

OFFICEMAX INC
Form 424B3
May 09, 2012
Table of Contents

PROSPECTUS SUPPLEMENT
(To prospectus dated April 6, 2012)

Filed Pursuant to Rule 424(b)(3)
Registration No. 333-162866

2,771,909 SHARES OF COMMON STOCK, \$2.50 PAR VALUE

OFFICEMAX INCORPORATED

This prospectus supplement supplements the prospectus dated April 6, 2012, relating to the resale of 2,771,909 shares of our common stock to allow our master trust (the Selling Stockholder), which is the funding vehicle for the Company's six tax-qualified employee pension benefit plans (the Plans), to resell, from time to time, shares of our common stock that we contributed as a voluntary, excess contribution to the Selling Stockholder. Since the date that we contributed such shares to the Selling Stockholder, the Selling Stockholder has sold 5,559,813 of the 8,331,722 shares contributed to the Selling Stockholder, and the 2,771,909 shares specified above represents the number of shares remaining to be sold. This prospectus supplement should be read in conjunction with the prospectus dated April 6, 2012, including any supplements thereto, which is to be delivered with this prospectus supplement, and this prospectus supplement is qualified by reference to the prospectus and any supplements thereto, except to the extent that the information in this prospectus supplement supersedes the information contained in the prospectus and any supplements thereto. This prospectus supplement is not complete without, and may not be delivered or utilized except in connection with, the prospectus, including any supplements thereto.

Current Report on Form 8-K

Quarterly Report on Form 10-Q

On May 4, 2012, we filed with the Securities and Exchange Commission (the SEC) a Current Report on Form 8-K. The text of such Form 8-K is attached hereto as Exhibit 99.1.

On May 8, 2012, we filed with the SEC a Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012. The text of such Form 10-Q is attached hereto as Exhibit 99.2.

Neither the SEC nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus supplement is May 9, 2012.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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:

May 4, 2012
April 30, 2012

OFFICEMAX INCORPORATED

(Exact name of registrant as specified in its charter)

Edgar Filing: OFFICEMAX INC - Form 424B3

Delaware
(State of Incorporation)

1-5057
(Commission File Number)

82-0100960
(IRS Employer Identification No.)

263 Shuman Blvd.

Naperville, Illinois
(Address of principal executive offices)

(630) 438-7800

60563
(Zip Code)

(Registrant's telephone number, including area code)

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:

- .. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Table of Contents**Item 5.07. Submission of Matters to a Vote of Security Holders.**

OfficeMax Incorporated (OfficeMax) held its annual stockholders meeting on April 30, 2012. At the annual meeting, OfficeMax s stockholders (i) elected each of the persons listed below to serve as an OfficeMax director for a term that will continue until the next annual meeting of stockholders or until his or her successor has been duly elected and qualified or the director s earlier resignation, death or removal, (ii) approved the appointment of KPMG LLP to serve as OfficeMax s independent registered public accounting firm for 2012, and (iii) adopted, on a non-binding, advisory basis, a resolution approving the compensation of OfficeMax s named executive officers described under the heading Executive Compensation in OfficeMax s proxy statement.

OfficeMax s independent inspector of elections reported the vote of the stockholders as follows:

Proposal 1: The election of directors.

Name	FOR	AGAINST	WITHHOLD	BROKER NON-VOTE
Warren F. Bryant	66,511,608	390,880	378,876	8,762,078
Joseph M. DePinto	65,948,732	943,632	389,000	8,762,078
Rakesh Gangwal	65,337,508	1,658,362	285,494	8,762,078
V. James Marino	66,518,675	387,211	375,478	8,762,078
William J. Montgoris	65,953,742	939,342	388,280	8,762,078
Francesca Ruiz de Luzuriaga	65,918,256	988,351	374,757	8,762,078
Ravichandra K. Saligram	66,144,423	851,811	285,130	8,762,078
David M. Szymanski	65,839,417	1,053,677	388,270	8,762,078

Proposal 2: The appointment of KPMG LLP as OfficeMax s independent registered public accounting firm for 2012.

00,000,000	00,000,000	00,000,000	00,000,000
FOR	AGAINST	ABSTAIN	
75,504,365	493,119	45,958	

Proposal 3: The adoption, on a non-binding, advisory basis, of a resolution approving the compensation of OfficeMax s named executive officers described under the heading Executive Compensation in OfficeMax s proxy statement.

