BlueLinx Holdings Inc.
Form 10-K
February 29, 2008

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

(Mark One)

þ	**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** **For the fiscal year ended December 29, 2007**
	OR
o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number: 1-32383

BLUELINX HOLDINGS INC.
(Exact name of registrant as specified in its charter)

Delaware	**77-0627356**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
4300 Wildwood Parkway, Atlanta, Georgia	**30339**
(Address of principal executive offices)	*(Zip Code)*

Registrant s telephone number, including area code:
770-953-7000

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

Title of Each Class	Name of Each Exchange on Which Registered
Common stock, par value $0.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

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 þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

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. (Check one):

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

The aggregate market value of the registrant s common stock held by non-affiliates of the registrant as of June 29, 2007 was $123,741,372, based on the closing price on the New York Stock Exchange of $10.49 per share on June 29, 2007.

As of February 25, 2008, the registrant had 31,801,712 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of BlueLinx Holdings Inc. s definitive Proxy Statement for use in connection with its 2008 Annual Meeting of Stockholders, scheduled to be held on May 21, 2008, are incorporated by reference into Part III of this Report.

BLUELINX HOLDINGS INC.

ANNUAL REPORT ON FORM 10-K
For the Fiscal Year Ended December 29, 2007

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain the words believe, anticipate, expect, estimate, inte project, plan, will be, will likely continue, will likely result or words or phrases of similar meaning. All of these forward-looking statements are based on estimates and assumptions made by us that, although believed by us to be reasonable, are inherently uncertain. Forward-looking statements involve risks and uncertainties, including, but not limited to, economic, competitive, governmental and technological factors outside of our control, that may cause our business, strategy or actual results to differ materially from the forward-looking statements. These risks and uncertainties may include those discussed under the heading Risk Factors and other factors, some of which may not be known to us. We operate in a changing environment in which new risks can emerge from time to time. It is not possible for us to predict all of these risks, nor can we assess the extent to which any factor, or a combination of factors, may cause our business, strategy or actual results to differ materially from those contained in forward-looking statements. Factors you should consider that could cause these differences include, among other things:

- changes in the prices, supply and/or demand for products which we distribute;
- general economic and business conditions in the United States;
- the activities of competitors;
- changes in significant operating expenses;
- changes in the credit markets and to the availability of capital;
- our ability to identify acquisition opportunities and effectively and cost-efficiently integrate acquisitions;
- adverse weather patterns or conditions;
- acts of war or terrorist activities;
- variations in the performance of the financial markets; and
- the other factors described herein under Risk Factors.

Given these risks and uncertainties, we caution you not to place undue reliance on forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as required by law.

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PART I

As used herein, unless the context otherwise requires, BlueLinx, the Company, we, us and our refer to BlueLinx Holdings Inc. and its subsidiaries. BlueLinx Corporation is the wholly-owned operating subsidiary of BlueLinx Holdings Inc. and is referred to herein as the operating company when necessary. Reference to fiscal 2007 refers to the 52-week period ended December 29, 2007. Reference to fiscal 2006 refers to the 52-week period ended December 30, 2006. Reference to fiscal 2005 refers to the 52-week period ended December 31, 2005.

ITEM 1. *BUSINESS.*

Company Overview

BlueLinx Holdings Inc., operating through our wholly-owned subsidiary, BlueLinx Corporation, is a leading distributor of building products in the United States. We operate in all of the major metropolitan areas in the United States and, as of December 29, 2007, we distributed more than 10,000 products to approximately 11,500 customers through our network of more than 80 warehouses and third-party operated warehouses.

We distribute products in two principal categories: structural products and specialty products. Structural products, which represented approximately 54% and 56% of our fiscal 2007 and fiscal 2006 gross sales, include plywood, oriented strand board (OSB), rebar and remesh, lumber and other wood products primarily used for structural support, walls and flooring in construction projects. Specialty products, which represented approximately 46% and 44% of our fiscal 2007 and fiscal 2006 gross sales, include roofing, insulation, specialty panels, moulding, engineered wood products, vinyl products (used primarily in siding), composite decking and metal products (excluding rebar and remesh).

Our customers include building materials dealers, industrial users of building products, manufactured housing builders and home improvement centers. We purchase products from over 750 vendors and serve as a national distributor for a number of our suppliers. We distribute products through our owned fleet of over 800 trucks and over 1,200 trailers, as well as by common carrier.

Our principal executive offices are located at 4300 Wildwood Parkway, Atlanta, Georgia 30339 and our telephone number is (770) 953-7000. Our filings with the U.S. Securities and Exchange Commission, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and amendments to those reports, are accessible free of charge at our official website, www.BlueLinxCo.com. We have adopted a Code of Ethics within the meaning of Item 406(b) of Regulation S-K. This Code of Ethics applies to our principal executive officer, principal financial officer and principal accounting officer. This Code of Ethics, our board committee charters and our corporate governance guidelines are publicly available at www.BlueLinxCo.com or upon request by writing to BlueLinx Holdings Inc., Attn: Corporate Secretary, 4300 Wildwood Parkway, Atlanta, Georgia 30339. If we make substantial amendments to our Code of Ethics or grant any waiver, including any implicit waiver, we are required to disclose the nature of such amendment or waiver on our website or in a report on Form 8-K of such amendment or waiver. The reference to our website does not constitute incorporation by reference of the information contained at the site.

History

We were created on March 8, 2004 as a Georgia corporation named ABP Distribution Holdings Inc. (ABP). ABP was owned by Cerberus Capital Management, L.P. (Cerberus Capital Management, L.P. and its subsidiaries are referred to herein as Cerberus), a private, New York-based investment firm, and members of our management team. Prior to May 7, 2004, our assets were owned by the distribution division (the Division) of Georgia-Pacific Corporation (Georgia-Pacific). The Division commenced operations in 1954 with 13 warehouses primarily used as an outlet for Georgia-Pacific s plywood. On May 7, 2004, Georgia-Pacific sold assets of the Division to ABP. ABP subsequently merged into BlueLinx Holdings Inc. On December 17, 2004, we consummated an initial public offering of our common stock.

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Products and Services

As of December 29, 2007, we distributed more than 10,000 different structural and specialty products to approximately 11,500 customers nationwide. Our structural products are primarily used for structural support, walls, flooring and roofing in construction projects. Additional end-uses of our structural products include outdoor decks, sheathing, crates and boxes. Our specialty products include engineered lumber, roofing, insulation, metal products (excluding rebar and remesh), vinyl products (used primarily in siding), moulding, composite decking and particleboard. In some cases, these products are branded.

We also provide a wide range of value-added services and solutions to our customers and vendors including:

- providing less-than-truckload delivery services;
- pre-negotiated program pricing plans;
- inventory stocking;
- automated order processing through an electronic data interchange, or EDI, that provides a direct link between us and our customers;
- inter-modal distribution services, including railcar unloading and cargo reloading onto customers trucks; and
- back-haul services, when otherwise empty trucks are returning from customer deliveries.

Distribution Channels

We sell products through three main distribution channels:

Warehouse Sales

Warehouse sales are delivered from our warehouses to dealers, home improvement centers and industrial users. We deliver products primarily using our fleet of over 800 trucks and over 1,200 trailers, but also occasionally use common carriers for peak load flexibility. We operate in all of the major metropolitan areas in the United States through our network of more than 80 warehouses and third-party operated warehouses. Our warehouses have over eleven million square feet of space under roof plus significant outdoor storage space. Warehouse sales accounted for approximately 59% and 54% of our fiscal 2007 and fiscal 2006 gross sales, respectively.

Reload Sales

Reload sales are similar to warehouse sales but are shipped from third-party warehouses where we store owned product in order to expand our geographic reach. This channel is employed primarily to service strategic customers that would be uneconomical to service from our warehouses and to distribute large volumes of imported products such as metal or hardwood plywood from port facilities. Reload sales accounted for approximately 12% and 13% of our gross sales in fiscal 2007 and fiscal 2006, respectively.

Direct Sales

Direct sales are shipped from the manufacturer to the customer without our taking physical inventory possession. This channel requires the lowest amount of committed capital and fixed costs. Direct sales accounted for approximately

29% and 33% of our fiscal 2007 and fiscal 2006 gross sales, respectively.

Customers

As of December 29, 2007, our customer base included approximately 11,500 customers across multiple market segments and various end-use markets, including the following types of customers:

building materials dealers;

industrial users of building products;

manufactured housing builders; and

home improvement centers.

Sales and Marketing

Our sales efforts primarily are directed through our sales force of approximately 800 sales representatives. Approximately 500 of our sales representatives are located at our two sales centers in Denver and Atlanta. Within these sales centers, our sales representatives primarily interact with our customers over the telephone. The remaining 300 sales representatives are located throughout the country and are responsible for maintaining a local dialogue with our customers, including making frequent, in-person visits.

Our sales force is separated between industrial/dealer sales and home improvement center sales. Industrial/dealer sales are managed by regional vice-presidents with sales teams organized by customer regions. The majority of industrial/dealer orders are processed by telephone and are facilitated by our centralized database of customer preferences and purchasing history. We also have dedicated cross-functional customer support teams focused on strategic growth with the home improvement centers.

Suppliers

As of December 29, 2007, our vendor base included over 750 suppliers of both structural and specialty building products. In some cases, these products are branded. We have supply contracts in place with many of our vendors. Terms for these agreements frequently include prompt payment discounts and freight allowances and occasionally include volume discounts, growth incentives, marketing allowances, consigned inventory and extended payment terms.

Purchases of products manufactured by Georgia-Pacific accounted for approximately 25% and approximately 24% of total purchases in fiscal 2007 and fiscal 2006, respectively, with no other supplier accounting for more than 4% of our fiscal 2007 purchases. As part of the acquisition transactions, whereby we acquired the assets of Georgia-Pacific s distribution division, we entered into a Master Purchase, Supply & Distribution Agreement with Georgia-Pacific, or the Supply Agreement. The Supply Agreement details distribution rights by product categories, including exclusivity rights and minimum supply volume commitments from Georgia-Pacific with respect to certain products. This agreement also details our purchase obligations by product categories, including substantial minimum purchase volume commitments with respect to most of the products supplied to us. Based on 2007 average market prices, our purchase obligation under this agreement is approximately $0.5 billion for the next two years. If we fail or refuse to purchase any products that we are obligated to purchase pursuant to the Supply Agreement, Georgia-Pacific has the right to sell products to third parties and for certain products terminate our exclusivity, and we may be required to pay monetary penalties. The agreement has a five-year initial term expiring on May 7, 2009, and remains continuously in effect thereafter unless it is terminated. Termination of the Supply Agreement requires two years notice, exercisable beginning May 7, 2008. The Supply Agreement may be terminated by either party for material breach. However, if the material breach only affects one or more, but not all, of the product categories, the non- breaching party may only terminate the Supply Agreement in respect of the affected product categories, and the Supply Agreement will remain in full force with respect to the remaining product categories. The Supply Agreement also provides for certain advertising, marketing and promotion arrangements between BlueLinx and Georgia-Pacific for certain products. In addition, we have been granted a limited, non-exclusive, royalty-free, fully paid license to use certain proprietary information and intellectual property of Georgia-Pacific.

Competition

The U.S. building products distribution market is a highly fragmented market, served by a small number of multi-regional distributors, several regionally focused distributors and a large number of independent local distributors. Local and regional distributors tend to be closely held and often specialize in a limited number of segments, such as the roofing segment, in which they offer a broader selection of products. Some of our multi-regional competitors are part of larger companies and therefore have access to greater financial and other resources than us. We compete on the basis of breadth of product offering, consistent availability of product, product price and quality, reputation, service and distribution facility location.

Our two largest competitors are Weyerhaeuser Company, or Weyerhaeuser, and Boise Cascade Company, or Boise Cascade. Weyerhaeuser and Boise Cascade are integrated building products manufacturers-distributors that offer products manufactured by themselves as well as third-party manufactured products. Most major markets are served by at least one of these distributors.

