SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

[X] Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
For the fiscal year ended December 30, 2000

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 1-10948

OFFICE DEPOT, INC.

(Exact name of registrant as specified in its charter)

Delaware	59-2663954
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2200 Old Germantown Road, Delray Beach, Florida	33445
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (561) 438-4800

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

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, par value $0.01 per share	New York Stock Exchange
Preferred Share Purchase Rights	New York Stock Exchange
Liquid Yield Option Notes due 2007 convertible into Common Stock	New York Stock Exchange
Liquid Yield Option Notes due 2008 convertible into Common Stock	New York Stock Exchange

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

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 [X] No [ ]

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

The aggregate market value of voting stock held by non-affiliates of the registrant as of March 9, 2001 was approximately $2,639,101,773.

As of March 9, 2001, the Registrant had 297,017,184 shares of Common Stock outstanding.

Documents Incorporated by Reference:

Portions of our Annual Report to Stockholders for the fiscal year ended December 30, 2000 are incorporated by reference in Parts I and II, and the Proxy Statement, to be mailed to stockholders on or about March 29, 2001 for the Annual Meeting to be held on April 26, 2001, is incorporated by reference in Part III.

PART I

ITEM 1. BUSINESS.

Office Depot Inc., together with our subsidiaries, is the largest supplier of office products and services in the world. We sell to consumers and businesses of all sizes through our three business segments: North American Retail Division, Business Services Group ("BSG"), and International Division.

OFFICE PRODUCTS BUSINESS

Businesses in our industry primarily sell three broad categories of merchandise: general office supplies, technology products and office furniture. Office products distributors include contract stationers (selling at significant discounts from list prices to their contract customers), mail order companies (selling through catalogs) and retailers (including office superstores such as the ones we operate). Most recently, Internet-based companies have emerged as a new channel in this industry.

Although the office products business has changed in recent years, a significant portion of the market is still served by small dealers. These dealers purchase a significant portion of their merchandise from national or regional office supply distributors who, in turn, purchase merchandise from manufacturers. Dealers often employ a commissioned sales force that use the distributor's catalog, showing products at retail list prices, for selection and price negotiation with the customer. We believe that these dealers generally sell their products at prices higher than those we offer to our customers.

Since the mid-1980s, high-volume office supply superstores have emerged throughout the United States. These stores offer a wide selection of products, a high level of customer service and low prices. High-volume office products retailers typically offer substantial price savings to individuals and small- to medium-sized businesses, which traditionally have had limited opportunities to buy at significant discounts from retail list prices. Recently, other retailers, including mass merchandisers and warehouse clubs, have begun offering a wide variety of similar products at low prices and have become increasingly competitive with office supply superstores. Direct mail and Internet-based companies have also established a growing presence in the office products industry.

Larger customers have been, and continue to be, served primarily by full service contract stationers, which offer contract bids at discounts equivalent to or greater than those offered by our retail stores and catalogs. These stationers, including our own contract stationer business, traditionally serve their customers through a commissioned sales force, purchase in large quantities primarily from manufacturers, and offer competitive pricing and customized services to their customers.

COMPETITION

We operate in a highly competitive environment. Historically, our markets have been served by traditional office products dealers and contract stationers. We believe that we compete favorably against dealers on the basis of price and selection. We compete with other full service contract stationers on the basis of service and value-added technology. We also compete with other office supply superstores, wholesale clubs selling general merchandise, discount stores, mass merchandisers, conventional retail stores, catalog showrooms, Internet-based companies and direct mail companies. These companies, in varying degrees, compete with us on both price and selection. Currently, we are the largest seller of office products and services in the world in terms of dollar volume of products and services sold, and we believe that our ability to buy in large quantities directly from the manufacturers affords us a competitive advantage over our smaller competitors.

We compete with several high-volume office supply chains that are similar to us in terms of store format, pricing strategy and product selection and availability in markets where we operate, primarily those in the United States and Canada. We differentiate ourselves from these other superstore chains in terms of the convenience of our store locations, our customer service, the extent of our product selection, and our "in stock" position (i.e., having the products we carry on the shelves for our customers). We anticipate that in the future we will face increased competition from these chains as each of us expands our operations.

In the delivery and contract stationer portions of the industry, our principal competitors are national and regional full service contract stationers, national and regional office furniture dealers, independent office products distributors, discount superstores and, to a lesser extent, direct mail businesses, stationery retail outlets and Internet-based merchandisers. Other office supply superstore chains are also developing a presence in the contract stationer and Internet channels of the business. We compete with these businesses in substantially all of our current markets. In the future, we may face increased competition from Internet-based merchandisers who dedicate all of their resources to electronic commerce.

Some of the entities we compete against may have greater financial resources than we do. We cannot assure you that increased competition will not have an adverse effect on us. However, we believe that we compete effectively based on price, selection, availability, location and customer service.

MERCHANDISING AND PRODUCT STRATEGY

Our merchandising strategy is to offer a broad selection of office products, under both our Office Depot(R) and Viking Office Products(R) brands, and to provide our customers with a compelling combination of quality, assortment, price and service. Our selection of office products includes general office supplies, computers, software and computer supplies, business machines and related supplies, and office furniture. In late 2000, we adopted a plan to reduce the number of SKUs in our stores and warehouses in order to improve customer service and efficiencies by having better "in stock" positions for products our customers purchase most frequently. Once the reduction is complete, our office supply superstores will stock approximately 7,000 SKUs, including variations in color and size, and our Customer Service Centers ("CSCs") will stock approximately 11,000 SKUs. We expect to complete this project by June, 2001.

We buy substantially all of our merchandise directly from manufacturers and other primary suppliers. In some cases, we also have begun to source our own merchandise from offshore locations under private label brands that are exclusive to Office Depot and Viking. In most cases, our suppliers deliver the merchandise directly to our stores or CSCs or to our ten cross-dock facilities. Our supply chain operations, including the cross-docks, use a customized system to manage the inbound flow of merchandise with the goal of minimizing our landed cost. This system enables us to maintain optimal in-stock positions by permitting a shorter lead time for reordering at the stores and CSCs, while still meeting the minimum ordering requirements of our vendors. The use of cross-docks also reduces our freight costs by centralizing the receiving function.

Our BSG is party to multi-year contracts with many of its customers and anticipates entering into similar contracts in the future as we grow our contract business. Nonetheless, we have not entered into any material long-term contracts or commitments with any vendor or customer, the loss of any one of which would materially adversely affect our financial position or the results of our operations. We have not experienced any material difficulty in obtaining desired quantities of merchandise for sale, and we do not foresee having any significant difficulties in the future.

Buyers located at our corporate headquarters are responsible for selecting and purchasing merchandise. For merchandise offered to our retail store, direct mail and Internet customers, our operating management determines pricing based upon buyer recommendations. Our contract sales force in our BSG determines the price of products sold to our contract customers. Replenishment buyers monitor inventory levels and initiate product reorders with the assistance of our customized replenishment system. This system allows buyers to devote more time to selecting products, developing new product lines, analyzing competitive developments and negotiating with vendors to obtain more favorable prices and product availability. We transmit purchase orders by EDI to a significant number of our vendors, and we electronically receive Advance Shipment Notices and invoices back from them. This method of electronic ordering expedites orders and promotes accuracy and efficiency. We plan to continue to expand this program to the remainder of our vendors.

We buy substantially all of our inventory directly from manufacturers in large quantities without using a central warehouse. We maintain substantially all of our inventory on the sales floors of our stores, at our cross-docks and at our CSCs.

STORE STRATEGY

Our retail stores conform to a model designed to achieve cost efficiency by minimizing rent and eliminating the need for a central warehouse. Each store displays virtually all its inventory on the sales floor using low-profile fixtures, pallets, bins and industrial steel shelving, permitting the bulk stacking of inventory and quick and efficient restocking. Shelving is positioned to form aisles large enough to comfortably accommodate customer traffic and merchandise movement. During 2001, we plan to further enhance the shopping experience with the installation of new lighting, signage, and broadband Internet capabilities across our entire chain.

Our stores sell primarily to small offices/home offices and individual consumers. We carry a wide selection of merchandise, including brand name office supplies, business machines and computers, computer software, office furniture and other business-related products. Each store also contains a multipurpose copy and print center offering printing, reproduction, mailing, shipping, and other services. In 2000, through our partnership with UPS, we have initiated the roll-out of UPS shipping centers within our stores. This enables us to offer our customers a full selection of packaging and shipping supplies, as well as the complete portfolio of U.S. domestic and international UPS shipping services at regular UPS Customer Counter rates. In 2001, we plan to experiment with several other store-within-store concepts.

CATALOG PRODUCTION AND CIRCULATION

We use our catalogs to market directly to both existing and prospective customers throughout the world. Separate catalog assortments promote our dual brand (Office Depot(R) and Viking Office Products(R)) mail order strategy. We currently circulate both Viking Office Products(R) and Office Depot(R) brand catalogs through our BSG and International Division. Each catalog is printed in full color with pictures and narrative descriptions that emphasize key product benefits and features. We have developed a distinctive style for our catalogs, most of which are produced in-house by our designers, writers and production artists, using a computer-based catalog creation system.

Our Viking Office Products(R) brand catalog mailings include monthly sale catalogs, which are mailed to all active Viking customers and present our most popular items. A complete "Buyers Guide," containing all of our products at the regular discount prices, is delivered to our Office Depot(R) and Viking Office Products(R) brand catalog customers every six months. The Buyers Guide, which is mailed to all of our active customers, varies in size between countries. Prospecting catalogs with special offers designed to attract new customers are mailed frequently. In addition, Office Depot(R) and Viking Office Products(R) specialty catalogs are delivered to selected customers monthly.

During 2000, we mailed approximately 305 million copies of over 180 different Office Depot(R) and Viking(R) brand catalogs. During 1999 and 1998, we mailed approximately 296 million and 248 million copies, respectively, of over 100 different catalogs to existing and prospective customers.

SELLING AND MARKETING

We are able to maintain our competitive pricing policy primarily as a result of the significant cost efficiencies we achieve through our operating format and purchasing power. Our marketing programs are designed to attract new customers and to persuade existing customers to make additional purchases. We advertise in the major newspapers in most of our local markets. These advertisements are supplemented with local and national radio and network and cable television advertising campaigns and direct marketing efforts. We continuously acquire new customers by selectively mailing specially designed catalogs to prospective customers. Sometimes we obtain the names of prospective customers in new and existing markets through the use of selected mailing lists from outside marketing information services and other sources. We use a proprietary mailing list system for our Viking Office Products(R) brand catalogs and other promotional mailings. We plan to use this same technology to increase the effectiveness of our Office Depot(R) brand catalogs in the future. Catalogs are also distributed through our contract sales force and are available in each of our stores.

We have a low price guarantee policy for our Office Depot(R) brand. Under this policy, we will match any competitor's comparable lower price. This program assures customers that they can always receive low prices from us even during periodic sales promotions by our competitors. Monthly competitive pricing analyses are performed to monitor each market, and prices are adjusted as necessary to adhere to this pricing philosophy and ensure competitive positioning.

Our customers nationwide can place orders over the Internet, by telephone or by fax using toll-free telephone numbers that route the calls through call centers located in Florida, Georgia, Texas, Ohio, Connecticut, Kansas and California. We electronically transmit any orders received at the call centers or via the Internet to the store or CSC closest to our customer for pick-up or delivery at a nominal delivery fee (free with a minimal order size). Orders are packaged, invoiced and shipped for next-day delivery or same-day delivery in the case of Viking orders in selected markets.

Through our BSG, we provide our contract customers with specialized services designed to aid them in achieving efficiencies and eliminating waste in their overall office products and office furniture costs. These services include electronic ordering, stockless office procurement, desktop delivery, business forms management services, and comprehensive product usage reports. Desktop delivery entails delivering the merchandise to individual departments within our customers' facilities, rather than delivering the packages to one central receiving point. We also develop customized Intranet sites in tandem with our customers, allowing them to set rules and limitations on their employees' electronic ordering abilities. Customer orders from these Intranet sites are transmitted to us via the Internet.

In addition to the normal payment options available to all of our customers, we offer our contract and qualified commercial customers the option of purchasing on credit through open accounts. We also offer revolving credit terms to Office Depot(R) brand customers through the use of private label credit cards. These credit cards are issued without charge to credit-qualified customers. Sales transactions using the private label credit cards are transmitted electronically to financial services companies, which credit our bank account with the net proceeds within two days. We offer our contract customers a store purchasing card which allows them to purchase office supplies at one of our retail stores, while still taking advantage of their contract pricing. No single customer in any of our segments accounts for more than 1% percent of our total sales. All of our credit card operations are conducted by third parties with whom we contract to perform this service.

INFORMATION SYSTEMS

In operating our business, we use IBM ES9000 mainframes, IBM AS/400 computers and client/server technologies. Our information systems include advanced software packages that have been customized for our specific business operations. By maximizing our application of these technologies, we have improved our ability to manage our inventories, order processing, replenishment and marketing efforts.

Inventory data is updated instantaneously in our systems when the merchandise is scanned for receiving or transfer, and sales and certain inventory data is updated in our systems each night by downloading information from our point-of-sale and our telemarketing order entry systems. Our point-of-sale systems permit the entry of sales data through the use of bar code laser scanning. The systems also have a price "look-up" capability that permits immediate price checking and the efficient movement of customers through the check-out process. Data from all of our locations and order sources is transmitted to our headquarters at the end of each day, permitting a perpetual daily inventory and the calculation of average unit cost by SKU for each of our stores and CSCs. Daily compilation of sales and gross margin data allows us to analyze profitability and inventory by item and product line, as well as monitor the success of our sales promotions. For all SKUs, we have immediate access to on-hand daily unit inventory, units on order, current and past rates of sale and other information pertinent to the management of our inventory.

All of our computer operations are managed internally in state-of-the-art facilities that capitalize on advanced technologies. Our help desk is manned 24 hours per day, 7 days per week. We utilize off-site disaster recovery facilities and redundancies. These operations result in industry leading system availability and reliability.

We have invested in a new data warehouse system that now allows us to perform trend and market basket analyses, manage our customer relationships, and produce more effective advertising campaigns. We strive for superior customer satisfaction, and our information systems initiatives are designed with that goal in mind. Our new data warehouse solution is designed to use sales transaction and customer interaction information to market on a more personal basis with each of our customers. Our international initiatives include launching several electronic commerce sites throughout the world and building a world-class network and computing infrastructure.

Our Office Depot public Web site--WWW.OFFICEDEPOT.COM--has won a number of awards from information technology industry and customer groups. Our business-to-business electronic commerce sites have sophisticated work-flow components that help our customers electronically manage their ordering process for office supplies, with thousands of customer orders processed each day. Internet-enabled applications allow our suppliers to directly interact with our systems, improving order flow and supply chain management. We use our corporate Intranet to improve employee productivity and responsiveness and reduce our administrative costs.

EMPLOYEES

As of March 9, 2001, we had approximately 48,000 employees worldwide. Virtually all of these are full time employees. Our labor relations generally are good, and the overwhelming majority of our facilities are not organized by any labor union. In the most recent labor organizing activity in a large facility in California, our employees rejected the efforts of the labor union to organize that workforce.

INFORMATION INCORPORATED BY REFERENCE

The following information is included in Exhibit 13 at the page location(s) specified. Such information is set forth in Office Depot's 2000 Annual Report to Stockholders and is incorporated herein by reference:

General description of our business segments - Pages 14-15

Restructuring activities and other one-time charges - Pages 16-18

Financial information about segments - Pages 18-22 and 46-47

Revenues by product group - Page 18

Seasonality of the business - Page 25

Financial information about geographic areas - Page 47

EXECUTIVE OFFICERS OF THE REGISTRANT

JERRY COLLEY AGE: 48

Mr. Colley joined Office Depot in February 2001 as our President, North American Retail Stores. Prior to joining Office Depot, he was Senior Vice President, Stores and Customer Satisfaction for AutoZone, Inc., from 1997 to 2001. Prior to his tenure at AutoZone, Mr. Colley was Executive Vice President of Tire Kingdom from January 1996 to July 1996, and President of Rose Auto Parts, a regional retail chain, from February 1995 to December 1995, and Vice President, Stores/Regional Manager for AutoZone/AutoShack from 1987 to 1995.

ROBERT J. KELLER AGE: 47

Mr. Keller has been President, Business Services Group since August 2000. Previously, he served as Executive Vice President, Business Services Division from June 1999 to August 2000 and Senior Vice President, Contract Sales from February 1998 to June 1999. Before joining Office Depot, Mr. Keller was Executive Vice President (1993 to 1998) and Senior Vice President (1988 to 1993) of Dun & Bradstreet Corporation.

ROLF Van KALDEKERKEN AGE: 57

Mr. Van Kaldekerken has been President, European Operations since August 2000. Prior to that appointment, he served as Executive Vice President, European Operations from January 2000 to August 2000. Previously, he was President & Country Manager for Germany from 1998 to January 2000 for Office Depot International and Managing Director and Vice President, Germany, Benelux and Austria for Viking Office Products from November 1994 until August 1998, when Viking was merged into our Company. Prior to joining Viking, Mr. Van Kaldekerken was European Operations Manager and European Purchasing Manager for INMAC Corporation.

DAVID C. FANNIN AGE: 55

Mr. Fannin has been our Executive Vice President, General Counsel and Secretary since August 2000. Previously, he was Senior Vice President and General Counsel since he joined our Company in November 1998, and our Corporate Secretary since January 1999. Mr. Fannin was Executive Vice President, General Counsel and Corporate Secretary of Sunbeam Corporation, a manufacturer and wholesaler of durable household and outdoor consumer products, from January 1994 until August 1998. From October 1979 until December 1993, Mr. Fannin was a partner in the law firm Wyatt, Tarrant & Combs, in Louisville, Kentucky.

THOMAS KROEGER AGE: 52

Mr. Kroeger has been Executive Vice President, Organization and People since he joined us in July 1997. Before joining Office Depot, he was employed by The Sherwin-Williams Company where he served as Corporate Vice President of Human Resources from October 1987 to July 1997.

WILLIAM P. SELTZER AGE: 62

Mr. Seltzer has been our Executive Vice President, Information Systems since August 1992. He was Senior Vice President--Distribution and Systems of Revco Drug Stores, Inc. from November 1987 to July 1992. Mr. Seltzer was Vice President of Systems for the H.E. Butt Grocery Company from 1977 to 1987, and was Corporate Manager of Information Processing from 1972 to 1977 with SCM Corporation.

CHARLES E. BROWN AGE: 48

Mr. Brown has been our Senior Vice President, Finance and Controller since he joined our Company in May 1998. He was Senior Vice President and Chief Financial Officer of Denny's, Inc. from January 1996 until May 1998; from August 1994 until December 1995, he was Vice President and Chief Financial Officer of ARAMARK International; and from September 1989 until July 1994, he was Vice President and Controller of Pizza Hut International, a Division of PepsiCo, Inc.

JEFFREY AIKEN AGE: 42

Mr. Aiken has been our Senior Vice President of Tax since November 1999. Previously he was our Vice President of Tax from July 1997 to November 1999 and Director of Taxes from November 1994 until July 1997. Prior to joining our Company, Mr. Aiken was Director of Taxes for Berol Corporation from 1993 to 1994; Director of International Taxes for Toys "R" Us from 1992 to 1993 and Senior International Tax Manager for Price Waterhouse from 1990 to 1992.

Information with respect to our directors, including our executive officers who are also directors is incorporated herein by reference to the information under the caption "Election of Directors/Biographical Information of the Candidates" in the Proxy Statement for our 2001 Annual Meeting of Stockholders.

ITEM 2. PROPERTIES.

As of March 9, 2001, we operate 787 office supply stores in 45 states and the District of Columbia, 34 office supply stores in five Canadian provinces and 132 office supply stores (including those operated under licensing and joint venture agreements) in seven countries outside of the United States and Canada. We also operate 25 CSCs in 18 U.S. states and 18 CSCs in 11 countries outside of the United States. The following table sets forth the locations of these facilities.

STORES

STATE/COUNTRY	#	STATE/COUNTRY	#	STATE/COUNTRY	#
UNITED STATES:					
Alabama	14	Kansas	9	North Dakota	3
Alaska	2	Kentucky	12	Ohio	11
Arizona	3	Louisiana	25	Oklahoma	12
Arkansas	9	Maryland	13	Oregon	15
California	128	Michigan	19	Pennsylvania	9
Colorado	25	Minnesota	10	South Carolina	13
Delaware	1	Mississippi	11	South Dakota	1
District of Columbia	2	Missouri	17	Tennessee	19
Florida	83	Montana	1	Texas	99
Georgia	35	Nebraska	5	Utah	4
Hawaii	3	Nevada	9	Virginia	18
Idaho	6	New Jersey	6	Washington	28
Illinois	33	New Mexico	4	West Virginia	3
Indiana	16	New York	13	Wisconsin	11
Iowa	3	North Carolina	23	Wyoming	1
				Total United States	787
CANADA:				FRANCE	28
Alberta	8			HUNGARY	3
British Columbia	8			ISRAEL	23
Manitoba	3			JAPAN	7
Ontario	13			MEXICO	53
Saskatchewan	2			POLAND	16
				THAILAND	2
Total Canada	34			Total Outside the United States	132

CSCs

STATE/COUNTRY	#	STATE/COUNTRY	#	STATE/COUNTRY	#
UNITED STATES:					
Arizona	1	Massachusetts	1	AUSTRALIA	2
California	3	Michigan	1	BELGIUM	1
Colorado	2	Minnesota	1	FRANCE	2
Connecticut	1	New Jersey	1	ISRAEL	1
Florida	2	North Carolina	1	GERMANY	2
Georgia	1	Ohio	1	THE NETHERLANDS	1
Illinois	1	Texas	3	IRELAND	1
Louisiana	1	Utah	1	ITALY	1
Maryland	2	Washington	1	JAPAN	2
				MEXICO	2
				UNITED KINGDOM	3
		Total United States	25	Total Outside the United States	18

Most of our facilities are leased or subleased, with lease terms (excluding renewal options) expiring in various years through 2021, except for the 69 facilities and our corporate offices and systems data center, which we own. Our owned facilities are located in 16 states, primarily in Florida, Texas and California; three Canadian provinces; the United Kingdom; the Netherlands; Australia; Mexico and France.

We operate our retail stores under the Office Depot(R), Office Depot Express(R) and Office Place(R) (in Ontario, Canada) names. Our contract and catalog businesses operate under the names Office Depot(R) and Viking Office Products(R).

Our corporate offices in Delray Beach, Florida consist of approximately 575,000 square feet in three adjacent buildings--two of which are owned and one is leased. We also own a corporate office building in Torrance, California which is approximately 180,000 square feet in size, and a systems data center in Charlotte, North Carolina which is approximately 53,000 square feet in size.

ITEM 3. LEGAL PROCEEDINGS.

We are involved in litigation arising in the normal course of our business. While from time to time claims are asserted that make demands for large sums of money (including from time to time, actions which are asserted to be maintainable as class action suits), we do not believe that any of these matters, either individually or in the aggregate, will materially affect our financial position or the results of our operations.

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

None

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED SECURITY HOLDER MATTERS.

Our common stock is listed on the New York Stock Exchange ("NYSE") under the symbol "ODP." As of March 9, 2001, there were 4,062 holders of record of our common stock. The last reported sale price of the common stock on the NYSE on March 9, 2001 was $9.24.

The following table sets forth, for the periods indicated, the high and low sale prices of our common stock, as quoted on the NYSE Composite Tape. These prices do not include retail mark-ups, mark-downs or commission.

	HIGH	LOW
2000		
First Quarter	$14.8750	$9.8750
Second Quarter	14.7500	6.0000
Third Quarter	8.3125	5.8750
Fourth Quarter	8.7500	6.0000
1999		
First Quarter (1)	$26.0000	$20.3333
Second Quarter	25.8333	18.2500
Third Quarter	23.0000	9.8125
Fourth Quarter	13.1875	9.0000

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(1) Prices have been adjusted to reflect the three-for-two stock split which occurred on April 1, 1999.

We have never declared or paid cash dividends on our common stock, and we do not currently intend to pay cash dividends in the foreseeable future. Earnings and other cash resources will continue to be used in the expansion of our business.

ITEM 6. SELECTED FINANCIAL DATA.

The information required by this Item is set forth in Exhibit 13.1 under the heading "Financial Highlights" as of and for the fiscal years ended December 30, 2000, December 25, 1999, December 26, 1998, December 27, 1997 and December 28, 1996. This information is set forth in our Annual Report to Stockholders for the fiscal year ended December 30, 2000 (on page 13) and is incorporated herein by this reference and made a part hereof.

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

The information required by this item is set forth in Exhibit 13.1 under the headings "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Cautionary Statements for Purposes of the `Safe Harbor' Provisions of the Private Securities Litigation Reform Act of 1995." This information is set forth in our Annual Report to Stockholders for the fiscal year ended December 30, 2000 (on pages 14-28) and is incorporated herein by reference and made a part hereof.

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

The information required by this item is set forth in Exhibit 13.1 under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations". This information is set forth in our Annual Report to Stockholders for the fiscal year ended December 30, 2000 (on page 25) and is incorporated herein by reference and made a part hereof.

ITEM 8. FINANCIAL STATEMENTS

The information required by this Item is set forth in Exhibit 13.1 under the headings "Independent Auditors' Report of Deloitte & Touche LLP on Consolidated Financial Statements," "Consolidated Balance Sheets," "Consolidated Statements of Earnings," "Consolidated Statements of Stockholders' Equity," "Consolidated Statements of Cash Flows" and "Notes to Consolidated Financial Statements" as of December 30, 2000 and December 25, 1999 and for the fiscal years ended December 30, 2000, December 25, 1999 and December 26, 1998. This information is set forth in our Annual Report to Stockholders for the fiscal year ended December 30, 2000 (on pages 29-47) and is incorporated herein by this reference and made a part hereof.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Information concerning our executive officers is set forth in Item 1 of this Form 10-K under the caption "Executive Officers of the Registrant."

Information with respect to our directors is incorporated herein by reference to the information "Election of Directors/Biographical Information on the Candidates" in the Proxy Statement for our 2001 Annual Meeting of Stockholders.

Information required by Item 405 of Regulation S-K is incorporated herein by reference to "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement for our 2001 Annual Meeting of Stockholders.

ITEM 11. EXECUTIVE COMPENSATION.

Information with respect to executive compensation is incorporated herein by reference to the information under the caption "Executive Compensation" in the Proxy Statement for our 2001 Annual Meeting of Stockholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

Information with respect to security ownership of certain beneficial owners and management is incorporated herein by reference to the information under the caption "Stock Ownership Information" in the Proxy Statement for our 2001 Annual Meeting of Stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Information with respect to certain relationships and related transactions is incorporated herein by reference to the information under the captions "Matters to be Considered by our Shareholders - Election of Directors - Item I - Biographical Information on the Candidates" and "Executive Compensation - Contractual Agreements with David Fuente" in the Proxy Statement for our 2001 Annual Meeting of Stockholders.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a) The following documents are filed as a part of this report:

1. The financial statements listed in Item 8.
2. The financial statement schedule listed in "Index to Financial Statement Schedule."
3. The exhibits listed in the "Index to Exhibits."

(b) Reports on Form 8-K.

No reports on Form 8-K were filed during the year ended December 30, 2000 except those disclosed in our 2000 Quarterly Reports on Form 10-Q, except that the following reports on Form 8-K were filed in the fourth quarter ended December 30, 2000.

1. The Company filed a report dated October 12, 2000 which reported under Items 7 and 9 regarding a press release with respect to results for the third quarter of 2000.

2. The Company filed a report dated November 6, 2000, which reported under Items 7 and 9 regarding press releases with respect to certain business developments described therein.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on this 26th day of March, 2001.

OFFICE DEPOT, INC.

By /s/ M. BRUCE NELSON
M. Bruce Nelson
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities indicated on March 26, 2001.

SIGNATURE	CAPACITY
/s/ M. BRUCE NELSON M. Bruce Nelson	Chief Executive Officer (Principal Executive Officer)
/s/ DAVID I. FUENTE David I. Fuente	Chairman of the Board
/s/ IRWIN HELFORD Irwin Helford	Vice Chairman and Director
/s/ CHARLES E. BROWN Charles E. Brown	Senior Vice President, Finance and Controller (Principal Financial and Accounting Officer)
/s/ LEE A. AULT, III Lee A. Ault, III	Director
/s/ NEIL R. AUSTRIAN Neil R. Austrian	Director
/s/ CYNTHIA R. COHEN Cynthia R. Cohen	Director
/s/ W. SCOTT HEDRICK W. Scott Hedrick	Director
/s/ JAMES L. HESKETT James L. Heskett	Director
/s/ MICHAEL J. MYERS Michael J. Myers	Director
/s/ FRANK P. SCRUGGS, JR. Frank P. Scruggs, Jr.	Director
/s/ PETER J. SOLOMON Peter J. Solomon	Director

INDEX TO FINANCIAL STATEMENTS

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* Incorporated herein by reference to the respective information in our Annual Report to Stockholders for the fiscal year ended December 30, 2000.

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENT SCHEDULE

To the Board of Directors of Office Depot, Inc.:

We have audited the consolidated financial statements of Office Depot, Inc. and Subsidiaries as of December 30, 2000 and December 25, 1999 and for each of the three years in the period ended December 30, 2000, and have issued our report thereon dated February 15, 2001; such consolidated financial statements and report are included in the Company's Annual Report to Stockholders for the fiscal year ended December 30, 2000 and are incorporated herein by reference. Our audits also included the financial statement schedule of Office Depot, Inc. and Subsidiaries listed in the Index to Financial Statement Schedule. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE LLP
Certified Public Accountants

Miami, Florida
February 15, 2001

INDEX TO FINANCIAL STATEMENT SCHEDULE

All other schedules have been omitted because they are inapplicable, not required or the information is included elsewhere herein.

SCHEDULE II

OFFICE DEPOT, INC. AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS
(In thousands)

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS-- CHARGED TO EXPENSE	DEDUCTIONS-- WRITE-OFFS, PAYMENTS AND OTHER ADJUSTMENTS	BALANCE AT END OF PERIOD
Allowance for Doubtful Accounts:				
2000	$27,736	$30,448	$23,723	$34,461
1999	25,927	22,940	21,131	27,736
1998	25,587	23,702	23,362	25,927
Accrued Merger Costs:				
2000	$21,268	$6,146	$23,494	$3,920
1999	40,832	26,035	45,599	21,268
1998	1,416	73,329	33,913	40,832

INDEX TO EXHIBITS

EXHIBIT NUMBER	EXHIBIT	SEQUENTIALLY NUMBERED PAGE +
3.1	Restated Certificate of Incorporation, as amended to date	(1)
3.2	Bylaws	(2)
4.1	Form of Certificate representing shares of Common Stock	(3)
4.2	Form of Indenture (including form of LYON(R)) between the Company and The Bank of New York, as Trustee	(4)
4.3	Form of Indenture (including form of LYON(R)) between the Company and Bankers Trust Company, as Trustee	(5)
4.4	Rights Agreement dated as of September 4, 1996 between Office Depot, Inc. and ChaseMellon Shareholder Services, L.L.C., as Rights Agent, including the form of Certificate of Designation, Preferences and Rights of Junior Participating Preferred Stock, Series A attached thereto as Exhibit A, the form of Rights Certificate attached thereto as Exhibit B and the Summary of Rights attached thereto as Exhibit C.	(6)
10.01	Revolving Credit and Line of Credit Agreement dated as of February 20, 1998 by and among the Company and SunTrust Bank, Central Florida, National Association, individually and as Administrative Agent; Bank of America National Trust and Savings Association, individually and as Syndication Agent; NationsBank, National Association, individually and as Documentation Agent; Royal Bank of Canada, individually and as Co-Agent; Citibank, N.A., individually and as Co-Agent; The First National Bank of Chicago, individually and as Co-Agent; CoreStates Bank, N.A.; PNC Bank, National Association; Fifth Third Bank; and Hibernia National Bank. (Exhibits to the Revolving Credit and Line of Credit Agreement have been omitted)	(7)
10.02	Office Depot, Inc. Long-Term Equity Incentive Plan*	(8)
10.03	1997-2001 Office Depot, Inc. Designated Executive Incentive Plan*	(7)
10.04	Form of Change of Control Agreement, dated as of September 4, 1996, by and between Office Depot, Inc. and each of Thomas Kroeger and William P. Seltzer.	(9)
10.05	Form of Indemnification Agreement, dated as of September 4, 1996, by and between Office Depot, Inc. and each of David I. Fuente, Cynthia R. Cohen, W. Scott Hedrick, James L. Heskett, Michael J. Myers, Peter J. Solomon, William P. Seltzer, and Thomas Kroeger	(9)
10.06	Form of Executive Employment Agreement, dated as of October 21, 1997, by and between Office Depot, Inc. and each of Thomas Kroeger and William P. Seltzer	(7)
10.07	Executive Part-time Employment Agreement, dated as of September 30, 1999, by and between Office Depot, Inc. and Irwin Helford	(10)
10.08	Executive Employment Agreement, dated as of January 1, 2000, by and between Office Depot, Inc. and Bruce Nelson	(11)
10.09	Revolving Credit Agreement dated as of June 2, 2000 by and among Office Depot, Inc. and Suntrust Bank, individually and as Administrative Agent; Bank of America, N.A., individually and as Syndication Agent; Bank One, NA, individually and as Documentation Agent; and Citibank, N.A., individually and as Managing Agent. (Exhibits to the Revolving Credit Agreement have been omitted)	(11)
10.10	Executive Severance Agreement, including Release and Non-competition Agreement, dated September 19, 2000 by and between the Company and	(12)

David I. Fuente (schedules and exhibits omitted).

EXHIBIT NUMBER	EXHIBIT	SEQUENTIALLY NUMBERED PAGE +
10.11	Non-executive Chairman Agreement dated September 19, 2000 by and between the Company and David I. Fuente.	(12)
10.12	Executive Retirement Agreement dated July 17, 2000 by and between the Company and Barry J. Goldstein (Attachment A omitted)	(12)
10.13	Executive Employment Agreement dated January 30, 2001 by and between the Company and Jerry Colley	
10.14	Change of Control Agreement, dated as of January 30, 2001, by and between the Company and Jerry Colley	
10.15	Executive Employment Agreement dated May 29, 1998 by and between the Company and Charles E. Brown	
10.16	Change of Control Agreement, dated as of May 28, 1998, by and between the Company and Charles E. Brown	
10.17	Executive Employment Agreement dated July 25, 2000 by and between the Company and Robert J. Keller	
10.18	Change of Control Agreement, dated as of July 25, 2000, by and between the Company and Robert J. Keller	
10.19	First Amendment dated December 21, 2000 to the Revolving Credit Agreement dated as of June 2, 2000	
10.20	Second Amendment dated December 21, 2000 to the Revolving Credit and Line of Credit Agreement dated as of February 20, 1998	
13.1	Certain portions of the Company's Annual Report to Stockholders	
21.1	List of subsidiaries	
23.1	Consent of Deloitte & Touche LLP	

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+ This information appears only in the manually signed original copies of this report.

* Management contract or compensatory plan or arrangement.

(1) Incorporated by reference to the respective exhibit to the Proxy Statement for the Company's 1995 Annual Meeting of Stockholders.

(2) Incorporated by reference to the Company's Quarterly Report on Form 10-Q, filed with the Commission on August 12, 1996.

(3) Incorporated by reference to the respective exhibit to the Company's Registration Statement No. 33-39473.

(4) Incorporated by reference to the respective exhibit to the Company's Registration Statement No. 33-54574.

