

BlueLinx Holdings Inc.
Form 10-Q
May 13, 2009

Table of Contents

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

(Mark One)

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

For the quarterly period ended April 4, 2009

OR

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

For the transition period from _____ to _____

Commission file number: 1-32383

BlueLinx Holdings Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State of Incorporation)

77-0627356

(I.R.S. Employer Identification No.)

4300 Wildwood Parkway, Atlanta, Georgia

(Address of principal executive offices)

30339

(Zip Code)

(770) 953-7000

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

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

Large accelerated filer ☐

Accelerated filer ☐

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

Smaller reporting
company ☐

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

As of May 8, 2009 there were 32,573,858 shares of BlueLinx Holdings Inc. common stock, par value \$0.01, outstanding.

BLUELINX HOLDINGS INC.
Form 10-Q
For the Quarterly Period Ended April 4, 2009
INDEX

	PAGE
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements – BlueLinx Holdings Inc. (Unaudited)</u>	3
<u>Condensed Consolidated Statements of Operations</u>	3
<u>Condensed Consolidated Balance Sheets</u>	4
<u>Condensed Consolidated Statements of Cash Flows</u>	5
<u>Notes to Condensed Consolidated Financial Statements</u>	6
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	20
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	32
<u>Item 4. Controls and Procedures</u>	33
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	33
<u>Item 1A. Risk Factors</u>	33
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	34
<u>Item 6. Exhibits</u>	35
<u>Signatures</u>	36
<u>Exhibit Index</u>	37
<u>Exhibit 10.1</u>	
<u>Exhibit 31.1</u>	
<u>Exhibit 31.2</u>	
<u>Exhibit 32.1</u>	
<u>Exhibit 32.2</u>	

Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)****BLUELINX HOLDINGS INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(In thousands, except per share data)****(unaudited)**

	Period from January 4, 2009 to April 4, 2009	Period from December 30, 2007 to March 29, 2008
Net sales	\$ 407,111	\$ 716,760
Cost of sales	362,835	638,957
Gross profit	44,276	77,803
Operating expenses:		
Selling, general, and administrative	57,665	80,635
Depreciation and amortization	5,030	4,968
Total operating expenses	62,695	85,603
Operating loss	(18,419)	(7,800)
Non-operating expenses:		
Interest expense, net	8,117	9,354
Charges associated with ineffective interest rate swap	4,832	
Write-off of debt issue costs	1,407	
Other (income) expense, net	(157)	130
Loss before provision for (benefit from) income taxes	(32,618)	(17,284)
Provision for (benefit from) income taxes	28,035	(6,693)
Net loss	\$ (60,653)	\$ (10,591)
Basic weighted average number of common shares outstanding	31,083	30,928
Basic net loss per share applicable to common stock	\$ (1.95)	\$ (0.34)
Diluted weighted average number of common shares outstanding	31,083	30,928
Diluted net loss per share applicable to common stock	\$ (1.95)	\$ (0.34)

See accompanying notes.

Table of Contents

BLUELINX HOLDINGS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	April 4, 2009 (unaudited)	January 3, 2009
Assets:		
Current assets:		
Cash and cash equivalents	\$ 60,030	\$ 150,353
Receivables, net	156,790	130,653
Inventories, net	178,097	189,482
Deferred income tax assets	578	11,868
Other current assets	35,509	37,351
Total current assets	431,004	519,707
Property, plant, and equipment:		
Land and land improvements	53,438	53,426
Buildings	96,392	96,159
Machinery and equipment	70,264	70,491
Construction in progress	1,660	2,035
Property, plant, and equipment, at cost	221,754	222,111
Accumulated depreciation	(73,505)	(69,336)
Property, plant, and equipment, net	148,249	152,775
Non-current deferred income tax assets		17,468
Other non-current assets	42,357	42,457
Total assets	\$ 621,610	\$ 732,407
Liabilities:		
Current liabilities:		
Accounts payable	\$ 100,275	\$ 78,367
Bank overdrafts	16,184	24,715
Accrued compensation	4,031	11,552
Current maturities of long-term debt	15,000	60,000
Other current liabilities	25,617	24,546
Total current liabilities	161,107	199,180
Non-current liabilities:		
Long-term debt	369,870	384,870
Non-current deferred income tax liabilities	578	
Other non-current liabilities	44,955	45,505
Total liabilities	576,510	629,555

Shareholders' Equity:

Common Stock, \$0.01 par value, 100,000,000 shares authorized; 32,952,876 and 32,362,330 shares issued at April 4, 2009 and January 3, 2009, respectively; 32,589,852 and 32,362,330 shares outstanding at April 4, 2009 and January 3, 2009, respectively

	326	323
Additional paid-in-capital	143,893	144,148
Accumulated other comprehensive loss	(13,767)	(16,920)
Accumulated deficit	(85,352)	(24,699)
Total shareholders' equity	45,100	102,852
Total liabilities and shareholders' equity	\$ 621,610	\$ 732,407

See accompanying notes.

Table of Contents

BLUELINX HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(unaudited)

	Period from January 4, 2009 to April 4, 2009	Period from December 30, 2007 to March 29, 2008
Cash flows from operating activities:		
Net loss	\$ (60,653)	\$ (10,591)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	5,030	4,968
Amortization of debt issue costs	614	608
Charges associated with ineffective interest rate swap	4,832	
Write-off of debt issue costs	1,407	
Non-cash vacant property charges		208
Deferred income tax provision (benefit)	27,230	(2,887)
Share-based compensation expense (income)	537	(114)
Excess tax deficiencies from share-based compensation arrangements		218
Changes in assets and liabilities:		
Receivables	(26,137)	(17,772)
Inventories	11,385	(15,325)
Accounts payable	21,908	9,201
Changes in other working capital	(4,608)	16,388
Other	(2,806)	(5,991)
Net cash used in operating activities	(21,261)	(21,089)
Cash flows from investing activities:		
Property, plant and equipment investments	(166)	(957)
Proceeds from disposition of assets	421	607
Net cash provided by (used in) investing activities	255	(350)
Cash flows from financing activities:		
Repurchase of common stock	(792)	
Proceeds from stock options exercised		434
Excess tax deficiencies from share-based compensation arrangements		(218)
Net (decrease) increase in revolving credit facility	(60,000)	25,807
Decrease in bank overdrafts	(8,531)	(3,393)
Other	6	6
Net cash (used in) provided by financing activities	(69,317)	22,636
(Decrease) increase in cash	(90,323)	1,197
Balance, beginning of period	150,353	15,759

Balance, end of period	\$	60,030	\$	16,956
------------------------	----	--------	----	--------

See accompanying notes.

Table of Contents

**BLUELINX HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
APRIL 4, 2009**

1. Basis of Presentation and Background

Basis of Presentation

BlueLinx Holdings Inc. has prepared the accompanying Unaudited Condensed Consolidated Financial Statements, including its accounts and the accounts of its wholly-owned subsidiaries, in accordance with the instructions to Form 10-Q and therefore they do not include all of the information and notes required by United States generally accepted accounting principles (GAAP). These interim financial statements should be read in conjunction with the financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended January 3, 2009, as filed with the Securities and Exchange Commission (SEC). Our fiscal year is a 52- or 53-week period ending on the Saturday closest to the end of the calendar year. Fiscal year 2009 and fiscal year 2008 contain 52 weeks and 53 weeks, respectively. BlueLinx Corporation is the wholly-owned operating subsidiary of BlueLinx Holdings Inc. and is referred to herein as the operating subsidiary when necessary.

We believe the accompanying Unaudited Condensed Consolidated Financial Statements reflect all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of our financial position, results of operations and cash flows for the periods presented. The preparation of the consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates and such differences could be material. In addition, the operating results for interim periods may not be indicative of the results of operations for a full year. We are exposed to fluctuations in quarterly sales volumes and expenses due to seasonal factors, with the second and third quarters typically accounting for the highest sales volumes. These seasonal factors are common in the building products distribution industry.

We are a leading distributor of building products in North America with approximately 2,000 employees. We offer approximately 10,000 products from over 750 suppliers to service more than 11,500 customers nationwide, including dealers, industrial manufacturers, manufactured housing producers and home improvement retailers. We operate our distribution business from sales centers in Atlanta and Denver, and our network of more than 70 warehouses and third-party operated warehouses.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with maturity dates of less than three months when purchased.

Restricted Cash

We had restricted cash of \$28.6 million and \$25.5 million at April 4, 2009 and January 3, 2009 respectively. Restricted cash primarily includes amounts held in escrow related to our interest rate swap and mortgage. Restricted cash is included in Other current assets and Other non-current assets on the accompanying Consolidated Balance Sheets.

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 April 4, 2009 and January 3, 2009, these reserves totaled \$11.0 million and \$10.1 million, respectively. Adjustments to earnings resulting from revisions to estimates on discounts and uncollectible accounts have been insignificant.

Inventory Valuation

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 April 4, 2009 and January 3, 2009, the lower of cost or market reserve totaled \$0.6 million and \$3.4 million, respectively. Adjustments to earnings resulting from revisions to lower of cost or market estimates have been insignificant.

Additionally, we maintain a reserve for the estimated value impairment associated with damaged, excess and obsolete inventory. The damaged, excess and obsolete reserve generally includes discontinued items or inventory that has turn days in excess of 270 days, excluding new items during their product launch. At April 4, 2009 and January 3, 2009, our damaged, excess and obsolete inventory reserves totaled \$3.7 million and \$4.0 million, respectively. Adjustments to earnings resulting from revisions to damaged, excess and obsolete estimates have been insignificant.

Table of Contents

Earnings per Common Share

Basic and diluted earnings per share are computed by dividing net income by the weighted average number of common shares outstanding for the period.

Except when the effect would be anti-dilutive, the diluted earnings per share calculation includes the dilutive effect of the assumed exercise of stock options and restricted stock using the treasury stock method. For the first quarter of fiscal 2009 and for the first quarter of fiscal 2008, we excluded 2.7 million and 2.6 million unvested share-based awards, respectively, from the diluted earnings per share calculation because they were antidilutive.

Common Stock 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, our Board of Directors 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.

Stock-Based Compensation

We have two stock-based compensation plans covering officers, directors and certain employees and consultants; the 2004 Long Term Equity Incentive Plan (the 2004 Plan) and the 2006 Long Term Equity Incentive Plan (the 2006 Plan). The plans are designed to motivate and retain individuals who are responsible for the attainment of our primary long-term performance goals. The plans provide a means whereby our employees and directors develop a sense of proprietorship and personal involvement in our development and financial success and encourage them to devote their best efforts to our business. Although we do not have a formal policy on the matter, we issue new shares of our common stock to participants, upon the exercise of options, out of the total amount of common shares authorized for issuance under the 2004 Plan and the 2006 Plan.