Seasonality

We are exposed to fluctuations in quarterly sales volumes and expenses due to seasonal factors. These seasonal factors are common in the building products distribution industry. The first and fourth quarters are typically our slowest quarters due to the impact of poor weather on the construction market. Our second and third quarters are typically our strongest quarters, reflecting a substantial increase in construction due to more favorable weather conditions. Our working capital and accounts receivable and payable generally peak in the third quarter, while inventory generally peaks in the second quarter in anticipation of the summer building season. We expect these trends to continue for the foreseeable future.

Trademarks

As of January 31, 2008, we had 38 U.S. trademark applications and registrations, one issued U.S. patent and two Canadian trademark registrations. Depending on the jurisdiction, trademarks are valid as long as they are in use and/or their registrations are properly maintained and they have not become generic. Registrations of trademarks can generally be renewed indefinitely as long as the trademarks are in use. Our patent expires in September 2013. We do not believe our business is dependent on any one of our trademarks or on our patent.

Employees

As of December 29, 2007 we employed approximately 2,800 persons on a full-time basis. Approximately 830 of our employees are represented by labor unions. As of December 29, 2007, we had approximately 53 collective bargaining agreements, of which 12, representing 312 employees, are up for renewal in 2008. We consider our relationship with our employees generally to be good.

Executive Officers

The following table contains the name, age and position with our company of each of our executive officers as of February 25, 2008. There are no arrangements or understandings between any of our executive officers and any other person pursuant to which any executive officer was or is to be selected as an officer.

Name	Age	Position
Stephen E. Macadam	47	Chief Executive Officer and Director
George R. Judd	47	President and Chief Operating Officer
Howard D. Goforth	44	Senior Vice President, Chief Financial Officer and Treasurer
David J. Dalton	49	Senior Vice President, West
Duane G. Goodwin	49	Senior Vice President, Supply Chain

Barbara V. Tinsley	57	Senior Vice President, General Counsel and Secretary
Dean A. Adelman	42	Vice President, Human Resources

Stephen E. Macadam has served as our Chief Executive Officer since October 2005, and as a member of our Board since June 2004. Prior to his joining our Company, Mr. Macadam was the President and Chief Executive Officer of Consolidated Container Company LLC since August 2001. He served previously with Georgia-Pacific where he held the position of Executive Vice President, Pulp & Paperboard from July 2000 until August 2001, and the position of Senior Vice President, Containerboard & Packaging from March 1998 until July 2000. Mr. Macadam held positions of increasing responsibility with McKinsey and Company, Inc. from 1988 until 1998, culminating in the role of Principal in charge of McKinsey s Charlotte, North Carolina operation. Mr. Macadam is a member of the board of directors of Solo Cup Company. Mr. Macadam received a B.S. in mechanical engineering from the University of Kentucky, an M.S. in finance from Boston College and a Masters of Business Administration from Harvard Business School, where he was a Baker Scholar.

George R. Judd has served as our President and Chief Operating Officer since May 2004. Prior to that time, he worked for Georgia-Pacific Corporation in a variety of positions managing both inside and outside sales, national accounts and most recently as Vice President of Sales and Eastern Operations since 2002. From 2000 until 2002, Mr. Judd worked as Vice President of the North and Midwest regions of the Distribution Division. He served as Vice President of the Southeast region from 1999 to 2000. Mr. Judd serves on the boards of the Building Products Institute and the Lumber and Building Materials Institute, in Washington, D.C., and he is past Chair of the National Lumber & Building Material Dealers Association. He also serves on the board of the Girl Scouts of Georgia. He graduated from Western Connecticut State University in 1984 with a Bachelor s degree in Marketing.

Howard D. Goforth has served as our Senior Vice President, Chief Financial Officer and Treasurer since February 18, 2008. Mr. Goforth has twenty years of combined accounting, finance, treasury, acquisition and management experience with leading distribution and manufacturing companies including Mitsubishi Wireless Communications, Inc., Yamaha Motor Manufacturing, Inc. and Ingersoll-Rand. Most recently, Mr. Goforth was Vice President and Corporate Controller, as well as a member of the senior management team, of Armor Holdings Inc. from November 2006 until the company was acquired by BAE Systems, Inc. in August 2007. Mr. Goforth remained with BAE Systems until February 2008 to assist in the integration of the acquisition. Prior to Armor Holdings, Mr. Goforth served as BlueLinx Corporation s Corporate Controller from May 2004 until November 2006. Prior to that, he served as a Controller with the building products distribution division of Georgia-Pacific Corporation from 2002 until May 2004. Mr. Goforth earned a Bachelor of Science in Accounting from Mars Hill College in North Carolina. He is also a certified public accountant.

David J. Dalton has served as our Senior Vice President, West since January 2006. Prior to that time, Mr. Dalton served as Vice President of the Mid-Atlantic region since May 2004. Previously, he worked for Georgia-Pacific Corporation in a variety of positions managing both inside and outside sales, and most recently as Vice President/General Manager of the Mid-Atlantic region of the Distribution Division since 1995. He graduated from the University of Massachusetts in 1980 with a Bachelor of Science degree in Wood Science and Technology.

Duane G. Goodwin has served as our Senior Vice President, Supply Chain since December 2005. Prior to that time, Mr. Goodwin was with The Home Depot since April 1994, where he served in a variety of positions including Vice President/Merchandising Hardware from July 2003 to February 2005, Vice President Global Sourcing from July 2000 to July 2003, and Divisional Merchandise Manager from April 1999 to July 2000. Before this Mr. Goodwin was with Wal-Mart Stores, Inc., where he served in a variety of roles from 1985 through April 1994. Prior to joining our Company, Mr. Goodwin also served as an outside consultant to Cerberus beginning in June 2005.

Barbara V. Tinsley has served as our Senior Vice President, General Counsel and Secretary since May 2004. Prior to that time, Ms. Tinsley served as Associate General Counsel for Cendian Corporation since September 2002, and as Assistant General Counsel for Mitsubishi Electric and Electronics USA, Inc. from October 2000 until September 2002. From August 1998 until August 2000, Ms. Tinsley served as Corporate Compliance Officer for The Home Depot. She was Chief Counsel to Georgia-Pacific Corporation s Distribution Division from 1992 to 1998 and represented a number of other divisions of Georgia-Pacific from 1987 to 1992. Prior to that, Ms. Tinsley was an Assistant United States Attorney with the Department of Justice for five years. Ms. Tinsley previously served as Chairman of the Antitrust Section of the State Bar of Georgia. Ms. Tinsley received a Bachelor of Arts degree, magna cum laude, in 1971 from Emory University and a Juris Doctor degree, with distinction, from Emory in 1975.

Dean A. Adelman has served as our Vice President, Human Resources since October 2005. Prior to that time, he served as Vice President Human Resources, Staff Development & Training for Corrections

Corporation of America. Previously, Mr. Adelman served as Vice President Human Resources for Arby s Inc. (formerly RTM Restaurant Group) from 1998 to 2002. From 1991 to 1998, Mr. Adelman served as senior counsel for Georgia-Pacific Corporation. Mr. Adelman received a Bachelor of Arts degree from the University of Georgia in 1987 and a Juris Doctor degree, cum laude, from the University of Georgia in 1990.

Environmental and Other Governmental Regulations

Environmental Regulation and Compliance

Our operations are subject to various federal, state, provincial and local laws, rules and regulations. We are subject to environmental laws, rules and regulations that limit discharges into the environment, establish standards for the handling, generation, emission, release, discharge, treatment, storage and disposal of hazardous materials, substances and wastes, and require cleanup of contaminated soil and groundwater. These laws, ordinances and regulations are complex, change frequently and have tended to become more stringent over time. Many of them provide for substantial fines and penalties, orders (including orders to cease operations) and criminal sanctions for violations. They may also impose liability for property damage and personal injury stemming from the presence of, or exposure to, hazardous substances. In addition, certain of our operations require us to obtain, maintain compliance with, and periodically renew permits.

Certain of these laws, including the Comprehensive Environmental Response, Compensation, and Liability Act, may require the investigation and cleanup of an entity s or its predecessor s current or former properties, even if the associated contamination was caused by the operations of a third party. These laws also may require the investigation and cleanup of third-party sites at which an entity or its predecessor sent hazardous wastes for disposal, notwithstanding that the original disposal activity accorded with all applicable requirements. Liability under such laws may be imposed jointly and severally, and regardless of fault.

Georgia-Pacific Corporation has agreed to indemnify us against any claim arising from environmental conditions that existed prior to May 7, 2004. In addition, we carry environmental insurance. While we do not expect to incur significant independent costs arising from environmental conditions, there can be no assurance that all such costs will be covered by indemnification or insurance.

We are also subject to the requirements of the U.S. Department of Labor Occupational Safety and Health Administration, or OSHA. In order to maintain compliance with applicable OSHA requirements, we have established uniform safety and compliance procedures for our operations and implemented measures to prevent workplace injuries.

The U.S. Department of Transportation, or DOT, regulates our operations in domestic interstate commerce. We are subject to safety requirements governing interstate operations prescribed by the DOT. Vehicle dimensions and driver hours of service also remain subject to both federal and state regulation.

We incur and will continue to incur costs to comply with the requirements of environmental, health and safety and transportation laws, ordinances and regulations. We anticipate that these requirements could become more stringent in the future, and we cannot assure you that compliance costs will not be material.

ITEM 1A. *RISK FACTORS.*

In addition to the other information contained in this Form 10-K, the following risk factors should be considered carefully in evaluating our business. Our business, financial condition, or results of operations could be materially adversely affected by any of these risks. Additional risks not presently known to us or that we currently deem immaterial may also impair our business and operations.

Our industry is highly cyclical, and prolonged periods of weak demand or excess supply may reduce our net sales and/or margins, which may reduce our net income or cause us to incur losses.

The building products distribution industry is subject to cyclical market pressures. Prices of building products are determined by overall supply and demand in the market for building products. Market prices of building products historically have been volatile and cyclical and we have limited ability to control the timing

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and amount of pricing changes for building products. Demand for building products is driven mainly by factors outside of our control, such as general economic and political conditions, interest rates, availability of mortgage financing, the construction, repair and remodeling and industrial markets, weather and population growth. The supply of building products fluctuates based on available manufacturing capacity, and excess capacity in the industry can result in significant declines in market prices for those products. To the extent that prices and volumes experience a sustained or sharp decline, our net sales and margins would likely decline as well. Our results in some periods have been affected by market volatility, including a reduction in gross profits due to a decline in the resale value of our structural products inventory. All of these factors make it difficult to forecast our operating results.

Our cash flows and capital resources may be insufficient to make required payments on our substantial indebtedness and future indebtedness.

We have a substantial amount of debt. As of December 29, 2007, advances outstanding under our revolving credit facility were approximately $184 million, borrowing availability was approximately $222 million and outstanding letters of credit on the facility were approximately $10.4 million. We also have a mortgage loan in the amount of $295 million.

Our substantial debt could have important consequences to you. For example, it could:

- make it difficult for us to satisfy our debt obligations;
- make us more vulnerable to general adverse economic and industry conditions;
- limit our ability to obtain additional financing for working capital, capital expenditures, acquisitions and other general corporate requirements;
- expose us to interest rate fluctuations because the interest rate on the debt under our revolving credit facility is variable;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing the availability of our cash flow for operations and other purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and
- place us at a competitive disadvantage compared to competitors that may have proportionately less debt.

In addition, our ability to make scheduled payments or refinance our obligations depends on our successful financial and operating performance, cash flows and capital resources, which in turn depend upon prevailing economic conditions and certain financial, business and other factors, many of which are beyond our control. These factors include, among others:

- economic and demand factors affecting the building products distribution industry;
- pricing pressures;
- increased operating costs;
- competitive conditions; and

other operating difficulties.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, sell material assets or operations, obtain additional capital or restructure our debt. Obtaining additional capital or restructuring our debt could be accomplished in part, through new or additional borrowings or placements of debt or equity securities. There is no assurance that we could obtain additional capital or restructure our debt on terms acceptable to us or at all. In the event that we are required to dispose of material assets or operations to meet our debt service and other obligations, the value realized on such assets or operations will depend on market conditions and the availability of buyers.