(5) Incorporated by reference to the respective exhibit to the Company's Registration Statement No. 33-70378.

(6) Incorporated by reference to the Company's Current Report on Form 8-K, filed with the Commission on September 6, 1996.

(7) Incorporated by reference to the respective exhibit to the Company's Annual Report on Form 10-K for the year ended December 27, 1997.

(8) Incorporated by reference to the respective exhibit to the Proxy Statement for the Company's 1997 Annual Meeting of Stockholders.

(9) Incorporated by reference to the respective exhibit to the Company's Annual Report on Form 10-K for the year ended December 28, 1996.

(10) Incorporated by reference to the respective exhibit to the Company's Annual Report on Form 10-K for the year ended December 30, 1999.

(11) Incorporated by reference to the Company's Quarterly Report on Form 10-Q, filed with the Commission on August 4, 2000.

(12) Incorporated by reference to the Company's Quarterly Report on Form 10-Q, filed with the Commission on October 31, 2000.

Upon request, the Company will furnish a copy of any exhibit to this report upon the payment of reasonable copying and mailing expenses.

Exhibit 10.13

EXECUTIVE EMPLOYMENT AGREEMENT
(For Executive Officers Who Also Have a Change of Control Employment Agreement)

THIS AGREEMENT is made as of January 30, 2001 between Office Depot, Inc., a Delaware corporation (the "Company"), and Jerry Colley ("Executive").

In consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Employment.

(a) The Company shall employ Executive, and Executive hereby accepts employment with the Company, upon the terms and conditions set forth in this Agreement for the period beginning on the date hereof and ending as provided in paragraph 4 hereof (the "Employment Term").

(b) The parties hereto have entered into an Employment Agreement dated as January 30, 2001 by and between the Company and the Executive (the "Change of Control Employment Agreement") which, by its terms, takes effect during the "Employment Period" as defined in such agreement. During any such Employment Period under the Change of Control Employment Agreement, the terms and provisions of the Change of Control Employment Agreement shall control to the extent such terms and provisions are in conflict with the terms and provisions of this Agreement. In addition, during such Employment Period, the Employment Term hereunder shall be tolled and upon expiration of the Employment Period under the Change of Control Employment Agreement the Employment Term hereunder shall recommence.

2. Position and Duties.

(a) During the Employment Period, Executive shall serve as President - North American Stores of the Company and shall have the normal duties, responsibilities and authority attendant to such position, subject to the power of the Company's [chief executive officer ("CEO") or] Board of Directors (the "Board") to expand or limit such duties, responsibilities and authority.

(b) Executive shall report to the CEO, and Executive shall devote Executive's best efforts and Executive's full business time and attention (except for permitted vacation periods and reasonable periods of illness or other incapacity) to the business and affairs of the Company and its Subsidiaries; provided that Executive shall, with the prior written approval of the CEO, be allowed to serve as (i) a director or officer of any non-profit organization including trade, civic, educational or charitable organizations, or (ii) a director of any corporation which is not competing with the Company or any of its Subsidiaries in the office product and office supply industry so long as such duties do not materially interfere with the performance of Executive's duties or responsibilities under this Agreement. Executive shall perform Executive's duties and responsibilities under this Agreement to the best of Executive's abilities in a diligent, trustworthy, businesslike and efficient manner.

(c) Executive shall be based at or in the vicinity of the Company's headquarters but may be required to travel as necessary to perform Executive's duties and responsibilities under this Agreement.

(d) For purposes of this Agreement, "Subsidiaries" shall mean any corporation of which the securities having a majority of the voting power in electing directors are, at the time of determination, owned by the Company, directly or through one of more Subsidiaries.

3. Base Salary and Benefits.

(a) Initially, Executive's base salary shall be $500,000.00 per annum (the "Base Salary"), which salary shall be payable in regular installments in accordance with the Company's general payroll practices and shall be subject to customary withholding. Executive's Base Salary shall be reviewed at least annually by the Compensation Committee of the Board and shall be subject to adjustment, but not reduction, as they shall determine based on among other things, market practice and performance. In addition, during the Employment Term, Executive shall be entitled to participate in the Company's Long Term Incentive Plan.

(b) In addition to the Base Salary, Executive shall be entitled to participate in the Company's Management Incentive Plan (the "Bonus Plan") as administered by [the Board or] the Compensation Committee. If the Board or the Compensation Committee modifies such Bonus Plan during the Employment Term, Executive shall continue to participate at a level no lower than the highest level established for any officer of the Company then at Executive's level. At the discretion of the Board or the Compensation Committee, Executive may be offered from time to time the opportunity to participate in other bonus plans of the Company in lieu of the Bonus Plan and, if Executive chooses to participate in such plan or plans, the provisions of this paragraph 3(b) shall be tolled during the period of such participation.

(c) Executive shall be entitled to paid vacation in accordance with the Company's general payroll practices for officers of the Company then at Executive's level.

(d) The Company shall reimburse Executive for all reasonable expenses incurred by Executive in the course of performing Executive's duties under this Agreement which are consistent with the Company's policies in effect from time to time with respect to travel, entertainment and other business expenses, subject to the Company's requirements with respect to reporting and documentation of such expenses.

(e) Executive will be entitled to all benefits as are, from time to time, maintained for officers of the Company then at Executive's level, including without limitation: medical, prescription, dental, disability, employee life, group life, split-dollar life, accidental death and travel accident insurance plans (collectively, "Insurance Benefits"), profit sharing and retirement benefits.

4. Term.

(a) The Employment Term shall end on the twenty-fourth month (or two year) anniversary of the date of this Agreement; provided that (i) the Employment Term shall be extended for successive periods of one (1) year each (each of which is referred to as an "extension term" of the Employment Term) in the event that written notice of termination hereof is not given by one party hereof to the other at least six months prior to the end of the Employment Term or the then applicable extension term, as the case may be; provided further that (ii) the Employment Term shall terminate prior to such date (A) upon Executive's death or permanent disability or incapacity (as determined by the Board in its good faith judgment), (B) upon the mutual agreement of the Company and Executive, (C) by the Company's termination of this Agreement for Cause (as defined below) or without Cause or (D) by Executive's termination of this Agreement for Good Reason (as defined below) or without Good Reason.

(b) If the Employment Term is terminated by the Company without Cause or is terminated by the Executive for Good Reason, Executive (and Executive's family with respect to clause (iii) below) shall be entitled to receive (i) Executive's Base Salary through the eighteenth month anniversary of such termination and Executive's Pro Rata Bonus (as defined in paragraph (h) below), if and only if Executive has not breached the provisions of paragraphs 5, 6 and 7 hereof, (ii) vested and earned (in accordance with the Company's applicable plan or program) but unpaid amounts under incentive plans, deferred compensation plans, and other employer programs of the Company in which Executive is then participating (other than the Pro Rata Bonus), and (iii) insurance Benefits through the eighteenth month anniversary of such termination pursuant to the Company's insurance programs, as in effect from time to time, to the extent Executive participated immediately prior to the date of such termination; provided that any health insurance benefits which Executive becomes entitled to receive as a result of any subsequent employment shall serve as primary coverage for Executive and Executive's family. The amounts payable pursuant to paragraph 4(b)(i) and (ii) shall be payable, at the Company's discretion, in one lump sum payment within 30 days following termination of the Employment Term or in any other manner consistent with the Company's normal payment policies.

(c) If the Employment Term is terminated by the Company for Cause or by the Executive without Good Reason, Executive shall be entitled to receive (i) Executive's Base Salary through the date of such termination and (ii) vested and earned (in accordance with the Company's applicable plan or program) but unpaid amounts under incentive plans, health and welfare plans, deferred compensation plans, and other employer programs of the Company which Executive participates; provided, however, that Executive shall not be entitled to payment of a Pro Rata Bonus.

(d) If the Employment Term is terminated upon Executive's death or permanent disability or incapacity (as determined by the Board in its good faith judgment), Executive, or Executive's estate if applicable, shall be entitled to receive the sum of (i) Executive's Base Salary through the date of such termination and Executive's Pro Rata Bonus (as defined in paragraph (h) below) and (ii) vested and earned (in accordance with the Company's applicable plan or program) but unpaid amounts under incentive plans, health and welfare plans, deferred compensation plans, and other employer programs of the Company which Executive participates. The amounts payable pursuant to this paragraph 4(d) shall be payable, at the Company's discretion, in one lump sum payment within 30 days following termination of the Employment Term or in any other manner consistent with the Company's normal payment policies.

(e) Except as otherwise provided herein, fringe benefits and bonuses (if any) which accrue or become payable after the termination of the Employment Term shall cease upon such termination.

(f) For purposes of this Agreement, "Cause" shall mean:

(i) the willful and continued failure of the Executive to perform substantially the Executive's duties with the Company or one of its affiliates (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Executive by the CEO which specifically identifies the manner in which the CEO believes that the Executive has not substantially performed the Executive's duties, or

(ii) the willful engaging by the Executive in illegal conduct or gross misconduct [which is materially and demonstrably injurious to the Company].

For purposes of this provision, no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of the CEO or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Executive is guilty of the conduct described in subparagraph (i) or (ii) above, and specifying the particulars thereof in detail.

(g) For purposes of this Agreement, "Good Reason" shall mean:

(i) the assignment to the Executive of any duties inconsistent with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by paragraph 2 of this Agreement, or any other action by the Company which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(ii) any failure by the Company to comply with any of the provisions of paragraph 3 of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(iii) the Company's requiring the Executive to be based at any location other than as provided in paragraph 2(c) hereof; or

(iv) any purported termination by the Company of the Executive's employment otherwise than as expressly permitted by this Agreement.

(h) For purposes of this Agreement, "Pro Rata Bonus" shall mean the sum of (i) the pro rata portion (calculated as if the "target" amount under such plan has been reached) under any current annual incentive plan from the beginning of the year of termination through the date of termination and (ii) if and to the extent Executive is vested, the pro rata portion (calculated as if the "target" amount under such plan has been reached) under any long-term incentive plan or performance plan from the beginning of the period of determination through the date of termination.

5. Confidential Information. Executive acknowledges that the information, observations and data obtained by Executive while employed by the Company and its Subsidiaries concerning the business or affairs of the Company or any other Subsidiary ("Confidential Information") are the property of the Company or such Subsidiary. Therefore, Executive agrees that Executive shall not disclose to any unauthorized person or use for Executive's own purposes any Confidential Information without the prior written consent of the CEO, unless and to the extent that the aforementioned matters become generally known to and available for use by the public other than as a result of Executive's acts or omissions. Executive shall deliver to the Company at the termination of the Employment Term, or at any other time the Company may request, all memoranda, notes, plans, records, reports, computer tapes, printouts and software and other

documents and data (and copies thereof) in any form or medium relating to the Confidential Information, Work Product (as defined below) or the business of the Company or any Subsidiary that Executive may then possess or have under Executive's control.

6. Inventions and Patents. Executive acknowledges that all inventions, innovations, improvements, developments, methods, designs, analyses, drawings, reports and all similar or related information (whether or not patentable) that relate to the Company's or any of its Subsidiaries' actual or anticipated business, research and development or existing or future products or services and that are conceived, developed or made by Executive while employed by the Company and its Subsidiaries ("Work Product") belong to the Company or such Subsidiary. Executive shall promptly disclose such Work Product to the CEO and perform all actions reasonably requested by the CEO (whether during or after the Employment Term) to establish and confirm such ownership (including, without limitation, assignments, consents, powers of attorney and other instruments).

7. Non-Compete, Non-Solicitation.

(a) In further consideration of the compensation to be paid to Executive hereunder, Executive acknowledges that in the course of Executive's employment with the Company Executive shall become familiar with the Company's trade secrets and with other Confidential Information concerning the Company and its Subsidiaries and that Executive's services shall be of special, unique and extraordinary value to the Company and its Subsidiaries. Therefore, Executive agrees that, during the Employment Term and for one year thereafter (the "Noncompete Period"), Executive shall not directly or indirectly own any interest in, manage, control, participate in, consult with, render services for, or in any manner engage in any business competing with the businesses of the Company or its Subsidiaries, as such businesses exist or are in process on the date of the termination of Executive's employment, within any geographical area in which the Company or its Subsidiaries engage or plan to engage in such businesses. Nothing herein shall prohibit Executive from being a passive owner of not more than 2% of the outstanding stock of any class of a corporation which is publicly traded, so long as Executive has no active participation in the business of such corporation.

(b) During the Noncompete Period, Executive shall not directly or indirectly through another entity (i) induce or attempt to induce any employee of the Company or any Subsidiary to leave the employ of the Company or such Subsidiary, or in any way interfere with the relationship between the Company or any Subsidiary and any employee thereof, (ii) hire any person who was an employee of the Company or any Subsidiary at any time during the Employment Term or (iii) induce or attempt to induce any customer, supplier, licensee, licensor, franchisee or other business relation of the Company or any Subsidiary to cease doing business with the Company or such Subsidiary, or in any way interfere with the relationship between any such customer, supplier, licensee, licensor, franchisee, or business relation and the Company or any Subsidiary (including, without limitation, making any negative statements or communications about the Company or its Subsidiaries).

(c) If, at the time of enforcement of this paragraph 7, a court shall hold that the duration, scope or area restrictions stated herein are unreasonable under circumstances then existing, the parties agree that the maximum duration, scope or area reasonable under such circumstances shall be substituted for the stated duration, scope or area and that the court shall be allowed to revise the restrictions contained herein to cover the maximum period, scope and area permitted by law. Executive agrees that the restrictions contained in this paragraph 7 are reasonable.

(d) In the event of the breach or a threatened breach by Executive of any of the provisions of this paragraph 7, the Company, in addition and supplementary to other rights and remedies existing in its favor, may apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce or prevent any violations of the provisions hereof (without posting a bond or other security). In addition, in the event of an alleged breach or violation by Executive of this paragraph 7, the Noncompete Period shall be tolled until such breach or violation has been duly cured.

8. Executive's Representations. Executive hereby represents and warrants to the Company that (i) the execution, delivery and performance of this Agreement by Executive do not and shall not conflict with, breach, violate or cause a default under any contract, agreement, instrument, order, judgment or decree to which Executive is a party or by which Executive is bound, (ii) Executive is not a party to or bound by any employment agreement, noncompete agreement or confidentiality agreement with any other person or entity and (iii) upon the execution and delivery of this Agreement by the Company, this Agreement shall be the valid and binding obligation of Executive, enforceable in accordance with its terms. Executive hereby acknowledges and represents that Executive has had an opportunity to consult with independent legal counsel regarding Executive's rights and obligations under this Agreement and that Executive fully understands the terms and conditions contained herein.

9. Survival. Paragraphs 5, 6 and 7 and paragraphs 9 through 16 shall survive and continue in full force in accordance with their terms notwithstanding any termination of the Employment Term.

10. Notices. Any notice provided for in this Agreement shall be in writing and shall be either personally delivered, or mailed by first class mail, return receipt requested, to the recipient at the address below indicated:

Notices to Executive:

Name: ---------------------

Address: ------------------

Notices to the Company:

Office Depot, Inc.
2200 Germantown Road
Delray Beach, Florida 33445
Attention: Chief Financial Officer

and

Office Depot, Inc.
2200 Germantown Road
Delray Beach, Florida 33445
Attention: Executive Vice President - Human Resources

or such other address or to the attention of such other person as the recipient party shall have specified by prior written notice to the sending party. Any notice under this Agreement shall be deemed to have been given when so delivered or mailed.

11. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

12. Complete Agreement. This Agreement and those documents expressly referred to herein and other documents of even date herewith embody the complete agreement and understanding among the parties and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way (provided, however that during the "Employment Period," as defined in the Change of Control Employment Agreement, the terms and provision of the Change of Control Employment Agreement shall be effective and shall control to the extent there is any conflict between such agreement and this Agreement).

13. No Strict Construction. The language used in this Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction shall be applied against any party.

14. Counterparts. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

15. Successors and Assigns. This Agreement is intended to bind and inure to the benefit of and be enforceable by Executive, the Company and their respective heirs, successors and assigns, except that Executive may not assign Executive's rights or delegate Executive's obligations hereunder without the prior written consent of the Company.

16. Choice of Law. All issues and questions concerning the construction, validity, enforcement and interpretation of this Agreement and the exhibits and schedules hereto shall be governed by, and construed in accordance with, the laws of the State of Florida, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Florida or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Florida.

17. Amendment and Waiver. The provisions of this Agreement may be amended or waived only with the prior written consent of the Company and Executive, and no course of conduct or failure or delay in enforcing the provisions of this Agreement shall affect the validity, binding effect or enforceability of this Agreement.

* * * * *

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

OFFICE DEPOT, INC.

By: /s/ Thomas Kroeger

Name: THOMAS KROEGER
Its: Executive Vice President,
Organization & People

EXECUTIVE

/s/ Jerry Colley

Name:
1-30-01

Date:

Exhibit 10.14

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is made as of January 30, 2001 by and between Office Depot, Inc., a Delaware corporation (the "Company"), and Jerry Colley (the "Executive").

The Board of Directors of the Company (the "Board") has determined that it is in the best interests of the Company and its shareholders to assure that the Company will have the continued dedication of the Executive, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined below) of the Company. The Board believes it is imperative to diminish the inevitable distraction of the Executive by virtue of the personal uncertainties and risks created by a pending or threatened Change of Control and to encourage the Executive's full attention and dedication to the Company currently and in the event of any threatened or pending Change of Control, and to provide the Executive with compensation and benefits arrangements upon a Change of Control which ensure that the compensation and benefits expectations of the Executive will be satisfied and which are competitive with those of other corporations. Therefore, in order to accomplish these objectives, the Board has caused the Company to enter into this Agreement.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1. Certain Definitions. (a) The "Effective Date" shall mean the first date during the Change of Control Period (as defined in Section 1(b)) on which a Change of Control (as defined in Section 2) occurs. Anything in this Agreement to the contrary notwithstanding, if a Change of Control occurs and if the Executive's employment with the Company is terminated prior to the date on which the Change of Control occurs, and if it is reasonably demonstrated by the Executive that such termination of employment (i) was at the request of a third party who has taken steps reasonably calculated to effect a Change of Control or (ii) otherwise arose in connection with or anticipation of a Change of Control, then for all purposes of this Agreement the "Effective Date" shall mean the date immediately prior to the date of such termination of employment.

(b) The "Change of Control Period" shall mean the period commencing on the date hereof and ending on the third anniversary of the date hereof; provided, however, that commencing on the date one year after the date hereof, and on each annual anniversary of such date (such date and each annual anniversary thereof shall be hereinafter referred to as the "Renewal Date"), unless previously terminated, the Change of Control Period shall be automatically extended so as to terminate three years from such Renewal Date, unless at least 60 days prior to the Renewal Date the Company shall give notice to the Executive that the Change of Control Period shall not be so extended.

2. Change of Control. For the purpose of this Agreement, a "Change of Control" shall mean:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (i) the then-outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (ii) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (iv) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c) of this Section 2; or

(b) Individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(c) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then-outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (ii) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then-outstanding shares of common stock of the corporation resulting from such Business Combination, or the combined voting power

of the then-outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(d) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

3. Employment Period. The Company hereby agrees to continue the Executive in its employ, and the Executive hereby agrees to remain in the employ of the Company subject to the terms and conditions of this Agreement, for the period commencing on the Effective Date and ending on the first anniversary of such date (the "Employment Period"). Such period may be extended in writing by the mutual agreement of the Company and Executive at any time prior to such first anniversary.

4. Terms of Employment. (a) Position and Duties. (i) During the Employment Period, (A) the Executive's position (including status, offices, titles and reporting requirements), authority, duties and responsibilities shall be at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 120-day period immediately preceding the Effective Date and (B) the Executive's services shall be performed at the location where the Executive was employed immediately preceding the Effective Date or any office or location less than 35 miles from such location.

(ii) During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote reasonable attention and time during normal business hours to the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder, to use the Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period it shall not be a violation of this Agreement for the Executive to (A) serve on corporate, civic or charitable boards or committees, (B) deliver lectures, fulfill speaking engagements or teach at educational institutions, and (C) manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement. It is expressly understood and agreed that to the extent that any such activities have been conducted by the Executive prior to the Effective Date, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the Effective Date shall not thereafter be deemed to interfere with the performance of the Executive's responsibilities to the Company.

(b) Compensation. (i) Base Salary. During the Employment Period, the Executive shall receive an annual base salary, including any applicable car allowance ("Annual Base Salary"), which shall be paid at a monthly rate, at least equal to twelve times the highest monthly base salary paid or payable, including any base salary which has been earned but deferred, to the

Executive by the Company and its affiliated companies in respect of the twelve-month period immediately preceding the month in which the Effective Date occurs. During the Employment Period, the Annual Base Salary shall be reviewed no more than 12 months after the last salary increase awarded to the Executive prior to the Effective Date and thereafter at least annually. Any increase in Annual Base Salary shall not serve to limit or reduce any other obligation to the Executive under this Agreement. Annual Base Salary shall not be reduced after any such increase and the term Annual Base Salary as utilized in this Agreement shall refer to Annual Base Salary as so increased. As used in this Agreement, the term "affiliated companies" shall include any company controlled by, controlling or under common control with the Company.

(ii) Annual Bonus. In addition to Annual Base Salary, the Executive shall be awarded, for each fiscal year ending during the Employment Period, an annual bonus (the "Annual Bonus") in cash at least equal to the Executive's highest bonus under the Company's annual incentive bonus plans, including, without limitation, its Designated Executive Incentive Plan and Management Incentive Plan, or any comparable bonus under any predecessor or successor plan or plans, for the last three full fiscal years prior to the Effective Date (annualized in the event that the Executive was not employed by the Company for the whole of such fiscal year) (the "Recent Annual Bonus"). Each such Annual Bonus shall be paid no later than the end of the third month of the fiscal year next following the fiscal year for which the Annual Bonus is awarded, unless the Executive shall elect to defer the receipt of such Annual Bonus.

(iii) Incentive, Savings and Retirement Plans. During the Employment Period, the Executive shall be entitled to participate in all incentive, savings and retirement plans, practices, policies and programs applicable generally to other peer Executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), savings opportunities and retirement benefit opportunities, in each case, less favorable, in the aggregate, than the most favorable of those provided by the Company and its affiliated companies for the Executive under such plans, practices, policies and programs as in effect at any time during the 120-day period immediately preceding the Effective Date or if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and its affiliated companies.

(iv) Welfare Benefit Plans. During the Employment Period, the Executive and/or the Executive's family, as the case may be, shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Company and its affiliated companies (including, without limitation, medical, prescription, dental, disability, employee life, group life, split-dollar life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to other peer executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with benefits which are less favorable, in the aggregate, than the most favorable of such plans, practices, policies and programs in effect for the Executive at any time during the 120-day

period immediately preceding the Effective Date or, if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and its affiliated companies.

(v) Expenses. During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the most favorable policies, practices and procedures of the Company and its affiliated companies in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

(vi) Fringe Benefits. During the Employment Period, the Executive shall be entitled to fringe benefits, including, without limitation, tax and financial planning services, payment of club dues, and, if applicable, use of an automobile and payment of related expenses, in accordance with the most favorable plans, practices, programs and policies of the Company and its affiliated companies in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

(vii) Office and Support Staff. During the Employment Period, the Executive shall be entitled to an office or offices of a size and with furnishings and other appointments, and to exclusive personal secretarial and other assistance, at least equal to the most favorable of the foregoing provided to the Executive by the Company and its affiliated companies at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as provided generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

(viii) Vacation. During the Employment Period, the Executive shall be entitled to paid vacation in accordance with the most favorable plans, policies, programs and practices of the Company and its affiliated companies as in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

5. Termination of Employment. (a) Death or Disability. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period. If the Company determines in good faith that the Disability of the Executive has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may give to the Executive written notice in accordance with Section 12(b) of this Agreement of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. For purposes of this

Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties with the Company on a full-time basis for 180 consecutive days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative.

(b) Cause. The Company may terminate the Executive's employment during the Employment Period for Cause. For purposes of this Agreement, "Cause" shall mean:

(i) the willful and continued failure of the Executive to perform substantially the Executive's duties with the Company or one of its affiliates (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Executive by the Board or the Chief Executive Officer of the Company which specifically identifies the manner in which the Board or Chief Executive Officer believes that the Executive has not substantially performed the Executive's duties, or

(ii) the willful engaging by the Executive in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Company.

For purposes of this provision, no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of the Chief Executive Officer or a senior officer of the Company or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Executive is guilty of the conduct described in subparagraph (i) or (ii) above, and specifying the particulars thereof in detail.

(c) Good Reason. The Executive's employment may be terminated by the Executive for Good Reason. For purposes of this Agreement, "Good Reason" shall mean:

(i) the assignment to the Executive of any duties inconsistent in any respect with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 4(a) of this Agreement, or any other action by the Company which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated,

insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(ii) any failure by the Company to comply with any of the provisions of Section 4(b) of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(iii) the Company's requiring the Executive to be based at any office or location other than as provided in Section 4(a)(i)(B) hereof or the Company's requiring the Executive to travel on Company business to a substantially greater extent than required immediately prior to the Effective Date;

(iv) any purported termination by the Company of the Executive's employment otherwise than as expressly permitted by this Agreement; or

(v) any failure by the Company to comply with and satisfy Section 11 (c) of this Agreement.

For purposes of this Section 5(c), any good faith determination of "Good Reason" made by the Executive shall be conclusive. Anything in this Agreement to the contrary notwithstanding, a termination by the Executive for any reason during the 30-day period immediately preceding the first anniversary of the Effective Date shall be deemed to be a termination for Good Reason for all purposes of this Agreement.

(d) Notice of Termination. Any termination by the Company for Cause, or by the Executive for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 12(b) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than thirty days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

(e) Date of Termination. "Date of Termination" means (i) if the Executive's employment is terminated by the Company for Cause, or by the Executive for Good Reason, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be, (ii) if the Executive's employment is terminated by the Company other than for Cause or Disability, the

Date of Termination shall be the date on which the Company notifies the Executive of such termination and (iii) if the Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Executive or the Disability Effective Date, as the case may be.

6. Obligations of the Company upon Termination. (a) Good Reason; Other Than for Cause, Death or Disability. If, during the Employment Period, the Company shall terminate the Executive's employment other than for Cause, death or Disability or the Executive shall terminate employment for Good Reason:

(i) the Company shall pay to the Executive in a lump sum in cash within 30 days after the Date of Termination the aggregate of the following amounts:

A. the sum of (1) the Executive's Annual Base Salary through the Date of Termination to the extent not theretofore paid, (2) the product of (x) the higher of (I) the Recent Annual Bonus and (II) the Annual Bonus paid or payable, including any bonus or portion thereof which has been earned but deferred (and annualized for any fiscal year consisting of less than twelve full months or during which the Executive was employed for less than twelve full months), for the most recently completed fiscal year during the Employment Period, if any (such higher amount being referred to as the "Highest Annual Bonus") and (y) a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination, and the denominator of which is 365 and (3) any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon) and any accrued vacation pay, in each case to the extent not theretofore paid (the sum of the amounts described in clauses (1), (2), and (3) shall be hereinafter referred to as the "Accrued Obligations"); and

B. the amount equal to the product of (1) two and (2) the sum of (x) the Executive's Annual Base Salary and (y) the Highest Annual Bonus; and

C. an amount equal to the excess of (1) the actuarial equivalent of the benefit under the Company's qualified defined benefit retirement plan (the "Retirement Plan") (utilizing actuarial assumptions no less favorable to the Executive than those in effect under the Company's Retirement Plan immediately prior to the Effective Date), and any excess or supplemental retirement plan in which the Executive participates (together, the "SERP") which the Executive would receive if the Executive's employment continued for two years after the Date of Termination assuming for this purpose that all accrued benefits are fully vested, and, assuming that the Executive's compensation in each of the two years is that required by Section 4(b)(i) and Section 4(b)(ii), over (2) the actuarial equivalent of the Executive's actual benefit (paid or payable), if any, under the Retirement Plan and the SERP as of the Date of Termination;

(ii) for two years after the Executive's Date of Termination, or such longer period as may be provided by the terms of the appropriate plan, program, practice or policy, the Company shall continue benefits to the Executive and/or the Executive's family at least equal to those which would have been provided to them in accordance with the plans, programs, practices and policies described in Section 4(b)(iv) of this Agreement if the Executive's employment had not been terminated or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies and their families, provided, however, that if the Executive becomes reemployed with another employer and is eligible to receive medical or other welfare benefits under another employer-provided plan, the medical and other welfare benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility. Notwithstanding the foregoing, the Company shall continue to make all scheduled premium payments under any split-dollar life insurance policy in effect on the Date of Termination on behalf of the Executive for so long as such payments are scheduled (without giving effect to Executive's termination). For purposes of determining eligibility (but not the time of commencement of benefits) of the Executive for retiree benefits pursuant to such plans, practices, programs and policies, the Executive shall be considered to have remained employed until two years after the Date of Termination and to have retired on the last day of such period;

(iii) the Company shall, at its sole expense as incurred, provide the Executive with out placement services the scope and provider of which shall be selected by the Executive in his sole discretion; and

(iv) to the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive any other amounts or benefits required to be paid or provided or which the Executive is eligible to receive under any plan, program, policy or practice or contract or agreement of the Company and its affiliated companies (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits").

(b) Death. If the Executive's employment is terminated by reason of the Executive's death during the Employment Period, this Agreement shall terminate without further obligations to the Executive's legal representatives under this Agreement, other than for payment of the amounts set forth in Section 6(i) and the timely payment or provision of Other Benefits. The amounts set forth in Section 6(i) shall be paid to the Executive's estate or beneficiary, as applicable, in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 6(b) shall include, without limitation, and the Executive's estate and/or beneficiaries shall be entitled to receive, benefits at least equal to the most favorable benefits provided by the Company and affiliated companies to the estates and beneficiaries of peer executives of the Company and such affiliated companies under such plans, programs, practices and policies relating to death benefits, if any, as in effect with respect to other peer executives and their beneficiaries at any time during the 120-day period immediately preceding

the Effective Date or, if more favorable to the Executive's estate and/or the Executive's beneficiaries, as in effect on the date of the Executive's death with respect to other peer executives of the Company and its affiliated companies and their beneficiaries.

(c) Disability. If the Executive's employment is terminated by reason of the Executive's Disability during the Employment Period, this Agreement shall terminate without further obligations to the Executive, other than for payment of the amounts set forth in Section 6(i) and the timely payment or provision of Other Benefits. The amounts set forth in Section 6(i) shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of Other Benefits, the term "Other Benefits" as utilized in this Section 6(c) shall include, and the Executive shall be entitled after the Disability Effective Date to receive, disability and other benefits at least equal to the most favorable of those generally provided by the Company and its affiliated companies to disabled executives and/or their families in accordance with such plans, programs, practices and policies relating to disability, if any, as in effect generally with respect to other peer executives and their families at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive and/or the Executive's family, as in effect at any time thereafter generally with respect to other peer executives of the Company and its affiliated companies and their families.

(d) Cause; Other than for Good Reason. If the Executive's employment shall be terminated for Cause during the Employment Period, this Agreement shall terminate without further obligations to the Executive other than for Accrued Obligations and for the timely payment or provision of Other Benefits, in each case to the extent theretofore unpaid. If the Executive voluntarily terminates employment during the Employment Period, excluding a termination for Good Reason, this Agreement shall terminate without further obligations to the Executive, other than for Accrued Obligations and the timely payment or provision of Other Benefits. In each such case, all Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination.

7. Nonexclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Company or any of its affiliated companies and for which the Executive may qualify, nor, subject to Section 12(f), shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its affiliated companies. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with the Company or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

8. Full Settlement. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may

have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and such amounts shall not be reduced whether or not the Executive obtains other employment. The Company agrees to pay as incurred, to the fullest extent permitted by law, all legal fees and expenses which the Executive may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company, the Executive or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including as a result of any contest by the Executive about the amount of any payment pursuant to this Agreement), plus in each case interest on any delayed payment at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Internal Revenue Code of 1986, as amended (the "Code").

9. Certain Additional Payments by the Company. (a) Anything in this Agreement to the contrary notwithstanding and except as set forth below, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 9) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments. Notwithstanding the foregoing provisions of this Section 9(a), if it shall be determined that the Executive is entitled to a Gross-Up Payment, but that the Executive, after taking into account the Payments and the Gross-Up Payment, would not receive a net after-tax benefit of at least $50,000 (taking into account both income taxes and any Excise Tax) as compared to the net after-tax proceeds to the Executive resulting from an elimination of the Gross-Up Payment and a reduction of the Payments, in the aggregate, to an amount (the "Reduced Amount") such that the receipt of Payments would not give rise to any Excise Tax, then no Gross-Up Payment shall be made to the Executive and the Payments, in the aggregate, shall be reduced to the Reduced Amount.

(b) Subject to the provisions of Section 9(c), all determinations required to be made under this Section 9, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by Deloitte & Touche or such other certified public accounting firm as may be designated by the Executive (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, the Executive shall appoint

another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 9, shall be paid by the Company to the Executive within five days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 9(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

(c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) give the Company any information reasonably requested by the Company relating to such claim,

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,

(iii) cooperate with the Company in good faith in order effectively to contest such claim, and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 9(c), the

Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or to contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 9(c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 9(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 9(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

10. Confidential Information. The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or any of its affiliated companies and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). After termination of the Executive's employment with the Company, the Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. In no event shall an asserted violation of the provisions of this Section 10 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Agreement.

11. Successors. (a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

12. Miscellaneous. (a) This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

Jerry Colley
c/o Office Depot, Inc.
2200 Old Germantown Road
Delray Beach, Florida 33445

If to the Company:

Office Depot, Inc.
2200 Old Germantown Road
Delray Beach, Florida 33445
Attention: President

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) The Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) The Executive's or the Company's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitations the right of the Executive to terminate employment for Good Reason pursuant to Section 5(c)(i)-(v) of this Agreement, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(f) The Executive and the Company acknowledge that, except as may otherwise be provided under any other written agreement between the Executive and the Company, the employment of the Executive by the Company is "at will" and, subject to Section 1(a) hereof, prior to the Effective Date, the Executive's employment and/or this Agreement may be terminated by either the Executive or the Company at any time prior to the Effective Date, in which case the Executive shall have no further rights under this Agreement. From and after the Effective Date this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof.

* * * * *

IN WITNESS WHEREOF, the Executive has hereunto set the Executive's hand and, pursuant to the authorization from its Board of Directors, the Company has caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

/s/ Jerry Colley

Executive:

1-30-01

OFFICE DEPOT, INC.

By: /s/ Thomas Kroeger

Its: Executive Vice President,
Organization and People

EXECUTIVE EMPLOYMENT AGREEMENT

(For Executive Officers Who Also Have a Change of Control Employment Agreement)

THIS AGREEMENT is made as of May 29, 1998 between Office Depot, Inc., a Delaware corporation (the "Company"), and Charles E. Brown ("Executive").

In consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Employment.

(a) The Company shall employ Executive, and Executive hereby accepts employment with the Company, upon the terms and conditions set forth in this Agreement for the period beginning on the date hereof and ending as provided in paragraph 4 hereof (the "Employment Term").

(b) The parties hereto have entered into an Employment Agreement dated as May 28, 1998 by and between the Company and the Executive (the "Change of Control Employment Agreement") which, by its terms, takes effect during the "Employment Period" as defined in such agreement. During any such Employment Period under the Change of Control Employment Agreement, the terms and provisions of the Change of Control Employment Agreement shall control to the extent such terms and provisions are in conflict with the terms and provisions of this Agreement. In addition, during such Employment Period, the Employment Term hereunder shall be tolled and upon expiration of the Employment Period under the Change of Control Employment Agreement the Employment Term hereunder shall recommence.