The 2004 Plan provides for the grant of nonqualified stock options, incentive stock options and restricted shares of our common stock to participants of the plan selected by our Board of Directors or a committee of the Board who administer the 2004 Plan. We reserved 2,222,222 shares of our common stock for issuance under the 2004 Plan. The terms and conditions of awards under the 2004 Plan are determined by the administrator for each grant.

Unless otherwise determined by the administrator or as set forth in an award agreement, upon a Liquidity Event, all unvested awards will become immediately exercisable and the administrator may determine the treatment of all vested awards at the time of the Liquidity Event. A Liquidity Event is defined as (1) an event in which any person who is not an affiliate of the Company becomes the beneficial owner, directly or indirectly, of fifty percent or more of the combined voting power of our then outstanding securities or (2) the sale, transfer or other disposition of all or substantially all of our business, whether by sale of assets, merger or otherwise, to a person other than Cerberus.

On May 12, 2006 our shareholders approved the 2006 Plan. The 2006 Plan permits the grant of nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units, cash-based awards, and other stock-based awards. We reserved 3,200,000 shares of our common stock for issuance under the 2006 Plan. The terms and conditions of awards under the 2006 Plan are determined by the administrator for each grant. Awards issued under the 2006 Plan are subject to accelerated vesting in the event of a change in control as such event is defined in the 2006 Plan. On January 13, 2009, the Compensation Committee granted 651,150 restricted shares of our common stock to certain of our officers.

Under Statement of Financial Accounting Standards No. 123R Share-Based Payment (SFAS 123R), we recognize compensation expense equal to the grant-date fair value for all share-based payment awards that are expected to vest. This expense is recorded on a straight-line basis over the requisite service period of the entire award, unless the awards are subject to market or performance conditions, in which case we recognize compensation expense over the requisite service period of each separate vesting tranche. All compensation expense related to our share-based payment awards is recorded in Selling, general and administrative expense in the Consolidated Statement of Operations.

Table of Contents

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 April 4, 2009, there was \$1.4 million, \$4.6 million, \$0.1 million and \$0.5 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 1.9 years, 2.0 years, 1.0 years and 1.7 years, respectively. As of January 3, 2009, there was \$1.7 million, \$3.7 million, \$0.1 million and \$0.7 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 2.1 years, 2.0 years, 1.0 years and 2.0 years, respectively. For the first quarter of fiscal 2009 and for the first quarter of fiscal 2008, our total stock-based compensation expense was \$0.6 million (\$0.5 million non-cash) and \$0.1 million (\$0.1 million non-cash), respectively. We also recognized related income tax benefits of \$0.2 million and \$0.02 million, respectively. There were no options exercised during the first quarter of fiscal 2009. For the first quarter of fiscal 2008, approximately 100,000 stock options were exercised.

The following table depicts the weighted average assumptions used in connection with the Black-Scholes-Merton option pricing model to estimate the fair value of stock options granted during the first quarter of fiscal 2008 (there were no options granted during the first quarter of fiscal 2009):

	Period from December 30, 2007 to March 29, 2008		
	Time-Based Options*	Performance-Based Options**	Performance-Based Options***
Risk free interest rate	2.70%	2.62%	2.11%
Expected dividend yield	0.0%	0.0%	0.0%
Expected life	6 years	4 years	1 year
Expected volatility	48%	48%	48%
Weighted average fair value	\$ 2.27	\$ 0.67	\$ 1.31

* Exercise price equaled the market price at date of grant.

** Exercise price exceeded the market price at date of grant.

*** Exercise price was less than the market price at date of grant (the date the performance criteria were established is considered the grant date for accounting

purposes).

In determining the expected life, we did not rely on our historical exercise data as it does not provide a reasonable basis upon which to estimate future expected lives due to limited experience of employee exercises. Instead, we followed a simplified method based on the vesting term and contractual term as permitted under SEC Staff Accounting Bulletin No. 107. The expected volatility is based on the historical volatility of our common stock. The risk-free rates used for the first quarter of fiscal 2008 were based on the U.S. Treasury yield with a term that is consistent with the expected life of the stock options.

Income Taxes

Our financial statements contain certain deferred tax assets which have arisen primarily as a result of tax benefits associated with the loss before income tax incurred during fiscal 2008 and the first quarter of fiscal 2009, as well as deferred income tax assets resulting from temporary differences in prior tax years. SFAS No. 109, *Accounting for Income Taxes* (SFAS 109), requires the consideration of a valuation allowance to reflect the likelihood of realization of deferred tax assets. Significant management judgment is required in determining any valuation allowance recorded against net deferred tax assets. In evaluating our ability to recover our deferred income tax assets, we considered 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, our forecast of future taxable income and an excess of appreciated assets over the tax basis of our net assets. In estimating future taxable income, we developed assumptions including the amount of future state and federal pretax operating and non-operating income, the reversal of temporary differences and the implementation of feasible and prudent tax planning strategies. These assumptions required significant judgment about the forecasts of future taxable income. We considered all of the available positive and negative evidence. Based on the weight of available evidence, we recorded a full valuation allowance of \$40.2 million against deferred tax assets during the first quarter of fiscal 2009. The establishment of this valuation allowance during the first quarter of fiscal 2009 was primarily offset by the tax benefit realized as a result of the first quarter of fiscal 2009 pre-tax loss incurred by us and resulted in an income tax expense of \$28.0 million for the quarter.

Table of Contents

If the realization of deferred tax assets in the future is considered more likely than not, a reduction to the valuation allowance related to the deferred tax assets would increase net income in the period such determination is made. The amount of the deferred tax asset considered realizable is based on significant estimates, and it is possible that changes in these estimates could materially affect the financial condition and results of operations. Our effective tax rate may vary from period to period based on changes in estimated taxable income or loss; changes to the valuation allowance; changes to federal or state tax laws; and as a result of acquisitions.

3. Restructuring Charges

During fiscal 2008 and fiscal 2007, we vacated leased office space. We accounted for these transactions in accordance with Statement of Financial Accounting Standards No. 146, Accounting for Costs Associated with Exit or Disposal Activities (SFAS 146), which requires that a liability be recognized for a 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 included accruals for estimated losses on facility costs 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 expenses in the Consolidated Statements of Operations and Other current liabilities and Other non-current liabilities on the Consolidated Balance Sheets at April 4, 2009 and January 3, 2009.

Additionally, during the first quarter of fiscal 2009 and the first quarter of fiscal 2008, we recorded severance and outplacement costs totaling \$1.1 million (\$0.7 million, net of tax) and \$2.0 million (\$1.2 million, net of tax), respectively, based on the terms of our existing severance plan. We accounted for these costs in accordance with Statement of Financial Accounting Standards No. 112, Employers Accounting for Postemployment Benefits—an amendment to FASB Statements No. 5 and 43 (SFAS 112). These charges were included in Selling, general, and administrative expenses in the Consolidated Statements of Operations and in Accrued Compensation on the Consolidated Balance Sheets at April 4, 2009 and March 29, 2008.

The following table displays the restructuring activity and liability balances (in thousands):

	Exit Costs	Severance Costs	Total
Balance at January 3, 2009	\$ 14,133	\$ 512	\$ 14,645
Charges		1,079	1,079
Payments	(821)	(837)	(1,658)
Accretion of liability	257		257
Balance at April 4, 2009	\$ 13,569	\$ 754	\$ 14,323

4. Comprehensive Loss

The calculation of comprehensive loss is as follows:

	Period from January 4, 2009 to April 4, 2009	Period from December 30, 2007 to March 29, 2008
Net loss	\$ (60,653)	\$ (10,591)
Other comprehensive loss:		
Foreign currency translation, net of taxes	(141)	(548)
Unrealized gain (loss) from cash flow hedge, net of taxes	3,231	(2,831)

Comprehensive loss	\$	(57,563)	\$	(13,970)
--------------------	----	----------	----	----------

Table of Contents

For the first quarter of fiscal 2009, the income tax effects related to foreign currency translation and our interest rate swap were \$0.1 million and \$(2.1) million, respectively. For the first quarter of fiscal 2008, the income tax effects related to foreign currency translation and our interest rate swap were \$0.4 million and \$1.8 million, respectively.

5. Employee Benefits**Defined Benefit Pension Plans**

Most of our hourly employees participate in noncontributory defined benefit pension plans. These include a plan that is administered solely by us (the hourly pension plan) and union-administered multiemployer plans. Our funding policy for the hourly pension plan is based on actuarial calculations and the applicable requirements of federal law. We are not required to make a contribution to the hourly pension plan in fiscal 2009. Benefits under the majority of plans for hourly employees (including multiemployer plans) are primarily related to years of service.

Net periodic pension cost for our pension plans included the following:

	Period from January 4, 2009 to April 4, 2009	Period from December 30, 2007 to March 29, 2008
	(In thousands)	
Service cost	\$ 452	\$ 561
Interest cost on projected benefit obligation	1,125	1,109
Expected return on plan assets	(1,132)	(1,501)
Amortization of unrecognized loss (gain)	180	(91)
Amortization of unrecognized prior service cost		1
Net periodic pension cost	\$ 625	\$ 79

6. Revolving Credit Facility

As of April 4 2009, we had outstanding borrowings of \$96.0 million and excess availability of \$180 million under the terms of our revolving credit facility. Based on borrowing base limitations, we classify the lowest projected balance of the credit facility over the next twelve months of \$81.0 million as long-term debt. The revolving credit facility contains customary negative covenants and restrictions for asset based loans, with which we are in compliance. As of April 4, 2009 and January 3, 2009, we had outstanding letters of credit totaling \$12.9 million, primarily for the purposes of securing collateral requirements under the casualty insurance programs for us and for guaranteeing payment of international purchases based on the fulfillment of certain conditions.

During the first quarter of fiscal 2009, we elected to permanently reduce our revolving loan threshold limit from \$800 million to \$500 million effective March 30, 2009. The reduction in the revolving loan threshold limit does not impact our available borrowing capacity under our revolving credit facility as our current eligible accounts receivable and inventory (our borrowing base) do not support up to \$800 million in borrowings. We do not anticipate our borrowing base will support borrowings in excess of \$500 million at any point during the remaining life of the credit facility. This cost-saving initiative will allow us to reduce our interest expense \$0.8 million per year by lowering our unused line fees. As a result of this action, we recorded expense of \$1.4 million (\$0.9 million, net of tax) for the write-off of deferred financing costs that had been capitalized associated with the portion of the revolver that was reduced in the first quarter of fiscal 2009.