Accordingly, any such sale may not, among other things, be for a sufficient dollar amount. Our obligations under the revolving credit facility are secured by a first priority security interest in all of our operating company s inventories, receivables and proceeds from those items. In addition, our mortgage loan is secured by the majority of our real property. The foregoing encumbrances may limit our ability to dispose of material assets or operations. We also may not be able to restructure our indebtedness on favorable economic terms, if at all. We may incur substantial additional indebtedness in the future, including under the revolving credit facility. Our incurrence of additional indebtedness would intensify the risks described above.

The instruments governing our indebtedness contain various covenants limiting the discretion of our management in operating our business.

Our revolving credit facility and mortgage loan contain various restrictive covenants and restrictions, including financial covenants customary for asset-based loans that limit our management s discretion in operating our business. In particular, these instruments limit our ability to, among other things:

- incur additional debt;
- grant liens on assets;
- make investments, including capital expenditures;
- sell or acquire assets outside the ordinary course of business;
- engage in transactions with affiliates; and
- make fundamental business changes.

If we fail to maintain minimum excess availability of $40 million under the revolving credit facility, the revolving credit facility requires us to (i) maintain certain financial ratios and (ii) limit our capital expenditures. If we fail to comply with the restrictions in the revolving credit facility, the mortgage loan documents or any other current or future financing agreements, a default may allow the creditors under the relevant instruments to accelerate the related debt and to exercise their remedies under these agreements, which will typically include the right to declare the principal amount of that debt, together with accrued and unpaid interest and other related amounts, immediately due and payable, to exercise any remedies the creditors may have to foreclose on assets that are subject to liens securing that debt and to terminate any commitments they had made to supply further funds.

The payment of dividends has been suspended, and resumption is dependant on business conditions, among other factors; the instruments governing our indebtedness contain various covenants that may limit our ability to pay dividends.

In the past we have paid dividends on our common stock at the quarterly rate of $0.125 per share. However, on December 5, 2007, we suspended the payment of dividends on our common stock for an indefinite period of time. Resumption of the payment of dividends will depend on, among other things, business conditions in the housing industry, our results of operations, cash requirements, financial condition, contractual restrictions, provisions of applicable law and other factors that our board of directors may deem relevant. Accordingly, we may not be able to resume the payment of dividends at the same quarterly rate in the future, if at all.

Our revolving credit facility limits distributions by our operating company to us, which, in turn, may limit our ability to pay dividends to holders of our common stock. See Notes to Financial Statements Note 8. Revolving Credit

Facility for more information on limits on our ability to pay dividends.

We depend upon a single supplier, Georgia-Pacific, for a significant percentage of our products and have significant purchase commitments under our Supply Agreement with Georgia-Pacific.

Georgia-Pacific is our largest supplier, accounting for approximately 25% and approximately 24% of our purchases during fiscal 2007 and fiscal 2006, respectively. Concurrent with the acquisition, we entered into a

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Supply Agreement with Georgia-Pacific. The Supply Agreement has a five-year initial term expiring on May 7, 2009 and remains continuously in effect thereafter unless it is terminated. Termination of the Supply Agreement requires two years notice, exercisable beginning on May 7, 2008. Upon a material breach of the agreement by us, Georgia-Pacific may terminate the agreement at anytime. If Georgia-Pacific does not renew the Supply Agreement or if it discontinues sales of a product, we would experience a product shortage unless and until we obtain a replacement supplier. We may not be able to obtain replacement products on favorable economic terms, if at all. An inability to replace products on favorable economic terms would adversely impact our net sales and our costs, which in turn could impact our gross profit, net income and cash flows.

We believe that the economic terms of the Supply Agreement are beneficial to us since they provide us with certain discounts off standard industry pricing indices, certain cash discounts and favorable payment terms. While we also believe these terms benefit Georgia-Pacific, Georgia-Pacific could, if it chose, terminate the Supply Agreement as early as May 7, 2010. If it did so and we could not obtain comparable terms from Georgia-Pacific or another vendor thereafter, our operating performance could be impaired by an interruption in the delivery of products and/or an increase in cost to us from sourcing comparable products from other suppliers.

Under the Supply Agreement, we have substantial minimum purchase volume commitments with respect to a number of products supplied to us. Based on 2007 average market prices, our purchase obligations under this agreement are $0.5 billion for the next two years. These products account for a majority of our purchases from Georgia-Pacific. If we fail or refuse to purchase any products that we are obligated to purchase pursuant to the Supply Agreement, Georgia-Pacific has the right to sell products to third parties and, for certain products, terminate our exclusivity, which could reduce our net sales due to the unavailability of products or our gross profit if we are required to pay higher product prices to other suppliers. A reduction in our net sales or gross profit may also reduce our net income and cash flows or increase our net loss.

Our industry is highly fragmented and competitive. If we are unable to compete effectively, our net sales and net income will be reduced or we may incur additional losses.

The building products distribution industry is highly fragmented and competitive and the barriers to entry for local competitors are relatively low. Some of our competitors are part of larger companies and therefore have access to greater financial and other resources than us. In addition, certain product manufacturers sell and distribute their products directly to customers. Additional manufacturers of products distributed by us may elect to sell and distribute directly to end-users in the future or enter into exclusive supply arrangements with other distributors. Finally, we may not be able to maintain our costs at a level sufficiently low for us to compete effectively. If we are unable to compete effectively, our net sales and net income will be reduced or we may incur additional losses.

Integrating acquisitions may be time-consuming and create costs that could reduce our net income and cash flows or increase our net loss.

Part of our growth strategy includes pursuing acquisitions. Any integration process may be complex and time consuming, may be disruptive to the business and may cause an interruption of, or a distraction of management s attention from, the business as a result of a number of obstacles, including but not limited to:

- the loss of key customers of the acquired company;
- the incurrence of unexpected expenses and working capital requirements;
- a failure of our due diligence process to identify significant issues or contingencies;

difficulties assimilating the operations and personnel of the acquired company;

difficulties effectively integrating the acquired technologies with our current technologies;

our inability to retain key personnel of acquired entities;

failure to maintain the quality of customer service;

our inability to achieve the financial and strategic goals for the acquired and combined businesses; and

difficulty in maintaining internal controls, procedures and policies.

Any of the foregoing obstacles, or a combination of them, could increase selling, general and administrative expenses in absolute terms and/or as a percentage of net sales, which could in turn negatively impact our net income and cash flows or increase our net loss.

We have completed two acquisitions, to date. On July 22, 2005 we completed the acquisition of the assets of California-based hardwood lumber company Lane Stanton Vance (LSV), and on August 7, 2006 we completed the acquisition of the Texas-based hardwood lumber distribution company, Austin Hardwoods, Ltd. We may not be able to consummate acquisitions in the future on terms acceptable to us, or at all. In addition, future acquisitions are accompanied by the risk that the obligations and liabilities of an acquired company may not be adequately reflected in the historical financial statements of that company and the risk that those historical financial statements may be based on assumptions which are incorrect or inconsistent with our assumptions or approach to accounting policies. Any of these material obligations, liabilities or incorrect or inconsistent assumptions could adversely impact our results of operations.

A significant percentage of our employees are unionized. Wage increases or work stoppages by our unionized employees may reduce our results of operations.

As of December 29, 2007, approximately 30% of our employees were represented by various labor unions. As of December 29, 2007, we had approximately 53 collective bargaining agreements, of which 12, covering 312 total employees, are up for renewal in 2008. We may become subject to material cost increases, or additional work rules imposed by agreements with labor unions. The foregoing could increase our selling, general and administrative expenses in absolute terms and/or as a percentage of net sales. In addition, work stoppages or other labor disturbances may occur in the future, which could adversely impact our net sales and/or selling, general and administrative expenses. All of these factors could negatively impact our net income and cash flows or increase our net loss.

Federal and state transportation regulations could impose substantial costs on us which would reduce our net income or increase our net loss.

We use our own fleet of over 800 trucks and over 1,200 trailers to service customers throughout the United States. The U.S. Department of Transportation, or DOT, regulates our operations in domestic interstate commerce. We are subject to safety requirements governing interstate operations prescribed by the DOT. Vehicle dimensions and driver hours of service also remain subject to both federal and state regulation. More restrictive limitations on vehicle weight and size, trailer length and configuration, or driver hours of service would increase our costs, which, if we are unable to pass these cost increases on to our customers, would reduce our gross margins, increase our selling, general and administrative expenses and reduce our net income or increase our net loss.

Environmental laws impose risks and costs on us.

Our operations are subject to federal, state, provincial and local laws, rules and regulations governing the protection of the environment, including, but not limited to, those regulating discharges into the air and water, the use, handling and disposal of hazardous or toxic substances, the management of wastes, the cleanup of contamination and the control of noise and odors. We have made, and will continue to make, expenditures to comply with these requirements. While we believe, based upon current information, that we are in substantial compliance with all applicable environmental laws, rules and regulations, we could be subject to potentially significant fines or penalties for any failure to comply.

Moreover, under certain environmental laws, a current or previous owner or operator of real property, and parties that generate or transport hazardous substances that are disposed of at that real property, may be held liable for the cost to investigate or clean up such real property and for related damages to natural resources. We may be subject to liability, including liability for investigation and cleanup costs, if contamination is discovered at one of our current or former warehouse facilities, or at a landfill or other location where we have disposed of, or arranged for the disposal of, wastes.

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Georgia-Pacific has agreed to indemnify us against any claim arising from environmental conditions that existed prior to May 7, 2004. We also carry environmental insurance. However, any remediation costs not related to conditions existing prior to May 7, 2004 may not be covered by indemnification. In addition, certain remediation costs may not be covered by insurance. In addition, we could be subject to claims brought pursuant to applicable laws, rules or regulations for property damage or personal injury resulting from the environmental impact of our operations. Increasingly stringent environmental requirements, more aggressive enforcement actions, the discovery of unknown conditions or the bringing of future claims may cause our expenditures for environmental matters to increase, and we may incur material costs associated with these matters.

Anti-terrorism measures may harm our business by impeding our ability to deliver products on a timely and cost-effective basis.

In the event of future terrorist attacks or threats on the United States, federal, state and local authorities could implement various security measures, including checkpoints and travel restrictions on large trucks. Our customers typically need quick delivery and rely on our on-time delivery capabilities. If security measures disrupt or impede the timing of our deliveries, we may fail to meet the needs of our customers, or may incur increased expenses to do so.

We may incur substantial costs relating to Georgia-Pacific s product liability related claims.

Georgia-Pacific is a defendant in suits brought in various courts around the nation by plaintiffs who allege that they have suffered personal injury as a result of exposure to products containing asbestos. These suits allege a variety of lung and other diseases based on alleged exposure to products previously manufactured by Georgia-Pacific. Although the terms of the asset purchase agreement provide that Georgia-Pacific will indemnify us against all obligations and liabilities arising out of, relating to or otherwise in any way in respect of any product liability claims (including, without limitation, claims, obligations or liabilities relating to the presence or alleged presence of asbestos-containing materials) with respect to products purchased, sold, marketed, stored, delivered, distributed or transported by Georgia-Pacific and its affiliates, including the Division prior to the acquisition, it could be possible that circumstances may arise under which asbestos-related claims against Georgia-Pacific could cause us to incur substantial costs.

For example, in the event that Georgia-Pacific is financially unable to respond to an asbestos product liability claim, plaintiffs lawyers may, in order to obtain recovery, attempt to sue us, in our capacity as owner of assets sold by Georgia-Pacific, despite the fact that the assets sold to us did not contain asbestos. Asbestos litigation has, over the years, proved unpredictable, as the aggressive and well-financed asbestos plaintiffs bar has been creative, and often successful, in bringing claims based on novel legal theories and on expansive interpretations of existing legal theories. These claims have included claims against companies that did not manufacture asbestos products. As a result of these factors, a number of companies have been held liable for amounts far in excess of their perceived exposure. Although we believe, based on our understanding of the law as currently interpreted, that we should not be held liable for any of Georgia-Pacific s asbestos-related claims, and, to the contrary, that we would prevail on summary judgment on any such claims, there is nevertheless a possibility that new theories could be developed, or that the application of existing theories could be expanded, in a manner that would result in liability for us. Any such liability could ultimately be borne by us if Georgia-Pacific is unable to fulfill its indemnity obligation under the asset purchase agreement with us.