2. Position and Duties.

(a) During the Employment Period, Executive shall serve as Senior Vice President of the Company and shall have the normal duties, responsibilities and authority attendant to such position, subject to the power of the Company's chief executive officer ("CEO") to expand or limit such duties, responsibilities and authority.

(b) Executive shall report to the CFO, and Executive shall devote Executive's best efforts and Executive's full business time and attention (except for permitted vacation periods and reasonable periods of illness or other incapacity) to the business and affairs of the Company and its Subsidiaries; provided that Executive shall, with the prior written approval of the CEO, be allowed to serve as (i) a director or officer of any non-profit organization including trade, civic, educational or charitable organizations, or (ii) a director of any corporation which is not competing with the Company or any of its Subsidiaries in the office product and office supply industry so long as such duties do not materially interfere with the performance of Executive's duties or responsibilities under this Agreement. Executive shall perform Executive's duties and responsibilities under this Agreement to the best of Executive's abilities in a diligent, trustworthy, businesslike and efficient manner.

(c) Executive shall be based at or in the vicinity of the Company's headquarters but may be required to travel as necessary to perform Executive's duties and responsibilities under this Agreement.

(d) For purposes of this Agreement, "Subsidiaries" shall mean any corporation of which the securities having a majority of the voting power in electing directors are, at the time of determination, owned by the Company, directly or through one of more Subsidiaries.

3. Base Salary and Benefits.

(a) Initially, Executive's base salary shall be $250,000.00 per annum (the "Base Salary"), which salary shall be payable in regular installments in accordance with the Company's general payroll practices and shall be subject to customary withholding. Executive's Base Salary shall be reviewed at least annually by the Compensation Committee of the Board and shall be subject to adjustment, but not reduction, as they shall determine based on among other things, market practice and performance. In addition, during the Employment Term, Executive shall be entitled to participate in certain of the Company's long term incentive programs established currently or in the future by the Company for which officers of the Company then at Executive's level are generally eligible (including, but not limited to, stock option, restricted stock, performance unit/share plans or long-term cash plans).

(b) In addition to the Base Salary, Executive shall be entitled to participate in the Company's Management Incentive Plan (the "Bonus Plan") as administered by [the Board or] the Compensation Committee. If the Board or the Compensation Committee modifies such Bonus Plan during the Employment Term, Executive shall continue to participate at a level no lower than the highest level established for any officer of the Company then at Executive's level. At the discretion of the Board or the Compensation Committee, Executive may be offered from time to time the opportunity to participate in other bonus plans of the Company in lieu of the Bonus Plan and, if Executive chooses to participate in such plan or plans, the provisions of this paragraph 3(b) shall be tolled during the period of such participation.

(c) Executive shall be entitled to paid vacation in accordance with the Company's general payroll practices for officers of the Company then at Executive's level.

(d) The Company shall reimburse Executive for all reasonable expenses incurred by Executive in the course of performing Executive's duties under this Agreement which are consistent with the Company's policies in effect from time to time with respect to travel, entertainment and other business expenses, subject to the Company's requirements with respect to reporting and documentation of such expenses.

(e) Executive will be entitled to all benefits as are, from time to time, maintained for officers of the Company then at Executive's level, including without limitation: medical, prescription, dental, disability, employee life, group life, split-dollar life, accidental death and travel accident insurance plans (collectively, "Insurance Benefits"), profit sharing and retirement benefits.

4. Term.

(a) The Employment Term shall end on the first anniversary of the date of this Agreement; provided that (i) the Employment Term shall be extended for one year in the event that written notice of the termination of this Agreement is not given by one party hereof to the other at least six months prior to the end of the Employment Term; provided further that (ii) the Employment Term shall terminate prior to such date (A) upon Executive's death or permanent disability or incapacity (as determined by the Board in its good faith judgment), (B) upon the mutual agreement of the Company and Executive, (C) by the Company's termination of this Agreement for Cause (as defined below) or without Cause or (D) by Executive's termination of this Agreement for Good Reason (as defined below) or without Good Reason.

(b) If the Employment Term is terminated by the Company without Cause or is terminated by the Executive for Good Reason, Executive (and Executive's family with respect to clause (iii) below) shall be entitled to receive (i) Executive's Base Salary through the first anniversary of such termination and Executive's Pro Rata Bonus (as defined in paragraph (h) below), if and only if Executive has not breached the provisions of paragraphs 5, 6 and 7 hereof, (ii) vested and earned (in accordance with the Company's applicable plan or program) but unpaid amounts under incentive plans, deferred compensation plans, and other employer programs of the Company in which Executive is then participating (other than the Pro Rata Bonus), and (iii) Insurance Benefits through the first anniversary of such termination pursuant to the Company's insurance programs, as in effect from time to time, to the extent Executive participated immediately prior to the date of such termination; provided that any health insurance benefits which Executive becomes entitled to receive as a result of any subsequent employment shall serve as primary coverage for Executive and Executive's family. The amounts payable pursuant to paragraph 4(b)(i) and (ii) shall be payable, at the Company's discretion, in one lump sum payment within 30 days following termination of the Employment Term or in any other manner consistent with the Company's normal payment policies.

(c) If the Employment Term is terminated by the Company for Cause or by the Executive without Good Reason, Executive shall be entitled to receive (i) Executive's Base Salary through the date of such termination and (ii) vested and earned (in accordance with the Company's applicable plan or program) but unpaid amounts under incentive plans, health and welfare plans, deferred compensation plans, and other employer programs of the Company which Executive participates; provided, however, that Executive shall not be entitled to payment of a Pro Rata Bonus.

(d) If the Employment Term is terminated upon Executive's death or permanent disability or incapacity (as determined by the Board in its good faith judgment), Executive, or Executive's estate if applicable, shall be entitled to receive the sum of (i) Executive's Base Salary through the date of such termination and Executive's Pro Rata Bonus (as defined in paragraph (h) below) and (ii) vested and earned (in accordance with the Company's applicable plan or program) but unpaid amounts under incentive plans, health and welfare plans, deferred compensation plans, and other employer programs of the Company which Executive participates. The amounts payable pursuant to this paragraph 4(d) shall be payable, at the Company's discretion, in one lump sum payment within 30 days following termination of the Employment Term or in any other manner consistent with the Company's normal payment policies.

(e) Except as otherwise provided herein, fringe benefits and bonuses (if any) which accrue or become payable after the termination of the Employment Term shall cease upon such termination.

(f) For purposes of this Agreement, "Cause" shall mean:

(i) the willful and continued failure of the Executive to perform substantially the Executive's duties with the Company or one of its affiliates (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Executive by the CEO which specifically identifies the manner in which the CEO believes that the Executive has not substantially performed the Executive's duties, or

(ii) the willful engaging by the Executive in illegal conduct or gross misconduct [which is materially and demonstrably injurious to the Company].

For purposes of this provision, no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of the CEO or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the

Executive is guilty of the conduct described in subparagraph (i) or (ii) above, and specifying the particulars thereof in detail.

(g) For purposes of this Agreement, "Good Reason" shall mean:

(i) the assignment to the Executive of any duties inconsistent with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by paragraph 2 of this Agreement, or any other action by the Company which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(ii) any failure by the Company to comply with any of the provisions of paragraph 3 of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(iii) the Company's requiring the Executive to be based at any location other than as provided in paragraph 2(c) hereof; or

(iv) any purported termination by the Company of the Executive's employment otherwise than as expressly permitted by this Agreement.

(h) For purposes of this Agreement, "Pro Rata Bonus" shall mean the sum of (i) the pro rata portion (calculated as if the "target" amount under such plan has been reached) under any current annual incentive plan from the beginning of the year of termination through the date of termination and (ii) if and to the extent Executive is vested, the pro rata portion (calculated as if the "target" amount under such plan has been reached) under any long-term incentive plan or performance plan from the beginning of the period of determination through the date of termination.

5. Confidential Information. Executive acknowledges that the information, observations and data obtained by Executive while employed by the Company and its Subsidiaries concerning the business or affairs of the Company or any other Subsidiary ("Confidential Information") are the property of the Company or such Subsidiary. Therefore, Executive agrees that Executive shall not disclose to any unauthorized person or use for Executive's own purposes any Confidential Information without the prior written consent of the CEO, unless and to the extent that the aforementioned matters become generally known to and available for use by the public other than as a result of Executive's acts or omissions. Executive shall deliver to the Company at the termination of the Employment Term, or at any other time the Company may request, all memoranda, notes, plans, records, reports, computer tapes, printouts and software and other documents and data (and copies thereof) in any form or medium relating to the Confidential

Information, Work Product (as defined below) or the business of the Company or any Subsidiary that Executive may then possess or have under Executive's control.

6. Inventions and Patents. Executive acknowledges that all inventions, innovations, improvements, developments, methods, designs, analyses, drawings, reports and all similar or related information (whether or not patentable) that relate to the Company's or any of its Subsidiaries' actual or anticipated business, research and development or existing or future products or services and that are conceived, developed or made by Executive while employed by the Company and its Subsidiaries ("Work Product") belong to the Company or such Subsidiary. Executive shall promptly disclose such Work Product to the CEO and perform all actions reasonably requested by the CEO (whether during or after the Employment Term) to establish and confirm such ownership (including, without limitation, assignments, consents, powers of attorney and other instruments).

7. Non-Compete, Non-Solicitation.

(a) In further consideration of the compensation to be paid to Executive hereunder, Executive acknowledges that in the course of Executive's employment with the Company Executive shall become familiar with the Company's trade secrets and with other Confidential Information concerning the Company and its Subsidiaries and that Executive's services shall be of special, unique and extraordinary value to the Company and its Subsidiaries. Therefore, Executive agrees that, during the Employment Term and for one year thereafter (the "Noncompete Period"), Executive shall not directly or indirectly own any interest in, manage, control, participate in, consult with, render services for, or in any manner engage in any business competing with the businesses of the Company or its Subsidiaries, as such businesses exist or are in process on the date of the termination of Executive's employment, within any geographical area in which the Company or its Subsidiaries engage or plan to engage in such businesses. Nothing herein shall prohibit Executive from being a passive owner of not more than 2% of the outstanding stock of any class of a corporation which is publicly traded, so long as Executive has no active participation in the business of such corporation.

(b) During the Noncompete Period, Executive shall not directly or indirectly through another entity (i) induce or attempt to induce any employee of the Company or any Subsidiary to leave the employ of the Company or such Subsidiary, or in any way interfere with the relationship between the Company or any Subsidiary and any employee thereof, (ii) hire any person who was an employee of the Company or any Subsidiary at any time during the Employment Term or (iii) induce or attempt to induce any customer, supplier, licensee, licensor, franchisee or other business relation of the Company or any Subsidiary to cease doing business with the Company or such Subsidiary, or in any way interfere with the relationship between any such customer, supplier, licensee, licensor, franchisee, or business relation and the Company or any Subsidiary (including, without limitation, making any negative statements or communications about the Company or its Subsidiaries).

(c) If, at the time of enforcement of this paragraph 7, a court shall hold that the duration, scope or area restrictions stated herein are unreasonable under circumstances then existing, the parties agree that the maximum duration, scope or area reasonable under such circumstances shall be substituted for the stated duration, scope or area and that the court shall be allowed to revise the restrictions contained herein to cover the maximum period, scope and area permitted by law. Executive agrees that the restrictions contained in this paragraph 7 are reasonable.

(d) In the event of the breach or a threatened breach by Executive of any of the provisions of this paragraph 7, the Company, in addition and supplementary to other rights and remedies existing in its favor, may apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce or prevent any violations of the provisions hereof (without posting a bond or other security). In addition, in the event of an alleged breach or violation by Executive of this paragraph 7, the Noncompete Period shall be tolled until such breach or violation has been duly cured.

8. Executive's Representations. Executive hereby represents and warrants to the Company that (1) the execution, delivery and performance of this Agreement by Executive do not and shall not conflict with, breach, violate or cause a default under any contract, agreement, instrument, order, judgment or decree to which Executive is a party or by which Executive is bound, (ii) Executive is not a party to or bound by any employment agreement, noncompete agreement or confidentiality agreement with any other person or entity and (iii) upon the execution and delivery of this Agreement by the Company, this Agreement shall be the valid and binding obligation of Executive, enforceable in accordance with its terms. Executive hereby acknowledges and represents that Executive has had an opportunity to consult with independent legal counsel regarding Executive's rights and obligations under this Agreement and that Executive fully understands the terms and conditions contained herein.

9. Survival. Paragraphs 5, 6 and 7 and paragraphs 9 through 16 shall survive and continue in full force in accordance with their terms notwithstanding any termination of the Employment Term.

10. Notices. Any notice provided for in this Agreement shall be in writing and shall be either personally delivered, or mailed by first class mail, return receipt requested, to the recipient at the address below indicated:

Notices to Executive:

Name: Charles E. Brown
Address: c/o Office Depot
2200 Old Germantown Road
Delray Beach, FL 33445

Notices to the Company:

Office Depot, Inc.
2200 Germantown Road
Delray Beach, Florida 33445
Attention: Chief Financial Officer

and

Office Depot, Inc.
2200 Germantown Road
Delray Beach, Florida 33445
Attention: Executive Vice President - Human Resources

or such other address or to the attention of such other person as the recipient party shall have specified by prior written notice to the sending party. Any notice under this Agreement shall be deemed to have been given when so delivered or mailed.

11. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

12. Complete Agreement. This Agreement and those documents expressly referred to herein and other documents of even date herewith embody the complete agreement and understanding among the parties and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way (provided, however that during the "Employment Period," as defined in the Change of Control Employment Agreement, the terms and provision of the Change of Control Employment Agreement shall be effective and shall control to the extent there is any conflict between such agreement and this Agreement).

13. No Strict Construction. The language used in this Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction shall be applied against any party.

14. Counterparts. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

15. Successors and Assigns. This Agreement is intended to bind and inure to the benefit of and be enforceable by Executive, the Company and their respective heirs, successors and assigns, except that Executive may not assign Executive's rights or delegate Executive's obligations hereunder without the prior written consent of the Company.

16. Choice of Law. All issues and questions concerning the construction, validity, enforcement and interpretation of this Agreement and the exhibits and schedules hereto shall be governed by, and construed in accordance with, the laws of the State of Florida, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Florida or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Florida.

17. Amendment and Waiver. The provisions of this Agreement may be amended or waived only with the prior written consent of the Company and Executive, and no course of conduct or failure or delay in enforcing the provisions of this Agreement shall affect the validity, binding effect or enforceability of this Agreement.

* * * *

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

OFFICE DEPOT, INC.

By: /s/ Thomas Kroeger

Name: Thomas Kroeger
Its: Executive Vice President - Human Resources

EXECUTIVE

/s/ Charles Brown

Name:

May 29, 1998

Date:

Exhibit 10.16

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is made as of May 28, 1998 by and between Office Depot, Inc., a Delaware corporation (the "Company"), and Charles E. Brown (the "Executive").

The Board of Directors of the Company (the "Board") has determined that it is in the best interests of the Company and its shareholders to assure that the Company will have the continued dedication of the Executive, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined below) of the Company. The Board believes it is imperative to diminish the inevitable distraction of the Executive by virtue of the personal uncertainties and risks created by a pending or threatened Change of Control and to encourage the Executive's full attention and dedication to the Company currently and in the event of any threatened or pending Change of Control, and to provide the Executive with compensation and benefits arrangements upon a Change of Control which ensure that the compensation and benefits expectations of the Executive will be satisfied and which are competitive with those of other corporations. Therefore, in order to accomplish these objectives, the Board has caused the Company to enter into this Agreement.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1. Certain Definitions. (a) The "Effective Date" shall mean the first date during the Change of Control Period (as defined in Section 1 (b)) on which a Change of Control (as defined in Section 2) occurs. Anything in this Agreement to the contrary notwithstanding, if a Change of Control occurs and if the Executive's employment with the Company is terminated prior to the date on which the Change of Control occurs, and if it is reasonably demonstrated by the Executive that such termination of employment (i) was at the request of a third party who has taken steps reasonably calculated to effect a Change of Control or (ii) otherwise arose in connection with or anticipation of a Change of Control, then for all purposes of this Agreement the "Effective Date" shall mean the date immediately prior to the date of such termination of employment.

(b) The "Change of Control Period" shall mean the period commencing on the date hereof and ending on the third anniversary of the date hereof; provided, however, that commencing on the date one year after the date hereof, and on each annual anniversary of such date (such date and each annual anniversary thereof shall be hereinafter referred to as the "Renewal Date"), unless previously terminated, the Change of Control Period shall be automatically extended so as to terminate three years from such Renewal Date, unless at least 60 days prior to the Renewal Date the Company shall give notice to the Executive that the Change of Control Period shall not be so extended.

2. Change of Control. For the purpose of this Agreement, a "Change of Control" shall mean:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule l3d-3 promulgated under the Exchange Act) of 20% or more of either (i) the then-outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (ii) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (iv) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c) of this Section 2; or

(b) Individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(c) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then-outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (ii) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then-outstanding shares of common stock of the corporation resulting from such Business Combination, or the combined voting power

of the then-outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(d) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

3. Employment Period. The Company hereby agrees to continue the Executive in its employ, and the Executive hereby agrees to remain in the employ of the Company subject to the terms and conditions of this Agreement, for the period commencing on the Effective Date and ending on the first anniversary of such date (the "Employment Period"). Such period may be extended in writing by the mutual agreement of the Company and Executive at any time prior to such first anniversary.

4. Terms of Employment. (a) Position and Duties. (i) During the Employment Period, (A) the Executive's position (including status, offices, titles and reporting requirements), authority, duties and responsibilities shall be at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 120-day period immediately preceding the Effective Date and (B) the Executive's services shall be performed at the location where the Executive was employed immediately preceding the Effective Date or any office or location less than 35 miles from such location.

(ii) During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote reasonable attention and time during normal business hours to the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder, to use the Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period it shall not be a violation of this Agreement for the Executive to (A) serve on corporate, civic or charitable boards or committees, (B) deliver lectures, fulfill speaking engagements or teach at educational institutions, and (C) manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement. It is expressly understood and agreed that to the extent that any such activities have been conducted by the Executive prior to the Effective Date, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the Effective Date shall not thereafter be deemed to interfere with the performance of the Executive's responsibilities to the Company.

(b) Compensation. (i) Base Salary. During the Employment Period, the Executive shall receive an annual base salary, including any applicable car allowance ("Annual Base Salary"), which shall be paid at a monthly rate, at least equal to twelve times the highest monthly base salary paid or payable, including any base salary which has been earned but deferred, to the

Executive by the Company and its affiliated companies in respect of the twelve-month period immediately preceding the month in which the Effective Date occurs. During the Employment Period, the Annual Base Salary shall be reviewed no more than 12 months after the last salary increase awarded to the Executive prior to the Effective Date and thereafter at least annually. Any increase in Annual Base Salary shall not serve to limit or reduce any other obligation to the Executive under this Agreement. Annual Base Salary shall not be reduced after any such increase and the term Annual Base Salary as utilized in this Agreement shall refer to Annual Base Salary as so increased. As used in this Agreement, the term "affiliated companies" shall include any company controlled by, controlling or under common control with the Company.

(ii) Annual Bonus. In addition to Annual Base Salary, the Executive shall be awarded, for each fiscal year ending during the Employment Period, an annual bonus (the "Annual Bonus") in cash at least equal to the Executive's highest bonus under the Company's annual incentive bonus plans, including, without limitation, its Designated Executive Incentive Plan and Management Incentive Plan, or any comparable bonus under any predecessor or successor plan or plans, for the last three full fiscal years prior to the Effective Date (annualized in the event that the Executive was not employed by the Company for the whole of such fiscal year) (the "Recent Annual Bonus"). Each such Annual Bonus shall be paid no later than the end of the third month of the fiscal year next following the fiscal year for which the Annual Bonus is awarded, unless the Executive shall elect to defer the receipt of such Annual Bonus.

(iii) Incentive, Savings and Retirement Plans. During the Employment Period, the Executive shall be entitled to participate in all incentive, savings and retirement plans, practices, policies and programs applicable generally to other peer Executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), savings opportunities and retirement benefit opportunities, in each case, less favorable, in the aggregate, than the most favorable of those provided by the Company and its affiliated companies for the Executive under such plans, practices, policies and programs as in effect at any time during the 120-day period immediately preceding the Effective Date or if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and its affiliated companies.

(iv) Welfare Benefit Plans. During the Employment Period, the Executive and/or the Executive's family, as the case may be, shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Company and its affiliated companies (including, without limitation, medical, prescription, dental, disability, employee life, group life, split-dollar life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to other peer executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with benefits which are less favorable, in the aggregate, than the most favorable of such plans, practices, policies and programs in effect for the Executive at any time during the 120-day

period immediately preceding the Effective Date or, if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and its affiliated companies.

(v) Expenses. During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the most favorable policies, practices and procedures of the Company and its affiliated companies in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

(vi) Fringe Benefits. During the Employment Period, the Executive shall be entitled to fringe benefits, including, without limitation, tax and financial planning services, payment of club dues, and, if applicable, use of an automobile and payment of related expenses, in accordance with the most favorable plans, practices, programs and policies of the Company and its affiliated companies in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

(vii) Office and Support Staff. During the Employment Period, the Executive shall be entitled to an office or offices of a size and with furnishings and other appointments, and to exclusive personal secretarial and other assistance, at least equal to the most favorable of the foregoing provided to the Executive by the Company and its affiliated companies at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as provided generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

(viii) Vacation. During the Employment Period, the Executive shall be entitled to paid vacation in accordance with the most favorable plans, policies, programs and practices of the Company and its affiliated companies as in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

5. Termination of Employment. (a) Death or Disability. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period. If the Company determines in good faith that the Disability of the Executive has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may give to the Executive written notice in accordance with Section 12(b) of this Agreement of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. For purposes of this

Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties with the Company on a full-time basis for 180 consecutive days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative.

(b) Cause. The Company may terminate the Executive's employment during the Employment Period for Cause. For purposes of this Agreement, "Cause" shall mean:

(i) the willful and continued failure of the Executive to perform substantially the Executive's duties with the Company or one of its affiliates (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Executive by the Board or the Chief Executive Officer of the Company which specifically identifies the manner in which the Board or Chief Executive Officer believes that the Executive has not substantially performed the Executive's duties, or

(ii) the willful engaging by the Executive in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Company.

For purposes of this provision, no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of the Chief Executive Officer or a senior officer of the Company or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board), finding that in the good faith opinion of the Board, the Executive is guilty of the conduct described in subparagraph (i) or (ii) above, and specifying the particulars thereof in detail.

(c) Good Reason. The Executive's employment may be terminated by the Executive for Good Reason. For purposes of this Agreement, "Good Reason" shall mean:

(i) the assignment to the Executive of any duties inconsistent in any respect with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 4(a) of this Agreement, or any other action by the Company which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated,

insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(ii) any failure by the Company to comply with any of the provisions of Section 4(b) of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(iii) the Company's requiring the Executive to be based at any office or location other than as provided in Section 4(a)(i)(B) hereof or the Company's requiring the Executive to travel on Company business to a substantially greater extent than required immediately prior to the Effective Date;

(iv) any purported termination by the Company of the Executive's employment otherwise than as expressly permitted by this Agreement; or

(v) any failure by the Company to comply with and satisfy Section 11(c) of this Agreement.

For purposes of this Section 5(c), any good faith determination of "Good Reason" made by the Executive shall be conclusive. Anything in this Agreement to the contrary notwithstanding, a termination by the Executive for any reason during the 30-day period immediately preceding the first anniversary of the Effective Date shall be deemed to be a termination for Good Reason for all purposes of this Agreement.

(d) Notice of Termination. Any termination by the Company for Cause, or by the Executive for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 12(b) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than thirty days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

(e) Date of Termination. "Date of Termination" means (i) if the Executive's employment is terminated by the Company for Cause, or by the Executive for Good Reason, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be, (ii) if the Executive's employment is terminated by the Company other than for Cause or Disability, the

Date of Termination shall be the date on which the Company notifies the Executive of such termination and (iii) if the Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Executive or the Disability Effective Date, as the case may be.

6. Obligations of the Company upon Termination. (a) Good Reason; Other Than for Cause, Death or Disability. If, during the Employment Period, the Company shall terminate the Executive's employment other than for Cause, death or Disability or the Executive shall terminate employment for Good Reason:

(i) the Company shall pay to the Executive in a lump sum in cash within 30 days after the Date of Termination the aggregate of the following amounts:

A. the sum of (1) the Executive's Annual Base Salary through the Date of Termination to the extent not theretofore paid, (2) the product of (x) the higher of (I) the Recent Annual Bonus and (II) the Annual Bonus paid or payable, including any bonus or portion thereof which has been earned but deferred (and annualized for any fiscal year consisting of less than twelve full months or during which the Executive was employed for less than twelve full months), for the most recently completed fiscal year during the Employment Period, if any (such higher amount being referred to as the "Highest Annual Bonus") and (y) a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination, and the denominator of which is 365 and (3) any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon) and any accrued vacation pay, in each case to the extent not theretofore paid (the sum of the amounts described in clauses (1), (2), and (3) shall be hereinafter referred to as the "Accrued Obligations"); and

B. the amount equal to the product of (1) two and (2) the sum of (x) the Executive's Annual Base Salary and (y) the Highest Annual Bonus; and

C. an amount equal to the excess of (1) the actuarial equivalent of the benefit under the Company's qualified defined benefit retirement plan (the "Retirement Plan") (utilizing actuarial assumptions no less favorable to the Executive than those in effect under the Company's Retirement Plan immediately prior to the Effective Date), and any excess or supplemental retirement plan in which the Executive participates (together, the "SERP") which the Executive would receive if the Executive's employment continued for two years after the Date of Termination assuming for this purpose that all accrued benefits are fully vested, and, assuming that the Executive's compensation in each of the two years is that required by Section 4(b)(i) and Section 4(b)(ii), over (2) the actuarial equivalent of the Executive's actual benefit (paid or payable), if any, under the Retirement Plan and the SERP as of the Date of Termination;

(ii) for two years after the Executive's Date of Termination, or such longer period as may be provided by the terms of the appropriate plan, program, practice or policy, the Company shall continue benefits to the Executive and/or the Executive's family at least equal to those which would have been provided to them in accordance with the plans, programs, practices and policies described in Section 4(b)(iv) of this Agreement if the Executive's employment had not been terminated or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies and their families, provided, however, that if the Executive becomes reemployed with another employer and is eligible to receive medical or other welfare benefits under another employer-provided plan, the medical and other welfare benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility. Notwithstanding the foregoing, the Company shall continue to make all scheduled premium payments under any split-dollar life insurance policy in effect on the Date of Termination on behalf of the Executive for so long as such payments are scheduled (without giving effect to Executive's termination). For purposes of determining eligibility (but not the time of commencement of benefits) of the Executive for retiree benefits pursuant to such plans, practices, programs and policies, the Executive shall be considered to have remained employed until two years after the Date of Termination and to have retired on the last day of such period;

(iii) the Company shall, at its sole expense as incurred, provide the Executive with out placement services the scope and provider of which shall be selected by the Executive in his sole discretion; and

(iv) to the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive any other amounts or benefits required to be paid or provided or which the Executive is eligible to receive under any plan, program, policy or practice or contract or agreement of the Company and its affiliated companies (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits").

(b) Death. If the Executive's employment is terminated by reason of the Executive's death during the Employment Period, this Agreement shall terminate without further obligations to the Executive's legal representatives under this Agreement, other than for payment of the amounts set forth in Section 6(i) and the timely payment or provision of Other Benefits. The amounts set forth in Section 6(i) shall be paid to the Executive's estate or beneficiary, as applicable, in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 6(b) shall include, without limitation, and the Executive's estate and/or beneficiaries shall be entitled to receive, benefits at least equal to the most favorable benefits provided by the Company and affiliated companies to the estates and beneficiaries of peer executives of the Company and such affiliated companies under such plans, programs, practices and policies relating to death benefits, if any, as in effect with respect to other peer executives and their beneficiaries at any time during the 120-day period immediately preceding

the Effective Date or, if more favorable to the Executive's estate and/or the Executive's beneficiaries, as in effect on the date of the Executive's death with respect to other peer executives of the Company and its affiliated companies and their beneficiaries.

(c) Disability. If the Executive's employment is terminated by reason of the Executive's Disability during the Employment Period, this Agreement shall terminate without further obligations to the Executive, other than for payment of the amounts set forth in Section 6(i) and the timely payment or provision of Other Benefits. The amounts set forth in Section 6(i) shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of Other Benefits, the term "Other Benefits" as utilized in this Section 6(c) shall include, and the Executive shall be entitled after the Disability Effective Date to receive, disability and other benefits at least equal to the most favorable of those generally provided by the Company and its affiliated companies to disabled executives and/or their families in accordance with such plans, programs, practices and policies relating to disability, if any, as in effect generally with respect to other peer executives and their families at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive and/or the Executive's family, as in effect at any time thereafter generally with respect to other peer executives of the Company and its affiliated companies and their families.

(d) Cause; Other than for Good Reason. If the Executive's employment shall be terminated for Cause during the Employment Period, this Agreement shall terminate without further obligations to the Executive other than for Accrued Obligations and for the timely payment or provision of Other Benefits, in each case to the extent theretofore unpaid. If the Executive voluntarily terminates employment during the Employment Period, excluding a termination for Good Reason, this Agreement shall terminate without further obligations to the Executive, other than for Accrued Obligations and the timely payment or provision of Other Benefits. In each such case, all Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination.

7. Nonexclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Company or any of its affiliated companies and for which the Executive may qualify, nor, subject to Section 12(f), shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its affiliated companies. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with the Company or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

8. Full Settlement. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may

have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and such amounts shall not be reduced whether or not the Executive obtains other employment. The Company agrees to pay as incurred, to the fullest extent permitted by law, all legal fees and expenses which the Executive may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company, the Executive or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including as a result of any contest by the Executive about the amount of any payment pursuant to this Agreement), plus in each case interest on any delayed payment at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Internal Revenue Code of 1986, as amended (the "Code").

9. Certain Additional Payments by the Company. (a) Anything in this Agreement to the contrary notwithstanding and except as set forth below, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 9) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments. Notwithstanding the foregoing provisions of this Section 9(a), if it shall be determined that the Executive is entitled to a Gross-Up Payment, but that the Executive, after taking into account the Payments and the Gross-Up Payment, would not receive a net after-tax benefit of at least $50,000 (taking into account both income taxes and any Excise Tax) as compared to the net after-tax proceeds to the Executive resulting from an elimination of the Gross-Up Payment and a reduction of the Payments, in the aggregate, to an amount (the "Reduced Amount") such that the receipt of Payments would not give rise to any Excise Tax, then no Gross-Up Payment shall be made to the Executive and the Payments, in the aggregate, shall be reduced to the Reduced Amount.

(b) Subject to the provisions of Section 9(c), all determinations required to be made under this Section 9, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by Deloitte & Touche or such other certified public accounting firm as may be designated by the Executive (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, the Executive shall appoint

another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 9, shall be paid by the Company to the Executive within five days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 9(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

(c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) give the Company any information reasonably requested by the Company relating to such claim,

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,

(iii) cooperate with the Company in good faith in order effectively to contest such claim, and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 9(c), the

Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or to contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 9(c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 9(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 9(c), a determination made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

10. Confidential Information. The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or any of its affiliated companies and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). After termination of the Executive's employment with the Company, the Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. In no event shall an asserted violation of the provisions of this Section 10 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Agreement.

11. Successors. (a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

12. Miscellaneous. (a) This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

Charles E. Brown
c/o Office Depot, Inc.
2200 Old Germantown Road
Delray Beach, Florida 33445

If to the Company:

Office Depot, Inc.
2200 Old Germantown Road
Delray Beach, Florida 33445
Attention: President

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) The Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) The Executive's or the Company's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitations the right of the Executive to terminate employment for Good Reason pursuant to Section 5(c)(i)-(v) of this Agreement, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(f) The Executive and the Company acknowledge that, except as may otherwise be provided under any other written agreement between the Executive and the Company, the employment of the Executive by the Company is "at will" and, subject to Section 1 (a) hereof, prior to the Effective Date, the Executive's employment and/or this Agreement may be terminated by either the Executive or the Company at any time prior to the Effective Date, in which case the Executive shall have no further rights under this Agreement. From and after the Effective Date this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof

* * * * *

IN WITNESS WHEREOF, the Executive has hereunto set the Executive's hand and, pursuant to the authorization from its Board of Directors, the Company has caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

/s/ Charles Brown

Executive

May 29, 1998

Date

OFFICE DEPOT, INC.

By: /s/ Thomas Kroeger

Its: Executive Vice President
Human Resources

Exhibit 10.17

EXECUTIVE EMPLOYMENT AGREEMENT
(For Executive Officers Who Also Have a Change of Control Employment Agreement)

THIS EMPLOYMENT AGREEMENT is made as of 07-25, 2000 between Office Depot, Inc., a Delaware corporation (the "Company"), and Robert J. Keller ("Executive").

The Company and Executive are parties to one or more prior employment agreements and/or amendments thereto, or extensions thereof (collectively "Prior Agreements");

The parties desire to replace all such Prior Agreements with this Employment Agreement, and each of them hereby agrees that this Employment Agreement, upon execution by each of the Company and Executive, supersedes and replaces any and all Prior Agreements and, together with the Change of Control Employment Agreement dated contemporaneously herewith, constitutes the entire understanding of the Company and Executive with regard to the employment of Executive by the Company;

Now Therefore, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Employment.

(a) The Company shall employ Executive, and Executive hereby accepts employment with the Company, upon the terms and conditions set forth in this Agreement for the period beginning on the date hereof and ending as provided in paragraph 4 hereof (the "Employment Term").

(b) The parties hereto also have entered into an Employment Agreement dated as 07-25, 2000 by and between the Company and the Executive (the "Change of Control Employment Agreement") which, by its terms, takes effect during the "Employment Period" as defined in such agreement. During any such Employment Period under the Change of Control Employment Agreement, the terms and provisions of the Change of Control Employment Agreement shall control to the extent such terms and provisions are in conflict with the terms and provisions of this Agreement. In addition, during such Employment Period, the Employment Term hereunder shall be tolled and upon expiration of the Employment Period under the Change of Control Employment Agreement the Employment Term hereunder shall recommence.

2. Position and Duties.

(a) During the Employment Period, Executive shall serve as Executive Vice President Sales of the Company and shall have the normal duties, responsibilities and authority attendant to such position, subject to the power of the Company's chief executive officer ("CEO") to expand or limit such duties, responsibilities and authority.

(b) Executive shall report to the CEO, and Executive shall devote Executive's best efforts and Executive's full business time and attention (except for permitted vacation periods and reasonable periods of illness or other incapacity) to the business and affairs of the Company and its Subsidiaries; provided that Executive shall, with the prior written approval of the CEO, be allowed to serve as (i) a director or officer of any non-profit organization including trade, civic, educational or charitable organizations, or (ii) a director of any corporation which is not competing with the Company or any of its Subsidiaries in the office product and office supply industry so long as such duties do not materially interfere with the performance of Executive's duties or responsibilities under this Agreement. Executive shall perform Executive's duties and responsibilities under this Agreement to the best of Executive's abilities in a diligent, trustworthy, businesslike and efficient manner.

(c) Executive shall be based at or in the vicinity of the Company's headquarters but may be required to travel as necessary to perform Executive's duties and responsibilities under this Agreement.