7. Derivatives

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 rates. In accordance with Statement of Financial Accounting Standards 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.

Table of Contents

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 was designated as a cash flow hedge.

Through January 3, 2009, the hedge was highly effective in offsetting changes in expected cash flows. Fluctuations in the fair value of the ineffective portion, if any, of the cash flow hedge are reflected in current period earnings. For the first quarter of fiscal 2008, we recognized immaterial amounts of expense related to the ineffective portion of the hedge.

During the first quarter of fiscal 2009, we reduced our borrowings under the revolving credit facility by \$60.0 million, which reduced outstanding debt below the interest rate swap's notional amount of \$150 million, at which point the hedge became ineffective in offsetting future changes in expected cash flows during the remaining term of the interest rate swap. We used cash on hand to pay down this portion of our revolving credit debt. Charges associated with the ineffective interest rate swap recognized in the Consolidated Statement of Operations were approximately \$4.8 million (\$2.9 million, net of tax) and are comprised of a \$5.9 million (\$3.6 million, net of tax) charge on the date we reduced our borrowings outstanding under the revolving credit facility below the interest rate swap's notional amount, \$1.0 million (\$0.6 million, net of tax) of amortization of accumulated other comprehensive loss and \$(2.1) million (\$(1.3) million, net of tax) related to fair value changes since the date of the reduction.

On May 1, 2009, we used cash on hand to reduce our borrowings under the revolving credit facility by an additional \$15.0 million. This repayment will result in a second quarter non-cash charge of approximately \$1.3 million recorded in interest expense at the payment date. The remaining \$6.2 million of accumulated other comprehensive loss will be amortized over the remaining 25 month term of the interest rate swap and recorded as interest expense. Approximately \$3.4 million will be amortized over the next 12 months and recorded as interest expense. All future changes in the fair value of the interest rate swap during the remaining term of the interest rate swap will be recorded as interest expense. Any further reductions in borrowings under our revolving credit facility will result in a pro-rata reduction in accumulated other comprehensive loss at the payment date with a corresponding charge recorded to interest expense. The following table presents a reconciliation of our interest rate swap measured at fair value in accumulated other comprehensive loss as of April 4, 2009 (in thousands, net of tax):

Balance at January 3, 2009	\$ 8,038
Increase in fair value included in accumulated other comprehensive loss	937
Charges associated with ineffective interest rate swap	(4,168)
Balance at April 4, 2009	\$ 4,807

8. Mortgage

On June 9, 2006, certain special purpose entities that are wholly-owned subsidiaries of ours entered into a \$295 million mortgage loan. The mortgage has a term of ten years and is now secured by 56 distribution facilities and 1 office building owned by the special purpose entities. The stated interest rate on the mortgage is fixed at 6.35%.

During fiscal 2008, we sold certain real properties that ceased operations and were closed during the second quarter of fiscal 2008. As a result of the sale of one of these properties during the fourth quarter of fiscal 2008, we reduced our mortgage loan by \$6.1 million and incurred a mortgage prepayment penalty of \$1.9 million recorded in Interest expense on the Consolidated Statements of Operations.

Table of Contents

The mortgage loan requires interest-only payments through June 2011. The balance of the loan outstanding at the end of ten years will then become due and payable. The principal will be paid in the following increments (in thousands):

2011	\$ 1,712
2012	3,593
2013	3,885
2014	4,142
2015	4,417
Thereafter	\$ 271,121

9. Fair Value Measurements

We apply Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS 157), which defines fair value, establishes a framework for measuring fair value under GAAP, and expands disclosures about fair value measurements to all applicable financial and non-financial assets. SFAS 157, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). SFAS 157 classifies inputs used to measure fair value into the following hierarchy:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Unadjusted quoted prices in active markets for similar assets or liabilities, or
Unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active,
or
Inputs other than quoted prices that are observable for the asset or liability.

Level 3 Unobservable inputs for the asset or liability.

We are exposed to market risks from changes in interest rates, which may affect our operating results and financial position. When deemed appropriate, we minimize our risks from interest rate fluctuations through the use of an interest rate swap. This derivative financial instrument is used to manage risk and is not used for trading or speculative purposes. The swap is valued using a valuation model that has inputs other than quoted market prices that are both observable and unobservable.

We endeavor to utilize the best available information in measuring the fair value of the interest rate swap. The interest rate swap is classified in its entirety based on the lowest level of input that is significant to the fair value measurement. To determine fair value of the interest rate swap we used the discounted estimated future cash flows methodology. Assumptions critical to our fair value in the period were: (i.) the present value factors used in determining fair value (ii.) projected LIBOR, and (iii.) the risk of counterparty non-performance risk. These and other assumptions are impacted by economic conditions and expectations of management. We have determined that the fair value of our interest rate swap is a level 3 measurement in the fair value hierarchy. The level 3 measurement is the risk of counterparty non-performance on the interest rate swap liability that is not secured by cash collateral. The risk of counterparty non-performance did not affect the fair value at April 4, 2009 and at January 3, 2009 due to the fact that the interest rate swap was supported by cash collateral. The fair value of the interest rate swap was a liability of \$12.7 million and \$13.2 million at April 4, 2009 and January 3, 2009, respectively. These balances were included in Other current liabilities and Other non-current liabilities on the Consolidated Balance Sheets.

Table of Contents

The following table presents a reconciliation of the level 3 interest rate swap measured at fair value on a recurring basis as of April 4, 2009:

Fair value at January 3, 2009	\$ (13,229)
Unrealized gains included in earnings	2,100
Accumulated other comprehensive loss	(1,533)
Fair value at April 4, 2009	\$ (12,662)

The \$2.1 million unrealized gain was included in Interest expense in the Consolidated Statements of Operations. Carrying amounts for our financial instruments are not significantly different from their fair value, with the exception of our mortgage. At April 4, 2009, the carrying value and fair value of our mortgage was \$289 million and \$260 million, respectively.

10. Related Party Transactions

Cerberus Capital Management, L.P., our equity sponsor, retains consultants that specialize in operations management and support and who provide Cerberus with consulting advice concerning portfolio companies in which funds and accounts managed by Cerberus or its affiliates have invested. From time to time, Cerberus makes the services of these consultants available to Cerberus portfolio companies. We believe that the terms of these consulting arrangements are favorable to us, or, alternatively, are materially consistent with those terms that would have been obtained by us in an arrangement with an unaffiliated third party. We have normal service, purchase and sales arrangements with other entities that are owned or controlled by Cerberus. We believe that these transactions are at arms length terms and are not material to our results of operations or financial position.

11. Commitments and Contingencies***Environmental and Legal Matters***

From time to time, we are involved in various proceedings incidental to our businesses and we are subject to a variety of environmental and pollution control laws and regulations in all jurisdictions in which we operate. Although the ultimate outcome of these proceedings cannot be determined with certainty, based on presently available information management believes that adequate reserves have been established for probable losses with respect thereto. Management further believes that the ultimate outcome of these matters could be material to operating results in any given quarter but will not have a materially adverse effect on our long-term financial condition, our results of operations, or our cash flows.

Collective Bargaining Agreements

As of April 4, 2009, approximately 29% of our total work force is covered by collective bargaining agreements. Collective bargaining agreements representing approximately 1% of our work force will expire within one year.

12. Subsequent Events

On April 27, 2009, we entered into a Termination and Modification Agreement (Modification Agreement) related to our Master Purchase, Supply and Distribution Agreement with Georgia-Pacific. The Modification Agreement effectively terminates the existing Supply Agreement with respect to the distribution of Georgia-Pacific plywood, oriented strand board and lumber by us. We will continue to distribute a variety of Georgia-Pacific building products, including Engineered Lumber, which is covered under a three-year purchase agreement dated February 12, 2009. As a result of terminating this agreement, we are no longer contractually obligated to make minimum purchases of products from Georgia-Pacific. As of January 3, 2009, our minimum purchases requirement had totaled \$31.9 million.

Table of Contents

As previously announced on June 6, 2008, Georgia-Pacific provided us with notice of its intent to terminate the Supply Agreement, effective May 7, 2010. Georgia-Pacific agreed to pay us \$18.8 million in exchange for our agreement to enter into the Modification Agreement one-year earlier than the originally agreed upon termination date of the Supply Agreement. We will receive four quarterly cash payments of \$4.7 million beginning on May 1, 2009. We expect to record a net gain of approximately \$17.3 million related to this transaction in the second quarter of fiscal 2009 as a reduction to operating expense. The early termination of the Supply Agreement also provides us the opportunity to pursue strategic relationships with other suppliers and customers which were previously prohibited by the terms of the Supply Agreement.

13. Recently Issued Accounting Pronouncements

In April 2009, the FASB issued FASB Staff Position No. 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments*, (FSP 107-1), which will require that the fair value disclosures required for all financial instruments within the scope of Statement of Financial Accounting Standards No. 107, *Disclosures about Fair Value of Financial Instruments*, (SFAS 107) be included in interim financial statements. This FSP also requires entities to disclose the method and significant assumptions used to estimate the fair value of financial instruments on an interim and annual basis and to highlight any changes from prior periods. FSP 107-1 will be effective for interim periods ending after June 15, 2009. The adoption of FSP 107-1 is not expected to have a material impact on our Consolidated Financial Statements.

In December 2008, the FASB issued FASB Staff Position No. 132(R)-1, *Employers' Disclosures about Pensions and Other Postretirement Benefits* (FSP 132R-1). FSP 132R-1 requires enhanced disclosures about the plan assets of our defined benefit pension and other postretirement plans. The enhanced disclosures required by this FSP are intended to provide users of financial statements with a greater understanding of: (1) how investment allocation decisions are made, including the factors that are pertinent to an understanding of investment policies and strategies; (2) the major categories of plan assets; (3) the inputs and valuation techniques used to measure the fair value of plan assets; (4) the effect of fair value measurements using significant unobservable inputs (Level 3) on changes in plan assets for the period; and (5) significant concentrations of risk within plan assets. FSP 132R-1 is effective for us for the year ending January 2, 2010.

In June 2008, the FASB issued FSP No. Emerging Issues Task Force (EITF) 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities* (FSP 03-6-1). FSP 03-6-1 clarifies that unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and are to be included in the computation of earnings per share under the two-class method described in Statement of Financial Accounting Standards No. 128, *Earnings Per Share*. This FSP was effective for us on January 4, 2009 and requires all presented prior-period earnings per share data to be adjusted retrospectively. The adoption of FSP 03-6-1 did not have an impact on our Consolidated Financial Statements. For additional information about our share-based payment awards, refer to Note 5 of the Notes to Consolidated Financial Statements in our 2008 Form 10-K.