Affiliates of Cerberus control us and may have conflicts of interest with other stockholders in the future.

Funds and accounts managed by Cerberus or its affiliated management companies, which are referred to collectively as the controlling stockholder, collectively own approximately 58% of our common stock. As a result, the controlling stockholder will continue to be able to control the election of our directors, determine our corporate and management policies and determine, without the consent of our other stockholders, the outcome of any corporate transaction or other matter submitted to our stockholders for approval, including potential mergers or acquisitions, asset sales and other significant corporate transactions.

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Four of our ten directors are employees of Cerberus. The controlling stockholder also has sufficient voting power to amend our organizational documents. The interests of the controlling stockholder may not coincide with the interests of other holders of our common stock. Additionally, the controlling stockholder is in the business of making investments in companies and may, from time to time, acquire and hold interests in businesses that compete directly or indirectly with us. The controlling stockholder may also pursue, for its own account, acquisition opportunities that may be complementary to our business, and as a result, those acquisition opportunities may not be available to us. So long as the controlling stockholder continues to own a significant amount of the outstanding shares of our common stock, it will continue to be able to strongly influence or effectively control our decisions, including potential mergers or acquisitions, asset sales and other significant corporate transactions. In addition, because we are a controlled company within the meaning of the New York Stock Exchange rules, we are exempt from the NYSE requirements that our board be composed of a majority of independent directors, and that our compensation and nominating/corporate governance committees be composed entirely of independent directors.

Even if Cerberus no longer controls us in the future, certain provisions of our charter documents and agreements and Delaware law could discourage, delay or prevent a merger or acquisition at a premium price.

Our Amended and Restated Certificate of Incorporation and Bylaws contain provisions that:

- permit us to issue, without any further vote or action by the stockholders, up to 30 million shares of preferred stock in one or more series and, with respect to each series, to fix the number of shares constituting the series and the designation of the series, the voting powers (if any) of the shares of such series, and the preferences and other special rights, if any, and any qualifications, limitations or restrictions, of the shares of the series; and

- limit the stockholders ability to call special meetings.

These provisions may discourage, delay or prevent a merger or acquisition at a premium price.

In addition, we are subject to Section 203 of the General Corporation Law of the State of Delaware, or the DGCL, which also imposes certain restrictions on mergers and other business combinations between us and any holder of 15% or more of our common stock. Further, certain of our incentive plans provide for vesting of stock options and/or payments to be made to our employees in connection with a change of control, which could discourage, delay or prevent a merger or acquisition at a premium price.

ITEM 1B. *UNRESOLVED STAFF COMMENTS.*

None.

ITEM 2. *PROPERTIES.*

We lease approximately 250,000 square feet for our corporate headquarters located at 4300 Wildwood Parkway, Atlanta, Georgia 30339. As part of a restructuring effort, we vacated approximately 100,000 square feet of our corporate headquarters space which we are actively seeking to sublease. We operate warehouse facilities in over 65 markets nationwide. We own 64 warehouse facilities and lease 16 additional warehouse facilities. The total square footage under roof at our owned and leased warehouses is approximately 11 million square feet. Our Denver sales center and 57 of our owned warehouse facilities secure our mortgage loan.

The following table summarizes our real estate facilities including their inside square footage:

Facility Type	Number	Owned Facilities (ft^2)	Leased Facilities (ft^2)
Office Space(1)	3	68,700	251,900
Warehouses	80	10,300,000	900,000
TOTAL	**83**	**10,368,700**	**1,151,900**

(1) Includes corporate headquarters in Atlanta, the Denver Sales Center and a call center in Vancouver. We are actively marketing 100,000 square feet at our Atlanta corporate headquarters for sublease.

We also store materials outdoors, such as lumber and rebar, at all of our warehouse locations, which increases their distribution and storage capacity. We believe that substantially all of our property and equipment is in good condition, subject to normal wear and tear. We believe that our facilities have sufficient capacity to meet current and projected distribution needs.

ITEM 3. ***LEGAL PROCEEDINGS.***

On November 19, 2004, we received a letter from Wickes Lumber, or Wickes, asserting that approximately $16 million in payments received by the Division during the 90-day period prior to Wickes January 20, 2004 Chapter 11 filing were preferential payments under section 547 of the United States Bankruptcy Code. On October 14, 2005, Wickes Inc. filed a lawsuit in the United States Bankruptcy Court for the Northern District of Illinois titled Wickes Inc. v. Georgia Pacific Distribution Division (BlueLinx), (Bankruptcy Adversary Proceeding No. 05-2322) asserting its claim. On November 14, 2005, we filed an answer to the complaint denying liability. Although the ultimate outcome of this matter cannot be determined with certainty, we believe Wickes assertion to be without merit and, in any event, subject to one or more complete defenses, including, but not limited to, that the payments were made and received in the ordinary course of business and were a substantially contemporaneous exchange for new value given to Wickes.

We are, and from time to time may be, a party to routine legal proceedings incidental to the operation of our business. The outcome of any pending or threatened proceedings is not expected to have a material adverse effect on our financial condition, operating results or cash flows, based on our current understanding of the relevant facts. Legal expenses incurred related to these contingencies are generally expensed as incurred. We establish reserves for pending or threatened proceedings when the costs associated with such proceedings become probable and can be reasonably estimated.

ITEM 4. ***SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.***

No matters were submitted to a vote of security holders during the fourth quarter of fiscal 2007.

PART II

ITEM 5. ***MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.***

Our equity securities consist of one class of common stock. The common stock began trading on December 16, 2004. The common stock is traded on the New York Stock Exchange under the symbol BXC . The following table sets forth, for the periods indicated, the range of the high and low sales prices for the common stock as quoted on the New York Stock Exchange:

	High	Low
Fiscal Year Ended December 29, 2007		
First Quarter	$ 12.39	$ 10.18
Second Quarter	$ 11.96	$ 10.47

Third Quarter	$ 10.61	$ 6.93
Fourth Quarter	$ 7.50	$ 3.16
Fiscal Year Ended December 30, 2006		
First Quarter	$ 16.95	$ 11.16
Second Quarter	16.59	11.70
Third Quarter	13.50	9.26
Fourth Quarter	11.20	8.80

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As of February 25, 2008, there were 27 registered stockholders, and, as of that date we estimate there were approximately 3,200 beneficial owners holding our common stock in nominee or street name.

We paid a cash dividend of $0.125 per share for each of our fiscal quarters beginning in March 2005 and continuing through the fourth quarter of 2007. However, on December 5, 2007, we suspended the payment of dividends on our common stock for an indefinite period of time. Resumption of the payment of dividends will depend on, among other things, business conditions in the housing industry, our results of operations, cash requirements, financial condition, contractual restrictions, provisions of applicable law and other factors that our board of directors may deem relevant. See Item 8. Financial Statements and Supplementary Data, Note 8. Revolving Credit Facility for additional information regarding limitations on the ability of BlueLinx Corporation to transfer funds to its parent, BlueLinx Holdings Inc., which could impact our ability to pay dividends to our stockholders. Accordingly, we may not be able to resume the payment of dividends at the same quarterly rate in the future, if at all.

Equity Compensation Plan Information

The following table provides information about the shares of our common stock that may be issued upon the exercise of options and other awards under our existing equity compensation plans as of December 29, 2007. Our stockholder-approved equity compensation plans are the 2004 Equity Incentive Plan and the 2006 Long-Term Equity Incentive Plan. We do not have any non-stockholder approved equity compensation plans.

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity compensation plans approved by security holders	1,544,370	$ 11.99	1,112,346
Equity compensation plans not approved by security holders		n/a	
Total	1,544,370	$ 11.99	1,112,346

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Performance Graph

The chart below compares the quarterly percentage change in the cumulative total stockholder return on our common stock with the cumulative total return on the Russell 2000 Index and a peer group index for the period commencing December 16, 2004 (the first day of trading of our common stock after our initial public offering) and ending December 31, 2007, assuming an investment of $100 and the reinvestment of any dividends.

Our peer group index was selected by us and is comprised of reporting companies with lines of business and product offerings that are comparable to ours and which we believe most accurately represent our business. Our peer group consists of the following companies: Beacon Roofing Supply Inc., Builders Firstsource, Building Materials Holding Corporation, Huttig Building Products Inc., Interline Brands Inc., Universal Forest Products Inc. and Watsco Inc.

Comparison of Cumulative Total Return

Cumulative Total Return
Year Ending
(in dollars)

Company/Index Name	**12/16/04**	**12/31/04**	**12/31/05**	**12/31/06**	**12/31/07**
BlueLinx Holdings Inc.	100	107.19	86.84	83.75	34.03
Russell 2000 Index	100	101.55	106.17	125.67	123.70
Peer Group	100	101.82	149.98	126.66	77.54

ITEM 6. *SELECTED FINANCIAL DATA.*

We were created on March 8, 2004 (date of inception) as a Georgia corporation named ABP Distribution Holdings Inc. On May 7, 2004, the Company and its operating company acquired the assets of the distribution division of Georgia-Pacific, or the Division, as described below. On August 30, 2004, ABP Distribution Holdings Inc. merged into BlueLinx Holdings Inc., a Delaware corporation. The Consolidated Financial Statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

The financial statements of the Division reflect the accounts and results of certain operations of the business conducted by the Division. The accompanying financial statements of the Division have been

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prepared from Georgia-Pacific s historical accounting records and are presented on a carve-out basis reflecting these certain assets, liabilities, and operations. The Division was an unincorporated business of Georgia-Pacific and, accordingly, Georgia-Pacific s net investment in these operations (parent s net investment) is presented in lieu of stockholder s equity. All significant intradivision transactions have been eliminated. The financial statements are not necessarily indicative of the financial position, results of operations and cash flows that might have occurred had the Division been an independent entity not integrated into Georgia-Pacific s other operations. Also, they may not be indicative of the actual financial position that might have otherwise resulted, or of the future results of operations or financial position of the Division.

The following table sets forth certain historical financial data of our company. The selected financial data for the fiscal year ended December 29, 2007 (fiscal 2007), the fiscal year ended December 30, 2006 (fiscal 2006), the fiscal year ended December 31, 2005 (fiscal 2005), the period from inception (March 8, 2004) to January 1, 2005, the period from January 4, 2004 to May 7, 2004 (the aggregate period from January 4, 2004 through January 1, 2005 referred to herein as fiscal 2004) and the fiscal year ended January 3, 2004 (fiscal 2003) have been derived from the Company s audited financial statements included elsewhere in this Annual Report on Form 10-K or from prior financial statements (fiscal 2003). The financial statements prior to May 7, 2004 are referred to as pre-acquisition period statements. The following information should be read in conjunction with our financial statements and Management s Discussion and Analysis of Financial Condition and Results of Operations.

The acquisition of the assets of the Division was accounted for using the purchase method of accounting, and the assets acquired and liabilities assumed were accounted for at their fair market values at the date of consummation.