(d) For purposes of this Agreement, "Subsidiaries" shall mean any corporation of which the securities having a majority of the voting power in electing directors are, at the time of determination, owned by the Company, directly or through one of more Subsidiaries.

3. Base Salary and Benefits.

(a) Initially, Executive's base salary shall be $450,000.00 per annum (the "Base Salary"), which salary shall be payable in regular installments in accordance with the Company's general payroll practices and shall be subject to customary withholding. Executive's Base Salary shall be reviewed at least annually by the Compensation Committee of the Board and shall be subject to adjustment, but not reduction, as they shall determine based on among other things, market practice and performance. In addition, during the Employment Term, Executive shall be entitled to participate in the Company's Long Term Equity Incentive Plan.

(b) In addition to the Base Salary, Executive shall be entitled to participate in the Company's Management Incentive Plan (the "Bonus Plan") as administered by [the Board or] the Compensation Committee. If the Board or the Compensation Committee modifies such Bonus Plan during the Employment Term, Executive shall continue to participate at a level no lower than the highest level established for any officer of the Company then at Executive's level. At the discretion of the Board or the Compensation Committee, Executive may be offered from time to time the opportunity to participate in other bonus plans of the Company in lieu of the Bonus Plan and, if Executive chooses to participate in such plan or plans, the provisions of this paragraph 3(b) shall be tolled during the period of such participation.

(c) Executive shall be entitled to paid vacation in accordance with the Company's general payroll practices for officers of the Company then at Executive's level.

(d) The Company shall reimburse Executive for all reasonable expenses incurred by Executive in the course of performing Executive's duties under this Agreement which are consistent with the Company's policies in effect from time to time with respect to travel, entertainment and other business expenses, subject to the Company's requirements with respect to reporting and documentation of such expenses.

(e) Executive will be entitled to all benefits as are, from time to time, maintained for officers of the Company then at Executive's level, including without limitation: medical, prescription, dental, disability, employee life, group life, split-dollar life, accidental death and travel accident insurance plans (collectively, "Insurance Benefits"), profit sharing and retirement benefits.

4. Term.

(a) The Employment Term shall end on the second anniversary of the date of this Agreement; provided that (i) the Employment Term shall be extended for one year in the event that written notice of the termination of this Agreement is not given by one party hereof to the other at least six months prior to the end of the Employment Term, and it shall continue thereafter from year to year in like fashion ("evergreen") unless and until either party provides written notice as provided in the first clause of this sentence; provided further that (ii) the Employment Term shall terminate prior to such date (A) upon Executive's death or permanent disability or incapacity (as determined by the Board in its good faith judgment), (B) upon the mutual agreement of the Company and Executive, (C) by the Company's termination of this Agreement for Cause (as defined below) or without Cause or (D) by Executive's termination of this Agreement for Good Reason (as defined below) or without Good Reason.

(b) If the Employment Term is terminated by the Company without Cause or is terminated by the Executive for Good Reason, Executive (and Executive's family with respect to clause (iii) below) shall be entitled to receive (i) Executive's Base Salary through the eighteenth month anniversary of such termination and Executive's Pro Rata Bonus (as defined in paragraph (h) below), if and only if Executive has not breached the provisions of paragraphs 5, 6 and 7 hereof, (ii) vested and earned (in accordance with the Company's applicable plan or program) but unpaid amounts under incentive plans, deferred compensation plans, and other employer programs of the Company in which Executive is then participating (other than the Pro Rata Bonus), and (iii) Insurance Benefits through the eighteenth month anniversary of such termination pursuant to the Company's insurance programs, as in effect from time to time, to the extent Executive participated immediately prior to the date of such termination; provided that any health insurance benefits which Executive becomes entitled to receive as a result of any subsequent employment shall serve as primary coverage for Executive and Executive's family.

The amounts payable pursuant to paragraph 4(b)(i) and (ii) shall be payable, at the Company's discretion, in one lump sum payment within 30 days following termination of the Employment Term or in any other manner consistent with the Company's normal payment policies.

(c) If the Employment Term is terminated by the Company for Cause or by the Executive without Good Reason, Executive shall be entitled to receive (i) Executive's Base Salary through the date of such termination and (ii) vested and earned (in accordance with the Company's applicable plan or program) but unpaid amounts under incentive plans, health and welfare plans, deferred compensation plans, and other employer programs of the Company which Executive participates; provided, however, that Executive shall not be entitled to payment of a Pro Rata Bonus.

(d) If the Employment Term is terminated upon Executive's death or permanent disability or incapacity (as determined by the Board in its good faith judgment), Executive, or Executive's estate if applicable, shall be entitled to receive the sum of (i) Executive's Base Salary through the date of such termination and Executive's Pro Rata Bonus (as defined in paragraph (h) below) and (ii) vested and earned (in accordance with the Company's applicable plan or program) but unpaid amounts under incentive plans, health and welfare plans, deferred compensation plans, and other employer programs of the Company which Executive participates. The amounts payable pursuant to this paragraph 4(d) shall be payable, at the Company's discretion, in one lump sum payment within 30 days following termination of the Employment Term or in any other manner consistent with the Company's normal payment policies.

(e) Except as otherwise provided herein, fringe benefits and bonuses (if any) which accrue or become payable after the termination of the Employment Term shall cease upon such termination.

(f) For purposes of this Agreement, "Cause" shall mean:

(i) the willful and continued failure of the Executive to perform substantially the Executive's duties with the Company or one of its affiliates (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Executive by the CEO which specifically identifies the manner in which the CEO believes that the Executive has not substantially performed the Executive's duties, or

(ii) the willful engaging by the Executive in illegal conduct or gross misconduct [which is materially and demonstrably injurious to the Company].

For purposes of this provision, no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of the CEO or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Executive is guilty of the conduct described in subparagraph (i) or (ii) above, and specifying the particulars thereof in detail.

(g) For purposes of this Agreement, "Good Reason" shall mean:

(i) the assignment to the Executive of any duties inconsistent with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by paragraph 2 of this Agreement, or any other action by the Company which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(ii) any failure by the Company to comply with any of the provisions of paragraph 3 of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(iii) the Company's requiring the Executive to be based at any location other than as provided in paragraph 2(c) hereof; or

(iv) any purported termination by the Company of the Executive's employment otherwise than as expressly permitted by this Agreement.

(h) For purposes of this Agreement, "Pro Rata Bonus" shall mean the sum of (i) the pro rata portion (calculated as if the "target" amount under such plan has been reached) under any current annual incentive plan from the beginning of the year of termination through the date of termination and (ii) if and to the extent Executive is vested, the pro rata portion (calculated as if the "target" amount under such plan has been reached) under any long-term incentive plan or performance plan from the beginning of the period of determination through the date of termination.

5. Confidential Information. Executive acknowledges that the information, observations and data obtained by Executive while employed by the Company and its Subsidiaries concerning the business or affairs of the Company or any other Subsidiary ("Confidential Information") are the property of the Company or such Subsidiary. Therefore, Executive agrees that Executive shall not disclose to any unauthorized person or use for Executive's own purposes any Confidential Information without the prior written consent of the CEO, unless and to the extent that the aforementioned matters become generally known to and available for use by the public other than as a result of Executive's acts or omissions. Executive shall deliver to the Company at the termination of the Employment Term, or at any other time the Company may request, all memoranda, notes, plans, records, reports, computer tapes, printouts and software and other documents and data (and copies thereof) in any form or medium relating to the Confidential Information, Work Product (as defined below) or the business of the Company or any Subsidiary that Executive may then possess or have under Executive's control.

6. Inventions and Patents. Executive acknowledges that all inventions, innovations, improvements, developments, methods, designs, analyses, drawings, reports and all similar or related information (whether or not patentable) that relate to the Company's or any of its Subsidiaries' actual or anticipated business, research and development or existing or future products or services and that are conceived, developed or made by Executive while employed by the Company and its Subsidiaries ("Work Product") belong to the Company or such Subsidiary. Executive shall promptly disclose such Work Product to the CEO and perform all actions reasonably requested by the CEO (whether during or after the Employment Term) to establish and confirm such ownership (including, without limitation, assignments, consents, powers of attorney and other instruments).

7. Non-Compete, Non-Solicitation.

(a) In further consideration of the compensation to be paid to Executive hereunder, Executive acknowledges that in the course of Executive's employment with the Company Executive shall become familiar with the Company's trade secrets and with other Confidential Information concerning the Company and its Subsidiaries and that Executive's services shall be of special, unique and extraordinary value to the Company and its Subsidiaries. Therefore, Executive agrees that, during the Employment Term and for one year thereafter (the "Noncompete Period"), Executive shall not directly or indirectly own any interest in, manage, control, participate in, consult with, render services for, or in any manner engage in any business competing with the businesses of the Company or its Subsidiaries, as such businesses exist or are in process on the date of the termination of Executive's employment, within any geographical area in which the Company or its Subsidiaries engage or plan to engage in such businesses. Nothing herein shall prohibit Executive from being a passive owner of not more than 2% of the outstanding stock of any class of a corporation which is publicly traded, so long as Executive has no active participation in the business of such corporation.

(b) During the Noncompete Period, Executive shall not directly or indirectly through another entity (i) induce or attempt to induce any employee of the Company or any Subsidiary to leave the employ of the Company or such Subsidiary, or in any way interfere with the relationship between the Company or any Subsidiary and any employee thereof, (ii) hire any person who was an employee of the Company or any Subsidiary at any time during the Employment Term or (iii) induce or attempt to induce any customer, supplier, licensee, licensor, franchisee or other business relation of the Company or any Subsidiary to cease doing business with the Company or such Subsidiary, or in any way interfere with the relationship between any such customer, supplier, licensee, licensor, franchisee, or business relation and the Company or any Subsidiary (including, without limitation, making any negative statements or communications about the Company or its Subsidiaries).

(c) If, at the time of enforcement of this paragraph 7, a court shall hold that the duration, scope or area restrictions stated herein are unreasonable under circumstances then existing, the parties agree that the maximum duration, scope or area reasonable under such circumstances shall be substituted for the stated duration, scope or area and that the court shall be allowed to revise the restrictions contained herein to cover the maximum period, scope and area permitted by law. Executive agrees that the restrictions contained in this paragraph 7 are reasonable.

(d) In the event of the breach or a threatened breach by Executive of any of the provisions of this paragraph 7, the Company, in addition and supplementary to other rights and remedies existing in its favor, may apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce or prevent any violations of the provisions hereof (without posting a bond or other security). In addition, in the event of an alleged breach or violation by Executive of this paragraph 7, the Noncompete Period shall be tolled until such breach or violation has been duly cured.

8. Executive's Representations. Executive hereby represents and warrants to the Company that (i) the execution, delivery and performance of this Agreement by Executive do not and shall not conflict with, breach, violate or cause a default under any contract, agreement, instrument, order, judgment or decree to which Executive is a party or by which Executive is bound, (ii) Executive is not a party to or bound by any employment agreement, noncompete agreement or confidentiality agreement with any other person or entity and (iii) upon the execution and delivery of this Agreement by the Company, this Agreement shall be the valid and binding obligation of Executive, enforceable in accordance with its terms. Executive hereby acknowledges and represents that Executive has had an opportunity to consult with independent legal counsel regarding Executive's rights and obligations under this Agreement and that Executive fully understands the terms and conditions contained herein.

9. Survival. Paragraphs 5, 6 and 7 and paragraphs 9 through 18 shall survive and continue in full force in accordance with their terms notwithstanding any termination of the Employment Term.

10. Notices. Any notice provided for in this Agreement shall be in writing and shall be either personally delivered, or mailed by first class mail, return receipt requested, to the recipient at the address below indicated:

Notices to Executive:

Name: Robert J. Keller
Address: 7418 Floranda Way
Delray Beach, FL 33446

Notices to the Company:

Office Depot, Inc.
2200 Germantown Road
Delray Beach, Florida 33445
Attention: Chief Financial Officer

and

Office Depot, Inc.
2200 Germantown Road
Delray Beach, Florida 33445
Attention: Executive Vice President - Human Resources

or such other address or to the attention of such other person as the recipient party shall have specified by prior written notice to the sending party. Any notice under this Agreement shall be deemed to have been given when so delivered or mailed.

11. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

12. Complete Agreement. This Agreement and those documents expressly referred to herein and other documents of even date herewith embody the complete agreement and understanding among the parties and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way (provided, however that during the "Employment Period," as defined in the Change of Control Employment Agreement, the terms and provision of the Change of Control Employment Agreement shall be effective and shall control to the extent there is any conflict between such agreement and this Agreement).

13. No Strict Construction. The language used in this Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction shall be applied against any party.

14. Counterparts. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

15. Successors and Assigns. This Agreement is intended to bind and inure to the benefit of and be enforceable by Executive, the Company and their respective heirs, successors and assigns, except that Executive may not assign Executive's rights or delegate Executive's obligations hereunder without the prior written consent of the Company.

16. Choice of Law. All issues and questions concerning the construction, validity, enforcement and interpretation of this Agreement and the exhibits and schedules hereto shall be governed by, and construed in accordance with, the laws of the State of Florida, without

giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Florida or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Florida.

17. Amendment and Waiver. The provisions of this Agreement may be amended or waived only with the prior written consent of the Company and Executive, and no course of conduct or failure or delay in enforcing the provisions of this Agreement shall affect the validity, binding effect or enforceability of this Agreement.

18. Arbitration. Except as to the right of the Company to resort to any court of competent jurisdiction to obtain injunctive relief or specific enforcement of the Executive's obligations of confidentiality and non-competition under this Employment Agreement (or otherwise), any dispute or controversy between the Company and Executive arising out of or relating to this Agreement or the breach of this Agreement shall be settled by arbitration administered by the American Arbitration Association ("AAA") in accordance with its Commercial Arbitration Rules then in effect, and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Any arbitration shall be held before a single arbitrator who shall be selected by the mutual agreement of the Company and Executive, unless the parties are unable to agree to an arbitrator, in which case the arbitrator will be selected under the procedures of the AAA. The arbitrator shall have the authority to award any remedy or relief that a court of competent jurisdiction could order or grant, including, without limitation, the issuance of an injunction. However, either party may, without inconsistency with this arbitration provision, apply to any court otherwise having jurisdiction over such dispute or controversy and seek interim provisional, injunctive or other equitable relief until the arbitration award is rendered or the controversy is otherwise resolved. Except as necessary in court proceedings to enforce this arbitration provision or an award rendered hereunder, or to obtain interim relief, or as may otherwise be required by law, neither a party nor an arbitrator may disclose the existence, content or results of any arbitration hereunder without the prior written consent of the Company and Executive. The Company and Executive acknowledge that this Agreement evidences a transaction involving interstate commerce. Notwithstanding any choice of law provision included in this Agreement, the United States Federal Arbitration Act shall govern the interpretation and enforcement of this arbitration provision. The arbitration proceeding shall be conducted in Palm Beach County, Florida unless the parties mutually agree to another location. The Company shall pay the costs of any arbitrator(s) appointed hereunder.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

OFFICE DEPOT, INC.

By: /s/ Thomas Kroeger

Name: Thomas Kroeger
Its: Executive Vice President,
Human Resources

EXECUTIVE

/s/ Robert J. Keller

Name: Robert J. Keller

7/25/00

Date:

Exhibit 10.18

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is made as of 07-25, 2000 by and between Office Depot, Inc., a Delaware corporation (the "Company"), and Robert J. Keller (the "Executive").

The Board of Directors of the Company (the "Board") has determined that it is in the best interests of the Company and its shareholders to assure that the Company will have the continued dedication of the Executive, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined below) of the Company. The Board believes it is imperative to diminish the inevitable distraction of the Executive by virtue of the personal uncertainties and risks created by a pending or threatened Change of Control and to encourage the Executive's full attention and dedication to the Company currently and in the event of any threatened or pending Change of Control, and to provide the Executive with compensation and benefits arrangements upon a Change of Control which ensure that the compensation and benefits expectations of the Executive will be satisfied and which are competitive with those of other corporations. Therefore, in order to accomplish these objectives, the Board has caused the Company to enter into this Agreement.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1. Certain Definitions. (a) The "Effective Date" shall mean the first date during the Change of Control Period (as defined in Section 1 (b)) on which a Change of Control (as defined in Section 2) occurs. Anything in this Agreement to the contrary notwithstanding, if a Change of Control occurs and if the Executive's employment with the Company is terminated prior to the date on which the Change of Control occurs, and if it is reasonably demonstrated by the Executive that such termination of employment (i) was at the request of a third party who has taken steps reasonably calculated to effect a Change of Control or (ii) otherwise arose in connection with or anticipation of a Change of Control, then for all purposes of this Agreement the "Effective Date" shall mean the date immediately prior to the date of such termination of employment.

(b) The "Change of Control Period" shall mean the period commencing on the date hereof and ending on the third anniversary of the date hereof; provided, however, that commencing on the date one year after the date hereof, and on each annual anniversary of such date (such date and each annual anniversary thereof shall be hereinafter referred to as the "Renewal Date"), unless previously terminated, the Change of Control Period shall be automatically extended so as to terminate three years from such Renewal Date, unless at least 60 days prior to the Renewal Date the Company shall give notice to the Executive that the Change of Control Period shall not be so extended.

2. Change of Control. For the purpose of this Agreement, a "Change of Control" shall mean:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (i) the then-outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (ii) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (iv) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c) of this Section 2; or

(b) Individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(c) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then-outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (ii) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then-outstanding shares of common stock of the corporation resulting from such Business Combination, or the combined voting power

of the then-outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(d) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

3. Employment Period. The Company hereby agrees to continue the Executive in its employ, and the Executive hereby agrees to remain in the employ of the Company subject to the terms and conditions of this Agreement, for the period commencing on the Effective Date and ending on the first anniversary of such date (the "Employment Period"). Such period may be extended in writing by the mutual agreement of the Company and Executive at any time prior to such first anniversary.

4. Terms of Employment. (a) Position and Duties. (i) During the Employment Period, (A) the Executive's position (including status, offices, titles and reporting requirements), authority, duties and responsibilities shall be at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 120-day period immediately preceding the Effective Date and (B) the Executive's services shall be performed at the location where the Executive was employed immediately preceding the Effective Date or any office or location less than 35 miles from such location.

(ii) During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote reasonable attention and time during normal business hours to the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder, to use the Executive's reasonable best efforts to performing faithfully and efficiently such responsibilities. During the Employment Period it shall not be a violation of this Agreement for the Executive to (A) serve on corporate, civic or charitable boards or committees, (B) deliver lectures, fulfill speaking engagements or teach at educational institutions, and (C) manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement. It is expressly understood and agreed that to the extent that any such activities have been conducted by the Executive prior to the Effective Date, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the Effective Date shall not thereafter be deemed to interfere with the performance of the Executive's responsibilities to the Company.

(b) Compensation. (i) Base Salary. During the Employment Period, the Executive shall receive an annual base salary, including any applicable car allowance ("Annual Base Salary"), which shall be paid at a monthly rate, at least equal to twelve times the highest monthly base salary paid or payable, including any base salary which has been earned but deferred, to the

Executive by the Company and its affiliated companies in respect of the twelve-month period immediately preceding the month in which the Effective Date occurs. During the Employment Period, the Annual Base Salary shall be reviewed no more than 12 months after the last salary increase awarded to the Executive prior to the Effective Date and thereafter at least annually. Any increase in Annual Base Salary shall not serve to limit or reduce any other obligation to the Executive under this Agreement. Annual Base Salary shall not be reduced after any such increase and the term Annual Base Salary as utilized in this Agreement shall refer to Annual Base Salary as so increased. As used in this Agreement, the term "affiliated companies" shall include any company controlled by, controlling or under common control with the Company.

(ii) Annual Bonus. In addition to Annual Base Salary, the Executive shall be awarded, for each fiscal year ending during the Employment Period, an annual bonus (the "Annual Bonus") in cash at least equal to the Executive's highest bonus under the Company's annual incentive bonus plans, including, without limitation, its Designated Executive Incentive Plan and Management Incentive Plan, or any comparable bonus under any predecessor or successor plan or plans, for the last three full fiscal years prior to the Effective Date (annualized in the event that the Executive was not employed by the Company for the whole of such fiscal year) (the "Recent Annual Bonus"). Each such Annual Bonus shall be paid no later than the end of the third month of the fiscal year next following the fiscal year for which the Annual Bonus is awarded, unless the Executive shall elect to defer the receipt of such Annual Bonus.

(iii) Incentive, Savings and Retirement Plans. During the Employment Period, the Executive shall be entitled to participate in all incentive, savings and retirement plans, practices, policies and programs applicable generally to other peer Executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), savings opportunities and retirement benefit opportunities, in each case, less favorable, in the aggregate, than the most favorable of those provided by the Company and its affiliated companies for the Executive under such plans, practices, policies and programs as in effect at any time during the 120-day period immediately preceding the Effective Date or if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and its affiliated companies.

(iv) Welfare Benefit Plans. During the Employment Period, the Executive and/or the Executive's family, as the case may be, shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Company and its affiliated companies (including, without limitation, medical, prescription, dental, disability, employee life, group life, split-dollar life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to other peer executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with benefits which are less favorable, in the aggregate, than the most favorable of such plans, practices, policies and programs in effect for the Executive at any time during the 120-day

period immediately preceding the Effective Date or, if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and its affiliated companies.

(v) Expenses. During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the most favorable policies, practices and procedures of the Company and its affiliated companies in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

(vi) Fringe Benefits. During the Employment Period, the Executive shall be entitled to fringe benefits, including, without limitation, tax and financial planning services, payment of club dues, and, if applicable, use of an automobile and payment of related expenses, in accordance with the most favorable plans, practices, programs and policies of the Company and its affiliated companies in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

(vii) Office and Support Staff. During the Employment Period, the Executive shall be entitled to an office or offices of a size and with furnishings and other appointments, and to exclusive personal secretarial and other assistance, at least equal to the most favorable of the foregoing provided to the Executive by the Company and its affiliated companies at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as provided generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

(viii) Vacation. During the Employment Period, the Executive shall be entitled to paid vacation in accordance with the most favorable plans, policies, programs and practices of the Company and its affiliated companies as in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

5. Termination of Employment. (a) Death or Disability. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period. If the Company determines in good faith that the Disability of the Executive has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may give to the Executive written notice in accordance with Section 12(b) of this Agreement of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. For purposes of this

Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties with the Company on a full-time basis for 180 consecutive days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative.

(b) Cause. The Company may terminate the Executive's employment during the Employment Period for Cause. For purposes of this Agreement, "Cause" shall mean:

(i) the willful and continued failure of the Executive to perform substantially the Executive's duties with the Company or one of its affiliates (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Executive by the Board or the Chief Executive Officer of the Company which specifically identifies the manner in which the Board or Chief Executive Officer believes that the Executive has not substantially performed the Executive's duties, or

(ii) the willful engaging by the Executive in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Company.

For purposes of this provision, no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duty adopted by the Board or upon the instructions of the Chief Executive Officer or a senior officer of the Company or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Executive is guilty of the conduct described in subparagraph (i) or (ii) above, and specifying the particulars thereof in detail.

(c) Good Reason. The Executive's employment may be terminated by the Executive for Good Reason. For purposes of this Agreement, "Good Reason" shall mean:

(i) the assignment to the Executive of any duties inconsistent in any respect with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 4(a) of this Agreement, or any other action by the Company which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated,

in substantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(ii) any failure by the Company to comply with any of the provisions of Section 4(b) of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(iii) the Company's requiring the Executive to be based at any office or location other than as provided in Section 4(a)(i)(B) hereof or the Company's requiring the Executive to travel on Company business to a substantially greater extent than required immediately prior to the Effective Date;

(iv) any purported termination by the Company of the Executive's employment otherwise than as expressly permitted by this Agreement; or

(v) any failure by the Company to comply with and satisfy Section 11(c) of this Agreement.

For purposes of this Section 5(c), any good faith determination of "Good Reason" made by the Executive shall be conclusive. Anything in this Agreement to the contrary notwithstanding, a termination by the Executive for any reason during the 30-day period immediately preceding the first anniversary of the Effective Date shall be deemed to be a termination for Good Reason for all purposes of this Agreement.

(d) Notice of Termination. Any termination by the Company for Cause, or by the Executive for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 12(b) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than thirty days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

(e) Date of Termination. "Date of Termination" means (i) if the Executive's employment is terminated by the Company for Cause, or by the Executive for Good Reason, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be, (ii) if the Executive's employment is terminated by the Company other than for Cause or Disability, the

Date of Termination shall be the date on which the Company notifies the Executive of such termination and (111) if the Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Executive or the Disability Effective Date, as the case may be.

6. Obligations of the Company upon Termination. (a) Good Reason; Other Than for Cause, Death or Disability. If, during the Employment Period, the Company shall terminate the Executive's employment other than for Cause, death or Disability or the Executive shall terminate employment for Good Reason:

(i) the Company shall pay to the Executive in a lump sum in cash within 30 days after the Date of Termination the aggregate of the following amounts:

A. the sum of (1) the Executive's Annual Base Salary through the Date of Termination to the extent not theretofore paid, (2) the product of (x) the higher of (I) the Recent Annual Bonus and (II) the Annual Bonus paid or payable, including any bonus or portion thereof which has been earned but deferred (and annualized for any fiscal year consisting of less than twelve full months or during which the Executive was employed for less than twelve full months), for the most recently completed fiscal year during the Employment Period, if any (such higher amount being referred to as the "Highest Annual Bonus") and (y) a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination, and the denominator of which is 365 and (3) any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon) and any accrued vacation pay, in each case to the extent not theretofore paid (the sum of the amounts described in clauses (1), (2), and (3) shall be hereinafter referred to as the "Accrued Obligations"); and

B. the amount equal to the product of (1) two and (2) the sum of (x) the Executive's Annual Base Salary and (y) the Highest Annual Bonus; and

C. an amount equal to the excess of (1) the actuarial equivalent of the benefit under the Company's qualified defined benefit retirement plan (the "Retirement Plan") (utilizing actuarial assumptions no less favorable to the Executive than those in effect under the Company's Retirement Plan immediately prior to the Effective Date), and any excess or supplemental retirement plan in which the Executive participates (together, the "SERP") which the Executive would receive if the Executive's employment continued for two years after the Date of Termination assuming for this purpose that all accrued benefits are fully vested, and, assuming that the Executive's compensation in each of the two years is that required by Section 4(b)(i) and Section 4(b)(ii), over (2) the actuarial equivalent of the Executive's actual benefit (paid or payable), if any, under the Retirement Plan and the SERP as of the Date of Termination;

(ii) for two years after the Executive's Date of Termination, or such longer period as may be provided by the terms of the appropriate plan, program, practice or policy, the Company shall continue benefits to the Executive and/or the Executive's family at least equal to those which would have been provided to them in accordance with the plans, programs, practices and policies described in Section 4(b)(iv) of this Agreement if the Executive's employment had not been terminated or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies and their families, provided, however, that if the Executive becomes reemployed with another employer and is eligible to receive medical or other welfare benefits under another employer-provided plan, the medical and other welfare benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility. Notwithstanding the foregoing, the Company shall continue to make all scheduled premium payments under any split-dollar life insurance policy in effect on the Date of Termination on behalf of the Executive for so long as such payments are scheduled (without giving effect to Executive's termination). For purposes of determining eligibility (but not the time of commencement of benefits) of the Executive for retiree benefits pursuant to such plans, practices, programs and policies, the Executive shall be considered to have remained employed until two years after the Date of Termination and to have retired on the last day of such period;

(iii) the Company shall, at its sole expense as incurred, provide the Executive with out placement services the scope and provider of which shall be selected by the Executive in his sole discretion; and

(iv) to the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive any other amounts or benefits required to be paid or provided or which the Executive is eligible to receive under any plan, program, policy or practice or contract or agreement of the Company and its affiliated companies (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits").

(b) Death. If the Executive's employment is terminated by reason of the Executive's death during the Employment Period, this Agreement shall terminate without further obligations to the Executive's legal representatives under this Agreement, other than for payment of the amounts set forth in Section 6(i) and the timely payment or provision of Other Benefits. The amounts set forth in Section 6(i) shall be paid to the Executive's estate or beneficiary, as applicable, in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 6(b) shall include, without limitation, and the Executive's estate and/or beneficiaries shall be entitled to receive, benefits at least equal to the most favorable benefits provided by the Company and affiliated companies to the estates and beneficiaries of peer executives of the Company and such affiliated companies under such plans, programs, practices and policies relating to death benefits, if any, as in effect with respect to other peer executives and their beneficiaries at any time during the 120-day period immediately preceding

the Effective Date or, if more favorable to the Executive's estate and/or the Executive's beneficiaries, as in effect on the date of the Executive's death with respect to other peer executives of the Company and its affiliated companies and their beneficiaries.

(c) Disability. If the Executive's employment is terminated by reason of the Executive's Disability during the Employment Period, this Agreement shall terminate without further obligations to the Executive, other than for payment of the amounts set forth in Section 6(i) and the timely payment or provision of Other Benefits. The amounts set forth in Section 6(i) shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of Other Benefits, the term "Other Benefits" as utilized in this Section 6(c) shall include, and the Executive shall be entitled after the Disability Effective Date to receive, disability and other benefits at least equal to the most favorable of those generally provided by the Company and its affiliated companies to disabled executives and/or their families in accordance with such plans, programs, practices and policies relating to disability, if any, as in effect generally with respect to other peer executives and their families at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive and/or the Executive's family, as in effect at any time thereafter generally with respect to other peer executives of the Company and its affiliated companies and their families.

(d) Cause; Other than for Good Reason. If the Executive's employment shall be terminated for Cause during the Employment Period, this Agreement shall terminate without further obligations to the Executive other than for Accrued Obligations and for the timely payment or provision of Other Benefits, in each case to the extent theretofore unpaid. If the Executive voluntarily terminates employment during the Employment Period, excluding a termination for Good Reason, this Agreement shall terminate without further obligations to the Executive, other than for Accrued Obligations and the timely payment or provision of Other Benefits. In each such case, all Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination.

7. Nonexclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Company or any of its affiliated companies and for which the Executive may qualify, nor, subject to Section 12(f), shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its affiliated companies. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with the Company or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

8. Full Settlement. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may

have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and such amounts shall not be reduced whether or not the Executive obtains other employment. The Company agrees to pay as incurred, to the fullest extent permitted by law, all legal fees and expenses which the Executive may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company, the Executive or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including as a result of any contest by the Executive about the amount of any payment pursuant to this Agreement), plus in each case interest on any delayed payment at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Internal Revenue Code of 1986, as amended (the "Code").

9. Certain Additional Payments by the Company. (a) Anything in this Agreement to the contrary notwithstanding and except as set forth below, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 9) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments. Notwithstanding the foregoing provisions of this Section 9(a), if it shall be determined that the Executive is entitled to a Gross-Up Payment, but that the Executive, after taking into account the Payments and the Gross-Up Payment, would not receive a net after-tax benefit of at least $50,000 (taking into account both income taxes and any Excise Tax) as compared to the net after-tax proceeds to the Executive resulting from an elimination of the Gross-Up Payment and a reduction of the Payments, in the aggregate, to an amount (the "Reduced Amount") such that the receipt of Payments would not give rise to any Excise Tax, then no Gross-Up Payment shall be made to the Executive and the Payments, in the aggregate, shall be reduced to the Reduced Amount.

(b) Subject to the provisions of Section 9(c), all determinations required to be made under this Section 9, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by Deloitte & Touche or such other certified public accounting firm as may be designated by the Executive (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, the Executive shall appoint

another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Finn hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 9, shall be paid by the Company to the Executive within five days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 9(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Finn shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

(c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration such period that it desires to contest such claim the Executive shall:

(i) give the Company any information reasonably requested by the Company relating to such claim,

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,

(iii) cooperate with the Company in good faith in order effectively to contest such claim, and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 9(c), the

Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or to contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 9(c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 9(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 9(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

10. Confidential Information. The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or any of its affiliated companies and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). After termination of the Executive's employment with the Company, the Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. In no event shall an asserted violation of the provisions of this Section 10 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Agreement.

11. Successors. (a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

12. Miscellaneous. (a) This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested postage prepaid, addressed as follows:

If to the Executive:

Robert J. Keller
7418 Floranda Way
Delray Beach, FL 33446

If to the Company:

Office Depot, Inc.
2200 Old Germantown Road
Delray Beach, Florida 33445
Attention: President

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) The Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) The Executive's or the Company's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitations the right of the Executive to terminate employment for Good Reason pursuant to Section 5(c)(i)-(v) of this Agreement, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(f) The Executive and the Company acknowledge that, except as may otherwise be provided under any other written agreement between the Executive and the Company, the employment of the Executive by the Company is "at will" and, subject to Section l(a) hereof, prior to the Effective Date, the Executive's employment and/or this Agreement may be terminated by either the Executive or the Company at any time prior to the Effective Date, in which case the Executive shall have no further rights under this Agreement. From and after the Effective Date this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof.

* * * * *

IN WITNESS WHEREOF, the Executive has hereunto set the Executive's hand and, pursuant to the authorization from its Board of Directors, the Company has caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

/s/ Robert J. Keller

Executive

Date: 7/25/00

Office Depot, Inc.

By: /s/ Thomas Kroeger

Thomas Kroeger
Its:
Executive Vice President Human Resources

Exhibit 10.19

FIRST AMENDMENT
TO
364 DAY REVOLVING CREDIT AGREEMENT

This First Amendment (the "Amendment") to 364 Day Revolving Credit Agreement, dated as of December 21, 2000, is entered into by and between Office Depot, Inc., a Delaware corporation ("Borrower") and the various financial institutions party to the Credit Agreement (hereinafter defined) which execute one or more counterparts of this Amendment and which collectively constitute the Required Lenders (as defined in the Credit Agreement.)

WITNESSETH:

WHEREAS, the Borrower has heretofore entered into a 364 Day Revolving Credit Agreement, dated as of June 2, 2000, with SunTrust Bank, a national banking association ("SunTrust"), Bank of America, N.A., a national banking association ("Bank of America"), Citibank, N.A., a national banking association ("Citibank") and Bank One, a national banking association ("Bank One"), and the other financial institutions from time to time party thereto (collectively, the "Lenders" and, individually, a "Lender"), SunTrust as Administrative Agent, Bank of America as Syndication Agent, Bank One as Documentation Agent and Citibank as Managing Agent for the Lenders (as heretofore amended, modified or supplemented, the "Credit Agreement"; capitalized terms used herein and not otherwise defined herein having the meanings assigned thereto in the Credit Agreement);

WHEREAS, the Borrower has requested that the Lenders agree to certain amendments to the Credit Agreement;

WHEREAS, subject to the terms and conditions set forth herein, the Lenders executing this Amendment are willing to undertake an amendment to the Credit Agreement.

NOW, THEREFORE, in consideration of the premises, and intending to be legally bound hereby, the Borrower and the undersigned Lenders hereby agree as follows:

SECTION 1. AMENDMENT. Upon the satisfaction by the Borrower of the conditions precedent set forth in Section 2 below, and in reliance on the warranties of the Borrower set forth in Section 3 below, the term "Fixed Charge Coverage Ratio" contained in Section 1.1 of the Credit Agreement is hereby amended in its entirety to read as follows:

> " "Fixed Charge Coverage Ratio" shall mean, as at the end of any fiscal period of Borrower, the ratio of (A) Consolidated EBITR for such fiscal period to (B) the sum of (i) Consolidated Interest Expense plus (ii) Consolidated Rental Expense plus (iii) any interest and other continuing program fees (excluding initial closing fees) related to an accounts receivable securitization program (including any such interest or fees for which the Borrower or any Subsidiary is liable arising in connection with any private label credit card program), each for such fiscal period; provided that for purposes of any relevant period there shall be

added to Consolidated EBITR for purposes of the determination of the Fixed Charge Coverage Ratio an amount, not to exceed $350,000,000, equal to the Borrower's restructuring charges announced on January 3, 2001 (the "Restructuring Charges")."