In May 2008, the FASB issued Statement of Financial Accounting Standards No. 162, *The Hierarchy of Generally Accepted Accounting Principles* (SFAS 162). SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements that are presented in conformity with generally accepted accounting principles in the United States. This Statement is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411,

The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles. We do not expect SFAS 162 to have a material impact on our Consolidated Financial Statements.

In April 2008, the FASB issued FASB Staff Position No. 142-3, *Determination of the Useful Life of Intangible Assets* (FSP 142-3). FSP 142-3 amends the factors to be considered in developing renewal or extension assumptions used to determine the useful life of intangible assets under Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*. Its intent is to improve the consistency between the useful life of an intangible asset and the period of expected cash flows used to measure its fair value. FSP 142-3 was effective for us on January 4, 2009. The adoption of FSP 142-3 did not have an impact on our Consolidated Financial Statements.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, Disclosures about Derivative Instruments and Hedging Activities – An Amendment of SFAS 133 (SFAS 161). SFAS 161 seeks to improve financial reporting for derivative instruments and hedging activities by requiring enhanced disclosures regarding the impact on financial position, financial performance, and cash flows. To achieve this increased transparency, SFAS 161 requires (1) the disclosure of the fair value of derivative instruments and gains and losses in a tabular format; (2) the disclosure of derivative features that are credit risk-related; and (3) cross-referencing within the footnotes. SFAS 161 was effective for us, on a prospective basis, on January 4, 2009. The adoption of SFAS 161 did not have a material impact on our Consolidated Financial Statements.

Table of Contents

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 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 non-controlling 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. SFAS 141R was effective for us, on a prospective basis, on January 4, 2009. We expect SFAS 141R will have an impact on our accounting for business combinations, but the effect is dependent upon the acquisitions that are made in the future.

14. Unaudited Supplemental Condensed Consolidating Financial Statements

The condensed consolidating financial information as of April 4, 2009 and January 3, 2009 and for the first quarters of fiscal 2009 and fiscal 2008 is provided due to restrictions in our revolving credit facility that limit distributions by BlueLinx Corporation, our operating company and our wholly-owned subsidiary, to us, which, in turn, may limit our ability to pay dividends to holders of our common stock (see our Annual Report on Form 10-K for the year ended January 3, 2009, for a more detailed discussion of these restrictions and the terms of the facility). Also included in the supplemental condensed consolidated financial statements are sixty-three single member limited liability companies, which are wholly owned by us (the LLC subsidiaries). The LLC subsidiaries own certain warehouse properties that are occupied by BlueLinx Corporation, each under the terms of a master lease agreement. The warehouse properties collateralize a mortgage loan and are not available to satisfy the debts and other obligations of either us or BlueLinx Corporation.

The condensed consolidating statement of operations for BlueLinx Holdings Inc. for the period from January 4, 2009 to April 4, 2009 follows (in thousands):

	BlueLinx Holdings Inc.	BlueLinx Corporation and Subsidiaries	LLC Subsidiaries	Eliminations	Consolidated
Net sales	\$	\$ 407,111	\$ 7,522	\$ (7,522)	\$ 407,111
Cost of sales		362,835			362,835
Gross profit		44,276	7,522	(7,522)	44,276
Operating expenses:					
Selling, general and administrative	1,614	63,526	47	(7,522)	57,665
Depreciation and amortization		4,009	1,021		5,030
Total operating expenses	1,614	67,535	1,068	(7,522)	62,695
Operating (loss) income	(1,614)	(23,259)	6,454		(18,419)
Non-operating expenses:					
Interest expense		3,443	4,674		8,117
Charges associated with ineffective interest rate swap		4,832			4,832
Write-off of debt issue costs		1,407			1,407
Other income, net		(138)	(19)		(157)
(Loss) income before (benefit from) provision for income taxes	(1,614)	(32,803)	1,799		(32,618)

Edgar Filing: BlueLinx Holdings Inc. - Form 10-Q

(Benefit from) provision for income taxes	(941)	28,274	702			28,035
Equity in loss of subsidiaries	(59,980)			59,980		
Net (loss) income	\$ (60,653)	\$ (61,077)	\$ 1,097	\$ 59,980	\$ (60,653)	

Table of Contents

The condensed consolidating statement of operations for BlueLinx Holdings Inc. for the period from December 30, 2007 to March 29, 2008 follows (in thousands):

	BlueLinx Holdings Inc.	BlueLinx Corporation and Subsidiaries	LLC Subsidiaries	Eliminations	Consolidated
Net sales	\$	\$ 716,760	\$ 7,617	\$ (7,617)	\$ 716,760
Cost of sales		638,957			638,957
Gross profit		77,803	7,617	(7,617)	77,803
Operating expenses:					
Selling, general and administrative	314	87,818	120	(7,617)	80,635
Depreciation and amortization		3,898	1,070		4,968
Total operating expenses	314	91,716	1,190	(7,617)	85,603
Operating (loss) income	(314)	(13,913)	6,427		(7,800)
Non-operating expenses:					
Interest expense		4,462	4,892		9,354
Other income, net		143	(13)		130
(Loss) income before (benefit from) provision for income taxes	(314)	(18,518)	1,548		(17,284)
(Benefit from) provision for income taxes	(122)	(7,174)	603		(6,693)
Equity in loss of subsidiaries	(10,399)			10,399	
Net (loss) income	\$ (10,591)	\$ (11,344)	\$ 945	\$ 10,399	\$ (10,591)

The condensed consolidating balance sheet for BlueLinx Holdings Inc. as of April 4, 2009 follows (in thousands):

	BlueLinx Holdings Inc.	BlueLinx Corporation and Subsidiaries	LLC Subsidiaries	Eliminations	Consolidated
Assets:					
Current assets:					
Cash and cash equivalents	\$ 99	\$ 59,754	\$ 177	\$	\$ 60,030
Receivables		156,790			156,790
Inventories		178,097			178,097
Deferred income tax assets	602	275		(299)	578
Other current assets	539	31,668	3,302		35,509
Intercompany receivable	63,840	7,920		(71,760)	
Total current assets	65,080	434,504	3,479	(72,059)	431,004

Property and equipment:					
Land and land improvements		3,103	50,335		53,438
Buildings		7,741	88,651		96,392
Machinery and equipment		70,264			70,264
Construction in progress		1,660			1,660
Property and equipment, at cost		82,768	138,986		221,754
Accumulated depreciation		(53,298)	(20,207)		(73,505)
Property and equipment, net		29,470	118,779		148,249
Investment in subsidiaries	(11,617)			11,617	
Other non-current assets		19,354	23,003		42,357
Total assets	\$ 53,463	\$ 483,328	\$ 145,261	\$ (60,442)	\$ 621,610
Liabilities:					
Current liabilities:					
Accounts payable	\$ 138	\$ 100,137	\$	\$	100,275
Bank overdrafts		16,184			16,184
Accrued compensation	6	4,025			4,031
Deferred income tax liabilities	299			(299)	
Current maturities of long-term debt		15,000			15,000
Other current liabilities		22,123	3,494		25,617
Intercompany payable	7,920	62,899	941	(71,760)	
Total current liabilities	8,363	220,368	4,435	(72,059)	161,107
Non-current liabilities:					
Long-term debt		81,000	288,870		369,870
Non-current deferred income tax liabilities		149	429		578
Other non-current liabilities		38,655	6,300		44,955
Total liabilities	8,363	340,172	300,034	(72,059)	576,510
Shareholders' Equity/Parents' Investment	45,100	143,156	(154,773)	11,617	45,100
Total liabilities and equity	\$ 53,463	\$ 483,328	\$ 145,261	\$ (60,442)	\$ 621,610

Table of Contents

The condensed consolidating balance sheet for BlueLinx Holdings Inc. as of January 3, 2009 follows (in thousands):

	BlueLinx Holdings Inc.	BlueLinx Corporation and Subsidiaries	LLC Subsidiaries	Eliminations	Consolidated
Assets:					
Current assets:					
Cash and cash equivalents	\$ 32	\$ 150,259	\$ 62	\$	\$ 150,353
Receivables		130,653			130,653
Inventories		189,482			189,482
Deferred income tax assets	290	11,578			11,868
Other current assets	371	33,678	3,302		37,351
Intercompany receivable	40,146	6,041		(46,187)	
Total current assets	40,839	521,691	3,364	(46,187)	519,707
Property and equipment:					
Land and land improvements		3,103	50,323		53,426
Buildings		7,497	88,662		96,159
Machinery and equipment		70,491			70,491
Construction in progress		2,035			2,035
Property and equipment, at cost		83,126	138,985		222,111
Accumulated depreciation		(50,150)	(19,186)		(69,336)
Property and equipment, net		32,976	119,799		152,775
Investment in subsidiaries	68,858			(68,858)	
Non-current deferred income tax assets		18,045		(577)	17,468
Other non-current assets		22,168	20,289		42,457
Total assets	\$ 109,697	\$ 594,880	\$ 143,452	\$ (112,320)	\$ 732,407
Liabilities:					
Current liabilities:					
Accounts payable	\$ 117	\$ 78,250	\$	\$	78,367
Bank overdrafts		24,715			24,715
Accrued compensation	687	10,865			11,552
Current maturities of long-term debt		60,000			60,000
Other current liabilities		20,934	3,612		24,546
Intercompany payable	6,041	38,924	1,222	(46,187)	
Total current liabilities	6,845	233,688	4,834	(46,187)	199,180
Non-current liabilities:					
Long-term debt		96,000	288,870		384,870

Non-current deferred income tax liabilities			577	(577)	
Other non-current liabilities		39,205	6,300		45,505
Total liabilities	6,845	368,893	300,581	(46,764)	629,555
Shareholders' Equity/Parents' Investment	102,852	225,987	(157,129)	(68,858)	102,852
Total liabilities and equity	\$ 109,697	\$ 594,880	\$ 143,452	\$ (115,622)	\$ 732,407

Table of Contents

The condensed consolidating statement of cash flows for BlueLinx Holdings Inc. for the period from January 4, 2009 to April 4, 2009 follows (in thousands):

