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 29, 2001

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 (Address of principal executive offices)	33445 (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 1, 2002 was approximately $5,787,894,988.

As of March 1, 2002, the Registrant had 310,510,285 shares of Common Stock outstanding.

Documents Incorporated by Reference:

Portions of our Annual Report to Stockholders for the fiscal year ended December 29, 2001 are incorporated by reference in Parts I and II, and the Proxy Statement, to be mailed to stockholders on or about March 25, 2002 for the Annual Meeting to be held on April 25, 2002, is incorporated by reference in Part III.

PART I

ITEM 1. BUSINESS.

Office Depot Inc., together with our subsidiaries, ("Office Depot" or the "Company") 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). Over the past few years, 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. During the late 1990s, 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 have developed 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 domestic stores and warehouses in order to improve customer service and efficiencies by having better "in stock" positions for products our customers purchase most frequently. During 2001, the SKU reduction was completed. Our domestic office supply superstores now stock approximately 7,900 SKUs, including variations in color and size, and our domestic Customer Service Centers ("CSCs") stock approximately 10,200 SKUs.

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 CSCs, cross-dock facilities or stores. 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 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 further enhanced the shopping experience with the installation of new lighting, signage, and broadband Internet capabilities across our entire North American Retail 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. Through our partnership with UPS, we established UPS shipping centers within our North American Retail 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.

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 Office Depot(R) and Viking Office Products(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. This 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 2001, we mailed approximately 307 million copies of Office Depot(R) and Viking(R) brand catalogs to existing and prospective customers. During 2000 and 1999, we mailed approximately 305 million and 296 million copies, respectively.

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 products sold in stores and through catalogs. 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, New Jersey, Arizona 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. Worldwide, we offer a total of 15 business-to-business electronic commerce sites. These 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 1, 2002, we had approximately 45,000 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. Such information is set forth in Office Depot's 2001 Annual Report to Stockholders and is incorporated herein by reference:

General description of our business segments - Pages 18-20
Financial information about segments - Pages 20-25 and 50-51
Revenues by product group - Page 20
Seasonality of the business - Page 29
Financial information about geographic areas - Page 51

EXECUTIVE OFFICERS OF THE REGISTRANT

BRUCE NELSON AGE: 57

Mr. Nelson has served as Chief Executive Officer of Office Depot, Inc. since July 17, 2000 and Chairman of our Board of Directors since December 29, 2001. Previously, he served both as President of Office Depot International and as President of our subsidiary, Viking Office Products, Inc. He has been one of our directors since he joined us in August 1998. From January 1996 until August 1998, he served as President and as a director of Viking. From July 1995 until January 1996, Mr. Nelson was Chief Operating Officer of Viking, and from January 1995 until July 1995, he was Executive Vice President of Viking. From 1990 until July 1994, Mr. Nelson was President and Chief Executive Officer of BT Office Products USA. He had previously worked for over 22 years at Boise Cascade Office Products in a number of executive positions.

JERRY COLLEY AGE: 49

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: 48

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 Dunn & Bradstreet Corporation.

ROLF Van KALDEKERKEN AGE: 58

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.

CHARLES E. BROWN AGE: 49

Mr. Brown has been our Executive Vice President and Chief Financial Officer since October 2001. Prior to assuming that position, Mr. Brown was 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.

JOCELYN CARTER-MILLER AGE: 44

Ms. Carter-Miller joined our Company in February 2002 as Executive Vice President, Marketing, and Chief Marketing Officer. From 1992 to 2002, she was employed by Motorola, Inc. in various positions, including Corporate Vice President/Chief Marketing Officer and in various divisional capacities. From 1983 to 1991, Ms. Carter-Miller was employed by Mattel, Inc. in various marketing positions, including Vice President, Marketing and Product Development from 1987 to 1991. Ms. Carter-Miller is also a director of Principal Financial Group, Inc., a publicly traded company.

JAY CROSSON AGE: 51

Mr. Crosson has been our Executive Vice President, Human Resources since June 2001. From November 2000 until June 2001, he served as Senior Vice President, Human Resources and from July 2000 until November 2000, he was our Senior Vice President, HR Operations. He joined our Company in November 1997 as Vice President of Human Resources (Stores Division). Prior to joining our Company, Mr. Crosson served in various officer level human resources positions with Sherwin-Williams Company, Cleveland, Ohio.

DAVID C. FANNIN AGE: 56

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. In connection with his tenure at Sunbeam Corporation, Mr. Fannin was the subject of administrative proceedings brought by the U.S. Securities and Exchange Commission with respect to Section 17(a)(3) of the Securities Act of 1933. These proceedings culminated in Mr. Fannin's consent in May 2001 (without admitting or denying any liability) to the entry of a Commission cease-and-desist order.

PATRICIA MORRISON AGE: 42

Ms. Morrison joined our Company in January 2002 as Executive Vice President and Chief Information Officer. From 2000 to December 2001, she was Vice President-Information Systems & Chief Information Officer of Quaker Oats Company. From 1997 to 2000, she was employed by the General Electric Company, as Chief Information Officer of GE Industrial Systems (1998-2000) and Chief Information Officer, GE Electrical Distribution & Control (1997-1998). Prior to her employment at GE, Ms. Morrison was employed by Procter & Gamble Company from 1981 to 1997, in various positions, including Manager-Management Systems for the Cosmetics & Fragrance Division (1995-1997); Associate Director - Center for Excellence (1993-1995) and Associate Director, U.S. Finance & Accounting Systems (1992-1993).

JAMES A. WALKER AGE: 45

Mr. Walker has been Senior Vice President, Finance, and Controller since October 2001. Prior to assuming that position, Mr. Walker served as Vice President, Retail Stores Group Finance from 1999 until 2001. From May 1996 until February 1999, when he joined Office Depot, Mr. Walker served as Vice President, Financial Planning for Advantica Restaurants, Inc. (operator of Denny's(R)Restaurants); from May 1991 until May 1996, Mr. Walker was employed by PepsiCo, Inc. in various capacities in the finance and strategic planning areas.

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 2002 Annual Meeting of Stockholders.

ITEM 2. PROPERTIES.

As of March 1, 2002, we operate 822 office supply stores in 44 states and the District of Columbia, 35 office supply stores in five Canadian provinces and 144 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 24 CSCs in 18 U.S. states and 24 CSCs in 13 countries outside of the United States. The following table sets forth the locations of these facilities.

STORES

State/country	#	Stores State/country	#	State/country	#
UNITED STATES:					
Alabama	15	Kansas	8	North Dakota	2
Alaska	2	Kentucky	13	Ohio	11
Arizona	3	Louisiana	27	Oklahoma	14
Arkansas	10	Maryland	14	Oregon	15
California	130	Michigan	19	Pennsylvania	9
Colorado	26	Minnesota	10	South Carolina	14
Delaware	1	Mississippi	12	South Dakota	1
District of Columbia	2	Missouri	19	Tennessee	23
Florida	88	Montana	2	Texas	104
Georgia	38	Nebraska	5	Utah	4
Hawaii	3	Nevada	12	Virginia	18
Idaho	5	New Jersey	5	Washington	28
Illinois	33	New Mexico	4	West Virginia	3
Indiana	17	New York	13	Wisconsin	11
Iowa	3	North Carolina	25	Wyoming	1
				Total United States	822
CANADA:				FRANCE	30
Alberta	8			HUNGARY	3
British Columbia	9			ISRAEL	23
Manitoba	3			JAPAN	10
Ontario	13			MEXICO	61
Saskatchewan	2			POLAND	15
				THAILAND	2
Total Canada	35				
				Total Outside the United States	144

CSCS

State/country	#	Stores State/country	#	State/country	#
UNITED STATES:					
Arizona	1	Massachusetts	1	AUSTRALIA	3
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	3
Georgia	1	Ohio	1	THE NETHERLANDS	1
Illinois	1	Texas	2	IRELAND	1
Louisiana	1	Utah	1	ITALY	1
Maryland	2	Washington	1	JAPAN	2
				MEXICO	2
				POLAND	3
				SWITZERLAND	1
				UNITED KINGDOM	3
		Total United States	24	Total Outside the United States	24

Most of our facilities are leased or subleased, with lease terms (excluding renewal options) expiring in various years through 2020, except for the 76 facilities and our corporate offices and systems data center, which we own. Our owned facilities are located in 18 states, primarily in Florida, Texas and California; two Canadian provinces; the United Kingdom; the Netherlands; Australia; Mexico and France.

We operate through retail stores under the Office Depot(R) and The Office Place(R) (in Ontario, Canada) names, and via the Internet, under 4Sure.com(R), Computers4Sure.com(R) and Solutions4Sure.com(R). Our contract and catalog businesses operate under the names Office Depot(R), Viking Office Products(R), Viking Direct(R) and Sands & McDougall(TM).

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 1, 2002, there were 3,872 holders of record of our common stock. The last reported sale price of the common stock on the NYSE on March 1, 2002 was $19.00.

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
2001		
First Quarter	$10.200	$7.125
Second Quarter	10.650	8.250
Third Quarter	14.250	9.740
Fourth Quarter	18.580	13.330
2000		
First Quarter	$14.875	$9.875
Second Quarter	14.750	6.000
Third Quarter	8.313	5.875
Fourth Quarter	8.750	6.000

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 29, 2001, December 30, 2000, December 25, 1999, December 26, 1998 and December 27, 1997. This information is set forth in our Annual Report to Stockholders for the fiscal year ended December 29, 2001 (on page 17) 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 29, 2001 (on pages 18-32) 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 31, 2001 (on pages 28-29) 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 29, 2001 and December 30, 2000 and for the fiscal years ended December 29, 2001, December 30, 2000 and December 25, 1999. This information is set forth in our Annual Report to Stockholders for the fiscal year ended December 29, 2001 (on pages 34-51) 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.

None.

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 2002 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 2002 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 2002 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 2002 Annual Meeting of Stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Information with respect to such contractual relationships is incorporated herein by reference to the information under the captions "CEO Compensation" and "Contractual Arrangement with our Vice-Chairman, Irwin Helford" in the Proxy Statement for our 2002 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 29, 2001 except those disclosed in our 2001 Quarterly Reports on Form 10-Q, and the following report on Form 8-K filed in the fourth quarter ended December 29, 2001.

1. The Company filed a report dated November 28, 2001, which reported under Items 7 and 9 regarding a press release with respect to mid-quarter results for the fourth quarter of 2001.

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 19th day of March 2002.

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 19, 2002.

Signature	Capacity
/s/ M. Bruce Nelson M. Bruce Nelson	Chief Executive Officer (Principal Executive Officer) and Chairman of the Board
/s/ Irwin Helford Irwin Helford	Vice Chairman and Director
/s/ Charles E. Brown Charles E. Brown	Executive Vice President, Finance and Chief Financial Officer (Principal Financial Officer)
/s/ James A. Walker James A. Walker	Senior Vice President, Finance and Controller (Principal 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/ David I. Fuente David I. Fuente	Director
/s/ Brenda J. Gaines Brenda J. Gaines	Director
/s/ Bruce S. Gordon Bruce S. Gordon	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 29, 2001.

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. as of December 29, 2001 and December 30, 2000 and for each of the three years in the period ended December 29, 2001, and have issued our report thereon dated February 13, 2002; such consolidated financial statements and report are included in the Company's Annual Report to Stockholders for the fiscal year ended December 29, 2001 and are incorporated herein by reference. Our audits also included the financial statement schedule of Office Depot, Inc. 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 13, 2002

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.
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:				
2001	$34,461	$23,475	$25,254	$32,682
2000	27,736	30,448	23,723	34,461
1999	25,927	22,940	21,131	27,736
Accrued Merger Costs:				
2001	$ 3,920	$ 4,401	$ 3,417	$ 4,904
2000	21,268	6,146	23,494	3,920
1999	40,832	26,035	45,599	21,268

INDEX TO EXHIBITS

Exhibit Number	Exhibit	Sequentially Numbered Page+
3.1	Restated Certificate of Incorporation, as amended to date	1
3.2	Bylaws	13
4.1	Form of Certificate representing shares of Common Stock	2
4.2	Form of Indenture (including form of LYON(R)) between the Company and The Bank of New York, as Trustee	3
4.3	Form of Indenture (including form of LYON(R)) between the Company and Bankers Trust Company, as Trustee	4
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.	5
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)	6
10.02	Office Depot, Inc. Long-Term Equity Incentive Plan*	7
10.03	1997-2001 Office Depot, Inc. Designated Executive Incentive Plan*	6
10.04	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	8
10.05	Executive Part-time Employment Agreement, dated as of September 30, 1999, by and between Office Depot, Inc. and Irwin Helford	9
10.06	Revolving Credit Agreement dated as of May 10, 2001 by and among Office Depot, Inc. and Suntrust Bank, individually and as Administrative Agent; Solomon Smith Barney, Inc. (SSBI) and Bank One, N.A., as joint lead arrangers, SSBI as sole bookrunner; Citibank, N.A., individually and as sole Syndication Agent; Bank One, N.A., individually and as Documentation Agent; and BNP Paribas and Wells Fargo Bank, N.A. individually and as Co-Documentation Agents and First Union National Bank, Fleet National Bank and the Royal Bank of Scotland. (Exhibits to the Revolving Credit Agreement have been omitted, but a copy may be obtained free of charge upon request to the Company)	12
10.07	Executive Severance Agreement, including Release and Non-competition Agreement, dated September 19, 2000 by and between the Company and David I. Fuente (schedules and exhibits omitted).	10
10.08	Executive Retirement Agreement dated July 17, 2000 by and between the Company and Barry J. Goldstein (Attachment A omitted).	10
10.09	Executive Employment Agreement dated January 30, 2001 by and between the Company and Jerry Colley	11
10.10	Change of Control Agreement, dated as of January 30, 2001, by and between the Company and Jerry Colley	11
10.11	Change of Control Agreement, dated as of May 28, 1998, by and between the Company and Charles E. Brown	11

Exhibit Number	Exhibit	Sequentially Numbered Page+
10.12	Executive Employment Agreement dated July 25, 2000 by and between the Company and Robert J. Keller	11
10.13	Change of Control Agreement, dated as of July 25, 2000, by and between the Company and Robert J. Keller	11
10.14	First Amendment dated December 21, 2000 to the Revolving Credit Agreement dated as of June 2, 2000	11
10.15	Second Amendment dated December 21, 2000 to the Revolving Credit and Line of Credit Agreement dated as of February 20, 1998	11
10.16	Executive Employment Agreement dated October 8, 2001 by and between the Company and Charles E. Brown	
10.17	Executive Employment Agreement including Change of Control Agreement dated as of December 29, 2001 by and between the Company and M. Bruce Nelson	
10.18	Consulting Agreement dated as of March 1, 2002 by and between the Company and Irwin Helford	
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 respective exhibit to the Company's Registration Statement No. 33-39473.
(3) Incorporated by reference to the respective exhibit to the Company's Registration Statement No. 33-54574.
(4) Incorporated by reference to the respective exhibit to the Company's Registration Statement No. 33-70378.
(5) Incorporated by reference to the Company's Current Report on Form 8-K, filed with the Commission on September 6, 1996.
(6) Incorporated by reference to the respective exhibit to the Company's Annual Report on Form 10-K for the year ended December 27, 1997.
(7) Incorporated by reference to the respective exhibit to the Proxy Statement for the Company's 1997 Annual Meeting of Stockholders.
(8) Incorporated by reference to the respective exhibit to the Company's Annual Report on Form 10-K for the year ended December 28, 1996.
(9) Incorporated by reference to the respective exhibit to the Company's Annual Report on Form 10-K for the year ended December 25, 1999.
(10) Incorporated by reference to the Company's Quarterly Report on Form 10-Q, filed with the Commission on October 31, 2000.
(11) Incorporated by reference to the respective exhibit to the Company's Annual Report on Form 10-K for the year ended December 30, 2000.
(12) Incorporated by reference to the Company's Quarterly Report on Form 10-Q, filed with the Commission on July 28, 2001.
(13) Incorporated by reference to the Company's Quarterly Report on Form 10-Q, filed with the Commission on November 2, 2001.

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

Exhibit 10.16

EXECUTIVE EMPLOYMENT AGREEMENT

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

THIS EMPLOYMENT AGREEMENT is made as of October 8, 2001 between Office Depot, Inc., a Delaware corporation (the "COMPANY"), and Charles E. Brown ("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 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 Executive Vice Finance and Chief Financial Officer 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 $425,000.00 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 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 Board or 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 Board or the CEO and perform all actions reasonably requested by the Board or 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: Charles E. Brown
Address: 6875 NW 102nd Lane
Parkland, FL 33076

NOTICES TO THE COMPANY:

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

and

Office Depot, Inc.
2200 Germantown Road
Delray Beach, Florida 33445
Attention: Executive Vice President & General Counsel,
Corporate Secretary

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/ Jay G. Crosson

Name: Jay G. Crosson
Its: Executive Vice President Human Resources

EXECUTIVE

/s/ Charles E. Brown

Name: Charles E. Brown
Date: November 1, 2001

Exhibit 10.17

AGREEMENT
BETWEEN OFFICE DEPOT, INC.
AND
M. BRUCE NELSON
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

THIS AGREEMENT is made and entered into as of the 29th day of December 2001 (the "Effective Date"), by and between Office Depot, Inc., a Delaware corporation (the COMPANY"), and M. Bruce Nelson ("EXECUTIVE").

RECITALS

A. The Company and Executive have been parties to a certain Employment Agreement, dated June 6, 2000, and effective as of January 1, 2000, which originally employed Executive as President of Office Depot International, and which replaced certain other agreements pertaining to Executive's employment, non-competition, change-in-control, and certain other matters (collectively the "Former Agreements"), including certain agreements between the Company's predecessor company, Viking Office Products, Inc. ("Viking") and Executive, to which the Company succeeded at the time of the Company's merger with Viking;

B. The Company named Executive as its Chief Executive Officer ("CEO") on July 16, 2001 and reached certain understandings with him regarding the terms and conditions of his employment in such position, which are incorporated by reference herein;

C. The Company and Executive also are parties to an agreement pertaining to the co-ownership of certain residential real estate in Palm Beach County, Florida (the "Real Estate Co- Ownership Agreement");

D. Subsequent to the date of the Employment Agreement and the Real Estate Co-Ownership Agreement, Executive has been elected to the additional position and office of Chairman of the Board of the Company, effective as of December 29, 2001 (the "Chairman Effective Date"), and the Company and Executive desire to amend and restate the Employment Agreement as set forth herein so that the terms and provisions of this Amended and Restated Employment Agreement set forth the complete statement of the relationships between the parties in Executive's positions as Chairman and CEO, including the terms of the Real Estate Co-Ownership Agreement;

E. The parties enter into this Agreement in consideration of the various promises, undertakings and understandings between them, as set forth below.

Now therefore, in consideration of the foregoing recitals, which are incorporated by reference herein, and 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

The Company shall continue to employ Executive, and Executive hereby accepts such continued employment with the Company, for the positions and duties, and upon the further terms and conditions set forth in this Agreement, for the period beginning on the Effective Date and ending as provided in section 4 hereof (the "Employment Term").

2. POSITIONS AND DUTIES (a) OFFICES AND DUTIES. Executive shall serve as Chairman and Chief Executive Officer ("CEO") of the Company, reporting directly to the Board of Directors. In these positions, he shall have all the normal duties, responsibilities and authority of the Chairman and CEO of the Company, subject to the power of the Company's Board to expand or limit such duties, responsibilities and authority; provided, however, that any such expanded or limited duties, responsibilities and authority must be consistent with the normal duties, responsibilities and authority of a person holding the position of Chairman and CEO of a major publicly held company.

