

**OfficeMax Timber Notes  
Frequently Asked Questions and Impact to Financial Statements  
April 2010**

Our responses to these Frequently-Asked Questions contain forward-looking statements. We cannot guarantee that actual results will be consistent with the forward-looking statements. All responses are valid only as of the date of these Frequently-Asked Questions and we do not assume an obligation to update any forward-looking statement.

**Can you describe the timberland sale transaction?**

In October 2004, as part of a larger transaction, OfficeMax Incorporated (the "Company"), formerly known as Boise Cascade Corporation, sold our timberlands for \$1,650 million consisting of \$15 million in cash plus credit-enhanced timber installment notes in the amount of \$1,635 million (the "Installment Notes"). The Installment Notes were issued by single-member limited liability companies (the "Note Issuers") formed by Boise Cascade, L.L.C. (the purchaser of the timberlands). The Installment Notes are 15-year non-amortizing obligations and were issued in two equal \$817.5 million tranches.

In order to support the issuance of the Installment Notes, the Note Issuers transferred a total of \$1,635 million in cash (\$817.5 million each) to Lehman Brothers Holdings Inc. ("Lehman") and Wachovia Corporation ("Wachovia") (Wachovia was later acquired by Wells Fargo & Co.). Lehman and Wachovia issued collateral notes (the "Collateral Notes") to the Note Issuers.

**How were the timber Installment Notes credit enhanced?**

Concurrently with the issuance of the Installment Notes and Collateral Notes, Lehman and Wachovia guaranteed the respective Installment Notes (referred to respectively as the "Lehman and Wachovia Guaranteed Installment Notes") and the Note Issuers pledged the Collateral Notes as security for the performance of the Installment Note obligations.

**Why didn't OfficeMax pursue a cash transaction versus accepting Installment Notes in exchange for the timberlands?**

The note structure allowed us to defer recognition of the capital gain and payment of the related taxes on the sale of the timberlands until 2020, the scheduled maturity date of the Installment Notes.

**How did OfficeMax monetize the Installment Notes received in exchange for the timberlands?**

In December 2004, we completed a securitization transaction in which the Company's interests in the Installment Notes and related guarantees were transferred to wholly-owned bankruptcy remote subsidiaries (the "subsidiaries"). The subsidiaries pledged the Installment Notes and related guarantees and issued securitized notes (the "Securitization Notes") in the amount of \$1,470 million, or 90% of the face value of the Installment Notes, (\$735 million through the structure supported by the Lehman guaranty and \$735 million through the structure supported by the Wachovia guaranty). Recourse on the Securitization Notes is limited to the applicable pledged Installment Notes and underlying Lehman or Wachovia guaranties. The Securitization Notes are 15-year non-

amortizing, and were issued in two equal \$735 million tranches. This appears as "Non-recourse debt" on the OfficeMax balance sheet (formerly "Timber notes securitized").

**What did OfficeMax receive as a result of the Installment Notes and Securitized Notes transactions?**

As a result of these transactions, we received \$1,470 million in cash. Through maturity of the notes, the subsidiaries were expected to earn approximately \$82.5 million per year in interest income on the Installment Notes receivable and expected to incur annual interest expense of approximately \$80.5 million on the Securitization Notes. The interest income and expense amounts are reflected on the consolidated income statement of OfficeMax Incorporated.

**When will the Wachovia Guaranteed Installment Notes and related Securitization Notes mature and how will they eventually be defeased?**

The pledged Installment Notes receivable and Securitization Notes payable are scheduled to mature in 2020 and 2019, respectively. The Securitization Notes have an initial term that is approximately three months shorter than the Installment Notes. We expect to refinance our ownership of the Installment Notes in 2019 with a short-term secured borrowing to bridge the period from initial maturity of the Securitization Notes to the maturity of the Installment Notes. At maturity, the principal received from the final payment on the Installment Notes will be used to pay the principal due on the Securitization Notes. The principal amount due to the Securitized Note holders is equal to 90% of the principal due to OfficeMax on the Installment Notes. The remaining 10% will be retained by OfficeMax.

**What recourse do the Securitization Note holders have against OfficeMax in the event of a default on either the Lehman or Wachovia guaranteed tranches?**

Recourse on the Securitization Notes is limited to the applicable pledged Installment Notes and underlying Lehman and Wachovia guarantees. As a result, there is no recourse to OfficeMax.

**How did the Lehman bankruptcy affect the Installment Notes transaction?**

On September 15, 2008, Lehman, the guarantor of half of the Installment Notes and the Securitization Notes, filed a petition in the United States Bankruptcy Court for the Southern District of New York seeking relief under Chapter 11 of the United States Bankruptcy Code. Lehman's bankruptcy filing constituted an event of default under the \$817.5 million Installment Note guaranteed by Lehman. Various cash and non-cash impacts to OfficeMax are described in the questions and answers below and shown in Exhibit A.

**Why was the value of the Timber Notes Receivable written down in the third quarter of 2008?**

We are required for accounting purposes to assess the carrying value of assets whenever circumstances indicate that a decline in value may have occurred. After evaluating the situation, we concluded in late October 2008 that as a result of the Lehman bankruptcy, it was probable that we would be unable to collect all amounts due according to the contractual terms of the Installment Note guaranteed by Lehman (the "Lehman Guaranteed Installment Note"). Accordingly, we evaluated the carrying value of the Lehman Guaranteed Installment Note and reduced it to the estimated amount we

expect to collect (\$81.8 million) by recording a non-cash impairment charge of \$735.8 million, pre-tax, in the third quarter of 2008. We based our estimate of the recoverable amount of the Lehman Guaranteed Installment Note on a variety of factors, including consultations with financial advisors and review of the trading prices on outstanding Lehman debt instruments with similar contractual interest rates and maturities. In conjunction with the non-cash impairment charge, we also recorded a deferred tax asset of \$286.2 million (\$735.8 million non-cash impairment charge multiplied by 38.9% marginal tax rate).

Measuring impairment of a loan requires judgment and estimates, and the eventual outcome may differ from our estimate by a material amount. The Lehman Guaranteed Installment Note has been pledged as collateral for the related Securitization Notes, and therefore it may not be freely transferred to any party other than the indenture trustee for the Securitization Note holders. Accordingly, the ultimate amount to be realized on the Lehman Guaranteed Installment Note depends entirely on the proceeds from the Lehman bankruptcy estate, which may not be finally determined for several years.

**Why was the value of the corresponding liability (Securitized Notes) on the OfficeMax consolidated balance sheet not written down subsequent to the Lehman bankruptcy?**

Recourse on the Securitization Notes is limited to the proceeds from the applicable pledged Installment Notes and underlying Lehman and Wachovia guaranty (the "Lehman and Wachovia Guaranteed Installment Notes", respectively). Accordingly, the Lehman Guaranteed Installment Note and underlying guarantees by Lehman will be transferred to the holders of the Securitization Notes guaranteed by Lehman in order to settle and extinguish that liability. However, under current generally accepted accounting principles, we are required to continue to recognize the liability related to the Securitization Notes guaranteed by Lehman until such time as the liability has been extinguished. This will occur when the Lehman Guaranteed Installment Note and the guaranty are transferred to and accepted by the note holders. We expect that this will occur no later than the date when the assets of Lehman are distributed and the bankruptcy is finalized. Accordingly, we expect to recognize a non-cash gain equal to the difference between the carrying amount of the Securitization Notes guaranteed by Lehman and the carrying value of the Lehman Guaranteed Installment Note in a later period when the liability is legally extinguished. The actual gain to be recognized in the future will be measured based on the carrying amounts of the Lehman Guaranteed Installment Note and the Securitization Notes guaranteed by Lehman at the date of settlement.

**Can you describe other cash and non-cash financial impact to OfficeMax resulting from the Lehman bankruptcy?**

*Accelerated cash taxes*

At the time of the sale of the timberlands in 2004, we generated a tax gain and recognized the related deferred tax liability. The timber note structure (Installment Note and Securitization Note transaction) allowed the Company to defer the resulting tax liability of \$543 million until 2020, the maturity date for the Installment Notes. Due to the Lehman bankruptcy and note defaults, we have concluded that the Lehman portion of the gain will be triggered when the note receivable is transferred to the note holders as payment and/or when the Lehman bankruptcy is resolved.

### *Ongoing financial impact- interest income*

Per the Installment and Securitization note agreements, the OfficeMax subsidiary was expected to receive approximately \$41 million in interest annually under the Lehman Guaranteed Installment Note. This interest income was to fund approximately \$40 million in interest payable annually to holders of the Securitization Notes guaranteed by Lehman, which would have resulted in net interest income to us of approximately \$1 million. Continued nonpayment under the installment note guaranteed by Lehman or the related Lehman guaranty will result in a discontinuance of this \$1 million of annual net interest income.

### *One-time 2008 interest impact*

On October 29, 2008, Lehman failed to pay the \$21.5 million interest payment due to the Note Issuer. As a result, the Note Issuer did not make the \$20.9 million interest payment due to us and because we are only obligated to make interest payments on the Securitization Notes supported by the Lehman guarantee to the extent that we receive interest payments on the related Lehman Guaranteed Installment Note from the Note Issuer, we did not pay the interest payment due on the Securitization Notes supported by the Lehman guarantee. We did, however, record the ongoing interest expense on the Securitization Notes guaranteed by Lehman until the default date, October 29, 2008. This resulted in \$20.4 million of additional interest expense that will only be paid if the corresponding interest income is collected. We ceased recording interest expense on the Securitization Notes guaranteed by Lehman on the default date pursuant to the terms of the securitization note indenture.

### **How does Lehman's recently proposed bankruptcy plan affect OfficeMax?**

On April 14, 2010, Lehman filed its Debtors Disclosure Statement with the United States Bankruptcy Court for the Southern District of New York. The Disclosure Statement indicated a range of estimated recoveries for general unsecured creditors of Lehman. As our estimate is similar to the estimate included in the Disclosure Statement, we have not adjusted our estimated carrying value for the Lehman Guaranteed Installment Note.

### **Does OfficeMax expect any additional adverse financial ramifications related to the timber notes transactions?**

As recourse under the Securitization Notes is limited to the applicable pledged Installment Note and guaranty, we do not expect to make further cash payments on the Lehman guaranteed portion of the Securitization Notes. With regards to the Securitization Notes guaranteed by Wachovia (which was later acquired by Wells Fargo & Co.), we are not experiencing any disruption in the notes structure.

### **How can I find more information on the timber notes transaction?**

The securitization note indenture, secured by the Installment Note guaranteed by Lehman, was filed as an exhibit to the form 8-K filed on 9/22/08. The installment notes and guarantees were filed as exhibits to the form 10-Q for the period ended 9/30/04. These documents can be viewed on our website (<http://investor.officemax.com>) under "SEC Filings."

**Do you consider the timber securitization notes debt?**

While the Securitization Notes are listed as liabilities on our balance sheet, they are non recourse to OfficeMax. As a result, we do not consider them payment obligations of OfficeMax. In fact, Moody's and S&P, exclude the Timber Notes transaction when reviewing OfficeMax debt.

**How will OfficeMax pay the taxes it's currently deferring on the Wachovia-related notes when they come due?**

Taxes on the gain of approximately \$272 million will come due in 2020 when the Installment Notes, guaranteed by Wachovia, mature. The proceeds from the Installment Notes will be used to pay the cash taxes and the principal due on the Securitization Notes backed by the Wachovia guaranty maturing approximately 3 months earlier in 2019.

**Can OfficeMax unwind this securitization or somehow remove it from the balance sheet?**

No. No call provisions exist for either the Installment or Securitization Notes. While no call provision exists, half of the notes structure, or the \$735 million received from investors in the Securitization Notes guaranteed by Wachovia, continues to enable OfficeMax to defer a significant amount of taxes for OfficeMax until 2020. We are not experiencing any disruption in the Wachovia notes structure.

**Do you include the Timber Notes Receivable and the corresponding liability (Securitization Notes) when calculating various financial metrics and ratios used to assess the financial health or valuation of OfficeMax including total debt, debt leverage ratios, enterprise valuation ratios, Z-Scores or other metrics?**

No. We exclude the Installment and Securitization Notes transactions from all business ratios. As previously stated, while the Securitization Notes are listed as liabilities on our balance sheet, they are non recourse to OfficeMax. As a result, we do not consider them payment obligations of OfficeMax. Moody's and Standard & Poor's also exclude these transactions when assessing OfficeMax's debt and various business ratios. Please review the attached Exhibit A and contact us for assistance in computing these calculations without the impact from the Timber Notes.

## Lehman September 2008 Default Impact on Non-Recourse Timber Notes Securitization

(In thousands of USD)

**Prior to Lehman default**

	Installment & Collateral Notes		
	Lehman	Wachovia	Total
<u>Asset: Timber notes receivable</u>			
Security for Securitization Notes	735,000	735,000	1,470,000
Excess collateral/principal	82,500	82,500	165,000
	<u>817,500</u>	<u>817,500</u>	<u>1,635,000</u>
<u>Liability: Non-recourse debt</u>			
	<u>735,000</u>	<u>735,000</u>	<u>1,470,000</u>

**Lehman default - September 2008**

SEC rules required that we record an impairment charge on the Installment Note guaranteed by Lehman

<u>Asset: Timber notes receivable</u>				<i>Deferred</i>	
			<i>Tax Rate</i>	<i>Tax Asset</i>	
Security for Securitization Notes	(653,250)	0	(653,250) x 38.9%	=	(254,114)
Excess collateral/principal*	(82,500)	0	(82,500) x 38.9%	=	(32,093)
	<u>(735,750)</u>	<u>0</u>	<u>(735,750)</u>		<u>(286,207)</u>

\* Prior to Lehman default, OfficeMax had expected to retain \$82,500 or 10% of the Lehman portion of the Installment Notes at maturity in 2020

**Post Lehman default**

	Lehman	Wachovia	Total
<u>Asset: Timber notes receivable</u>			
Security for Securitization Notes	81,750	735,000	816,750
Excess collateral/principal	0	82,500	82,500
	<u>81,750</u>	<u>817,500</u>	<u>899,250</u>
<u>Liability: Non-recourse debt</u>			
	<u>735,000</u> **	<u>735,000</u>	<u>1,470,000</u>

\*\* Write down of Lehman portion of Non-recourse debt (liability) expected when the assets of Lehman are distributed and the bankruptcy is finalized

**Impact to OfficeMax's consolidated financials:**

1. The \$816,750 thousand portion of the "Timber notes receivable" asset (portion related to the Security for Securitization Notes) represents the amount we estimate we can collect on the Lehman and Wachovia Guaranteed Installment Notes that would be offset by amounts due under the corresponding Securitization Notes
2. \$254,114 thousand of "Deferred income taxes" were recorded in connection with the non-cash charge (portion related to the Security for Securitization Notes) and will be offset when the "Non-recourse debt" liability is written down
3. The \$1.47 billion "Non-recourse debt" liability is on our consolidated financials, but is nonrecourse to OfficeMax
4. There is a \$399,136 thousand negative impact to Equity ("Accumulated Deficit"), which is the net impact of items 1-3