	BlueLinx Holdings Inc.	BlueLinx Corporation and Subsidiaries	LLC Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net (loss) income	\$ (60,653)	\$ (61,077)	\$ 1,097	\$ 59,980	\$ (60,653)
Adjustments to reconcile net (loss) income to cash (used in) provided by operating activities:					
Depreciation and amortization		4,009	1,021		5,030
Amortization of debt issue costs		451	163		614
Charges associated with ineffective interest rate swap		4,832			4,832
Write-off of debt issue costs		1,407			1,407
Deferred income provision (benefit)	(13)	27,391	(148)		27,230
Share-based compensation expense	445	92			537
Equity in earnings of subsidiaries	59,980			(59,980)	
Changes in assets and liabilities:					
Receivables		(26,137)			(26,137)
Inventories		11,385			11,385
Accounts payable	21	21,887			21,908
Changes in other working capital	(849)	(3,641)	(118)		(4,608)
Intercompany receivable	(23,694)	(1,879)		25,573	
Intercompany payable	1,879	23,975	(281)	(25,573)	
Other		72	(2,878)		(2,806)
Net cash (used in) provided by operating activities	(22,884)	2,767	(1,144)		(21,261)
Cash flows from investing activities:					
Investment in subsidiaries	23,737			(23,737)	
Property, plant and equipment investments		(166)			(166)
Proceeds from disposition of assets		421			421
	23,737	255		(23,737)	255

Net cash provided by (used in)
investing activities

**Cash flows from financing
activities:**

Net transactions with Parent		(24,996)	1,259	23,737	
Repurchase of common stock	(792)				(792)
Net decrease in revolving credit facility		(60,000)			(60,000)
Decrease in bank overdrafts		(8,531)			(8,531)
Other	6				6
Net cash (used in) provided by financing activities	(786)	(93,527)	1,259	23,737	(69,317)
Increase (decrease) in cash	67	(90,505)	115		(90,323)
Balance, beginning of period	32	150,259	62		150,353
Balance, end of period	\$ 99	\$ 59,754	\$ 177	\$	\$ 60,030

Table of Contents

The condensed consolidating statement of cash flows for BlueLinx Holdings Inc. for the period from December 30, 2007 to March 29, 2008 follows (in thousands):

	BlueLinx Holdings Inc.	BlueLinx Corporation and Subsidiaries	LLC Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net income (loss)	\$ (10,591)	\$ (11,344)	\$ 945	\$ 10,399	\$ (10,591)
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities:					
Depreciation and amortization		3,898	1,070		4,968
Amortization of debt issue costs		452	156		608
Non-cash vacant property charges		208			208
Deferred income benefit	(25)	(2,651)	(211)		(2,887)
Share-based compensation credit		(114)			(114)
Excess tax deficiencies from share-based compensation arrangements		218			218
Equity in earnings of subsidiaries	10,399			(10,399)	
Changes in assets and liabilities:					
Receivables		(17,772)			(17,772)
Inventories		(15,325)			(15,325)
Accounts payable	2	9,199			9,201
Changes in other working capital	134	15,744	571	(61)	16,388
Intercompany receivable	(1,486)	611		875	
Intercompany payable	(611)	1,774	(349)	(814)	
Other		(5,991)			(5,991)
Net cash provided by (used in) operating activities	(2,178)	(21,093)	2,182		(21,089)
Cash flows from investing activities:					
Investment in subsidiaries	1,957			(1,957)	
Property, plant and equipment investments		(957)			(957)
Proceeds from disposition of assets		607			607

Net cash provided by (used in) investing activities	1,957	(350)		(1,957)	(350)
Cash flows from financing activities:					
Net transactions with Parent		220	(2,177)	1,957	
Proceeds from stock options exercised	434				434
Excess tax deficiencies from share-based compensation arrangements	(218)				(218)
Net increase in revolving credit facility		25,807			25,807
Decrease in bank overdrafts		(3,393)			(3,393)
Other	6				6
Net cash provided by (used in) financing activities	222	22,634	(2,177)	1,957	22,636
Increase in cash	1	1,191	5		1,197
Balance, beginning of period	3	15,699	57		15,759
Balance, end of period	\$ 4	\$ 16,890	\$ 62	\$	\$ 16,956

Table of Contents

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

The information contained in this Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) has been derived from our historical financial statements and is intended to provide information to assist you in better understanding and evaluating our financial condition and results of operations. We recommend that you read this MD&A section in conjunction with our condensed consolidated financial statements and notes to those statements included in Item 1 of this Quarterly Report on Form 10-Q, as well as our Annual Report on Form 10-K for the year ended January 3, 2009 as filed with the U.S. Securities and Exchange Commission (the SEC). This MD&A section is not a comprehensive discussion and analysis of our financial condition and results of operations, but rather updates disclosures made in the aforementioned filing. The discussion below contains 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. These 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, intend, project, plan, will be, will likely continue, words or phrases of similar meaning. All of these forward-looking statements are based on estimates and assumptions made by our management 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 Factors Affecting Future Results in our Annual Report on Form 10-K for the year ended January 3, 2009 as filed with the SEC 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 management to predict all of these risks, nor can it 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, especially as a result of conditions in the residential housing market;

- inventory levels of new and existing homes for sale;

- general economic and business conditions in the United States;

- the financial condition and credit worthiness of our customers;

- the activities of competitors;

- changes in significant operating expenses;

- fuel costs;

- risk of losses associated with accidents;

- exposure to product liability claims;

- changes in the availability of capital and interest rates;

- immigration patterns and job and household formation;

- 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, including the credit markets; and

the other factors described herein under **Factors Affecting Future Results** in our Annual Report on Form 10-K for the year ended January 3, 2009 as filed with the SEC.

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.

Table of Contents

Overview

Background

We are a leading distributor of building products in the United States. We distribute approximately 10,000 products to more than 11,500 customers through our network of more than 70 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, oriented strand board (OSB), rebar and remesh, lumber and other wood products primarily used for structural support, walls and flooring in construction projects. Structural products represented approximately 44% of our first quarter of fiscal 2009 gross sales. 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 56% of our first quarter of fiscal 2009 gross sales.

Industry Conditions

As noted above, we operate in a changing environment in which new risks can emerge from time to time. A number of factors cause our results of operations to fluctuate from period to period. Many of these factors are seasonal or cyclical in nature. Conditions in the United States housing market are at historically low levels. Our operating results have declined during the past several years as they are closely tied to U.S. housing starts. Additionally, the mortgage markets have experienced substantial disruption due to a rising number of defaults in the subprime market. This disruption and the related defaults have increased the inventory of homes for sale and also have caused lenders to tighten mortgage qualification criteria which further reduces demand for new homes. Forecasters continue to have a bearish outlook for the housing market and we expect the downturn in new housing activity will continue to negatively impact our operating results for the foreseeable future. We continue to prudently manage our inventories, receivables and spending in this environment. However, along with many forecasters, we believe U.S. housing demand will improve in the long term based on population demographics and a variety of other factors.

Supply Agreement with Georgia-Pacific

On April 27, 2009, we entered into a Termination and Modification Agreement (Modification Agreement) related to our Master Purchase, Supply and Distribution Agreement with Georgia-Pacific. The Modification Agreement effectively terminates the existing Supply Agreement with respect to the distribution of Georgia-Pacific plywood, oriented strand board and lumber by us. Exhibit B of the Supply Agreement, which covers decorative paneling products, is excluded from the termination and shall remain in force until May 7, 2010. We will continue to distribute a variety of Georgia-Pacific building products, including Engineered Lumber, which is covered under a three-year purchase agreement dated February 12, 2009.

As previously announced on June 6, 2008, Georgia-Pacific provided us with notice of its intent to terminate the Supply Agreement, effective May 7, 2010. Georgia-Pacific agreed to pay us \$18.8 million in exchange for our agreement to enter into the Modification Agreement one-year earlier than the originally agreed upon termination date of the Supply Agreement. We will receive four quarterly cash payments of \$4.7 million beginning on May 1, 2009. We expect to record a net gain of approximately \$17.3 million related to this transaction in the second quarter of fiscal 2009 as a reduction to operating expense. The early termination of the Supply Agreement also provides us the opportunity to pursue strategic relationships with other suppliers and customers which were previously prohibited by the terms of the Supply Agreement.

Table of Contents**Selected Factors Affecting Our Operating Results**

Our operating results are affected by housing starts, mobile home production, industrial production, repair and remodeling spending and non-residential construction. Our operating results are also impacted by changes in product prices. Structural product prices can vary significantly based on short-term and long-term changes in supply and demand. The prices of specialty products can also vary from time to time, although they are generally 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 versus comparable prior periods, in each case for the first quarter of fiscal 2009, the first quarter of fiscal 2008, fiscal 2008 and fiscal 2007.

	Fiscal Q1 2009	Fiscal Q1 2008	Fiscal 2008	Fiscal 2007
	(Dollars in millions)			
	(Unaudited)			
<i>Sales by Category</i>				
Structural Products	\$ 182	\$ 373	\$ 1,422	\$ 2,098
Specialty Products	234	354	1,412	1,802
Other(1)	(9)	(10)	(54)	(66)
Total Sales	\$ 407	\$ 717	\$ 2,780	\$ 3,834
<i>Sales Variances</i>				
Unit Volume \$ Change	\$ (302)	\$ (246)	\$ (1,161)	\$ (896)
Price/Other(1)	(8)	6	107	(169)
Total \$ Change	\$ (310)	\$ (240)	\$ (1,054)	\$ (1,065)
 Unit Volume % Change	 (41.6)%	 (25.2)%	 (29.7)%	 (18.0)%
Price/Other(1)	(1.6)%	0.1%	2.2%	(3.7)%
Total % Change	(43.2)%	(25.1)%	(27.5)%	(21.7)%

(1) 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 the first quarter of fiscal 2009, the first quarter of fiscal 2008, fiscal 2008 and fiscal 2007.

	Fiscal Q1 2009	Fiscal Q1 2008	Fiscal 2008	Fiscal 2007
	(Dollars in millions)			
	(Unaudited)			

Gross Margin \$ s by Category

Edgar Filing: BlueLinx Holdings Inc. - Form 10-Q

Structural Products	\$	17	\$	32	\$	134	\$	173
Specialty Products		31		50		200		238
Other(1)		(4)		(4)		(19)		(19)
Total Gross Margin \$ s	\$	44	\$	78	\$	315	\$	392

Gross Margin % s by Category

Structural Products	9.3%	8.6%	9.4%	8.2%
Specialty Products	13.2%	14.2%	14.2%	13.2%
Total Gross Margin % s	10.9%	10.9%	11.3%	10.2%

Unit Volume Change by Product

Structural Products	(46.4)%	(27.8)%	(34.6)%	(19.2)%
Specialty Products	(36.7)%	(22.3)%	(24.0)%	(16.4)%
Total Unit Volume Change % s	(41.6)%	(25.2)%	(29.7)%	(18.0)%

(1) Other includes unallocated allowances and discounts.