(b) DEDICATION TO DUTIES; OTHER ACTIVITIES. Executive shall devote his best efforts and 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 approval of the Board, 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 for-profit 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) SUBSIDIARIES. 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 or more Subsidiaries.

3. BASE SALARY AND BENEFITS

(a) BASE SALARY; ADJUSTMENTS. During the Employment Term, Executive shall receive a base salary of One Million Dollars ($1,000,000) per annum (the "BASE SALARY"), which Base Salary is 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 and shall be subject to increase (any such increased amount shall become the "Base Salary" for all purposes hereunder), but not reduction, as the Compensation Committee and the Board shall determine, based on among other things, market practice and performance of the Company.

(b) INCENTIVE AND OTHER PLANS. In addition to the Base Salary, during the Employment Term, Executive shall be entitled to participate in the Company's long term and other incentive programs established currently or in the future by the Company, for which the most senior executive officers of the Company are generally eligible (including, but not limited to, stock option, restricted stock, performance unit/share plans, mid-term or long-term cash plans or other mid-term or long-term incentive plans).

(c) ANNUAL BONUS PLANS. Executive shall be entitled to participate in the Company's Bonus Plan for its most senior executives (the "Bonus Plan") as administered by the Compensation Committee of the Board. If the Compensation Committee (or the Company's Board of Directors (the "Board")) 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. Throughout the Term, the "minimum," "target" and "maximum" bonus payment levels for Executive shall be not less than 70%, 100% and 200% of salary, respectively. These bonus levels may be increased but may not be decreased by action of the Compensation Committee and/or the Board of the Company. However, these levels also may be adjusted by the Compensation Committee or the Board if the Section 162(m) limits are changed and the Compensation Committee or the Board chooses to increase Executive's Base Salary; in which case the bonus levels may be decreased to reflect proportionally such increased Base Salary. 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. 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 addition to, or in lieu of, the Bonus Plan.

(d) DEFERRED BONUS PLANS. If the Company adopts at any time during the Term, any deferred bonus plan for the senior executives of the Company, then Executive shall be entitled to a deferred matching bonus (the "DEFERRED BONUS") in accordance with the terms and provisions of any applicable deferred bonus plan adopted by the Compensation Committee and/or the Board.

(e) VACATIONS. 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, but in no event less than four (4) weeks per year.

(f) EXPENSE REIMBURSEMENTS. 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.

(g) OTHER BENEFITS. Executive will be entitled to all other benefits currently or in the future maintained for officers of the Company then at Executive's level, including without limitation: medical and dental insurance, life insurance (including split-dollar insurance) and short-term and long-term disability insurance, supplemental health and life insurance, profit sharing and retirement benefits.

(h) CONTINUATION OF HEALTH INSURANCE. With respect to health insurance benefits, Executive and his eligible dependents shall be entitled to the continuation of at least the same level of health insurance coverage Executive and his eligible dependents are receiving on the Effective Date of the Agreement during the Employment Term. From the end of the Employment Term until Executive becomes eligible for the federal Medicare program, or any successor to such program (herein collectively "Medicare"), the Company shall provide a comparable plan of health insurance to Executive, at no cost or contribution by Executive; provided, however, that such comparable plan shall provide continuous coverage of all conditions covered under the health insurance plan by which Executive and his eligible dependents are covered on the Effective Date. From the date on which Executive becomes eligible for Medicare and ending at the end of Executive's natural life, the Company shall reimburse Executive and his spouse for the cost of any policy of Medigap insurance purchased by them, supplementing coverage provided by Medicare. In the event Executive should die prior to the death of the person who is his spouse on the Effective Date of this Agreement, then such spouse shall continue to receive the health benefits to be provided hereunder to Executive and his spouse until she becomes eligible for

Medicare and thereafter she shall receive reimbursement for any Medigap insurance purchased by her from and after such date, during the balance of her natural life.

(i) SPECIAL OPTION GRANT. In further consideration of Executive's accepting the additional duties and responsibilities of Chairman of the Board of Directors and as an incentive for his remaining as Chairman and CEO of the Company throughout the Employment Term, and as an incentive to increase shareholder value of the Company, Executive has been (or shall be, as the case may be) awarded by action of the Compensation Committee of the Board special ten-year stock option grants upon the following terms:

(a) Grant Date of December 20, 2001, option to acquire up to Seven Hundred Fifty Thousand (750,000) shares of Company stock Exercise price: $ 21.606 per share (125% of fair market value of $17.285 on date of grant) Vesting: 100% on December 31, 2004

(b) Grant Date of January 2, 2002, option to acquire up to Two Hundred Fifty Thousand (250,000) shares of Company stock Exercise price: $22.344 per share (125% of fair market value of $17.875 on date of grant) Vesting: 100% on December 31, 2004.

4. TERM; RENEWALS. Subject to earlier termination pursuant to section 5 below, the Employment Term shall end on December 31, 2004 , and shall continue automatically thereafter from year to year on an "evergreen" basis, unless and until either the Company or Executive shall provide written notice to the other, not less than six (6) months prior to the end of the then-current Term that this Agreement shall not be continued.

5. TERMINATION DUE TO DEATH, DISABILITY, INCAPACITY. The Employment Term also shall terminate prior to the date set forth in section 4 above:

(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.

6. TERMINATION OF THE EMPLOYMENT WITHOUT CAUSE; FOR GOOD REASON. If the Employment Term is terminated by the Company without Cause or is terminated by Executive for Good Reason, Executive (and Executive's family with respect to clause (iii) below) shall be entitled to receive the following:

(i) An amount equal to the sum of (A) Executive's Base Salary which would be payable through the second anniversary of such termination and (B) Executive's Pro Rata Bonus, if and only if Executive has not breached the provisions of sections 13, 14 and 15 hereof,

(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 in which Executive participates (other than the Pro Rata Bonus);

(iii) insurance benefits as set forth in Section 3(h) above;

(iv) All grants and awards, including stock options and restricted stock shall continue to vest through the second anniversary of such termination; provided, however, that the stock option grant referred to in Section 3(i) above shall vest in its entirety on the effective date of termination without Cause or termination for Good reason. All stock options (other than the premium-priced stock options referred to in Section 3(i) above) shall remain exercisable through and including the ninetieth (90th) day following the second anniversary of such termination (but not later than the expiration of the original term of the option). The premium-priced stock options referred to in Section 3(i) above, AND any other stock options granted to Executive subsequent to the Effective Date of this Agreement, shall remain exercisable through the three (3) year anniversary of the date of termination of Executive's employment under this Agreement, but not later than the end of the original ten-year term of such stock option(s), if the Employment Term ends for any reason OTHER THAN termination by the Company for "Cause" as defined below, or resignation by the Executive WITHOUT "Good Reason" as defined below. In the event of a termination by the Company for "Cause" or by Executive without "Good Reason," then Executive's stock options, and the continued exercisability thereof shall be governed by the terms of such stock options and the Long Term Equity Incentive Plan of the Company, or any replacement for such Plan. Any long-term incentive plan amount that has been earned but that is not yet fully vested, shall become fully vested not later than the second anniversary of such termination without Cause or termination for Good Reason; and

(v) The amount payable pursuant to section 6(i) shall be payable as follows: (a) $100,000 in the form of salary continuation of $50,000 per annum and (b) the balance in one lump sum payment within 30 days following termination of the Employment Term, and the amounts payable pursuant to section 6 (ii) and 6(iii) above, shall be paid or provided in accordance with the particular plan or program.

7. TERMINATION FOR CAUSE; WITHOUT GOOD REASON. If the Employment Term is terminated by the Company for Cause or by Executive without Good Reason, Executive shall be entitled to receive only the following: (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,

Executive shall not be entitled to payment of any Pro Rata Bonus. In such event, Executive and Executive's spouse shall not receive the continued health insurance benefits provided pursuant to Section 3(h) above.

8. CONSEQUENCES OF TERMINATION FOR DEATH, DISABILITY OR INCAPACITY. 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 (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 (including the benefits of Section 3(h) above) and the benefits to which Executive would be entitled pursuant to Sections 6(i) through 6(iv) above. The amount payable pursuant to this Section 8 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.

9. EFFECT OF TERMINATION ON FRINGE BENEFITS. Except as otherwise provided herein, fringe benefits and bonuses hereunder (if any) which accrue or become payable after the termination of the Employment Term shall cease upon such termination.

10. CERTAIN DEFINITIONS.

(a) For purposes of the Agreement, Agreement, "CAUSE" shall mean:

(i) the willful and continued failure of Executive to perform substantially 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 Executive by the Board which specifically identifies the manner in which the Board believes that Executive has not substantially performed Executive's Duties, or

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

For purposes of this Subsection 10(a) , no act or failure to act, on the part of Executive, shall be considered "willful" unless it is done, or omitted to be done, by Executive in bad faith or without reasonable belief that Executive's action or omission was in the best interest of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by Executive in good faith and in the best interest of the Company. The cessation of employment of Executive shall not be deemed to be for Cause unless and until there shall have been delivered to 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 Executive and Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, Executive is guilty of the conduct described in subparagraph (i)or (ii) above, and specifying the particulars thereof in detail.

(b) For purposes of this Agreement, "GOOD REASON" shall mean (i) the assignment to Executive of any duties inconsistent with his positions, (ii) a failure to maintain Executive in the positions set forth in Section 2(a) above, or (iii) a material breach by the Company of a material provision of this Agreement, in any case which has not been cured by the Company within thirty (30) days after written notice of such action, breach or noncompliance has been given by Executive to the Company or (ii) the delivery by the Company of a notice of non-continuation pursuant to section 4 of this Agreement or non-continuation of the Change in Control Agreement attached hereto as Schedule 3, pursuant to section 1(b) thereof.

(c) For purposes of the 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 under any long-term incentive plan that provides for such pro-rata vesting, the pro rata portion (calculated as if the "target" amount under such plan has been reached) under any such long-term incentive plan or performance plan from the beginning of the period of determination through the date of termination.

(d) For purposes of this Agreement, the term "DATE OF TERMINATION" shall mean thirty (30) days following written notice by one party to the other, as notices are prescribed to be provided in the Agreement, of a termination of Executive's Employment under the Agreement, and specifying the reason(s) therefor; provided, however that if Executive's employment is terminated by reason of death or disability, the Date of Termination shall be the date of death of Executive or the date on which Executive is determined to be disabled.

11. CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY; GROSS-UP PROVISIONS. (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 Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement, any schedule to this Agreement, or otherwise, but determined without regard to any additional payments required under this Section 11) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by 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 Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by 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, 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 11, if it shall be determined that Executive is entitled to a Gross-Up Payment, but that 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 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 Executive and the Payments, in the aggregate, shall be reduced to the Reduced Amount.

(b) Subject to the provisions of Section 11(c), all determinations required to be made under this Section 11, 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 Executive (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and Executive within 15 business days of the receipt of notice from 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 a change in control or "CIC" as defined in Schedule 3 to this Agreement , 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 11(b), shall be paid by the Company to 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 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 11(c) and 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 Executive.

(c) 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 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. 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 Executive in writing prior to the expiration of such period that it desires to contest such claim, 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 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 11, 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 Executive to pay the tax claimed and sue for a refund or to contest the claim in any permissible manner, and 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 Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to Executive, on an interest-free basis and shall indemnify and hold 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 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 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 Executive of an amount advanced by the Company pursuant to Section 11(c) above, Executive becomes entitled to receive any refund with respect to such claim, Executive shall (subject to the Company's complying with the requirements of Section 11(c) above) 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 Executive of an amount advanced by the Company pursuant to Section 11(c) , a determination is made that Executive shall not be entitled to any refund with respect to such claim and the Company does not notify 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.

12. NOTICE OF TERMINATION; HOW GIVEN. Any termination by the Company for Cause or by Executive for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 18 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 Executive's employment under the provision so indicated and (iii) if the Date of Termination (as defined in Section 10(d) above) 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 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 Executive or the Company, respectively, hereunder or preclude Executive or the Company, respectively, from asserting such fact or circumstance in enforcing Executive's or the Company's rights hereunder.

13. 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. 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 Board , 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 termination of the Employment Term, or at any other time the Company may request, all memoranda, notes, plans, record, reports, computer tapes, printouts and software and other documents and data (and copies therein) in any form or medium relating to the Confidential Information, Work Product (as defined below) of the business of the Company or any Subsidiary that Executive may then possess or have under Executive's control.

14. WORK PRODUCT. Executive acknowledges that all inventions, innovations, improvements, development, 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. Executive shall promptly disclose such Work Product to the Board and perform all actions reasonably requested by the Board (whether during or after the Employment Term) to establish and confirm such ownership (including, without limitation, assignments, consents, powers of attorney and other instruments).

15. NON-COMPETE, NON-SOLICITATION. Executive and the Company each acknowledge that they have entered into, and are parties to the "NON-COMPETITION, NON-SOLICITATION AND NO-HIRE AGREEMENT," attached hereto as SCHEDULE 2 and incorporated by reference herein.

16. 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 (other than as specifically referenced in this Agreement), 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.

17. SURVIVAL. Sections 5, 6 and 7 and sections 9 through 24 shall survive and continue in full force in accordance with their terms notwithstanding any termination of the Employment Term.

18. 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:

Notice to Executive:

Name: Bruce Nelson
2301 Spanish River
Boca Raton, FL 33432

Notice to the Company:

Office Depot, Inc.
2200 Germantown Road
Delray Beach, Florida 33445
Attention: General Counsel

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.

19. MISCELLANEOUS PROVISIONS.

(a) 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 effect 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.

(b) COMPLETE AGREEMENT. This Agreement and those agreements and documents expressly referred to herein and the Schedules attached to this Agreement 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. Documents and/or agreements incorporated by reference herein are hereby deemed to be made a part hereof.

(c) NO STRICT CONSTRUCTION; NO WAIVER. 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. 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 Executive or the Company may have hereunder, including, without limitations the right of Executive to terminate employment for Good Reason pursuant to this Agreement or any Schedule to this Agreement, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(d) 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.

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

(f) 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.

(g) 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.

20. NO SET-OFF OR MITIGATION. 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 Executive or others. In no event shall Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to

Executive under any of the provisions of this Agreement, and such amounts shall not be reduced whether or not Executive obtains other employment.

21. PAYMENT OF CERTAIN EXPENSES. If, and to the extent, Executive is successful in any action against the Company to enforce any of his rights under this Agreement, the Company shall reimburse Executive for his reasonable attorneys' fees and expenses incurred in pursuing such action.

22. ARBITRATION. Except as to any controversy or claim which Executive elects by written notice to the Company, to have adjudicated by a court of competent jurisdiction, 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 or such other location to which the parties may agree. The Company shall pay the costs of any arbitrator appointed hereunder.

23. WITHHOLDING. 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.

24. SCHEDULES. The Schedules attached hereto are incorporated by reference herein and made a part hereof. The following Schedules are attached:

(a) Retention Agreement;

(b) Agreement of Non-Competition, Non-Solicitation, and No-Hire;

(c) Change in Control Agreement; and

(d) Real Estate Co-Ownership Agreement

* * * *

SIGNATURES CONTAINED ON FOLLOWING PAGE

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the 29th day of December, 2001.

OFFICE DEPOT, INC.

By /s/ Scott Hedrick

Name: Scott Hedrick
Its: Chairman, Compensation Committee
of the Board of Directors

EXECUTIVE

/s/ M. Bruce Nelson

Name: M. Bruce Nelson

SCHEDULE 1

RETENTION AGREEMENT

This Retention Agreement ("Agreement") was entered into by Executive and the Company originally on June 7, 2000, and is amended and restated herein effective as of December 29, 2001 as a matter of convenience to the parties.

A. Under the terms of the Employment Agreement dated December 29, 2001, by and between the Executive and the Company (as defined in such Employment Agreement) (herein the "Employment Agreement"), to which this Agreement is attached as SCHEDULE 1, the Company is employing Executive as the Company's Chairman and Chief Executive Officer. In addition to the provisions thereof, the Company wishes to enter into this Agreement to provide further assurance that Executive will remain with the Company and provide to it his experience and expertise in the areas of domestic catalog marketing and in international business.

B. The terms of this Agreement are provided for the purpose of further inducing Executive to remain with the Company, and Executive is ready and willing to enter into this Agreement.

Now therefore, in consideration of the foregoing Recitals, which are incorporated by this reference and other good and valuable consideration, the parties hereby agree as follows:

1. RETENTION PAYMENTS TO EXECUTIVE. The Company has made and/or hereby agrees to make the following payments to Executive:

On June 7, 2000, to ensure the retention of Executive through at least the end of December 2002, the sum of Three Million, Eight Hundred Thousand Dollars ($3,800,000) was deposited into a deferred compensation account with Merrill Lynch for the benefit of Executive, to be invested as directed by Executive in accordance with the terms and conditions of the Merrill Lynch deferred compensation agreement with the Company. This amount (the "Deferred Payment"), together with any and all income and appreciation on the

Deferred Payment while in the deferred compensation account and unvested, shall vest 100% on December 31, 2002, provided that Executive remains an employee of the Company through and including December 31, 2002. It is further agreed, however, that the Deferred Payment shall also vest 100% upon the occurrence of any of the following events PRIOR to December 31, 2002 :

(i) There is a change in control of the Company, as set forth in the Change in Control Agreement attached to the Employment Agreement as SCHEDULE 3.

(ii) Executive dies, becomes disabled or incapacitated as set forth in the Employment Agreement.

(iii) Executive's employment is terminated by the Company without Cause or is terminated by Executive for Good Reason, as defined and set forth in the Employment Agreement.

The vested Deferred Payment, together with any income and appreciation, shall be payable to Executive (or Executive's beneficiaries) in accordance with the provisions of the Merrill Lynch deferred compensation agreement with the Company and Executive, and Executive's (or such beneficiaries') election thereunder.

2. GRANT OF STOCK OPTIONS. As consideration for the cancellation of the Prior Agreements, the Company granted to Executive on June 6, 2000, an option to acquire stock in the Company (which option is evidenced by a separate option agreement) as follows:

a) A ten-year option (the "Retention Option") to acquire up to 400,000 shares of the Company's stock. Such Retention Option provides, among other provisions, that it shall remain exercisable through and including 90 days following the second anniversary of any termination of Executive by the Company without Cause, or any termination by Executive with Good Reason, as such terms are defined in the Employment Agreement.

b) The Retention Option shall vest in full (100%) on December 31, 2002; provided that Executive remains continuously employed by the Company on such date.

c) The Retention Option shall have an early vesting provision, which provides that the Retention Option shall vest in full (100%) upon the occurrence of any of the events set forth in Section 1 (i) through (iii) above and, in the case of Section 1(i) above, shall have an exercise period through the balance of the full ten-year term of the Retention Option.

3. INCORPORATION FROM EMPLOYMENT AGREEMENT. The following provisions from the Employment Agreement are incorporated herein by reference: 11 through 23.

In testimony whereof, this Retention Agreement is separately signed by the parties, originally effective on the 7th day of June, 2000 and amended and restated effective as of the 29th day of December, 2001.