	BlueLinx				Pre-acquisition Period	
	Year Ended December 29, 2007	Year Ended December 30, 2006	Year Ended December 31, 2005	Period from Inception (March 8, 2004) to January 1, 2005	Period from January 4, 2004 to May 7, 2004	Year Ended January 3, 2004
	(In thousands, except per share data)					
Statement of Operations Data:						
Net sales	$ 3,833,910	$ 4,899,383	$ 5,622,071	$ 3,672,820	$ 1,885,334	$ 4,271,842
Cost of sales	3,441,964	4,419,576	5,109,632	3,339,590	1,658,123	3,814,375
Gross profit	391,946	479,807	512,439	333,230	227,211	457,467
Operating expenses:						
Selling, general and administrative expenses	372,754	381,554	378,008	248,291	139,203	346,585
Depreciation and amortization	20,924	20,724	18,770	10,132	6,175	19,476
Total operating expenses	393,678	402,278	396,778	258,423	145,378	366,061

Operating income (loss)		(1,732)		77,529		115,661		74,807		81,833		91,406
Non-operating expenses (income):												
Interest expense		43,660		46,164		42,311		28,765				
Charges associated with mortgage refinancing				4,864								
Write-off of debt issue costs								2,871				
Other expense (income), net		(370)		320		186		(516)		614		376
Income (loss) before provision for (benefit from) income taxes		(45,022)		26,181		73,164		43,687		81,219		91,030
Provision for (benefit from) income taxes		(17,077)		10,349		28,561		17,781		30,782		34,877
Net income (loss)	$	(27,945)	$	15,832	$	44,603	$	25,906	$	50,437	$	56,153
Less: preferred stock dividends								5,226				

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	BlueLinx				Pre-acquisition Period	
	Year Ended December 29, 2007	Year Ended December 30, 2006	Year Ended December 31, 2005	Period from Inception (March 8, 2004) to January 1, 2005	Period from January 4, 2004 to May 7, 2004	Year Ended January 3, 2004
	(In thousands, except per share data)					
Net income applicable to common stockholders	$ (27,945)	$ 15,832	$ 44,603	$ 20,680		
Basic weighted average number of common shares outstanding	30,848	30,618	30,195	19,006		
Basic net income (loss) per share applicable to common stock	$ (0.91)	$ 0.52	$ 1.48	$ 1.09		
Diluted weighted average number of common shares outstanding	30,848	30,779	30,494	20,296		
Diluted net income per share applicable to common stock	$ (0.91)	$ 0.51	$ 1.46	$ 1.02		
Dividends declared per share of common stock	$ 0.50	$ 0.50	$ 0.50			
Other Financial Data:						
Capital expenditures	$ 13,141	$ 9,601	$ 12,744	$ 9,759	$ 1,378	$ 5,404
EBITDA(1)	19,562	97,933	134,245	85,455	87,394	110,506
Net cash provided by (used in) operating activities	79,842	63,204	124,937	137,246	(113,982)	59,575
Net cash provided by (used in) investing activities	(9,070)	(18,170)	(28,499)	(832,992)	(1,126)	(4,062)
Net cash provided by (used in) financing activities	$ (82,055)	$ (42,312)	$ (87,690)	$ 711,318	$ 114,602	$ (55,162)
Balance Sheet Data (at end of period):						
Cash and cash equivalents	$ 15,759	$ 27,042	$ 24,320	$ 15,572		$ 506
Working capital	448,731	520,237	529,983	491,975		442,672

Total assets	883,436	1,004,362	1,157,640	1,137,062		816,644
Total debt(2)	478,535	532,462	540,850	652,103		
Shareholders equity/parent s investment	$ 154,823	$ 189,399	$ 183,852	$ 141,492		$ 637,073

(1) EBITDA is an amount equal to net income (loss) plus interest expense, write-off of debt issue costs, charges associated with mortgage refinancing, income taxes, depreciation and amortization. EBITDA is presented herein because we believe it is a useful supplement to cash flow from operations in understanding cash flows generated from operations that are available for debt service (interest and principal payments) and further investment in acquisitions. However, EBITDA is not a presentation made in accordance with generally accepted accounting principles in the United States, or GAAP, and is not intended to present a superior measure of the financial condition from those determined under GAAP. EBITDA, as used herein, is not necessarily comparable to other similarly titled captions of other companies due to differences in methods of calculations.

(2) Total debt represents long-term debt, including current maturities.

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A reconciliation of net cash provided by (used in) operating activities, the most directly comparable GAAP measure, to EBITDA for each of the respective periods indicated is as follows:

	BlueLinx				Pre-acquisition Period	
	Year Ended December 29, 2007	Year Ended December 30, 2006	Year Ended December 31, 2005	Period from Inception (March 8, 2004) to January 1, 2005	Period from January 4, 2004 to May 7, 2004	Year Ended January 3, 2004
	(In thousands)					
Net cash provided by (used in) operating activities	$ 79,842	$ 63,204	$ 124,937	$ 137,246	$ (113,982)	$ 59,575
Amortization of debt issue costs	(2,431)	(2,628)	(3,629)	(2,323)		
Non-cash vacant property charges	(11,037)					
Deferred income tax (provision) benefit	9,526	3,700	368	4,469	(9,183)	(4,598)
Gain from insurance settlement	1,698					
Share-based compensation	(3,500)	(2,921)	(2,170)	(1,088)		
Excess tax benefits from share-based arrangements	20	891	71			
Changes in assets and liabilities	(81,139)	(20,826)	(56,204)	(99,395)	179,777	20,652
Interest expense	43,660	46,164	42,311	28,765		
Provision for (benefit from) income taxes	(17,077)	10,349	28,561	17,781	30,782	34,877
EBITDA	$ 19,562	$ 97,933	$ 134,245	$ 85,455	$ 87,394	$ 110,506

ITEM 7. *MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.*

Overview

Company Background

BlueLinx is a leading distributor of building products in the United States. We measure our market share based on data published annually by Home Channel News, or HCN. We define market share as our sales as a percentage of the reported sales of the firms on HCN s list, as adjusted to eliminate firms that do not compete with us and, for certain firms, the portion of their sales attributable to businesses that do not compete with us.

As of December 29, 2007, we distributed more than 10,000 products to approximately 11,500 customers through our network of more than 80 warehouses and third-party operated warehouses which serve all major metropolitan markets in the United States. We distribute products in two principal categories: structural products and specialty products. Structural products include plywood, OSB, rebar and remesh, lumber and other wood products primarily used for structural support, walls and flooring in construction projects. Structural products represented approximately 54% and 56% of our fiscal 2007 and fiscal 2006 gross sales, respectively. Specialty products include roofing, insulation, moulding, engineered wood, vinyl products (used primarily in siding) and metal products (excluding rebar and remesh). Specialty products accounted for approximately 46% and 44% of our fiscal 2007 and fiscal 2006 gross sales, respectively.

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Selected Factors that Affect our Operating Results

Our operating results are affected by housing starts, mobile home production, industrial production, repair and remodeling spending and non-residential construction. The table below shows changes with respect to each of these indicators for fiscal 2007, fiscal 2006 and fiscal 2005. Included are our estimates of the relative weight of each of the foregoing end-use markets on our sales, based on the estimated percentage each end market contributed to our net sales over the applicable period. These end-use market weights are estimates based on our current methodology for evaluating such end-use markets and could change in the future as our business continues to evolve in relation to these markets.

Indicator	**Weight**	**Fiscal 2007**	**Fiscal 2006**	**Fiscal 2005**
Actual Housing Starts (thousands)	50%	1,354	1,801	2,065
Percentage change		(24.8)%	(12.9)%	5.6%
Industrial Production (index)	22%	1.13	1.12	1.08
Percentage change		0.9%	4.0%	3.2%
Repair and Remodel ($ billions)*	15%	153	166	165
Percentage change		(7.9)%	0.9%	(0.4)%
Actual Mobile Homes (thousands)	8%	97	119	150
Percentage change		(18.7)%	(19.0)%	14.6%
Non-Residential Construction ($ billions)*	5%	147	134	132
Percentage change		10.2%	1.7%	(3.3)%
Weighted End-Use Change	100%	(14.4)%	(6.9)%	4.4%

(*) Constant fiscal 2000 dollar basis

Source: Data from Resource Information Systems, Inc., or RISI, updated as of January 30, 2008. Weighting reflects management estimates. Data for Fiscal 2006 and Fiscal 2005 is reported based on RISI data provided at the time of our original disclosure for such periods and is not updated to reflect any revisions made by RISI in subsequent periods.

We measure our growth in unit volume (on a constant dollar basis) compared to the weighted average growth of the foregoing end-use indicators. In addition, we measure our growth in specialty product unit volume and structural product unit volume compared to the weighted average growth rate of the foregoing end-use indicators. The following table illustrates our unit volume growth versus the end-use indicators discussed above:

	Fiscal 2007	**Fiscal 2006**	**Fiscal 2005**
BlueLinx Overall Unit Volume Growth	(18.0)%	(7.0)%	3.9%
BlueLinx Specialty Product Unit Volume Growth	(16.4)%	1.0%	5.1%
BlueLinx Structural Product Unit Volume Growth	(19.2)%	(11.8)%	3.2%
Weighted End-Use Market Growth	(14.4)%	(6.9)%	4.4%

BlueLinx Overall Unit Volume Growth versus Market Growth	(3.6)%	(0.1)%	(0.5)%
BlueLinx Market Share(1)	NA	10.4%	11.5%

(1) As a percentage of the total sales of relevant building material distributors. Market share for fiscal 2007 is not available. Market share cannot be calculated until Home Channel News issues updated market data for 2007. Home Channel News normally issues its annual market data for any given year in July or August of the following calendar year.

Our operating results are also impacted by changes in product prices. Structural products prices can vary significantly based on short-term and long-term changes in supply and demand. The prices of specialty products also can vary from time to time, although they generally are significantly less variable than structural products.

The following table sets forth changes in net sales by product category, sales variances due to changes in unit volume and dollar and percentage changes in unit volume and price, in each case for fiscal 2007, fiscal 2006 and fiscal 2005:

Sales Revenue Variances by Product

	Fiscal 2007	Fiscal 2006 (Dollars in millions)	Fiscal 2005
Sales by Category			
Structural Products(1)	$ 2,098	$ 2,788	$ 3,548
Specialty Products(1)	1,802	2,197	2,143
Unallocated Allowances and Adjustments	(66)	(86)	(69)
Total Sales	$ 3,834	$ 4,899	$ 5,622
Sales Variances			
Unit Volume $ Change	$ (896)	$ (398)	$ 216
Price/Other(2)	(169)	(325)	(152)
Total $ Change	$ (1,065)	$ (723)	$ 64
Unit Volume% Change	(18.0)%	(7.0)%	3.9%
Price/Other(2)	(3.7)%	(5.9)%	(2.8)%
Total% Change	(21.7)%	(12.9)%	1.1%

(1) For the quarter ended December 31, 2005, we began classifying metal rebar and remesh as structural products instead of specialty products.

(2) Other includes unallocated allowances and discounts.

The following table sets forth changes in gross margin dollars and percentages by product category, and percentage changes in unit volume growth by product, in each case for fiscal 2007, fiscal 2006 and fiscal 2005:

	Fiscal 2007	Fiscal 2006 (Dollars in millions)	Fiscal 2005
Gross Margin $ by Category			
Structural Products(1)	$ 173	$ 194	$ 246
Specialty Products(1)	238	308	284

Other(2)	(19)	(22)	(18)
Total Gross Margin	$ 392	$ 480	$ 512
Gross Margin% by Category			
Structural Products(1)	8.2%	7.0%	6.9%
Specialty Products(1)	13.2%	14.0%	13.3%
Total Gross Margin%	10.2%	9.8%	9.1%
Unit Volume Growth by Product			
Structural Products(1)	(19.2)%	(11.8)%	3.2%
Specialty Products(1)	(16.4)%	1.0%	5.1%
Total Unit Volume Growth%	(18.0)%	(7.0)%	3.9%

(1) For the quarter ended December 31, 2005, we began classifying metal rebar and remesh as structural products instead of specialty products.

(2) Other includes unallocated allowances and discounts.

The following table sets forth changes in net sales and gross margin by channel and percentage changes in gross margin by channel, in each case for fiscal 2007, fiscal 2006 and fiscal 2005:

	Fiscal 2007	Fiscal 2006	Fiscal 2005
		(Dollars in millions)	
Sales by Channel			
Warehouse/Reload	$ 2,763	$ 3,326	$ 3,704
Direct	1,137	1,659	1,987
Unallocated Allowances and Adjustments	(66)	(86)	(69)
Total	$ 3,834	$ 4,899	$ 5,622
Gross Margin by Channel			
Warehouse/Reload	$ 344	$ 407	$ 429
Direct	67	95	101
Unallocated Allowances and Adjustments	(19)	(22)	(18)
Total	$ 392	$ 480	$ 512
Gross Margin% by Channel			
Warehouse/Reload	12.5%	12.2%	11.6%
Direct	5.9%	5.7%	5.1%
Unallocated Allowances and Adjustments	(0.5)%	(0.4)%	(0.3)%
Total	10.2%	9.8%	9.1%

Fiscal Year

Our fiscal year is a 52- or 53-week period ending on the Saturday closest to the end of the calendar year. The fiscal years 2007, 2006 and 2005 each contained 52 weeks.

