Boise Inc.
Form 8-K
February 28, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

Date of Report (date of earliest event reported): February 22, 2008

BOISE INC.

(Exact name of registrant as specified in its charter)

Delaware	**001-33541**	**20-8356960**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1111 West Jefferson Street, Suite 200

Boise, ID 83702-5388

(Address of principal executive offices, including zip code)

208-384-7000

(Registrant s telephone number, including area code)

Not applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Introduction

The items disclosed in this Current Report on Form 8-K relate to the completion of the acquisition (the Acquisition) by Boise Inc., formerly Aldabra 2 Acquisition Corp. (the Company), of Boise White Paper, L.L.C. (Boise White Paper), Boise Packaging & Newsprint, L.L.C., Boise Cascade Transportation Holdings Corp. (collectively, the Paper Group) and other assets and liabilities related to the operation of the paper, packaging and newsprint, and transportation businesses of the Paper Group and most of the headquarters operations of Boise Cascade, L.L.C (the Seller) on February 22, 2008. The business so acquired from the Seller is referred to in this Current Report on Form 8-K as the Business . The Acquisition was accomplished through the Company s acquisition of Boise Paper Holdings, L.L.C. pursuant to that certain Purchase and Sale Agreement, dated as of September 7, 2007, by and among the Seller, Boise Paper Holdings, L.L.C., the Paper Group, Aldabra Sub LLC and the Company, as amended by Amendment No. 1 to Purchase and Sale Agreement, dated October 18, 2007, and Amendment No. 2 to the Purchase and Sale Agreement, dated February 22, 2008, each by and among such persons (the Purchase Agreement).

Item 1.01 Entry into a Material Definitive Agreement.

Paper Purchase Agreement with OfficeMax

In October 2004, Boise White Paper, currently a subsidiary of the Company, entered into a 12-year paper supply agreement (the Paper Supply Agreement) with OfficeMax Incorporated (OfficeMax) under which OfficeMax is required to purchase from Boise White Paper all of OfficeMax s North American requirements for cut-size office paper, to the extent Boise White Paper chooses to supply such paper to OfficeMax, through December 2012. OfficeMax s purchase obligations under the Paper Supply Agreement will phase out over a four-year period beginning one year after the delivery of notice of termination, but not prior to December 31, 2012. In connection with the Acquisition, the Company acquired Boise White Paper.

The foregoing is qualified in its entirety by reference to the redacted text of the Paper Supply Agreement which is filed as Exhibit 10.1 to this Current Report on Form 8-K, which information is incorporated herein by reference.

Amendment No. 2 to Purchase Agreement

On February 22, 2008, the Company, the Seller, Boise White Paper and the other parties to the Purchase Agreement, amended the Purchase Agreement by entering into a second amendment thereto (Amendment No. 2). In addition to clarifying certain arrangements among the parties to the Purchase Agreement, Amendment No. 2 confirms the form of Seller Note (as defined in Item 2.01 to this Current Report on Form 8-K) issued as partial consideration to the Seller at the closing of the Acquisition.

The foregoing is qualified in its entirety by reference to the full text of Amendment No 2. which is filed as Exhibit 10.2 to this Current Report on Form 8-K, which information is incorporated herein by reference.

Investor Rights Agreement

On February 22, 2008, in connection with the Acquisition, the Company, the Seller, and certain other stockholders of the Company named therein entered into an investor rights agreement (the IRA). The IRA is described in detail in the Company s definitive proxy statement, filed with the Securities and Exchange Commission (the SEC) on January 23, 2008 (the Definitive Proxy Statement), in the section entitled Certain Relationships and Related Party Transactions Agreements with Stockholders Investor Rights Agreement beginning on page 224, which information is incorporated herein by reference.

The foregoing is qualified in its entirety by reference to the full text of the IRA which is filed as Exhibit 4.1 to this Current Report on Form 8-K, which information is incorporated herein by reference.

Senior Secured Credit Facilities and Seller Note

The description of the Company s senior credit facilities and the Seller Note (as defined in Item 2.01 to this Current Report on Form 8-K) issued to the Seller as set forth under Item 2.03, is incorporated herein by reference.

2008 Boise Inc. Incentive and Performance Plan

Immediately following the consummation of the Acquisition, the Company adopted the 2008 Boise Inc. Incentive and Performance Plan (the Incentive Plan). The Incentive Plan permits grants of annual incentive awards, stock bonuses, restricted stock, restricted stock units, performance stock, performance units, stock appreciation rights (SARS), and stock options (including performance based or indexed stock options) to the executive officers, key employees and nonemployee directors who are selected as participants.

The 2008 Boise Inc. Incentive and Performance Plan is described in the Definitive Proxy Statement in the section entitled Proposal V Incentive Plan beginning on page 143, which information is incorporated herein by reference.

The foregoing is qualified in its entirety by reference to the full text of the Incentive Plan which is filed as Annex E to the Definitive Proxy Statement, which information is incorporated herein by reference.

Outsourcing Agreement

In connection with the Acquisition and as a condition for its completion, the Company and the Seller entered into an outsourcing services agreement, dated as of February 22, 2008. Pursuant to this agreement, the parties will provide administrative services, such as information technology, accounting, financial management, and human resources services, to each other for a price equal to the provider s fully allocable cost. The initial term of the agreement is for three years. It will automatically renew for one-year terms unless either party provides notice of termination to the other party at least 12 months in advance of the applicable term.

Because the headquarters operations (including a majority of legacy corporate functions) of the Seller were purchased by the Company as part of the Acquisition, substantially all of the services provided under this agreement will be provided to the Seller by the Company. The provision of services to the Seller by the Company is important to the operating success of the Seller. Either the Seller or the Company may terminate the agreement before its expiration only if (i) the Seller has failed to pay undisputed invoiced amounts due on three consecutive monthly invoices or for a total of 100 days; and (ii) after receipt of notice of the other party s intent to terminate the agreement the party receiving such notice has failed to cure such default. A party that is receiving services pursuant to the agreement may terminate the agreement with respect to the services that it receives (but not with respect to the services it provides) at any time without cause. If the Seller terminates the agreement with respect to the services that it receives without cause during the three-year initial term, it will be required to pay the Company a termination fee that decreases over time. The Company will not be required to pay any termination fee if it terminates the agreement with respect to the services that it receives at any time during the term of the agreement.