SECTION 2. CONDITIONS. As conditions precedent to the effectiveness of this Amendment, (i) the Borrower shall have delivered to the Administrative Agent this Amendment, duly executed and delivered, and such other documents as the Required Lenders or the Administrative Agent may reasonably request, (ii) the Borrower shall have paid to Bank of America such fees with respect hereto as separately agreed to between such parties, (iii) the Borrower shall have paid to the Administrative Agent for the account of each Lender executing this Amendment on or prior to the date hereof a consent fee equal to .10% of such Lender's Commitment and (iv) the Administrative Agent shall have received executed counterparts of this Amendment from the Required Lenders.

SECTION 3. REPRESENTATIONS AND WARRANTIES. To induce the Lenders to enter into this Amendment, the Borrower hereby represents and warrants to the Lenders as of the date hereof that:

3.1 The representations and warranties contained in the Credit Agreement and the other Credit Documents are true and correct in all material respects on and as of the date hereof except for representations and warranties that speak as of a particular date, in which case such representations and warranties are true as of such date.

3.2 After giving effect to this Amendment, no Default or Event of Default has occurred and is continuing.

SECTION 4. GENERAL.

4.1 Waiver of Certain Defaults. The Required Lenders hereby waive, subject to the effectiveness of this Amendment, any Event of Default which may exist under Section 8.6 of the Credit Agreement solely as a result of the Restructuring Charges causing a breach of the "Fixed Charge Coverage Ratio" covenant set forth in any agreement of one or more of the Consolidated Companies regarding Indebtedness, including without limitation the guaranties under the Existing Japanese Loan Agreements; provided that the foregoing waiver shall be immediately effective but shall be subject to the conditions subsequent that (i) effective waivers and/or amendments similar to those contained herein are in place and effective under such agreements by no later than the close of business on January 31, 2001 and (ii) no such other Indebtedness shall be accelerated (and this waiver shall terminate if condition (i) is not satisfied in a timely manner or if such other Indebtedness shall be accelerated). The foregoing waiver is given in this instance only, shall not be construed as a consent to, or waiver or approval of, any violation of, or deviation from, any other term or condition of the Credit Agreement or any other Credit Document and shall not be construed to evidence the willingness of the Required Lenders to give any other or additional consent, waiver or approval, whether in similar or different circumstances.

4.2 Reservation of Rights. The Borrower acknowledges and agrees that the execution and delivery of this Amendment shall not be deemed (i) to create a course of dealing or otherwise obligate the Lenders to forbear or execute similar amendments under the same or similar circumstances in the future, or (ii) as a waiver by the Lenders of any covenant, condition, term or provision of the Credit Agreement or any of the other Credit Documents except as expressly provided herein, and the failure of the Lenders to require strict performance by the Borrower or any other Credit Party of any provision thereof shall not waive, affect or diminish any right of the Lenders to thereafter demand strict compliance therewith. The Lenders hereby reserve all rights granted under the Credit Agreement, the other Credit Documents and this Amendment.

4.3 Full Force and Effect. As hereby modified, the Credit Agreement and each of the other Credit Documents shall remain in full force and effect and each is hereby ratified, approved and confirmed in all respects.

4.4 Affirmation. The Borrower hereby agrees to pay on demand all reasonable costs and expenses of the Lenders in connection with the preparation, execution and delivery of this Amendment and all instruments and documents delivered in connection herewith.

4.5 Successors and Assigns. This Amendment shall be binding upon and shall inure to the benefit of the Borrower, the Lenders and the respective successors and assigns of the Borrower and the Lenders.

4.6 Counterparts. This Amendment may be executed in any number of counterparts and by the different parties on separate counterparts, and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Amendment.

4.7 Governing Law. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE INTERNAL LAWS (WITHOUT GIVING EFFECT TO THE CONFLICT OF LAW PRINCIPLES THEREOF) OF THE STATE OF ILLINOIS.

* * * * *

IN WITNESS WHEREOF, the Borrower and the Lenders have executed this Amendment as of the 21st day of December, 2000.

BORROWER:

OFFICE DEPOT, INC.

By: /s/ JEFFREY H. AIKEN

Name: JEFFREY H. AIKEN

Title: SENIOR VICE PRESIDENT

LENDERS:

SUNTRUST BANK, individually and as
Administrative Agent

By: /s/ W. DAVID WISDOM

Name: W. DAVID WISDOM

Title: Vice President

BANK OF AMERICA, N.A.

By: /s/ TIMOTHY H. SPANOS

Name: TIMOTHY H. SPANOS

Title: Managing Director

CITIBANK, N.A.

By: /s/ JOHN F. HEUSS

Name: JOHN F. HEUSS

Title: VICE PRESIDENT

Bank One, NA

By: /s/ VINCENT R. HENCHEK

Name: VINCENT R. HENCHEK

Title: VICE PRESIDENT

FIRST UNION NATIONAL BANK

By: /s/ JOAN ANDERSON

Name: JOAN ANDERSON

Title: VICE PRESIDENT

CIBC INC.

By: /s/ DOMINIC SORRESSO

Name: DOMINIC SORRESSO

Title: EXECUTIVE DIRECTOR

CIBC WORLD MARKETS CORP., AS AGENT

THE INDUSTRIAL BANK OF JAPAN, LIMITED

By: /s/ BERNARDO E. CORREA-HENSCHKE

Name: BERNARDO E. CORREA-HENSCHKE

Title: VICE PRESIDENT

WELLS FARGO BANK

By: /s/ WILLIAM J. DARBY

Name: WILLIAM J. DARBY

Title: VICE PRESIDENT

BNP PARIBAS

By: /s/ MIKE SHRYOCK

Name: MIKE SHRYOCK

Title: VICE PRESIDENT

By: /s/ JOHN STACY

Name: JOHN STACY

Title: MANAGING DIRECTOR

STATE OF NEW YORK)
) SS:
COUNTY OF NEW YORK)

AFFIDAVIT OF OUT-OF-STATE EXECUTION

The undersigned affiant, being first duly sworn upon my oath, depose and say:

1. That on the 27TH day of December, 2000, I executed that certain Amendment Agreement (the "Amendment") on behalf of OFFICE DEPOT, INC.

2. That the execution of the Amendment took place in the County of New York, in City of New York, in the State of New York.

FURTHER AFFIANT SAYETH NOT.

AFFIANT: /s/ Jeffrey H. Aiken

Jeffrey H. Aiken, Senior Vice President
Office Depot, Inc.

Sworn to and subscribed before me this 27th day of December, 2000 by Jeffrey H. Aiken, Senior Vice-President of Office Depot, Inc. Who personally appeared before me in the above referenced location, and is personally known to me or produced driver's license as identification.

Notary:/s/ Kathleen B. Patton

[NOTARIAL SEAL] Print Name:Kathleen B. Patton

Notary Public, State of New York
My Commission expires:

KATHLEEN BENDER PATTON
Notary Public, State of New York
No. 02BE5026754
Qualified in New York County
Commission Expires April 25, 2002

Exhibit 10.20

SECOND AMENDMENT
TO
REVOLVING CREDIT AND LINE OF CREDIT AGREEMENT

This Second Amendment (the "Second Amendment") to Revolving Credit and Line of Credit Agreement, dated as of December 21, 2000, is entered into by and between Office Depot, Inc., a Delaware corporation ("Borrower") and the various financial institutions party to the Credit Agreement (hereinafter defined) which execute one or more counterparts of this Second Amendment and which collectively constitute the Required Lenders (as defined in the Credit Agreement.)

WITNESSETH:

WHEREAS, the Borrower has heretofore entered into a Revolving Credit and Line of Credit Agreement, dated as of February 20, 1998, with SunTrust Bank (f/k/a SunTrust Bank, Central Florida, National Association), a national banking association ("SunTrust"), Bank of America, N.A. (f/k/a Bank of America National Trust and Savings Association), a national banking association ("Bank of America"), Citibank, N.A., a national banking association ("Citibank"), Bank One, NA (f/k/a The First National Bank of Chicago), a national banking association ("Bank One"), Royal Bank of Canada, a Canadian chartered bank ("Royal Bank"), Hibernia National Bank, a national banking association, Fifth Third Bank, a national banking association, Banca di Roma, a bank organized under the laws of Italy operating through its New York branch, and First Union National Bank (as successor in interest to Corestates Bank, N.A.), a national banking association (collectively, the "Lenders" and, individually, a "Lender"), SunTrust as Administrative Agent, Bank of America as Syndication Agent and as Documentation Agent and Bank One, Citibank and Royal Bank as Co-Agents for the Lenders (as heretofore amended, modified or supplemented, the "Credit Agreement"; capitalized terms used herein and not otherwise defined herein having the meanings assigned thereto in the Credit Agreement);

WHEREAS, the Borrower has requested that the Lenders agree to certain amendments to the Credit Agreement;

WHEREAS, subject to the terms and conditions set forth herein, the Lenders executing this Second Amendment are willing to undertake certain amendments to the Credit Agreement.

NOW, THEREFORE, in consideration of the premises, and intending to be legally bound hereby, the Borrower and the undersigned Lenders hereby agree as follows:

SECTION 1. AMENDMENTS. Upon the satisfaction by the Borrower of the conditions precedent set forth in Section 2 below, and in reliance on the warranties of the Borrower set forth in Section 3 below, the Credit Agreement is hereby amended as follows:

1.1. The term "Applicable Margin" contained in Section 1.1 is amended in its entirety to read as follows:

" "Applicable Margin" shall mean the number of basis points designated below based on the rating of the Borrower's senior unsecured long-term debt by either or both of Moody's and S&P in effect on the date of determination (the "Rating"):

Level	Rating: S&P/Moody's	Facility Fee	Eurodollar Margin/ Letter of Credit Fee
I	>A-/A3 -	10.0 bp	27.5 bp
II	BBB+/Baal	12.5 bp	37.5 bp
III	BBB/Baa2	15.0 bp	47.5 bp
IV	BBB-/Baa3	17.5 bp	70.0 bp
V	3		

" "Fixed Charge Coverage Ratio" shall mean, as at the end of any fiscal period of Borrower, the ratio of (A) Consolidated EBITR for such fiscal period to (B) the sum of (i) Consolidated Interest Expense plus (ii) Consolidated Rental Expense plus (iii) any interest and other continuing program fees (excluding initial closing fees) related to an accounts receivable securitization program (including any such interest or fees for which the Borrower or any Subsidiary is liable arising in connection with any private label credit card program), each for such fiscal period; provided that for purposes of any relevant period there shall be added to Consolidated EBITR for purposes of the determination of the Fixed Charge Coverage Ratio an amount, not to exceed $350,000,000, equal to the Borrower's restructuring charges announced on January 3, 2001 (the "Restructuring Charges")."

1.3 The following term is hereby added to Section 1.1 in its appropriate alphabetical order:

" "Utilization Fee" shall mean the quarterly fee payable by the Borrower to the Administrative Agent for the account of and distribution to the Lenders pursuant to Section 4.5(g)."

1.4 Section 4.5 is amended to add the following subsection in its appropriate alphabetical order:

" (g) Utilization Fee. To the extent and for so long as the average daily aggregate outstanding principal amount of the Loans at any time is equal to or exceeds one-half of the aggregate Commitments at such time, the Borrower shall pay to the Administrative Agent, for the account of and distribution to the Lenders which made such Loans, a Utilization Fee equal to 0.125% times such aggregate outstanding principal amount, such fee being payable quarterly in arrears on the last calendar day of each fiscal quarter of Borrower and on the Termination Date."

1.5 Section 4.14 is amended by inserting the phrase ", utilization fees" after the phrase "facility fees" in the first sentence thereof.

1.6 Section 9.13 is amended by inserting the phrase "and Utilization Fee" after the phrase "Facility Fee" in subsection (i) thereof.

SECTION 2. CONDITIONS. As conditions precedent to the effectiveness of this Second Amendment, (i) the Borrower shall have delivered to the Administrative Agent this Second Amendment, duly executed and delivered, and such other documents as the Required Lenders or the Administrative Agent may reasonably request, (ii) the Borrower shall have paid to Bank of America such fees with respect hereto as separately agreed to between such parties, (iii) the Borrower shall have paid to the Administrative Agent for the account of each Lender executing this Second Amendment on or prior to the date hereof a consent fee equal to. 10% of such Lender's Commitment and (iv) the Administrative Agent shall have received executed counterparts of this Second Amendment from the Required Lenders.

SECTION 3. REPRESENTATIONS AND WARRANTIES. To induce the Lenders to enter into this Second Amendment, the Borrower hereby represents and warrants to the Lenders as of the date hereof that:

3.1 The representations and warranties contained in the Credit Agreement and the other Credit Documents are true and correct in all material respects on and as of the date hereof except for representations and warranties that speak as of a particular date, in which case such representations and warranties are true as of such date.

3.2 After giving effect to this Second Amendment, no Default or Event of Default has occurred and is continuing.

SECTION 4. GENERAL.

4.1 Waiver of Certain Defaults. The Required Lenders hereby waive, subject to the effectiveness of this Second Amendment, any Event of Default which may exist under Section 9.6 of the Credit Agreement solely as a result of the Restructuring Charges causing a breach of the "Fixed Charge Coverage Ratio" covenant set forth in any agreement of one or more of the Consolidated Companies regarding Indebtedness, including without limitation the guaranties under the Existing Japanese Loan Agreements; provided that the foregoing waiver shall be immediately effective but shall be subject to the conditions subsequent that (i) effective waivers and/or amendments similar to those contained herein are in place and effective under such agreements by no later than the close of business on January 31, 2001 and (ii) no such other Indebtedness shall be accelerated (and this waiver shall terminate if condition (i) is not satisfied in a timely manner or if such other Indebtedness shall be accelerated). The foregoing waiver is given in this instance only, shall not be construed as a consent to, or waiver or approval of, any violation of, or deviation from, any other term or condition of the Credit Agreement or any other Credit Document and shall not be construed to evidence the willingness of the Required Lenders to give any other or additional consent, waiver or approval, whether in similar or different circumstances.

4.2 Reservation of Rights. The Borrower acknowledges and agrees that the execution and delivery of this Second Amendment shall not be deemed (i) to create a course of dealing or otherwise obligate the Lenders to forbear or execute similar amendments under the same or similar circumstances in the future, or (ii) as a waiver by the Lenders of any covenant, condition, term or provision of the Credit Agreement or any of the other Credit Documents except as expressly provided herein, and the failure of the Lenders to require strict performance by the Borrower or any other Credit Party of any provision thereof shall not waive, affect or diminish any right of the Lenders to thereafter demand strict compliance therewith. The Lenders hereby reserve all rights granted under the Credit Agreement, the other Credit Documents and this Second Amendment.

4.3 Full Force and Effect. As hereby modified, the Credit Agreement and each of the other Credit Documents shall remain in full force and effect and each is hereby ratified, approved and confirmed in all respects.

4.4 Affirmation. The Borrower hereby agrees to pay on demand all reasonable costs and expenses of the Lenders in connection with the preparation, execution and delivery of this Second Amendment and all instruments and documents delivered in connection herewith.

4.5 Successors and Assigns. This Second Amendment shall be binding upon and shall inure to the benefit of the Borrower, the Lenders and the respective successors and assigns of the Borrower and the Lenders.

4.6 Counterparts. This Second Amendment may be executed in any number of counterparts and by the different parties on separate counterparts, and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Second Amendment.

4.7 Governing Law. THIS SECOND AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAW (WITHOUT GIVING EFFECT TO THE CONFLICT OF LAW PRINCIPLES THEREOF) OF THE STATE OF FLORIDA.

* * * * *

IN WITNESS WHEREOF, the Borrower and the Lenders have executed this Second Amendment as of the 21st day of December, 2000.

BORROWER:

OFFICE DEPOT, INC.

By: /s/ Jeffrey H. Aiken

Name: Jeffrey H. Aiken

Title: Senior Vice President

LENDERS:

SUNTRUST BANK, individually and as
Administrative Agent

By: /s/ Gregory L. Cannon

Name: Gregory L. Cannon

Title: Director

BANK OF AMERICA, N.A.

By: /s/ Timothy H. Spanos

Name: TIMOTHY H. SPANOS

Title: MANAGING DIRECTOR

CITIBANK, N.A

By: /s/ John F. Heuss

Name: JOHN F. HEUSS

Title: Vice President

BANK ONE, NA

By: /s/ Vincent R. Henchek

Name: VINCENT R. HENCHEK

Title: VICE PRESIDENT

ROYAL BANK OF CANADA

By: /s/ Lori A. Ross

Name: Lori Ross

Title: Manager

HIBERNIA NATIONAL BANK By:

By: /s/ Connie Disbrow

Name: Connie Disbrow

Title: Relationship Manager

FIRST UNION NATIONAL BANK

By: /s/ Joan Anderson

Name: Joan Anderson

Title: Vice President

EXHIBIT 13.1

FINANCIAL HIGHLIGHTS

STATEMENTS OF EARNINGS DATA: (In thousands, except per share amounts and statistical data)	2000	1999	1998	1997	1996
Sales(1)	$ 11,569,696	$ 10,272,060	$ 9,007,051	$ 8,108,714	$ 7,259,206
Cost of goods sold and occupancy costs	8,479,698	7,450,310	6,484,464	5,963,521	5,395,223
Gross profit	3,089,998	2,821,750	2,522,587	2,145,193	1,863,983
Store and warehouse operating and selling expenses(1)	2,361,301	1,969,817	1,651,355	1,451,587	1,288,382
Pre-opening expenses	13,465	23,628	17,150	6,609	9,827
General and administrative expenses	501,700	381,611	330,194	272,022	222,714
Merger and restructuring costs	(6,732)	(7,104)	119,129	16,094	--
Facility closure and relocation costs	110,038	40,425	--	--	--
Operating profit	110,226	413,373	404,759	398,881	343,060
Interest income	11,502	30,176	25,309	7,570	3,726
Interest expense	(33,901)	(26,148)	(22,356)	(21,680)	(26,378)
Miscellaneous income (expense), net	4,632	(3,514)	(18,985)	(13,180)	(8,325)
Earnings before income taxes	92,459	413,887	388,727	371,591	312,083
Income taxes	43,127	156,249	155,531	136,730	115,865
Net earnings	$ 49,332	$ 257,638	$ 233,196	$ 234,861	$ 196,218
Earnings per share(2):					
Basic	$ .16	$ .71	$ .64	$ .65	$ .55
Diluted	.16	.69	.61	.62	.53
STATISTICAL DATA:					
Facilities open at end of period:					
United States and Canada:					
Office supply stores	888	825	702	602	561
Customer service centers	25	30	30	33	32
Call centers	7	7	8	8	6
International(3):					
Office supply stores	132	118	87	39	21
Customer service centers	17	17	17	16	12
Call centers	14	14	13	12	8
BALANCE SHEET DATA:					
Working capital	$ 790,752	$ 687,007	$ 1,293,370	$ 1,093,463	$ 860,280
Total assets	4,196,334	4,276,183	4,025,283	3,498,891	3,186,630
Long-term debt, excluding current maturities	598,499	321,099	470,711	447,020	416,757
Common stockholders' equity	1,601,251	1,907,720	2,028,879	1,717,638	1,469,110

(1) We have reclassified certain amounts in our prior year financial statements to conform to our current year presentation.

(2) Earnings per share previously reported for 1996 through 1998 have been restated to reflect the three-for-two stock split declared on February 24, 1999.

(3) Includes facilities in our International Division that we wholly own or lease, as well as those that we operate through licensing and joint venture agreements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

Office Depot, Inc., together with our subsidiaries, is the largest supplier of office products and services in the world. We sell to consumers and businesses of all sizes through our three business segments: North American Retail Division, Business Services Group, and International Division. These segments include multiple sales channels consisting of office supply stores, a contract sales force, Internet sites, and catalog and delivery operations. Each of these segments is described in more detail below. In 2000, we refined our segment definitions to better reflect our current management responsibilities. Segment information for 1999 and 1998 has been restated to reflect these changes. Also, in accordance with the consensus reached in Emerging Issues Task Force ("EITF") 00-10, we reclassified delivery income from store and warehouse operating and selling expenses to sales for all periods presented in this Annual Report. We operate on a 52- or 53-week fiscal year ending on the last Saturday in December. Our results for the fiscal year 2000 contained 53 weeks, all other years contained 52 weeks.

This Management's Discussion and Analysis ("MD&A") 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 in conjunction with our Consolidated Financial Statements and the Notes to those statements. This MD&A section contains significant amounts of forward-looking information, and is qualified by our Cautionary Statements regarding forward-looking information. You will find Cautionary Statements throughout this MD&A; however, most of them can be found in a separate section immediately following this MD&A. Without limitation, when we use the words "believe," "estimate," "plan," "expect," "intend," "anticipate," "continue," "project," "should," and similar expressions in this Annual Report, we are identifying forward-looking statements, and our Cautionary Statements apply to these terms and expressions.

NORTH AMERICAN RETAIL DIVISION

Our North American Retail Division sells office products, copy and print services and other business-related services under the Office Depot(R) and the Office Place(R) brands through our chain of high-volume office supply stores in the United States and Canada. We opened our first office supply store in Florida in October 1986. From our inception, we have been a leader in the retail office supplies industry, concentrating on expanding our store base and increasing our sales in markets with high concentrations of small- and medium-sized businesses. As of the end of 2000, our North American Retail Division operated 888 office supply stores in 47 states, the District of Columbia and Canada. Store activity for the last five years has been as follows:

	Open at Beginning of Period	Stores Opened	Stores Closed	Open at End of Period	Relocated
1996	501	60	-	561	3
1997	561	42	1	602	2
1998	602	101	1	702	5
1999	702	130	7	825	14
2000	825	70	7	888	4

The decline in the number of stores opened in 1997 was the result of our proposed merger with Staples, Inc. ("Staples"). In September 1996, we entered into an agreement and plan of merger with Staples. The proposed merger was blocked by a preliminary injunction granted by the Federal District Court at the request of the Federal Trade Commission, and in July 1997 we announced that the merger agreement had been terminated. During this period of uncertainty, several of our key employees in the real estate area left the Company. After the merger discussions with Staples were terminated, we re-staffed our real estate department and re-launched our store expansion program. Many of the locations opened during this period of aggressive expansion have not performed to our expectations. In 2000, we scaled down our expansion plans and announced the closing of 70 locations in the first quarter of 2001 (SEE ONE-TIME CHARGES AND CREDITS).

In 2001, we plan to add approximately 50 new retail stores, most of which will be located in areas in which we currently enjoy strong market positions, with the balance in under-served markets. In future years, we expect to continue this approach to retail store expansion, with an emphasis on market density in order to leverage advertising dollars and cross-channel opportunities to create a seamless customer experience across all channels. All new stores will incorporate a more efficient platform of approximately 20,000 square feet and will feature a more interactive customer experience.

BUSINESS SERVICES GROUP ("BSG")

In 1993 and 1994, we expanded into the contract office supply business by acquiring eight contract stationers with 18 domestic customer service centers and a professional sales force. These acquisitions allowed us to enter the contract business and broaden our commercial (primarily catalog) and retail delivery businesses. In 1998, we expanded our direct mail business through our merger with Viking Office Products ("Viking"). Today, BSG sells office products and services to contract and commercial customers through our Office Depot(R) brand and Viking Office Products(R) brand direct mail catalogs and Internet sites, and by means of our dedicated sales force. Customer service centers ("CSCs") are warehouse and delivery facilities, some of which also house sales offices, call centers and administrative offices. Our CSCs perform warehousing and delivery services on behalf of all segments of our business.

At the end of the third quarter of 1998, we operated 20 Office Depot and 10 Viking warehouses. At that time we initiated, and later modified, plans to integrate certain of our Viking and Office Depot warehouses, which we expect to complete during 2001. At the end of 2000, we operated 25 CSCs in the United States, five of which we added as a result of the Viking merger. Once our integration is complete, we will operate 23 CSCs, consisting of nine combined facilities, 11 Office Depot facilities, and three Viking facilities. We have included the estimated costs of our integration plans in merger and restructuring costs and facility closure costs (SEE NOTES B AND C OF THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS).

In January 1998, we introduced our Office Depot public Web site (www.officedepot.com), offering our customers the convenience of shopping on-line. The addition of this site expanded our domestic electronic commerce ("e-commerce") capabilities beyond the Viking public Web site (www.vikingop.com) and the Office Depot business-to-business contract Web sites. During 2000, we launched a new, completely re-tooled Viking Web site, offering improved functionality, greater selection, and easier direct order services. Our domestic Internet sales were $849.5 million in 2000, compared to $349.7 million in 1999, an increase of 143%. Although this business channel is still in its infancy, we believe our Internet business will provide significant future growth opportunities for our BSG segment and our business as a whole based on the growth rates we have experienced over the last three years.

INTERNATIONAL DIVISION

Our International Division sells office products and services in 16 countries outside the United States and Canada through Office Depot retail stores, Office Depot(R) brand and Viking Office Products(R) brand direct mail catalogs and Internet sites, and an Office Depot contract sales force. We launched our international direct marketing business in 1990 under the Viking Office Products(R) brand with the establishment of our British operations. In December 1993, we initiated our international retail operations by opening our first store in Colombia through a licensing agreement. We have expanded internationally primarily through licensing and joint venture agreements, acquisitions and the merger with Viking. Prior to 1998, our international business was operated entirely through licensing and joint venture agreements. In 1998, we merged with Viking, whose international operations were wholly-owned, and we increased our ownership in our retail operations in France to 100%. In 1999, we increased our ownership in our retail operations in Japan to 100%.

In March 1999, we introduced our first international public Web site (www.viking-direct.co.uk) for individuals and businesses in the United Kingdom. In 2000, we introduced eight new public Web sites: Germany (www.viking.de), the Netherlands (www.vikingdirect.nl), Italy (www.vikingop.it), Australia (www.vikingop.com.au), Japan (www.vikingop.co.jp and www.officedepot.co.jp) and France (www.vikingdirect.fr and www.officedepot.fr). In September 2000, we launched our Office Depot contract business with operations in the United Kingdom.

At the end of 2000, our International Division had operations, either owned directly or operated through joint ventures or licensing agreements, in Australia, Austria, Belgium, France, Germany, Hungary, Ireland, Israel, Italy, Japan, Luxembourg, Mexico, the Netherlands, Poland, Thailand, and the United Kingdom. Seven of these countries have retail operations with a total of 132 office supply stores; 35 stores were wholly-owned. This compares to 118 stores in eight countries, 32 of which were wholly-owned, at the end of 1999. We also had catalog and delivery operations in 14 of these countries, operating under the Viking Office Products(R) and Office Depot(R) brands in 11 and five of these countries, respectively. International Division store and CSC operations, including facilities operated through licensing and joint venture agreements, for the last five years are detailed below. All years prior to 1998 have been restated to include facilities operated by Viking prior to our merger.

	Office Supply Stores			
	Open at Beginning of Period	Opened	Closed	Open at End of Period
1996	9	12	-	21
1997	21	18	-	39
1998	39	48	-	87
1999	87	36	5	118
2000	118	19	5	132

Customer Service Centers

Open at Open at

	Beginning of Period	Opened	Closed	End of Period
1996	8	4	-	12
1997	12	4	-	16
1998	16	2	1	17
1999	17	1	1	17
2000	17	0	0	17

In 2001, we plan to expand our International Division by entering a new country in Europe with our Viking catalog operations, growing our existing operations with the addition of several new Internet sites and new store locations and developing our contract business in three more countries in Europe. We will also close one inefficient CSC as discussed below in ONE-TIME CHARGES AND CREDITS.

RESULTS OF OPERATIONS

As discussed earlier in this MD&A, we operate in three reportable segments-North American Retail Division, BSG, and International Division. Each of these segments is managed separately, primarily because it serves different customer groups. Our senior management evaluates the performance of each business segment based on operating income, which is defined as income before income taxes, interest income and expense, goodwill amortization, merger and restructuring costs, facility closure costs, general and administrative expenses, and pre-opening expenses. In 2000, we refined our segment definitions to better reflect our current management responsibilities. All segment amounts presented throughout this MD&A for prior years have been restated to reflect this refinement in segment definitions.

ONE-TIME CHARGES AND CREDITS

Our financial results were significantly impacted by one-time charges and credits. The effects of these one-time charges and credits on earnings before income tax benefits are summarized as follows and discussed in detail below:

(In millions)	2000	1999	1998
Earnings before taxes, excluding non-recurring items	$353.0	$519.1	$507.8
One-time charges and credits			
Gross profit:			
SKU rationalization	25.6	--	--
Establish sales returns and allowance provision	10.5	--	--
Write-down of inventory in closing stores	12.8	--	--
Change in extended warranty sales accounting	--	15.8	--
Establish inventory provision	--	56.1	--
Operating and selling expenses:			
SFAS 121 write-down of impaired assets	56.6	--	--
Other fixed asset write-offs	6.4	--	--
Severance	1.7	--	--
General and administrative expenses:			
Severance	33.9	--	--
Other fixed asset write-offs	11.2	--	--
Merger and restructuring	(6.8)	(7.1)	119.1
Facility closure costs	110.0	40.4	--
Miscellaneous (income) expense, net:			
Net gain on Internet investments	(12.4)	--	--
Write-down of impaired goodwill	11.1	--	--
Total charges, net	260.6	105.2	119.1
Earnings before taxes as reported	$ 92.4	$413.9	$388.7

Comprehensive Business Review

During the latter half of 2000, we conducted a comprehensive business review of all aspects of our business. Making Office Depot a more compelling place to shop for our customers, a more compelling place to work for our employees, and a more compelling place to invest for our shareholders was the objective of this review. We adopted this plan late in the fourth quarter of 2000.

One conclusion of our review involved our decision to close under-performing stores and inefficient warehouses. After an extensive review of all of our North American retail stores, we are in the process of closing 67 under-performing retail stores in the U.S. and three in Canada. In connection with these closings, we will exit four markets completely-Cleveland and Columbus, Ohio, Phoenix, Arizona, and Boston, Massachusetts. We will also close six small Office Depot Express(R) stores in France. In order to address capacity constraints and improve warehouse efficiency, we will close and relocate our Office Depot warehouses in Atlanta, Georgia and Pantin, France. We will also close both our Office Depot and Viking warehouses in Baltimore, Maryland and consolidate them into a relocated facility. In addition, we will invest in new warehouse technologies to improve the quality and efficiency of all of our U.S. warehouse operations. In connection with these store and warehouse closures, we have recorded facility closure charges of $110.0 million. These charges are comprised of net lease obligations ($75.2 million), asset write-offs ($21.7 million), severance ($2.8 million) and various other exit costs, such as leased equipment, labor, and facility clean-up ($10.3 million). We also entered into an agreement with an unrelated third party to assist in the liquidation of the inventory in the closing stores. As a result, we recorded a charge of $12.8 million to write down the inventory in those stores to net realizable value.

In connection with this review, we plan to return the focus in our retail stores to the core business customer and reduce complexity in both our store and warehouse operations. In order to emphasize the products that business customers want, and to increase linear facings and shelf space for key, high demand items, we will reduce the inventory assortment in our retail stores by approximately 20%. As a result, we will be able to stock larger quantities of high velocity products in our stores, which will require less frequent deliveries, and thus decrease our distribution costs. We will also reduce the stocked SKUs in our North American warehouses by approximately 30%. The SKUs that we are eliminating from our warehouses were identified as items that our customers do not need on a daily basis, and which can be easily sourced through wholesalers without impacting customer service levels. In fact, service levels on certain items such as furniture are expected to improve. All of our customers should benefit from better service levels as a result of our having better "in stock" positions on products that customers buy most often. As a result of this decision, we incurred an inventory rationalization charge of $25.6 million associated with these inventory assortment reductions in our retail stores and warehouses.

Our review also involved an extensive evaluation of all company assets. This evaluation resulted in a total charge of $130.8 million, which consists of $56.6 million primarily related to impaired long-lived assets in our closing stores, $17.6 million in other fixed asset write-offs (mainly outdated technology-related assets and old signage), $11.1 million in impairment charges for goodwill and a $45.5 million write down of certain Internet investments. The review of our investment portfolio revealed that certain Internet investments had experienced other than temporary declines in value. These holdings are primarily in businesses that are privately held and involved in marketing partnership arrangements with Office Depot. Because quoted market prices for these privately held businesses are not available, we determined the current value of our investments in these businesses by analyzing their current financial position and plans, industry valuation indices, current economic conditions, and the current capital markets for Internet companies. Based on our analysis, we recorded an impairment charge of $45.5 million to reduce our investments to their fair value.

We also concluded that goodwill resulting from the acquisition of our Office Depot Japan retail operations was impaired. The retail stores in Japan have not performed to expectations, and a new store operating model with significant additional investment will be necessary to enable the current stores to achieve profitability. Because profitability may never occur, even with the model changes and capital infusion, we wrote off 100% of the goodwill related to our Japanese retail operations ($11.1 million). This write-off does not include the goodwill allocated to our Viking Japan catalog operations, which was not deemed to be impaired.

Other One-time Items

We allow our customers to return or exchange merchandise within certain time constraints. In the past, we have not accrued our assessment of the costs that are expected in connection with returns because the annual impact of these costs was insignificant. However, during 2000, additional authoritative guidance addressing revenue recognition resulted in our decision to record a net charge of $10.5 million, consisting of a $42.8 million reduction of sales partially offset by a related reduction in cost of goods sold of $32.3 million. We did not restate prior periods because the effects of such an adjustment was not significant to prior year financial results or current year beginning retained earnings.

In August 1998, we completed our merger with Viking. Transactional and other direct expenses of this merger, primarily legal and investment banking fees, were accrued as merger and restructuring costs in 1998 ($119.1 million). Subsequent to the merger, we adopted an integration plan, which we expected to complete by the end of 2000. This plan consisted of closing, relocating, and/or combining certain CSCs, and the costs related to exiting closing facilities (e.g., future lease obligations, personnel retention and other termination costs) were also recorded as merger and restructuring costs in 1998. In both 2000 and 1999, we made revisions to our integration plan that required us to reduce our original merger and restructuring accrual in each of those years. Furthermore, the merger and restructuring accrual was increased because of our decision to close our Furniture at Work and Images stores and costs associated with the acquisition of our joint venture interests in France and Japan. In total, we reduced the merger and restructuring accrual by $6.7 million in 2000 and $7.1 million in 1999. For a detailed explanation of our merger and restructuring activity, see NOTE B of the NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

Other one-time transactions reflected in our 2000 results include a $35.6 million charge primarily for severance costs associated with changes in our executive management team and a realized gain of $57.9 million that resulted from the sale of certain investments.

In late 1999, we changed our method of accounting for revenue generated from sales of extended service warranty contracts. Under the laws of certain states, we are obligated to assume the risk of loss associated with such contracts. In these states, we modified our accounting to recognize revenue for warranty service contract sales over the service period, which typically extends over a period of one to four years. In those states where we are not the legal obligor, we modified our accounting to recognize warranty revenues after deducting the related direct costs. This change resulted in a reduction in our 1999 gross profit of $15.8 million.

Also in 1999, we recorded a charge of $56.1 million to establish a provision for slow-moving and obsolete inventories. The need for the provision resulted primarily from: 1) slow-moving technology related products whose market values were adversely affected by rapidly changing technology, and 2) a rationalization of our warehouse inventory assortments in connection with the Viking warehouse consolidation.