Table of Contents

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 the first quarter of fiscal 2009, the first quarter of fiscal 2008, fiscal 2008 and fiscal 2007.

	Fiscal Q1 2009	Fiscal Q1 2008	Fiscal 2008	Fiscal 2007
	(Dollars in millions)			
	(Unaudited)			
<i>Sales by Channel</i>				
Warehouse/Reload	\$ 295	\$ 512	\$ 2,044	\$ 2,763
Direct	121	215	790	1,137
Other(1)	(9)	(10)	(54)	(66)
Total	\$ 407	\$ 717	\$ 2,780	\$ 3,834
<i>Gross Margin by Channel</i>				
Warehouse/Reload	\$ 40	\$ 69	\$ 284	\$ 344
Direct	8	13	50	67
Other(1)	(4)	(4)	(19)	(19)
Total	\$ 44	\$ 78	\$ 315	\$ 392
<i>Gross Margin % by Channel</i>				
Warehouse/Reload	13.6%	13.5%	13.9%	12.5%
Direct	6.6%	6.0%	6.3%	5.9%
Total	10.9%	10.9%	11.3%	10.2%

(1) Other includes unallocated allowances and discounts.

Fiscal Year

Our fiscal year is a 52- or 53-week period ending on the Saturday closest to the end of the calendar year. Fiscal year 2009 and fiscal year 2008 contain 52 weeks and 53 weeks, respectively.

Results of Operations***First Quarter of Fiscal 2009 Compared to First Quarter of Fiscal 2008***

The following table sets forth our results of operations for the first quarter of fiscal 2009 and first quarter of fiscal 2008.

Period from January 4, 2009 to April 4, 2009	% of Net Sales	Period from December 30, 2007 to March 29, 2008	% of Net Sales
---	------------------------------------	--	------------------------------------

Edgar Filing: BlueLinx Holdings Inc. - Form 10-Q

	(Unaudited)		(Unaudited)	
		(Dollars in thousands)		
Net sales	\$ 407,111	100.0%	\$ 716,760	100.0%
Gross profit	44,276	10.9%	77,803	10.9%
Selling, general & administrative	57,665	14.2%	80,635	11.2%
Depreciation and amortization	5,030	1.2%	4,968	0.7%
Operating loss	(18,419)	(4.5)%	(7,800)	(1.1)%
Interest expense, net	8,117	2.0%	9,354	1.3%
Charges associated with ineffective interest rate swap	4,832	1.2%		0.0%
Write-off of debt issue costs	1,407	0.3%		0.0%
Other (income) expense, net	(157)	0.0%	130	0.0%
Loss before provision for (benefit from) income taxes	(32,618)	(8.0)%	(17,284)	(2.4)%
Provision for (benefit from) income taxes	28,035	6.9%	(6,693)	(0.9)%
Net loss	\$ (60,653)	(14.9)%	\$ (10,591)	(1.5)%

Table of Contents

Net Sales. For the first quarter of fiscal 2009, net sales decreased by 43.2%, or \$310 million, to \$407 million. Sales during the quarter were negatively impacted by a 51% decline in housing starts. New home construction has a significant impact on our sales. 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 \$120 million or 33.9% compared to the first quarter of fiscal 2008, primarily due to a 36.7% decrease in unit volume slightly offset by an increase in price of 2.8%. Structural sales, including plywood, OSB, lumber and metal rebar, decreased by \$191 million, or 51.2% from a year ago, primarily as a result of a 46.4% decrease in unit volume and a decrease in price of 4.8%.

Gross Profit. Gross profit for the first quarter of fiscal 2009 was \$44.3 million, or 10.9% of sales, compared to \$77.8 million, or 10.9% of sales, in the prior year period. The decrease in gross profit dollars compared to the first quarter of fiscal 2008 was driven primarily by a decrease in specialty and structural product volumes due to the continued decline in the housing market. The current quarter gross margin percentage of 10.9% is line with the year ago quarter gross margin percentage primarily due to our continued focus on maintaining gross margins through our ongoing management of product pricing and a slight shift in channel mix.

Selling, General, and Administrative Expenses. Selling, general and administrative expenses for the first quarter of fiscal 2009 were \$57.7 million, or 14.2% of net sales, compared to \$80.6 million, or 11.2% of net sales, during the first quarter of fiscal 2008. The decline in operating expenses is due to our continuing efforts to reduce ongoing operating expenses resulting in reduced payroll, commissions, and other operating expenses. Operating expenses for the first quarter of fiscal 2009 and the first quarter of fiscal 2008 include severance-related charges of \$1.1 million and \$2.0 million, respectively.

Depreciation and Amortization. Depreciation and amortization expense totaled \$5.0 million for the first quarter of fiscal 2009 and for the first quarter of fiscal 2008.

Operating Loss. Operating loss for the first quarter of fiscal 2009 was \$18.4 million, or 4.5% of sales, compared to an operating loss of \$7.8 million, or 1.1% of sales, in the first quarter of fiscal 2008, reflecting a decrease in gross profit that was partially offset by a \$22.9 million decrease in operating expenses.

Interest Expense, net. Interest expense totaled \$8.1 million for the first quarter of fiscal 2009, down \$1.2 million from the prior year period due to lower interest rates and lower debt levels. Interest expense related to our revolving credit facility and mortgage was \$2.9 million and \$4.6 million, respectively, during this period. Interest expense totaled \$9.4 million for the first quarter of fiscal 2008. Interest expense related to our revolving credit facility and mortgage was \$4.1 million and \$4.7 million, respectively, during the first quarter of fiscal 2008. In the first quarter of fiscal 2009 and the first quarter of fiscal 2008, interest expense included \$0.6 million of debt issue cost amortization.

Charges associated with ineffective interest rate swap. Charges associated with the ineffective interest rate swap recognized during the first quarter of fiscal 2009 were approximately \$4.8 million (\$2.9 million, net of tax) and are comprised of a \$5.9 million (\$3.6 million, net of tax) charge on the date we reduced our borrowings outstanding under the revolving credit facility below the interest rate swap's notional amount, \$1.0 million (\$0.6 million, net of tax) of amortization of accumulated other comprehensive loss and \$(2.1) million (\$1.3) million, net of tax) related to fair value changes since the date of the reduction.

Write-off debt issue costs. During the first quarter of fiscal 2009, we elected to permanently reduce our revolving loan threshold limit from \$800 million to \$500 million effective March 30, 2009. As a result of this action, we recorded expense of \$1.4 million (\$0.9 million, net of tax) for the write-off of deferred financing costs that had been capitalized associated with the portion of the revolver that was reduced in the first quarter of fiscal 2009.

Table of Contents

Provision for (Benefit from) Income Taxes. The effective tax rate was (85.9)% and 38.7% for the first quarter of fiscal 2009 and the first quarter of fiscal 2008, respectively. The decrease in the effective rate is primarily due to recognizing a full valuation allowance in the first quarter of fiscal 2009. In evaluating our ability to recover our deferred income tax assets, we considered 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, our forecast of future taxable income and an excess of appreciated assets over the tax basis of our net assets. In estimating future taxable income, we developed assumptions including the amount of future state and federal pretax operating and non-operating income, the reversal of temporary differences and the implementation of feasible and prudent tax planning strategies. These assumptions required significant judgment about the forecasts of future taxable income. We considered all of the available positive and negative evidence. Based on the weight of available evidence, we recorded a full valuation allowance of \$40.2 million against deferred tax assets during the first quarter of fiscal 2009. We may still utilize available U.S. federal tax loss carryforwards to offset future taxable income generated, but based on generally accepted accounting principles, we were required to record a valuation allowance for these assets during the first quarter of fiscal 2009.

Net Loss. Net loss for the first quarter of fiscal 2009 was \$60.7 million compared to net loss of \$10.6 million for the first quarter of fiscal 2008.

On a per-share basis, basic and diluted loss applicable to common stockholders for the first quarter of fiscal 2009 and for the first quarter of fiscal 2008 were \$1.95 and \$0.34, 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. Although, we generally expect these trends to continue for the foreseeable future, we have reduced our inventory as part of our effort to manage to the current weakened demand environment in the housing market.

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, dividends 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.

The credit markets have recently experienced adverse conditions, which may adversely affect our lenders ability to fulfill their commitment under our revolving credit facility. Based on information available to us as of the filing date of this Form 10-Q, we have no indications that the financial institutions included in our revolving credit facility would be unable to fulfill their commitments.

We may elect 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. For a discussion of the risks associated with acquisitions, 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" in our Annual Report on Form 10-K for the year ended January 3, 2009 as filed with the SEC.

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

April 4, 2009 January 3, 2009
(Dollars in thousands)
(Unaudited)

Working capital	\$	269,897	\$	320,527
-----------------	----	---------	----	---------

Table of Contents

	Period from January 4, 2009 to April 4, 2009 (Dollars in thousands) (Unaudited)	Period from December 30, 2007 to March 29, 2008 (Dollars in thousands) (Unaudited)
Cash flows used in operating activities	\$ (21,261)	\$ (21,089)
Cash flows provided by (used in) investing activities	255	(350)
Cash flows (used in) provided by financing activities	\$ (69,317)	\$ 22,636

Working Capital

Working capital decreased by \$50.6 million to \$270 million at April 4, 2009 primarily as a result of the net loss recorded for the period as well as decreases in inventories and increases in accounts payable partially offset by decreases in current maturities of long-term debt, increases in accounts receivable, and decreases in cash. The \$60.0 million of cash on our balance sheet at April 4, 2009 primarily reflects cash generated due to reductions in working capital during fiscal 2008 and customer remittances received in our lock boxes on Friday and Saturday that are not available until Monday, which is part of the following fiscal period.

Operating Activities

During the first quarter of fiscal 2009, cash flows used in operating activities totaled \$21.3 million. The primary driver of cash flow used in operations was a net loss, as adjusted for non-cash charges, of \$21.0 million.

During the first quarter of fiscal 2008, cash flows used in operating activities totaled \$21.1 million. The primary driver of cash flow used in operations was a net loss, as adjusted for non-cash charges, of \$8.0 million and increases in working capital of \$7.3 million. In addition, our cash collateral related to our interest rate swap increased by \$4.0 million.

Investing Activities

During the first quarter of fiscal 2009 and fiscal 2008, cash flows provided by (used in) investing activities totaled \$0.3 million and \$(0.4) million, respectively.

During the first quarter of fiscal 2009 and fiscal 2008, our expenditures for property and equipment were \$0.2 million and \$1.0 million, respectively. Our capital expenditures for fiscal 2009 are anticipated to be paid from current cash.

