal Control Over Financial Reporting

Our management identified no changes during the quarter ended June 30, 2013, that materially affected, or would be reasonably likely to materially affect, our internal controls over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

This Quarterly Report on Form 10-Q contains forward-looking statements. Statements that are not historical or current facts, including statements about our expectations, anticipated financial results, projected capital expenditures, and future business prospects, are forward-looking statements. You can identify these statements by our use of words such as "may," "will," "expect," "believe," "should," "plan," "anticipate," and other similar expressions. You can find examples of these statements throughout this report, including the "Executive Summary" section of "Management's Discussion and Analysis of Financial Condition and Results of Operations." We cannot guarantee that our actual results will be consistent with the forward-looking statements we make in this report. You should review carefully the risk factors listed in other documents we file with the Securities and Exchange Commission (SEC). During the three months ended June 30, 2013, there have been no material changes to the risk factors presented in "Part I, Item 1A. Risk Factors" of our Form 10-K for the year ended December 31, 2012. We do not assume any obligation to update any forward-looking statement.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In 2011, we announced our intent to repurchase up to \$150 million of our common stock through a variety of methods, including in the open market, in privately negotiated transactions, or through structured share repurchases. As of June 30, 2013, we had repurchased 21,150,992 common shares for an average price of \$5.74. No repurchases were made during the second quarter of 2013.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Required exhibits are listed in the Index to Exhibits and are incorporated by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized.

BOISE INC.

BZ INTERMEDIATE HOLDINGS LLC

/s/ BERNADETTE M. MADARIETA
Bernadette M. Madarieta
Vice President and Controller
(As Duly Authorized Officer and Chief Accounting
Officer)
Date: August 1, 2013

/s/ BERNADETTE M. MADARIETA
Bernadette M. Madarieta
Vice President and Controller
(As Duly Authorized Officer and Chief Accounting
Officer)

BOISE INC.

BZ INTERMEDIATE HOLDINGS LLC

INDEX TO EXHIBITS

Filed or Furnished With the Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2013.

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed or Furnished Herewith
		Form	Exhibit Number	Filing Date	
10.1	Paper Purchase Agreement Dated June 25, 2011, Between Boise White Paper, L.L.C. and OfficeMax Incorporated				X
10.2	First Amendment to Paper Purchase Agreement Dated June 20, 2013, Between Boise White Paper, L.L.C. and OfficeMax Incorporated				X
11	Presented in Footnote 3, Net Income (Loss) Per Common Share, to Condensed Notes to Unaudited Quarterly Consolidated Financial Statements				X
31.1	CEO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
31.2	CFO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
32	Section 906 Certifications of Chief Executive Officer and Chief Financial Officer of Boise Inc. and BZ Intermediate Holdings LLC				X
101	Financial Statements in XBRL Format				X

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