In 1999, we recorded facility closure charges of $40.4 million to reflect our decision to accelerate our store closure program for under-performing stores and our relocation program for older stores in our North American Retail Division. These charges consisted of asset write-offs ($29.2 million), residual lease obligations ($8.3 million) and other exit costs ($2.9 million).

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

The following is a breakdown of these charges by segment.

(In millions, before income taxes)	2000	1999	1998
North American Retail Division	$201.1	$ 88.3	$ --
BSG	8.6	(12.2)	119.1
International Division	18.7	29.1	--
Other	32.2	--	--
Total	$260.6	$105.2	$119.1

After considering the effect of income taxes, the impact of these one-time charges and credits on our net earnings was $172.9 million, $69.3 million and $86.8 million for 2000, 1999, and 1998, respectively. The remaining RESULTS OF OPERATIONS discussion excludes the one-time charges and credits discussed above because the effects of these charges are not comparable on a year-over-year basis.

Overall

(Dollars in thousands)	2000	PERCENTAGE OF SALES	1999	Percentage of Sales	1998	Percentage of Sales
Sales	$11,612,496	100.0%	$10,306,341	100.0%	$9,007,051	100.0%
Cost of goods sold and occupancy costs	8,473,598	73.0%	7,412,729	71.9%	6,484,464	72.0%
Gross profit	3,138,898	27.0%	2,893,612	28.1%	2,522,587	28.0%
Store and warehouse operating and selling expenses	2,296,601	19.8%	1,969,817	19.1%	1,651,355	18.3%
Store and warehouse operating profit	$ 842,297	7.2%	$ 923,795	9.0%	$ 871,232	9.7%

Our overall sales increased by 13% in 2000 and 14% in 1999. Our largest percentage sales increases in 2000 were realized in our BSG segment, driven most significantly by the growth in our contract and Internet businesses. Our domestic Internet sales increased $499.8 million over 1999. Also contributing significantly to our sales growth in 2000 was the continued expansion of our store base. In 1999, our store expansion program accounted for our largest percentage sales increases over 1998. We increased our domestic and international store base by 63 and 14 stores, respectively, in 2000 and by 123 and 31 stores, respectively, in 1999. In our stores and warehouses worldwide, we achieved comparable sales growth of 7% in 2000 and 6% in 1999. Sales in 2000 contain an additional week in December in accordance with our 52-53 week accounting convention. This week accounted for approximately $224 million of additional sales reported in 2000. Without this additional sales week, our total sales increase would have been 11% for 2000 compared to 1999.

Our worldwide sales by product group were as follows:

	2000	1999	1998
General office supplies	41.7%	41.0%	42.9%
Technology products	47.5%	47.5%	46.0%
Office furniture	10.8%	11.5%	11.1%
	100.0%	100.0%	100.0%

In 2000, our sales mix shifted back towards our core business items, which are mainly in the general office supplies category. Within the technology products category, the mix shifted from technology hardware and software towards machine supplies. In general, the market demand for technology hardware and software has declined from a year ago. Also, we did not offer a rebate from an Internet service provider for a portion of 2000, whereas our major competitors did have a rebate offering. These factors, along with our more competitive pricing strategy on many popular items in the machine supply category, caused the shift from technology hardware and software towards machine supplies. Office furniture was affected primarily by decreases in the average selling prices on these items during 2000. In 1999, low priced computers and aggressive promotional programs offering discounts on certain hardware and software when customers signed up for Internet service drove the increase in our sales of technology products over 1998.

Our overall gross profit percentages fluctuate as a result of numerous factors, including competitive pricing pressures; changes in product, catalog and customer mix; emergence of new technology; suppliers' pricing changes; as well as our ability to improve our net product costs through growth in total merchandise purchases. Additionally, our occupancy costs may vary as we add stores and CSCs in new markets with different rental and other occupancy costs, and as we relocate and/or close existing stores in current markets.

In mid-2000, we reduced prices for paper and machine supplies across all of our domestic sales channels in response to competitive pressures from discount clubs and other non-traditional sellers of those supply items. These price reductions, along with increased product costs, primarily for paper and machine supplies, had the most significant effect on our decreased gross profit percentage in 2000 compared to 1999. These two product groups accounted for approximately 34% of our total sales mix in 2000. Decreased net product costs derived from merger-related synergies during 1999 drove our slight improvement in margins compared to 1998. However, offsetting these savings were increased occupancy costs in our North American Retail Division and lower margins in our International Division, both of which are discussed in more detail later.

Store and warehouse operating and selling expenses consist of personnel costs; maintenance and other facility costs; advertising expenses; delivery and transportation costs; credit card and bank charges and certain other operating and selling costs. The increase in our operating and selling expenses in 2000 are primarily the result of higher personnel and warehouse costs compared to 1999. We have experienced higher delivery- and personnel-related costs in our warehouse operations as third-party carriers have increased their rates, and our integration efforts have taken longer to complete than originally planned. We also had a significant increase during 2000 in personnel expenses in our domestic stores, largely related to wage pressures stemming from a tight labor market. Increased costs associated with our aggressive store expansion were also the main driver of our increased operating and selling costs in 1999 compared to 1998. Also contributing to the increase in 1999 over 1998 was the re-launch of our "Taking Care of Business" advertising campaign.

NORTH AMERICAN RETAIL DIVISION

(Dollars in thousands)	2000	PERCENTAGE OF SALES	1999	Percentage of Sales	1998	Percentage of Sales
Sales	$6,517,022	100.0%	$5,927,666	100.0%	$5,150,854	100.0%
Cost of goods sold and occupancy costs	5,054,757	77.6%	4,535,622	76.5%	3,921,420	76.1%
Gross profit	1,462,265	22.4%	1,392,044	23.5%	1,229,434	23.9%
Operating and selling expenses	1,009,670	15.5%	883,589	14.9%	692,673	13.5%
Operating profit	$ 452,595	6.9%	$ 508,455	8.6%	$ 536,761	10.4%

Sales in our North American Retail Division increased 10% in 2000 and 15% in 1999. These increases were primarily achieved through our store expansion program. For 2000, comparable sales in the 818 stores that had been open for more than one year were flat. In 1999 comparable sales increased by 2% over 1998.

Sales of business machine supplies, with increases of 14% in 2000 and 17% in 1999, contributed considerably to the sales increases in our North American Retail Division. Sales of computer products (e.g., computers, printers, peripherals, software, and related supplies) in our stores, which contributed most significantly to our sales increase in 1999 with an increase of 23% over 1998, only increased by 3% in 2000. During 1999, we offered low priced units and more aggressive promotional programs on computer products, including an instant rebate program with the sign up for Internet service, which drove the increase in sales over 1998. For a portion of 2000, we did not offer an Internet service provider instant rebate program. Also in 2000, we saw a decline in the overall market demand for these computer products in comparison to 1999.

Lower margins realized on paper and machine supplies contributed most notably to the decrease in gross profit in 2000 compared to 1999. As discussed in the Overall section above, increased costs of these core products and decreased prices in response to competitive pressures negatively impacted gross profit. Also in 2000, sales increases in the North American Retail Division were not sufficient to leverage the additional fixed expenses incurred with the addition of new stores. Gross Profit includes fixed costs such as occupancy and rental costs for equipment in our print and copy centers. Increased occupancy costs also had significant impact on our gross profit percentage in 1999 in comparison with 1998. Furthermore, the increase in technology sales during 1999, which yield lower gross profit percentages than other product groups, also contributed to the decrease in our gross profit percentage compared to the prior year.

In our North American Retail Division, the largest components of operating and selling expenses are personnel, facility, advertising and credit card expenses. In our North American Retail Division, we added 63 stores in 2000 and 123 stores in 1999. Because newer stores typically generate lower average sales than more mature stores, operating and selling expenses as a percentage of sales have increased. Additionally, we believe that opening new stores in existing markets has cannibalized, to some extent, the sales of other Office Depot stores in those markets (i.e., had the effect of reducing sales at existing stores), also causing our expenses to increase relative to sales.

The increase in expenses during 2000 and 1999 was driven largely by personnel-related costs, primarily because of competitive wage pressure and the need to attract more highly skilled associates in certain positions. Over 50% of our stores' operating expenses are personnel related and have a relatively large fixed component. In 2000, we saw an increase in delivery orders as a percentage of total store sales. These orders are delivered by the warehousing operations in our BSG, which allocates a portion of their cost to cover the delivery expense. As explained in the BSG section below, warehouse expenses increased in 2000, which also negatively impacted operating and selling expenses. In 1999, increased advertising expenses, primarily from the re-launch of our "Taking Care of Business" campaign, also contributed significantly to the increase in operating and selling expenses over 1998.

BSG

(Dollars in thousands)	2000	PERCENTAGE OF SALES	1999	Percentage of Sales	1998	Percentage of Sales
Sales	$3,632,068	100.0%	$3,057,187	100.0%	$2,807,573	100.0%
Cost of goods sold and occupancy costs	2,530,760	69.7%	2,092,410	68.4%	1,948,167	69.4%
Gross profit	1,101,308	30.3%	964,777	31.6%	859,406	30.6%
Operating and selling expenses	895,517	24.7%	714,135	23.4%	671,591	23.9%
Operating profit	$ 205,791	5.6%	$ 250,642	8.2%	$ 187,815	6.7%

In our BSG segment, we grew sales by 19% in 2000 and by 9% in 1999 primarily through an overall increase in our large business customer base and through significant growth in our Internet business. Our domestic Internet sales increased to $849.5 million in 2000, compared with sales of $349.7 million in 1999 and $66.5 million in 1998. We expect continued growth in our Internet sales during 2001 as we allocate additional resources to that sales channel. We also experienced growth in our Viking Office Products(R) brand catalog sales in both years, driven by a more targeted approach to catalog promotions. We achieved increases in our Office Depot(R) brand catalog sales through increased circulation and greater assortment in our direct mail catalogs in both years. Sales of business machine supplies, which are significant to our BSG product mix, increased 27% in 2000 and 26% in 1999.

We earn higher gross profit percentages in our BSG than in our retail operations principally as the result of lower occupancy costs and a mix of higher margin products. Paper, machine supplies and other general office supplies, which yield higher margins than our other product groups, account for a much larger percentage of total sales in our BSG than in our stores. However, BSG's gross profit percentages are lower than in our International Division as a result of the lower relative pricing we negotiate with our contract customers. Contributing to the decrease in our BSG's gross profit from 1999 to 2000 was an increase in paper costs, coupled with reduced prices for paper products, ink, and toner necessitated by competitive pressures.

Further, these products increased in our product mix, which compounded the negative impact on gross profit. During 1999, we were able to lower our product costs by realizing certain synergies from our merger with Viking, which increased our gross profit over 1998.

Personnel, facility and delivery expenses are the largest components of our BSG operating expenses. Operating and selling expenses as a percentage of sales are significantly higher in our BSG than in our North American Retail Division, principally because of the need for a more experienced and highly compensated sales force that directly calls on our BSG customers. In 2000, these expenses increased over 1999 primarily as a result of higher delivery costs arising from increased rates charged by third-party carriers, and from personnel-related expenses associated with our warehouse staff. Furthermore, a larger workforce was required to handle the execution of our warehouse integration plans. During the transition into integrated facilities, we incurred certain incremental expenses related to preparing for the increased volume of deliveries and the dual-brand fulfillment in the newly integrated facilities. Operating and selling expenses as a percentage of sales decreased in 1999 as compared to 1998, primarily because of the costs associated with consolidating and integrating five of our Office Depot CSCs into two larger facilities during 1998.

INTERNATIONAL DIVISION

(Dollars in thousands)	2000	PERCENTAGE OF SALES	1999	Percentage of Sales	1998	Percentage of Sales
Sales	$1,467,357	100.0%	$1,325,372	100.0%	$1,052,543	100.0%
Cost of goods sold and occupancy costs	890,311	60.7%	786,916	59.4%	617,299	58.6%
Gross profit	577,046	39.3%	538,456	40.6%	435,244	41.4%
Operating and selling expenses	392,878	26.8%	373,575	28.2%	288,173	27.4%
Operating profit	$ 184,168	12.5%	$ 164,881	12.4%	$ 147,071	14.0%

Sales in our International Division grew by 11% in 2000 and by 26% in 1999 as we continued to penetrate new and existing markets with our Office Depot(R) and Viking Office Products(R) brands. However in both 2000 and 1999, sales in our International Division, which are translated into and reported in U.S. dollars, were negatively impacted by unfavorable exchange rate changes. In local currencies, sales in our International Division grew 23% in 2000 and 30% in 1999. The larger increase in 1999 results primarily from including the sales from our French and Japanese operations, which were consolidated from the fourth quarter of 1998 and the second quarter of 1999, respectively, following our purchase of the remaining 50% interest in each of these operations from our joint venture partners. These Office Depot retail operations continued to show strong local currency sales growth in 2000, with comparable store sales above 30%. Although the Office Depot(R) brand continues to grow as a percentage of the total sales in this segment, our Viking Office Products(R) brand still accounts for the vast majority of our international business representing approximately 88% of all international sales in 2000. These Viking catalog operations had local currency comparable sales increases of 16% in 2000 and 17% in 1999. Competitive, political and economic conditions in international markets in which we operate may impact our sales in the future.

As discussed above, the growth rates of our Office Depot(R) brand sales exceeded those of our Viking Office Products(R) brand in both 2000 and 1999, which contributed to the decline in gross profit for both years. Gross profit percentages earned in our stores are lower than the percentages earned in our catalog business because of pricing and product mix differences and higher occupancy costs in our stores. Also, in both 2000 and 1999, there has been an unfavorable shift in our sales mix towards machine supplies, primarily ink and toner cartridges, which yield lower gross profit margins than other office products. As with our other segments, our International Division was impacted by the higher costs for paper and machine supplies in 2000. However, unlike our domestic segments, the effect of these cost increases was lessened with increased pricing in our catalogs during the latter half of the year.

Similar to our BSG, personnel and delivery expenses are significant components of our International Division's operating and selling expenses. Furthermore, because direct mail is our largest international sales channel, advertising expense, including the cost of catalog preparation and mailing, is a significant expense for us. Operating and selling expenses as a percentage of sales are higher in our International Division than in our other segments primarily because of the use of an extensive marketing program to drive sales in new and existing markets. Additionally, certain of our operations are in their start-up phase, which also increases our international operating expenses as a percentage of sales when compared to other segments.

In 2000, strong local currency sales growth was able to better leverage many of our fixed operating and selling expenses. Also in 2000, our advertising expenses were significantly less than in 1999 because we were able to significantly reduce our prospect catalog mailings in Japan, following its initial year of operation during 1999, and we were able to implement more effective advertising campaigns with the help of our improved data warehouses in certain European markets. In 1999, increasing competition in many of our established markets, coupled with our efforts to gain market share in certain newer markets, drove up our advertising costs. Also in 1999, the consolidation of our French and Japanese retail operations increased operating and selling expenses, because the majority of these locations were in the first few years of operations and operating leverage had not been achieved.

As our operations in a particular market grow, certain fixed operating expenses decline relative to sales. For example, advertising costs in the form of prospecting and delivery costs, which are affected by the density of the delivery areas, decline as a percentage of sales as the market grows. We expect to leverage certain fixed operating expenses, and our cost to attract new customers should decline as a percentage of sales as we continue to establish our brands and grow our international business. We believe that these improvements will be offset by the incremental costs incurred to continue developing new markets.

CORPORATE AND OTHER

Pre-opening Expenses (Dollars in thousands)	2000	1999	1998
Pre-opening expenses	$13,465	$23,628	$17,150
Office supply stores opened(*)	78	159	106

(*) Includes domestic and wholly-owned international openings and relocations.

Our pre-opening expenses consist principally of personnel, property and advertising expenses incurred in opening or relocating stores in our North American Retail Division. Our pre-opening expenses also include, to a lesser extent, expenses incurred to open or relocate facilities in our BSG and International Division. We typically incur pre-opening expenses during a six-week period prior to a store opening. Because we expense these items as they are incurred, the amount of pre-opening expenses each year is generally proportional to the number of new stores opened during the period. This has been the primary contribution to the fluctuation in pre-opening expenses over the three years presented. For 2000, our pre-opening expenses approximated $162,000 per domestic office supply store and $116,000 per international office supply store. Our cost to open a new CSC varies significantly with the size and location of the facility. Historically, we have incurred up to $1.8 million to open a domestic or international CSC.

General and Administrative Expenses (Dollars in thousands)	2000	1999	1998
General and administrative expenses	$456,556	$381,611	$330,194
Percentage of sales	3.9%	3.7%	3.7%

Our general and administrative expenses consist primarily of personnel-related costs associated with support functions. Because these functions, for the most part, support all segments of our business, we do not consider these costs in determining our segment profitability. Throughout 2000 and 1999, we developed our infrastructure, particularly in the areas of Supply Chain Management, MIS, and International. These areas were significant contributors to the increases in our general and administrative expenses in the last two years. The primary benefits derived from this increased spending were the expansion and improvement of our e-commerce services, a new data center, improvements in our inventory in-stock positions and support for our rapidly growing International Division. Also contributing to the growth, particularly in 1999, was spending to support our Year 2000 ("Y2K") efforts and CSC consolidation and integration initiatives.

Other Income and Expense (Dollars in thousands)	2000	1999	1998
Interest income	$ 11,502	$ 30,176	$ 25,309
Interest expense	(33,901)	(26,148)	(22,356)
Miscellaneous income (expense), net	3,332	(3,514)	(18,985)

We do not consider interest income and expense arising from our financing activities at the corporate level in determining segment profitability. Pursuant to our Board of Directors authorizing stock repurchases in the latter half of 1999 and 2000, we have purchased approximately 82 million shares of our stock at a total cost of $800 million plus commissions. As a result, our cash balances have declined, and our interest income has decreased in 2000. The increases in interest income in 1999 and 1998 resulted from improved supply chain initiatives in 1998, which yielded higher average cash balances throughout 1998 and most of 1999.

During the fourth quarter of 2000, we began borrowing against our domestic credit facility (see LIQUIDITY AND CAPITAL RESOURCES), which led to increased interest expense over 1999. Also, as we set up reserves for future lease obligations related to our facility closures and merger activities, we recorded those reserves at the net present value of the obligation. In 2000, as we have been paying these obligations, we have been recording the imputed interest cost on the discounted obligations as interest expense. This has also caused interest expense to increase and should be expected to continue in future years. During 1999, we entered into a number of capital leases, primarily related to new point-of-sale equipment in our stores, which also drove the increase in interest expense over 1998.

Our net miscellaneous income (expense) consists of equity in the earnings (losses) of our joint venture investments, royalty and franchise income that we generate from licensing and franchise agreements and the amortization of goodwill. All of our equity investments involve operations outside of the United States and Canada, and our equity in the earnings (losses) of these operations is included in determining the profitability of our International Division. Our net miscellaneous income in 2000 is attributable to our profitable joint venture operations in Mexico and Israel. The decrease in net miscellaneous expense in 1999 from 1998 is primarily attributable to the consolidation of our French and Japanese retail operations beginning in the fourth quarter of 1998 and second quarter of 1999, respectively, when we purchased the remaining 50% interest from our joint venture partners. Prior to that consolidation, we recorded equity losses related to the start-up of those operations.

Income Taxes (Dollars in thousands)	2000	1999	1998
Income taxes	$ 43,127	$156,249	$155,531
Effective income tax rate(*)	46.6%	37.8%	40.0%
Effective income tax rate(*), excluding merger and restructuring costs and other one-time charges and credits	37.0%	37.0%	37.0%

(*) Income taxes as a percentage of earnings before income taxes.

In 2000, 1999 and 1998, certain non-deductible merger-related and other one-time charges caused our overall effective income tax rates to rise. Our overall effective income tax rate, excluding these charges, may fluctuate in the future as a result of the mix of pre-tax income and tax rates between countries.

LIQUIDITY AND CAPITAL RESOURCES

Cash provided by (used in) our operating, investing and financing activities is summarized as follows:

(Dollars in thousands)	2000	1999	1998
Operating activities	$ 316,482	$ 369,449	$ 678,615
Investing activities	(239,365)	(447,841)	(271,317)
Financing activities	(134,093)	(405,849)	61,747

Operating and Investing Activities

We historically have relied on cash flow generated from operations as our primary source of funds because the majority of our store sales are generated on a cash and carry basis. Furthermore, we use private label credit card programs, administered and financed by financial services companies, to expand our sales without the burden of carrying additional receivables. Our cash requirements are also reduced by vendor credit terms that allow us to finance a portion of our inventory. We generally offer credit terms, under which we carry our own receivables, to our contract and certain of our direct mail customers. As we expand our contract and direct mail businesses, we anticipate that our accounts receivable portfolio will continue to grow. Amounts due for rebate, cooperative advertising and marketing programs with our vendors comprise a significant percentage of our total receivables. These receivables tend to fluctuate seasonally (growing during the second half of the year and declining during the first half), because certain collections do not happen until after an entire program year has been completed.

The decline in operating cash flows in 2000 is primarily attributable to lower gross profit and higher store and warehouse operating and selling expenses and general and administrative expenses, which is more fully explained in RESULTS OF OPERATIONS. In 1999, the decrease in operating cash flows from 1998 was due mainly to our aggressive store opening program. On a worldwide basis in 1999, excluding joint venture operations and licensing arrangements, we opened 159 stores, including relocations of older stores, as compared to 106 openings during 1998. Opening a new domestic store requires that we outlay approximately $0.5 million in cash for the portion of our inventories that is not financed by our vendors, as well as approximately $0.2 million for pre-opening expenses (see PRE-OPENING EXPENSES). Our focus on supply chain management helped boost our 1998 operating cash flows by reducing inventories by $139 million. This focus continued to reduce the average inventory balances held in stores and CSCs in 1999 and 2000; however, this benefit was offset by increases resulting from stocking our new stores with inventories. Incremental Y2K-related purchases further impacted our inventory levels in 1999.

Our primary investing activity is the acquisition of capital assets. The number of stores and CSCs we open or remodel each year generally drives the volume of our capital investments. Over the past three years, we opened 78, 159 and 106 stores during 2000, 1999 and 1998, respectively. This accounts for the majority of the variation in our investing activities over the years. During 2000, we also had significant expenditures related to our Viking integration plans. In 1999, computer and other equipment purchases at our corporate offices and at our facilities, necessary to complete Y2K remediation, relocation of our corporate data center, and support for our store expansion, also contributed to our increased cash investing needs.

We currently plan to open approximately 50 stores in our North American Retail Division and numerous stores in our International Division during 2001. We also plan to relocate several existing warehouses, and open two additional warehouses in our International Division. We estimate that our cash investing requirements will be approximately $1.1 million for each new domestic office supply store. The $1.1 million includes approximately $0.6 million for leasehold improvements, fixtures, point-of-sale terminals and other equipment, and approximately $0.5 million for the portion of our inventories that will not be financed by our vendors. In addition, our average new office supply store requires pre-opening expenses of approximately $0.2 million. The investment required for a new CSC is significantly more than the amounts required for a new store. Each new domestic and international CSC requires between $6 to $16 million for capital assets and inventory, and pre-opening expenses of up to $1.8 million, depending on the size, type and location of the facility. Also in 2001, we plan on spending approximately $40 million in capital investments related to re-merchandising and remodeling our store locations and consolidating and upgrading our call centers.

We have expanded our presence in the electronic commerce marketplace by entering into strategic business relationships with several Web-based providers of business-to-business electronic commerce solutions. We made equity investments in these companies during 2000 and 1999 of $30.1 and $50.7 million, respectively. During 2000, we sold certain of these investments for $57.9 million. Also, because of the recent decline in the market for Internet related companies, we performed an extensive valuation of each of our remaining investments at the end of 2000. This resulted in a write down of $45.5 million, reducing the current book value of the investments at December 30, 2000 to $29.9 million. We continue to believe the Internet represents an exciting opportunity for our products and services, and we will continue to look for opportunities to invest in companies that provide business-to-business e-commerce solutions for small- and medium-sized businesses.

Financing Activities

Our domestic credit facilities provide us with a maximum of $600.0 million in funds. These facilities consist of two separate credit agreements, a five-year loan providing us with a working capital line and letters of credit capacity totaling $300.0 million, and a 364-day loan for working capital also totaling $300.0 million. As of December 30, 2000, we had outstanding borrowings of $389.6 million under these lines of credit, as well as letters of credit totaling $49.5 million. Our five-year agreement was entered into in February 1998 and has various borrowing rate options, including a rate based on our credit rating that currently would result in an interest rate of 0.475% over the London Interbank Offered Rate ("LIBOR"). In June 2000, we entered into a second credit agreement with a 364-day term, which also has various borrowing rate options, including a current borrowing rate of 0.500% over LIBOR. At December 30, 2000, the average effective interest rates were 7.001% and 7.996% for the five-year and 364-day facilities, respectively. Both agreements contain similar restrictive covenants relating to various financial statement ratios.

In July 1999, we entered into term loan and revolving credit agreements with several Japanese banks (the "yen facilities") to provide financing for our operating and expansion activities in Japan. The yen facilities provide for maximum aggregate borrowings of (Y)9.76 billion (the equivalent of $85.3 million at December 30, 2000) at an interest rate of 0.875% over the Tokyo Interbank Offered Rate ("TIBOR"). These facilities are available to us until July 2002. The yen facilities loan agreements are tied to the covenants in our domestic facilities described earlier. As of December 30, 2000, we had outstanding yen borrowings equivalent to $64.0 million under these yen facilities, with an average effective interest rate of 1.252%. Effective October 28, 1999, we entered into a yen interest rate swap with a financial institution for a principal amount equivalent to $21 million at December 30, 2000 in order to hedge against the volatility of the interest payments on a portion of our yen borrowings. The terms of the swap specify that we pay an interest rate of 0.700% and receive TIBOR. The swap will mature in July 2002.

In addition to bank borrowings, we have historically used equity capital, convertible debt and capital equipment leases as supplemental sources of funds.

In August 1999, our Board approved a $500 million stock repurchase program reflecting its belief that our common stock represented a significant value at its then-current trading price. We purchased 46.7 million shares of our stock at a total cost of $500 million plus commissions during the third and fourth quarters of 1999. During the first half of 2000, our Board approved additional stock repurchases of up to $300 million, bringing our total authorization to $800 million. We completed these programs during 2000, purchasing an additional 35.4 million shares of our stock at a total cost of $300 million plus commissions.

In 1992 and 1993, we issued Liquid Yield Option Notes ("LYONs(R)") which are zero coupon, convertible subordinated notes maturing in 2007 and 2008, respectively. Each LYON(R) is convertible at the option of the holder at any time on or prior to its maturity into Office Depot common stock at conversion rates of 43.895 and 31.851 shares per 1992 and 1993 LYON(R), respectively. On November 1, 2000, the majority of the holders of our 1993 LYONs(R) required us to purchase the LYONs(R) from them at the issue price plus accrued original issue discount. We paid the holders $249.2 million in connection with this repurchase, and reclassified the remaining 1993 LYONs(R) obligation to long-term on our balance sheet. Our 1992 LYONs(R) has a similar provision whereby the holders may require us to purchase these notes at the issue price plus accrued original issue discount on December 11, 2002. If the holder decides to exercise their put option, we have the choice of paying the holder in cash, common stock or a combination of the two.

Our stock repurchase and the repurchase of our 1993 LYONs(R) make up the majority of cash used in financing activities for 2000. We began borrowing from our domestic credit facilities during the fourth quarter of 2000, primarily to fund the LYONs(R) repurchase. The decline in cash from our financing activities in 1999, as compared to 1998, was driven by our stock repurchases.

We continually review our financing options. Although we currently anticipate that we will finance all of our 2001 expansion, integration and other activities through cash on hand, funds generated from operations, equipment leases and funds available under our credit facilities, we will consider alternative financing as appropriate for market conditions.

SIGNIFICANT TRENDS, DEVELOPMENTS, AND UNCERTAINTIES

Over the years, we have seen continued development and growth of competitors in all segments of our business. In particular, mass merchandisers and warehouse clubs have increased their assortment of home office merchandise, attracting additional back-to-school customers and year-round casual shoppers. We also face competition from other office supply superstores that compete directly with us in numerous markets. These other office supply superstores compete with us in geographical locations where we have traditionally been the market leader, just as we have begun penetrating markets where they have historically held the dominant market share. This competition is likely to result in increased competitive pressures on pricing, product selection and services provided.

We have also seen growth in new and innovative competitors that offer office products over the Internet, featuring special purchase incentives and one-time deals (such as close-outs). Through our own successful Internet and business-to-business Web sites, we believe that we have positioned ourselves competitively in the electronic commerce arena. We have invested in strategic partnerships with several business-to-business Internet companies offering innovative solutions to small businesses, a target customer group. We are committed to supporting our Internet channel to meet the needs of our customers, including investing in new and innovative electronic commerce business enterprises.

EURO

On January 1, 1999, eleven of the fifteen member countries of the European Economic and Monetary Union ("EMU") established fixed conversion rates between their existing currencies and the EMU's common currency (the "euro"). The euro is presently trading on currency exchanges and may be used in business transactions. The ultimate conversion to the euro will eliminate currency exchange rate risk among the member countries. The former currencies of the participating countries are scheduled to remain the sole legal tender as denominations of the euro and the euro will not exist as a physical means of exchange until January 1, 2002. On January 1, 2002, the euro will be in circulation and parties may settle transactions using either the euro or a participating country's former currency. On July 1, 2002, new euro-denominated bills and coins will become the sole legal currency, and all former currencies will be withdrawn from circulation.

We generate significant sales in Europe and are currently evaluating the business implications of the conversion to the euro. We have determined that we need to make multiple changes and modifications to our current systems to prepare them for July 1, 2002. Also, the use of a single currency in the participating countries may affect our ability to price our products differently in various European markets because of price transparency. We realize that we may be faced with price harmonization at lower average prices for items we sell in some markets. Nevertheless, other market factors such as local taxes, customer preferences and product assortment may reduce the likelihood or impact of price equalization. Based on these evaluations, we do not expect the conversion to the euro to have a material effect on our financial position or the results of our operations.

INTEREST RATE AND FOREIGN EXCHANGE MARKET RISKS

INTEREST RATE RISKS

We have some investments subject to interest rate risk. These consist primarily of cash equivalents and short-term marketable securities. A 10% change in interest rates would change our interest income by approximately $0.5 million. Our zero coupon, convertible subordinated notes offer stated yields to maturity which are not subject to interest rate risks. Borrowings under our domestic and Japanese credit facilities are both subject to variable interest rates. The interest rate risk on our Japanese bank borrowings has been partially mitigated by an interest rate swap that fixes the interest rate on a portion of our yen borrowings for the remaining life of the loan. With interest rates currently approximating 1% in Japan, a 10% change in interest rates would not materially change our total interest expense. However, a 10% change in the domestic interest rates would have changed our net interest expense by $2.3 million in 2000.

FOREIGN EXCHANGE RATE RISKS

We conduct business in various countries outside the United States where the functional currency of the country is not the U.S. dollar. This results in foreign exchange translation exposure when these foreign currency earnings are translated into U.S. dollars in our consolidated financial statements. As of December 30, 2000, a 10% change in the applicable foreign exchange rates would have resulted in an increase or decrease in our annual operating profit of approximately $9.8 million on an annual basis.

We are also subject to foreign exchange transaction exposure when our subsidiaries transact business in a currency other than their own functional currency. This exposure arises primarily from inventory purchases in a foreign currency. The introduction of the euro and our decision to consolidate our European purchases has greatly reduced these exposures. During 2000, we entered into foreign exchange forward contracts to hedge certain inventory exposures. The maximum contract amount outstanding during the year was $14.6 million.

INFLATION AND SEASONALITY

Although we cannot determine the precise effects of inflation on our business, we do not believe inflation has a material impact on our sales or the results of our operations. We consider our business to generally be somewhat seasonal, with sales in our North American Retail Division and Business Services Group slightly higher during the first and fourth quarters of each year, and sales in our International Division slightly higher in the third quarter.

NEW ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 requires that we record all derivatives as assets or liabilities measured at their fair value. Gains or losses resulting from changes in the values of those derivatives would be accounted for according to the intended use of the derivative and whether it qualifies for hedge accounting.

In July 1999, the FASB issued SFAS No. 137, which deferred the effective date of SFAS No. 133 until the start of fiscal years beginning after June 15, 2000. We will adopt SFAS No. 133 for our fiscal year 2001. Assuming our current level of involvement in derivative instruments and hedging activities does not change before we adopt this Statement, we do not expect the adoption of SFAS No. 133 to have a material impact on our financial position or the results of our operations.

CAUTIONARY STATEMENTS FOR PURPOSES OF THE "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

CAUTIONARY STATEMENTS

In December 1995, the Private Securities Litigation Reform Act of 1995 (the "Act") was enacted by the United States Congress. The Act, as amended, contains certain amendments to the Securities Act of 1933 and the Securities Exchange Act of 1934. These amendments provide protection from liability in private lawsuits for "forward-looking" statements made by public companies. We want to take advantage of the "safe harbor" provisions of the Act. In doing so, we have disclosed these forward-looking statements by informing you in specific cautionary statements of the circumstances which may cause the information in these statements not to transpire as expected.

This Annual Report contains both historical information and other information that you can use to infer future performance. Examples of historical information include our annual financial statements and the commentary on past performance contained in our MD&A. While we have specifically identified certain information as being forward-looking in the context of its presentation, we caution you that, with the exception of information that is clearly historical, all the information contained in this Annual Report should be considered to be "forward-looking statements" as referred to in the Act. Without limiting the generality of the preceding sentence, any time we use the words "estimate," "project," "intend," "expect," "believe," "anticipate," "continue," and similar expressions, we intend to clearly express that the information deals with possible future events and is forward-looking in nature.

Forward-looking information involves risks and uncertainties, including certain matters that we discuss in more detail below and in our report on Form 10-K, filed with the Securities & Exchange Commission. This information is based on various factors and important assumptions about future events that may or may not actually come true. As a result, our operations and financial results in the future could differ materially and substantially from those we have discussed in the forward-looking statements in this Annual Report. In particular, the factors we discuss below and in our Form 10-K could affect our actual results and could cause our actual results in 2001 and in future years to differ materially from those expressed in any forward-looking statement made by us or on our behalf in this Annual Report.

COMPETITION: We compete with a variety of retailers, dealers and distributors in a highly competitive marketplace that includes high-volume office supply chains, warehouse clubs, computer stores, contract stationers, and well-established mass merchant retailers. Well-established mass merchant retailers have the financial and distribution ability to compete very effectively with us should they choose to enter the office superstore retail category, Internet office supply or contract stationer business or substantially expand their offering in their existing retail outlets. This could have a material adverse effect on our business and results of our operations.

INTERNET: Internet-based merchandisers also compete with us. This competition is expected to increase in the future as these companies proliferate and continue to expand their operations. Many start-up operations that are heavily focused on Internet sales may be able to compete with us in the areas of price and selection. While most of these companies cannot offer the levels of service and stability of supply that we provide, they nevertheless may be formidable competitors, particularly for customers who are willing to look for the absolute lowest price without regard to the other attributes of our business model. In addition, certain manufacturers of computer hardware, software and peripherals, including certain of our suppliers, have expanded their own direct marketing of products, particularly over the Internet. Even as we expand our own Internet efforts, our ability to anticipate and adapt to the developing Internet marketplace and the capabilities of our network infrastructure to efficiently handle our rapidly expanding operations are of critical importance. Furthermore, our profitability goals may also serve to inhibit the expansion of our presence on the Internet, because dedicated Internet concerns are currently evaluated differently in the financial markets than more established concerns such as ours. Failure to execute well in any of these key areas could have a material adverse effect on our future sales growth and profitability.