Proceeds from the disposition of property totaled \$0.4 million and \$0.6 million for the first quarter of fiscal 2009 and fiscal 2008, respectively.

Financing Activities

Net cash (used in) provided by financing activities was \$(69.3) million and \$22.6 million during the first quarter of fiscal 2009 and the first quarter of fiscal 2008, respectively. The net cash used in financing activities in the first quarter of fiscal 2009 primarily reflected the decrease in our revolving credit facility of \$60.0 million and a decrease in bank overdrafts of \$8.5 million. The net cash provided by financing activities for the first quarter of fiscal 2008 primarily reflected a \$25.8 million increase in our revolving credit facility offset by a decrease in bank overdrafts of \$3.4 million. We paid no dividends to our common stockholders in the first quarters of fiscal 2009 and fiscal 2008.

Debt and Credit Sources

As of April 4, 2009, advances outstanding under our revolving credit facility were approximately \$96.0 million. Borrowing availability was approximately \$180 million and outstanding letters of credit on this facility were approximately \$12.9 million. As of April 4, 2009, the interest rate on outstanding balances under the revolving credit facility was 2.8%.

Table of Contents

During the first quarter of fiscal 2009, we elected to permanently reduce our revolving loan threshold limit from \$800 million to \$500 million effective March 30, 2009. The reduction in the revolving loan threshold limit does not impact our available borrowing capacity under our revolving credit facility as our current eligible accounts receivable and inventory (our borrowing base) do not support up to \$800 million in borrowings. We do not anticipate our borrowing base will support borrowings in excess of \$500 million at any point during the remaining life of the credit facility. This cost-saving initiative will allow us to reduce our interest expense \$0.8 million per year by lowering our unused line fees. As a result of this action, we recorded expense of \$1.4 million for the write-off (\$0.9 million, net of tax) of deferred financing costs that had been capitalized associated with the portion of the revolver that was reduced in the first quarter of fiscal 2009.

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 30-day LIBOR and to pay interest monthly at a fixed rate of 5.4%. This interest rate swap was designated as a cash flow hedge.

At April 4, 2009 and January 3, 2009, the fair value of the interest rate swap was a liability of \$12.7 million and \$13.2 million, respectively. These balances were included in Other current liabilities and Other long-term liabilities on the Consolidated Balance Sheet.

Through January 3, 2009, the hedge was highly effective in offsetting changes in expected cash flows. Fluctuations in the fair value of the ineffective portion, if any, of the cash flow hedge are reflected in current period earnings. For the first quarter of fiscal 2008, we recognized immaterial amounts of expense related to the ineffective portion of the hedge.

During the first quarter of fiscal 2009, we reduced our borrowings under the revolving credit facility by \$60.0 million, which reduced outstanding debt below the interest rate swap's notional amount of \$150 million, at which point the hedge became ineffective in offsetting future changes in expected cash flows during the remaining term of the interest rate swap. We used cash on hand to pay down this portion of our revolving credit debt. Charges associated with the ineffective interest rate swap recognized in the Consolidated Statement of Operations were approximately \$4.8 million (\$2.9 million, net of tax) and are comprised of a \$5.9 million (\$3.6 million, net of tax) charge on the date we reduced our borrowings outstanding under the revolving credit facility below the interest rate swap's notional amount, \$1.0 million (\$0.6 million, net of tax) of amortization of accumulated other comprehensive loss and \$(2.1) million \$(1.3) million, net of tax) related to fair value changes since the date of the reduction.

On May 1, 2009, we used cash on hand to reduce our borrowings under the revolving credit facility by an additional \$15.0 million. This repayment will result in a second quarter non-cash charge of approximately \$1.3 million recorded in interest expense at the payment date. The remaining \$6.2 million of accumulated other comprehensive loss will be amortized over the remaining 25 month term of the interest rate swap and recorded as interest expense. Approximately \$3.4 million will be amortized over the next 12 months and recorded as interest expense. All future changes in the fair value of the interest rate swap during the remaining term of the interest rate swap will be recorded as interest expense. Any further reductions in borrowings under our revolving credit facility will result in a pro-rata reduction in accumulated other comprehensive loss at the payment date with a corresponding charge recorded to interest expense. The following table presents a reconciliation of our interest rate swap measured at fair value in accumulated other comprehensive loss as of April 4, 2009 (in thousands, net of tax):

Balance at January 3, 2009	\$ 8,038
Increase in fair value included in accumulated other comprehensive loss	937
Charges associated with ineffective interest rate swap	(4,168)
Balance at April 4, 2009	\$ 4,807

On June 9, 2006, certain special purpose entities that are wholly-owned subsidiaries of ours entered into a \$295 million mortgage loan. During the fourth quarter of fiscal 2008, we reduced the principal amount of the mortgage loan by \$6.1 million. The mortgage has a term of ten years and is now secured by 56 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. This mortgage replaced our previously existing \$165 million floating rate mortgage, which had a 7.4% interest rate when it was terminated, with a fixed rate mortgage loan.

Table of Contents

Contractual Obligations

On April 27, 2009, we executed an agreement with Georgia-Pacific to terminate our Supply Agreement with respect to the distribution of Georgia-Pacific plywood, OSB, and lumber by us. As a result of terminating this agreement, we are no longer contractually obligated to make minimum purchases of products from Georgia-Pacific. As of January 3, 2009, our minimum purchases requirement had totaled \$31.9 million. There have been no other changes to our contractual obligations since the filing of our 2008 Form 10-K

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 our 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 Emerging Issues Task Force 99-19, Reporting Revenue Gross as a Principal versus Net as an Agent (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 estimated obligations and our historical experience.

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 April 4, 2009 and January 3, 2009, these reserves totaled \$11.0 million and \$10.1 million, respectively. Adjustments to earnings resulting from revisions to estimates on discounts and uncollectible accounts have been insignificant.

Table of Contents

Inventory Valuation

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 April 4, 2009 and January 3, 2009, the lower of cost or market reserve totaled \$0.6 million and \$3.4 million, respectively.

Additionally, we maintain a reserve for the estimated value impairment associated with damaged, excess and obsolete inventory. The damaged, excess and obsolete reserve generally includes discontinued items or inventory that has turn days in excess of 270 days, excluding new items during their product launch, or discontinued items. At April 4, 2009 and January 3, 2009, our damaged, excess and obsolete inventory reserves totaled \$3.7 million and \$4.0 million, respectively. Adjustments to earnings resulting from revisions to damaged, excess and obsolete estimates have been insignificant.

Stock-Based Compensation

Under SFAS 123R, we recognize compensation expense equal to the grant-date fair value for all share-based payment awards that are expected to vest. This expense is recorded on a straight-line basis over the requisite service period of the entire award, unless the awards are subject to market or performance conditions, in which case we recognize compensation expense over the requisite service period of each separate vesting tranche. All compensation expense related to our share-based payment awards is recorded in Selling, general and administrative expense in the Consolidated Statement 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 April 4, 2009, there was \$1.4 million, \$4.6 million, \$0.1 million and \$0.5 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 1.9 years, 2.0 years, 1.0 years and 1.7 years, respectively. As of January 3, 2009, there was \$1.7 million, \$3.7 million, \$0.1 million and \$0.7 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 2.1 years, 2.0 years, 1.0 years and 2.0 years, respectively. For the first quarter of fiscal 2009 and for the first quarter of fiscal 2008, our total stock-based compensation expense was \$0.6 million and \$0.1 million, respectively. We also recognized related income tax benefits of \$0.2 million, \$0.02 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 April 4, 2009 and January 3, 2009, the vendor rebate receivable totaled \$4.4 million and \$6.3 million, respectively.

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 April 4, 2009 and January 3, 2009, the customer rebate payable totaled \$3.6 million and \$7.3 million, respectively. Adjustments to earnings resulting from revisions to rebate estimates have been insignificant.

Table of Contents

Fair Value Measurements

We apply Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS 157), which defines fair value, establishes a framework for measuring fair value under GAAP, and expands disclosures about fair value measurements to all applicable financial and non-financial assets. SFAS 157, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). SFAS 157 classifies inputs used to measure fair value into the following hierarchy:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities.

- Level 2 Unadjusted quoted prices in active markets for similar assets or liabilities, or
 Unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active,
 or
 Inputs other than quoted prices that are observable for the asset or liability.

- Level 3 Unobservable inputs for the asset or liability.

We are exposed to market risks from changes in interest rates, which may affect our operating results and financial position. When deemed appropriate, we minimize our risks from interest rate fluctuations through the use of an interest rate swap. This derivative financial instrument is used to manage risk and is not used for trading or speculative purposes. The swap is valued using a valuation model that has inputs other than quoted market prices that are both observable and unobservable.

We endeavor to utilize the best available information in measuring the fair value of the interest rate swap. The interest rate swap is classified in its entirety based on the lowest level of input that is significant to the fair value measurement. To determine fair value of the interest rate swap we used the discounted estimated future cash flows methodology. Assumptions critical to our fair value in the period were: (i) the present value factors used in determining fair value (ii) projected LIBOR, and (iii) the risk of counterparty non-performance risk. These and other assumptions are impacted by economic conditions and expectations of management. We have determined that the fair value of our interest rate swap is a level 3 measurement in the fair value hierarchy. The level 3 measurement is the risk of counterparty non-performance on the interest rate swap liability that is not secured by cash collateral. The risk of counterparty non-performance did not affect the fair value at April 4, 2009 and at January 3, 2009 due to the fact that the interest rate swap was supported by cash collateral. The fair value of the interest rate swap was a liability of \$12.7 million and \$13.2 million at April 4, 2009 and January 3, 2009, respectively. These balances were included in

Other current liabilities and Other non-current liabilities on our Consolidated Balance Sheets.

Impairment of Long-Lived Assets

Under Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS 144), 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. Our fair value estimate for fixed assets and intangible long-lived assets are considered to be level 3 measurements in the fair value hierarchy as defined in Note 10 in our Annual Report on Form 10-K for the year ended January 3, 2009. 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.