The foregoing is qualified in its entirety by reference to the full text of the Outsourcing Agreement which is filed as Exhibit 10.17 to this Current Report on Form 8-K, which information is incorporated herein by reference.

Intellectual Property License Agreement

In connection with the Acquisition and as a condition for its completion, the Company and the Seller and (on behalf of itself and its affiliates) entered into an intellectual property license agreement, dated as of February 22, 2008, pursuant to which the Seller will provide the Company a royalty-free, fully-paid, worldwide, non-transferable (except under certain circumstances (e.g., to any affiliate or a successor-in-interest to the Business)) and exclusive right and license (subject to specified retained rights of the Seller.) to use specified trademarks of the Seller in connection with the operation of the Business (on the terms and conditions set forth therein). Specifically, the Seller will license to the Company the tradename Boise for exclusive use in all product categories associated with paper and packaging. The Seller will also license to the Company the trademark for exclusive use in all product categories other than those associated with wood and building products.

The foregoing is qualified in its entirety by reference to the full text of the Intellectual Property License Agreement which is filed as Exhibit 10.18 to this Current Report on Form 8-K, which information is incorporated herein by reference.

Item 2.01 **Completion of Acquisition or Disposition of Assets.**

On February 22, 2008, the Company completed the Acquisition pursuant to the Purchase Agreement.

Effective upon the consummation of the Acquisition, (i) the Paper Group became subsidiaries of the Company, (ii) the Business became the Company s only operations and (iii) the Company changed its name to Boise Inc. The Acquisition is described in greater detail in the Definitive Proxy Statement in the sections entitled Proposal I Acquisition Proposal beginning on page 54 and The Purchase Agreement beginning on page 87, which information is incorporated herein by reference. The description of the Acquisition in the Definitive Proxy Statement is qualified in its entirety by reference to the Purchase Agreement, a copy of which was filed as Annex A to the Definitive Proxy Statement.

In exchange for the sale of the Business to the Company, the Seller received the following (collectively, the Purchase Price):

- $1,252,280,781.80 in cash (in addition to cash paid to the Seller in respect of financing fees and other expenses);
- 37,857,374 shares of common stock, par value $.0001 per share, of the Company (the Common Stock); and
- a subordinated promissory note in the original amount of $41,000,000 (the Seller Note).

Please see the pro forma financials of the Company attached hereto as Exhibit 99.3 for further details.

BUSINESS

General

The paper and packaging and newsprint business units of Boise Cascade Holdings, L.L.C. (BPP) have operated as three segments: the paper segment, the packaging and newsprint segment, and the corporate and other segment (which includes BPP s transportation business and corporate staff support).

Paper

Products

BPP s paper segment manufactures and sells uncoated free sheet paper (including cut-size office papers, commercial printing paper, envelope papers, and a wide range of premium and specialty papers), market pulp, and corrugating medium (a component of containerboard). For all years presented, the paper segment s annual paper production was approximately 1.8 million short tons (a short ton is equal to 2,000 pounds) and its annual paper production capacity was approximately 1.9 million short tons. Many of BPP s paper products are commodity products, while others have specialized features that make these products premium or specialty grades. BPP s premium grades include 100% recycled, high-bright and colored cut-size office papers, and BPP s specialty grades include custom-developed papers for such uses as label and release and flexible food packaging. BPP ships to customers both directly from its mills and through distribution centers. In 2007, BPP was the third-largest manufacturer of uncoated free sheet paper in North America, with annual uncoated free sheet paper production capacity of approximately 1.5 million short tons and market share of approximately 12% in 2007. During 2007, uncoated free sheet paper accounted for approximately 87% of segment sales.

The following table sets forth the capacity and production by product for the periods indicated:

	Predecessor		Boise Paper Products (as operated by the Seller)			
	Year Ended December 31,	January 1 through October 28,	October 29 (inception) through December 31,	Year Ended December 31		
	2003	2004	2004	2005	2006	2007
Capacity (a)						
Uncoated free sheet	1,580,000	1,576,000	1,576,000	1,550,000	1,547,000	1,484,000
Containerboard (medium)	130,000	134,000	134,000	130,000	134,000	138,000
Market pulp	230,000	232,000	232,000	228,000	224,000	229,000
	1,940,000	**1,942,000**	**1,942,000**	**1,908,000**	**1,905,000**	**1,851,000**
Production						
Uncoated free sheet	1,379,000	1,203,000	256,000	1,487,000	1,520,000	1,458,000
Containerboard (medium)	127,000	109,000	23,000	128,000	132,000	134,000
Market pulp	202,000	184,000	39,000	229,000	187,000	221,000
	1,708,000	**1,496,000**	**318,000**	**1,844,000**	**1,839,000**	**1,813,000**

(1) Capacity assumes production 24 hours per day, 365 days per year, less days allotted for planned maintenance and capital improvements. Accordingly, production can exceed calculated capacity under some operating conditions.

BPP s strategy is to increase its presence in the growing premium and specialty paper markets, while reducing its exposure to shrinking commodity markets, such as converting paper for business forms. BPP increased sales of premium and specialty papers from approximately 28% of uncoated free sheet tons sold during 2004 to approximately 33% of uncoated free sheet tons sold during 2007. Some traditional communications paper markets have been declining as electronic media has developed. These declines have varied by specific products; for example, roll stock for business forms has declined significantly, while cut-size copy paper consumption has been essentially flat over the past several years as increased printer placements in home and manufacturing environments has offset reductions in office consumption. Many premium paper markets, such as recycled and colored papers have been growing. Other paper markets, such as label and release papers and flexible packaging papers, are not impacted negatively by electronic substitution. While BPP produces some uncoated free sheet paper for forms converting use, its commodity uncoated free sheet paper production is heavily weighted to cut-size copy paper sold through OfficeMax, which also helps facilitate sales of premium office papers, such as recycled and colored copy paper.

The following table sets forth packaging and newsprint segment sales; segment income (loss) before interest and taxes; depreciation, amortization, and depletion; and EBIDTA for the periods indicated:

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	Predecessor		Boise Paper Products (as operated by the Seller)		
	Year Ended December 31,	January 1 through October 28,	October 29 (inception) through December 31,	Year Ended December 31,	
	2003	2004	2004	2005	2006	2007
	(dollars in millions)					
Sales	$ 1,254.8	$ 1,141.5	$ 237.6	$ 1,415.2	$ 1,494.7	$ 1,596.2
Segment income (loss) before interest and taxes	(22.9)	(35.2)	17.7	57.5	63.3	133.5
Depreciation, amortization and depletion (a)	136.3	118.5	8.4	55.2	62.3	45.0
EBITDA(b)	$ 113.4	$ 83.3	$ 26.2	$ 112.6	$ 125.6	$ 178.5

(a) The year ended December 31, 2007, included approximately $21.7 million of lower depreciation and amortization expense as a result of discontinuing depreciation and amortization on the assets recorded as held for sale.

(b) Segment EBITDA is calculated as segment income (loss) before interest, income tax provision (benefit) and depreciation, amortization and depletion. EBITDA is the primary measure used by the Company s chief operating decision makers to evaluate segment operating performance and to decide how to allocate resources to segments. See the section entitled Selected Historical Financial Information of Boise Paper Products contained in Item 2.01 of this Current Report on Form 8-K for a description of the Seller s reasons for using EBITDA, for a discussion of the limitations of such a measure and for a reconciliation of the Seller s EBITDA to net income.

BPP s commodity-grade paper products are produced primarily on its larger paper machines in long, high-volume production runs that achieve economies of scale. On BPP s smaller paper machines, BPP cost-competitively manufactures premium and specialty grades, which are increasingly displacing the production of commodity grades. Premium and specialty grades tend to require shorter production runs, generate higher and more stable prices, and have higher margins over time. Sales volumes of premium and specialty grades are more than 10% above the 436,000-ton level achieved in 2005. This increased focus on premium and specialty grades is an important component of BPP s strategy. In support of this strategy, as of December 31, 2007, BPP had spent approximately $80 million to modify its uncoated free sheet paper machine at its Wallula, Washington mill to enable it to produce pressure sensitive papers in addition to the commodity grades it has historically produced. Pressure sensitive papers include those used in the manufacture of labels and other adhesive papers.

BPP also manufactures and sells market pulp. The quantity of market pulp it sells is approximately equal to the market pulp it purchases across its operating segments; therefore, any changes in the price and cost of pulp generally tend to offset one another.

Facilities

BPP manufactures uncoated free sheet paper at four mills in the United States. These mills had an annual capacity of 1.5 million short tons of uncoated free sheet paper as of December 31, 2007. BPP s uncoated free sheet paper mills are supported by converting machines that, on a net basis, can produce approximately 1 million short tons of cut- and folio-size sheets annually.

The following table sets forth the annual capacities of manufacturing locations in BPP s paper segment as of December 31, 2007, and production for the year then ended:

	Number of Machines	Capacity(1)	Production
	(short tons)		
PULP AND PAPER MILLS			
Jackson, Alabama			
Uncoated free sheet	2	492,000	488,000
International Falls, Minnesota			
Uncoated free sheet	4	533,000	526,000
St. Helens, Oregon			

Uncoated free sheet	3	263,000	260,000
Market pulp		81,000	94,000
Wallula, Washington			
Uncoated free sheet	1	196,000	184,000
Market pulp	1	148,000	127,000
Containerboard (medium)	1	138,000	134,000
	12	1,851,000	1,813,000
ANNUAL CAPACITY BY PRODUCT			
Uncoated free sheet		1,484,000	
Containerboard (medium)		138,000	
Market pulp		229,000	
		1,851,000	

(1) Capacity assumes production 24 hours per day, 365 days per year, less days allotted for planned maintenance and capital improvements. Accordingly, production can exceed capacity under some operating conditions.

Raw Materials and Input Costs

Wood fiber is the principal raw material in this segment. The primary sources of wood fiber are timber and its byproducts, such as wood chips, wood shavings, and sawdust. Most of BPP s manufacturing facilities are located in close proximity to active wood markets. BPP has long-term market-based contracts for a portion of its fiber needs. BPP obtains some of its wood residuals from the Seller s sawmills and wood products facilities in the Pacific Northwest and, to a lesser extent, in the South, and the remainder are purchased from outside sources. As a part of the transaction, BPP is entering into contracts (based on market price) with the Seller to continue to source this fiber based on terms and conditions traditionally used between the businesses when they operated as fully-owned segments of the Seller. BPP also obtains fiber for its pulp mills in the Pacific Northwest from its cottonwood fiber farm near Wallula, Washington. In addition, the Company will continue to enter into fiber supply contracts with other third parties, which enable the Company to source wood at market prices.

All of BPP s paper mills have on-site pulp production facilities. Some of BPP s paper mills also purchase pulp from third parties pursuant to contractual arrangements. At the time these arrangements were negotiated, pulp markets were relatively soft and, as a result, BPP was able to negotiate attractive terms. Because the current pulp market is relatively tight, BPP may not be able to achieve new purchase arrangements with similarly attractive terms.

BPP generally purchases raw materials through contracts or open-market purchases. These contracts are generally with suppliers located in closest proximity to the specific facility they supply, and they generally contain price adjustment mechanisms to account for market price and expense volatility.

BPP s paper segment consumes substantial amounts of energy, such as electricity, natural gas, and a modest amount of fuel oil. During 2007, energy costs accounted for approximately 15% of the aggregate amount of materials, labor, and other operating expenses, including fiber costs, in this segment. BPP purchases substantial portions of its natural gas and electricity under supply contracts, most of which are between a specific plant and a specific local provider. Under most of these contracts, the providers are bound to provide BPP with all of its needs for a particular type of energy at a specific facility. Most of these contracts have pricing mechanisms that adjust or set prices based on current market prices. In addition, the Seller also uses derivative instruments such as natural gas swaps, options, or a combination of these instruments to partially mitigate price risk for its energy requirements. In addition, BPP has been increasing its use of renewable biomass fuels to displace fossil fuels. Historically, these fuels have cost less than fossil fuels per unit of energy output. Some of this shift has required capital investment to convert power boilers to be able to handle biomass fuels. For example, BPP has recently completed a $9 million project in Wallula, Washington, which allows one of its boilers to burn wood waste (hog fuel) instead of natural gas.

Sales, Marketing, and Distribution

BPP s uncoated free sheet paper is sold primarily by BPP s own sales personnel. BPP ships to customers both directly from its mills and through distribution centers. This allows BPP to respond quickly to customer requirements.

The following table sets forth sales volumes of paper and paper products for the periods indicated:

	Predecessor		Boise Paper Products (as operated by the Seller)			
	Year Ended December 31, 2003	**January 1 through October 28, 2004**	**October 29 (inception) through December 31, 2004**	**2005**	**Year Ended December 31, 2006**	**2007**
			(thousands of short tons)			
Commodity	1,022	891	178	1,080	999	995
Premium and specialty	374	358	68	436	498	480
Uncoated free sheet	1,396	1,249	246	1,516	1,497	1,475
Containerboard (medium)	126	110	23	128	132	134
Market pulp	146	138	27	142	112	145
	1,668	**1,497**	**296**	**1,786**	**1,741**	**1,754**

Customers

BPP s largest customer in this segment is OfficeMax. In 2007, sales to OfficeMax accounted for $615.7 million of paper segment sales. Sales to OfficeMax constitute 44% of BPP s total uncoated free sheet sales volume and 78% of its office papers sales volume. In October 2004, OfficeMax agreed to purchase from BPP its full North American requirements for cut-size office paper, to the extent BPP chooses to supply such paper to them, through December 2012. OfficeMax s purchase obligations under the Paper Supply Agreement will phase out over a four-year period (25% per year) beginning one year after the delivery of notice of termination, but in no event will the purchase obligation be reduced prior to December 31, 2012. The price for paper sold under the Paper Supply Agreement approximates market prices. However, due to the structure of the contract, price changes to OfficeMax lag the market approximately 60 days. The Paper Supply Agreement was transferred to the Company on closing of the Acquisition. The Paper Supply Agreement provides the Company with access to one of North America s largest office products sales and distribution networks, giving it a competitive advantage from the perspective of market access and customer supply-chain management.

Prior to the Acquisition, BPP also had an agreement in place whereby it received or made additional payments to OfficeMax each year based on the average price of uncoated free sheet paper. For the first and second anniversary periods, which ended October 29, 2005 and 2006, neither BPP nor OfficeMax owed additional consideration for the purchase price. For the third anniversary period ended October 29, 2007, BPP paid OfficeMax $32.5 million. This agreement will terminated as a result of the Acquisition, and consequently, the Company and BPP will neither receive payments from, nor make payments to, OfficeMax under this agreement.

In addition to OfficeMax, BPP has approximately 800 uncoated free sheet paper customers, none of which individually represents a material portion of its sales. BPP s customers include paper merchants, commercial and financial printers, paper converters such as envelope and form manufacturers, and customers who use its paper for specialty applications such as label and release products. The majority of these customers purchase products through individual purchase orders. In addition to its paper supply agreement with OfficeMax, BPP has long-term relationships with other customers, although no single relationship, other than the one with OfficeMax, is material to its business.

Business Plan

BPP s strategy in its paper segment is to maximize profitability by operating its two largest paper manufacturing machines at full capacity in the production of cut-size commodity office paper while dedicating as much production as possible on its smaller machines to premium and specialty papers for a variety of markets and end uses.

BPP works closely with its customers to develop and manufacture innovative premium and specialty papers and to provide related service programs that respond to its customers changing needs and technical requirements. On BPP s smaller machines, BPP will continue to displace the production of commodity grades with higher-margin premium and specialty grades. By leveraging its existing customer relationships, design capabilities, competitive cost position, and efficient logistics network, BPP seeks to expand its position as a leading North American supplier of premium and specialty papers. In support of this strategy, at December 31, 2007, BPP had spent approximately $80 million to modify its uncoated free sheet paper machine at its Wallula, Washington mill (the Wallula #3 machine), which historically produced a variety of commodity paper grades, to enable it to produce pressure sensitive papers, as well as commodity grades. Significant to the execution of BPP s strategy is the ability to produce and sell pressure sensitive papers from the Wallula #3 machine and the ability to develop, produce and sell other premium and specialty grades on its smaller machines. Pressure sensitive paper grades, as well as other specialty grade products, are important because these categories are generally growing, while North American demand for commodity uncoated free sheet paper in total has declined over the last five years.

The long-term supply agreement with OfficeMax allows BPP to focus its largest paper machines on producing commodity products in long, high-volume production runs. This relationship allows BPP to continue to improve the capacity utilization of its largest paper machines, achieve supply-chain efficiencies, and develop and test product and packaging innovations. BPP plans to leverage the expertise developed in this relationship to better serve its other customers and develop new customers and products while pursuing productivity improvements and cost reductions.

Packaging & Newsprint

Products

BPP s packaging and newsprint segment manufactures and sells containerboard (linerboard) and corrugated containers and sheets, as well as newsprint. For all years presented, the packaging and newsprint segment s annual linerboard and newsprint production and production capacity was approximately 1.0 million short tons. BPP consumes approximately 71% of its own linerboard and medium production (including industry trades) to make corrugated containers and sheets in this segment.

The following table sets forth the capacity and production by product for the periods indicated:

	Predecessor			Boise Paper Products (as operated by the Seller)
	Year Ended December 31,	January 1 through October 28,	October 29 (inception) through December	Year Ended December 31

	2003	2004	31, 2004 (short tons)	2005	2006	2007
Capacity (1)						
Containerboard (linerboard)	560,000	555,000	555,000	554,000	559,000	575,000
Newsprint	440,000	448,000	448,000	434,000	426,000	425,000
	1,000,000	**1,003,000**	**1,003,000**	**988,000**	**985,000**	**1,000,000**

Production						
Containerboard (linerboard)	525,000	427,000	94,000	533,000	554,000	573,000
Newsprint	413,000	352,000	75,000	411,000	415,000	409,000
	938,000	**779,000**	**169,000**	**944,000**	**969,000**	**982,000**

(1) Capacity assumes production 24 hours per day, 365 days per year, less days allotted for planned maintenance and capital improvements. Accordingly, production can exceed calculated capacity under some operating conditions.

The following table sets forth packaging and newsprint segment sales; segment income (loss) before interest and taxes; depreciation, amortization, and depletion; and EBITDA for the periods indicated:

	Predecessor		**Boise Paper Products (as operated by the Seller)**			
	Year Ended December 31,	**January 1 through October 28,**	**October 29 (inception) through December 31,**	**Year Ended December 31,**		
	2003	**2004**	**2004**	**2005**	**2006**	**2007**
	(dollars in millions)					
Sales	$ 642.7	$ 565.6	$ 128.9	$ 731.6	$ 766.5	$ 783.1
Segment income (loss) before interest and taxes	(14.4)	(2.1)	7.0	23.8	45.3	40.1
Depreciation, amortization and depletion (a)	40.4	34.7	6.0	37.2	50.8	37.7
EBITDA(b)	$ 26.0	$ 32.5	$ 13.0	$ 61.0	$ 96.1	$ 77.8

(a) The year ended December 31, 2007, included approximately $19.1 million of lower depreciation and amortization expense as a result of discontinuing depreciation and amortization on the assets recorded as held for sale.

(b) Segment EBITDA is calculated as segment income (loss) before interest, income tax provision (benefit) and depreciation, amortization and depletion. EBITDA is the primary measure used by the Company s chief operating decision makers to evaluate segment operating performance and to decide how to allocate resources to segments. See the section entitled Selected Historical Financial Information of Boise Paper Products contained in Item 2.01 of this Current Report on Form 8-K for a description of BPP s reasons for using EBITDA, for a discussion of the limitations of such a measure and for a reconciliation of BPP EBITDA to net income.

Containerboard is used in the production of corrugated containers and sheets. BPP s corrugated containers are used in the packaging of fresh fruit and vegetables, processed food, beverages, and other industrial and consumer products. Growth of corrugated containers is driven by durable and non-durable goods production as more packaging gets used in the sale of these products. Corrugated sheets are primarily sold to converters who finish the sheets into corrugated container products. In 2007, BPP s packaging and newsprint segment produced approximately 573,000 short tons of linerboard and its paper segment produced approximately 134,000 tons of corrugating medium, both of which are used in the production of corrugated containers. In 2007, BPP s two segments produced 707,000 short tons of linerboard and medium, while BPP s corrugated container and sheet plants consumed approximately 502,000 tons of containerboard (including both linerboard and corrugating medium) or the equivalent of 71% of its containerboard production.

BPP manufactured approximately 410,000 tons of newsprint during 2007, primarily for use in printing daily newspapers and other publications in North America. Of the machines at its mills in DeRidder, Louisiana, two machines are currently used in the production of newsprint. It is possible that these machines can be switched to other paper grades (such as linerboard, corrugating medium, unbleached kraft pulp, or packaging papers) provided that the Company makes additional capital expenditures and can economically source sufficient fiber.

Facilities

BPP manufactures containerboard (linerboard) and newsprint at its mill in DeRidder, Louisiana. This mill is one of the largest paper mills in North America, with an approximate annual production capacity of 1 million short tons as of December 31, 2007. BPP also manufactures corrugated containers and sheets at five plants in the Pacific Northwest and one sheet feeder plant in Texas, with an aggregate annual capacity of approximately 9.3 billion square feet, (which assumes operating the plants five days a week, 24 hours a day).

The following table sets forth annual capacities of the containerboard (linerboard) and newsprint mill in DeRidder, Louisiana, as of December 31, 2007, and production for the year then ended:

	Number of Machines	**Capacity(1) (short tons)**	**Production**
PULP AND PAPER MILL			
DeRidder, Louisiana			
Containerboard (linerboard)	1	575,000	573,000
Newsprint	2	425,000	409,000
	3	**1,000,000**	**982,000**

(1) Capacity assumes production 24 hours per day, 365 days per year, less days allotted for planned maintenance and capital improvements. Accordingly, production can exceed calculated capacity under some operating conditions.

Raw Materials and Input Costs

Wood fiber is the principal raw material in this segment. The primary sources of wood fiber are timber and its byproducts, such as wood chips. BPP s DeRidder manufacturing facility is located in close proximity to active wood markets. It relies on market-based contracts for a significant portion of its fiber needs. It obtains some of its wood residuals from the Seller s wood products plants in the South, and the remainder are purchased from outside sources. After the Acquisition and pursuant to written arrangements, the Company and the Seller will continue to jointly source wood requirements to maximize cost efficiencies.

BPP generally purchases raw materials through contracts or open-market purchases. Its contracts are generally with suppliers located in close proximity to the specific facility they supply, and they generally contain price adjustment mechanisms to account for market price and expense volatility.

BPP s packaging and newsprint segment consumes substantial amounts of energy, such as electricity and natural gas. During 2007, energy costs accounted for approximately 14% of the sum of materials, labor, and other operating expenses, including fiber costs, in this segment. BPP purchases substantial portions of its natural gas and electricity under supply contracts. Under most of these contracts, the providers are bound to supply BPP with all of its needs for a particular type of energy at a specific facility. BPP s gas contracts have pricing mechanisms based primarily on current market prices, and its electricity contracts have pricing mechanisms based primarily on published tariffs. BPP also uses derivative instruments such as natural gas swaps, options, or a combination of these instruments to partially mitigate price risk. For more information about its use of derivative instruments, see the section entitled Boise Paper Products Management s Discussion and Analysis of Financial Condition and Results of Operations Disclosures of Financial Market Risks in the Definitive Proxy Statement, beginning on page 196. BPP has undertaken a major capital project, which the Company will complete by the end of first quarter 2008, to reduce fiber and energy costs and increase production of linerboard through the addition of a shoe press in the Company s DeRidder manufacturing facility.

Sales, Marketing, and Distribution

BPP s containerboard (linerboard) and corrugated containers and sheets are sold by its own sales personnel or brokers. BPP markets its newsprint through AbitibiBowater Inc. (AbitibiBowater) pursuant to an arrangement whereby AbitibiBowater purchases all of the newsprint BPP produces at a price equal to the price AbitibiBowater s mills in the southern United States receive from customers, less associated expenses and a sales and marketing discount. The newsprint price is verified through a third-party review. AbitibiBowater is one of the world s largest producers and marketers of newsprint. AbitibiBowater sells BPP s newsprint primarily in regional markets near the Company s DeRidder, Louisiana, manufacturing facility. The Company s contract with AbitibiBowater expires on December 31, 2008, but will renew automatically for one additional five-year term unless either party gives notice, before April 30, 2008, that it wishes to terminate the agreement. During the five-year renewal period, either party may terminate the contract on one year s prior written notice.

The following table sets forth sales volumes of containerboard (linerboard), newsprint, and corrugated containers and sheets for the periods indicated:

	Predecessor		Boise Paper Products (as operated by the Seller)			
	Year Ended December 31,	January 1 through October 28,	October 29 (inception) through December 31,	Year Ended December 31,		
	2003	2004	2004	2005	2006	2007
	(thousands of short tons)					
Containerboard (linerboard)(1)	451	382	81	452	266	239
Newsprint	416	349	81	408	411	415
	(millions of square feet)					
Corrugated containers and sheets	4,591	3,876	787	4,770	6,599	6,609

(1) Includes the impact of adopting Emerging Issues Task Force (EITF) 04-13, *Accounting for Purchases and Sales of Inventory With the Same Counterparty*, effective January 1, 2006, which required BPP to report its inventory buy/sell transactions on a net basis. In accordance with the provisions of EITF 04-13, prior-period financial information has not been reclassified to conform with the current period s presentation. See the consolidated financial statements of BPP (as operated by the Seller) included as Exhibit 99.2 to this Current Report on Form 8-K for more information.

Customers

During 2007, BPP sold approximately 42% of its linerboard in the open market, both domestically and in the export market. However, once trades (linerboard sales to other producers who, in turn, sell linerboard to BPP to achieve freight benefits) are included, approximately 71% of its total containerboard production (including both linerboard and corrugating medium) was effectively consumed by its own corrugated container and sheet plants. BPP sells its finished corrugated containers to over 1,000 active customers, including large agricultural producers and food and beverage processors. BPP sells corrugated sheets to over 200 converters who use the sheets to manufacture corrugated containers for a variety of customers.

BPP sells all of its newsprint to AbitibiBowater, one of the largest manufacturers of newsprint in the world, which sells to a number of newspaper publishers located near BPP s mill. In October 2007, Abitibi-Consolidated Inc., which sells the newsprint BPP produces at its DeRidder mill pursuant to a long-standing marketing agreement, completed a merger with Bowater Incorporated, another major newsprint producer. As a part of the merger, the merged company, AbitibiBowater, assumed rights and responsibilities of Abitibi-Consolidated Inc. It is uncertain what the effects of this merger will be, if any, on the newsprint industry in general.

Business Plan

BPP operates its packaging and newsprint business segment to optimize cash flow through integration between its containerboard and converting operations and operational improvements in its facilities to lower costs and improve efficiency. The acquisition of Central Texas Corrugated (CTC) in February 2006 was a significant step in increasing its integration. BPP is a low-volume producer of newsprint, all of which is sold through AbitibiBowater. BPP s strategy for newsprint is to reduce exposure to that market by identifying an opportunity to convert current newsprint production capacity to serve packaging markets or, if no attractive conversion alternative is identified, to run its newsprint production capacity only if it generates positive cash flow. Should its newsprint production fail to continue to generate positive cash flow, the company will consider a shut down of one or both of the newsprint machines and associated pulp and utility operations.

Corporate and Other

BPP s corporate and other segment primarily includes an allocation of BPP s and OfficeMax s (in the predecessor periods) corporate support staff services and related assets and liabilities. These support services include, but are not limited to, finance, accounting, legal, information technology, and human resource functions. This segment also includes certain rail and truck transportation businesses and related assets that support BPP s manufacturing facilities. Rail cars and trucks are generally leased. BPP provides transportation service not only to its own facilities but also, on a limited basis, to third parties when geographic proximity and logistics are favorable. During the years ended December 31, 2007, 2006, and 2005, segment sales related primarily to the Company s rail and truck transportation business and were $58.9 million, $61.4 million, and $66.5 million, respectively. Segment sales were $11.2 million and $54.2 million for the period of October 29 (inception) through December 31, 2004 and the period of January 1 through October 28, 2004, respectively.

The following table sets forth segment sales; segment income (loss) before interest and taxes; depreciation, amortization, and depletion; and EBITDA for the periods indicated:

	Predecessor		Boise Paper Products (as operated by the Seller)			
	Year Ended December 31,	January 1 through October 28,	October 29 (inception) through December 31,	Year Ended December 31		
	2003	2004	2004	2005	2006	2007
			(millions)			
Sales	$ 56.8	$ 54.2	$ 11.2	$ 66.5	$ 61.4	$ 58.9
Segment loss before interest and taxes	(20.7)	(27.9)	(2.7)	(7.7)	(14.9)	(11.9)
Depreciation, amortization, and depletion (a)	5.5	4.5	0.6	3.0	3.3	1.9
EBITDA (b)	$ (15.2)	$ (23.3)	$ (2.2)	$ (4.6)	$ (11.6)	$ (10.0)

(a) The year ended December 31, 2007, included approximately $1.0 million of lower depreciation and amortization expense as a result of discontinuing depreciation and amortization on the assets recorded as held for sale.

(b) Segment EBITDA is calculated as segment income (loss) before interest, income tax provision (benefit), and depreciation, amortization and depletion. EBITDA is the primary measure used by the Company s chief operating decision makers to evaluate segment operation performance and to decide how to allocate resources to segments. See the section entitled Selected Historical Information of Boise Paper Products in the Definitive Proxy Statement, beginning on page 24 for a description of the Seller s reasons for using EBITDA, for a discussion of the limitations of such a measure, and for a reconciliation of the Seller s EBITDA to net income.

Competition

The markets in each of BPP s operating segments are large and highly competitive. BPP s products and services compete with similar products manufactured and distributed by others. Many factors influence BPP s competitive position in each of its operating segments. Those factors include price, service, quality, product selection, and convenience of location.

Paper

The markets in which BPP s paper segment competes are large and highly competitive. Commodity grades of uncoated free sheet paper are globally traded, with numerous worldwide manufacturers, and as a result, these products compete primarily on the basis of price. All of BPP s paper manufacturing facilities are located in the United States, and although they compete largely in the domestic market, they face competition from foreign producers, some of which have lower operating costs than BPP. The level of this competition varies, depending on domestic and foreign demand and foreign currency exchange rates. In general, paper production does not rely on proprietary processes or formulas, except in highly specialized or custom grades.

Four major manufacturers in the North American uncoated free sheet paper market account for approximately 72% of capacity. As of December 2007, BPP was the third-largest producer of uncoated free sheet paper in North America. The Company s competitors include Domtar (the largest producer), International Paper, and Georgia-Pacific. Although price is the primary basis for competition in most of BPP s paper grades, quality and service are important competitive determinants, especially in premium and specialty grades. Some of BPP s paper products also compete with other paper grades, and other technologies such as electronic transmission and document storage alternatives. As the use of these alternatives continues to grow, BPP may see variances in overall demand for paper products or shifts from one type of paper to another.

In early 2007, two of BPP s major competitors in the uncoated free sheet paper business, Domtar Inc. and Weyerhaeuser Company, combined their uncoated free sheet paper businesses. This combination has resulted in a larger and potentially much stronger competitor than the two companies operating their paper businesses independently. It is uncertain what the long-term effects of this merger will be on the paper industry in general.

BPP s execution of its strategy is partially dependent upon the ability to produce and sell pressure sensitive papers from the Wallula #3 machine and the ability to develop, produce and sell other premium and specialty grades on its smaller machines.

Packaging & Newsprint

Containerboard (corrugating medium and linerboard) and newsprint are globally traded commodities with numerous worldwide manufacturers, and as a result, these products compete primarily on the basis of price. The intensity of competition in these industries fluctuates based on demand and supply levels, as well as prevailing foreign currency exchange rates. BPP s corrugated container operations in the Pacific Northwest have a leading regional market position and compete with several national and regional manufacturers. BPP s plant in Waco, Texas, known as CTC, produces corrugated sheets that are sold to sheet plants in the Southwest, where they are converted into corrugated containers for a variety of customers. Some of BPP s competitors have lower operating costs and/or enjoy greater integration between their containerboard production and corrugated container production than does BPP.

In October 2007, Abitibi-Consolidated Inc., which sells the newsprint BPP produces at its DeRidder mill pursuant to a long-standing marketing agreement, completed a merger, with Bowater Incorporated another major newsprint producer. It is uncertain what the long-term effects of the merger will be, if any, on the newsprint industry in general.

Seasonality

BPP s paper businesses experience some seasonality, based primarily on buying patterns associated with particular products. For example, the demand for corrugated container products is influenced by changes in agricultural shipments in the Pacific Northwest. In addition, seasonally cold weather increases costs, especially energy consumption, at all BPP s manufacturing plants.

Working Capital

The Company has no unusual working capital practices. The Company believes its management practices with respect to working capital conform to common business practices in the United States.

RISK FACTORS

The risks associated with the Company s business are described in the Definitive Proxy Statement in the section entitled Risk Factors beginning on page 32, and in the Company s Annual Report on Form 10-K filed with the SEC on February 21, 2008 (the 10-K), beginning on page 7, which information is incorporated herein by reference.

FINANCIAL INFORMATION

Selected historical financial information of the Company and its management s discussion and analysis of financial condition and results of operations is set forth in the sections entitled Selected Financial Data and Management s Discussion and Analysis of Financial Condition and Results of Operation beginning on page 28 and 29 of the 10-K, respectively, which information is incorporated herein by reference.

SELECTED HISTORICAL FINANCIAL INFORMATION OF BOISE PAPER PRODUCTS

The following table sets forth historical financial data for the dates indicated below. The financial information is provided to assist you in your analysis of the financial aspects of the Acquisition. The term predecessor refers to the forest products and paper assets of OfficeMax other than its related timberland operations that Boise Cascade Holdings, L.L.C. acquired on October 29, 2004 (inception) (such acquisition, the 2004 Transaction). BPP s selected historical information is derived from the following audited and unaudited consolidated financial statements:

Boise Paper Products Audited Consolidated Financial Statements

I. Consolidated balance sheets as of December 31, 2005, 2006 and 2007; and

II. Consolidated statements of income (loss) for the years ended December 31, 2005, 2006 and 2007, and the periods of January 1, 2004 through October 28, 2004 (Predecessor), and October 29, 2004 (inception) through December 31, 2004.

Boise Paper Products Unaudited Consolidated Financial Statements

III. Consolidated balance sheets as of December 31, 2003, October 28, 2004 and December 31, 2004; and

IV. Consolidated statements of income for the year ended December 31, 2003.

The information is only a summary and should be read in conjunction with BPP s historical consolidated financial statements and related notes and Boise Paper Products Management s Discussion and Analysis of Financial Condition and Results of Operations contained elsewhere in this Current Report on Form 8-K. The historical results included below and elsewhere in this Current Report on Form 8-K may not be indicative of the future performance of BPP.

	Predecessor		Boise Paper Products (as operated by the Seller)			
	Year ended December 31,	January 1 through October 28,	October 29 (inception) through December 31,	Year ended December 31,		
	2003	2004	2004	2005	2006	2007
	(dollars in millions)					
Statement of income (loss) data						
Sales	$ 1,873.4	$ 1,688.5	$ 360.2	$ 2,129.0	$ 2,222.0	$ 2,332.6
Costs and expenses(1)	1,931.8	1,754.4	338.4	2,055.4	2,128.2	2,172.1
Income (loss) from operations	(58.4)	(65.9)	21.8	73.6	93.8	160.5
Foreign exchange gain (loss)	0.4	0.7	0.2		(0.1)	1.2
Interest income	0.5	0.3	0.1	0.2	0.6	0.7
Income (loss) before income taxes and cumulative effect of accounting change	(57.5)	(64.9)	22.1	73.8	94.3	162.4
Income tax provision (benefit)	21.0	25.0	(0.3)	(2.2)	(1.4)	(2.8)
Income (loss) before cumulative effect of accounting change	(36.5)	(39.9)	21.8	71.6	92.9	159.6
Cumulative effect of accounting change(2)	(3.9)					
Net income (loss)	$ (40.4)	$ (39.9)	$ 21.8	$ 71.6	$ 92.9	$ 159.6
Balance sheet data (at end of period)						
Property and equipment and fiber farms and deposits, net	$ 1,906.8	$ 1,842.4	$ 1,136.7	$ 1,141.8	$ 1,144.5	$ 1,210.2
Total assets	2,406.3	2,370.2	1,629.9	1,678.3	1,758.8	1,845.7
Total capital	1,631.6	1,576.9	1,414.6	1,424.5	1,481.2	1,559.8
Other financial data						
Depreciation, amortization, and depletion	$ 182.0	$ 157.7	$ 15.0	$ 95.4	$ 116.4	$ 84.6
Capital expenditures(3)	123.0	90.8	17.6	100.9	109.1	141.8
EBITDA(4)	120.3	92.5	37.0	169.0	210.1	246.3

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(1) Costs and expenses reflected in the statement of income as other (income) expense, net, for the year ended December 31, 2007, include a $4.4 million gain for the changes in BPP s retiree healthcare programs. Other costs reflected in the statement of income as materials, labor and other operating expenses include $8.7 million of incremental costs related to unfavorable energy hedges and approximately $4.0 million of incremental costs recorded for the start-up of the Company s reconfigured paper machine in Wallula, Washington.

Costs and expenses reflected in the statement of income as other (income) expense, net, for the year ended December 31, 2006, include $3.7 million gain for the changes in BPP s retiree healthcare programs, a $2.8 million charge for special project costs and a $0.6 million charge for the sawmill closure in Jackson, Alabama. Other costs reflected in the statement of income as materials, labor and other operating expenses include $18.1 million of costs related to unfavorable energy hedges, approximately $2.4 million of expense

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primarily for inventory write-downs at BPP s closed Vancouver, Washington operations and $1.1 million of expense related to the closure of the sawmill in Jackson, Alabama.

Costs and expenses reflected in the statement of income as other (income) expense, net, for the year ended December 31, 2005, include a $5.2 million gain for changes in BPP s retiree healthcare programs.

Costs and expenses reflected in the statement of income as materials, labor and other operating expenses for the period of October 29 (inception) through December 31, 2004, include an $11.7 million non-cash inventory purchase price adjustment recorded in connection with the October 29, 2004 acquisition of the forest products and paper assets of the Seller s parent company, Boise Cascade Holdings, L.L.C.

Costs and expenses reflected in the statement of loss as other (income) expense, net, for the period of January 1, 2004 through October 28, 2004, include $7.3 million of costs recorded by BPP s predecessor in October 2004, related primarily to a one-time retention bonus that became payable as a result of the 2004 Transaction.

Costs and expenses reflected in the statement of loss as other (income) expense, net, for the year ended December 31, 2003, include $3.6 million of costs due to the early termination of an operating lease used in connection with the predecessor s paper business.

(2) The Company s predecessor recorded a one-time charge of $3.9 million as a cumulative effect adjustment relating to its adoption in January 2003 of Statement of Financial Accounting Standards (SFAS) No. 143, *Accounting for Asset Retirement Obligations*, which affected the way it accounted for landfill closure costs.

(3) The year ended December 31, 2007, includes approximately $45 million of expenditures related to the reconfiguration of the paper machine at the Company s pulp and paper mill in Wallula, Washington, to produce both pressure sensitive paper and commodity uncoated free sheet paper.

The year ended December 31, 2006 exclude approximately $42.6 million of cash paid for the purchase of the assets of CTC in Waco, Texas. The year ended December 31, 2006 also includes approximately $34 million of expenditures related to the reconfiguration of the paper machine at the Company s pulp and paper mill in Wallula, Washington, to produce both pressure sensitive paper and commodity uncoated free sheet paper.

(4) 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 the Company s chief operating decision makers to evaluate segment operating performance and to decide how to allocate resources to segments. The Company believes EBITDA is useful to investors because it provides a means to evaluate the operating performance of its segments and its company on an ongoing basis using criteria that are used by its internal decision makers and because it is frequently used by investors and other interested parties in the evaluation of companies with substantial financial leverage. The Company believes EBITDA is a meaningful measure because it presents a transparent view of its recurring operating performance and allows management to readily view operating trends, perform analytical comparisons and identify strategies to improve operating performance. For example, the Company believes 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 its segments. EBITDA, however, is not a measure of

the Company s liquidity or financial performance under generally accepted accounting principles (GAAP) and should not be considered as an alternative to net income (loss), income (loss) 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 the Company s 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 level of indebtedness and the capital expenditures needed to maintain the Company s businesses. Management compensates for these limitations by relying on the