Executive	Office Depot, Inc.
/s/ M. Bruce Nelson	By /s/ Scott Hedrick
M. Bruce Nelson	Name: Scott Hedrick Title: Chairman, Compensation Committee

SCHEDULE 2

AGREEMENT OF NON-COMPETITION, NON-SOLICITATION AND NO-HIRE

This Agreement of Non-Competition, Non-Solicitation and No-Hire (this "Noncompete Agreement") made and entered into originally on the 7th day of June, 2000, is amended and restated as of the 29th day of December 2001 as a matter of convenience to the parties, by and between Office Depot, Inc., a Delaware corporation (the "Company") and M. Bruce Nelson (the "Executive").

RECITALS

A. The Company and Executive are on this date entering into an Employment Agreement, which this Agreement is attached as Schedule 2 (the "Employment Agreement"); and

B. Executive acknowledges that he is being employed as a very senior executive officer of the Company and as such is fully familiar with the most sensitive, confidential and proprietary information of the Company ("Confidential Information"); and

C. Executive has been requested by the Company to enter into this Noncompete Agreement as a condition to the Company's being willing to enter into the other Agreements being entered into contemporaneously herewith; and

D. The parties are willing to abide by the terms and provisions of this Noncompete Agreement;

AGREEMENT

NOW THEREFORE, in consideration of the foregoing recitals, which are incorporated by reference and made a part hereof, the payment to Executive referred to in Section 1 below, and other good and valuable consideration, the parties hereby agree as follows:

1. PAYMENT TO EXECUTIVE; AGREEMENT OF NON-COMPETITION. For and in consideration of the payment by the Company to Executive in one lump sum, in cash, on June 7, 2000, the date hereof of the sum of One Million Five Hundred Thousand Dollars ($1,500,000), receipt and sufficiency of which are hereby acknowledged, 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, and in consideration of the payment(s) being made to Executive hereunder, Executive agrees that, during the Employment Term (as defined in the Employment Agreement) and for a period of one year thereafter, unless Executive is named CEO of the Company, in which event, the Non-Compete Period is for three years after leaving the Company instead of one year,. (in either such event, as used herein, 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 with the Company, within any geographical area in which the Company or its Subsidiaries engage in such businesses on the date of termination of Executive's employment with the Company. 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.

2. NON-SOLICITATION; NO-HIRE; NON-INTERFERENCE. 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 the time of termination of 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 or business relation and the Company or any Subsidiary (including, without limitation, making any negative statements or communications about the Company or its Subsidiaries).

3. REFORMATION OF THIS AGREEMENT. If, at the time of enforcement of this Noncompete Agreement, any court shall hold that the duration, scope or geographical restrictions stated herein are unreasonable under the circumstances then existing, the parties agree that it is their mutual desire and intent that the Company shall be afforded the maximum duration, scope or area reasonable under such circumstances, and each of them hereby requests such court to reform this Agreement so that the maximum duration, scope and geographical restrictions available under applicable law at the time of enforcement of this Agreement shall be substituted by such court for the stated duration, scope or geographical area stated herein and that the court shall be allowed to revise the restrictions contained in this Noncompete Agreement to such provisions as are deemed reasonable by the court at the time such enforcement is requested.

4. INJUNCTIVE RELIEF. In the event of the breach or any threatened breach by Executive of any of the provisions of this Noncompete Agreement, the Company, in addition and supplementary to any and all 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 this Noncompete Agreement or to prevent any violations or threatened violations of the provisions hereof (without being required to post any bond or other security to secure such relief). In addition, in the event of any alleged breach or violation by Executive of this Noncompete Agreement, the Noncompete Period shall be tolled until such breach or violation has been duly cured and thereafter the Noncompete Period shall be extended for an additional period of time equivalent to the time during which Executive was in breach of this Noncompete Agreement.

5. INCORPORATION OF TERMS BY REFERENCE. The provisions of the following number sections of the Employment Agreement are incorporated by reference as if set forth at length herein and shall be deemed to constitute a part hereof notwithstanding the earlier termination of such Employment Agreement: sections 11 through 23 of the Employment Agreement are incorporated by this reference.

IN TESTIMONY WHEREOF, the parties have signed this NONCOMPETE AGREEMENT originally dated as of the 7th day of June, 2000, amended and restated as of the 29th day of December, 2001.

Executive	Office Depot, Inc.
/s/ M. Bruce Nelson	By /s/ Scott Hedrick
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M. Bruce Nelson	Name: Scott Hedrick
	Title: Chairman, Compensation Committee

SCHEDULE 3

CHANGE IN CONTROL AGREEMENT

This Change in Control ("CIC") Agreement was originally entered into by Executive and the Company on June 7, 2000, and is amended and restated herein as of December 29, 2001, as a matter of convenience for the parties.

a. 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 Executive, notwithstanding the possibility, threat or occurrence of a Change in Control (as defined below) of the Company.

b. The Board believes it is imperative to diminish the inevitable distraction of Executive by virtue of the personal uncertainties and risks created by a pending or threatened Change in Control and to encourage Executive's full attention and dedication to the Company currently and in the event of any threatened or pending Change in Control, and to provide Executive with compensation and benefits arrangements upon a Change in Control which ensure that the compensation and benefits expectations of 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 CIC Agreement, supplemental to the Employment Agreement dated as of December 29, 2001 between Executive and the Company, to which this SCHEDULE 3 is attached (such Agreement, together with the Schedules thereto, herein referred to as the "Employment Agreement").

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1. CERTAIN DEFINITIONS. (a) The "Effective Date" shall mean the first date during the CIC Period (as defined in Section 1(b)) on which a CIC (as defined in Section 1(c)) occurs. Anything in this Agreement to the contrary notwithstanding, if a CIC occurs and if

Executive's employment with the Company is terminated prior to the date on which the CIC occurs, and if it is reasonably demonstrated by Executive that such termination of employment (i) was at the request of a third party who has taken steps reasonably calculated to effect a CIC or (ii) otherwise arose in connection with or anticipation of a CIC, 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 "CIC 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 CIC 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 Executive that the CIC Period shall not be so extended.

(c) A "Change in Control" or "CIC" shall mean:

(i) 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 CIC: (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

(ii) 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

(iii) 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

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

(d) "Employment" shall mean the employment of Executive pursuant to the Employment Agreement to which this Schedule 3 is attached.

Other terms shall have the meanings ascribed to them in various sections of this CIC Agreement or otherwise shall have the meanings ascribed to them in the Employment Agreement.

2. TERMINATION OF EMPLOYMENT. In addition to the other termination provisions contained in Sections 5 through 11 of the Employment Agreement, Executive's employment shall be subject to the following provisions, immediately following the Effective Date of a CIC:

(a) GOOD REASON. Executive's employment may be terminated by Executive for Good Reason. For purposes of this Agreement, following a CIC, "Good Reason" shall not have the meaning ascribed to it in Section 10(b) of the Employment Agreement, but instead shall mean:

(i) the assignment to Executive of any duties inconsistent in any respect with Executive's Position(s) (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 2 of the Employment Agreement, or any other action by the Company which results in a diminution in such Position(s), 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 Executive;

(ii) any failure by the Company to comply with any of the provisions of Section 3 of the Employment 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 Executive;

(iii) the Company's requiring Executive to be based at any office or location other than in Delray Beach, Florida or in Torrance, California or the Company's requiring 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 Executive's employment otherwise than as expressly permitted by the Employment Agreement; or

(v) any failure by the Company to comply with and satisfy any other material provision of the Employment Agreement.

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

3. OBLIGATIONS OF THE COMPANY UPON TERMINATION. The Company shall have the following obligations to Executive upon a termination of Executive's employment following a CIC:

(a) If the termination is for death, disability or incapacity, then for purposes of this CIC Agreement, the Company shall pay to Executive or his estate, in a lump sum not more than 30 days after the Date of Termination, the sums due under Section 3(c) hereof, as if Executive had notified the Company of his election to terminate the Agreement for Good Reason and not the sums due under Section 5 of the Employment Agreement.

(b) If the termination is for Cause, then the rights and obligations of the parties shall be governed by the provisions of Section 7 of the Employment Agreement.

(c) If the termination is by the Company without Cause or by Executive for Good Reason:

(i) the Company shall pay to 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) 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 annual Bonus most recently paid to Executive pursuant to Section 3(c) of the Employment Agreement and (ii) the Bonus paid or payable pursuant to such Section 3(c), 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 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 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 (a) three (3) and (b) the sum of (x) Executive's annual Base Salary and (y) the Highest Annual Bonus.

(ii) for three (3) years after 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 Executive and/or 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 3(f) of the Employment Agreement if Executive's employment had not been terminated or, if more favorable to 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 Executive becomes re-employed 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 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 Executive for retiree benefits pursuant to such plans, practices, programs and policies, Executive shall be considered to have remained employed until three 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 Executive with out placement services the scope and provider of which shall be selected by Executive in his sole discretion; and

(iv) to the extent not theretofore paid or provided, the Company shall timely pay or provide to Executive any other amounts or benefits required to be paid or provided or which 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").

C. Following termination for any reason, Executive's obligation to "buy out" Viking's interest in Executive's Florida residential real estate (as defined in the Real Estate Co-Ownership attached as SCHEDULE 4 to the Employment Agreement) or to sell any other property as a result of a "put" by the Company, may be deferred by Executive or his successor(s) for a period of up to two years following such termination of employment.

4. FULL SETTLEMENT. (a) 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 Executive or others. In no event shall Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to Executive under any of the provisions of this Agreement and such amounts shall not be reduced whether or not Executive obtains other employment. Anything in the Employment Agreement to the contrary notwithstanding, the Company agrees to pay as incurred, to the fullest extent permitted by law, all legal fees and expenses which Executive may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company, 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 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").

In Testimony whereof, this CIC Agreement is signed by the parties, originally dated as of the 7th day of June, 2000, and amended and restated as of the 29th day of December, 2001.

Executive	Office Depot, Inc.
/s/ M. Bruce Nelson	By /s/ Scott Hedrick
M. Bruce Nelson	Name: Scott Hedrick Title: Chairman, Compensation Committee

SCHEDULE 4

REAL ESTATE CO-OWNERSHIP AGREEMENT

THIS REAL ESTATE CO-OWNERSHIP AGREEMENT, made and entered into this 29th day of December, 2001 by and between Office Depot, Inc., a Delaware corporation ("Company") and M. Bruce Nelson, a resident of Boca Raton, Florida, and Chief Executive Officer of Company ("Executive").

RECITALS

a. Company and Executive (and Executive's Spouse, defined below) are co-owners of the residential property located at 2301 Spanish River Road, Boca Raton, FL 33432 (the "Property").

b. The Parties desire herein to confirm their understandings with respect to the co-ownership of the Property and to clarify their respective rights and obligations with respect to the Property and it set forth their understandings in this Real Estate Co-Ownership Agreement.

Now therefore, in consideration of the Recitals, incorporated by reference herein, and other good and valuable consideration, the parties agree as follows:

1. BACKGROUND. At the request of the Company, Executive relocated to Florida to serve as Chief Executive Officer of the Company and purchased the Property as his new principal residence in the State of Florida, jointly with his wife Lavaun Nelson ("Executive's Spouse"), together with the Company's investment in the Property as set forth below.

2. PRINCIPAL TERMS OF INVESTMENT. The parties acknowledge that they have co-invested in the Property as follows:

(a)	Office Depot --	$1,850,000	28%
(b)	Executive (jointly with Executive's Spouse)	$1,749,724	72%
(c)	Mortgage Loan (Included as part of Executive's Interest)	$3,000,000	
(d)	Total Investments	$6,599,724	

The parties own the Property as tenants-in-common (Executive and Executive's Spouse, jointly, as one party, and the Company, as the other tenant-in-common), with each party having an undivided percentage interest in the Property, in the percentages set forth above.

3. CONSENT TO MORTGAGE: The Company has agreed that Executive may borrow the sum referred to above as the Loan and that the Property may be encumbered in full by the lien of a first mortgage on the Property in favor of the lender ("Lender") to the Executive. The Company hereby agrees to and has executed such documentation as the Lender has required to subject its undivided 28% interest in the Property to the lien of a mortgage in favor of Lender.

Executive is fully responsible for the payment of all debt service on the Loan, and the Company is not, and shall not be an obligor or guarantor on the Loan. Executive's percentage of ownership in the Property is subject to the principal amount of the Loan. No payment of principal on the Loan shall serve to increase Executive's percentage interest in the Property or to reduce the Company's percentage interest therein. In the event of a sale of the Property, repayment of any outstanding principal balance of the Loan shall be charged against Executive's percentage of ownership interest in the proceeds of the sale of the Property.

4. EXPENSES. All debt service payments, repairs, taxes and other costs and expenses of every kind and nature incurred in connection with the Property and Executive's residency therein, shall be the sole responsibility of Executive, but the Company shall

have the right, at any time upon thirty (30) days' prior written notice to Executive, in order to protect its interest in the Property, to step in and pay any such taxes, liens, repairs or other expenses and to charge the cost of the same against Executive and to encumber Executive's 72% ownership interest in the Property in the amount of such repairs.

5. RESTRICTIONS ON SALE AND ENCUMBRANCE. Neither the Company nor Executive shall have any right to sell or encumber its or his interest in the Property without the prior written approval of the other, except (a) in connection with a sale of the entire Property as provided in Section 7 below and (b) except for the Company's consent to the encumbrance of a first mortgage lien on the Property to secure the Executive Loan referred to above. The Loan may not be modified, amended, extended or increased in amount without the prior written consent of the Company.

6. RISK OF LOSS; INSURANCE. The parties shall share risk of loss of the Property in proportion to their respective percentages of ownership in the Property. Executive shall keep the Property insured against all risks, including without limitation fire and windstorm, for the benefit of all the parties, including a standard mortgagee's clause, under a policy of insurance that covers 100% of the value thereof, naming the Company and Lender, as additional insureds, as their respective interests may appear.

7. SALE OF THE PROPERTY; PURCHASE BY EXECUTIVE; COMPANY RIGHTS. Whenever Executive desires to sell the Property, he shall be entitled to do so, subject to the provisions of this Section 7. Similarly, if Executive desires to purchase the Company's percentage interest in the Property, he shall have the right to do so subject to the provisions of this Section 7.

(a) SALE -- In the event Executive desires at any time to sell the Property, the Company shall receive at closing net proceeds (after commissions, transfer taxes and other costs of sale, but before payment of the Loan) from the sale of the Property which are equal at least to $1,850,000, the amount of its investment in the Property, or 28% of the net proceeds, whichever amount is greater. While Executive has the right to specify that the Property shall be sold, each party shall be required to agree upon the sales price and terms of sale (if sold for terms other than cash). The Executive's share of the net proceeds shall be reduced by any amount required to pay off the Loan.

(b) PURCHASE - In the event Executive desires at any time to purchase the Company's interest in the Property, he may do so by providing written notice to the Company, proposing the price at which he desires to purchase the Company's interest therein. The Company shall have the right to accept such proposed price, or to require that an appraisal of the Property be made, following which the parties shall endeavor in good faith to negotiate a price consistent with the appraisal. In the event they are unable to do so, they agree to submit the matter to binding arbitration in accordance with Section 10 below. In no event shall the Company's interest in the Property be purchased for less than $1,850,000, the amount of its original investment in the Property, regardless of the appraisal or the result of any arbitration.

(c) PUT BY THE COMPANY - In the event that Executive's employment by the Company shall terminate or Executive shall abandon the Property or fail to occupy it as his principal residence for a period of 180 days or longer, the Company shall have the right, at its option, by written notice to Executive, to require him to purchase the Company's interest in the Property for cash at the price proposed by the Company. Executive shall have the right either to accept such proposed selling price or to require that an appraisal be made, following which the parties shall endeavor in good faith to negotiate a price consistent with the appraisal. In the event they are unable to do so, they agree to submit the matter to binding arbitration in accordance with Section 10 below.

In the event Executive is unable or unwilling to purchase the Company's interest in the Property, the Company shall have the right to require that the Property be sold and the net proceeds divided between the parties in accordance with their respective percentage interests in the Property.

Anything to the contrary herein notwithstanding, in the event Executive's employment was terminated by the Company without Cause or by the Executive for Good Reason (each as such terms are defined in the Employment Agreement to which this Agreement is attached as SCHEDULE 4 (the "Employment Agreement")), or due to Executive's death or disability, or for any reason after a Change in Control (as such term is defined in the Change in Control Agreement attached to the Employment Agreement as SCHEDULE 3), then Executive's (or Executive's successors') obligation to purchase the Company's interest in the Property, or to sell the Property as a result of a "put" by the Company under this Section 7(c) shall be extended at the option of Executive (or Executive's successor) for a period of up to two (2) years.

8. 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:

Notice to Executive:

Name: Bruce Nelson
Address: 2301 Spanish River Road
Boca Raton, FL 33432

Notice to the Company:

Office Depot, Inc.
2200 Germantown Road
Delray Beach, Florida 33445
Attention: General Counsel

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.

9. MISCELLANEOUS PROVISIONS.

The provisions of Section 19 of the Employment Agreement are incorporated by this reference herein, as if set forth verbatim.

10. ARBITRATION. The arbitration provisions of Section 22 of the Employment Agreement are incorporated by this reference herein, as if set forth verbatim.

* * * * * *

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, originally dated as of November 27, 2000, and amended and restated as of the 29th day of December, 2001.

Executive	OFFICE DEPOT, Inc.
/s/ Bruce Nelson	By /s/ Scott Hedrick
Bruce Nelson	Name: Scott Hedrick Its: Chairman, Compensation Committee

LIFETIME CONSULTING & NON-COMPETION AGREEMENT

THIS AGREEMENT is made and entered into this First day of March, 2002 between Office Depot, Inc., a Delaware corporation (the "COMPANY"), and Irwin Helford ("Consultant").

a. Consultant has been an employee and director of Viking Office Products, Inc., a California corporation ("VIKING"), and a Director of the Company, through and including the date hereof, on which date Consultant has resigned from his positions as a Board member and/or employee of Viking.

b. Consultant shall continue to serve as a Director of the Company through and including April 25, 2002, the date of the Company's Annual Meeting.

c. Consultant and the Company have agreed to enter into this Lifetime Consulting Agreement, to ensure that the many years of knowledge and experience of Consultant shall remain available to the Company (including Viking) for the natural lifetime of Consultant.

d. Consultant also has previously granted to the Company a lifetime license to use his name and likeness in advertising, catalogs and similar commercial communications, which license shall remain in full force and effect.

e. Consultant and the Company desire by this Agreement to set forth certain understandings between them regarding such consulting relationship.

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. CONSULTING RELATIONSHIP. Consultant has on today's date (the "EFFECTIVE DATE") has resigned from his positions as a director and employee of Viking and from all positions of any nature whatever with either the Company or any affiliate of the Company, except for his position as a Director of the Company, which position he shall continue to occupy until April 25, 2002, the date of the Company's 2002 Annual Meeting. From and after the Effective Date, Consultant shall make himself available to serve as a consultant to the Chairman and CEO of Company as herein set forth.

2. POSITION AND DUTIES. During the Term of this Agreement (which shall extend for the natural lifetime of Consultant), Consultant shall make himself available at reasonable times and places, for reasonable durations, to serve as a consultant to the Chairman and CEO of Company, available to consult with such Chairman and CEO and provide such advisory services as are mutually agreed upon by Consultant and the Chairman and CEO of Company. Consultant shall be free to serve as (i) a

director or officer of any non-profit organization including trade, civic, educational or charitable organizations, or (ii) a director, owner, employee or consultant of any other 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 Consultant's duties or responsibilities under this Agreement or reflect badly on the Company. Consultant shall perform Consultant's duties and responsibilities under this Agreement to the best of Consultant's abilities in a diligent, trustworthy, businesslike and efficient manner.