00,000,000	00,000,000	00,000,000	00,000,000
FOR	AGAINST	ABSTAIN	BROKER NON-VOTE
64,000,132	3,078,534	202,698	8,762,078

Table of Contents

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: May 4, 2012

OFFICEMAX INCORPORATED

By: /s/ Matthew R. Broad
Matthew R. Broad

Executive Vice President and General Counsel

**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 March 31, 2012

or

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

For the transition period from to

Commission File Number: 1-5057

OFFICEMAX INCORPORATED

Edgar Filing: OFFICEMAX INC - Form 424B3

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of

incorporation or organization)

263 Shuman Boulevard

Naperville, Illinois
(Address of principal executive offices)

82-0100960
(I.R.S Employer

Identification No.)

60563
(Zip Code)

(630) 438-7800

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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). Yes 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.

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Shares Outstanding as of April 27, 2012
Common Stock, \$2.50 par value	86,574,396

Table of Contents

TABLE OF CONTENTS

PART I FINANCIAL INFORMATION

Item 1.	<u>Financial Statements</u>	3
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	22
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	34
Item 4.	<u>Controls and Procedures</u>	34

PART II OTHER INFORMATION

Item 1.	<u>Legal Proceedings</u>	35
Item 1A.	<u>Risk Factors</u>	35
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	35
Item 3.	<u>Defaults Upon Senior Securities</u>	35
Item 4.	<u>Mine Safety Disclosures</u>	35
Item 5.	<u>Other Information</u>	35
Item 6.	<u>Exhibits</u>	35

Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****OfficeMax Incorporated and Subsidiaries****Consolidated Statements of Operations****(thousands, except per-share amounts)**

	Three Months Ended	
	March 31,	March 26,
	2012	2011
	(unaudited)	
Sales	\$ 1,872,912	\$ 1,863,001
Cost of goods sold and occupancy costs	1,390,136	1,388,489
Gross profit	482,776	474,512
Operating expenses		
Operating, selling, and general and administrative expenses	439,662	445,900
Other operating expenses	25,266	
Operating income	17,848	28,612
Interest expense	(18,364)	(18,767)
Interest income	10,819	11,020
Other income, net	240	38
Pre-tax income	10,543	20,903
Income tax expense	(3,629)	(7,670)
Net income attributable to OfficeMax and noncontrolling interest	6,914	13,233
Joint venture results attributable to noncontrolling interest	(1,526)	(1,330)
Net income attributable to OfficeMax	\$ 5,388	\$ 11,903
Preferred dividends	(530)	(537)
Net income available to OfficeMax common shareholders	\$ 4,858	\$ 11,366
Net income per common share		
Basic	\$ 0.06	\$ 0.13
Diluted	\$ 0.06	\$ 0.13

See accompanying notes to quarterly consolidated financial statements

Table of Contents**OfficeMax Incorporated and Subsidiaries****Consolidated Statements of Comprehensive Income**

(thousands)

	Three Months Ended	
	March 31,	March 26,
	2012	2011
	(unaudited)	
Net income attributable to OfficeMax and noncontrolling interest	\$ 6,914	\$ 13,233
Other comprehensive income (loss):		
Cumulative foreign currency translation adjustment	14,744	5,130
Pension and postretirement liability adjustment, net of tax	2,261	2,114
Unrealized hedge loss, net of tax	(84)	(310)
Other comprehensive income	16,921	6,934
Comprehensive income attributable to OfficeMax and noncontrolling interest	\$ 23,835	\$ 20,167
Less:		
Joint venture results attributable to noncontrolling interest	\$ 1,526	\$ 1,330
Cumulative foreign currency translation adjustment attributable to noncontrolling interest	2,006	1,065
Joint venture comprehensive income attributable to noncontrolling interest	\$ 3,532	\$ 2,395
Comprehensive income attributable to OfficeMax	\$ 20,303	\$ 17,772

See accompanying notes to quarterly consolidated financial statements

Table of Contents**OfficeMax Incorporated and Subsidiaries****Consolidated Balance Sheets**

(thousands)

	March 31, 2012 (unaudited)	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 501,329	\$ 427,111
Receivables, net	549,759	558,635
Inventories	751,401	821,999
Deferred income taxes and receivables	65,017	63,382
Other current assets	67,357	67,847
Total current assets	1,934,863	1,938,974
Property and equipment:		
Land and land improvements	40,243	40,245
Buildings and improvements	489,330	484,900
Machinery and equipment	790,163	783,492
Total property and equipment	1,319,736	1,308,637
Accumulated depreciation	(954,284)	(943,701)
Net property and equipment	365,452	364,936
Intangible assets, net	81,904	81,520
Investment in Boise Cascade Holdings, L.L.C.	175,000	175,000
Timber notes receivable	899,250	899,250
Deferred income taxes	352,549	370,439
Other non-current assets	246,178	239,156
Total assets	\$ 4,055,196	\$ 4,069,275

See accompanying notes to quarterly consolidated financial statements

Table of Contents**OfficeMax Incorporated and Subsidiaries****Consolidated Balance Sheets**

(thousands, except share and per-share amounts)

	March 31, 2012 (unaudited)	December 31, 2011
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Current portion of debt	\$ 40,670	\$ 38,867
Accounts payable	612,556	654,918
Income tax payable	5,217	9,553
Accrued expenses and other current liabilities:		
Compensation and benefits	99,236	101,516
Other	222,336	208,447
Total current liabilities	980,015	1,013,301
Long-term debt, less current portion	228,631	229,323
Non-recourse debt	1,470,000	1,470,000
Other long-term items:		
Compensation and benefits obligations	389,744	393,293
Deferred gain on sale of assets	179,757	179,757
Other long-term liabilities	181,478	182,685
Noncontrolling interest in joint venture	35,661	31,923
Shareholders' equity:		
Preferred stock - no par value; 10,000,000 shares authorized; Series D ESOP: \$.01 stated value; 638,353 and 638,353 shares outstanding	28,726	28,726
Common stock - \$2.50 par value; 200,000,000 shares authorized; 86,574,354 and 86,158,662 shares outstanding	216,440	215,397
Additional paid-in capital	1,016,015	1,015,374
Accumulated deficit	(496,525)	(500,843)
Accumulated other comprehensive loss	(174,746)	(189,661)
Total OfficeMax shareholders' equity	589,910	568,993
Total liabilities and shareholders' equity	\$ 4,055,196	\$ 4,069,275

See accompanying notes to quarterly consolidated financial statements

Table of Contents**OfficeMax Incorporated and Subsidiaries****Consolidated Statements of Cash Flows**

(thousands)

	Three Months Ended	
	March 31,	March 26,
	2012	2011
	(unaudited)	
Cash provided by operations:		
Net income attributable to OfficeMax and noncontrolling interest	\$ 6,914	\$ 13,233
Non-cash items in net income:		
Dividend income from investment in Boise Cascade Holdings, L.L.C.	(2,074)	(1,897)
Depreciation and amortization	19,091	20,918
Pension and other postretirement benefits expense	180	1,982
Other	27,239	5,830
Changes in operating assets and liabilities:		
Receivables	25,580	996
Inventories	79,894	98,538
Accounts payable and accrued liabilities	(51,069)	(128,296)
Current and deferred income taxes	(1,540)	4,312
Other	(17,707)	(14,745)
Cash provided by operations	86,508	871
Cash provided by (used for) investment:		
Expenditures for property and equipment	(15,532)	(17,012)
Proceeds from sales of assets, net	1,591	72
Cash used for investment	(13,941)	(16,940)
Cash provided by (used for) financing:		
Cash dividends paid preferred stock		(1,142)
Borrowings of short-term debt, net	1,485	1,336
Payments of long-term debt	(989)	(1,062)
Purchase of preferred stock		(273)
Proceeds from exercise of stock options	196	1,803
Payments related to other share-based compensation	(1,117)	(4,404)
Other	67	11
Cash used for financing	(358)	(3,731)
Effect of exchange rates on cash and cash equivalents	2,009	1,565
Increase (decrease) in cash and cash equivalents	74,218	(18,235)
Balance at beginning of the period	427,111	462,326
Balance at end of the period	\$ 501,329	\$ 444,091

See accompanying notes to quarterly consolidated financial statements

Table of Contents

Notes to Quarterly Consolidated Financial Statements (unaudited)

1. Basis of Presentation

Nature of Operations

OfficeMax Incorporated (OfficeMax, the Company or we) is a leader in both business-to-business and retail office products distribution. The Company provides office supplies and paper, print and document services, technology products and solutions and office furniture to large, medium and small businesses, government offices and consumers. OfficeMax customers are served by approximately 29,000 associates through direct sales, catalogs, the Internet and a network of retail stores located throughout the United States, Canada, Australia, New Zealand and Mexico.