Income Taxes

Our financial statements contain certain deferred tax assets which have arisen primarily as a result of tax benefits associated with the loss before income tax incurred during fiscal 2008 and the first quarter of fiscal 2009, as well as deferred income tax assets resulting from temporary differences in prior tax years. SFAS No. 109, Accounting for Income Taxes (SFAS 109), requires the consideration of a valuation allowance to reflect the likelihood of realization of deferred tax assets. Significant management judgment is required in determining any valuation allowance recorded against net deferred tax assets. In evaluating our ability to recover our deferred income tax assets, we considered 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, our forecast of future taxable income and an excess of appreciated assets over the tax basis of our net assets. In estimating future taxable income, we developed assumptions including the amount of future state and federal pretax operating and non-operating income, the reversal of temporary differences and the implementation of feasible and prudent tax planning strategies. These assumptions required significant judgment about the forecasts of future taxable income. We considered all of the available positive and negative evidence. Based on the weight of available evidence, we recorded a full valuation allowance of \$40.2 million against deferred tax assets during the first quarter of fiscal 2009. The establishment of this valuation allowance during the first quarter of fiscal 2009 was offset by the tax benefit realized as a result of the first quarter of fiscal 2009 pre-tax loss incurred by us and resulted in an income tax expense of \$28.0 million for the quarter.

Table of Contents

If the realization of deferred tax assets in the future is considered more likely than not, a reduction to the valuation allowance related to the deferred tax assets would increase net income in the period such determination is made. The amount of the deferred tax asset considered realizable is based on significant estimates, and it is possible that changes in these estimates could materially affect the financial condition and results of operations. Our effective tax rate may vary from period to period based on changes in estimated taxable income or loss; changes to the valuation allowance; changes to federal or state tax laws; and as a result of acquisitions.

Restructuring Charges

During fiscal 2008 and fiscal 2007, we vacated leased office space. We accounted for these transactions in accordance with Statement of Financial Accounting Standards No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* (SFAS 146), which requires that a liability be recognized for a 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 included accruals for estimated losses on facility costs 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. At April 4, 2009 and January 3, 2009, the reserve for exit costs totaled \$13.6 million and \$14.1 million, respectively.

Self-Insurance

It is our policy to self-insure, up to certain limits, traditional risks including workers' compensation, comprehensive general liability, and auto liability. Our self-insured deductible for each claim involving workers' compensation, comprehensive general liability (including product liability claims), and auto liability is limited to \$0.8 million, \$1.0 million, and \$2.0 million, respectively. We are also self-insured up to certain limits for certain other insurable risks, primarily physical loss to property (\$0.1 million per occurrence) and the majority of our medical benefit plans. Insurance coverage is maintained for catastrophic property and casualty exposures as well as those risks required to be insured by law or contract. A provision for claims under this self-insured program, based on our estimate of the aggregate liability for claims incurred, is revised and recorded annually. The estimate is derived from both internal and external sources including but not limited to actuarial estimates. The actuarial estimates are subject to uncertainty from various sources, including, among others, changes in claim reporting patterns, claim settlement patterns, judicial decisions, legislation, and economic conditions. Although, we believe that the actuarial estimates are reasonable, significant differences related to the items noted above could materially affect our self-insurance obligations, future expense and cash flow. At April 4, 2009 and January 3, 2009, the self-insurance reserves totaled \$8.8 million and \$8.9 million, respectively.

Recently Issued Accounting Pronouncements

In April 2009, the FASB issued FASB Staff Position No. 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments*, (FSP 107-1), which will require that the fair value disclosures required for all financial instruments within the scope of Statement of Financial Accounting Standards No. 107, *Disclosures about Fair Value of Financial Instruments*, (SFAS 107) be included in interim financial statements. This FSP also requires entities to disclose the method and significant assumptions used to estimate the fair value of financial instruments on an interim and annual basis and to highlight any changes from prior periods. FSP 107-1 will be effective for interim periods ending after June 15, 2009. The adoption of FSP 107-1 is not expected to have a material impact on our Consolidated Financial Statements.

In December 2008, the FASB issued FASB Staff Position No. 132(R)-1, *Employers' Disclosures about Pensions and Other Postretirement Benefits* (FSP 132R-1). FSP 132R-1 requires enhanced disclosures about the plan assets of our defined benefit pension and other postretirement plans. The enhanced disclosures required by this FSP are intended to provide users of financial statements with a greater understanding of: (1) how investment allocation decisions are made, including the factors that are pertinent to an understanding of investment policies and strategies; (2) the major categories of plan assets; (3) the inputs and valuation techniques used to measure the fair value of plan assets; (4) the effect of fair value measurements using significant unobservable inputs (Level 3) on changes in plan assets for the

period; and (5) significant concentrations of risk within plan assets. FSP 132R-1 is effective for us for the year ending January 2, 2010.

Table of Contents

In June 2008, the FASB issued FSP No. Emerging Issues Task Force (EITF) 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities (FSP 03-6-1). FSP 03-6-1 clarifies that unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and are to be included in the computation of earnings per share under the two-class method described in Statement of Financial Accounting Standards No. 128, Earnings Per Share. This FSP was effective for us on January 4, 2009 and requires all presented prior-period earnings per share data to be adjusted retrospectively. The adoption of FSP 03-6-1 did not have an impact on our Consolidated Financial Statements. For additional information about our share-based payment awards, refer to Note 5 of the Notes to Consolidated Financial Statements in our 2008 Form 10-K.

In May 2008, the FASB issued Statement of Financial Accounting Standards No. 162, The Hierarchy of Generally Accepted Accounting Principles (SFAS 162). SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements that are presented in conformity with generally accepted accounting principles in the United States. This Statement is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411,

The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles. We do not expect SFAS 162 to have a material impact on our Consolidated Financial Statements.

In April 2008, the FASB issued FASB Staff Position No. 142-3, Determination of the Useful Life of Intangible Assets (FSP 142-3). FSP 142-3 amends the factors to be considered in developing renewal or extension assumptions used to determine the useful life of intangible assets under Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets. Its intent is to improve the consistency between the useful life of an intangible asset and the period of expected cash flows used to measure its fair value. FSP 142-3 was effective for us on January 4, 2009. The adoption of FSP 142-3 did not have an impact on our Consolidated Financial Statements.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, Disclosures about Derivative Instruments and Hedging Activities - An Amendment of SFAS 133 (SFAS 161). SFAS 161 seeks to improve financial reporting for derivative instruments and hedging activities by requiring enhanced disclosures regarding the impact on financial position, financial performance, and cash flows. To achieve this increased transparency, SFAS 161 requires (1) the disclosure of the fair value of derivative instruments and gains and losses in a tabular format; (2) the disclosure of derivative features that are credit risk-related; and (3) cross-referencing within the footnotes. SFAS 161 was effective for us, on a prospective basis, on January 4, 2009. The adoption of SFAS 161 did not have a material impact on our Consolidated Financial Statements.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 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 non-controlling 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. SFAS 141R was effective for us, on a prospective basis, on January 4, 2009. We expect SFAS 141R will have an impact on our accounting for business combinations, but the effect is dependent upon the acquisitions that are made in the future.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in market risk from the information provided in Part II, Item 7A Quantitative and Qualitative Disclosures About Market Risk in our Annual Report on Form 10-K for the fiscal year ended January 3, 2009, other than those discussed below.

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 have an immaterial impact based on borrowings outstanding at April 4, 2009. Additionally, to the extent changes in interest rates impact the housing market, demand for our products would be impacted by such changes.

Table of Contents

ITEM 4. CONTROLS AND PROCEDURES

Our management performed an evaluation, as of the end of the period covered by this report on Form 10-Q, under the supervision of our chief executive officer and chief financial officer of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in rule 13a-15(e) and 15d-15(e) of the Securities and Exchange Act of 1934, as amended (the Exchange Act)). Based on that evaluation, our chief executive officer and chief financial officer have concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to our management including our chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

During the quarter ended April 4, 2009, there were no material changes to our previously disclosed legal proceedings. Additionally, 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.

ITEM 1A. RISK FACTORS

There have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for the year ended January 3, 2009 as filed with the SEC, except as noted below.

Georgia-Pacific is our largest supplier, accounting for approximately 21% and approximately 25% of our purchases during fiscal 2008 and fiscal 2007, respectively. On May 7, 2004, we entered into a multi-year Supply Agreement with Georgia-Pacific. The Supply Agreement had a five-year initial term expiring on May 7, 2009. On June 6, 2008, Georgia-Pacific notified us of its intent to terminate this Supply Agreement, effective May 7, 2010. On April 27, 2009, we entered into a Termination and Modification Agreement (Modification Agreement) related to our Master Purchase, Supply and Distribution Agreement with Georgia-Pacific. The Modification Agreement effectively terminates the existing Supply Agreement with respect to the distribution of Georgia-Pacific plywood, oriented strand board and lumber by us. Exhibit B of the Supply Agreement, which covers decorative paneling products, is excluded from the termination and shall remain in force until May 7, 2010. We will continue to distribute a variety of Georgia-Pacific building products, including Engineered Lumber, which is covered under a three-year purchase agreement dated February 12, 2009. If Georgia-Pacific and BlueLinx are unable to agree on supply arrangements for products other than engineered lumber or Georgia-Pacific otherwise discontinues sales of product to us, we could experience a product shortage unless and until we obtain a replacement supplier or suppliers. We may not be able to obtain replacement products on favorable economic terms. An inability to replace products on favorable economic terms could adversely impact our net sales and our costs, which in turn could impact our gross profit, net income and cash flows.

Table of Contents**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

On December 22, 2008, our Board of Directors (the Board) approved a stock repurchase program to acquire up to \$10,000,000 of our outstanding common stock through December 22, 2010. The share repurchases will be made from time to time at our discretion in the open market or privately negotiated transactions as permitted by securities laws and other legal requirements, and subject to market conditions and other factors. The Board may modify, suspend, extend or terminate the program at any time.

The table below sets forth repurchases made pursuant to the program for the periods indicated during the first quarter of fiscal 2009.

Period	Total Number of Shares	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program	
January 4 – February 3	92,000	\$ 2.50	92,000	\$	9,770,000
February 4 – March 3	138,262	\$ 2.17	230,262	\$	9,469,971
March 4 – April 4	132,756	\$ 1.97	363,018	\$	9,208,442
Total	363,018	\$ 2.18	363,018	\$	9,208,442

Table of Contents

ITEM 6. EXHIBITS

Exhibit Number	Description
10.1	Settlement Agreement and General Release between Duane Goodwin and BlueLinx Corporation dated March 27, 2009
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Table of Contents

SIGNATURES

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

BlueLinx Holdings Inc.

(Registrant)

Date: May 12, 2009

/s/ H. Douglas Goforth

H. Douglas Goforth

Chief Financial Officer and Treasurer

(Principal Accounting and Financial Officer)

Table of Contents

EXHIBIT INDEX

Exhibit Number	Description
10.1	Settlement Agreement and General Release between Duane Goodwin and BlueLinx Corporation dated March 27, 2009.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.