In the event at any time during the Term, the Chairman and CEO of the Company is anyone other than Bruce Nelson, then Consultant shall not be required to provide more than one day of consulting services per year in order to keep this Agreement in full force and effect.

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, including, without limitation, Viking.

3. CONSIDERATION.

(a) In consideration of his services to be rendered, and the non-competition provisions hereinbelow set forth, Consultant is hereby granted by the Company lifetime medical benefits, as more full set forth on ATTACHMENT A hereto.

(b) Consultant shall have a period of ninety (90) days following April 25, 2002 in which to exercise any and all of his vested stock options, which date is July 24, 2002 . There shall be no further vesting of unvested stock options during such period; nor shall Consultant be entitled to the grant of any additional stock options by the Company.

(c) In consideration of the existing lifetime license to use Consultant's name and likeness as set forth in said license, the Company agrees to reimburse Consultant for maintaining electronic security at Consultant's residence, unless and until the Company elects to discontinue use of Consultant's name and likeness, in which event the Company shall provide Consultant ninety (90) days' written notice before discontinuing reimbursement for such electronic security at Consultant's residence.

(d) Consultant shall not receive any other salary, bonus or other remuneration from Company during the Term of this Agreement other then the lifetime medical benefits referred to in subsection 3(a) above, and his compensation as a Director of the Company through and including April 25, 2002.

(e) Company shall reimburse Consultant for any reasonable and necessary business expenses incurred by him in the course of performing his duties under this Agreement, in accordance with the Company's policies in effect from time to time, subject to the Company's reasonable requirements with respect to reporting and documentation of such expenses.

4. TERM.

(a) The Term of this Agreement is for the natural lifetime of Consultant, unless terminated as set forth here.

(b) The Term shall end (A) upon Consultant's death, (B) upon the mutual agreement of the Company and Consultant, (C) by the Company's termination of this Agreement for Cause (as defined below) or (D) by Consultant's termination of this Agreement for Good Reason (as defined below).

(c) If the Agreement is terminated by the Company for Cause or by Consultant without Good Reason, Consultant shall thereupon lose all further consulting fees and benefits hereunder.

(d) If the Agreement is terminated upon Consultant's death, all remuneration and/or benefits provided hereunder shall terminate and cease on the last day of the month in which his death occurs.

(e) If the Agreement is terminated by Consultant for Good Reason, then his remuneration and benefits shall continue for his natural lifetime.

(f) For purposes of this Agreement, "CAUSE" shall mean any action by Consultant from and after the date hereof, which in the good faith opinion of the Chairman and CEO of Company or the Board of Directors ("Board") of the Company violates any provision of this Agreement.

(g) For purposes of this Agreement, "GOOD REASON" shall mean a material breach by the Company of a material provision of this Agreement which has not been cured by the Company within thirty (30) days after written notice of noncompliance has been given by Consultant to the Company.

5. CONFIDENTIAL INFORMATION. Consultant acknowledges that the information, observations and data obtained by Consultant 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, Consultant agrees that Consultant shall not disclose to any unauthorized person or use for Consultant'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 Consultant's acts or

omissions. Consultant shall deliver to the Company as soon as practicable after the Effective Date hereof, 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 which Consultant may then possess or have under Consultant's control. The provisions of this paragraph 5 shall survive the termination of this Agreement for an unlimited period of time.

6. INVENTIONS AND PATENTS; CONSULTANT'S LIKENESS AND NAME. Consultant 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 Consultant while employed by the Company and its Subsidiaries ("WORK PRODUCT") belong to the Company or such Subsidiary. Consultant shall promptly disclose such Work Product to the CEO and perform all actions reasonably requested by the CEO to establish and confirm such ownership (including, without limitation, assignments, consents, powers of attorney and other instruments). In addition, Consultant acknowledges that the exclusive use of his likeness and name in business or commerce shall continue to belong exclusively to the Company for the remainder of Consultant's natural life.

7. NON-COMPETE, NON-SOLICITATION.

(a) Consultant acknowledges that during the course of Consultant's employment with Viking he has, and in the course of Consultant's employment with the Company he has become familiar with the trade secrets of Viking and the Company and with other Confidential Information concerning Viking, the Company and its other Subsidiaries and that Consultant's services have been and shall continue to be of special, unique and extraordinary value to Viking, the Company and its other Subsidiaries. Therefore, in consideration of the payments to Consultant of the sums set forth in this Agreement, Consultant agrees that during his lifetime, he 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 on behalf of or in concert with any key competitor of the Company, including without limitation the following companies (or any affiliates of any such companies), each of which are considered to be key competitors of the Company (collectively, the "COMPETITORS"): Staples; Boise-Cascade; BT Office Products; Office Max; P.P.R. and Lyreco or with any other company which engages or decides to engage in business competitive with the Company, including without limitation such companies as Wal-Mart, Target Stores or any Internet or other direct mail or direct marketing company engaged as a significant part of its business in the sale of business or office products. Nothing herein shall prohibit Consultant from being a passive owner of not more than 2% of the outstanding stock of any class of a corporation which is publicly traded, including any Competitor, so long as Consultant has no active participation in the business of such corporation. Except as provided in this Agreement, there shall be no restrictions upon Consultant's employment or services.

(b) During the Term, Consultant 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 the Noncompete Period or (iii) on behalf of or for the benefit of any Competitor, 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). The Company agrees to use its best efforts to cause its Consultant officers and the Consultant officers of Viking not to make any negative statements or communications about Consultant.

(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. Consultant acknowledges that he has carefully read and considered the provisions of this paragraph 7 and, having done so, agrees that the restrictions set forth herein (including but not limited to the time periods of restriction and the geographical areas of restriction) are fair and reasonable and are reasonably required to protect the interests of the Company, its Subsidiaries and its stockholders.

(d) In the event of the breach or a threatened breach by Consultant 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 Consultant of this paragraph 7, the Noncompete Period shall be tolled until such breach or violation has been duly cured.

(e) The parties hereto acknowledge that, except as otherwise agreed to by Consultant and the Company, any taxes that may be due and owing with respect to the payments to Consultant hereunder shall be the sole responsibility of Consultant, and Consultant hereby agrees to indemnify and hold Company harmless if any such taxes are not paid.

8. CONSULTANT'S REPRESENTATIONS. Consultant hereby represents that upon the execution and delivery of this Agreement by the Company and by him, this Agreement shall be the valid and binding obligation of Consultant, enforceable in accordance with its terms. Consultant hereby acknowledges and represents that Consultant has had an opportunity to consult with independent legal counsel regarding Consultant's rights and obligations under this Agreement and that Consultant 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 CONSULTANT:

Irwin Helford
27 Crest Road West
Rolling Hills, CA 90274

NOTICES TO THE COMPANY:

Office Depot, Inc.
2200 Old Germantown Road
Delray Beach, Florida 33445
Attention: Chairman and CEO

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.

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; FACSIMILE SIGNATURES. 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. This Agreement may be executed by any party by delivery of a facsimile signature, which signature shall have the same force and effect as an original signature. Any party which delivers a facsimile signature shall promptly thereafter deliver an originally executed signature to the other party(ies); provided, however, that the failure to deliver an original signature page shall not affect the validity of any signature delivered by facsimile.

15. SUCCESSORS AND ASSIGNS. This Agreement is intended to bind and inure to the benefit of and be enforceable by Consultant, the Company and their respective heirs, successors and assigns, except that Consultant may not assign Consultant's rights or delegate Consultant'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 Consultant, 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. Any controversy which may arise between Consultant and the Company with respect to the construction, interpretation or application of any of the terms, provisions or conditions of this agreement or any monetary claim arising from or relating to this agreement will be submitted to final and binding arbitration in West Palm Beach, Florida, in accordance with the rules of the American Arbitration Association then in effect.

19. INCORPORATION OF ATTACHMENTS BY REFERENCE. The attachments to this Agreement are incorporated by reference and made a part hereof as if set forth at length herein.

* * *

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

OFFICE DEPOT, INC.	IRWIN HELFORD
By: -------------------------	x -------------------------
Name: ----------------------	
Its: ----------------------	

ATTACHMENT A

1. HEALTH INSURANCE. Provided this Agreement has not been terminated by Consultant without Good Reason or by the Company for Cause, Consultant and his eligible dependents shall be entitled to health insurance coverage comparable to the health insurance Consultant and his eligible dependents have received during the period of his prior employment with Viking and Office Depot for the Term of this Agreement and ending at the end of Consultant's natural life and for his spouse on the date of this agreement for a period ending at the end of her natural life (provided she survives Consultant). In the event this Agreement should be terminated by the Company without Cause or by the Consultant for Good Reason, such benefits shall continue as provided herein as if such termination had not occurred. Such health insurance may be under the terms of the existing policy of insurance provided to Consultant or pursuant to any other insurance plan selected by the Company which provides comparable coverage and benefits. As and to the extent Consultant is eligible for coverage under the Medicare system of the federal government (or any of his dependents is so eligible), this benefit may take the form of the Company's providing either a policy of Medigap insurance sufficient to provide to Consultant a comparable level of medical insurance to that provided during his tenure with the Company or payments to Consultant to reimburse him for the reasonable costs of such coverage.

2. NO OTHER BENEFITS. Consultant shall otherwise receive none of the benefits to which he may formerly have been entitled as an employee of Viking, including without limitation, automobile allowance, tax and financial planning, participation in other health and welfare plans, if any.

OFFICE DEPOT, INC. Exhibit 13.1

FINANCIAL HIGHLIGHTS

(In thousands, except per share amounts and statistical data)

	2001	2000(4)	1999	1998	1997
STATEMENTS OF EARNINGS DATA:					
Sales(1)	$ 11,154,081	$ 11,569,696	$ 10,272,060	$ 8,997,738	$ 8,108,714
Cost of goods sold and occupancy costs	7,983,973	8,479,437	7,450,575	6,484,699	5,963,521
Gross profit	3,170,108	3,090,259	2,821,485	2,513,039	2,145,193
Store and warehouse operating and selling expenses(1)	2,343,394	2,409,478	2,023,055	1,683,973	1,482,179
General and administrative expenses(1)	451,722	453,784	328,108	288,028	241,430
Facility closure costs	8,436	110,038	40,425	--	--
Other operating expenses	12,125	6,733	16,524	136,279	22,703
Operating profit	354,431	110,226	413,373	404,759	398,881
Interest income	13,058	11,502	30,176	25,309	7,570
Interest expense	(44,302)	(33,901)	(26,148)	(22,356)	(21,680)
Miscellaneous income (expense), net	(9,057)	4,632	(3,514)	(18,985)	(13,180)
Earnings before income taxes	314,130	92,459	413,887	388,727	371,591
Income taxes	113,087	43,127	156,249	155,531	136,730
Net earnings	$ 201,043	$ 49,332	$ 257,638	$ 233,196	$ 234,861
Earnings per share(2):					
Basic	$ 0.67	$ 0.16	$ 0.71	$ 0.64	$ 0.65
Diluted	0.66	0.16	0.69	0.61	0.62
STATISTICAL DATA:					
Facilities open at end of period:					
United States and Canada:					
Office supply stores	859	888	825	702	602
Customer service centers	24	25	30	30	33
Call centers	13	7	7	8	8
International(3):					
Office supply stores	143	132	118	87	39
Customer service centers	23	19	19	18	17
Call centers	15	14	14	13	12
BALANCE SHEET DATA:					
Working capital	$ 704,676	$ 790,752	$ 687,007	$ 1,293,370	$ 1,093,463
Total assets	4,331,643	4,196,334	4,276,183	4,025,283	3,498,891
Long-term debt, excluding current maturities	317,552	598,499	321,099	470,711	447,020
Common stockholders' equity	1,848,438	1,601,251	1,907,720	2,028,879	1,717,638

(1) Certain amounts in prior year financial statements have been reclassified to conform to current year presentation.

(2) Earnings per share amounts previously reported for 1997 and 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.

(4) Includes 53 weeks in accordance with our 52 - 53 week reporting convention.

OFFICE DEPOT, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

Office Depot, Inc., together with our subsidiaries, ("Office Depot" or the "Company") 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. 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 reflected in the preceding table contained 52 weeks.

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("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 and the text in which such terms and expressions are used.

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 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 2001, our North American Retail Division operated 859 office supply stores in 44 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
1997	561	42	1	602	2
1998	602	101	1	702	5
1999	702	130	7	825	14
2000	825	70	7	888	4
2001	888	44	73	859	5

The number of store openings and closings over this five-year period has been affected by our proposed (and subsequently abandoned) attempts to merge with Staples, Inc. ("Staples"), another large company in the retail office products segment. In 1996, we entered into an agreement and plan of merger with Staples. The proposed merger was enjoined 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 aggressively re-launched our store expansion program. Many of the retail store locations opened during this period of aggressive expansion have not performed to our expectations. In 2000, we scaled back our expansion plans and announced the closing of 70 under-performing store locations in the first quarter of 2001. During 2001, we opened 44 new stores, most of them in existing markets where we continue to find real estate sites that enhance our current market positions, build density and target new opportunities for growth. We also identified 13 additional under-performing stores, three of which were closed in 2001.

In 2002, we plan to add 25 to 30 new retail stores, most of which will be located in areas where 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 are expected to incorporate a more efficient platform of approximately 20,000 square feet and to feature a more interactive customer experience.

In 2001, we reorganized our management team and hired Jerry Colley as President, North American Stores. Mr. Colley has now been with our Company approximately one year; and he, in turn, has made numerous changes in our management ranks, along with other changes in the ways in which we operate our retail stores. Mr. Colley reports directly to our Chairman and CEO, Bruce Nelson.

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 outside 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 CSCs. At that time, we initiated, and later modified, plans to integrate certain of our Viking and Office Depot warehouses, which were largely completed during 2001. At the end of 2001, we operated 24 CSCs in the United States. Once our integration is complete, we will operate 22 CSCs, consisting of nine Office Depot facilities, two Viking facilities and 11 combined facilities.

In January 1998, we introduced our Office Depot public Web site (WWW.OFFICEDEPOT.COM), offering our customers the convenience of shopping with us on-line. In late August of 1998, when we merged with Viking, we also acquired the Viking public Web site (WWW.VIKINGOP.COM). In 2001, when we acquired 4Sure.com, we acquired the 4Sure.com Web sites (WWW.COMPUTERS4SURE.COM and WWW.SOLUTIONS4SURE.COM) aimed at technology purchasers. 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.

Throughout 2001, Robert Keller, was President of BSG. Mr. Keller has been with our Company for four years in various executive capacities. Mr. Keller reports to our Chairman and CEO, Bruce Nelson.

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. The international direct marketing business was launched in 1990 under the Viking Office Products(R) brand with the establishment of operations in the United Kingdom. We have expanded internationally in a variety of ways, including 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 subsequently acquired the remaining 50% interest from our joint venture partner in France, bringing our ownership to 100%. In early 1999, we acquired the interests of our joint venture partner in Japan, bringing our ownership to 100%. During 2001, we added the contract stationer Sands & McDougall(TM) to our business in Australia.

In March 1999, we introduced our first international public Web site (WWW.VIKING-DIRECT.CO.UK) for individuals and businesses in the United Kingdom. Between 2000 and 2001, we introduced nine new public Web sites and one contract Web site in the following countries: 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), France (www.vikingdirect.fr and www.officedepot.fr), Austria (www.vikingdirekt.at) and the United Kingdom (bsdnet.officedepot.co.uk).

We launched our Office Depot contract business in the United Kingdom in 2000 and began service in 2001 in three new countries - Ireland, The Netherlands and France. This channel targets medium- to large-sized businesses and offers personalized service through a dedicated sales force, individualized pricing and overnight fulfillment, using our existing European logistics infrastructure.

At the end of 2001, our International Division sold office products and services through either wholly-owned operations, or 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 served retail customers through a total of 143 office supply stores; 39 stores were wholly-owned. This compares to 132 stores in seven countries, 35 of which were wholly-owned, at the end of 2000. We also had catalog and delivery operations in 14 of these countries during 2001. 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. Also, the number of CSCs has been restated to reflect two combined store/CSC facilities that were previously classified as stores only.

	Office Supply Stores				Customer Service Centers			
	Open at Beginning of Period	Opened	Closed	Open at End of Period	Open at Beginning of Period	Opened	Closed	Open at End of Period
1997	21	18	--	39	13	4	--	17
1998	39	48	--	87	17	2	1	18
1999	87	36	5	118	18	2	1	19
2000	118	19	5	132	19	--	--	19
2001	132	15	4	143	19	5	1	23

In 2002, we plan to expand our International Division by opening 10 to 15 new retail stores in France and Japan, adding the European Business Service Division to two new countries and launching service in Spain and Switzerland.

As part of the overall restructuring of our management team, all of our European operations were consolidated under the leadership of Rolf van Kaldekerken, who is President of our European business. Mr. van Kaldekerken reports to our Chairman and CEO, Bruce Nelson. During 2001, we also changed the management of our operations in Japan, and named Richard Lepley, an experienced international retailer, as President of Office Depot Japan and Viking Japan. Mr. Lepley reports directly to our Chairman and CEO, Bruce Nelson.

RESULTS OF OPERATIONS

Fiscal 2001 was a year of improved operational performance across the Company and increased overall earnings compared to 2000, even in the face of difficult economic conditions and a decline in our consolidated sales. Diluted earnings per share improved to $0.66 from $0.16 in 2000, and down from $0.69 in 1999. Fiscal year 2000 was adversely affected by charges associated with a comprehensive business review that resulted in the closing of 70 retail stores, the write-down of certain assets and the elimination of some employee positions. Additional store closure and impairment costs, the write-down of certain Internet investments, settlement of certain employee claims and gain on the sale of our London warehouse were recognized in 2001. Without these charges and credits, EPS was $0.79 in 2001 and $0.70 in 2000. See CHARGES AND CREDITS section below for additional discussion of these items.

OVERALL

(Dollars in millions)	2001		2000		1999	
Sales	$ 11,154.1	100.0%	$ 11,569.7	100.0%	$ 10,272.1	100.0%
Cost of goods sold and occupancy costs	7,984.0	71.6%	8,479.4	73.3%	7,450.6	72.5%
Gross profit	3,170.1	28.4%	3,090.3	26.7%	2,821.5	27.5%
Store and warehouse operating and selling expenses	2,343.4	21.0%	2,409.5	20.8%	2,023.1	19.7%
Store and warehouse operating profit	$ 826.7	7.4%	$ 680.8	5.9%	$ 798.4	7.8%

Our overall sales decreased 4% in 2001 and increased 13% in 2000, while comparable sales decreased 2% in 2001 and grew 7% in 2000. Fiscal year 2000 included 53 weeks in accordance with our 52-53 week accounting convention. Adjusting 2000 to a 52-week basis, sales decreased 2% in 2001. The overall sales decrease in 2001 reflects a 10% decrease in our North American Retail Division, a 4% increase in our Business Services Group and a 6% increase in our International Division. Sales across the United States were adversely affected in 2001 by the slowing domestic economy. Additionally, the decline in sales of our North American Retail Division reflects our decision to close 73 stores during 2001, following our comprehensive business review performed in the latter part of 2000. The largest percentage sales increases in 2000 were realized in our BSG segment, driven most significantly by the growth in our contract and Internet businesses. E-commerce sales have improved in all periods, increasing almost 60% in 2001 to $1.6 billion. Also contributing significantly to our sales growth in 2000 was the continued expansion of our store base.

Our worldwide sales by product group were as follows:

	2001	2000	1999
General office supplies	44.2%	41.7%	41.0%
Technology products	46.3%	47.5%	47.5%
Office furniture	9.5%	10.8%	11.5%
	100.0%	100.0%	100.0%

In both 2001 and 2000, our sales mix shifted toward our core office supply items. Sales of technology products decreased significantly in 2001, reflecting to a large extent, a general slowing of technology-related product sales in the overall economy. Moreover, many more general and specialty retailers outside the office products retail segment (including discount retailers, drug store chains and warehouse club retailers) have broadened their assortments of technology products. Technology products generally have lower profit margins compared to many of the core office supplies. Also, within the technology products category, the mix shifted from technology hardware and software towards machine supplies. Sales of office furniture declined, reflecting lower volume and unit prices in 2001 and lower average selling prices during 2000, as many business customers deferred large purchases because of concerns about the economy.

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.

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. These costs, expressed as a percentage of sales, increased in both 2001 and 2000. The increase in 2001 reflects the impact of declining sales on the ratio, while the increase in 2000 is primarily the result of higher personnel and warehouse costs. In 2001, we scaled back our personnel-related costs in response to weaker sales. Other expenses, such as credit card fees and delivery fees, have also declined along with sales. In 2000, however, we experienced higher delivery- and personnel-related costs in our warehouse operations as third-party carriers increased their rates, and our facility integration efforts took 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. Also included in this category are certain charges and credits that affect the comparisons of on-going operations and are more fully discussed below.

CHARGES AND CREDITS

Our financial results were significantly affected in 2001, 2000 and 1999 by charges and credits that do not relate to on-going sales and service activities. Charges recorded in 2000 were the largest and provide a context for some of the charges in 2001. During the latter half of 2000, we conducted a comprehensive business review of all aspects of our business. Commitments made at that time resulted in a significant change in the Company's strategic direction and led to modifications of our important business practices. Among other things, the review resulted in a decision to close 70 under-performing North American retail stores, close and relocate two warehouses, invest in new warehouse technologies, reduce the number of slower-moving SKUs in our retail stores and North American warehouses and modify business practices to increase efficiency. A total net charge of $260.6 million was recorded and is summarized in the table below. Included in the $174.7 million facility-related charge is $110.0 million in facility closure costs and $64.7 million for the write-down of other impaired assets and related exit costs. Other business review charges included $38.4 million for inventory reductions, a net $10.5 million provision for sales returns and allowances and $12.6 million for the disposal of certain fixed assets. Also in 2000, we recorded $32.5 million in severance costs, primarily related to changes in senior management, and a net $6.8 million credit to adjust a previous merger accrual for improved estimates of actual costs. Outside of operations, we recorded impairment charges of $11.1 million relating to goodwill in Japan and $45.5 million of other than temporary declines in the value of certain Internet investments. Earlier in 2000, we also realized a $57.9 million gain on the sale of certain Internet investments.

During 2001, we closed 73 stores, 70 of which were identified as part of our comprehensive business review. We also identified 10 additional under-performing stores to be closed in 2002. Charges of $43.6 million were recorded for asset impairments relating to these stores, and to adjust estimated lease termination costs recorded in 2000 resulting from a softening in the market for retail space subleases, partially offset by a $10.2 million gain on sale of a warehouse. We also reached settlement of certain non-recurring legal claims and recognized amortization of an existing retention agreement. Non-operating expenses included charges of $14.1 million, primarily to recognize an additional other than temporary decline in value of certain Internet investments. As of the end of 2001, our Internet investment portfolio was carried at $15.2 million.

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 and 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.

The following tables summarize the charges and credits by category and segment:

(Dollars in millions)	2001	2000	1999
Earnings before taxes, excluding non-recurring items	$ 377.5	$ 353.0	$ 519.1
Charges and credits:			
Facility-related, net	33.4	174.7	40.4
Other 2000 business review	--	61.5	--
Legal, merger and other operating	15.9	25.7	64.8
Internet investments and other non-operating	14.1	(1.3)	--
Total charges, net	63.4	260.6	105.2
Earnings before taxes as reported	$ 314.1	$ 92.4	$ 413.9

See Note B of the Notes to Consolidated Financial Statements for additional discussion and line item presentation of the 2000 charges and credits.

(Dollars in millions)	2001	2000	1999
Distribution of charges and credits by segment:			
North American Retail Division	$ 43.6	$ 201.1	$ 88.3
BSG	--	8.6	(12.2)
International Division	(10.2)	18.7	29.1
Other - Corporate	30.0	32.2	--
Total	$ 63.4	$ 260.6	$ 105.2

After considering the effect of income taxes, the impact of these net charges on our net earnings was $41.0 million, $172.9 million and $69.3 million for 2001, 2000, and 1999, respectively.

The components of segment operating profit presented below include the charges and credits outlined above. Additionally, certain expenses, primarily payroll-related, previously recorded in total company general and administrative expenses have been reclassified to determine segment operating profit beginning in 2001. Prior year amounts reflect the reclassification of these costs.

NORTH AMERICAN RETAIL DIVISION

(Dollars in millions)	2001		2000		1999	
Sales	$ 5,842.6	100.0%	$ 6,487.5	100.0%	$ 5,893.4	100.0%
Cost of goods sold and occupancy costs	4,479.1	76.7%	5,065.0	78.1%	4,556.5	77.3%
Gross profit	1,363.5	23.3%	1,422.5	21.9%	1,336.9	22.7%
Operating and selling expenses	1,046.7	17.9%	1,101.7	17.0%	923.2	15.7%

Segment operating profit	$ 316.8	5.4%	$ 320.8	4.9%	$ 413.7	7.0%

Sales in our North American Retail Division decreased 10% in 2001 and increased 10% in 2000. Adjusting fiscal 2000 results to remove the 53rd week, sales decreased 8% in 2001. The decrease was experienced across all regions of the country and reflects the adverse effect of the weak U.S. economy. Additionally, the sales decline during 2001 reflects the closing of 73 stores identified as under-performing stores as part of the comprehensive business review in late 2000. The sales increase in 2000 was primarily achieved through our store expansion program. For 2001, comparable sales in the 816 stores that had been open for more than one year were down 8%. In 2000, comparable sales were essentially even with 1999.

While sales decreased in 2001, gross profit expressed as a percent of sales increased. Sales shifted away from lower-margin computer hardware, software and office furniture and into products such as machine and office supplies, as well as additional copy center services. Sales of computer products declined 26% in 2001 compared with an increase of 3% in 2000, reflecting declines in both volume and average unit price. We are unable to predict when, and to what extent, this trend will reverse. During 1999, we offered low priced units and more aggressive promotional programs on computer products, including an instant rebate program when the customer contracted for Internet service, which resulted in strong sales for that year at lower margin percentages. The Internet service provider instant rebate program was in effect for portions of 2000 and 2001. The sale of business furniture declined 16% in 2001, after increasing 14% in 2000. The decrease in 2001 is consistent with the slowing economy and decisions to cancel or defer office-related purchases. The sale of business machine supplies increased in both periods.

Lower margins realized on paper and machine supplies contributed most notably to the decrease in gross profit in 2000 compared to 1999. 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.

A significant portion of the comprehensive business review completed at the end of 2000 was focused on the North American Retail Division and, among other things, included a commitment to enhance the shoppers' experience in our retail stores. To that end, we implemented a Division-wide re-merchandising campaign that included personnel training, improved signage and lighting, improved product adjacencies and additional private label merchandise. Also, as a result of the business review, we closed 70 under-performing stores in early 2001 and another three later in the year. The table above includes charges and credits reported in line items through segment operating profit. In 2000, these charges include $29.5 million to provide for sales returns and allowances, $10.1 million for inventory adjustments and $57.8 million relating to asset impairments and write-downs. Additional charges and credits relating to the North American Retail Division, such as facility closure costs, were reported on line items below segment operating profit and are discussed in the CHARGES AND CREDITS section above. Fiscal year 2001 includes $35.2 million of charges relating to additional store closures and impairments from 13 additional under-performing stores, three of which were closed during the year.

In our North American Retail Division, the largest components of operating and selling expenses are personnel, facility, advertising and credit card expenses. Each of these components declined in 2001; and total operating and selling expenses, excluding the charges outlined above, decreased 3% in 2001. Personnel costs, which represent over 50% of the total costs in this caption, showed the largest decline as payroll was adjusted down in response to declining sales and from a net reduction in stores. Personnel costs in 2000 were higher than in 1999, primarily because of competitive wage pressure and the need to attract more highly skilled employees in certain positions. Additionally, rent and depreciation expense decreased in 2001 from store closings, partially offset by adding 44 stores during the year. Lower sales in 2001 also contributed to lower credit card fees and reduced advertising. 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. Delivery and transportation costs declined slightly in 2001.

BSG

(Dollars in millions)	2001		2000		1999	
Sales	$ 3,763.0	100.0%	$ 3,618.8	100.0%	$ 3,057.2	100.0%
Cost of goods sold and occupancy costs	2,573.9	68.4%	2,526.6	69.8%	2,108.0	69.0%
Gross profit	1,189.1	31.6%	1,092.2	30.2%	949.2	31.0%
Operating and selling expenses	897.9	23.9%	910.8	25.2%	727.8	23.8%
Segment operating profit	$ 291.2	7.7%	$ 181.4	5.0%	$ 221.4	7.2%

Sales in our BSG segment grew 4% in 2001 and 18% in 2000. Adjusting fiscal 2000 to a 52-week basis, sales increased 6% in 2001. While sales increased for the year, the rate of growth for both contract and commercial business declined over the course of the year, consistent with the slowing U.S. economy. Sales in the western U.S. displayed the greatest decline following the general slowdown in the technology services sector. The growth in 2000 sales reflects an increase in our large business customer base and significant growth in our Internet business. We expect continued growth in our Internet sales during 2002 as we allocate additional resources to that sales channel. Machine supplies include laser, inkjet and copier supplies, and increased 16% in 2001 and 27% in 2000. General office supplies and paper sales also increased in both periods. Technology-related sales are a smaller part of BSG sales, but they declined in 2001 after showing some gains in 2000. Office furniture sales declined 11% in 2001.

Gross profit was enhanced during 2001 as we maintained stricter adherence to volume-dependent pricing arrangements. We earn higher gross profit percentages in our BSG than in our retail operations principally as the result of lower occupancy costs and a relative sales mix with fewer technology 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 in response to competitive pressures. Further, these products increased in our product mix, which compounded the negative impact on gross profit.

The 2000 comprehensive business review also covered operations of BSG and included a number of initiatives to improve delivery operations, lower warehouse costs and improve customer satisfaction. Included in fiscal year 2000 results are net charges of $10.9 million for inventory adjustments, sales returns and allowances, and facility closure costs. No similar charges or credits were recorded in 2001. During 2001, on-time deliveries, order fill rates and quality index calculations all increased, and customer complaints decreased significantly.

Personnel, facility and delivery expenses are the largest components of our BSG operating expenses. Operating and selling expenses as a percentage of sales decreased in 2001 primarily from reduced personnel and outside labor costs. Call center modifications and warehouse efficiency programs were significant contributors to lower personnel-related costs. Delivery costs decreased as we lowered our use of third-party vendors and added technology to streamline operations. Advertising expenses increased in 2001 as we received lower cooperative advertising payments from participating vendors. 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, operating and selling 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. During 2002, we anticipate two new distribution facilities, one in Atlanta and the other in Baltimore, to replace outdated facilities, which have reached capacity. These new facilities are expected to enhance our ability to grow in these two important markets.

INTERNATIONAL DIVISION

(Dollars in millions)	2001		2000		1999	
Sales	$ 1,552.0	100.0%	$ 1,467.4	100.0%	$ 1,352.4	100.0%
Cost of goods sold and occupancy costs	932.3	60.1%	890.0	60.7%	788.3	59.5%
Gross profit	619.7	39.9%	577.4	39.3%	537.1	40.5%
Operating and selling expenses	400.3	25.8%	398.5	27.1%	373.6	28.2%

Segment operating profit $ 219.4 14.1% $ 178.9 12.2% $ 163.5 12.3%
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Sales in our International Division grew 6% in 2001 and 11% in 2000. Adjusting fiscal 2000 to a 52-week basis, sales increased 8% in 2001. Foreign currency translations adversely affected sales in all periods. Excluding the foreign currency effect, sales in our International Division grew 11% in 2001 and 23% in 2000. Comparable sales, excluding the foreign currency effect, increased 12% in the current year compared with growth of over 30% in 2000. These increases in 2001 were achieved despite softness experienced in our operations in larger European countries relating to softer economic conditions generally throughout Europe. 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 87% of all international sales in 2001 and 88% in 2000. These Viking catalog operations had local currency comparable sales increases of 11% in 2001 and 16% in 2000. Competitive, political, and economic conditions in international markets in which we operate may impact our sales in the future. 8

As noted above, sales in local currencies have substantially increased in recent years. For U.S. reporting, these sales are translated into U.S. dollars at average exchange rates during the year. The strong U.S. dollar has adversely affected reported sales in each of the three years presented, in some cases significantly. To the extent the U.S. dollar continues to strengthen relative to the currencies where we conduct business, this adverse effect on reported sales can be expected to continue. Gross profit as a percentage of sales increased in 2001 and reflects pricing initiatives in certain machine and general office supply categories, partially offset by the introduction of our lower-margin contract sales in certain European countries. The decrease in gross profit as a percent of sales in 2000 resulted from an unfavorable mix shift towards machine supplies, primarily ink and toner cartridges, which yield lower gross profit margins than other products. As with our other segments, our International Division was affected by 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. Operating and selling expenses as a percentage of sales are higher in our International Division than in our other segments primarily because we use an extensive marketing program to drive sales in new and existing markets, and we have start-up activities in several markets. Similar to our BSG, personnel and delivery expenses are significant components of our International Division's operating and selling expenses. Additionally, the cost of catalog preparation and mailing is a significant component to support the direct mail channel. Continuing a trend that began in 2000, advertising expenses continued to decline, reflecting the impact of improved mailing efficiencies throughout Europe in 2001, as well as continued improvement in our use of more effective advertising campaigns in Japan. 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. During 2001, we incurred additional operating expenses related to the start up of contract businesses in Europe along with the acquisition of a contract stationer in Australia. These incremental costs are normal as we continue developing our business in new markets. These expenses are offset by continuing improvement in certain fixed operating expenses. As our operations grow in a particular market, 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. Fiscal 2001 includes a gain of $10.2 million from the sale of a London warehouse and fiscal 2000 includes charges of $5.3 million for closed stores and facilities resulting from the 2000 comprehensive business review.

CORPORATE AND OTHER PRE-OPENING EXPENSES

(Dollars in thousands)	2001	2000	1999
Pre-opening expenses	$10,172	$13,465	$23,628
Office supply stores opened*	55	78	159

* 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 2001, our pre-opening expenses approximated $160,000 per domestic office supply store and $101,000 per international office supply store. Our cost to open a new CSC varies significantly with the size and location of the facility. We currently estimate costs to open a domestic or international CSC to be $1.5 million per facility. 9

GENERAL AND ADMINISTRATIVE EXPENSES (Dollars in thousands) 2001 2000 1999 -------- -------- -------- General and administrative expenses $451,722 $453,784 $328,108 Percentage of sales 4.0% 3.9% 3.2% Our general and administrative expenses primarily consist 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 improvements in 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 those 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 included in this category in 1999 are expenses relating to our CSC consolidation and integration initiatives. OTHER INCOME AND EXPENSE (Dollars in thousands) 2001 2000 1999 -------- -------- -------- Interest income $ 13,058 $ 11,502 $

30,176 Interest expense (44,302) (33,901) (26,148) Miscellaneous income (expense), net (9,057) 4,632 (3,514) Financing and investing activities are not included in determining segment profitability. During 2001, we issued $250 million of senior subordinated notes that mature in 2008. We also entered into swap agreements to convert these notes to a variable interest rate, to balancing our fixed and variable interest portfolio. Interest expense in 2001 reflects this additional borrowing. Higher cash balances from this borrowing and increased cash flow from operations contributed to the increase in interest income in 2001, despite a decreasing interest rate environment. Cash balances, and related interest income, declined in 2000 reflecting $300.8 million of cash used for purchases of our stock. During the fourth quarter of 2000, we began borrowing against our domestic credit facility, which led to increased interest expense over 1999. These borrowings were repaid during 2001. Also, reserves established in connection with the 2000 comprehensive business review, and in 2001 for future lease obligations related to our facility closures and merger activities, are recorded at the net present value of the obligation. As we pay these obligations, the imputed interest cost on the discounted obligations is recognized as interest expense. This has also caused interest expense to increase in 2000 compared to 1999 and should be expected to continue in future years. Our net miscellaneous income (expense) consists of equity in the earnings of our joint venture investments, royalty and franchise income that we generate from licensing and franchise agreements, and gains or impairments on Internet investments. All of our equity investments involve operations outside of the United States and Canada. Impairment charges for other than temporary declines in value of certain Internet investments were $14.7 million in 2001 and $45.5 million in 2000. Fiscal year 2000 also included a realized gain of $57.9 million from the sale of certain Internet investments and $11.1 million of goodwill impairment in Japan. Under accounting rules that apply in 2002, we will no longer record goodwill amortization, but will test each year for possible impairment. See NEW ACCOUNTING STANDARDS below. INCOME TAXES (Dollars in thousands) 2001 2000 1999 --------- -------- --------- Income Taxes $ 113,087 $ 43,127 $

156,249
Effective
income tax
rate* 36.0%
46.6% 37.8%
Effective
income tax
rate*,
excluding
merger and
restructuring
costs and 36.0%
37.0% 37.0%
other one-time
charges and
credits *Income
Taxes as a
percentage of
earnings before
income taxes.

The effective income tax rate in 2001 declined to 36%, primarily reflecting the increase in International activity taxed at lower rates. The effective tax rate may decline further during 2002.

In 2000 and 1999, certain non-deductible merger-related charges 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)	2001	2000	1999
Operating activities	$ 747,166	$ 316,482	$ 369,449
Investing activities	(231,944)	(239,365)	(447,841)
Financing activities	(85,403)	(134,093)	(405,849)

OPERATING AND INVESTING ACTIVITIES

We have historically relied on cash flows generated from operations as our primary source of funds because the majority of 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 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 contract and certain 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 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 increase in operating cash flows in 2001 is primarily attributable to an improvement in operating profit and a focus on reducing certain components of working capital, following the 2000 comprehensive business review. During 2001, both accounts receivable and inventory balances decreased significantly, primarily from management actions. Inventory levels held in stores and CSCs decreased in each consecutive year presented because of improved inventory turnover, our SKU reduction program and our focus on supply chain management. Operating cash flows in 2000 declined mainly due to lower gross profit, higher store and warehouse operating and selling expenses and higher general and administrative expenses.

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 our capital expenditures have decreased as fewer stores have been opened in each successive year. Additionally, throughout 2001 we more closely scrutinized capital expenditures with an emphasis on improving our return on assets. 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 25 to 30 stores in our North American Retail Division and 10 to 15 stores in our International Division during 2002. 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 $0.5 million for leasehold improvements, fixtures, point-of-sale terminals and other equipment, and approximately $0.6 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. We also plan to expand our European Business Service Division into two new countries.

We have expanded our presence in the e-commerce marketplace by acquiring Internet-based companies and entering into strategic business relationships with several Web-based providers of business-to-business e-commerce solutions. In 2001, we acquired the operations of 4Sure.com, an Internet-based technology business. We made non-controlling investments in technology-related companies during 2000 and 1999 of $30.1 million and $50.7 million, respectively. During 2000, we sold certain of these investments and realized a gain of $57.9 million. Also, we recorded impairment charges of $14.7 million in 2001 and $45.5 million in 2000 to recognize the other than temporary declines in value. The carrying value of these investments at December 29, 2001 and December 30, 2000 was $15.2 million and $29.9 million, respectively. 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 $555.0 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 totaling $255.0 million. As of December 29, 2001, we had no outstanding borrowings under these lines of credit; we did have letters of credit totaling $36.8 million against the five-year facility. 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 0.70% over the London Interbank Offered Rate ("LIBOR"). Our credit agreement entered into in June 2001 with a 364-day term also has various borrowing rate options, including a current borrowing rate of 0.95% over LIBOR. Both agreements contain similar restrictive covenants relating to various financial statement ratios.

In July 2001, we issued $250 million of seven year, non-callable, senior subordinated notes due on July 15, 2008. The notes contain provisions that, in certain circumstances, place financial restrictions or limitations on our Company. The notes have a coupon interest rate of 10.00%, payable semi-annually on January 15 and July 15. In August 2001, we entered into LIBOR-based variable rate swap agreements with notional amounts aggregating $250 million. The effective interest rate since August 2001 was 7.8% and, beginning in January 2002, was 6.15%. This rate will be reset every six months.

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 $74.5 million at December 29, 2001) at an interest rate of 0.875% over the Tokyo Interbank Offered Rate ("TIBOR"). These facilities are available to us until July 2002, and are therefore classified as current on our balance sheet. The yen facilities loan agreements are tied to the covenants in our domestic facilities described earlier. As of December 29, 2001, we had outstanding yen borrowings equivalent to $74.5 million under these yen facilities, with an average effective interest rate of 1.118%. Effective October 28, 1999, we entered into a yen interest rate swap with a financial institution for a principal amount equivalent to $18.6 million at December 29, 2001 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 October 2001, our Board of Directors authorized the Company to repurchase up to $50 million of its common stock each year until rescinded by the Board. The repurchased shares will be added to the Company's treasury shares and will be used to meet the Company's near-term requirements for its stock option and other benefit plans. During 2001, we repurchased approximately 252,000 shares of our stock at a total cost of $4.2 million plus commissions.

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 certain 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 as long-term. Our 1992 LYONs(R) have 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, and therefore, these obligations totaling $233.5 million have been classified as a current liability on our Consolidated Balance Sheet. 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.

Our 2001 net cash used in financing activities consisted mainly of long- and short-term debt payments of $400.5 million to pay off our domestic credit facility debt that was accumulated in the fourth quarter of 2000. These payments were partially offset by proceeds received in 2001 from the issuance of $250 million in senior subordinated notes as discussed above. For 2000, our stock repurchase and the repurchase of our 1993 LYONs(R) made up the majority of cash used in financing activities. We began borrowing from our domestic credit facilities during the fourth quarter of 2000, primarily to fund the LYONs(R) repurchase. We continually review our financing options. Although we currently anticipate that we will finance all of our 2002 operations, expansion 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.

The following table summarizes the Company's long-term obligations at December 29, 2001:

(Dollars in millions)	Payments due by Period				
Contractual Cash Obligations	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Long-term debt	$ 555.6	$ 308.0	$ --	$ --	$ 247.6
Capital lease obligations	122.9	15.9	25.1	13.2	68.7
Operating leases	2,590.4	400.0	645.8	469.0	1,075.6
Unconditional purchase obligations	2.1	2.1	--	--	--
Total contractual cash obligations	$ 3,271.0	$ 726.0	$ 670.9	$ 482.2	$ 1,391.9

Approximately $308 million of obligations have been classified as current maturities in the Consolidated Balance Sheet because of an investor call provision relating to $233.5 million of obligations and the scheduled agreement termination relating to the U.S. dollar equivalent of $74.5 million of debt denominated in Japanese Yen. These amounts may be reclassified as long-term obligations if investors fail to exercise the call provision and the Company renegotiates the Japanese debt.

Additionally, we have Letters of Credit totaling $36.8 million outstanding at the end of the year and we have recourse for private label credit card receivables transferred to a third party. We record an estimate for losses on these receivables in our financial statements. The total outstanding amount transferred to third a party at the end of the year was approximately $252 million.

SIGNIFICANT ACCOUNTING POLICIES

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. As such, some accounting policies have a significant impact on amounts reported in these financial statements. A summary of those significant accounting policies can be found in Notes to the Consolidated Financial Statements as NOTE A. In particular, judgment is used in areas such as determining the allowance for uncollectible accounts, cooperative advertising and vendor programs, the provision for sales returns and allowances, self-insurance accruals, adjustments to inventory valuations and provisions for store closures and asset impairments.

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. This competition is likely to result in increased competitive pressures on pricing, product selection and services provided. Many of these retail competitors, including discounters, warehouse clubs, and even drug stores and grocery chains, have begun carrying at least limited numbers of basic office supply products, including ink jet and toner cartridges, printer paper and other basic supplies. Some of them have also begun to feature technology products. Many of them price these offerings lower than we do, but they have not shown any indication of greatly expanding their somewhat limited product offerings at this time. This trend towards a proliferation of retailers offering a limited assortment of office products is a potentially serious trend in the industry, and one that our management is watching closely.

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 e-commerce arena.

MARKET SENSITIVE RISKS AND POSITIONS

We have market risk exposure related to interest rates and foreign currency exchange rates. Market risk is measured as the potential negative impact on earnings, cash flows or fair values resulting from a hypothetical change in interest rates or foreign currency exchange rates over the next year. We manage the exposure to market risks at the corporate level. The portfolio of interest-sensitive assets and liabilities is monitored and adjusted to provide liquidity necessary to satisfy anticipated short-term needs. The percentage of fixed and variable rate debt is managed through borrowings and interest rate swap agreements to fall within a desired range. Our risk management policies allow the use of specified financial instruments for hedging purposes only; speculation on interest rates or foreign currency rates is not permitted.

INTEREST RATE RISK

We are exposed to the impact of interest rate changes on cash equivalents and debt obligations. The impact on cash and short-term investments held at the end of 2001 of a hypothetical 10% decrease in interest rates would be a decrease in interest income of approximately $1 million in 2002.

Market risk associated with our debt portfolio is summarized below:

(Dollars in thousands)	2001 Carrying Value	2001 Fair Value	2001 Risk Sensitivity	2000 Carrying Value	2000 Fair Value	2000 Risk Sensitivity
Fixed interest rate debt(1)	$481,107	$531,602	$ 6,770	$224,438	$196,700	$ 732
Variable interest rate debt(1)	74,509	74,509	373	453,568	453,568	1,948

(1) Including current maturities.

The risk sensitivity of fixed rate debt reflects the estimated increase in fair value from a 50 basis point decrease in interest rates, calculated on a discounted cash flow basis. The sensitivity of variable rate debt reflects the possible increase in interest expense during the next period from a 50 basis point change in interest rates prevailing at year end.

During 2001, we entered into an interest rate swap agreement to receive fixed and pay floating rates, converting the equivalent of $250 million of this portfolio to variable rate debt through 2008. The fair value of this agreement at December 29, 2001 was immaterial. Additionally, the variable interest payments of certain overseas debt have been hedged through mid-year 2002 under a variable to fixed rate swap agreement. The U.S. dollar equivalent notional amount was $18.6 million at year-end 2001 and $21.0 million at year-end 2000. Sensitivity of this agreement to a 50 basis point change in interest rates was not material in either period.

FOREIGN EXCHANGE RATE RISK

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 results of these foreign operations are translated into U.S. dollars in our consolidated financial statements. As of December 29, 2001, a 10% change in the applicable foreign exchange rates would result in an increase or decrease in our operating profit of approximately $11 million.

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 a limited amount of 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 2001, foreign exchange forward contracts to hedge certain inventory exposures were less than $16.4 million.

One practical effect of the strong U.S. dollar over the past several years has been a reduction in the reported results of operations from our extensive overseas operations, due to the requirement to report our results in U.S. dollars. While we look for opportunities to reduce our exposure to foreign currency fluctuation against the U.S. dollar, at this point we have determined not to pursue hedging opportunities generally.

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 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 STANDARDS

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement No. 141, ACCOUNTING FOR BUSINESS COMBINATIONS, and Statement No. 142, GOODWILL AND OTHER INTANGIBLE ASSETS. These Statements modify accounting for business combinations after June 30, 2001 and will affect the Company's treatment of goodwill and other intangible assets at the start of fiscal year 2002. The Statements require that goodwill existing at the date of adoption be reviewed for possible impairment and that impairment tests be periodically repeated, with impaired assets written down to fair value. The initial test of goodwill must be completed within six months of adoption, or by June 2002 for Office Depot, with a completion of testing by the end of 2002. Additionally, existing goodwill and intangible assets must be assessed and classified consistent with the Statements' criteria. Intangible assets with estimated useful lives will continue to be amortized over those periods. Amortization of goodwill and intangible assets with indeterminate lives will cease. We have not yet completed the initial test of existing goodwill and, accordingly, cannot estimate the full impact of these rules. However, goodwill amortization, which totaled $7.0 million for 2001, will no longer be recorded.

In July 2001, the FASB issued Statement No. 143, ACCOUNTING FOR ASSET RETIREMENT OBLIGATIONS. This Statement requires capitalizing any retirement costs as part of the total cost of the related long-lived asset and subsequently allocating the total expense to future periods using a systematic and rational method. Adoption of this Statement is required for Office Depot with the beginning of fiscal year 2003. We have not yet completed our evaluation of the impact of adopting this Statement.

In October 2001, the FASB issued Statement No. 144, ACCOUNTING FOR THE IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS. This Statement supersedes Statement No. 121 but retains many of its fundamental provisions. Additionally, this Statement expands the scope of discontinued operations to include more disposal transactions. The provisions of this Statement are effective for Office Depot with the beginning of fiscal year 2002. We do not anticipate a significant impact to the Company's results of operations from adoption of this Statement.

OFFICE DEPOT, INC.
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 2002 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. Even grocery and drug store chains have begun to carry at least limited supplies of basic office supplies and even technology items. 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 25 to 30 stores in the United States and Canada and 10 to 15 stores in our International Division during 2002, and we also plan to open two new BSG distribution centers in Atlanta and Baltimore during 2002. 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 or distribution centers 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 2002 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 2002 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 2001, 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 e-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 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. In addition, we have reached maximum capacity in some of our distribution centers that serve our contract and commercial customers. In 2002, we plan to open new distribution facilities in Atlanta and Baltimore. Failure to open these facilities as planned, or material delays in construction and/or equipping these facilities, could have a material adverse impact on our anticipated results in 2002.

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 CHARGES AND CREDITS 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. There can be no assurance that additional charges of this nature will not be required in the future as well. In particular, we expect that a retail store chain, such as our North American Retail Division, should expect to close a certain number of stores each year, remodel and/or relocate other stores. We cannot be certain that our decisions to close, remodel and/or relocate stores will have the desired favorable results on our financial performance, nor can we anticipate the size and nature of non-recurring charges associated with such matters. 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 dramatically reduced interest rates throughout 2001 in recognition of the economic downturn and in an effort to address that downturn. The overall stock market has been in a period of poor performance throughout 2001. The retail industry, in particular, continues to display signs of a slowdown, with several specialty retailers, both in and outside our industry segment, reporting earnings warnings throughout 2001. One major discount retailer filed for bankruptcy protection earlier in 2002, further indicating that the slow economy is having an impact on the retail industry. 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 continues to have vacancies in certain key positions. Various searches are 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, except as required by laws and regulations.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Office Depot, Inc.

We have audited the consolidated balance sheets of Office Depot, Inc. (the "Company") as of December 29, 2001 and December 30, 2000 and the related consolidated statements of earnings, stockholders' equity and cash flows for each of the three years in the period ended December 29, 2001. 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. as of December 29, 2001 and December 30, 2000 and the results of their operations and their cash flows for each of the three years in the period ended December 29, 2001 in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP
Certified Public Accountants

Miami, Florida
February 13, 2002

OFFICE DEPOT, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	December 29, 2001	December 30, 2000
ASSETS		
Current assets:		
Cash and cash equivalents	$ 563,410	$ 151,482
Receivables, net of allowances of $32,682 in 2001 and $34,461 in 2000	781,476	896,333
Merchandise inventories, net	1,259,522	1,420,825
Deferred income taxes	148,490	157,779
Prepaid expenses	53,292	72,670
Total current assets	2,806,190	2,699,089
Property and equipment, net	1,110,011	1,119,306
Goodwill, net	249,560	219,971
Other assets	165,882	157,968
Total Assets	$ 4,331,643	$ 4,196,334
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,060,968	$ 1,136,994
Accrued expenses and other liabilities	612,999	580,966
Income taxes payable	109,026	37,118
Current maturities of long-term debt	318,521	153,259
Total current liabilities	2,101,514	1,908,337
Deferred income taxes and other credits	64,139	88,247
Long-term debt, net of current maturities	315,331	374,061
Zero coupon, convertible subordinated notes	2,221	224,438
Commitments and contingencies		
Stockholders' equity:		
Common stock - authorized 800,000,000 shares of $.01 par value; issued 385,538,340 in 2001 and 378,688,359 in 2000	3,855	3,787
Additional paid-in capital	1,007,088	939,214
Unamortized value of long-term incentive stock grant	(2,578)	(2,793)
Accumulated other comprehensive loss	(71,273)	(53,490)
Retained earnings	1,717,734	1,516,691
Treasury stock, at cost - 82,443,170 shares in 2001 and 82,190,548 shares in 2000	(806,388)	(802,158)
Total stockholders' equity	1,848,438	1,601,251
Total liabilities and stockholders' equity	$ 4,331,643	$ 4,196,334

The accompanying notes are an integral part of these statements.

OFFICE DEPOT, INC.
CONSOLIDATED STATEMENTS OF EARNINGS
(In thousands, except per share amounts)

	2001	2000	1999
Sales	$ 11,154,081	$ 11,569,696	$ 10,272,060
Cost of goods sold and occupancy costs	7,983,973	8,479,437	7,450,575
Gross profit	3,170,108	3,090,259	2,821,485
Store and warehouse operating and selling expenses	2,343,394	2,409,478	2,023,055
General and administrative expenses	451,722	453,784	328,108
Facility closure costs	8,436	110,038	40,425
Other operating expenses	12,125	6,733	16,524
Operating profit	354,431	110,226	413,373
Other income (expense):			
Interest income	13,058	11,502	30,176
Interest expense	(44,302)	(33,901)	(26,148)
Miscellaneous income (expense), net	(9,057)	4,632	(3,514)
Earnings before income taxes	314,130	92,459	413,887
Income taxes	113,087	43,127	156,249
Net earnings	$ 201,043	$ 49,332	$ 257,638
Earnings per share:			
Basic	$ .67	$ .16	$ .71
Diluted	.66	.16	.69

The accompanying notes are an integral part of these statements.

OFFICE DEPOT, INC.

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)	Comprehensive Income (loss)	Retained earnings	Treasury stock
Balance at December 6, 1998	373,817,704	$3,738	$ 838,122	$(2,874)	$(18,078)		$1,209,721	$ (1,750)
Comprehensive income:								
Net earnings						$257,638	257,638	
Foreign currency translation adjustment					(28,319)	(28,319)		
Unrealized gain on investment securities, net of tax					62,127	62,127		
Comprehensive income						$291,446		
Acquisition of treasury stock								(501,361)
Retirement of treasury stock	(3,245,170)	(32)	(1,718)					1,750
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		1,467,359	(501,361)
Comprehensive income:								
Net earnings						$ 49,332	49,332	
Foreign currency translation adjustment					(7,093)	(7,093)		
Realized gain on investment securities, net of tax					(62,127)	(62,127)		
Comprehensive income (loss)						$(19,888)		
Acquisition of treasury stock								(300,797)
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)		1,516,691	(802,158)
Comprehensive income:								
Net earnings						$201,043	201,043	
Foreign currency translation adjustment					(17,783)	(17,783)		
Comprehensive income (loss)						$183,260		
Acquisition of treasury stock								(4,254)
Grant of long-term incentive stock	80,000	1	764					
Exercise of stock options (including income tax benefits)	5,604,810	55	56,430					
Issuance of stock under								

employee stock purchase plans	751,400	8	6,712				
Matching contributions under 401(k) and deferred compensation plans	413,771	4	3,957				
Direct stock purchase plans			11				24
Amortization of long-term incentive stock grant					215		
Balance at December 29, 2001	385,538,340	$3,855	$1,007,088	$(2,578)	$(71,273)	$1,717,734	$(806,388)
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The accompanying notes are an integral part of these statements.

OFFICE DEPOT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	2001	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net earnings	$ 201,043	$ 49,332	$ 257,638
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	199,434	205,710	171,083
Provision for losses on inventories and receivables	109,560	121,226	145,996
Net (earnings) on equity method investments	(10,892)	(9,436)	(2,041)
Accreted interest on zero coupon, convertible subordinated notes	11,308	19,203	19,534
Employee stock benefit plans	5,001	6,469	5,905
Deferred income tax expense (benefit)	196	(81,814)	(430)
Net loss (gain) on investment securities	14,100	(12,414)	--
(Gain) loss on disposal of property and equipment	(5,275)	10,585	9,882
Write-down of impaired assets	43,623	114,343	13,965
Changes in assets and liabilities:			
Decrease (increase) in receivables	93,849	(85,327)	(152,523)
Decrease (increase) in merchandise inventories	81,651	(66,348)	(284,489)
Net decrease (increase) in prepaid expenses and other assets	13,156	(21,561)	(24,862)
Net (decrease) increase in accounts payable, accrued expenses and deferred	(9,588)	66,514	209,791
Total adjustments	546,123	267,150	111,811
Net cash provided by operating activities	747,166	316,482	369,449
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisitions	(45,604)	--	--
Purchases of investment securities	--	(30,112)	(154,364)
Proceeds from maturities or sales of investment securities	--	54,006	114,141
Investments in unconsolidated joint ventures	--	--	(1,606)
Purchase of remaining ownership interest in joint ventures	--	--	(21,629)
Capital expenditures	(207,287)	(267,728)	(392,305)
Proceeds from sale of property and equipment	20,947	4,469	7,922
Net cash used in investing activities	(231,944)	(239,365)	(447,841)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from exercise of stock options and sale of stock under employee stock purchase plans	52,962	12,388	59,082
Repurchase of common stock for treasury	(4,193)	(300,797)	(501,006)
Proceeds from issuance of long-term debt	266,286	430,522	42,841
Payments on long- and short-term borrowings	(400,458)	(27,015)	(6,766)
Repurchase of zero coupon, convertible subordinated notes	--	(249,191)	--
Net cash used in financing activities	(85,403)	(134,093)	(405,849)
Effect of exchange rate changes on cash and cash equivalents	(17,891)	(10,326)	(1,516)
Net (decrease) increase in cash and cash equivalents	411,928	(67,302)	(485,757)
Cash and cash equivalents at beginning of period	151,482	218,784	704,541
Cash and cash equivalents at end of period	$ 563,410	$ 151,482	$ 218,784

The accompanying notes are an integral part of these statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS: Office Depot, Inc. (the "Company") is the world's largest supplier of office products and services, operating in 18 countries under two product brands - Office Depot(R) and Viking Office Products(R). Products and services are offered through wholly-owned retail stores, contract business-to-business sales relationships, commercial catalog business and multiple Web sites providing a wide-range of office products, computers and technical support functions.

BASIS OF PRESENTATION: The consolidated financial statements of Office Depot, Inc. and its subsidiaries have been prepared in accordance with accounting principles generally accepted in the United States of America. All intercompany transactions have been eliminated in consolidation. Non-controlling investments in joint ventures selling office products and services in Mexico and Israel are accounted for using the equity method. The Company's share of joint ventures' operations is included in the Consolidated Statements of Earnings in miscellaneous income (expense), net.

Certain prior year amounts have been reclassified to conform to current year presentation.

FISCAL PERIODS: Fiscal years are based on a 52- or 53-week period ending on the last Saturday in December. The 2000 financial statements consist of 53 weeks; all other periods presented consist of 52 weeks.

ESTIMATES AND ASSUMPTIONS: Preparation of these financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and related notes. Actual results may differ from those estimates.

FOREIGN CURRENCY TRANSLATION: Assets and liabilities of international operations are translated into U.S. dollars using the exchange rate on the balance sheet date. Revenues and expenses are translated at average monthly exchange rates. Translation adjustments resulting from this process are recorded in stockholders' equity as a component of other comprehensive income (loss).

CASH EQUIVALENTS: Highly liquid securities with maturities of three months or less are classified as cash equivalents.

RECEIVABLES: Trade receivables totaled $491.3 million and $547.4 million at December 29, 2001 and December 30, 2000, respectively. An allowance for doubtful accounts has been recorded to reduce receivables to an amount expected to be collectible from customers. The allowance recorded in 2001 and 2000 was approximately $32.7 million and $34.5 million, respectively. Receivables generated through a private label credit card program are transferred to financial services companies with recourse to Office Depot. The outstanding amount transferred at December 29, 2001 was $252.0 million.

The Company's exposure to credit risk associated with trade receivables is limited by having a large customer base that extends across many different industries and geographic regions. However, the Company's receivables may be adversely affected by an economic slowdown in the U.S. or internationally.

Other receivables, totaling $290.2 million and $348.9 million as of December 29, 2001 and December 30, 2000, respectively, consist primarily of amounts due from vendors under purchase rebate, cooperative advertising and various other marketing programs. Amounts expected to be received from vendors relating to purchases of merchandise inventories are recognized as a reduction of cost of goods sold as the merchandise is sold. Amounts relating to cooperative advertising and marketing programs are recognized as a reduction of advertising expense in the period that the related expenses are incurred.

MERCHANDISE INVENTORIES: Inventories are stated at the lower of cost or market value. The weighted average method is used to determine the cost of over 90% of inventories and the first-in-first-out (FIFO) method for the remainder of our inventories, primarily in our International Division.

INCOME TAXES: Income tax expense is recognized at applicable U.S. or International tax rates. Certain revenue and expense items may be recognized in one period for financial statement purposes and a different period's income tax return. The tax effects of such differences are reported as deferred income taxes.

Essentially all earnings of foreign subsidiaries are expected to be reinvested in overseas expansion. Accordingly, no provision has been made for incremental U.S. taxes on undistributed earnings considered permanently invested. Cumulative undistributed earnings of our foreign subsidiaries for which no Federal income taxes have been provided was $582.0 million and $440.5 million as of December 29, 2001 and December 30, 2000, respectively.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY AND EQUIPMENT: Property and equipment additions are recorded at cost. Depreciation and amortization is recognized over their estimated useful lives using the straight-line method. The useful lives of depreciable assets is estimated to be 15-30 years for buildings and 3-10 years for furniture, fixtures and equipment. Leasehold improvements are amortized over the shorter of the terms of the underlying leases or the estimated useful lives of the improvements.

INVESTMENTS: Investments in certain Internet-based companies and funds are considered available for sale and, accordingly, are carried at estimated fair value. Changes in fair value after initial investment are included as a separate component of stockholders' equity, net of applicable taxes. Other than temporary declines in the value of these investments are recognized in earnings in the period the impairment is determined. At December 29, 2001 and December 30, 2000, the portfolio value was $15.2 million and $29.9 million, respectively. The decline in value resulted from impairments recorded during 2001.

GOODWILL: Goodwill represents the excess of the purchase price and related costs over the value assigned to net tangible and identifiable intangible assets of businesses acquired and accounted for under the purchase method. As the result of a new accounting rule that becomes effective in 2002, goodwill will no longer be amortized in the Statement of Earnings, but will be tested annually for impairment (see NEW ACCOUNTING STANDARDS below). For each year through 2001, goodwill was amortized on a straight-line basis, generally over 40 years. The accumulated amortization of goodwill was $68.3 million and $63.2 million as of December 29, 2001 and December 30, 2000, respectively.

IMPAIRMENT OF LONG-LIVED ASSETS: Long-lived assets are reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Impairment is assessed at the location level, considering the estimated undiscounted cash flows over the asset's remaining life. If estimated cash flows are insufficient to recover the investment, an impairment loss is recognized based on the fair value of the asset less any costs of disposition. An impairment loss of $19.3 million was recognized in 2001 relating to certain under-performing retail stores. Impairment charges of $63.0 million were also recognized in 2000.

FACILITY CLOSURE COSTS: The Company regularly reviews store performance against expectations and closes stores not meeting investment standards. Costs associated with closures resulting from such on-going performance reviews, principally lease cancellation costs, are accrued when the decision to close is made and, in 2001, $5.7 million, net was included in store and warehouse operating and selling expenses for closures and asset dispositions.

As part of a comprehensive business review conducted in 2000, a commitment to close 70 stores was made. A charge of $110.0 million related to those closures was reported on a separate line in the Consolidated Statements of Earnings, because of its significance. This estimate was increased in 2001 by $8.4 million, reflecting an increase in estimated lease termination costs resulting from a softening in the market for real estate subleases. An accelerated store closure program in 1999 resulted in a charge of $40.4 million and is reported in the Consolidated Statements of Earnings similar to the 2000 closures.

FAIR VALUE OF FINANCIAL INSTRUMENTS: The estimated fair values of financial instruments recognized in the Consolidated Balance Sheets or disclosed within these Notes to our Consolidated Financial Statements have been determined using available market information, information from unrelated third party financial institutions and appropriate valuation methodologies. However, considerable judgment is required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented are not necessarily indicative of the amounts that could be realized in a current market exchange.

SHORT-TERM ASSETS AND LIABILITIES: The fair values of cash and cash equivalents, receivables and accounts payable approximate their carrying values because of their short-term nature.

NOTES PAYABLE: The fair values of the zero coupon, convertible subordinated notes and senior subordinated notes were determined based on quoted market prices.

INTEREST RATE SWAPS AND FOREIGN CURRENCY CONTRACTS: The fair values of our interest rate swaps and foreign currency contracts are the amounts receivable or payable to terminate the agreements at the reporting date, taking into account current interest and exchange rates. These amounts were provided by an unrelated third party financial institution and were immaterial at year end 2001 and 2000.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

There were no significant differences as of December 29, 2001 and December 30, 2000 between the carrying values and fair values of the financial instruments except as disclosed below:

	2001		2000	
(Dollars in Thousands)	Carrying Value	Fair Value	Carrying Value	Fair Value
Zero coupon, convertible subordinated notes	$235,747	$258,794	$224,438	$195,453
Senior subordinated notes	245,360	271,250	--	--
Long-term investments for which it is practicable to estimate fair value - warrants(1)	--	--	--	14,913

(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. In 2000, we determined the fair value of these warrants using an option model with the assistance of our investment banker. At December 29, 2001, the fair value of the warrants was minimal.

REVENUE RECOGNITION: Revenue is recorded at the time of shipment for delivery and catalog sales, and at the point of sale for essentially all retail store transactions. When revenue is recorded, an allowance for sales returns is estimated based on past experience. Revenue from sales of extended warranty service plans is either recognized at the point of sale or over the warranty period, depending on various states' laws determination of legal obligor status. All performance obligations and risk of loss associated with such contracts are transferred to an unrelated third party administrator at the time the contracts are sold. Costs associated with these contracts are recognized in the same period as the related revenue.

SHIPPING AND HANDLING FEES AND COSTS: Income generated from shipping and handling fees is classified as revenues for all periods presented. The costs related to shipping and handling are presented as a component of store and warehouse operating and selling expenses. These costs were $748.6 million in 2001, $756.6 million in 2000 and $594.2 million in 1999.

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 $317.0 million in 2001, $295.8 million in 2000 and $285.3 million in 1999.

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

SELF-INSURANCE: Office Depot is primarily self-insured for workers' compensation, auto and general liability and 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. Comprehensive income (loss) consists of net earnings, foreign currency translation adjustments and realized or unrealized gains (losses) on investment securities that are available for sale, net of applicable income taxes.

DERIVATIVE FINANCIAL INSTRUMENTS: Certain derivative financial instruments may be used to hedge the exposure to foreign currency exchange rate and interest rate risks, subject to established risk management policies. Such approved financial instruments include swaps, options, caps, forwards and futures. Use of derivative financial instruments for trading or speculative purposes is prohibited by Company policies.

NEW ACCOUNTING STANDARDS: In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement No. 141, ACCOUNTING FOR BUSINESS COMBINATIONS, and Statement No. 142, GOODWILL AND OTHER INTANGIBLE ASSETS. These Statements modify accounting for business combinations after June 30, 2001 and will affect the Company's treatment of goodwill and other intangible assets at the start of fiscal year 2002. The Statements require that goodwill existing at the date of adoption be reviewed for possible impairment and that impairment tests be periodically repeated, with impaired assets written-down to fair value. The initial test of goodwill must be completed within six months of adoption, or by June 2002 for Office Depot, with a completion of testing by the end of 2002. Additionally, existing goodwill and intangible assets must be assessed and classified consistent with the Statements' criteria.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets with estimated useful lives will continue to be amortized over those periods. Amortization of goodwill and intangible assets with indeterminate lives will cease. We have not yet completed the initial test of existing goodwill and, accordingly, cannot estimate the full impact of these rules. However, goodwill amortization, which totaled $7.0 million for 2001, will no longer be recorded.

In July 2001, the FASB issued Statement No. 143, ACCOUNTING FOR ASSET RETIREMENT OBLIGATIONS. This Statement requires capitalizing any retirement costs as part of the total cost of the related long-lived asset and subsequently allocating the total expense to future periods using a systematic and rational method. Adoption of this Statement is required for Office Depot with the beginning of fiscal year 2003. We have not yet completed our evaluation of the impact of adopting this Statement.

In October 2001, the FASB issued Statement No. 144, ACCOUNTING FOR THE IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS. This Statement supersedes Statement No. 121 but retains many of its fundamental provisions. Additionally, this Statement expands the scope of discontinued operations to include more disposal transactions. The provisions of this Statement are effective for Office Depot with the beginning of fiscal year 2002. We do not anticipate a significant impact to the Company's results of operations from adoption of this Statement.

NOTE B - 2000 COMPREHENSIVE BUSINESS REVIEW AND OTHER

During the second half of 2000, following a change in senior management, Company personnel performed a comprehensive review of the business. As a result of this review, a significant number of facilities were closed, assets were written down and employees were severed. At the same time, initiatives were launched to enhance the shoppers' experience and improve efficiency. Essentially all actions resulting from the business review were put in place during the last part of 2000 or early 2001. Additionally in 2000, costs were recorded relating to executive severance arrangements and gains were realized from the sale of certain Internet investments. The primary elements of the net charge of $260.6 million relating to the business review and other significant charges and credits recorded in 2000, are summarized below:

(Dollars in millions)

Line item presentation	Amount	Nature of charge or credit
Gross profit	$ 48.9	Inventory adjustment of $38.4 million for write-down to net realizable value and liquidation from closed stores, and $10.5 million, net, to establish a reserve for sales returns and allowances.
Operating and selling expenses	64.7	Impairment of assets in closed stores of $63.0 million and $1.7 million reductions in contract sales force.
General and administrative expenses	45.1	Severance costs of $33.9 million for changes in senior management and $11.2 million to write-off corporate assets.
Facility closure costs	110.0	Estimated costs for closing 70 under-performing stores and four inefficient warehouses. Included in the charge is $75.2 million for net lease obligations, $21.7 million for asset write-offs, $2.8 million for severance and various other exit costs of $10.3 million for items such as leased equipment, labor and facility clean up.
Other operating expenses	(6.8)	Merger and restructuring net credit from completed activities and changes in estimates.
Miscellaneous (income) expense, net	(1.3)	A $57.9 million gain on the sale of certain Internet investments, offset by a $45.5 million charge for an other than temporary decline in value of other Internet investments and $11.1 million charge relating to goodwill impairment.
Total charges, net	$ 260.6	

The accrual for lease termination costs identified above was based on the future commitments under contract, adjusted for anticipated sublease and termination benefits. During 2001, an additional net $8.4 million was recorded to reflect lower anticipated recoveries resulting from a softening in the market for sublease space. Also in 2001, we recognized $15.9 million of charges from settlement of certain legal claims and amortization of an existing retention agreement.

NOTE B - 2000 COMPREHENSIVE BUSINESS REVIEW AND OTHER (CONTINUED)

In 1999 we increased our provision for slow-moving and obsolete inventory in our warehouses and stores by $56.1 million and recorded a $15.8 million provision for extended warranty service plans.

NOTE C - MERGER AND RESTRUCTURING

In 1998 Office Depot merged with Viking Office Products and in 1999 the Company acquired full ownership interests in two previous joint ventures. In connection with each of these combinations, plans were developed to integrate operations, eliminate redundancies and streamline processes. The integration plans relating to the Viking merger included opening certain domestic Customer Service Centers ("CSCs") and closing others, as well as the installation of new systems in each surviving facility. After evaluating the results of integrating two facilities, the plans were simplified. In 1999, planned net closures were reduced and $28.6 million of previously accrued integration costs were reversed. In 2000, under the direction of a new management team, the integration plans were adjusted, and the Viking-related merger costs were reduced by a net $6.3 million to reflect fewer closures and to recognize added personnel retention and termination costs.

Separate integration plans were developed relating to the acquisition of additional joint venture interests in France and Japan. Approximately $23.5 million was accrued in 1999 relating to the integration and restructuring of these operations, primarily related to personnel retention and severance, facility closures and related lease termination costs. Of this amount, $0.7 million was reversed in 2000 as portions of the restructuring were completed.

As a result of the focus on continued growth of the core business and on expanding international operations, the Company decided in 1998 to close its photocopy stores and certain furniture-related retail operations. As actual costs relating to the closure process were incurred, and to adjust estimated lease costs, approximately $2.0 million of accrued costs were reversed in 1999 and an additional $0.2 million recorded in 2000.

At year-end 2001 and 2000, approximately $4.9 and $3.9 million, respectively, remained accrued for merger and restructuring costs, primarily relating to residual lease termination costs, the unamortized portion of an employee retention agreement and other identified commitments. Charges recorded in 2001 primarily relate to additional lease accruals from a softening in the market for real estate subleases and for employee retention agreement amortization. Amounts expensed for asset write-offs are recorded as a reduction of fixed assets; all other amounts are recorded as accrued expenses. The activity in the liability accounts by cost category is as follows:

(Dollars in thousands)	Beginning Balance	New Charges	Cash Payments	Other Adjustments	Ending Balance
2001					
Accrued direct merger costs ...	$ --	$ --	$ --	$ --	$ --
Accrued other facility exit costs	1,187	3,134	(1,714)	(1,321)	1,286
Accrued personnel retention and termination costs	2,633	1,267	(1,383)	1,001	3,618
Total accrued costs	$ 3,920	$ 4,401	$ (3,097)	$ (320)	$ 4,904
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

The other adjustments column represents changes to original estimates, plan modifications and balance true-ups.

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consisted of:

(Dollars in thousands)	December 29, 2001	December 30, 2000
Land	$ 89,455	$ 89,458
Buildings	245,628	248,297
Leasehold improvements	608,738	609,701
Furniture, fixtures and equipment	967,953	937,050
	1,911,774	1,884,506
Less accumulated depreciation	(801,763)	(765,200)
	$ 1,110,011	$ 1,119,306

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

(Dollars in thousands)	December 29, 2001	December 30, 2000
Buildings	$ 55,966	$ 53,397
Furniture, fixtures and equipment	37,731	41,909
	93,697	95,306
Less accumulated depreciation	(30,104)	(26,193)
	$ 63,593	$ 69,113

NOTE E -DEBT

The debt components consisted of the following:

(Dollars in thousands)	December 29, 2001	December 30, 2000
Current maturities of long-term debt:		
Capital lease obligations	$ 10,486	$ 7,259
Domestic 364-day credit facility borrowings	--	146,000
Zero coupon, convertible subordinated notes	233,526	--
Yen facility borrowings	74,509	--
	$318,521	$153,259
Long-term debt, net of current maturities:		
Domestic five-year credit facility borrowings	$ --	$243,587
Yen facility borrowings	--	63,981
Senior subordinated notes	245,360	--
Capital lease obligations	69,971	66,493
	$315,331	$374,061
Convertible debt, net of current maturities:		
Zero coupon, convertible subordinated notes	$ 2,221	$224,438

NOTE E - DEBT (CONTINUED)

The Company's 364-day term domestic credit agreement provides up to $255.0 million of working capital availability through May 2002. While no amounts were outstanding under this agreement, the borrowing rate at December 29, 2001 was 0.95% over the London Interbank Offered Rate ("LIBOR"). The 364-day credit agreement existing at December 30, 2000 provided up to $300.0 million of credit. Of that amount, $146.0 was outstanding at December 30, 2000, with an average effective interest rate of 7.996%.

The Company also has a long-term domestic credit facility that provides working capital and letters of credit capacity totaling $300.0 million through February 2003. There were no outstanding borrowings under this credit facility at December 29, 2001 compared with $243.6 million at December 30, 2000. Letters of credit utilized under this agreement totaled $36.8 million and $49.5 million for the fiscal years ending 2001 and 2000, respectively. The borrowing rates under this agreement at December 29, 2001 and December 30, 2000 were 0.70% over LIBOR and 0.475% over LIBOR, respectively. The average effective interest rate on borrowings under this facility for the prior year was 7.001%.

In July 2001, the Company issued $250 million of seven year, non-callable, senior subordinated notes due on July 15, 2008. The notes have a coupon interest rate of 10.00%, payable semi-annually on January 15 and July 15. In August 2001, the Company entered into LIBOR-based variable rate swap agreements with notional amounts aggregating $250 million that qualify for shortcut hedge accounting. The effective interest rate on this borrowing at December 29, 2001 including the effect of the swap agreements, was 7.8% and will be reset every six months.

The Company has issued two series of zero coupon, convertible subordinated notes (Liquid Yield Option Notes (LYONs(R))), one series in 1992 and one series in 1993. Each series is a zero coupon note that pays no current interest, but increases in value to provide the holder with a constant yield to maturity. Each LYON(R) is convertible into a specified amount of Office Depot common stock at the option of the holder, is callable by the Company at the original issue price plus accrued interest and is subordinated to all existing and future senior indebtedness. Approximately 13.8 million shares of common stock have been reserved for the possible conversion of these LYONs(R) issues.

The original proceeds of the 1992 LYONs(R) was $150.8 million. With a 5% yield, these notes will increase to $316.3 million by maturity in December 2007. The stock conversion rate on the 1992 LYONs(R) is 43.895 per note. These notes also contain an option feature that allows each holder to put the security to the Company on December 11, 2002 in return for payment of the issue price plus accrued interest. The Company may pay the holder in cash, common stock or a combination of the two. Because the holder's option on the 1992 LYONs(R) is exercisable in the next 12 months, this series has been included in current maturities of long-term debt at December 29, 2001.

The original proceeds of the 1993 LYONs(R) was $190.5 million. These notes provide a 4% yield through maturity in November 2008 and a stock conversion rate of 31.851 per note. In November 2000, a majority of the holders of the 1993 LYONs(R) required us to purchase the notes at original issue price plus accrued interest. A total of $249.2 million was paid in connection with this repurchase. Approximately $2.2 million of 1993 LYONs(R) remain outstanding at December 29, 2001.

The Company has a term loan and revolving credit agreements with several Japanese banks (the "yen facilities") to provide financing for operating and expansion activities in Japan. The yen facilities provide for maximum aggregate borrowings of (Y)9.76 billion (the equivalent of $74.5 million at December 29, 2001) at an interest rate of 0.875% over the Tokyo Interbank Offered Rate ("TIBOR"). At December 29, 2001 there were outstanding yen borrowings equivalent to $74.5 million under these yen facilities, which had an average effective interest rate of 1.118%. The total amount outstanding is included in current maturities of long-term debt because the facility expires in July 2002. The Company has entered into a yen interest rate swap agreement with a U.S. dollar notional equivalent of $18.6 million at December 29, 2001. The terms of the swap specify that we pay an interest rate of 0.700% and receive TIBOR and will expire in July 2002.

The Company is in compliance with all restrictive covenants included in the above debt agreements.

NOTE E - DEBT (CONTINUED)

Under capital lease agreements, the Company is required to make certain monthly, quarterly or annual lease payments through 2020. The aggregate minimum capital lease payments for the next five years and beyond, with their present value as of December 29, 2001, are as follows:

(Dollars in thousands)	December 29, 2001
2002	$ 15,937
2003	15,134
2004	9,962
2005	7,009
2006	6,224
Thereafter	68,675
Total minimum lease payments	122,941
Less amount representing interest at 5.00% to 10.27%	42,484
Present value of net minimum lease payments	80,457
Less current portion	10,486
Long-term portion	$ 69,971

NOTE F - INCOME TAXES

Our income tax provision consisted of the following:

(Dollars in thousands) 2001 2000 1999 --------- --------- --------- Current provision: Federal .... $ 66,074 $ 71,407 $ 114,800 State .... 12,904 22,616 15,561 Foreign .... 33,913 30,918 26,318 Deferred expense (benefit) ...... 196 (81,814) (430) --------- --------- --------- Total provision for income taxes $ 113,087 $ 43,127 $ 156,249 ========= ========= ========= The tax-effected components of deferred income tax assets and liabilities consisted of the following: December 29, December 30, (Dollars in thousands) 2001 2000 ----------- ----------- Self-insurance accruals .... $ 28,020 $ 23,702 Inventory .... 25,150 17,790 Vacation pay and other accrued compensation ...... 29,670 27,762 Reserve for bad debts .... 12,724 7,493 Reserve for facility closings .... 56,151 67,563 Merger costs .... 5,304 6,117 Unrealized loss on investments .... 19,266 17,499 Foreign and state net operating loss carryforwards 88,006 91,037 Other items, net .... 23,451 27,343 --------- --------- Gross deferred tax assets .... 287,742 286,306 Valuation allowance .... (72,605) (91,037) --------- --------- Deferred tax assets .... 215,137 195,269 --------- --------- Basis difference in fixed assets .... 71,880 51,797 Capitalized leases .... 5,573 5,757 Excess of tax over book amortization .... 3,641 1,214 Other items, net .... 1,856 16,294 --------- --------- Deferred tax liabilities .... 82,950 75,062 --------- ========= Net deferred tax assets .... $ 132,187 $ 120,207 ========= ========= As of December 29, 2001, we had approximately $44 million of federal, $105 million of foreign and $642 million of state net operating loss carryforwards. Of these carryforwards, approximately $28 million will expire in 2002, $12 million will carry over indefinitely, and the balance will expire between 2003 and 2021. 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 federal net operating loss is subject to Internal Revenue Code Section 382 limitations, but is expected to be substantially realized. 32

Office Depot, Inc. Notes to Consolidated Financial Statements (continued) NOTE F - INCOME TAXES (CONTINUED) The following is a reconciliation of income taxes at the Federal statutory rate to the provision for income taxes: (Dollars in thousands) 2001 2000 1999 --------- --------- --------- Federal tax computed at the statutory rate ..... $ 109,945 $ 32,361 $ 144,862 State taxes, net of Federal benefit .... 13,333 6,899 12,383 Nondeductible goodwill amortization .... 1,834 1,744 1,964 Merger costs .... -- 969 2,920 Foreign income taxed at rates other than Federal (13,743) (667) (6,508) Other items, net .... 1,718 1,821 628 --------- --------- --------- Provision for income taxes .... $ 113,087 $ 43,127 $ 156,249 ========= ========= ========= NOTE G - COMMITMENTS AND CONTINGENCIES OPERATING LEASES: Office Depot leases 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, there are certain executory costs such as real estate taxes, insurance and common area maintenance on most of our facility leases. Certain leases contain provisions for additional rent to be paid if sales exceed a specified amount. The table below shows future minimum lease payments due under non-cancelable leases as of December 29, 2001. 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). (Dollars in thousands)

2002	$ 400,021
2003	345,876
2004	299,922
2005	251,804
2006	217,219
Thereafter	1,075,627

	2,590,469
Less sublease income	59,526

	$ 2,530,943
	===========

The Company is in the process of opening new stores and CSCs in the ordinary course of business, and leases signed subsequent to December 29, 2001 are not included in the above described commitment amounts. Rent expense, including equipment rental, was approximately $398.1 million, $393.5 million and $321.5 million in 2001, 2000 and 1999, respectively. Included in this rent expense was approximately $0.7 million, $1.1 million, and $0.8 million of contingent rent, otherwise known as percentage rent, in 2001, 2000, and 1999, respectively. Rent expense was reduced by sublease income of approximately $3.0 million in 2001 and 2000, and $3.2 million in 1999.

Office Depot, Inc. Notes to Consolidated Financial Statements (continued) NOTE G - COMMITMENTS AND CONTINGENCIES (CONTINUED) GUARANTEE OF PRIVATE LABEL CREDIT CARD RECEIVABLES: Office Depot has private label credit card programs that are managed by two financial services companies. The Company acts as the guarantor of all loans between our customers and the financial services companies. 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 29, 2001, maximum exposure totaled approximately $252.0 million. OTHER: Office Depot entered into an investment agreement with an Internet company that may require Office Depot to fund an additional $2.5 million investment. We are involved in litigation arising in the normal course of business. In our opinion, these matters will not materially affect our financial position or results of operations. NOTE H - EMPLOYEE BENEFIT PLANS LONG-TERM EQUITY INCENTIVE PLAN The 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 directors, officers and key employees. After the merger with Viking was completed, 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 29, 2001, there were 49,457,044 shares of common stock reserved for issuance to directors, officers and key employees under the 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 the Company. 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, 316,193 shares of restricted stock were issued at no cost to the employees, 63,565 of which have been canceled. The fair market value of these awards approximated $3.9 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. Compensation expense is recognized over the vesting period. Tax benefits are recorded based on an estimated stock options activity. Each year, the prior year's estimated tax benefit is adjusted based on the actual stock sold during the year. In 2000, this adjustment resulted in a reduction of estimated 1999 tax benefit and completely offset our 2000 estimated tax benefit (See NOTE K).

Office Depot, Inc. Notes to Consolidated Financial Statements (continued) NOTE H - EMPLOYEE BENEFIT PLANS (CONTINUED) 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 The Employee Stock Purchase Plan, which was approved effective July 1999, replaces the 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 There are 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 85% of its fair market value. RETIREMENT SAVINGS PLANS Office Depot has a 401(k) retirement savings plan that 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. Matching contributions of common stock that are made into the plan are equivalent to 50% of the first 3% of an employee's contributions. However, discretionary matching common stock contributions in addition to the normal match may be made. The Company also has a deferred compensation plan, which permits eligible employees, who are restricted from making contributions to the 401(k) plan, to make tax-deferred contributions of up to 18% of their salaries, commissions and bonuses to the plan. Matching contributions to the deferred compensation plan are similar to those under our 401(k) retirement savings plan described above. During 2001, $3.4 million was recognized as compensation expense under the programs. ACCOUNTING FOR STOCK-BASED COMPENSATION The Company applies Accounting Principles Board Opinion No. 25, "ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES," and related Interpretations in accounting for stock-based compensation plans. The compensation cost charged against income for the Long-Term Equity Incentive Plan, Long-Term Incentive Stock Plan, Employee Stock Purchase Plans and retirement savings plans approximated $9.4 million, $11.2 million and $12.5 million in 2001, 2000 and 1999, 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:

Office Depot, Inc. Notes to Consolidated Financial Statements (continued) NOTE H - EMPLOYEE BENEFIT PLANS (CONTINUED) (In thousands, except per share amounts) 2001 2000 1999 ----------- ---------- ---------- Net earnings As reported .... $ 201,043 $ 49,332 $ 257,638 Pro forma .... 165,068 11,253 226,424 Basic earnings per share As reported .... $ .67 $ .16 $ .71 Pro forma .... .55 .04 .63 Diluted earnings per share As reported .... $ .66 $ .16 $ .69 Pro forma .... .54 .04 .61 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 2001, 2000 and 1999: o Expected volatility rates of 40% for 2001, 40% for 2000 and 35% for 1999 o Risk-free interest rates of 4.58% for 2001, 6.37% for 2000 and 5.84% for 1999 o Expected lives of 4.9, 5.6 and 5.6 years for 2001, 2000 and 1999, respectively o A dividend yield of zero for all three years A summary of the status of and changes in our stock option plans for the last three years is presented below. 2001 2000 1999 --------------------------- ---- -------------------- ----------------------- Weighted Weighted Weighted Average Average Average Exercise Exercise Exercise Shares Price Shares Price Shares Price ----------- -------- ----------- -------- ----------- --------- Outstanding at beginning of year 36,406,229 $12.81 33,507,066 $15.31 31,369,122 $13.75 Granted .... 6,759,000 9.41 9,937,750 8.73 8,123,883 18.85 Canceled .... (2,642,428) 13.99 (6,608,072) 16.45 (1,325,988) 15.91 Exercised .... (5,522,280) 7.93 (430,515) 6.18 (4,659,951) 10.31 ----------- ------ ----------- ------ ----------- ------ Outstanding at end of year ..... 35,000,521 $13.29 36,406,229 $12.81 33,507,066 $15.31 =========== ====== =========== ====== =========== ====== As of December 29, 2001, the weighted average fair values of options granted during 2001, 2000 and 1999 were $3.92, $4.18, and $8.24, respectively. The following table summarizes information about options outstanding at December 29, 2001. Options Outstanding Options Exercisable -- ---------------------------------- -------------------------------- Weighted Average Remaining Weighted Weighted Range of Number Contractual Life Average Number Average Exercise Prices Outstanding (In Years) Exercise Price Exercisable Exercise Price -------------------- ---------- ---------------- - ------------- ---------- -------------- $0.17 - $1.95 25,840 4.3 $0.55 25,840 $ 0.55 1.96 - 2.94 32,186 0.6 2.55 32,186 2.55 2.95 - 4.42 7,200 0.7 3.67 7,200 3.67 4.43 - 6.64 588,921 6.5 6.11 292,706 5.80 6.65 - 9.97 11,510,448 7.7 8.52 3,568,083 8.52 9.98 - 14.96 9,974,697 6.3 11.52 6,408,944 11.93 14.97 - 22.45 10,604,500 6.1 18.30 9,173,244 18.52 22.46 - 25.00 2,256,729 6.6 24.19 1,384,143 24.17 ----- ----- ---------- --- ------- --------- ------ $0.17 - $ 25.00 35,000,521 6.7 $ 13.29 20,892,346 $14.94 ===== ======= ========== === ======= ========= ======

Office Depot, Inc. Notes to Consolidated Financial Statements (continued) NOTE I - CAPITAL STOCK PREFERRED STOCK As of December 29, 2001, 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. TREASURY STOCK In August 1999, the Board approved a $500 million stock repurchase program. This program was completed by the end of 1999, with the purchase of 46.7 million shares of our stock at a total cost of $500 million plus commissions. During 2000, the Board approved additional stock repurchases of up to $300 million. This program was completed during 2000 with the repurchase of 35.4 million shares of stock. In 2001, the Board approved stock repurchases of up to $50 million a year until cancelled by the Board. During 2001, approximately 252,000 shares were repurchased at a total cost of $4.2 million plus commissions. NOTE J - 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.

Office Depot, Inc. Notes to Consolidated Financial Statements (continued) NOTE J - EARNINGS PER SHARE (CONTINUED) The information required to compute basic and diluted net earnings per share is as follows: (In Thousands) 2001 2000 1999 -------- -------- -------- Basic: Weighted average number of common shares outstanding ..... 298,054 309,301 361,499 ======== ======== ======== Diluted: Net earnings .... $201,043 $ 49,332 $257,638 Interest expense related to convertible notes, net of tax 7,238 -- 12,068 -------- -------- -------- Adjusted net earnings.................................... $208,281 $ 49,332 $269,706 ======== ======== ======== Weighted average number of common shares outstanding ..... 298,054 309,301 361,499 Shares issued upon assumed conversion of convertible notes 13,846 -- 24,744 Shares issued upon assumed exercise of stock options ..... 4,524 1,930 7,414 Shares used in computing diluted -------- -------- -------- Net earnings per common shares .... 316,424 311,231 393,657 ======== ======== ======== For 2000, the 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 12.7 million shares of common stock were not included in our computation of diluted earnings per share for 2001 because their effect would also have been anti-dilutive. NOTE K - SUPPLEMENTAL INFORMATION ON OPERATING, INVESTING AND FINANCING ACTIVITIES Additional supplemental information related to the Consolidated Statements of Cash Flows is as follows: (Dollars in thousands) 2001 2000 1999 --------- --------- --------- Cash paid for: Interest .... $ 17,802 $ 9,099 $ 6,472 Taxes .... 15,008 132,743 118,157 Supplemental non-cash information: Assets acquired under capital leases .... 8,256 12,569 37,881 Additional paid-in capital related to tax benefit on stock options exercised (See NOTE H) .... 10,218 (4,640) 22,987 Unrealized gain on investment securities, net of income taxes -- -- 62,128 38

Office Depot, Inc. Notes to Consolidated Financial Statements (continued) NOTE L - SEGMENT INFORMATION Office Depot operates 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). 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. The following is a summary of our significant accounts and balances by segment, reconciled to our consolidated totals. North American International Eliminations Consolidated (Dollars in Thousands) Retail Division BSG Division and Other* Total -------------- ---------- -------------- ------------ ------------ Sales 2001 $ 5,842,648 $3,763,006 $1,552,072 $ (3,645) $11,154,081 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 Earnings Before Income Taxes 2001 $ 300,082 $ 285,101 $ 227,336 $(498,389) $ 314,130 2000 239,284 191,996 173,438 (512,259) 92,459 1999 399,120 256,045 136,488 (377,766) 413,887 Capital Expenditures 2001 $ 76,337 $ 44,087 $ 56,740 $ 30,123 $ 207,287 2000 106,646 55,690 32,994 72,398 267,728 1999 195,048 71,810 35,766 89,681 392,305 Depreciation and Amortization 2001 $ 88,227 $ 45,699 $ 16,866 $ 48,642 $ 199,434 2000 92,276 42,588 18,797 52,049 205,710 1999 76,982 35,093 15,619 43,389 171,083 Provision for Losses on Accounts 2001 $ 35,739 $ 53,712 $ 20,109 -- $ 109,560 Receivable and Inventory 2000 30,121 57,628 33,477 -- 121,226 1999 60,003 65,053 20,940 -- 145,996 Equity in Earnings of 2001 -- -- $ 10,892 -- $ 10,892 Joint Ventures 2000 -- -- 9,436 -- 9,436 1999 -- -- 2,041 -- 2,041 Assets 2001 $ 1,803,042 $1,198,355 $ 864,201 $ 466,045 $ 4,331,643 2000 2,184,976 1,105,936 736,229 169,193 4,196,334

Office Depot, Inc. Notes to Consolidated Financial Statements (continued) NOTE
L - SEGMENT INFORMATION (CONTINUED) * 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 in the following table: (Dollars in thousands) 2001 2000 1999 --------
- --------- -------- General and administrative expenses $ 451,722 $ 501,700 $
381,611 Loss (gain) on investment securities 14,100 (12,414) -- Interest
(income) expense, net ..... 31,199 22,399 (4,028) Intersegment transactions
.... 711 257 183 Other, net .... 657 317 -- --------
- --------- --------- Total .... $ 498,389 $ 512,259 $
377,766 ========= ========= ========= CAPITAL EXPENDITURES, DEPRECIATION AND
AMORTIZATION, and ASSETS included in `Eliminations and Other' are also related
primarily to our corporate activities. We sell office products and services
through either wholly-owned operations or 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 Columbia 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 (dollars in thousands): Sales Assets -
--- ----------------------------
2001 2000 1999 2001 2000 ----------- ----------- ----------- ----------- ------
----- United States $ 9,452,453 $ 9,901,975 $ 8,743,428 $ 3,585,843 $ 3,391,678
International 1,701,628 1,667,721 1,528,632 745,800 804,656 ----------- -------
---- ----------- ----------- ----------- Total $11,154,081 $11,569,696
$10,272,060 $ 4,331,643 $ 4,196,334 =========== =========== ===========
=========== =========== NOTE M - QUARTERLY FINANCIAL DATA (UNAUDITED) First
Second Third Fourth (In thousands, except per share amounts) Quarter Quarter
Quarter Quarter ----------- ----------- ----------- ----------- FISCAL YEAR
ENDED DECEMBER 29, 2001 Net sales .... $ 3,017,914 $
2,553,503 $ 2,782,493 $ 2,800,171 Gross profit(1) 806,851
738,570 808,491 816,196 Net earnings 56,329 41,974
62,460 40,280 Net earnings per common share: Basic .... $
.19 $ .14 $ .21 $ .13 Diluted .... .19 .14 .20 .13 FISCAL
YEAR ENDED DECEMBER 30, 2000 Net sales .... $ 3,065,657
$ 2,632,850 $ 2,822,991 $ 3,048,198 Gross profit(1) ....
837,576 751,550 735,151 765,983 Net earnings (loss) 109,036
57,937 50,622 (168,263) Net earnings (loss) per common share: Basic
.... $ .34 $ .18 $ .17 $ (.57) Diluted(2)
.... .32 .18 .16 (.57) (1) Gross profit is net of occupancy
costs. (2) For the fourth quarter of 2000, 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 Office Supplies, Inc.	Delaware
OD International, Inc.	Delaware
The Office Club, Inc.	California
Office Depot of Texas, L.P.	Delaware
Office Depot International (UK) Limited	United Kingdom
Viking Office Products, Inc.	California
Viking Direct BV	Netherlands
Viking Direct GmbH	Germany

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 report dated February 13, 2002 included and incorporated by reference in the Annual Report on Form 10-K of Office Depot, Inc. for the year ended December 29, 2001.

DELOITTE & TOUCHE LLP

Miami, Florida
March 19, 2002