EXECUTION OF EXPANSION PLANS: We plan to open approximately 50 stores in the United States and Canada and numerous stores in our International Division during 2001, and we consider our expansion program to be an integral part of our plan to achieve anticipated operating results in future years. Circumstances outside our control, such as adverse weather conditions affecting construction schedules, unavailability of acceptable sites or materials, labor disputes and similar issues could impact anticipated store openings. The failure to expand by opening new stores as planned and the failure to generate the anticipated sales growth in markets where new stores are opened could have a material adverse effect on our future sales growth and profitability.

CANNIBALIZATION OF SALES IN EXISTING OFFICE DEPOT STORES: As we expand the number of our stores in existing markets, sales of existing stores may suffer from cannibalization (customers of our existing stores begin shopping at our new stores). Our new stores typically require an extended period of time to reach the sales and profitability levels of our existing stores. Moreover, the opening of new stores does not ensure that those stores will ever be as profitable as existing stores, particularly when new stores are opened in highly competitive markets or markets in which other office supply superstores may have achieved "first mover" advantage. Our comparable sales are affected by a number of factors, including the opening of additional Office Depot stores; the expansion of our contract stationer business in new and existing markets; competition from other office supply chains, mass merchandisers, warehouse clubs, computer stores, other contract stationers and Internet-based businesses; and regional, national and international economic conditions. In addition, our profitability would be adversely affected if our competitors were to attempt to capture market share by reducing prices.

COSTS OF REMODELING AND RE-MERCHANDISING STORES: The remodeling and re-merchandising of our stores has contributed to increased store expenses, and these costs are expected to continue impacting store expenses throughout 2001 and beyond. While a necessary aspect of maintaining a fresh and appealing image to our customers, the expenses associated with such activities could result in a significant impact on our net income in the future. In addition, there is no guarantee that these changes will generate any of the benefits that we have anticipated. Furthermore, our growth, through both store openings and acquisitions, will continue to require the expansion and upgrading of our informational, operational and financial systems, as well as necessitate the hiring of new managers at the store and supervisory level.

HISTORICAL FLUCTUATIONS IN PERFORMANCE: Fluctuations in our quarterly operating results have occurred in the past and may occur in the future. A variety of factors could contribute to this quarter-to-quarter variability, including new store openings which require an outlay of pre-opening expenses, generate lower initial profit margins and cannibalize existing stores; timing of warehouse integration; competitors' pricing; changes in our product mix; fluctuations in advertising and promotional expenses; the effects of seasonality; acquisitions of contract stationers; competitive store openings or other events.

VIKING MERGER AND INTEGRATION: On August 26, 1998, we merged with Viking. Costs related to the integration of Viking's warehouse facilities with our delivery network will increase our warehouse expenses in 2001 and beyond. Moreover, integrating the operations and management of Office Depot and Viking has been, and continues to be, a complex process. There can be no assurance that this integration process will be completed as rapidly as we anticipate or that, even if achieved as anticipated, it will result in all of the anticipated synergies and other benefits we expect to realize. The integration of the two companies continues to require significant management attention, which may temporarily distract us from other matters. Our inability to successfully complete the integration of the operations of Office Depot and Viking could have a material adverse effect on our future sales growth and profitability.

INTERNATIONAL ACTIVITY: We have operations in a number of international markets. We intend to enter additional international markets as attractive opportunities arise. Each entry could take the form of a start-up, acquisition of stock or assets or a joint venture or licensing arrangement. In addition to the risks described above (in our domestic operations), internationally we face such risks as foreign currency fluctuations, unstable political and economic conditions, and, because some of our foreign operations are not wholly-owned, compromised operating control in certain countries. Recent world events have served to underscore even further the risks and uncertainties of operating in other parts of the world. Risks of civil unrest, war and economic crisis in portions of the world outside North America in which we operate represent a more significant factor than may have been the case in the past. Also, we have experienced significant fluctuations in foreign currency exchange rates in 2000, which have resulted in lower than anticipated sales and earnings in our International Division. Our results may continue to be adversely affected by these fluctuations in the future. In addition, we do not have a large group of managers experienced in international operations and will need to recruit additional management resources to successfully compete in many foreign markets. All of these risks could have a material adverse effect on our financial position or our results from operations. Moreover, as we increase the relative percentage of our business that is operated globally, we also increase the impact these factors have on our future operating results. Our start-up operation in Japan, in particular, has proven to be unprofitable to date and, in fact, has generated losses that have materially affected our financial results in the past and are expected to do so for some time in the future. Because of differing commercial practices, laws and other factors, our ability to use the Internet and electronic commerce to substantially increase sales in international locations may not progress at the same rate as in North America.

EURO: On January 1, 1999, 11 of the 15 member countries of the European Economic and Monetary Union established fixed conversion rates between their existing currencies and their new common currency (the "euro"). On July 1, 2002, new euro-denominated bills and coins will become the sole legal currency in those countries, and all former currencies will be withdrawn from circulation. Since the introduction of the euro, we have been evaluating the business implications of modifying our systems to properly recognize and handle conversion to the euro. Based on that evaluation, we need to make multiple changes and modifications to our current systems before July 1, 2002. We expect to complete our system modifications in advance of the deadline, and we do not expect our conversion to the euro to have a material effect on our financial position or the results of our operations. However, we may not complete the system changes by the targeted date, preventing us from accepting orders or collecting receivables from our customers or from paying our vendors. This could have an adverse impact on our business and our future operating results.

CONTRACT AND COMMERCIAL: We compete with a number of contract stationers, mail order and Internet operators, and retailers who supply office products and services to large and small businesses, both nationally and internationally. In order to achieve and maintain expected profitability levels, we must continue to grow this segment of the business while maintaining

CAUTIONARY STATEMENTS FOR PURPOSES OF THE "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 (CONTINUED)

the service levels and aggressive pricing necessary to retain existing customers. There can be no assurance we will be able to continue to expand our contract and commercial business while retaining our base of existing customers, and any failure to do so could have a material adverse effect on our profitability. We are also working on various initiatives to improve margin levels in this business segment, but there is no assurance that these initiatives will prove successful. Some of our competitors operate only in the contract and/or commercial channels and therefore may be able to focus more attention on the business services segment, thereby providing formidable competition. Our failure to adequately address this segment of our business could put us at a competitive disadvantage relative to these competitors.

SOURCES AND USES OF CASH: We believe that our current level of cash and cash equivalents, future operating cash flows, lease financing arrangements and funds available under our credit facilities and term loan should be sufficient to fund our planned expansion, integration and other operating cash needs for at least the next year. However, there can be no assurance that additional sources of financing will not be required during the next twelve months as a result of unanticipated cash demands, opportunities for expansion, acquisition or investment, changes in growth strategy, changes in our warehouse integration plans or adverse operating results. We could attempt to meet our financial needs through the capital markets in the form of either equity or debt financing. Alternative financing will be considered if market conditions make it financially attractive. There can be no assurance that any additional funds required by us, whether within the next twelve months or thereafter, will be available to us on satisfactory terms. Our inability to access needed financial resources could have a material adverse effect on our financial position or operating results.

EFFECTS OF CERTAIN ONE-TIME CHARGES: During the fourth quarter of 2000, we conducted a review of all aspects of our business, with particular attention on our North American Retail Division and on our distribution and supply chain activities (see the Business Review section of our MD&A for further details). We expect that these decisions will result in increasing our Company's profitability and efficiency in the future. However, this analysis involves many variables and uncertainties; and, as a result, we may not achieve any of the expected benefits. In 1999, we announced one-time charges against earnings for slow-moving inventories in our warehouses and stores and for accelerated store closings and relocations. Additionally, each quarter since our August 1998 merger with Viking, we have incurred merger and restructuring charges and credits. There can be no assurance that additional charges of this nature will not be required in the future as well. Such charges, if any, could have a materially adverse impact on our financial position or operating results in the future.

ECONOMIC DOWNTURN: In the past decade, the favorable United States economy has contributed to the expansion and growth of retailers. Our country has experienced low inflation, low interest rates, low unemployment and an escalation of new businesses. The economy has recently begun to show signs of a downturn. The Federal Reserve has recently reduced interest rates, and the stock market has shown signs that it may no longer be a "bull" market. The retail industry, in particular, is displaying signs of a slowdown, with several specialty retailers, both in and outside our industry segment, reporting earnings warnings in the last few months. This general economic slowdown may adversely impact our business and the results of our operations.

EXECUTIVE MANAGEMENT: Since the appointment of our new Chief Executive Officer, we have evolved our management organization to better address the future goals of our Company. This new organization has vacancies in several key positions, including the Chief Financial Officer. A search is underway to identify the best individuals to fill these positions; however, the process may be a protracted one. Furthermore, the new management structure may not be ideal for our Company and may not result in the benefits expected; and, as a result, may materially and adversely affect our future operating results.

DISCLAIMER OF OBLIGATION TO UPDATE

We assume no obligation (and specifically disclaim any obligation) to update these Cautionary Statements or any other forward-looking statements contained in this Annual Report to reflect actual results, changes in assumptions or other factors affecting such forward-looking statements.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Office Depot, Inc.

We have audited the consolidated balance sheets of Office Depot, Inc. and Subsidiaries as of December 30, 2000 and December 25, 1999, and the related consolidated statements of earnings, stockholders' equity and cash flows for each of the three years in the period ended December 30, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Office Depot, Inc. and Subsidiaries as of December 30, 2000 and December 25, 1999 and the results of their operations and their cash flows for each of the three years in the period ended December 30, 2000 in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP

DELOITTE & TOUCHE LLP
Certified Public Accountants

Miami, Florida
February 15, 2001

CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	DECEMBER 30, 2000	December 25, 1999
ASSETS		
Current assets:		
Cash and cash equivalents	$ 151,482	$ 218,784
Receivables, net of allowances of $34,461 in 2000 and $27,736 in 1999	896,333	849,478
Merchandise inventories, net	1,420,825	1,436,879
Deferred income taxes	157,779	68,279
Prepaid expenses	72,670	57,632
Total current assets	2,699,089	2,631,052
Property and equipment, net	1,119,306	1,145,628
Goodwill, net	219,971	240,166
Other assets	157,968	259,337
	$ 4,196,334	$ 4,276,183
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,136,994	$ 1,239,301
Accrued expenses and other liabilities	580,966	414,690
Income taxes payable	37,118	39,588
Current maturities of long-term debt	153,259	250,466
Total current liabilities	1,908,337	1,944,045
Deferred income taxes and other credits	88,247	103,319
Long-term debt, net of current maturities	374,061	109,653
Zero coupon, convertible subordinated notes	224,438	211,446
Commitments and contingencies		
Stockholders' equity:		
Common stock--authorized 800,000,000 shares of $.01 par value; issued 378,688,359 in 2000 and 376,212,439 in 1999	3,787	3,762
Additional paid-in capital	939,214	926,295
Unamortized value of long-term incentive stock grant	(2,793)	(4,065)
Accumulated other comprehensive income (loss)	(53,490)	15,730
Retained earnings	1,516,691	1,467,359
Treasury stock, at cost--82,190,548 shares in 2000 and 46,770,272 shares in 1999	(802,158)	(501,361)
	1,601,251	1,907,720
	$ 4,196,334	$ 4,276,183

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF EARNINGS
(In thousands, except per share amounts)

	2000	1999	1998
Sales	$ 11,569,696	$ 10,272,060	$ 9,007,051
Cost of goods sold and occupancy costs	8,479,698	7,450,310	6,484,464
Gross profit	3,089,998	2,821,750	2,522,587
Store and warehouse operating and selling expenses	2,361,301	1,969,817	1,651,355
Pre-opening expenses	13,465	23,628	17,150
General and administrative expenses	501,700	381,611	330,194
Merger and restructuring costs	(6,732)	(7,104)	119,129
Facility closure costs	110,038	40,425	--
Operating profit	110,226	413,373	404,759
Other income (expense):			
Interest income	11,502	30,176	25,309
Interest expense	(33,901)	(26,148)	(22,356)
Miscellaneous income (expense), net	4,632	(3,514)	(18,985)
Earnings before income taxes	92,459	413,887	388,727
Income taxes	43,127	156,249	155,531
Net earnings	$ 49,332	$ 257,638	$ 233,196
Earnings per share:			
Basic	$ .16	$ .71	$ .64
Diluted	.16	.69	.61

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share amounts)

	Common stock shares	Common stock amount	Additional paid-in capital	Unamortized value of long-term incentive stock grant	Accumulated other comprehensive income (loss)
Balance at December 27, 1997	367,663,995	$ 3,677	$ 761,685	$ (3,210)	$ (19,289)
Comprehensive income:					
Net earnings					
Foreign currency translation adjustment					1,211
Comprehensive income					
Exercise of stock options (including income tax benefits)	5,399,946	54	63,456		
Issuance of stock under employee stock purchase plans	467,394	4	7,896		
Matching contributions under 401(k) and deferred compensation plans	203,055	2	3,882		
Conversion of LYONs(R) to common stock	83,314	1	1,203		
Amortization of long-term incentive stock grant				336	
Balance at December 26, 1998	373,817,704	$ 3,738	$ 838,122	$ (2,874)	$ (18,078)
Comprehensive income:					
Net earnings					
Foreign currency translation adjustment					(28,319)
Unrealized gain on investment securities, net of tax					62,127
Comprehensive income					
Acquisition of treasury stock					
Retirement of treasury stock	(3,245,170)	(32)	(1,718)		
Grant of long-term incentive stock	130,000	1	2,127	(2,127)	
Exercise of stock options (including income tax benefits)	4,457,024	45	72,865		
Issuance of stock under employee stock purchase plans	712,431	7	9,240		
Matching contributions under 401(k) and deferred compensation plans	320,906	3	5,423		
Conversion of LYONs(R) to common stock	23,710		329		
Payment for fractional shares in connection with 3-for-2 stock split	(4,166)		(93)		
Amortization of long-term incentive stock grant				936	
Balance at December 25, 1999	376,212,439	$ 3,762	$ 926,295	$ (4,065)	$ 15,730
Comprehensive income:					
Net earnings					
Foreign currency translation adjustment					(7,093)
Realized gain on investment securities, net of tax					(62,127)
Comprehensive income (loss)					
Acquisition of treasury stock					
Grant of long-term incentive stock	25,000		199	(199)	
Cancellation of long-term incentive stock	(50,000)		(819)	600	
Exercise of stock options (including income tax benefits)	424,809	4	(1,984)		
Issuance of stock under employee stock purchase plans	1,372,566	14	9,713		
Matching contributions under 401(k) and deferred compensation plans	703,545	7	5,810		
Amortization of long-term incentive stock grant				871	
Balance at December 30, 2000	378,688,359	$ 3,787	$ 939,214	$ (2,793)	$ (53,490)

	Comprehensive income (loss)	Retained earnings	Treasury stock
Balance at December 27, 1997		$ 976,525	$ (1,750)
Comprehensive income:			
Net earnings	$ 233,196	233,196	
Foreign currency translation adjustment	1,211		

Comprehensive income	$ 234,407		
Exercise of stock options (including income tax benefits)			
Issuance of stock under employee stock purchase plans			
Matching contributions under 401(k) and deferred compensation plans			
Conversion of LYONs(R) to common stock			
Amortization of long-term incentive stock grant			
Balance at December 26, 1998		$ 1,209,721	$ (1,750)
Comprehensive income:			
Net earnings	$ 257,638	257,638	
Foreign currency translation adjustment	(28,319)		
Unrealized gain on investment securities, net of tax	62,127		
Comprehensive income	$ 291,446		
Acquisition of treasury stock			(501,361)
Retirement of treasury stock			1,750
Grant of long-term incentive stock			
Exercise of stock options (including income tax benefits)			
Issuance of stock under employee stock purchase plans			
Matching contributions under 401(k) and deferred compensation plans			
Conversion of LYONs(R) to common stock			
Payment for fractional shares in connection with 3-for-2 stock split			
Amortization of long-term incentive stock grant			
Balance at December 25, 1999		$ 1,467,359	$ (501,361)
Comprehensive income:			
Net earnings	$ 49,332	49,332	
Foreign currency translation adjustment	(7,093)		
Realized gain on investment securities, net of tax	(62,127)		
Comprehensive income (loss)	$ (19,888)		
Acquisition of treasury stock			(300,797)
Grant of long-term incentive stock			
Cancellation of long-term incentive stock			
Exercise of stock options (including income tax benefits)			
Issuance of stock under employee stock purchase plans			
Matching contributions under 401(k) and deferred compensation plans			
Amortization of long-term incentive stock grant			
Balance at December 30, 2000		$ 1,516,691	$ (802,158)

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	2000	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net earnings	$ 49,332	$ 257,638	$ 233,196
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	205,710	171,083	140,604
Provision for losses on inventories and receivables	121,226	145,996	100,375
Net (earnings) losses on equity method investments	(9,436)	(2,041)	15,254
Accreted interest on zero coupon, convertible subordinated notes	19,203	19,534	18,812
Contributions of common stock to employee benefit and stock purchase plans	5,817	5,426	4,501
Compensation expense for long-term incentive stock grants	652	479	336
Deferred income tax benefit	(81,814)	(430)	(38,244)
Net gain on investment securities	(12,414)	--	--
Loss on disposal of property and equipment	10,585	9,882	1,640
Write-down of impaired assets	114,343	13,965	46,227
Changes in assets and liabilities:			
Increase in receivables	(85,327)	(152,523)	(88,595)
(Increase) decrease in merchandise inventories	(66,348)	(284,489)	87,084
Net increase in prepaid expenses and other assets	(21,561)	(24,862)	(16,792)
Net increase in accounts payable, accrued expenses and deferred credits	66,514	209,791	174,217
Total adjustments	267,150	111,811	445,419
Net cash provided by operating activities	316,482	369,449	678,615
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of investment securities	(30,112)	(154,364)	(36,697)
Proceeds from maturities or sales of investment securities	54,006	114,141	44,260
Investments in unconsolidated joint ventures	--	(1,606)	(40,475)
Purchase of remaining ownership interest in joint ventures	--	(21,629)	(27,680)
Capital expenditures	(267,728)	(392,305)	(233,089)
Proceeds from sale of property and equipment	4,469	7,922	22,364
Net cash used in investing activities	(239,365)	(447,841)	(271,317)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from exercise of stock options and sale of stock under employee stock purchase plans	12,388	59,082	64,237
Repurchase of common stock for treasury	(300,797)	(501,006)	--
Proceeds from issuance of long-term debt	430,522	42,841	--
Payments on long- and short-term borrowings	(27,015)	(6,766)	(2,490)
Repurchase of LYONs(R)	(249,191)	--	--
Net cash (used in) provided by financing activities	(134,093)	(405,849)	61,747
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(10,326)	(1,516)	(4,381)
Net (decrease) increase in cash and cash equivalents	(67,302)	(485,757)	464,664
Cash and cash equivalents at beginning of period	218,784	704,541	239,877
Cash and cash equivalents at end of period	$ 151,482	$ 218,784	$ 704,541

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular amounts are in thousands except share and per share amounts)

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Office Depot, Inc., together with our subsidiaries, is the world's largest supplier of office products and services, operating in 18 countries throughout the world and doing business primarily under two brands--Office Depot(R) and Viking Office Products(R). We serve our customers, including those in countries operated under licensing and joint venture agreements, through multiple sales channels. They include an international chain of high-volume office supply stores located in nine countries; a contract sales network; 11 Internet sites, serving both our domestic and international customers; and catalog, mail order and delivery operations in 16 countries. After merging with Viking Office Products, Inc. ("Viking") in August 1998, we now have operations, either owned directly or operated through joint ventures or licensing arrangements, in Australia, Austria, Belgium, Canada, France, Germany, Hungary, Ireland, Israel, Italy, Japan, Luxembourg, Mexico, the Netherlands, Poland, Thailand, the United Kingdom, and the United States.

BASIS OF PRESENTATION: We operate on a 52- or 53-week fiscal year ending on the last Saturday in December. Our fiscal 2000 financial statements consisted of 53 weeks; all other periods presented in our consolidated financial statements consisted of 52 weeks. We have included account balances from our wholly-owned and majority-owned subsidiaries in our consolidated financial statements. We eliminate any significant intercompany transactions when consolidating the account balances of our subsidiaries. We have reclassified certain amounts in our prior year statements to conform them to the presentation used in the current year.

We currently maintain licensing agreements for the operation of Office Depot stores in Hungary, Poland, and Thailand; and we have entered into joint venture agreements for the operation of our stores in Israel and Mexico, which are accounted for using the equity method. Our portion of the income or loss from the operations of those two joint ventures is included in miscellaneous income (expense) on our Consolidated Statements of Earnings. The financial position, results of operations and cash flows from our French and Japanese retail operations have been included in our consolidated financial statements since November 1998 and April 1999, respectively, as a result of increasing our ownership share to 100% in each of those operations. Similarly, our share of the Thai joint venture's financial position, results of operations and cash flows have been included in our consolidated financial statements from April 1998 to October 1999, when our ownership interest was 80%. In November 1999, we sold our interest in our Thai operations to our joint venture partner and entered into a licensing arrangement. In the fourth quarter of 2000, we closed our two store locations in Colombia, which had been operating under a licensing agreement, ending all of our operations in that country.

USE OF ESTIMATES: When we prepare our financial statements, accounting guidelines require us to make estimates and assumptions that affect amounts reported in our financial statements and disclosure of contingent assets and liabilities at the date of our financial statements. Actual results could differ from those estimates.

FOREIGN CURRENCY TRANSLATION: Our subsidiaries outside of the United States record transactions using their local currency as their functional currency. In accordance with Statement of Financial Accounting Standards ("SFAS") No. 52, "Foreign Currency Translation," the assets and liabilities of our foreign subsidiaries are translated into U.S. dollars using either the exchange rates in effect at the balance sheet dates or historical exchange rates, depending upon the account translated. Income and expenses are translated at average daily exchange rates each month. The translation adjustments that result from translating the balance sheets at different rates than the income statements are included in accumulated other comprehensive income, which is a separate component of our stockholders' equity.

CASH AND CASH EQUIVALENTS: We consider all highly liquid investments with original maturities of three months or less to be cash equivalents.

RECEIVABLES: Included in our receivables are our trade receivables not sold through outside credit card programs and our other non-trade receivables. Our trade receivables totaled $547.4 million and $506.7 million at December 30, 2000 and December 25, 1999, respectively. We record an allowance for doubtful accounts, reducing our receivables balance to an amount we estimate is collectible from our customers. We encounter limited credit risk associated with our trade receivables because we have a large customer base that extends across many different industries and geographic regions.

Other receivables, totaling $348.9 million and $342.8 million as of December 30, 2000 and December 25, 1999, respectively, consist primarily of amounts due from our vendors under purchase rebate, cooperative advertising and various other marketing programs. Amounts we expect to receive from our vendors that relate to our purchase of merchandise inventories are capitalized and recognized as a reduction of our cost of goods sold as the merchandise is sold. Amounts relating to cooperative advertising and marketing programs are recognized as a reduction of our advertising expense in the period that the related expenses are incurred.

MERCHANDISE INVENTORIES: Our inventories are stated at the lower of cost or market value. We use the weighted average method for determining the cost of over 90% of our inventories and the first-in-first-out (FIFO) method for the remainder of our inventories, primarily in our International Division.

INCOME TAXES: We use the provisions of SFAS No. 109, "Accounting for Income Taxes," to calculate our current Federal and state income tax liability, as well as any deferred tax assets or liabilities. Under this standard, deferred tax assets and liabilities represent the tax effects, based on current law, of any temporary differences in the timing of when revenues and expenses are recognized for tax purposes and when they are recognized for financial statement purposes.

We have not recognized income taxes on the undistributed earnings of certain of our foreign subsidiaries. Our intention is to reinvest such earnings permanently to fund further overseas expansion. Cumulative undistributed earnings of our foreign subsidiaries for which no Federal income taxes have been provided approximated $440.5 million and $354.5 million as of December 30, 2000 and December 25, 1999, respectively.

PROPERTY AND EQUIPMENT: We record our purchases of property and equipment at cost. We record depreciation and amortization in a manner that recognizes the cost of our depreciable assets in operations over their estimated useful lives using straight-line or accelerated methods. We estimate the useful lives of our depreciable assets to be 10-30 years for buildings and 3-10 years for furniture, fixtures and equipment. We amortize our leasehold improvements over the shorter of the terms of the underlying leases, including probable renewal periods, or the estimated useful lives of the improvements.

INVESTMENTS: All of our investments, except those which are consolidated or accounted for under the equity method, are classified as "available for sale" under the provisions of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Accordingly, we report our investments at fair value if fair value can be determined; otherwise, the investment is recorded at cost. Under SFAS No. 115, fluctuations in fair value of investments classified as "available for sale" are included as a separate component of stockholders' equity, net of applicable taxes. Permanent declines in the value of these investments are recognized in earnings in the period the impairment is determined. At December 30, 2000, we held investments in ten unrelated Internet-based companies and in a venture capital fund. The carrying amount of these investments was $29.9 million at December 30, 2000, compared to $152.0 million at December 25, 1999. The decline in value resulted from investment sales and impairments recorded in 2000 (see NOTE D). All of these investments, which are included in other assets, are classified as long-term on our 2000 Consolidated Balance Sheet.

GOODWILL: Goodwill represents the excess of purchase price and related costs over the value assigned to the net tangible and identifiable intangible assets of businesses we have acquired under the purchase method of accounting. We amortize our goodwill on a straight-line basis, generally over 40 years, which is the maximum period allowed. The accumulated amortization of our goodwill was $52.1 million and $44.5 million as of December 30, 2000 and December 25, 1999, respectively. We continually evaluate whether recent events or circumstances have occurred that would indicate that the remaining useful life of the goodwill has changed or that the remaining balance of goodwill may not be recoverable. In 2000, we determined that a portion of the goodwill balance related to the acquisition of our Japanese operations was impaired (see NOTE D).

IMPAIRMENT OF LONG-LIVED ASSETS: In accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," we review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. We evaluate for impairment at the location level and use the estimated undiscounted cash flows over the remaining life in determining if impairment exists. In 2000, we recorded impairment charges related to certain fixed assets (see NOTE D). We have also recognized impairment losses in association with merger and restructuring (see NOTE B) and store closure and relocation activities (see NOTE C). Measurement of an impairment loss for such long-lived assets is based on the fair value of the asset less any costs to sell that asset.

FAIR VALUE OF FINANCIAL INSTRUMENTS: SFAS No. 107, "Disclosure about Fair Value of Financial Instruments," requires that we disclose the fair value of our financial instruments when it is practical to estimate. We have determined the estimated fair values of our financial instruments, which are either recognized in our Consolidated Balance Sheets or disclosed within these Notes to our Consolidated Financial Statements, using available market information and appropriate valuation methodologies. However, considerable judgment is required in interpreting market data to develop estimates of fair value. Accordingly, the estimates we have presented are not necessarily indicative of the amounts we could realize in a current market exchange.

Short-term assets and liabilities: The fair values of our cash and cash equivalents, receivables and accounts payable approximate their carrying values because of their short-term nature.

Investments: We use quoted market prices, if available, to determine the fair value of our long-term investments. Most of our long-term investments are in closely held corporations, and quoted market prices are not available. However, during 2000, we determined that significant events occurred, which required us to perform an evaluation of these non-public companies.

(Tabular amounts are in thousands except share and per share amounts)

Based on these evaluations, we reduced the carrying value of the investments to $29.9 million, which is our best estimate of the current fair value of these investments (see NOTE D).

Notes Payable: The fair values of our zero coupon, convertible subordinated notes are determined based on quoted market prices.

Other Debt: We estimate the fair value of our short- and long-term debt by discounting the cash flows using current interest rates for financial instruments with similar characteristics and maturities.

Interest Rate Swaps and Foreign Currency Contracts: The fair values of our interest rate swap and foreign currency contracts are the amounts we would receive or have to pay to terminate the agreements at the reporting date, taking into account current interest and exchange rates. These amounts are provided to us by a financial institution. For more information on these financial instruments, see the DERIVATIVE FINANCIAL INSTRUMENTS section of this note.

There were no significant differences as of December 30, 2000 and December 25, 1999 between the carrying value and fair value of our financial instruments except as disclosed below:

	2000		1999	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Zero coupon, convertible subordinated notes	$224,438	$ 195,453	$454,426	$ 433,031
Long-term investments for which it is practicable to estimate fair value--warrants(1)	--	14,913	--	98,250
Interest rate swaps	--	(90)	--	(60)
Foreign currency contracts	--	470	--	(273)

(1) We own 944,446 warrants to purchase shares of PurchasePro.com. Because the warrants have not been registered under the rules of the Securities Act of 1933, they are not publicly traded on a market exchange. We determined the fair value of these warrants using an option model with the assistance of our investment banker.

REVENUE RECOGNITION: We record revenue at the time of shipment for delivery and catalog sales, and at the point of sale for all retail store sales except for sales of extended warranty service plans. In 1999, we changed the way we account for the revenue generated from the sale of these contracts (see NOTE D). These service plans are sold to our customers and administered by an unrelated third party. All performance obligations and risk of loss associated with such contracts are economically transferred to the administrator at the time the contracts are sold to the customer. Our service plans typically extend over a period of one to four years. We recognize the gross margin on the sale of these contracts as revenue at the time of sale when we are not the legal obligor. In those states where we are the legal obligor, we defer any revenues and direct expenses associated with the sale of these warranty plans and recognize them over the service period of the contract. As a result of changes made to these contracts during 2000, we are no longer the legal obligor in the majority of states in which we sell these contracts. Also in 2000, we began recording an allowance for sales returns (see NOTE D).

SHIPPING AND HANDLING FEES AND COSTS: In September 2000, the Emerging Issues Task Force ("EITF") reached a consensus in EITF 00-10, "Accounting for Shipping and Handling Fees and Costs," agreeing that shipping and handling fees must be classified as revenues. As a result, we have reclassified our income generated from shipping and handling fees from store and warehouse operating and selling expenses to revenues for all periods presented. There was no consensus reached on the classification of shipping and handling costs. We classify the costs related to shipping and handling as store and warehouse operating and selling expenses. These costs were $756.6 million in 2000, $594.2 million in 1999 and $535.0 million in 1998.

ADVERTISING: Advertising costs are either charged to expense when incurred or, in the case of direct marketing advertising, capitalized and amortized in proportion to the related revenues. We participate in cooperative advertising programs with our vendors in which they reimburse us for a portion of our advertising costs. Advertising expense, net of cooperative advertising allowances, amounted to $295.8 million in 2000, $285.3 million in 1999 and $230.8 million in 1998.

PRE-OPENING EXPENSES: Pre-opening expenses related to opening new stores and warehouses or relocating existing stores and warehouses are expensed as incurred.

SELF-INSURANCE: We are primarily self-insured for workers' compensation, auto and general liability and our employee medical insurance programs. Self-insurance liabilities are based on claims filed and estimates of claims incurred but not reported. These liabilities are not discounted.

COMPREHENSIVE INCOME (LOSS): Comprehensive income (loss) represents the change in stockholders' equity from transactions and other events and circumstances arising from non-stockholder sources. Our comprehensive income (loss) for 2000 and 1999 consists of net income, foreign currency translation adjustments and realized and unrealized gains on investment securities that are available for sale, net of applicable income taxes. Our comprehensive income for 1998 consists of net income and foreign currency translation adjustments.

DERIVATIVE FINANCIAL INSTRUMENTS: We use a variety of derivative financial instruments, including foreign currency contracts and interest rate swaps, to hedge our exposure to foreign currency exchange and interest rate risks. We have established policies and procedures for assessing the risk and approving the use of derivative financial instrument activities. We do not enter into these types of financial instruments for trading or speculative purposes.

Interest rate swaps involve the periodic exchange of payments without the exchange of the underlying principal amounts. New payments are recognized as an adjustment to interest expense. In 1999, we entered into a yen interest rate swap for a principal amount equivalent to $21.0 million, the full amount of which was outstanding on December 30, 2000, in order to hedge against the volatility of the interest payments on a portion of our yen borrowings. The swap will mature in July 2002.

Foreign currency contracts involve the future exchange of currencies at an agreed-upon exchange rate. We often enter into contracts to hedge certain of our inventory purchases when we pay our suppliers in a different currency than we sell to our customers. At December 30, 2000, we had approximately $470,000 of foreign currency contracts outstanding which will mature at varying dates through June 2001. At December 25, 1999, we had approximately $300,000 of foreign currency contracts outstanding. Since the introduction of the euro on January 1, 1999, the exchange rates between the European member countries have been effectively fixed. Because the United Kingdom is not one of the member countries, we currently use these foreign currency contracts to hedge our exposure to fluctuations in the exchange rate between the British pound and the euro. Gains and losses from these transactions are included in the cost of the underlying inventory purchases, which are not recognized in earnings until the inventory is sold.

NEW ACCOUNTING PRONOUNCEMENT: In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 requires that we record all derivatives as assets or liabilities measured at their fair value. Gains or losses resulting from changes in the values of those derivatives should be accounted for according to the intended use of the derivative and whether it qualifies for hedge accounting. In July 1999, the FASB issued SFAS No. 137, which deferred the effective date of SFAS No. 133 until the start of fiscal years beginning after June 15, 2000. We will adopt SFAS No. 133 for our fiscal year 2001. Assuming our current level of involvement in derivative instruments and hedging activities does not change before we adopt this statement, we do not expect the adoption of SFAS No. 133 to have a material impact on our financial position or the results of our operations.

NOTE B--MERGER AND RESTRUCTURING

VIKING MERGER: In August 1998, we completed our merger with Viking. Transactional and other direct expenses of this merger, primarily legal and investment banking fees, were recorded as merger and restructuring costs in 1998. Subsequent to the merger, we immediately began the process of integrating our Office Depot and Viking businesses. Our plans initially included the closing of 15 domestic Customer Service Centers ("CSCs") and the opening of five new domestic CSCs, as well as installing complex new systems in each surviving facility. During the fourth quarter of 1999, after evaluating the results of integrating two test facilities, we modified our CSC integration plans to incorporate a more simplified approach requiring less capital. At that time, our modified plan required the closing of 11 existing CSCs and the opening of two new CSCs, which were opened as test facilities in late 1999. In 2000, under the direction of our new management team, we reevaluated our integration plans and decided to integrate only those CSCs that would not have an adverse impact on customer service. Accordingly, we reduced the number of Viking CSCs that we had planned to integrate as part of the merger and restructuring to six, and we reduced the number of planned CSC closures as part of the merger and restructuring to eight. By the end of 2000, we had integrated five and closed seven of these CSCs, and we plan to complete the remaining integration and CSC closure relating to merger and restructuring in 2001. In conjunction with these CSC integrations and related closures, we have written off certain assets, such as leasehold improvements and redundant software and conveyor systems, in these CSCs. In addition, we have accrued certain costs of exiting these facilities that will provide no future economic benefit, such as future lease obligations, personnel retention and other termination costs. As a result of modifying our integration plans, we recorded a net reduction in previously accrued merger and restructuring charges for the Viking merger of $11.1 million in 2000 and $29.1 million in 1999.

CLOSURE OF FURNITURE AT WORK(TM) AND IMAGES(TM) STORES: As a result of our decision to focus on the continued growth of our core businesses and on expanding our international operations, we closed nine of our Furniture at Work(TM) and Images(TM) stores in 1999 and one in the fourth quarter of 1998. We recorded the exit costs related to closing these facilities in merger and restructuring costs.