Results of Operations

Fiscal 2007 Compared to Fiscal 2006

The following table sets forth our results of operations for fiscal 2007 and fiscal 2006.

	Year Ended December 29, 2007	% of Net Sales	Year Ended December 30, 2006	% of Net Sales
	(Dollars in thousands)			
Net sales	$ 3,833,910	100.0%	$ 4,899,383	100.0%
Gross profit	391,946	10.2%	479,807	9.8%
Selling, general and administrative	372,754	9.7%	381,554	7.8%
Depreciation and amortization	20,924	0.5%	20,724	0.4%
Operating income (loss)	(1,732)	0.0%	77,529	1.6%
Interest expense	43,660	1.1%	46,164	0.9%
Charges associated with mortgage refinancing		0.0%	4,864	0.1%
Other expense (income), net	(370)	0.0%	320	0.0%
Income (loss) before provision for (benefit from) income taxes	(45,022)	(1.2)%	26,181	0.5%
Provision for (benefit from) income taxes	(17,077)	(0.4)%	10,349	0.2%
Net income (loss)	$ (27,945)	(0.7)%	$ 15,832	0.3%

Net Sales. For the fiscal year ended December 29, 2007, net sales decreased by 21.7%, or $1.1 billion, to $3.8 billion. Sales during the fiscal year were negatively impacted by a 24.8% decline in housing starts and a 1.3% decline in prices for certain grades of wood-based structural products. We estimate that new home construction represents approximately 50% of our end-use markets. Specialty sales, primarily consisting of roofing, specialty panels, insulation, moulding, engineered wood products, vinyl siding, composite decking and metal products (excluding rebar and remesh) decreased by $395 million or 18.0% compared to fiscal 2006, primarily due to a 16.4% decrease in unit volume as well as a decrease in price of 1.6%. Structural sales, including plywood, OSB, lumber and metal rebar, decreased by $690 million, or 24.7% from a year ago, primarily as a result of a decrease in unit volume of 19.2% and a decrease in price of 5.5%.

Gross Profit. Gross profit for fiscal 2007 was $392 million, or 10.2% of sales, compared to $480 million, or 9.8% of sales, in fiscal 2006. The decrease in gross profit dollars compared to fiscal 2006 was primarily driven by a decrease in specialty and structural product volumes due to the continued decline in the housing market. The increase in gross margin of 0.4% is primarily attributable to a shift toward the warehouse channel, which typically provides higher gross margins, and a slight shift in product mix from structural to higher margin specialty products, offset in part by a decline in underlying product prices compared to the prior year as well as our stock keeping unit (SKU) rationalization initiative during the fourth quarter of 2007. We estimate that the SKU rationalization program negatively impacted gross margin by approximately 30 basis points in fiscal 2007. During fiscal 2007, we remained focused on maintaining gross margin through our ongoing management of structural product pricing. Structural gross margin increased to 8.2% in fiscal 2007 from 7.0% in fiscal 2006. Specialty gross margin of 13.2% compares with

14.0% a year ago.

Selling, General and Administrative Expenses. Selling, general and administrative expenses for fiscal 2007 were $373 million, or 9.7% of net sales, compared to $382 million, or 7.8% of net sales, during fiscal 2006. The decline in operating expenses is due to our continued efforts to reduce ongoing annual operating expenses partially offset by restructuring charges during the year including charges related to the headquarters consolidation (see Note 2 Summary of Significant Accounting Policies) and severance of $11.5 million and $5.6 million, respectively.

Depreciation and Amortization. Depreciation and amortization expense totaled $20.9 million for fiscal 2007, compared with $20.7 million for fiscal 2006. The increase in depreciation and amortization is primarily due to a slight increase in capital expenditures for mobile equipment consisting of trucks, trailers, forklifts and automobiles.

Operating Income (Loss). Operating loss for fiscal 2007 was $1.7 million, or 0% of net sales, versus operating income of $77.5 million, or 1.6% of net sales, for fiscal 2006.

Interest Expense. Interest expense for fiscal 2007 totaled $43.7 million, down $2.5 million from fiscal 2006, reflecting lower debt levels offset in part by slightly higher interest rates. Interest expense related to our revolving credit facility, mortgage, and debt issue cost amortization was $22.3 million, $19.0 million and $2.4 million, respectively, for fiscal 2007. Interest expense totaled $46.2 million for fiscal 2006, which includes interest expense related to our revolving credit facility, new mortgage, old mortgage and related debt issue cost amortization of $27.8 million, $10.7 million, $5.1 and $2.6 million, respectively.

Provision for (Benefit from) Income Taxes. Our effective tax rate was 37.9% and 39.5% for fiscal 2007 and fiscal 2006, respectively. The decrease in the effective tax rate resulted from the greater impact of various tax credits due to a loss for fiscal 2007.

Net Income(Loss). Net loss for fiscal 2007 was $27.9 million, compared to net income of $15.8 million for fiscal 2006.

On a per-share basis, basic and diluted loss applicable to common stockholders for fiscal 2007 were each $(0.91). Basic and diluted income per share for fiscal 2006 were $0.52 and $0.51, respectively.

Fiscal 2006 Compared to Fiscal 2005

The following table sets forth our results of operations for fiscal 2006 and fiscal 2005.

	Year Ended December 30, 2006	% of Net Sales	Year Ended December 31, 2005	% of Net Sales
	(Dollars in thousands)			
Net sales	$ 4,899,383	100.0%	$ 5,622,071	100.0%
Gross profit	479,807	9.8%	512,439	9.1%
Selling, general & administrative	381,554	7.8%	378,008	6.7%
Depreciation and amortization	20,724	0.4%	18,770	0.3%
Operating income	77,529	1.6%	115,661	2.1%
Interest expense	46,164	0.9%	42,311	0.8%
Charges associated with mortgage refinancing	4,864	0.1%		0.0%
Other expense, net	320	0.0%	186	0.0%
Income before provision for income taxes	26,181	0.5%	73,164	1.3%
Income tax provision	10,349	0.2%	28,561	0.5%
Net income	$ 15,832	0.3%	$ 44,603	0.8%

Net Sales. For the fiscal year ended December 30, 2006, net sales decreased by 12.9%, or $723 million, to $4.9 billion. Sales during the fiscal year were negatively impacted by a 12.9% decline in housing starts and a 27% decline in prices for certain grades of wood-based structural products. New home construction represented approximately 50% of our end-use markets as estimated by us under our current methodology; our other estimated end-use markets grew slightly. Specialty sales, primarily consisting of roofing, specialty panels, insulation, moulding, engineered wood products, vinyl siding, composite decking and metal products (excluding rebar and remesh) increased by $54.0 million or 2.5% compared to fiscal 2005, reflecting a 1.0% increase in unit volume and higher product prices. Structural sales, including plywood, OSB, lumber and metal rebar, decreased by $760 million, or 21.4% from the prior year, primarily as a result of a decrease in unit volume of 11.8%.

Gross Profit. Gross profit for fiscal 2006 was $480 million, or 9.8% of sales, compared to $512 million, or 9.1% of sales, in fiscal 2005. The decrease in gross profit dollars compared to fiscal 2005 was driven primarily by decreases in structural product prices and a reduction in structural product sales due to a slowdown in the housing market. Gross margin increased by 0.7% to 9.8%, reflecting growth in higher-margin specialty products and our efforts to manage structural product inventory in a declining price environment for wood-based structural products.

Selling, General and Administrative Expenses. Selling, general and administrative expenses for fiscal 2006 were \$382 million, or 7.8% of net sales, compared to \$378 million, or 6.7% of net sales, during fiscal 2005. Excluding expenses associated with acquired operations, operating expenses for fiscal 2006 and fiscal 2005 were \$365 million and \$371 million, respectively.

Depreciation and Amortization. Depreciation and amortization expense totaled \$20.7 million for fiscal 2006, compared with \$18.8 million for fiscal 2005. The increase in depreciation and amortization was primarily due to an increase in capital expenditures for mobile equipment consisting of trucks, trailers, forklifts and automobiles.

Operating Income. Operating income for fiscal 2006 was \$77.5 million, or 1.6% of net sales, versus \$116 million, or 2.1% of net sales, for fiscal 2005, reflecting the decline in gross profit and higher variable operating expenses.

Interest Expense. Interest expense for fiscal 2006 totaled \$46.2 million, up \$3.9 million from fiscal 2005, reflecting higher interest rates partially offset by lower debt levels. Interest expense related to our revolving credit facility, new mortgage, old mortgage and debt issue cost amortization was \$27.8 million, \$10.7 million, \$5.1 million and \$2.6 million, respectively, for fiscal 2006. Interest expense totaled \$42.3 million for fiscal 2005, which includes interest expense related to our revolving credit facility, old mortgage and related debt issue cost amortization of \$29.4 million, \$9.3 million and \$3.6 million, respectively.

Additionally, fiscal 2006 included charges of \$4.9 million associated with the mortgage refinancing, which included unamortized debt financing costs of \$3.2 million.

Provision for Income Taxes. Our effective tax rate was 39.5% and 39.0% for fiscal 2006 and fiscal 2005, respectively. The increase in the effective tax rate resulted primarily from the greater impact of permanent differences, such as meals and entertainment, on the lower fiscal 2006 earnings.

Net Income. Net income for fiscal 2006 was \$15.8 million, compared to \$44.6 million for fiscal 2005.

On a per-share basis, basic and diluted income applicable to common stockholders for fiscal 2006 were \$0.52 and \$0.51, respectively. Basic and diluted earnings per share for fiscal 2005 were \$1.48 and \$1.46, respectively.

Seasonality

We are exposed to fluctuations in quarterly sales volumes and expenses due to seasonal factors. These seasonal factors are common in the building products distribution industry. The first and fourth quarters are typically our slowest quarters due to the impact of poor weather on the construction market. Our second and third quarters are typically our strongest quarters, reflecting a substantial increase in construction due to more favorable weather conditions. Our working capital and accounts receivable and payable generally peak in the third quarter, while inventory generally peaks in the second quarter in anticipation of the summer building season. We expect these trends to continue for the foreseeable future.

Liquidity and Capital Resources

We depend on cash flow from operations and funds available under our revolving credit facility to finance working capital needs, capital expenditures and acquisitions. We believe that the amounts available from this and other sources will be sufficient to fund our routine operations and capital requirements for the foreseeable future.

Part of our growth strategy is to selectively pursue acquisitions. Accordingly, depending on the nature of the acquisition or currency, we may use cash or stock, or a combination of both, as acquisition currency. Our cash requirements may significantly increase and incremental cash expenditures will be required in connection with the integration of the acquired company s business and to pay fees and expenses in connection with any acquisitions. To the extent that significant amounts of cash are expended in connection with acquisitions, our liquidity position may be adversely impacted. In addition, there can be no assurance that we will be successful in completing acquisitions in the future or in implementing our acquisition strategy. For a discussion of the risks associated with our acquisition strategy, see the risk factor *Integrating acquisitions may be time-consuming and create costs that could reduce our net income and cash flows* set forth under Item 1A Risk Factors.

The following tables indicate our working capital and cash flows for the periods indicated.

	December 29, 2007	December 30, 2006
	(Dollars in thousands)	
Working capital	$ 448,731	$ 520,237

	Year Ended December 29, 2007	Year Ended December 30, 2006	Year Ended December 31, 2005
Cash flows provided by operating activities	$ 79,842	$ 63,204	$ 124,937
Cash flows used in investing activities	(9,070)	(18,170)	(28,499)
Cash flows used in financing activities	$ (82,055)	$ (42,312)	$ (87,690)

Working Capital

Working capital decreased by $71.5 million, primarily as a result of decreases in accounts receivable and inventories of $44.4 million and $74.8 million, respectively. These decreases were partially offset by decreases in accounts payable, bank overdrafts and current maturities of long-term debt of $31.1 million, $13.1 million and $9.7 million, respectively. Additionally, cash decreased from $27.0 million at December 31, 2006 to $15.8 million at December 29, 2007. The $15.8 million of cash on our balance sheet at December 29, 2007 primarily reflects customer remittances received in our lock-boxes on Friday and Saturday that are not available until the next Monday, which is part of the following fiscal period.