The accompanying quarterly consolidated financial statements include the accounts of OfficeMax and all majority-owned subsidiaries, except our 88%-owned subsidiary that formerly owned assets in Cuba that were confiscated by the Cuban government in the 1960s, which is accounted for as an investment due to various asset restrictions. We also consolidate the variable interest entities in which the Company is the primary beneficiary. All significant intercompany balances and transactions have been eliminated in consolidation. These financial statements are for the thirteen-week period ended on March 31, 2012 (also referred to as the first quarter of 2012 or the three months ended March 31, 2012) and the thirteen-week period ended on March 26, 2011 (also referred to as the first quarter of 2011 or the three months ended March 26, 2011). The Company's fiscal year ends on the last Saturday in December. Due primarily to statutory reporting requirements, the Company's international businesses maintain December 31 year-ends and end their quarters on the last calendar day of the month, with our majority-owned joint venture in Mexico reporting one month in arrears. Fiscal year 2012 will include 52 weeks for our U.S. businesses, while fiscal year 2011 included 53 weeks for our U.S. businesses.

The Company manages its business using three reportable segments: OfficeMax, Contract (Contract segment or Contract); OfficeMax, Retail (Retail segment or Retail); and Corporate and Other. Management reviews the performance of the Company based on these segments. We present information pertaining to our segments in Note 12, Segment Information .

The Company has prepared the quarterly consolidated financial statements included herein pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). Some information and note disclosures, which would normally be included in comprehensive annual financial statements prepared in accordance with accounting principles generally accepted in the United States, have been condensed or omitted pursuant to those SEC rules and regulations. These quarterly consolidated financial statements should be read together with the consolidated financial statements and the accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

The quarterly consolidated financial statements included herein have not been audited by an independent registered public accounting firm, but in the opinion of management, include all adjustments necessary to present fairly the results for the periods indicated. Except as disclosed within these Notes to Quarterly Consolidated Financial Statements (unaudited), the adjustments made were of a normal, recurring nature. Quarterly results are not necessarily indicative of results which may be expected for a full year.

Recently Issued or Newly Adopted Accounting Standards

In June 2011, the Financial Accounting Standards Board issued guidance which established disclosure requirements for other comprehensive income. The guidance requires the reporting of components of other comprehensive income and components of net income together as components of total comprehensive income, and is effective for periods beginning on or after December 15, 2011. We adopted the guidance effective with our financial statements for the first quarter of 2012. The adoption of this guidance affects the presentation of certain elements of the Company's financial statements, but these changes in presentation did not have an impact on the amounts reported in our financial statements.

Table of Contents**Notes to Quarterly Consolidated Financial Statements (unaudited) (Continued)****2. Facility Closure Reserves**

We conduct regular reviews of our real estate portfolio to identify underperforming facilities, and close those facilities that are no longer strategically or economically beneficial. We record a liability for the cost associated with a facility closure at its fair value in the period in which the liability is incurred, primarily the location's cease-use date. Upon closure, unrecoverable costs are included in facility closure reserves and include provisions for the present value of future lease obligations, less contractual or estimated sublease income. Accretion expense is recognized over the life of the required payments. These charges are included in other operating expenses in the Consolidated Statements of Operations.

During the first three months of 2012, we recorded facility closure charges of \$25.3 million in our Retail segment primarily related to the closure of 15 underperforming domestic stores prior to the end of their lease terms. There were no such charges recorded in the first quarter of 2011.

Facility closure reserve account activity during the first three months of 2012 was as follows:

	Total (thousands)
Balance at December 31, 2011	\$ 49,075
Charges related to stores closed in 2012	25,266
Transfer of deferred rent and other balances	1,275
Cash payments	(3,813)
Accretion	678
Balance at March 31, 2012	\$ 72,481

Reserve balances were classified in the Consolidated Balance Sheets as follows:

	March 31, 2012 (thousands)
Accrued expenses and other current liabilities - Other	\$ 18,425
Other long-term liabilities	54,056
Total	\$ 72,481

At March 31, 2012, the facilities closure reserve consisted of the following:

	Total (thousands)
Estimated future lease obligations	\$ 134,135
Less: anticipated sublease income	(61,654)
Total	\$ 72,481

3. Severance and Other Charges

Edgar Filing: OFFICEMAX INC - Form 424B3

Over the past few years, we have incurred significant charges related to Company personnel restructuring and reorganizations. These charges were included in other operating expenses in the Consolidated Statements of Operations. There were no such charges in the first quarters of 2012 or 2011.

As of March 31, 2012, \$4.4 million of the prior-year severance charges remain unpaid and are included in accrued expenses and other current liabilities in the Consolidated Balance Sheets.

Table of Contents**Notes to Quarterly Consolidated Financial Statements (unaudited) (Continued)****4. Timber Notes/Non-Recourse Debt**

In October 2004, we sold our timberland assets in exchange for \$15 million in cash plus credit-enhanced timber installment notes in the amount of \$1,635 million (the Installment Notes). The Installment Notes were issued by single-member limited liability companies formed by affiliates of Boise Cascade, L.L.C. (the Note Issuers). The Installment Notes are 15-year non-amortizing obligations and were issued in two equal \$817.5 million tranches bearing interest at 5.11% and 4.98%, respectively. In order to support the issuance of the Installment Notes, the Note Issuers transferred a total of \$1,635 million in cash to Lehman Brothers Holdings Inc. (Lehman) and Wachovia Corporation (Wachovia) (which was later purchased by Wells Fargo & Company) (\$817.5 million to each of Lehman and Wachovia). Lehman and Wachovia issued collateral notes (the Collateral Notes) to the Note Issuers. Concurrently with the issuance of the Installment and Collateral Notes, Lehman and Wachovia guaranteed the respective Installment Notes and the Note Issuers pledged the Collateral Notes as security for the performance of the Installment Note obligations.

In December 2004, we completed a securitization transaction in which the Company's interests in the Installment Notes and related guarantees were transferred to wholly-owned bankruptcy remote subsidiaries. The subsidiaries pledged the Installment Notes and related guarantees and issued securitized notes (the Securitization Notes) in the amount of \$1,470 million (\$735 million through the structure supported by the Lehman guaranty and \$735 million through the structure supported by the Wachovia guaranty). As a result of these transactions, we received \$1,470 million in cash. Recourse on the Securitization Notes is limited to the proceeds of the applicable pledged Installment Notes and underlying Lehman or Wachovia guaranty, and therefore there is no recourse against OfficeMax. The Securitization Notes are 15-year non-amortizing, and were issued in two equal \$735 million tranches paying interest of 5.54% and 5.42%, respectively. The Securitization Notes are reported as non-recourse debt in the Company's Consolidated Balance Sheets.

On September 15, 2008, Lehman, the guarantor of half of the Installment Notes and the Securitization Notes, filed a petition in the United States Bankruptcy Court for the Southern District of New York seeking relief under chapter 11 of the United States Bankruptcy Code. Lehman's bankruptcy filing constituted an event of default under the \$817.5 million Installment Note guaranteed by Lehman. We are required for accounting purposes to assess the carrying value of assets whenever circumstances indicate that a decline in value may have occurred. In 2008, we evaluated the carrying value of the Lehman Guaranteed Installment Note and reduced it to the estimated amount we then expected to collect (\$81.8 million) by recording a non-cash impairment charge of \$735.8 million, pre-tax. The ultimate amount to be realized on the Lehman Guaranteed Installment Note depends entirely on the proceeds from the Lehman bankruptcy estate.

Lehman's disclosure statement on its Chapter 11 Plan (the Disclosure Statement) was confirmed by the United States Bankruptcy Court for the Southern District of New York on December 6, 2011. The Disclosure Statement provides a range of estimated recoveries for various classes of unsecured creditors of Lehman. Pursuant to a stipulation entered into on October 7, 2011 and approved by the bankruptcy court on December 14, 2011, the claim of the Securitization Note holders through the Note Issuers will be treated as a class 3 senior unsecured claim (estimated to recover at a rate of approximately 21.1% under the Chapter 11 Plan) rather than falling into any other class of claims. Due to this categorization, the status of the bankruptcy proceedings, and based on information in the Disclosure Statement, it appears that Securitization Note holders may recover at a potential rate within the range of 17% to 20%. However, uncertainties exist as to the actual recovery that will ultimately be received on the claim. The disposition of a related claim of the Securitization Note holders through us on the guaranty may result in an additional recovery and the funds available for claimants will depend on Lehman's ongoing claims resolution process, the establishment of reserves for unresolved claims, and the value of the assets Lehman is able to liquidate. Due to these uncertainties and other factors, we have not increased our assumed recovery rate or the carrying value of the Lehman Guaranteed Installment Note. An initial distribution of approximately \$50 million on the claim through the Note Issuers was received from Lehman by the Note Issuers during April of 2012, and will ultimately be distributed to the note holders. Further distributions are

Table of Contents**Notes to Quarterly Consolidated Financial Statements (unaudited) (Continued)**

expected to occur over a several-year period. Going forward, we intend to adjust the carrying value of the Lehman Guaranteed Installment Note as further information regarding the Securitization Note holders share of the proceeds, if any, from the Lehman bankruptcy estate becomes available. Recourse on the Securitization Notes is limited to the proceeds from the applicable pledged Installment Notes and underlying Lehman or Wachovia guaranty, and any proceeds we receive from the bankruptcy will be distributed to the Securitization Note holders. However, under current generally accepted accounting principles, we are required to continue to recognize the liability related to the Securitization Notes guaranteed by Lehman until such time as the liability has been extinguished. The liability will be extinguished when the Lehman Guaranteed Installment Note and the related guaranty are transferred to and accepted by the Securitization Note holders. We expect that this will occur when the remaining guaranty claim of the Securitization Note holders in the bankruptcy is resolved and as the Lehman assets are in the process of distribution. Accordingly, we expect to recognize a non-cash gain equal to the difference between the carrying amount of the Securitization Notes guaranteed by Lehman (\$735.0 million at March 31, 2012) and the carrying value of the Lehman Guaranteed Installment Note (\$81.8 million at March 31, 2012) in a later period when the liability is legally extinguished. The actual gain to be recognized in the future will be measured based on the carrying amounts of the Lehman Guaranteed Installment Note and the Securitization Notes guaranteed by Lehman at the date of settlement.

Any discussion of the Lehman bankruptcy in this document is strictly based on factual observations from the bankruptcy cases and should not be interpreted as constituting legal analysis of or admission as to the ultimate allowances of our claim based on the Lehman Guaranteed Installment Note or any Note Issuers' claim based on Collateral Notes, or the interplay thereof.

At the time of the sale of the timberlands in 2004, we generated a tax gain and recognized the related deferred tax liability. The timber installment notes structure allowed the Company to defer the resulting tax liability until 2020 (\$529 million at March 31, 2012), the maturity date for the Installment Notes. Due to the Lehman bankruptcy and note defaults, the recognition of the Lehman portion of the gain will be triggered in full when the Lehman Guaranteed Installment Note and the related guaranty are transferred to and accepted by the Securitization Note holders. When partial payments are received, the gain will be recognized on a pro rata basis. We expect to reduce estimated cash payments due by utilizing our available alternative minimum tax credits.

Through March 31, 2012, we have received all payments due under the Installment Notes guaranteed by Wachovia (the Wachovia Guaranteed Installment Notes), which have consisted only of interest due on the notes, and made all payments due on the related Securitization Notes guaranteed by Wachovia, again consisting only of interest due. As all amounts due on the Wachovia Guaranteed Installment Notes are current and we have no reason to believe that we will not be able to collect all amounts due according to the contractual terms of the Wachovia Guaranteed Installment Notes, the notes are stated in our Consolidated Balance Sheets at their original principal amount of \$817.5 million. The Installment Notes and Securitization Notes are scheduled to mature in 2020 and 2019, respectively. The Securitization Notes have an initial term that is approximately three months shorter than the Installment Notes.

5. Net Income Per Common Share

Basic net income per share is calculated using net earnings available to holders of our common stock divided by the weighted average number of shares of common stock outstanding during the applicable periods presented. Diluted net income per share is similar to basic net income per share except that the weighted average number of shares of common stock outstanding is increased to include, if their inclusion is dilutive, the number of additional shares of common stock that would have been outstanding assuming the issuance of all potentially dilutive shares, such as common stock to be issued upon exercise of options, the vesting of non-vested restricted

Table of Contents**Notes to Quarterly Consolidated Financial Statements (unaudited) (Continued)**

shares, and the conversion of outstanding preferred stock. Net income per common share was determined by dividing net income, as adjusted, by weighted average shares outstanding as follows:

	Three Months Ended	
	March 31,	March 26,
	2012 2011	
	(thousands, except per-share amounts)	
Net income available to OfficeMax common shareholders	\$ 4,858	\$ 11,366
Average shares basic(a)	86,341	85,368
Restricted stock, stock options and other(b)	985	1,059
Average shares diluted	87,326	86,427
Net income available to OfficeMax common shareholders per common share:		
Basic	\$ 0.06	\$ 0.13
Diluted	\$ 0.06	\$ 0.13

- (a) The assumed conversion of outstanding preferred stock was anti-dilutive in all periods presented, and therefore no adjustment was required to determine diluted income from continuing operations or average shares-diluted.
- (b) Options to purchase 3.3 million and 3.0 million shares of common stock were outstanding during the first three months of 2012 and 2011, respectively, but were not included in the computation of diluted income per common share because the impact would have been anti-dilutive as the option price was higher than the average market price during the year.

6. Income Taxes

The Company or its subsidiaries file income tax returns in the U.S. Federal jurisdiction, and multiple state and foreign jurisdictions. Years prior to 2006 are no longer subject to U.S. Federal income tax examination. The Company is no longer subject to state income tax examinations by tax authorities in its major state jurisdictions for years before 2003, and the Company is no longer subject to income tax examinations prior to 2005 for its major foreign jurisdictions.

As discussed in Note 4, Timber Notes/Non-Recourse Debt, at the time of the sale of the timberlands in 2004, we generated a tax gain and recognized the related deferred tax liability. The timber installment notes structure allowed the Company to defer the resulting tax liability until 2020 (\$529 million at March 31, 2012), the maturity date for the Installment Notes. Due to the Lehman bankruptcy and note defaults, the recognition of the Lehman portion of the gain will be triggered in full when the Lehman Guaranteed Installment Note and the related guaranty are transferred to and accepted by the Securitization Note holders. When partial payments are received, the gain will be recognized on a pro rata basis. We expect to reduce estimated cash payments due by utilizing our available alternative minimum tax credits.

As of March 31, 2012, the Company had \$9.7 million of total unrecognized tax benefits, \$6.8 million of which would affect the Company's effective tax rate if recognized. During the first quarter, the reserve was reduced for tax positions related to the capitalization of certain costs that were determined more likely than not to be realized. Any adjustments would result from the effective settlement of tax positions with various tax authorities. The Company does not anticipate any tax settlements to occur within the next twelve months. The reconciliation of the beginning and ending unrecognized tax benefits is as follows:

	Amount
	(thousands)
Unrecognized gross tax benefits balance at December 31, 2011	\$ 21,172
Increase related to prior year tax positions	14

Edgar Filing: OFFICEMAX INC - Form 424B3

Decrease related to prior year tax positions	(11,453)
Unrecognized tax benefits balance at March 31, 2012	\$ 9,733

Table of Contents**Notes to Quarterly Consolidated Financial Statements (unaudited) (Continued)**

During the first three months of 2012 and 2011, cash payments, net of refunds received, for income taxes were as follows:

	2012	2011
	(thousands)	
Cash tax payments, net	\$ 5,169	\$ 3,358

7. Investment in Boise Cascade Holdings, L.L.C.

In connection with the sale of the paper, forest products and timberland assets in 2004, the Company invested \$175 million in affiliates of Boise Cascade, L.L.C. Due to restructurings conducted by those affiliates, our investment is currently in Boise Cascade Holdings, L.L.C., a building products company (the Boise Investment).

A portion of the securities received in exchange for the Company's investment carry no voting rights. This investment is accounted for under the cost method as Boise Cascade Holdings, L.L.C. does not maintain separate ownership accounts for its members' interests, and the Company does not have the ability to significantly influence its operating and financial policies.

The Boise Investment represented a continuing involvement in the operations of the business we sold in 2004. Therefore, approximately \$180 million of gain realized from the sale was deferred. This gain is expected to be recognized in earnings as the Company's investment is reduced.

The non-voting securities of Boise Cascade Holdings, L.L.C. accrue dividends daily at the rate of 8% per annum on the liquidation value plus accumulated dividends. Dividends accumulate semiannually to the extent not paid in cash on the last day of June and December. The Company recognized dividend income on this investment of \$2.1 million and \$1.9 million during the first three months of 2012 and 2011, respectively, in the Corporate and Other segment. The dividend receivable was \$40.1 million and \$38.0 million at March 31, 2012 and December 31, 2011, respectively, and was recorded in the Corporate and Other segment in other non-current assets in the Consolidated Balance Sheets.

8. Debt***Credit Agreements***

On October 7, 2011, the Company entered into a Second Amended and Restated Loan and Security Agreement (the North American Credit Agreement) with a group of banks. The North American Credit Agreement amended both our existing credit agreement that we were a party to along with certain of our subsidiaries in the U.S. (the U.S. Credit Agreement) and our existing credit agreement to which our subsidiary in Canada was a party (the Canadian Credit Agreement) and consolidated them into a single credit agreement. The North American Credit Agreement permits the Company to borrow up to a maximum of \$650 million (U.S. dollars), of which \$50 million is allocated to the Company's Canadian subsidiary and \$600 million is allocated to the Company and its other participating U.S. subsidiaries, in each case subject to a borrowing base calculation that limits availability to a percentage of eligible trade and credit card receivables plus a percentage of the value of eligible inventory less certain reserves. The North American Credit Agreement may be increased (up to a maximum of \$850 million) at the Company's request and the approval of the lenders participating in the increase, or may be reduced from time to time at the Company's request, in each case according to the terms detailed in the North American Credit Agreement. Letters of credit, which may be issued under the North American Credit Agreement up to a maximum of \$250 million, reduce available borrowing capacity. At the end of the first quarter of 2012, the Company was in compliance with all covenants under the North American Credit Agreement. The North American Credit Agreement will expire on October 7, 2016.

Table of Contents**Notes to Quarterly Consolidated Financial Statements (unaudited) (Continued)**

Borrowings under the North American Credit Agreement are subject to interest at rates based on either the prime rate, the federal funds rate, LIBOR or the Canadian Dealer Offered Rate. An additional percentage, which varies depending on the level of average borrowing availability, is added to the applicable rates. Fees on letters of credit issued under the North American Credit Agreement are charged at rates between 1.25% and 2.25% depending on the type of letter of credit (i.e., stand-by or commercial) and the level of average borrowing availability. The Company is also charged an unused line fee of between 0.375% and 0.5% on the amount by which the maximum available credit exceeds the average daily outstanding borrowings and letters of credit. The fees on letters of credit were 1.75% and the unused line fee was 0.5% at the end of the first quarter of 2012. Thereafter, the rate will vary depending on the level of average borrowing availability and type of letters of credit.

Availability under the North American Credit Agreement at the end of the first quarter of 2012 was as follows:

	Total (millions)
Maximum aggregate available borrowing amount	\$ 632.1
Less: Stand-by letters of credit	(51.5)
Amount available for borrowing at March 31, 2012	\$ 580.6

On March 15, 2010, the Company's five wholly-owned subsidiaries based in Australia and New Zealand entered into a Facility Agreement (the Australia/New Zealand Credit Agreement) with a financial institution based in those countries. The Australia/New Zealand Credit Agreement permitted the subsidiaries in Australia and New Zealand to borrow up to a maximum of A\$80 million subject to a borrowing base calculation that limited availability to a percentage of eligible accounts receivable plus a percentage of the value of certain owned properties, less certain reserves. During the first quarter of 2012, the Company exercised its option to terminate the Australia/New Zealand Credit Agreement effective March 30, 2012.

There were no borrowings under the Company's credit agreements during the first quarter of 2012.

Other

At the end of the first quarter of 2012, Grupo OfficeMax, our 51%-owned joint venture in Mexico, had total outstanding borrowings of \$9.7 million. This included \$4.7 million outstanding under a 60-month installment note due in the first quarter of 2014 and \$3.4 million outstanding under a 54-month installment note due in the third quarter of 2014. Payments on the installment loans are made monthly. The remaining \$1.6 million of borrowings is a simple revolving loan. Recourse on the Grupo OfficeMax loans is limited to Grupo OfficeMax. The installment loan maturing in the third quarter of 2014 is secured by certain owned property of Grupo OfficeMax. All other Grupo OfficeMax loan facilities are unsecured.

Cash Paid for Interest

Cash payments for interest, net of interest capitalized and including interest payments related to the Securitization Notes, were \$4.8 million and \$5.3 million for the first three months of 2012 and 2011, respectively. Cash interest payments made on the Securitization Notes are completely offset by interest payments received on the Installment Notes.

Table of Contents**Notes to Quarterly Consolidated Financial Statements (unaudited) (Continued)****9. Financial Instruments, Derivatives and Hedging Activities*****Fair Value of Financial Instruments***

The carrying amounts of cash and cash equivalents, trade accounts receivable, other assets (non-derivatives), short-term borrowings and trade accounts payable approximate fair value because of the short maturity of these instruments. The following table presents the carrying amounts and estimated fair values of the Company's other financial instruments at March 31, 2012 and December 31, 2011. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties.

	March 31, 2012			Total	Carrying Amount
	Level 1	Level 2	Level 3 (thousands)		
Financial assets:					
Timber notes receivable					
Wachovia	\$	\$ 959,592	\$	\$ 959,592	\$ 817,500
Lehman	\$	\$	\$ 81,750	\$ 81,750	\$ 81,750
Financial liabilities:					
Recourse debt	\$	\$ 249,526	\$	\$ 249,526	\$ 269,301
Non-recourse debt					
Wachovia	\$	\$ 872,207	\$	\$ 872,207	\$ 735,000
Lehman	\$	\$	\$		