ACQUISITION OF JOINT VENTURE INTERESTS IN FRANCE AND JAPAN: In November 1998, we purchased our joint venture partner's interest in our French Office Depot retail operations. Following this purchase, we decided to restructure and integrate the separate Office Depot and Viking operations in France. During 1999, we merged the Office Depot and Viking headquarters into a new office that is more conveniently located for our business needs. In April 1999, we purchased our joint venture partner's interest in our Japanese Office Depot retail operations and announced

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Tabular amounts are in thousands except share and per share amounts)

plans to restructure and integrate our operations in Japan. We recorded merger and restructuring costs in 1999 associated with those activities.

Merger and restructuring costs in 2000, 1999 and 1998 consist of the following charges (credits):

	2000	1999	1998
Viking Merger:			
Costs directly attributable to the merger transactions	$ --	$ 236	$ 31,555
Asset write-offs associated with closing identified facilities and the write-off of software applications to be abandoned	(6,226)	(19,065)	41,962
Other facility exit costs, principally estimated lease costs subsequent to the expected closing of each facility	(4,857)	(10,051)	20,079
Personnel retention and termination costs	4,798	295	14,553
	$(6,285)	$(28,585)	$108,149
Closure of Furniture at Work(TM) and Images(TM) Stores:			
Asset write-offs associated with the closing of stores	$ --	$ 2,813	$ 3,882
Other facility exit costs, principally estimated lease costs subsequent to closing the stores	234	(4,832)	7,098
	$ 234	$ (2,019)	$ 10,980
Acquisition of Joint Venture Interests in France and Japan:			
Costs directly attributable to the acquisitions	$ --	$ 1,317	$ --
Asset write-offs associated with closing identified facilities	(470)	3,023	--
Other facility exit costs, principally estimated lease costs subsequent to the expected closing of each facility	--	5,311	--
Personnel retention and termination costs	(211)	13,849	--
	$ (681)	$ 23,500	$ --
Total	$(6,732)	$ (7,104)	$119,129

As of the years ended 2000 and 1999, we had remaining accruals of approximately $3.9 million and $21.3 million, respectively, for merger and restructuring costs. Amounts expensed for asset write-offs are recorded as a reduction of our fixed assets; all other amounts are recorded as accrued expenses. The activity in the liability accounts by cost category is as follows:

	Beginning Balance	New Charges	Cash Payments	Other Adjustments	Ending Balance
2000					
Accrued direct merger costs	$ 1,639	$ --	$ (86)	$ (1,553)	$ --
Accrued other facility exit costs	7,764	1,348	(2,835)	(5,090)	1,187
Accrued personnel retention and termination costs	11,865	4,798	(11,450)	(2,480)	2,733
Total accrued costs	$21,268	$ 6,146	$(14,371)	$ (9,123)	$ 3,920
1999					
Accrued direct merger costs	$ 1,626	$ 1,684	$ (1,540)	$ (131)	$ 1,639
Accrued other facility exit costs	26,080	4,344	(8,744)	(13,916)	7,764
Accrued personnel					

retention and termination costs	13,126	20,007	(15,405)	(5,863)	11,865
Total accrued costs	$40,832	$26,035	$(25,689)	$(19,910)	$21,268

The other adjustments column represents adjustments of original estimates and other adjustments pursuant to plan modifications made during the fourth quarters of 2000 and 1999. Although we do not expect to incur additional merger and restructuring costs, there can be no assurance that this will be the case.

NOTE C--FACILITY CLOSURE COSTS

Following a change in senior management, we performed a comprehensive review of our business during the latter half of 2000. As a result of this business review, we decided to close 76 under-performing stores and four inefficient warehouses. Accordingly, we recorded a charge of $110.0 million, which was comprised of net lease obligations ($75.2 million), asset write-offs ($21.7 million), severance ($2.8 million), and various other exit costs such as leased equipment, labor, and facility clean-up ($10.3 million).

Also, as a result of our store closure program, we entered into an agreement with an unrelated third party to assist in the liquidation of the inventory in the closing stores. Accordingly, we recorded a charge of $12.8 million to write down the inventory in those stores to net realizable value. This charge is included in cost of goods sold.

In 1999, we recorded facility closure charges of $40.4 million to reflect our decision to accelerate our store closure program for under-performing stores and our relocations program for older stores in our North American Retail Division. These charges consisted of asset write-offs ($29.2 million), residual lease obligations ($8.3 million) and other exit costs ($2.9 million).

NOTE D--OTHER ONE-TIME CHARGES AND ADJUSTMENTS

The comprehensive review discussed in NOTE C above had the following additional financial impacts:

- Inventory--$25.6 million (included in cost of goods sold), representing a write-down to net realizable value of inventory in stores and CSCs that is being eliminated from our merchandise assortment. This will allow us to focus on our core business customer, reduce complexity, and provide better customer service by having better "in stock" positions on products that customers buy most often.

- Property and equipment--$74.2 million ($63.0 million included in store and warehouse operating and selling expenses and $11.2 million included in general and administrative expenses), representing impairment of assets in our closing stores and the write-off of old signage and obsolete technology-related assets.

- Investments--$45.5 million (included in miscellaneous income (expense)), representing a reduction in the value of certain Internet investments. These holdings are primarily businesses that are privately held and are involved in marketing partnership agreements with Office Depot. Because quoted market prices for these privately held businesses are not available, we determined the current value of our investments in these businesses by analyzing their financial position and plans, industry valuation indices, current economic conditions including liquidity, and the current market for Internet companies.

- Goodwill--$11.1 million (included in miscellaneous income (expense)), representing impairment of goodwill associated with the acquisition of our Japanese operations. The Office Depot Japan retail operations have not performed to expectations. A new operating model and significant additional investments will be necessary to enable the current stores to achieve profitability, which may never occur even with the model changes and capital infusion.

- Sales returns and allowances--$10.5 million, net (comprised of a reduction of sales of $42.8 million partially offset by a reduction of cost of goods sold of $32.3 million), to establish a reserve for sales returns and allowances (prior periods were not restated because of the insignificance to prior years' financial results and retained earnings).

- Severance--$35.6 million ($33.9 million included in general and administrative expenses and $1.7 million included in store and warehouse operating and selling expenses), representing severance relating to changes in executive management and a reduction in our contract sales force.

Also included in the results of operations for 2000 is a gain on the sale of certain investments of approximately $57.9 million. This gain is included in miscellaneous income (expense) on our Consolidated Statements of Earnings.

In 1999, we increased our provision for slow-moving and obsolete inventories in our warehouses and stores by $56.1 million. This charge was primarily related to slow-moving technology-related products whose market values were adversely affected by accelerated rates of change in technology; and a rationalization of the warehouse inventory assortments in conjunction with the Viking warehouse consolidation.

Also in 1999, we changed our method of accounting for revenue generated from sales of extended warranty service plans. Under the laws of certain states, we are obligated to assume the risk of loss associated with such plans. In these states, we modified our accounting to recognize revenue for warranty service contract sales over the service period, which typically extends over a period of one to four years. In those states where we are not the legal obligor, we modified our accounting to recognize warranty revenues net of the related direct costs. This change resulted in a reduction in our 1999 gross profit of $15.8 million.

NOTE E--PROPERTY AND EQUIPMENT

Property and equipment consisted of:

	DECEMBER 30, 2000	December 25, 1999
Land	$ 89,458	$ 88,312
Buildings	248,297	183,596
Leasehold improvements	609,701	561,455
Furniture, fixtures and equipment	937,050	889,650

	1,884,506	1,723,013
Less accumulated depreciation	(765,200)	(577,385)
	$ 1,119,306	$ 1,145,628

The above table of property and equipment includes assets held under capital leases as follows:

	DECEMBER 30, 2000	December 25, 1999
Buildings	$ 53,397	$ 48,326
Furniture, fixtures and equipment	41,909	34,359
	95,306	82,685
Less accumulated depreciation	(26,193)	(16,817)
	$ 69,113	$ 65,868

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Tabular amounts are in thousands except share and per share amounts)

NOTE F--LONG-TERM DEBT

Debt that will mature within one year consisted of the following:

	DECEMBER 30, 2000	December 25, 1999
Capital lease obligations	$ 7,259	$ 7,486
Domestic 364-day credit facility borrowings	146,000	--
Zero coupon, convertible subordinated notes	--	242,980
	$ 153,259	$ 250,466

In June 2000, we entered into a domestic credit agreement with a 364-day term and current borrowing rate of 0.500% over the London Interbank Offered Rate ("LIBOR"). This agreement provides us with a working capital line totaling $300.0 million and contains restrictive covenants that are similar to our five-year domestic facility described below. As of December 30, 2000, we had outstanding borrowings of $146.0 million under this facility, which had an average effective interest rate of 7.996%.

Our 1993 Liquid Yield Option Notes ("LYONs(R)") (described in more detail in NOTE G) had an option feature that allowed each holder of a note to require us, on November 1, 2000, to purchase the LYONs(R) from them at the issue price plus accrued original issue discount. The majority of the bondholders exercised this option, and 342.1 million out of 345.0 million in outstanding bonds were tendered. We paid the holders $249.2 million in cash, funded through our domestic credit facility. We have classified the remaining bonds as long-term on our December 30, 2000 balance sheet.

Long-term debt consisted of the following:

	DECEMBER 30, 2000	December 25, 1999
Domestic five-year credit facility borrowings	$ 243,587	$ --
Yen facility borrowings	63,981	47,435
Capital lease obligations collateralized by certain buildings and equipment	73,752	69,439
Other	--	265
Less current portion	(7,259)	(7,486)
	$ 374,061	$ 109,653

Our five-year domestic credit facility provides us with a working capital line and letters of credit capacity totaling $300.0 million. As of December 30, 2000, we had outstanding borrowings of $243.6 million under this line of credit, as well as letters of credit totaling $49.5 million. Our five-year agreement was entered into in February 1998 and currently has a borrowing rate of 0.475% over LIBOR. At December 30, 2000, the average effective interest rate on borrowings under this facility was 7.001%.

This credit facility expires in February 2003 and contains certain restrictive covenants relating to various financial statement ratios.

In July 1999, we entered into term loan and revolving credit agreements with several Japanese banks (the "yen facilities") to provide financing for our operating and expansion activities in Japan. The yen facilities provide for maximum aggregate borrowings of (Y)9.76 billion (the equivalent of $85.3 million at December 30, 2000) at an interest rate of 0.875% over the Tokyo Interbank Offered Rate ("TIBOR"). These facilities are available to us until July 2002. The yen facilities loan agreements are tied to the covenants in our domestic facilities described earlier. As of December 30, 2000, we had outstanding yen borrowings equivalent to $64.0 million under these yen facilities, which had an average effective interest rate of 1.252%. Effective as of October 28, 1999, we entered into a yen interest rate swap with a financial institution for a principal amount equivalent to $21.0 million at December 30, 2000 in order to hedge against the volatility of the interest payments on a portion of our yen borrowings. The terms of the swap specify that we pay an interest rate of 0.700% and receive TIBOR. The swap will mature in July 2002.

Under our capital lease agreements, we are required to make certain monthly, quarterly or annual lease payments through 2020. Our aggregate minimum capital lease payments for the next five years and beyond, with their present value as of December 30, 2000, are as follows:

	DECEMBER 30, 2000
2001	$ 12,784
2002	12,757
2003	12,792
2004	7,760
2005	5,854
Thereafter	68,888
Total minimum lease payments	120,835
Less amount representing interest at 5.35% to 9.19%	47,083
Present value of net minimum lease payments	73,752
Less current portion	7,259
Long-term portion	$ 66,493

NOTE G--ZERO COUPON, CONVERTIBLE SUBORDINATED NOTES

On December 11, 1992, we issued to the public LYONs(R) with principal amounts totaling $316.3 million and proceeds of $150.8 million (the "1992 LYONs(R)"). We issued each 1992 LYON(R) for a price of $476.74, and we are not required to make periodic interest payments on the notes. Our 1992 LYONs(R) will mature on December 11, 2007 at $1,000 per LYON(R), representing a yield to maturity, computed on a semi-annual bond equivalent basis, of 5%.

On November 1, 1993, we issued to the public LYONs(R) with principal amounts totaling $345.0 million and proceeds of $190.5 million (the "1993 LYONs(R)"). We issued each 1993 LYON(R) for a price of $552.07, and we are not required to make periodic interest payments on the notes. Our 1993 LYONs(R) will mature on November 1, 2008 at $1,000 per LYON(R), representing a yield to maturity, computed on a semi-annual bond equivalent basis, of 4%.

All LYONs(R) are subordinated to all of our existing and future senior indebtedness.

Each LYON(R) is convertible at the option of the holder at any time on or prior to maturity into our common stock at a conversion rate of 43.895 shares per 1992 LYON(R) and 31.851 shares per 1993 LYON(R). On November 1, 2000, the majority of the holders of our 1993 LYONs(R) required us to purchase the LYONs(R) from them at the issue price plus accrued original issue discount. We paid the holders $249.2 million in connection with this repurchase, and reclassified the remaining 1993 LYONs(R) obligation to long-term on our balance sheet. Our 1992 LYONs(R) have a similar provision, where our holders may require us to purchase these notes at the issue price plus accrued original issue discount, on December 11, 2002. If the holders decide to exercise their put option, we have the choice of paying the holders in cash, common stock or a combination of the two. The total outstanding amounts of the 1992 and 1993 LYONs(R) as of December 30, 2000, including accrued interest, approximated $222.3 million and $2.1 million, respectively.

Beginning on December 11, 1996 for the 1992 LYONs(R) and on November 1, 2000 for the 1993 LYONs(R), we can redeem all or part of these notes at any time from the holders for cash equal to the issue price plus accrued original issue discount through the date of redemption. As of December 30, 2000, we have reserved 13,844,869 shares of unissued common stock for conversion of the zero coupon, convertible subordinated notes.

NOTE H--INCOME TAXES

Our income tax provision consisted of the following:

	2000	1999	1998
Current provision:			
Federal	$ 71,407	$ 114,800	$ 147,031
State	22,616	15,561	23,975
Foreign	30,918	26,318	22,769
Deferred tax benefit	(81,814)	(430)	(38,244)
Total provision for income taxes	$ 43,127	$ 156,249	$ 155,531

The tax-effected components of deferred income tax assets and liabilities consisted of the following:

	DECEMBER 30, 2000	December 25, 1999
Self insurance accruals	$ 23,702	$ 18,366
Inventory	17,790	16,650
Vacation pay and other accrued compensation	27,762	14,997
Reserve for bad debts	7,493	6,589
Reserve for facility closings	67,563	16,537
Merger costs	6,117	9,011
Unrealized loss on investments	17,499	--
Foreign and state net operating loss carryforwards	91,037	74,645
Other items, net	27,343	21,958
Gross deferred tax assets	286,306	178,753
Valuation allowance	(91,037)	(74,645)
Deferred tax assets	195,269	104,108
Basis difference in fixed assets	51,797	42,806
Unrealized gain on investment securities	--	39,222
Capitalized leases	5,757	5,275
Excess of tax over book amortization	1,214	1,172
Other items, net	16,294	16,460
Deferred tax liabilities	75,062	104,935
Net deferred tax assets (liabilities)	$ 120,207	$ (827)

As of December 30, 2000, we had approximately $143 million of foreign and $419 million of state net operating loss carryforwards. Of these carryforwards, $38 million will expire in 2001 and the balance will expire between 2002 and 2020. The valuation allowance has been developed to reduce our deferred tax asset to an amount that is more likely than not to be realized, and is based upon the uncertainty of the realization of certain foreign and state deferred tax assets relating to net operating loss carryforwards.

The following is a reconciliation of income taxes at the Federal statutory rate of 35% to our provision for income taxes:

	2000	1999	1998
Federal tax computed at the statutory rate	$ 32,361	$ 144,862	$ 136,054
State taxes, net of Federal benefit	6,899	12,383	14,978
Nondeductible goodwill amortization	1,744	1,964	1,990
Merger costs	969	2,920	11,044
Foreign income taxed at rates other than Federal	(667)	(6,508)	(10,061)
Other items, net	1,821	628	1,526
Provision for income taxes	$ 43,127	$ 156,249	$ 155,531

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Tabular amounts are in thousands except share and per share amounts)

NOTE I--COMMITMENTS AND CONTINGENCIES

OPERATING LEASES: We lease facilities and equipment under agreements that expire in various years through 2021. Substantially all such leases contain provisions for multiple renewal options. In addition to minimum rentals, we are required to pay certain executory costs, such as real estate taxes, insurance and common area maintenance, on most of our facility leases. We are also required to pay additional rent on certain of our facility leases if sales exceed a specified amount. The table below shows you our future minimum lease payments due under non-cancelable leases as of December 30, 2000. These minimum lease payments do not include facility leases that were accrued as merger and restructuring costs or store closure and relocation costs (See NOTES B and C).

2001	$ 352,328
2002	322,181
2003	271,476
2004	221,206
2005	188,692
Thereafter	929,490
	2,285,373
Less sublease income	21,585
	$2,263,788

We are in the process of opening new stores and CSCs in the ordinary course of business, and leases signed subsequent to December 30, 2000 are not included in the above described commitment amounts. Rent expense, including equipment rental, was approximately $393.5 million, $321.5 million and $249.2 million in 2000, 1999 and 1998, respectively. Included in this rent expense was approximately $1.1 million, $0.8 million, and $1.1 million of contingent rent, otherwise known as percentage rent, in 2000, 1999, and 1998, respectively. Rent expense was reduced in 2000, 1999, and 1998 by sublease income of approximately $3.0 million, $3.2 million, and $4.0 million, respectively.

GUARANTEE OF PRIVATE LABEL CREDIT CARD RECEIVABLES: We have private label credit card programs that are managed by two financial services companies. We are the guarantor of all loans between our customers and the financial services companies. Our maximum exposure to off-balance sheet credit risk is represented by the outstanding balance of private label credit card receivables, less reserves held by the financial services companies which are funded by us. At December 30, 2000, this exposure totaled approximately $239.2 million.

OTHER: We are involved in litigation arising in the normal course of our business. In our opinion, these matters will not materially affect our financial position or results of our operations.

NOTE J--EMPLOYEE BENEFIT PLANS

LONG-TERM EQUITY INCENTIVE PLAN

Our Long-Term Equity Incentive Plan, which was approved effective October 1, 1997, provides for the grants of stock options and other incentive awards, including restricted stock, to our directors, officers and key employees. When we merged with Viking, their employee and director stock option plans were terminated. When outstanding options issued under Viking's prior plans are exercised, Office Depot common stock is issued.

As of December 30, 2000, we had 55,807,052 shares of common stock reserved for issuance to directors, officers and key employees under our Long-Term Equity Incentive Plan. Under this plan, stock options must be granted at an option price that is greater than or equal to the market price of the stock on the date of the grant. If an employee owns at least 10% of our outstanding common stock, the option price must be at least 110% of the market price on the date of the grant.

Options granted under this plan and options granted in July 1998 under Viking's prior plans become exercisable from one to five years after the date of grant, provided that the individual is continuously employed with us. The vesting periods for all other options granted under Viking's prior plans were accelerated, and the options became exercisable, as of the date of our merger with Viking in August 1998. All options granted expire no more than ten years from the date of grant.

Under this plan, we have also issued 236,193 shares of restricted stock at no cost to the employees, 63,565 of which have been canceled. The fair market value of these awards approximated $3.0 million at the date of the grants. Common stock issued under this plan is restricted, with vesting periods of up to four years from the date of grant. We recognize compensation expense over the vesting period.

We record an estimate of the tax benefit that we anticipate we will receive based on the stock options exercised. Each year, we adjust the prior year's estimated tax benefit based on the actual stock sold during the year. In 2000, this adjustment resulted in a reduction of our estimated 1999 tax benefit and completely offset our 2000 estimated tax benefit (see NOTE M).

LONG-TERM INCENTIVE STOCK PLAN

Viking had a Long-Term Incentive Stock Plan that, prior to the merger, allowed Viking's management to award up to 2,400,000 restricted shares of common stock to key Viking employees. Under this plan, 1,845,000 shares were issued at no cost to employees, 1,200,000 of which have been canceled. Pursuant to the merger agreement, shares issued under this plan were converted to Office Depot common stock, and no additional shares may be issued under the plan. The fair market value of these restricted stock awards approximated $10.0 million at the date of the grants. Prior to the merger, the vesting period was 15 years. Because of the plan's change in control provision, however, the employees now vest in their stock ratably over the 15-year period. Compensation expense is recognized over the vesting period.

EMPLOYEE STOCK PURCHASE PLAN

Our Employee Stock Purchase Plan, which was approved effective July 1999, replaces our prior plan and Viking's plan and permits eligible employees to purchase our common stock at 85% of its fair market value. The maximum aggregate number of shares eligible for purchase under this plan is 3,125,000.

OTHER STOCK-BASED COMPENSATION PLANS

We have two stock-based compensation plans that are effective in Australia and the United Kingdom. These plans allow eligible employees to purchase up to 537,813 shares of common stock at 80-85% of its fair market value.

RETIREMENT SAVINGS PLANS

We have a 401(k) retirement savings plan which allows eligible employees to contribute up to 18% of their salaries, commissions and bonuses, up to $10,500 annually, to the plan on a pretax basis in accordance with the provisions of Section 401(k) of the Internal Revenue Code. We make matching contributions of common stock into the plan that is equivalent to 50% of the first 3% of an employee's contributions. We may, at our option, make discretionary matching common stock contributions in addition to the normal match. We also have a deferred compensation plan, which permits eligible employees to make tax-deferred contributions of up to 18% of their salaries, commissions and bonuses to the plan. We make matching contributions to the deferred compensation plan similar to those under our 401(k) retirement savings plan described above.

Until April 2000, Viking had a separate profit sharing plan that included a 401(k) plan that allowed eligible employees to make pretax contributions. Under the profit sharing plan, we made matching cash contributions of 25% of the first 6% of an employee's contributions. In April 2000, Viking's profit sharing plan was dissolved, and all plan funds were transferred into Office Depot's 401(k) retirement savings plan. Participants of the old Viking plan, as well as all eligible Viking employees, may now contribute to the Office Depot current 401(k) plan, which is discussed in the above paragraph.

ACCOUNTING FOR STOCK-BASED COMPENSATION

We apply Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations in accounting for our stock-based compensation plans. The compensation cost that we have charged against income for our Long-Term Equity Incentive Plan, Long-Term Incentive Stock Plan, Employee Stock Purchase Plans and retirement savings plans approximated $11.2 million, $12.5 million and $19.9 million in 2000, 1999 and 1998, respectively. No other compensation costs have been recognized under our stock-based compensation plans. Had compensation cost for awards under our stock-based compensation plans been determined using the fair value method prescribed by SFAS No. 123, "Accounting for Stock-Based Compensation," our net earnings and earnings per share would have been reduced to the pro forma amounts presented below:

	2000	1999	1998
Net earnings			
As reported	$49,332	$257,638	$233,196
Pro forma	11,253	226,424	184,916
Basic earnings per share			
As reported	$ 0.16	$ 0.71	$ 0.64
Pro forma	0.04	0.63	0.50
Diluted earnings per share			
As reported	$ 0.16	$ 0.69	$ 0.61
Pro forma	0.04	0.61	0.49

The fair value of each stock option granted is established on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions for grants in 2000, 1999 and 1998:

- expected volatility rates of 40% for 2000, 35% for 1999, and 25% for 1998

- risk-free interest rates of 6.37% for 2000, 5.84% for 1999, and 4.88% for 1998

- expected lives of 5.6, 5.6, and 5.0 years for 2000, 1999, and 1998, respectively

- a dividend yield of zero for all three years

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Tabular amounts are in thousands except share and per share amounts)

A summary of the status of and changes in our stock option plans for the last three years is presented below.

	2000		1999		1998	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	33,507,066	$15.31	31,369,122	$13.75	28,708,497	$10.79
Granted	9,937,750	8.73	8,123,883	18.85	9,225,000	20.49
Canceled	(6,608,072)	16.45	(1,325,988)	15.91	(1,165,218)	13.56
Exercised	(430,515)	6.18	(4,659,951)	10.31	(5,399,157)	9.59
Outstanding at end of year	36,406,229	$12.81	33,507,066	$15.31	31,369,122	$13.75

As of December 30, 2000, the weighted average fair values of options granted during 2000, 1999, and 1998 were $4.18, $8.24, and $6.77, respectively.

The following table summarizes information about options outstanding at December 30, 2000.

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 0.17 - $ 1.95	135,610	4.6	$ 0.22	135,610	$ 1.44
1.96 - 2.94	129,956	1.5	2.52	129,956	2.52
2.95 - 4.42	1,079,119	0.4	3.79	1,079,119	3.79
4.43 - 6.64	800,252	5.7	5.85	426,752	5.37
6.65 - 9.97	8,695,357	6.4	7.87	4,283,100	8.92
9.98 - 14.96	12,250,463	6.5	11.54	7,727,552	12.03
14.97 - 22.45	10,653,093	7.0	18.07	6,066,764	18.22
22.46 - 25.00	2,662,379	7.5	24.16	1,027,051	24.13
$ 0.17 - $25.00	36,406,229	6.5	$12.81	20,875,904	$13.09

NOTE K--CAPITAL STOCK

PREFERRED STOCK

As of December 30, 2000, there were 1,000,000 shares of $.01 par value preferred stock authorized of which none are issued or outstanding.

STOCKHOLDER RIGHTS PLAN

Effective September 4, 1996, we adopted a Stockholder Rights Plan (the "Rights Plan"). Under this Rights Plan, each of our stockholders is issued one right to acquire one one-thousandth of a share of our Junior Participating Preferred Stock, Series A at an exercise price of $63.33, subject to adjustment, for each outstanding share of Office Depot common stock they own. These rights are only exercisable if a single person or company were to acquire 20% or more of our outstanding common stock or if we announced a tender or exchange offer that would result in 20% or more of our common stock being acquired.

If we are acquired, each right, except those of the acquirer, can be exchanged for shares of our common stock with a market value of twice the exercise price of the right. In addition, if we become involved in a merger or other business combination where (1) we are not the surviving company, (2) our common stock is changed or exchanged, or (3) 50% or more of our assets or earning power is sold, then each right, except those of the acquirer, and an amount equal to the exercise price of the right can be exchanged for shares of our common stock with a market value of twice the exercise price of the right.

We may redeem the rights for $0.01 per right at any time prior to an acquisition.

STOCK SPLIT

On February 24, 1999, we declared a three-for-two stock split in the form of a 50% stock dividend, payable April 1, 1999. All share and per share amounts have been restated in our financial statements to reflect this stock split. In conjunction with the stock split, we issued 124,560,075 additional shares on April 1, 1999.

TREASURY STOCK

In August 1999, our Board approved a $500 million stock repurchase program. This program was completed by the end of 1999, with the purchase of 47 million shares of our stock at a total cost of $500 million plus commissions. In 2000, our Board approved additional stock repurchases of up to $300 million, bringing our total authorization to $800 million. We have completed these programs in 2000, purchasing an additional 35 million shares of our stock for $300 million plus commissions.

NOTE L--NET EARNINGS PER SHARE

Basic earnings per share is based on the weighted average number of shares outstanding during each period. Diluted earnings per share further assumes that the zero coupon, convertible subordinated notes, if dilutive, are converted as of the beginning of the period and that, under the treasury stock method, dilutive stock options are exercised. Net earnings under this assumption have been adjusted for interest on the zero coupon, convertible subordinated notes, net of the related income tax effect.

The information required to compute basic and diluted net earnings per share is as follows (both share and dollar amounts are in thousands):

	2000	1999	1998
Basic:			
Weighted average number of common shares outstanding	309,301	361,499	367,065
Diluted:			
Net earnings	$ 49,332	$ 257,638	$ 233,196
Interest expense related to convertible notes net of tax	--	12,068	11,532
Adjusted net earnings	$ 49,332	$ 269,706	$ 244,728
Weighted average number of common shares outstanding	309,301	361,499	367,065
Shares issued upon assumed conversion of convertible notes	--	24,744	24,810
Shares issued upon assumed exercise of stock options	1,930	7,414	10,444
Shares used in computing diluted net earnings per common share	311,231	393,657	402,319

For 2000, our zero coupon, convertible subordinated notes would have been anti-dilutive, and therefore the shares (23.0 million) and related interest expense ($12.1 million) were excluded from our calculation of diluted earnings per share. Options to purchase 30.8 million shares of common stock at an average exercise price of approximately $14.41 per share were not included in our computation of diluted earnings per share for 2000 because their effect would also have been anti-dilutive.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Tabular amounts are in thousands except share and per share amounts)

NOTE M--SUPPLEMENTAL INFORMATION ON NONCASH INVESTING AND FINANCING ACTIVITIES

Our Consolidated Statements of Cash Flows for 2000, 1999 and 1998 do not include the following noncash investing and financing transactions:

	2000	1999	1998
Assets acquired under capital leases	$ 12,569	$ 37,881	$ 8,935
Common stock issued upon conversion of debt	--	329	1,204
Additional paid-in capital related to tax benefit on stock options exercised See Note J	(4,640)	22,987	11,235
Unrealized gain on investment securities, net of income taxes	--	62,128	--
Shares received into treasury for payment of withholding taxes on stock options exercised	--	354	--

NOTE N--SEGMENT INFORMATION

We adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," effective for our fiscal year ended December 26, 1998.

We operate in three reportable segments: North American Retail Division, Business Services Group ("BSG"), and International Division. Each of these segments is managed separately primarily because it serves different customer groups. The accounting policies of our segments are the same as those described in the summary of significant accounting policies (see NOTE A). Our senior management evaluates the performance of each business segment based on operating income, which is defined as income before income taxes, interest income and expense, goodwill amortization, merger and restructuring costs, facility closure costs, general and administrative expenses and pre-opening expenses. In 2000, we refined our segment definitions to better reflect our current management responsibilities. We have restated our information for the prior years to reflect these changes.

The following is a summary of our significant accounts and balances by segment, reconciled to our consolidated totals.

		North American Retail Division	BSG	International Division	Eliminations and Other	Consolidated Total
Sales	2000	$6,487,522	$3,618,768	$1,467,357	$ (3,951)	$11,569,696
	1999	5,893,385	3,057,187	1,325,372	(3,884)	10,272,060
	1998	5,150,854	2,807,573	1,052,543	(3,919)	9,007,051
Earnings Before Income Taxes	2000	$ 239,284	$ 191,996	$ 173,438	$ (512,259)	$ 92,459
	1999	399,120	256,045	136,488	(377,766)	413,887
	1998	523,101	59,049	134,233	(327,656)	388,727
Capital Expenditures	2000	$ 106,646	$ 55,690	$ 32,994	$ 72,398	$ 267,728
	1999	195,048	71,810	35,766	89,681	392,305
	1998	153,624	41,180	10,355	27,930	233,089
Depreciation and Amortization	2000	$ 92,276	$ 42,588	$ 18,797	$ 52,049	$ 205,710
	1999	76,982	35,093	15,619	43,389	171,083
	1998	60,075	31,250	9,800	39,479	140,604
Provision for Losses on Accounts Receivable and Inventory	2000	$ 30,121	$ 57,628	$ 33,477	$ --	$ 121,226
	1999	60,003	65,053	20,940	--	145,996
	1998	26,928	47,375	26,072	--	100,375
Equity in Earnings (Losses) of Investees, net	2000	$ --	$ --	$ 10,471	$ --	$ 10,471
	1999	--	--	3,331	--	3,331
	1998	--	--	(12,811)	--	(12,811)
Assets	2000	$2,184,976	$1,105,936	$ 736,229	$ 169,193	$ 4,196,334
	1999	2,170,928	1,097,232	683,322	324,701	4,276,183

Amounts included in "Eliminations and Other" consist of the following:

Sales consist of inter-segment sales, which are generally recorded at the cost to the selling entity.

Earnings Before Income Taxes are primarily associated with corporate activities and are detailed below:

	2000	1999	1998
General and administrative expenses	$ 501,700	$ 381,611	$ 330,194
Net gain on investment securities	(12,414)	--	--
Interest (income) expense, net	22,399	(4,028)	(2,953)
Inter-segment transactions	257	183	415
Other, net	317	--	--
Total	$ 512,259	$ 377,766	$ 327,656

Capital Expenditures, Depreciation and Amortization, and Assets are also related primarily to our corporate activities.

We have operations, either owned directly or operated through joint ventures or licensing arrangements, in Australia, Austria, Belgium, Canada, France, Germany, Hungary, Ireland, Israel, Italy, Japan, Luxembourg, Mexico, the Netherlands, Poland, Thailand, the United Kingdom, and the United States. Also from 1993 through the fourth quarter of 2000, we had operations in Colombia under a licensing agreement. There is no single country outside of the United States in which we generate 10% or more of our total revenues. Summarized financial information relating to our operations is as follows:

	Sales		
	2000	1999	1998
United States	$ 9,901,975	$ 8,743,428	$ 7,765,714
International	1,667,721	1,528,632	1,241,337
Total	$ 11,569,696	$ 10,272,060	$ 9,007,051

	Assets	
	2000	1999
United States	$ 3,391,678	$ 3,512,442
International	804,656	763,741
Total	$ 4,196,334	$ 4,276,183

NOTE O--QUARTERLY FINANCIAL DATA (UNAUDITED)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
FISCAL YEAR ENDED DECEMBER 30, 2000(a)				
Net sales	$3,065,657	$2,632,850	$2,822,991	$3,048,198
Gross profit(b)	837,646	751,513	735,222	765,617
Net earnings (loss)	109,036	57,937	50,622	(168,263)
Net earnings (loss) per common share:				
Basic	$ .34	$ .18	$ .17	$ (.57)
Diluted(c)	.32	.18	.16	(.57)
Fiscal Year Ended December 25, 1999(a)				
Net sales	$2,625,374	$2,344,988	$2,580,460	$2,721,238
Gross profit(b)	731,371	680,187	651,952	758,240
Net earnings (loss)	100,576	74,116	(1,073)	84,019
Net earnings per common share:				
Basic	$ .27	$ .20	$ .00	$ .26
Diluted(c)	.25	.19	.00	.24

(a) We have recorded non-comparable charges primarily during the fourth quarter of 2000 and third quarter of 1999 (see Notes B, C, and D for more details).

(b) Gross profit is net of occupancy costs.

(c) For the fourth quarter of 2000 and third quarter of 1999, the zero coupon, convertible subordinated notes were anti-dilutive and, accordingly, were not included in the diluted earnings per share computations. In addition, for the fourth quarter of 2000, options to purchase common stock were anti-dilutive and not included in the diluted earnings per share computations.

EXHIBIT 21.1

LIST OF THE COMPANY'S SIGNIFICANT SUBSIDIARIES

NAME	JURISDICTION OF INCORPORATION
Eastman, Inc.	Delaware
Office Depot, Inc.	Delaware
OD International, Inc.	Delaware
The Office Club, Inc.	California
ODO, Inc.	Florida
Office Depot of Texas, L.P.	Delaware
ODI of Texas, Inc.	Delaware
Office Depot International (UK) Limited	United Kingdom
Viking Office Products, Inc.	California

EXHIBIT 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statements No. 33-31743, No. 33-62781, No. 33-62801, No. 333-24521, No. 333-45591, No. 333-59603, No. 333-63507, No. 333-68081, No. 333-69831, No. 333-41060, No. 333-90305 and No. 333-80123, of Office Depot, Inc. on Forms S-8 of our reports dated February 15, 2001 included and incorporated by reference in the Annual Report on Form 10-K of Office Depot, Inc. for the year ended December 30, 2000.

DELOITTE & TOUCHE LLP

Miami, Florida
March 23, 2001