Operating Activities

During fiscal 2007, cash flows provided by operating activities totaled $79.8 million. The primary driver of cash flow from operations was an increase in cash flow from operations related to working capital of $81.8 million reflecting decreases in accounts receivable and a reduction in inventory, partially offset by a net loss, as adjusted for non-cash charges, of $1.3 million.

During fiscal 2006, cash flows provided by operating activities totaled $63.2 million. The primary drivers of cash flow from operations were net income, as adjusted for non-cash charges, of $43.3 million and an increase in cash flow from operations related to working capital of $23.2 million reflecting decreases in accounts receivable and a reduction in structural product inventory, partially offset by decreases in accounts payable and a slight increase in specialty products inventory.

During fiscal 2005, cash flows provided by operating activities totaled $125 million. The primary drivers of cash flow from operations were net income, as adjusted for non-cash charges, of $68.8 million and an increase in cash flow from operations related to working capital of $50.1 million reflecting improvements in working capital management.

Adjustments to net income included depreciation and amortization, debt issue cost amortization, charges associated with mortgage refinancing, non-cash vacant property charges, deferred income tax benefit, gain from insurance settlement and stock-based compensation.

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Investing Activities

During fiscal 2007 and fiscal 2006, cash flows used for investing activities totaled $9.1 million and $18.2 million, respectively.

During fiscal 2007 and fiscal 2006, our acquisition related expenditures totaled $0 and $9.4 million, respectively.

During fiscal 2007 and fiscal 2006, our expenditures for property and equipment were $13.1 million and $9.6 million, respectively. These expenditures were primarily for mobile equipment consisting of trucks, trailers, forklifts and sales force automobiles. We estimate that capital expenditures for 2008 will be approximately $9 million for normal operating activities. Our 2008 capital expenditures are anticipated to be paid from our current cash and cash provided from operating activities.

Proceeds from the disposition of property and equipment totaled $4.1 million and $0.8 million during fiscal 2007 and fiscal 2006, respectively. The proceeds of $4.1 million during fiscal 2007 include $2.6 million from an insurance settlement related to property damage from Hurricane Katrina.

During fiscal 2005, cash flows used for investing activities totaled $28.5 million. The primary driver of cash flows from investing activities in fiscal 2005 were acquisition-related expenditures and expenditures for property and equipment of $16.9 million and $12.7 million, respectively. The expenditures for property and equipment were primarily for mobile equipment.

Proceeds from the sale of property and equipment totaled $1.2 million in fiscal 2005.

Financing Activities

Net cash used in financing activities was $82.1 million during fiscal 2007 and $42.3 million during fiscal 2006. The $39.7 million increase in cash flows used in financing activities was primarily driven by proceeds from the new mortgage received during fiscal 2006, in the amount of $295 million. This increase in cash flows used in financing activities was partially offset by the retirement of the old mortgage of $165 million in fiscal 2006 and an increase in the revolving credit facility of $84.5 million. In addition, there were decreases in debt financing costs of $6.7 million.

We paid dividends to our common stockholders in the aggregate amount of $15.6 million and $15.4 million in fiscal 2007 and fiscal 2006, respectively.

Net cash used in financing activities was $87.7 million for fiscal 2005, which primarily resulted from a net decrease in the revolving credit facility of $111 million which was partially offset by an increase in bank overdrafts of $30.4 million.

Debt and Credit Sources

As of December 29, 2007, advances outstanding under our revolving credit facility were approximately $184 million. Borrowing availability was approximately $222 million and outstanding letters of credit on this facility were approximately $10.4 million. As of December 29, 2007, the interest rate on outstanding balances under the revolving credit facility was 7.1%.

On June 9, 2006, certain special purpose entities that are wholly-owned subsidiaries of ours entered into a $295 million mortgage loan with the German American Capital Corporation. The mortgage has a term of ten years and is secured by 57 distribution facilities and 1 office building owned by the special purpose entities. The stated interest rate on the mortgage is fixed at 6.35%. The mortgage loan requires interest-only payments for the first five years followed by level monthly payments of principal and interest based on an amortization period of thirty years. The balance of the loan outstanding at the end of ten years will then become due and payable. German American Capital Corporation assigned half of its interest in the new mortgage loan to Wachovia Bank, National Association. The new mortgage loan replaced our previously existing $165 million floating rate mortgage, which had a 7.4% interest rate at the time it was terminated. We used the net proceeds we received from the mortgage refinancing to pay down approximately $125 million of our outstanding revolving line of credit.

On June 12, 2006, we entered into an interest rate swap agreement with Goldman Sachs Capital Markets, to hedge against interest rate risks related to our variable rate revolving credit facility. The interest rate swap has a notional amount of $150 million and the terms call for us to receive interest monthly at a variable rate equal to the 30-day LIBOR and to pay interest monthly at a fixed rate of 5.4%. This interest rate swap is designated as a cash flow hedge.

We expect the hedge to be highly effective in offsetting changes in expected cash flows, as, at inception, the critical terms of the interest rate swap generally match the critical terms of the variable rate revolving credit facility. Fluctuations in the fair value of the ineffective portion, if any, of the cash flow hedge are reflected in current period earnings. These amounts were immaterial during fiscal 2007 and fiscal 2006.

At December 29, 2007 and December 30, 2006, the fair value of the interest rate swap was a liability of $7.1 million and $2.5 million, respectively. These balances were included in Other current liabilities and Other long-term liabilities on the Consolidated Balance Sheet. Accumulated other comprehensive income at December 29, 2007 and December 30, 2006 included the net loss on the cash flow hedge (net of tax) of $4.3 million and $1.5 million, respectively, which reflects the cumulative amount of comprehensive loss in connection with the change in fair value of the swap.

Additionally, interest was capped pursuant to a rate cap agreement that caps 30-day LIBOR exposure at 6.0% on $165 million of our variable rate revolving credit facility. The interest rate cap agreement expired in November 2007. Fluctuations in the fair value of the interest rate cap agreement were recognized in current period earnings. These amounts, as well as the fair value of the cap, were immaterial during fiscal 2007.

Contractual Commitments. The following table represents our contractual commitments, excluding interest, associated with our debt and other obligations disclosed above as of December 29, 2007.

	2008	2009	2010	2011	2012	Thereafter	Total
				(Dollars in thousands)			
Revolving credit facility(1)	$	$	$	$ 177,535	$	$	$ 177,535
Term loan facility(2)				6,000			6,000
Mortgage indebtedness(3)				1,511	3,172	290,317	295,000
Subtotal				185,046	3,172	290,317	478,535
Purchase obligations(4)	391,013	130,338					521,351
Operating leases	8,118	7,715	6,697	5,180	4,534	27,061	59,305
Letters of credit(5)	10,431						10,431
Total	$ 409,562	$ 138,053	$ 6,697	$ 190,226	$ 7,706	$ 317,378	$ 1,069,622

(1) Interest on the revolving credit facility is variable, based on 14-day, one-month, two-month, three-month or six-month LIBOR. The interest rate on the revolving credit facility was 7.1% at December 29, 2007. On June 12, 2006, we entered into an interest swap agreement with Goldman Sachs Capital Markets to hedge

against interest rate risks on $150 million of our revolving credit facility. The terms call for us to pay interest monthly at 5.4%. Annual interest at these rates totals $10.5 million. At December 29, 2007, the outstanding balance of our credit facility, including amounts outstanding under the term loan, was approximately $184 million. The final maturity date of the revolving credit facility is May 7, 2011.

(2) Term loan facility was used to refinance and consolidate certain loans made by the revolving loan lenders to the Company.

(3) The interest rate on the mortgage is fixed at 6.35%. Annual interest at this rate is $18.7 million.

(4) Our purchase obligations are related to our Supply Agreement with Georgia-Pacific.

(5) Letters of credit not included above under the credit facilities.

Purchase orders entered into in the ordinary course of business are excluded from the above table. Amounts for which we are liable under purchase orders are reflected on our Consolidated Balance Sheet (to the extent entered into prior to the end of the applicable period) as accounts payable and accrued liabilities.

Critical Accounting Policies

Our significant accounting policies are more fully described in the notes to the consolidated financial statements. Certain of our accounting policies require the application of significant judgment by management in selecting the appropriate assumptions for calculating financial estimates. As with all judgments, they are subject to an inherent degree of uncertainty. These judgments are based on the Company s historical experience, current economic trends in the industry, information provided by customers, vendors and other outside sources and management s estimates, as appropriate.

The following are accounting policies that management believes are important to the portrayal of our financial condition and results of operations and require management s most difficult, subjective or complex judgment.

Revenue Recognition

We recognize revenue when the following criteria are met: persuasive evidence of an agreement exists, delivery has occurred or services have been rendered, our price to the buyer is fixed and determinable and collectibility is reasonably assured. Delivery is not considered to have occurred until the customer takes title and assumes the risks and rewards of ownership. The timing of revenue recognition is largely dependent on shipping terms. Revenue is recorded at the time of shipment for terms designated as FOB (free on board) shipping point. For sales transactions designated FOB destination, revenue is recorded when the product is delivered to the customer s delivery site.

All product sales are recorded at gross in accordance with the guidance outlined by EITF 99-19 and in accordance with standard industry practice. The key indicators used to determine this are as follows:

We are the primary obligor responsible for fulfillment;

We hold title to all reload inventory and are responsible for all product returns;

We control the selling price for all channels;

We select the supplier; and

We bear all credit risk.

We also provide delivery and product management services for which the associated revenues are recognized upon completion of services. These revenues represent less than 1% of our net sales.

All revenues recognized are net of trade allowances, cash discounts and sales returns. Cash discounts and sales returns are estimated using historical experience. Trade allowances are based on the estimated obligations and historical experience. Adjustments to earnings resulting from revisions to estimates on discounts and returns have been insignificant for fiscal 2007, fiscal 2006 and fiscal 2005.

Allowance for Doubtful Accounts and Related Reserves

We evaluate the collectibility of accounts receivable based on numerous factors, including past transaction history with customers and their creditworthiness. We maintain an allowance for doubtful accounts for each aging category on our aged trial balance based on our historical loss experience. This estimate is periodically adjusted when we become aware of specific customers inability to meet their financial obligations (*e.g.*, bankruptcy filing or other evidence of liquidity problems). As we determine that specific balances will be ultimately uncollectible, we remove them from our aged trial balance. Additionally, we maintain reserves for cash discounts that we expect customers to earn as well as expected returns. At December 29, 2007 and December 30, 2006, these reserves totaled $10.5 million and $7.7 million, respectively. Adjustments to earnings resulting from revisions to estimates on discounts and uncollectible accounts have been insignificant for fiscal 2007, fiscal 2006 and fiscal 2005.

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Inventories

Inventories are carried at the lower of cost or market. The cost of all inventories is determined by the moving average cost method. We evaluate our inventory value at the end of each quarter to ensure that first quality, actively moving inventory, when viewed by category, is carried at the lower of cost or market. At December 29, 2007, the lower of cost or market reserve totaled $0.02 million. The market value of our inventory exceeded its cost at December 30, 2006.

Additionally, we maintain a reserve for the estimated value impairment associated with damaged and inactive inventory. The inactive reserve includes inventory that has had no sales in the past six months or has turn days in excess of 365 days, excluding some specific specialty product items, or is being discontinued. At December 29, 2007 and December 30, 2006, our damaged and inactive inventory reserves totaled $4.4 million and $5.1 million, respectively. Adjustments to earnings resulting from revisions to inactive estimates have been insignificant for fiscal 2007, fiscal 2006 and fiscal 2005.

Stock-Based Compensation

On January 1, 2006, we adopted Statement of Financial Accounting Standards (SFAS) 123R, *Share-Based Payment*, using the modified prospective transition method. Prior to 2006, we accounted for stock awards granted to employees under SFAS No. 123, *Accounting for Stock-Based Compensation*. Generally, the approach in SFAS No. 123R is similar to the approach described in SFAS No. 123. However, SFAS No. 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative.

Under the modified prospective transition method, compensation expense recognized in fiscal 2007 and fiscal 2006 included: (a) compensation expense for all unvested share-based awards granted prior to January 1, 2006, based on the grant date fair value estimated in accordance with SFAS No. 123 and (b) compensation expense for all share-based awards granted subsequent to January 1, 2006, based on the grant date fair value estimated in accordance with SFAS No. 123R. Results of prior periods have not been restated.

Through December 31, 2005, we accrued compensation expense assuming that all stock options granted were expected to vest. The effect of actual forfeitures was recognized as forfeitures occurred. Under SFAS No. 123R, we are required to estimate forfeitures in calculating the expense related to stock-based compensation. The adoption of SFAS No. 123R did not have a material impact on our results of operations.

Compensation expense arising from stock-based awards granted to employees and non-employee directors is recognized as expense using the straight-line method over the vesting period. As of December 29, 2007, there was $3.2 million, $2.1 million $0.4 million and $0.4 million of total unrecognized compensation expense related to stock options, restricted stock, restricted stock units and performance shares, respectively. The unrecognized compensation expense for stock options, restricted stock, restricted stock units and performance shares is expected to be recognized over a period of 3.0 years, 2.7 years, 2.3 years and 2.0 years, respectively.

For fiscal 2007, fiscal 2006 and fiscal 2005 our total stock-based compensation expense was $3.6 million, $3.1 million, and $2.2 million, respectively. We also recognized related income tax benefits of $1.4 million, $1.2 million and $0.9 million, respectively.

Consideration Received from Vendors and Paid to Customers

Each year, we enter into agreements with many of our vendors providing for inventory purchase rebates, generally based on achievement of specified volume purchasing levels and various marketing allowances that are common industry practice. We accrue for the receipt of vendor rebates based on purchases, and also reduce inventory value to reflect the net acquisition cost (purchase price less expected purchase rebates). At December 29, 2007 and December 30, 2006, the vendor rebate receivable totaled $7.5 million and $10.1 million, respectively. Adjustments to earnings resulting from revisions to rebate estimates have been insignificant for fiscal 2007, fiscal 2006 and fiscal 2005.

In addition, we enter into agreements with many of our customers to offer customer rebates, generally based on achievement of specified volume sales levels and various marketing allowances that are common industry practice. We accrue for the payment of customer rebates based on sales to the customer, and also reduce sales value to reflect the net sales (sales price less expected customer rebates). At December 29, 2007 and December 30, 2006, the customer rebate payable totaled $11.1 million and $14.0 million, respectively.

Adjustments to earnings resulting from revisions to rebate estimates have been insignificant for fiscal 2007, fiscal 2006 and fiscal 2005.

Impairment of Long-Lived Assets

Long-lived assets, including property and equipment and intangible assets with definite useful lives, are reviewed for possible impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. Determining whether an impairment has occurred typically requires various estimates and assumptions, including determining which cash flows are directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount and the asset s residual value, if any. In turn, measurement of an impairment loss requires a determination of fair value, which is based on the best information available. We use internal cash flow estimates, quoted market prices when available and independent appraisals as appropriate to determine fair value. We derive the required cash flow estimates from our historical experience and our internal business plans and apply an appropriate discount rate. If these projected cash flows are less than the carrying amount, an impairment loss is recognized based on the fair value of the asset less any costs of disposition. Our judgment regarding the existence of impairment indicators is based on market and operational performance. There have been no adjustments to earnings resulting from the impairment of long-lived assets for fiscal 2007, fiscal 2006 or fiscal 2005.

Income Taxes

Deferred income tax assets and income tax benefits are provided for temporary differences between amounts recorded for financial reporting and income tax purposes. If, for some reason, the combination of future years income (or loss) combined with the reversal of temporary differences results in a loss, such losses can be carried back to prior years or carried forward to future years to recover the deferred tax assets. In accordance with SFAS No. 109, Accounting for Income Taxes (SFAS No. 109), we evaluate our deferred tax assets quarterly to determine if valuation allowances are required. SFAS No. 109 requires that companies assess whether valuation allowances should be established based on the consideration of all available evidence using a more likely than not standard.

In evaluating our ability to recover our deferred income tax assets we consider all available positive and negative evidence, including our past operating results, our ability to carryback losses against prior taxable income, the existence of cumulative losses in the most recent years and our forecast of future taxable income. In estimating future taxable income, we develop assumptions including the amount of future state and federal pretax operating income, the reversal of temporary differences and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income.

The Company has recorded deferred income tax assets of $22 million at December 29, 2007, reflecting the benefit of $56 million of deductible temporary differences. Realization is dependent on generating sufficient taxable income. The Company believes the deferred income tax assets will be realized through taxable income generated during available loss carryback periods and future taxable income, including but not limited to taxable income that would be generated by the implementation of feasible and prudent tax planning strategies. Although realization is not assured, management believes that it is more likely than not that all of the deferred income tax assets will be realized. The amount of the deferred income tax assets considered realizable, however, could be reduced in the near term if estimates of taxable income available via loss carryback are reduced or if we are unable to implement existing tax planning strategies. During 2008, we will continue to closely monitor the current economic downturn in the housing and construction sectors on a quarterly basis. Should conditions reach a level during 2008 that necessitates the recording of a valuation allowance against our deferred income tax assets based upon all of the evidence, both positive and negative, it will be recorded in the period that such changes in estimates are made. The recording of a valuation allowance would result in additional income tax expense in such period and could have a significant impact on our future earnings.

In 2007, we adopted the provisions of FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*, which prescribes a comprehensive model for how a company should recognize, measure, present and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return (including a discussion of whether to file or not to file a return in a particular jurisdiction). The cumulative effect of applying FIN 48 is reported as an adjustment to the opening balance of retained earnings. Adoption of FIN 48 on December 31, 2006 did not have a material effect on our consolidated financial position or results of operations.

Restructuring Charges

During the fourth quarter of fiscal 2007, we recorded restructuring charges totaling $17.1 million related to certain cost reduction initiatives. In connection with those cost reduction initiatives, we vacated leased office space. We accounted for the transaction in accordance with SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities,* which requires that a liability be recognized for the cost associated with an exit or disposal activity at fair value in the period in which it is incurred or when the entity ceases using the right conveyed by a contract (i.e., the right to use a leased property). Our restructuring charges include the estimated losses on the vacated facility based on our contractual obligations net of estimated sublease income based on current comparable market rates for leases. We will reassess this liability periodically based on market conditions. Revisions to our estimates of this liability could materially impact our operating results and financial position in future periods if anticipated events and key assumptions, such as the timing and amounts of sublease rental income, either do not materialize or change. These costs were included in Selling, general and administrative expense in the Consolidated Statement of Operations and in Other current liabilities , and in Other long-term liabilities on the Consolidated Balance Sheet at December 29, 2007.

Recently Issued Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements* (SFAS No. 160). SFAS No. 160 establishes requirements for ownership interests in subsidiaries held by parties other than the Company (sometimes called minority interests) be clearly identified, presented, and disclosed in the consolidated statement of financial position within equity, but separate from the parent s equity. All changes in the parent s ownership interests are required to be accounted for consistently as equity transactions and any noncontrolling equity investments in deconsolidated subsidiaries must be measured initially at fair value. SFAS No. 160 is effective, on a prospective basis, for fiscal years beginning after December 15, 2008. However, presentation and disclosure requirements must be retrospectively applied to comparative financial statements. We are currently assessing the impact of SFAS No. 160 on our consolidated financial position, results of operations and cash flows.

In December 2007, the FASB issued SFAS 141 (revised 2007) *Business Combinations* (SFAS 141R). SFAS 141R establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. SFAS 141R also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. We are currently evaluating the potential impact, if any, of the adoption of SFAS 141R on our consolidated financial position, results of operations and cash flows.

In February, 2007, the FASB issued SFAS No. 159 *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS No. 159). SFAS No. 159 permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. We have not elected to adopt the fair value option in measuring certain financial assets and liabilities.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value under GAAP, and expands disclosures about fair value measurements. SFAS No. 157 applies to other accounting pronouncements that require or permit fair value measurements. The new guidance is effective for financial statements issued for fiscal years beginning after November 15, 2007, and for interim periods within those fiscal years. We do not expect the adoption of SFAS No. 157 to have a material impact on our consolidated financial position, results of operations and cash flows.

In July 2006, the FASB issued FASB Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes, which prescribes a comprehensive model for how a company should recognize, measure, present and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return (including a decision whether to file or not to file a return in a particular jurisdiction). The accounting provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006. The cumulative effect of applying FIN 48 is reported as an adjustment to the opening balance of retained earnings for fiscal 2007. Adoption on December 31, 2006 did not have a material effect on our consolidated financial position or results of operations.

ITEM 7A. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.*

We are exposed to risks such as changes in interest rates, commodity prices and foreign currency exchange rates. We employ a variety of practices to manage these risks, including operating and financing activities and, where deemed appropriate, the use of derivative instruments. Derivative instruments are used only for risk management purposes and not for speculation or trading, and are not used to address risks related to foreign currency exchange rates.

In accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, we record derivative instruments as assets or liabilities on the balance sheet at fair value.

Less than 1.0% of our net sales are denominated in currencies other than the U.S. dollar, and we do not believe our total exposure to currency fluctuations to be significant.

We believe that general inflation did not significantly affect our operating results or markets in fiscal 2007, fiscal 2006 or fiscal 2005. As discussed above, our results of operations were both favorably and unfavorably impacted by increases and decreases in the pricing of certain commodity-based products. Commodity price fluctuations have from time to time created cyclicality in our financial performance and may do so in the future.

On June 9, 2006, certain special purpose entities that are wholly-owned subsidiaries of ours entered into a $295 million mortgage loan with the German American Capital Corporation. The new mortgage has a term of ten years and a fixed interest rate of 6.35%. By entering into this mortgage, we insulated ourselves from changes in market interest rates on a portion of our indebtedness. This mortgage replaced our previously existing $165 million floating rate mortgage, which had a 7.4% interest rate when it was terminated and replaced with the fixed rate mortgage loan.

On June 12, 2006, we entered into an interest rate swap agreement with Goldman Sachs Capital Markets, to hedge against interest rate risks related to our variable rate revolving credit facility. The interest rate swap has a notional amount of $150 million and the terms call for us to receive interest monthly at a variable rate equal to the 30-day LIBOR and to pay interest monthly at a fixed rate of 5.4%. This interest rate swap is designated as a cash flow hedge.

We expect the hedge to be highly effective in offsetting changes in expected cash flows, as, at inception, the critical terms of the interest rate swap generally match the critical terms of the variable rate revolving

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credit facility. Fluctuations in the fair value of the ineffective portion, if any, of the cash flow hedge are reflected in current period earnings. These amounts were immaterial during fiscal 2007 and fiscal 2006.

At December 29, 2007 and December 30, 2006, the fair value of the interest rate swap was a liability of $7.1 million and $2.5 million, respectively. These balances were included in Other current liabilities and Other long-term liabilities on the Consolidated Balance Sheet. Accumulated other comprehensive income at December 29, 2007 and December 30, 2006 included the net loss on the cash flow hedge (net of tax) of $4.3 million and $1.5 million, respectively, which reflects the cumulative amount of comprehensive loss in connection with the change in fair value of the swap.

Additionally, interest was capped pursuant to a rate cap agreement that caps 30-day LIBOR exposure at 6.0% on $165 million of our variable rate revolving credit facility. The interest rate cap agreement expired in November 2007. Fluctuations in the fair value of the interest rate cap agreement were recognized in current period earnings. These amounts, as well as the fair value of the cap, were immaterial during fiscal 2007.

Our revolving credit facility accrues interest based on a floating benchmark rate (the prime rate or LIBOR rate), plus an applicable margin. A change in interest rates under the revolving credit facility would have an impact on our results of operations. A change of 100 basis points in the market rate of interest would impact interest expense by approximately $0.3 million based on borrowings outstanding at December 29, 2007. Additionally, to the extent changes in interest rates impact the housing market, we would be impacted by such changes.

ITEM 8. *FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.*

Index to Financial Statements and Supplemental Data

BLUELINX HOLDINGS INC. AND SUBSIDIARIES

MANAGEMENT S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Shareholders of BlueLinx Holdings Inc.: