
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

For the quarterly period ended March 29, 2014

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)

Office DEPOT

Delaware

(State or other jurisdiction of
incorporation or organization)

6600 North Military Trail; Boca Raton, Florida

(Address of principal executive offices)

59-2661354

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

33496

(Zip Code)

(561) 438-4800

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

The number of shares outstanding of the registrant's common stock, as of the latest practicable date: At March 29, 2014, there were 534,745,785 outstanding shares of Office Depot, Inc. Common Stock, \$0.01 par value.

[Table of Contents](#)

TABLE OF CONTENTS

[PART I. FINANCIAL INFORMATION](#)

[Item 1. Financial Statements](#)

[CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS \(Unaudited\)](#) 3

[CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS \(Unaudited\)](#) 4

[CONDENSED CONSOLIDATED BALANCE SHEETS \(Unaudited\)](#) 5

[CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS \(Unaudited\)](#) 6

[NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS \(Unaudited\)](#) 7

[Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations](#) 23

[Item 3. Quantitative and Qualitative Disclosures About Market Risk](#) 35

[Item 4. Controls and Procedures](#) 35

[PART II. OTHER INFORMATION](#)

[Item 1. Legal Proceedings](#) 36

[Item 2. Unregistered Sales of Equity Securities and Use of Proceeds](#) 37

[Item 6. Exhibits](#) 38

[SIGNATURES](#) 39

EX 31.1

EX 31.2

EX 32

EX 101

PART I. FINANCIAL INFORMATION**Item 1. Financial Statements**

OFFICE DEPOT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share amounts)
(Unaudited)

	13 Weeks Ended	
	March 29, 2014	March 30, 2013
Sales	\$ 4,354	\$ 2,718
Cost of goods sold and occupancy costs	3,339	2,058
Gross profit	1,015	660
Selling, general and administrative expenses	943	626
Asset impairments	50	5
Merger, restructuring, and other operating expenses, net	101	19
Operating income (loss)	(79)	10
Other income (expense):		
Interest income	6	—
Interest expense	(25)	(16)
Other income, net	1	6
Loss before income taxes	(97)	—
Income tax expense	11	7
Net loss	(108)	(7)
Less: Results attributable to the noncontrolling interests	1	—
Net loss attributable to Office Depot, Inc.	(109)	(7)
Preferred stock dividends	—	10
Net loss available to common stockholders	\$ (109)	\$ (17)
Net loss per share:		
Basic	\$ (0.21)	\$ (0.06)
Diluted	\$ (0.21)	\$ (0.06)

This report should be read in conjunction with the Notes to Condensed Consolidated Financial Statements herein and the Notes to Consolidated Financial Statements in the Office Depot, Inc. Form 10-K filed February 25, 2014 (the "2013 Form 10-K").

OFFICE DEPOT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In millions)
(Unaudited)

	13 Weeks Ended	
	March 29, 2014	March 30, 2013
Net loss	\$ (108)	\$ (7)
Other comprehensive loss, net of tax where applicable:		
Foreign currency translation adjustments	2	(13)
Other	(1)	1
Total other comprehensive income (loss), net of tax, where applicable	1	(12)
Comprehensive loss	(107)	(19)
Comprehensive income attributable to the noncontrolling interests	1	—
Comprehensive loss attributable to Office Depot, Inc.	<u>\$ (108)</u>	<u>\$ (19)</u>

This report should be read in conjunction with the Notes to Condensed Consolidated Financial Statements herein and the Notes to Consolidated Financial Statements in the 2013 Form 10-K.

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

	March 29, 2014	December 28, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 870	\$ 955
Receivables, net	1,312	1,333
Inventories	1,613	1,812
Assets of consolidated joint venture held for sale	160	—
Prepaid expenses and other current assets	290	296
Total current assets	4,245	4,396
Property and equipment, net	1,161	1,309
Goodwill	388	398
Other intangible assets, net	106	113
Timber notes receivable	940	945
Deferred income taxes	36	35
Other assets	235	281
Total assets	<u>\$ 7,111</u>	<u>\$ 7,477</u>
Liabilities and stockholders' equity		
Current liabilities:		
Trade accounts payable	\$ 1,284	\$ 1,426
Accrued expenses and other current liabilities	1,335	1,463
Income taxes payable	9	4
Liabilities of consolidated joint venture held for sale	58	—
Short-term borrowings and current maturities of long-term debt	35	29
Total current liabilities	2,721	2,922
Deferred income taxes and other long-term liabilities	673	719
Pension and post-employment obligations	160	163
Long-term debt, net of current maturities	685	696
Non-recourse debt	854	859
Total liabilities	<u>5,093</u>	<u>5,359</u>
Commitments and contingencies		
Noncontrolling interest in joint venture	55	54
Stockholders' equity:		
Office Depot, Inc. stockholders' equity:		
Common stock—authorized 800,000,000 shares of \$.01 par value; issued shares – 540,661,053 in March 2014 and 536,629,760 in December 2013	5	5
Additional paid-in capital	2,487	2,480
Accumulated other comprehensive income	273	272
Accumulated deficit	(745)	(636)
Treasury stock, at cost – 5,915,268 shares in 2014 and 2013	(58)	(58)
Total Office Depot, Inc. stockholders' equity	1,962	2,063
Noncontrolling interests	1	1
Total equity	<u>1,963</u>	<u>2,064</u>
Total liabilities and stockholders' equity	<u>\$ 7,111</u>	<u>\$ 7,477</u>

This report should be read in conjunction with the Notes to Condensed Consolidated Financial Statements herein and the Notes to Consolidated Financial Statements in the 2013 Form 10-K.

OFFICE DEPOT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	13 Weeks Ended	
	March 29, 2014	March 30 2013
Cash flows from operating activities:		
Net loss	\$ (108)	\$ (7)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	77	49
Charges for losses on inventories and receivables	20	15
Asset impairments	50	5
Changes in working capital and other	(113)	(156)
Net cash used in operating activities	<u>(74)</u>	<u>(94)</u>
Cash flows from investing activities:		
Capital expenditures	(39)	(29)
Proceeds from sale of available for sale securities	22	—
Proceeds from assets sold and other	9	—
Net cash used in investing activities	<u>(8)</u>	<u>(29)</u>
Cash flows from financing activities:		
Net payments on employee share-based transactions	(3)	—
Preferred stock dividends	—	(10)
Net proceeds on long- and short-term borrowings	5	17
Net cash provided by financing activities	<u>2</u>	<u>7</u>
Effect of exchange rate changes on cash and cash equivalents	<u>—</u>	<u>(6)</u>
Cash held in consolidated joint-venture held for sale	(5)	—
Net decrease in cash and cash equivalents	(85)	(122)
Cash and cash equivalents at beginning of period	955	671
Cash and cash equivalents at end of period	<u>\$ 870</u>	<u>\$ 549</u>

This report should be read in conjunction with the Notes to Condensed Consolidated Financial Statements herein and the Notes to Consolidated Financial Statements in the 2013 Form 10-K.

OFFICE DEPOT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: Office Depot, Inc., including consolidated subsidiaries (“Office Depot” or the “Company”), is a global supplier of office products and services. On November 5, 2013, the Company merged with OfficeMax Incorporated (“OfficeMax”); refer to Note 2 for additional discussion of this merger (the “Merger”). OfficeMax’s results are included in the Condensed Consolidated Statements of Operations and Cash Flows for the first quarter of 2014. The Company’s common stock is traded on the New York Stock Exchange (“NYSE”) under the ticker symbol ODP. The merged Company currently operates under the Office Depot® and OfficeMax® brands and utilizes other proprietary company and product brand names. As of March 29, 2014, the Company sold to customers throughout North America, Europe, Asia/Pacific, and Latin America through three reportable segments (or “Divisions”): North American Retail Division, North American Business Solutions Division and International Division. Refer to Note 12 for further Division information.

The condensed consolidated interim financial statements as of March 29, 2014 and for the 13-week periods ended March 29, 2014 (also referred to as “the first quarter of 2014”) and March 30, 2013 (also referred to as “the first quarter of 2013”) are unaudited. However, in our opinion, these financial statements reflect all adjustments of a normal recurring nature necessary to provide a fair presentation of the Company’s financial position, results of operations and cash flows for the periods presented.

The Company has prepared the quarterly consolidated financial statements included herein pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Some information and note disclosures, which would normally be included in comprehensive annual financial statements prepared in accordance with accounting principles generally accepted in the United States, have been condensed or omitted pursuant to those SEC rules and regulations. For a better understanding of the Company and its Condensed Consolidated Financial Statements, we recommend reading these Condensed Consolidated Financial Statements in conjunction with the audited financial statements which are included in the Annual Report on Form 10-K for the year ended December 28, 2013, filed on February 25, 2014, with the SEC. These interim results are not necessarily indicative of the results that should be expected for the full year.

During the fourth quarter of 2013, the Company modified its measure of business segment operating results for management reporting purposes to exclude from the determination of Division operating income (loss) the impacts of asset impairments, restructuring-related activities, and certain other charges and credits. These activities now are being managed at the Corporate level. Refer to Note 12 for additional segment information. Also, to be consistent with how the business is managed, starting in the fourth quarter of 2013, the Company is presenting in Selling, general and administrative expenses the amounts that were previously reported in Operating and selling expenses and General and administrative expenses. Neither the change in Division operating income (loss) nor Statement of Operations presentation had an impact on Consolidated Operating income (loss), Net income (loss), or Earnings (loss) per share for the prior periods presented.

OFFICE DEPOT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) – (Continued)

Cash Management: The cash management process generally utilizes zero balance accounts which provide for the settlement of the related disbursement and cash concentration accounts on a daily basis. Trade accounts payable and Accrued expenses and other current liabilities as of March 29, 2014 and December 28, 2013 included \$110 million and \$118 million, respectively, of amounts not yet presented for payment drawn in excess of disbursement account book balances, after considering offset provisions.

At March 29, 2014, cash and cash equivalents held outside the United States amounted to \$311 million.

Receivables under Factoring Agreement: The Company sells selected accounts receivables on a non-recourse basis to an unrelated financial institution under a factoring agreement in France. The Company accounts for this transaction as a sale of receivables, removes receivables sold from its financial statements, and records cash proceeds when received by the Company as cash provided by operating activities in the Statement of Cash Flows. The financial institution makes available 80% of the face value of the receivables to the Company and retains the remaining 20% as a guarantee until the receipt of the proceeds associated with the factored invoices.

In the first quarters of 2014 and 2013, the Company withdrew \$128 million and \$75 million, respectively, under the facility. Receivables sold for which the Company did not obtain cash directly from the financial institution are included in Receivables, net and amount to \$14 million and \$10 million as of March 29, 2014 and December 28, 2013, respectively. A retention guarantee of \$14 million and \$13 million is included in Prepaid expenses and other current assets as of March 29, 2014 and December 28, 2013, respectively.

New Accounting Standards: In April 2014, the Financial Accounting Standards Board issued an accounting standards update that changes the criteria for reporting discontinued operations and modifies the disclosures for other dispositions. Under the new guidance, only disposals representing a strategic shift in operations will be presented as discontinued operations. Those strategic shifts should have a major effect on the organization's operations and financial results. The new guidance also requires disclosure of the pre-tax income attributable to a disposal of a significant part of an organization that does not qualify for discontinued operations reporting. The new standard is to be applied prospectively and is effective for the Company in the first quarter of 2015. Early adoption is permitted with some limitations. The Company is evaluating the new guidance, but currently does not expect it to have a significant impact on the consolidated financial statements.

NOTE 2. MERGER

On November 5, 2013, the Company completed its merger with OfficeMax. Each former share of OfficeMax common stock issued and outstanding immediately prior to the Merger was converted to 2.69 shares of Office Depot common stock. The Company issued approximately 240 million shares of Office Depot, Inc. common stock to former holders of OfficeMax common stock, representing approximately 45% of the approximately 530 million total shares of Company common stock outstanding on the Merger date. Additionally, OfficeMax employee based stock options and restricted stock were converted into mirror awards exercisable or earned in Office Depot, Inc. common stock. The value of these awards was apportioned between total Merger consideration and unearned compensation to be recognized over the remaining original vesting periods of the awards. Office Depot was determined to be the acquirer for accounting purposes.

The Merger was an all-stock transaction, valued at the closing price of Office Depot, Inc. common stock on the Merger date. Approximately \$1.4 billion of consideration was allocated on a preliminary basis, pending completion of the valuation of the fair value of assets acquired and liabilities assumed. Goodwill has not yet been allocated to the reporting units. The valuation will be finalized during the measurement period which will not exceed one year from the Merger date.

OFFICE DEPOT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) – (Continued)

In March 2014, the Company agreed in principle to sell its 51% capital stock interest in its Mexican joint venture, Grupo OfficeMax S. de R.L. de C.V. and related entities (together “Grupo OfficeMax”), which was acquired in the Merger, to its joint venture partner for cash. Transaction documentation and regulatory review are expected to be completed during the second quarter of 2014. The agreed upon sales price is considered to be the best estimate of the joint venture fair value at the Merger date and, accordingly, prior joint venture fair value estimates have been adjusted, resulting in a decrease in goodwill. The current estimate of costs to sell are not significant. The Company expects to receive future royalty and product sourcing cash flows from this business, therefore, the transaction is not presented as discontinued operations under current accounting rules. The entity’s assets and liabilities are presented in the Condensed Consolidated Balance Sheet at March 29, 2014, as Assets of consolidated joint venture held for sale and Liabilities of consolidated joint venture held for sale, respectively, and include the following:

<i>(In millions)</i>	
Cash and cash equivalents	\$ 5
Receivables, net	15
Inventories	66
Property and equipment, net	39
Goodwill	24
Other assets	11
Assets of consolidated joint venture held for sale	<u>\$160</u>
Trade payables	\$ 27
Accrued expenses	17
Debt	10
Other liabilities	4
Liabilities of consolidated joint venture held for sale	<u>\$ 58</u>

As the Company has worked to complete the purchase price allocation during the measurement period, certain preliminary values have been adjusted, including the \$24 million of goodwill allocated to the Grupo OfficeMax business and noncontrolling interests discussed above. Additionally, initial amounts allocated to certain international property and equipment accounts decreased by \$16 million, \$1 million deferred tax liabilities were redistributed across entities, and customer intangible accounts increased by \$1 million. The net impact of these adjustments was to reduce goodwill by \$10 million.

Under the guidance on accounting for business combinations, merger and integration costs are not included as components of consideration transferred but are accounted for as expenses in the period in which the costs are incurred. Transaction-related expenses are included in the Merger, restructuring, and other operating expenses, net line in the Condensed Consolidated Statements of Operations. Refer to Note 3 for additional information about the expenses incurred during the first quarter of 2014.

Additionally, in accordance with certain Merger-related agreements, which the Company entered into with the holders of the Company’s redeemable preferred stock concurrently with the execution of the Merger Agreement, in both July and November 2013, the Company redeemed 50% of the redeemable preferred stock outstanding. Redeemable preferred stock dividends included in the Condensed Consolidated Statement of Operations and Condensed Consolidated Statement of Cash Flows for the first quarter of 2013 relate to contractual dividends incurred prior to the redemptions.

OFFICE DEPOT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) – (Continued)

NOTE 3. MERGER, RESTRUCTURING, AND OTHER ACCRUALS

In recent years, the Company has taken restructuring actions to adapt to changing and competitive conditions. These actions include closing facilities, consolidating functional activities, disposing of businesses and assets, and taking actions to improve process efficiencies. Additionally, the Merger was approved and completed in 2013 and integration activities began. In connection with the Merger, the Company assumed exit liabilities previously recorded by OfficeMax.

Starting in the fourth quarter of 2013, the Company began presenting Merger, restructuring and other operating expenses, net on a separate line in the Consolidated Statements of Operations to identify these activities apart from the expenses incurred to sell to and service its customers. Prior period presentation has been updated accordingly.

During the first quarter of 2014, these expenses totaled \$101 million, with \$96 million of Merger-related expenses and \$5 million of net restructuring and certain other expenses. As noted in the Basis of Presentation in Note 1, these expenses are not reported in Division operating income.

Merger-related expenses include (i) \$21 million related to transaction and integration activities, which were primarily legal, accounting, and integration-related; (ii) \$71 million of employee related expenses for cash termination benefits, acceleration of share-based compensation for departing employees and certain incentives to relocate, retain and motivate employees; and (iii) \$4 million of other expenses. Refer to Note 2 for additional information on the Merger.

Restructuring expenses primarily relate to activities in Europe, such as severance and other costs for organizational changes.

Exit costs

Of the \$101 million Merger, restructuring and other expenses, net recognized in the first quarter of 2014, certain amounts are considered exit costs and included as charges incurred in the table below. Transaction, integration, certain shareholder-related and other expenses are not considered exit costs. The share-based compensation that was recognized against additional paid-in capital is also not presented in the exit cost table. The table includes \$71 million of employee compensation expenses from Merger and restructuring activities, presented as termination benefits and other costs. In addition, the table presents expenses related to facilities closed as part of ongoing operations which is included in Selling, general and administrative expenses in the Condensed Consolidated Statement of Operations.

<i>(In millions)</i>	<u>Beginning Balance</u>	<u>Charges Incurred</u>	<u>Cash Payments</u>	<u>Currency, Lease Accretion and Other Adjustments</u>	<u>Ending Balance</u>
2014					
Termination benefits					
Merger-related accruals	\$ 23	\$ 48	\$ (32)	\$ —	\$ 39
Other restructuring accruals	5	4	(3)	—	6
Acquired entity accruals	4	—	(1)	(2)	1
	<u>32</u>	<u>52</u>	<u>(36)</u>	<u>(2)</u>	<u>46</u>
Lease and contract obligations, accruals for facilities closures and other costs					
Merger-related accruals	25	20	(20)	(1)	24
Other restructuring accruals	62	2	(16)	2	50
Acquired entity accruals	59	—	(7)	(1)	51
	<u>146</u>	<u>22</u>	<u>(43)</u>	<u>—</u>	<u>125</u>
Total	<u>\$ 178</u>	<u>\$ 74</u>	<u>\$ (79)</u>	<u>\$ (2)</u>	<u>\$ 171</u>

OFFICE DEPOT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) – (Continued)

NOTE 4. INVESTMENTS

Unconsolidated Joint Venture

From 1994 through the third quarter of 2013, the Company participated in a joint venture that sells office products and services in Mexico and Central and South America and accounted for this investment under the equity method. In the third quarter of 2013, the Company sold its 50% investment in Office Depot de Mexico, S.A. de C.V. (“Office Depot de Mexico”) to Grupo Gigante, S.A.B. de C.V. (“Grupo Gigante”), the joint venture partner. For periods prior to the sale, the Company’s proportionate share of Office Depot de Mexico’s net income was presented in Other income (expense), net in the Condensed Consolidated Statements of Operations and totaled \$7 million in the first quarter of 2013.

Boise Cascade Holdings, LLC and Boise Cascade Company Common Stock

The Company directly owns approximately 20% of the voting equity securities (“Common Units”) of Boise Cascade Holdings, L.L.C. (“Boise Cascade Holdings”), a building products company that originated in connection with the OfficeMax sale of its paper, forest products and timberland assets in 2004. At December 28, 2013, Boise Cascade Holdings owned common stock of Boise Cascade Company (“Boise Cascade”), a publicly traded entity, which gave the Company the indirect ownership interest of approximately 4% of the shares of Boise Cascade. The investment in Boise Cascade Holdings is accounted for under the cost method because the Company does not have the ability to significantly influence the entity’s operating and financial policies. At December 28, 2013, the investment of \$46 million is included in Other assets in the Condensed Consolidated Balance Sheet.

During the first quarter of 2014, Boise Cascade Holdings distributed to its shareholders all of the Boise Cascade common stock it held. The Company received 1.6 million shares in this distribution. Through March 29, 2014, the Company disposed of 785 thousand shares in open market transactions for total cash proceeds of \$22 million. The remaining shares are classified as available for sale securities and included in Prepaid expenses and other current assets in the Condensed Consolidated Balance Sheets. The Company expects to liquidate the remaining stock holdings during 2014. At March 29, 2014, the aggregate fair value of the remaining securities was \$20 million. See Note 10 for additional fair value information.

NOTE 5. DEBT

Amended Credit Agreement

Based on the March borrowing base certificate, at March 29, 2014, the Company had approximately \$1.1 billion of available credit under the asset-based, multi-currency revolving credit facility (the “Facility”) provided by the Amended and Restated Credit Agreement entered into in May 2011, as amended effective February 2012, March 2013, and November 2013. Letters of credit outstanding under the Facility totaled \$101 million. There were no borrowings under the Facility in the first quarter of 2014.

OFFICE DEPOT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) – (Continued)

Other Long-Term Debt

OfficeMax is the borrower under several conduit tax-exempt bond financings, also referred to as revenue bonds, pursuant to which it is obligated to provide copies of its Annual Report on Form 10-K to certain bond trustees and holders. Following the Merger with Office Depot, OfficeMax is no longer a reporting company. The Company has obtained the requisite consents to substitute the Annual Report and audited consolidated financial statements of Office Depot for those of OfficeMax.

NOTE 6. INCOME TAXES

For the first quarter of 2014, the Company recognized income tax expense on a pretax loss because, as in prior periods, deferred tax benefits were not recognized on pretax losses in certain tax jurisdictions with valuation allowances, while income tax expense was recognized in tax jurisdictions with pretax earnings. Accordingly, interim income tax reporting is likely to result in significant variability of the effective tax rate throughout the course of the year. Changes in pretax income projections and the mix of income across jurisdictions could also impact the effective tax rate each quarter.

The Company has significant deferred tax assets in the U.S. and in foreign jurisdictions against which valuation allowances have been established to reduce such deferred tax assets to the amount that is more likely than not to be realized. As of the first quarter of 2014, valuation allowances remain in certain foreign jurisdictions where the Company believes it is necessary to see further positive evidence, such as sustained achievement of cumulative profits, before these valuation allowances can be released. If such positive evidence develops in 2014, the Company may release all or a portion of the remaining valuation allowances in these jurisdictions as early as the second quarter of 2014. Such release would result in an income tax benefit of \$4 million in the period of release. The Company will continue to assess the realizability of its deferred tax assets.

The Company files a U.S. federal income tax return and other income tax returns in various states and foreign jurisdictions. During the first quarter of 2014, the Company received notification that the Internal Revenue Service (“IRS”) had completed its examination of the legacy Office Depot 2012 U.S. federal income tax return with no changes. The legacy OfficeMax U.S. consolidated group is no longer subject to U.S. federal income tax examinations for years prior to 2010, and in the first quarter of 2014, received notification that the IRS will begin its examination of the 2012 year. The U.S. federal income tax return for 2013 is under concurrent year review. With few exceptions, the legacy Office Depot and legacy OfficeMax consolidated groups are no longer subject to U.S. state and local income tax examinations for years before 2010 and 2006, respectively. Generally, the Company is subject to routine examination for years 2006 and forward in its international tax jurisdictions.

The Company believes it is reasonably possible that its balance of unrecognized tax benefits could decrease by as much as \$3 million within the next 12 months due to settlements with certain tax authorities. This decrease could have a positive impact on income tax expense in the period of change, depending upon the terms of settlement. Additionally, the Company anticipates that it is reasonably possible that new issues will be raised or resolved by tax authorities that may require changes to the balance of unrecognized tax benefits; however, an estimate of such changes cannot be reasonably made.

OFFICE DEPOT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) – (Continued)

NOTE 7. STOCKHOLDERS' EQUITY

The following table reflects the changes in stockholders' equity attributable to both Office Depot, Inc. and noncontrolling subsidiary interests.

<i>(In millions)</i>	Attributable to Office Depot, Inc.	Attributable to noncontrolling interests	Total
Stockholders' equity at December 28, 2013	\$ 2,063	\$ 1	\$2,064
Net income (loss)	(109)	1	(108)
Other comprehensive income (loss)	1	(1)	—
Share transactions under employee related plans	(3)	—	(3)
Amortization of long-term incentive stock grants	10	—	10
Stockholders' equity at March 29, 2014	<u>\$ 1,962</u>	<u>\$ 1</u>	<u>\$1,963</u>

Because of valuation allowances in U.S. and several international taxing jurisdictions, items other than deferred pension amounts generally have little or no tax impact. The component balances are net of immaterial tax impacts, where applicable.

Other comprehensive income (loss) activity, net of tax, where applicable, is provided in the following table:

<i>(In millions)</i>	Foreign Currency Translation Adjustments	Other	Total
Balance at December 28, 2013	\$ 264	\$ 8	\$272
Other comprehensive income (loss) activity before reclassifications	2	(1)	1
Balance at March 29, 2014	<u>\$ 266</u>	<u>\$ 7</u>	<u>\$273</u>

OFFICE DEPOT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) – (Continued)

NOTE 8. EARNINGS PER SHARE

The following table represents the calculation of net earnings (loss) per common share (“EPS”):

<i>(In millions, except per share amounts)</i>	First Quarter	
	2014	2013
Basic Loss Per Share		
Numerator:		
Net loss available to common shareholders	\$ (109)	\$ (17)
Denominator:		
Weighted-average shares outstanding	530	282
Basic loss per share	<u>\$ (0.21)</u>	<u>\$ (0.06)</u>
Diluted Loss Per Share		
Numerator:		
Net loss attributable to Office Depot, Inc.	\$ (109)	\$ (7)
Denominator:		
Weighted-average shares outstanding	530	282
Effect of dilutive securities:		
Stock options and restricted stock	—	6
Redeemable preferred stock	—	81
Diluted weighted-average shares outstanding	<u>530</u>	<u>369</u>
Diluted loss per share	<u>\$ (0.21)</u>	<u>\$ N/A</u>

The weighted average share calculation for the first quarter 2014 is impacted by the shares issued in connection with the Merger. Potentially dilutive stock options and restricted stock of 9 million shares were excluded from the first quarter 2014 diluted loss per share calculation because of the net loss in the period.

Awards of options and nonvested shares representing an additional 12 million and 8 million shares of common stock were outstanding for the first quarters of 2014 and 2013, respectively, but were not included in the computation of diluted weighted-average shares outstanding because their effect would have been antidilutive. For the periods presented, no tax benefits have been assumed in the weighted average share calculation in jurisdictions with valuation allowances.

Shares of the redeemable preferred stock were fully redeemed in 2013. In periods in which the redeemable preferred stock were outstanding, basic EPS was computed after consideration of preferred stock dividends. The redeemable preferred stock had equal dividend participation rights with common stock that required application of the two-class method for computing earnings per share. In periods of sufficient earnings, this method assumes an allocation of undistributed earnings to both participating stock classes. The two-class method was not applicable to the first quarter of 2013 because it would have been antidilutive. The first quarter 2013 diluted share amount is provided for informational purposes, as the loss for the period causes basic earnings per share to be the most dilutive. The preferred stockholders were not required to fund losses. Refer to Note 2 for further redemption details.

OFFICE DEPOT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) – (Continued)

NOTE 9. EMPLOYEE BENEFIT PLANS**Pension and Other Postemployment Benefit Plans – North America**

The components of net periodic pension (benefit) cost for the Company's North American pension and other postemployment plans are as follows:

<i>(In millions)</i>	First Quarter 2014	
	Pension Benefits	Other Benefits
Service cost	\$ 1	\$ —
Interest cost	13	—
Expected return on plan assets	(15)	—
Net periodic pension benefit	<u>\$ (1)</u>	<u>\$ —</u>

In the first quarter of 2014, \$1 million cash contribution was made to the North American pension and other postemployment plans. Of the \$49 million additional cash contribution expected to be made by the Company to the North American pension and other postemployment plans in 2014, \$37 million was contributed in April 2014.

Pension Plan – Europe

The components of net periodic pension benefit for the Company's foreign pension plan are as follows:

<i>(In millions)</i>	First Quarter	
	2014	2013
Service cost	\$ —	\$ —
Interest cost	3	2
Expected return on plan assets	(4)	(3)
Net periodic pension benefit	<u>\$ (1)</u>	<u>\$ (1)</u>

The plan is in a net asset position. There are no funding requirements while the plan has an asset surplus.

Net periodic pension benefits for the North American and European pension and other postemployment benefit plans are recorded in Selling, general and administrative expenses in the Condensed Consolidated Statement of Operations.

OFFICE DEPOT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) – (Continued)

NOTE 10. DERIVATIVE INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Derivative Instruments and Hedging Activities

As a global supplier of office products and services the Company is exposed to risks associated with changes in foreign currency exchange rates, fuel and other commodity prices and interest rates. Depending on the exposure, settlement timeframe and other factors, the Company may enter into derivative transactions to mitigate those risks. The Company may designate and account for such qualifying arrangements as hedges. Historically, the Company has not entered into transactions to hedge its net investment in foreign operations but may do so in future periods.

Financial instruments authorized under the Company's established risk management policy include spot trades, swaps, options, caps, collars, forwards and futures. Use of derivative financial instruments for speculative purposes is expressly prohibited. The fair value and activity of derivative financial instruments were not material as of March 29, 2014 and December 28, 2013 and for the periods ended March 29, 2014 and March 30, 2013.

Financial Instruments

The Company measures fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In developing its fair value estimates, the Company uses the following hierarchy:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Significant unobservable inputs that are not corroborated by market data. Generally, these fair value measures are model-based valuation techniques such as discounted cash flows or option pricing models using the Company's own estimates and assumptions or those expected to be used by market participants.

The fair values of cash and cash equivalents, receivables, accounts payable and accrued expenses and other current liabilities approximate their carrying values because of their short-term nature.

The fair values of foreign currency contracts and fuel contracts are the amounts receivable or payable to terminate the agreements at the reporting date, taking into account current exchange rates and commodity prices. The values are based on market-based inputs or unobservable inputs that are corroborated by market data (Level 2 measure). At the end of the first quarter of 2014, the amounts receivable or payable under foreign currency and fuel contracts were not significant.

OFFICE DEPOT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) – (Continued)

The following table presents information about financial instruments at the balance sheet dates indicated.

<i>(In millions)</i>	March 29, 2014		December 28, 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Timber notes receivables	\$ 940	\$937	\$ 945	\$933
Boise investment	\$ 20	\$ 20	\$ 46	\$ 47
Financial liabilities				
Recourse debt				
9.75% senior secured notes	\$ 250	\$291	\$ 250	\$290
7.35% debentures, due 2016	18	19	18	19
Revenue bonds, due in varying amounts periodically through 2029	186	186	186	186
American & Foreign Power Company, Inc. 5% debentures, due 2030	13	13	13	13
Non-recourse debt	\$ 854	\$852	\$ 859	\$851

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- **Timber notes receivable:** Fair value is determined as the present value of expected future cash flows discounted at the current interest rate for loans of similar terms with comparable credit risk (Level 2 measure).
- **Boise investment:** Fair value at December 28, 2013 was calculated as the sum of the market value of the Company's indirect investment in Boise Cascade, the primary investment of Boise Cascade Holdings, plus the Company's portion of any cash held by Boise Cascade Holdings as of the balance sheet date (together, Level 2 measure). The Company's indirect investment in Boise Cascade was calculated using the number of shares the Company indirectly held in Boise Cascade multiplied by its closing stock price as of the last trading day prior to the balance sheet date.
The fair value at March 29, 2014 is based on the number of shares of Boise Cascade held by the Company multiplied by its closing stock price as of the last trading day prior to the balance sheet date (Level 1 measure). Refer to Note 4 for further details.
- **Recourse debt:** Recourse debt for which there were no transactions on the measurement date was valued based on quoted market prices near the measurement date when available or by discounting the future cash flows of each instrument using rates based on the most recently observable trade or using rates currently offered to the Company for similar debt instruments of comparable maturities (Level 2 measure).
- **Non-recourse debt:** Fair value is estimated by discounting the future cash flows of the instrument at rates currently available to the Company for similar instruments of comparable maturities (Level 2 measure).

OFFICE DEPOT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) – (Continued)

Fair Value Estimates Used in Impairment Analyses

Because of declining sales in recent periods, the Company has conducted a detailed quarterly store impairment analysis. The analysis uses input from retail store operations and the Company's accounting and finance personnel that organizationally report to the Chief Financial Officer. These projections are based on management's estimates of store-level sales, gross margins, direct expenses, exercise of future lease renewal options, where applicable, and resulting cash flows and, by their nature, include judgments about how current initiatives will impact future performance. If the anticipated cash flows of a store cannot support the carrying value of its assets, the assets are impaired and written down to estimated fair value using Level 3 inputs.

The Company recognized store asset impairment charges of \$9 million and \$5 million, in the first quarters of 2014 and 2013, respectively. The first quarter of 2014 impairment charge included \$1 million from a decision in March 2014 to close the 19 stores in Canada acquired as part of the Merger. The remaining first quarter of 2014 impairment charge is based on a discounted cash flow analysis of the retail locations that assumes a sales decline next year similar to recent experience, with negative but improving trends for later years. Gross margin and operating costs have been assumed to be consistent with recent actual results and planned activities. For the first quarter 2014 impairment analysis, 51 locations were reduced to estimated fair value of \$4 million based on their projected cash flows, discounted at 13% and 361 locations were reduced to estimated salvage value of \$8 million. A 100 basis point decrease in next year sales used in these estimates would have increased impairment by approximately \$2 million. Independent of the sensitivity on sales assumptions, a 50 basis point decrease in next year gross margin would have increased the impairment by approximately \$2 million. The interrelationship of having both of those inputs change as indicated would have resulted in impairment of approximately equal to the sum of the two individual inputs.

As part of the integration of the Office Depot and OfficeMax stores, the Company is developing a new retail strategy. This new strategy is likely to include store closure decisions that could result in modifications to our projected cash flows and significant asset impairment charges may follow. However, at the end of the first quarter of 2014, the impairment analysis reflects the Company's best estimate of future performance, based on the current business model.

In the first quarter of 2014, the Company also recognized asset impairment charges of \$28 million related to the abandonment of a software implementation project in Europe, and \$13 million for the write off of capitalized software following certain information technology platform decisions related to the Merger. These charges are included in the Asset impairments line in the Condensed Consolidated Statement of Operations.

OFFICE DEPOT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) – (Continued)

NOTE 11. COMMITMENTS AND CONTINGENCIES

Legal Matters

The Company is involved in litigation, including class actions, arising in the ordinary course of business. The Company is also subject to lawsuits, investigations, audits and reviews by government authorities and regulatory agencies. While claims in these matters may at times involve substantial monetary demands, except as otherwise disclosed herein the Company does not believe that contingent liabilities related to any of these matters will have a material adverse effect on the Company's financial position. However, in the future we could incur judgments, enter into settlements or revise our expectations regarding the outcome of these matters, and such developments could have a material adverse effect on our results of operations and cash flows.

In addition to the foregoing, *State of California et. al. ex. rel. David Sherwin v. Office Depot* was filed in Superior Court for the State of California, Los Angeles County, and unsealed on October 16, 2012. On January 29, 2014, the case, which had been removed to the United States District Court for the Central District of California, was remanded back to the Superior Court. The lawsuit asserts a variety of claims, including claims under the California False Claims Act, based on allegations regarding certain pricing practices under now expired agreements that were in place between 2001 and January 2011, pursuant to which governmental agencies purchased office supplies from us. The Plaintiffs seek monetary damages and other relief and, to the extent that liability is found under the California False Claims Act, the Company could also be subject to the trebling of damages and statutory penalties. The Company has made provision for losses with respect to one claim asserted by the Plaintiffs in the lawsuit. No accrual has been made with respect to the remaining claims as the Company has not determined that losses from such claims are both probable and reasonably estimable. An estimate of the range of reasonably possible losses associated with such claims cannot be made at this time because whether plaintiffs recover such damages and the amount of such recovery may be significantly impacted by court rulings on anticipated motions and other prospective events in the litigation. A non-binding, voluntary mediation is scheduled for the second quarter of 2014, and a trial is currently scheduled for July 2015. The Company anticipates that the Plaintiffs' settlement demands in the mediation will include monetary compensation at levels that would, if paid, have a material adverse effect on our results of operations and cash flows. If the Company determines to pursue settlement, it may also determine to accrue an additional reserve, including at an amount that could have a material adverse effect on our results of operations and cash flows. If the case is not settled, an adverse judgment at trial could result in significant monetary liability beyond the amounts accrued for to date and have a material adverse effect on our financial condition, results of operations and cash flows. Office Depot intends to vigorously defend itself in this lawsuit.

On February 20, 2013, Office Depot and OfficeMax announced a definitive agreement under which the companies would combine in an all-stock merger-of-equals transaction. Between February 25, 2013 and March 29, 2013, six putative class action lawsuits were filed by purported OfficeMax shareholders in the Circuit Court of the Eighteenth Judicial Circuit in DuPage County, Illinois ("Court") challenging the transaction and alleging that the defendant companies and individual members of OfficeMax's Board of Directors violated applicable laws by breaching their fiduciary duties and/or aiding and abetting such breaches. The plaintiffs sought, among other things, injunctive relief and rescission, as well as fees and costs. The lawsuits were consolidated as *Venkata S. Donepudi v. OfficeMax Incorporated et. al.* Subsequently, two similar lawsuits were filed in the United States District Court for the Northern District of Illinois. Like the state court lawsuits, the federal actions alleged that the disclosure in the joint proxy statement/prospectus was inadequate. On June 25, 2013, the parties entered into a Memorandum of Understanding ("MOU") regarding settlement of the litigation. In consideration for the settlement and release, Office Depot and OfficeMax made certain supplemental disclosures to the joint proxy statement/prospectus. The MOU contemplates that the parties will attempt in good faith to agree to a stipulation of settlement to be submitted to the court for approval. A Stipulation of Settlement was entered into on November 6, 2013, and filed with the Court on November 7, 2013. The Court granted preliminary approval of the settlement on November 11, 2013, and final settlement approval was entered by the Court on January 21, 2014. The amount paid in this settlement was not material to the Company's financial statements.

OFFICE DEPOT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) – (Continued)

In addition to the foregoing, Heitzenrater v. OfficeMax North America, Inc., et al. was filed in the United States District Court for the Western District of New York in September 2012 as a putative class action alleging violations of the Fair Labor Standards Act and New York Labor Law. The complaint alleges that OfficeMax misclassified its assistant store managers as exempt employees, willfully failed to pay overtime compensation, and seeks unpaid wages, punitive damages, and penalties for record keeping violations. The Company believes that adequate provisions have been made for probable losses and such amounts are not material. However, in light of the early stage of the case and the inherent uncertainty of litigation, the Company is unable to reasonably determine the full effect of the potential liability in the matter. OfficeMax intends to vigorously defend itself in this lawsuit. Further, Kyle Rivet v. Office Depot, Inc., is pending in the United States District Court for the District of New Jersey. The complaint alleges that Office Depot's use of the fluctuating workweek (FWW) method of pay was unlawful because Office Depot failed to pay a fixed weekly salary and failed to provide its assistant managers with a clear and mutual understanding that they would receive a fixed weekly salary for all hours worked. The plaintiffs similarly seek unpaid overtime, punitive damages, and attorneys' fees. The Company believes in this case as well that adequate provisions have been made for probable losses and such amounts are not material. However, in light of the early stage of the case and the inherent uncertainty of litigation, the Company is unable to reasonably determine the full effect of the potential liability in these matters. Office Depot intends to vigorously defend itself in these lawsuits.

OfficeMax is named a defendant in a number of lawsuits, claims, and proceedings arising out of the operation of certain paper and forest products assets prior to those assets being sold in 2004, for which OfficeMax agreed to retain responsibility. Also, as part of that sale, OfficeMax agreed to retain responsibility for all pending or threatened proceedings and future proceedings alleging asbestos-related injuries arising out of the operation of the paper and forest products assets prior to the closing of the sale. The Company does not believe any of these OfficeMax retained proceedings are material to the Company's business.

Commitments

In accordance with an amended and restated joint venture agreement, the minority owner of Grupo OfficeMax can elect to require the Company to purchase the minority owner's 49% interest in the joint venture if certain earnings targets are achieved. During the first quarter of 2014, the Grupo OfficeMax earnings targets were achieved, but had no impact on the noncontrolling interest value at March 29, 2014. Refer to Note 2 for information about the expected sale of the Company's interest in Grupo OfficeMax.

NOTE 12. DIVISION INFORMATION

As a result of the Merger, the Company is in a period of transition as it relates to organizational alignment and management reporting which could impact segment reporting in future periods. At March 29, 2014, the Company had the following three reportable segments: North American Retail Division, North American Business Solutions Division, and International Division. Following the date of the Merger, the former OfficeMax U.S. Retail business is included in the North American Retail Division. The former OfficeMax United States and Canadian Contract business is included in the North American Business Solutions Division. The former OfficeMax businesses in Australia, New Zealand and Mexico are included in the International Division. The office supply products and services offered across all operating segments are similar. Certain operating segments are aggregated into the way the business is managed and evaluated. Division operating income (loss) is determined based on the measure of performance reported internally to manage the business and for resource allocation. This measure charges to the respective Divisions those expenses considered directly or closely related to their operations and allocates support costs. Other companies may charge more or less of these items to their segments and results may not be comparable to similarly titled measures used by other entities.

OFFICE DEPOT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) – (Continued)

During the fourth quarter of 2013, the Company modified its measure of business segment operating income for management reporting purposes to exclude from the determination of segment operating results the impact related to asset impairments, Merger and integration, restructuring and other charges and credits. Oversight of these activities starting in fourth quarter of 2013 was provided at the Corporate level. Prior period operating expenses have been recast to conform to the current period presentation for the change in measurement of Division operating results.

The following is a summary of significant accounts and balances by each of the Divisions, reconciled to consolidated totals.

<i>(In millions)</i>	<u>Sales</u>	
	<u>First Quarter</u>	
	<u>2014</u>	<u>2013</u>
North American Retail Division	\$1,811	\$1,143
North American Business Solutions Division	1,540	816
International Division	1,003	759
Total	<u>\$4,354</u>	<u>\$2,718</u>

<i>(In millions)</i>	<u>Division Operating Income</u>	
	<u>First Quarter</u>	
	<u>2014</u>	<u>2013</u>
North American Retail Division	\$ 37	\$ 21
North American Business Solutions Division	40	26
International Division	20	7
Total	<u>\$ 97</u>	<u>\$ 54</u>

A reconciliation of the measure of Division operating income to Consolidated loss before income taxes is as follows:

<i>(In millions)</i>	<u>First Quarter</u>	
	<u>2014</u>	<u>2013</u>
	Total Division operating income	\$ 97
Add/(subtract):		
Asset impairments	(50)	(5)
Merger, restructuring, and other operating expenses, net	(101)	(19)
Unallocated expenses	(25)	(20)
Interest income	6	—
Interest expense	(25)	(16)
Other income (expense), net	1	6
Loss before income taxes	<u>\$ (97)</u>	<u>\$—</u>

OFFICE DEPOT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) – (Continued)

The gross amount of goodwill and the amount of accumulated impairment losses as of March 29, 2014 are provided in the following table:

<i>(In millions)</i>	North American Retail Division	North American Business Solutions Division	International Division	Corporate	Total
Goodwill	\$ 2	\$ 370	\$ 907	\$ 377	\$ 1,656
Accumulated impairment losses	(2)	(349)	(907)	—	(1,258)
Balance as of December 28, 2013	—	21	—	377	398
2014 Changes:					
Measurement period adjustments	—	—	—	(10)	(10)
Balance as of March 29, 2014	<u>\$ —</u>	<u>\$ 21</u>	<u>\$ —</u>	<u>\$ 367</u>	<u>\$ 388</u>

Because the allocation of consideration related to the Merger is incomplete, the goodwill associated with the transaction has not yet been allocated to the reporting units and is included in Corporate above. The purchase price allocation and the allocation of goodwill on a relative fair value basis is expected to be complete within the measurement period that will not exceed one year from the transaction date. Refer to Note 2 for additional information on the goodwill associated with the Merger and measurement period adjustments.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

RESULTS OF OPERATIONS

OVERVIEW

Office Depot, Inc., together with our subsidiaries (“Office Depot” or the “Company”), is a global supplier of office products and services to consumers and businesses of all sizes. On November 5, 2013, we merged with OfficeMax Incorporated (“OfficeMax”). We sell to customers throughout North America, Europe, Asia/Pacific, and Latin America through three reportable segments (or “Divisions”): North American Retail Division, North American Business Solutions Division and International Division. The North American Retail Division includes our retail stores in the United States, including Puerto Rico and the U.S. Virgin Islands, which offer office supplies, technology products and solutions, business machines and related supplies, facilities products, and office furniture. Most stores also have a copy and print center offering printing, reproduction, mailing and shipping services. The North American Business Solutions Division sells office supply products and services in Canada and the United States, including Puerto Rico and the U.S. Virgin Islands. North American Business Solutions Division customers are served through dedicated sales forces, catalogs, telesales, and electronically through our Internet sites. Our International Division sells office products and services through direct mail catalogs, contract sales forces, Internet sites, and retail stores in Europe, Asia/Pacific, and Mexico. Following the date of the OfficeMax merger (the “Merger”), (i) the former OfficeMax U.S. Retail business is included in the North American Retail Division; (ii) the former OfficeMax U.S. and Canadian Contract business is included in the North American Business Solutions Division; and (iii) the former OfficeMax business in Australia, New Zealand and Mexico is included in the International Division.

During the fourth quarter of 2013, we modified the measure of business segment operating results for management reporting purposes to exclude from the determination of Division operating income (loss) the impacts of asset impairments, restructuring-related activities, and certain other charges and credits. These activities now are being managed at the Corporate level. The change was intended to present these activities apart from the expenses incurred to sell to and service our customers. Refer to Note 12 of the Condensed Consolidated Financial Statements for additional segment information. Also, to be consistent with how the business is managed, starting in the fourth quarter of 2013, the Company is presenting in Selling, general and administrative expenses the amounts that were previously reported in Operating and selling expenses and General and administrative expenses. Neither the change in Division operating income (loss) nor Statement of Operations presentation had an impact on Consolidated Operating income (loss), Net income (loss), or Earnings (loss) per share for the prior periods presented.

Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) is intended to provide information to assist readers in better understanding and evaluating our financial condition and results of operations. We recommend reading this MD&A in conjunction with our Condensed Consolidated Financial Statements and the Notes to those statements included in Item 1 of this Quarterly Report on Form 10-Q, as well as our 2013 Annual Report on Form 10-K, filed with the U.S. Securities and Exchange Commission (the “SEC”) on February 25, 2014 (the “2013 Form 10-K”).

This MD&A contains significant amounts of forward-looking information. Without limitation, when we use the words “believe,” “estimate,” “plan,” “expect,” “intend,” “anticipate,” “continue,” “may,” “project,” “probably,” “should,” “could,” “will” and similar expressions in this Quarterly Report on Form 10-Q, we are identifying forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995). Our discussion of Risk Factors, found in Item 1A of our 2013 Form 10-K, and Forward-Looking Statements, found in Item 1A of our 2013 Form 10-K, apply to these forward-looking statements.

[Table of Contents](#)

A summary of certain factors impacting results for the 13-week periods ended March 29, 2014 and March 30, 2013 (also referred to as “the first quarter of 2014” and “the first quarter of 2013”, respectively) is provided below. Additional discussion of the 2014 first quarter results is provided in the narrative that follows this overview.

Merger

- The Merger was completed on November 5, 2013. Accordingly, the first quarter of 2014 is the first full quarter the OfficeMax results have been included in the Condensed Consolidated Statement of Operations. Due to the significance of the OfficeMax results to the Company, the consolidation of OfficeMax sales and operating expense categories in 2014 are the main drivers of the changes in results of operations between the first quarters of 2014 and 2013.
- The impact of the Merger on total Company sales is as follows:

<i>(In millions)</i>	<u>First Quarter 2014</u>		First Quarter 2013 Sales	<u>% Change</u>	
	<u>Total Company Sales</u>	<u>Contribution from OfficeMax Banner</u>		<u>Total Company Sales</u>	<u>Excluding OfficeMax Contribution</u>
North American Retail Division	\$ 1,811	\$ 709	\$1,143	58%	(4)%
North American Business Solutions Division	1,540	743	816	89%	(2)%
International Division	1,003	231	759	32%	2%
Total	\$ 4,354	\$ 1,683	\$2,718	60%	(2)%

- Due to the similarities in the underlying businesses under both banners (Office Depot and OfficeMax), the trends impacting the results are often the same. In the Division operating results discussion that follows, where the factors affecting the Office Depot business differ from the factors affecting the OfficeMax business compared to their operations in the first quarter of 2013 (before the Merger), separate explanations will be provided.
- During March 2014, we agreed in principle to sell our interest in the Grupo OfficeMax business in Mexico to our joint venture partner for cash. The assets and liabilities of that joint venture have been classified as held for sale in the March 29, 2014 Condensed Consolidated Balance Sheet. The transaction is expected to be completed during the second quarter of 2014.

Other Significant Factors Impacting Total Company Results and Liquidity

- Gross margin decreased 95 basis points in the first quarter of 2014 compared to the first quarter of 2013, resulting primarily due to competitive pressures in the Business Solutions Division and International Division.
- Total Company Selling, general and administrative expenses increased in the first quarter of 2014 compared to the first quarter of 2013, reflecting the addition of OfficeMax operating expenses in 2014. Selling, general and administrative expenses as a percentage of sales were lower across all Divisions, reflecting lower payroll and advertising expenses, as well as operational efficiencies.
- Non-cash asset impairment charges of \$50 million and \$5 million were recorded in the first quarters of 2014 and 2013, respectively. The 2014 charge includes a \$28 million asset impairment related to the abandonment of a software implementation project in Europe, \$13 million related to the write off of capitalized software following certain information technology platform decisions related to the Merger, and the impact from the decision in March 2014 to close the stores in Canada acquired in the Merger. Both periods include expenses related to underperforming stores in North America.

[Table of Contents](#)

- We recognized \$101 million of Merger, restructuring, and other operating expenses, net in the first quarter of 2014. This line item includes \$96 million of expenses related to the Merger transaction and integration activities and \$5 million of restructuring and other operating expenses. Merger-related activities include primarily professional fees, employee related expenses, and the write-off of software assets that will not provide future benefit. Restructuring and other operating expenses primarily relate to activities in Europe. In the first quarter of 2013, this line includes initial merger related expenses and restructuring charges. Merger and integration costs are expected to continue. We estimate that merger and integration expenses will be \$400 million during the three-year period of 2014 through 2016, excluding costs related to rationalizing and optimizing the U.S. retail store base and other asset impairments. Costs related to the expected U.S. store closures have not yet been determined. We anticipate that approximately \$300 million of these integration expenses will be incurred in 2014.
- Interest income increased in the first quarter of 2014 primarily due to the impact of OfficeMax Timber Notes income. Interest expenses in the first quarter of 2014 increased when compared to the first quarter of 2013, mainly due to interest expense related to OfficeMax recourse and non-recourse debt, which was partially offset by the decline in interest expense resulting primarily from the maturity of \$150 million of the 6.25% senior notes in August 2013.
- The effective tax rate for the first quarter of 2014 was -11%, reflecting the impact of valuation allowances limiting recognition of deferred tax assets. Because of the valuation allowances and changes in the mix of earnings among jurisdictions, the Company continues to experience significant effective tax rate volatility within the year and across years.
- Loss per share was \$(0.21) in the first quarter of 2014 compared to a loss per share of \$(0.06) in the first quarter of 2013. The weighted average shares used for the first quarter of 2014 EPS calculation include the impact of shares issued in the fourth quarter of 2013 in connection with the Merger.
- At March 29, 2014, we had \$870 million in cash and cash equivalents and \$1.1 billion available on our asset based credit facility. Cash flow from operating activities was a use of \$74 million for the first quarter of 2014.

OPERATING RESULTS

Discussion of additional income and expense items, including material charges and credits and changes in interest and income taxes follows our review of segment results.

NORTH AMERICAN RETAIL DIVISION

<i>(In millions)</i>	First Quarter	
	2014	2013
Sales	\$1,811	\$1,143
% change	58%	(6)%
Division operating income	\$ 37	\$ 21
% of sales	2.0%	1.9%
Comparable store sales decline	(2)%	(5)%

Sales in our North American Retail Division increased 58% in the first quarter of 2014 compared to sales in the same period last year, primarily as a result of the addition of OfficeMax 2014 sales of \$709 million. Excluding the OfficeMax sales, 2014 sales would have decreased 4%.

Comparable store sales in 2014 from the 1,071 stores under the Office Depot banner that were open for more than one year decreased 2%. For the Office Depot banner, transactions and average order value declined. Lower transaction counts reflect lower customer traffic. Sales of computers and related products declined, with certain Office Depot unit sales increasing at lower average selling prices. Sales of supplies were lower, while sales in Office Depot Copy and Print Depot increased.

Our comparable store sales relate to stores that have been open for at least one year. Stores are removed from the comparable sales calculation during remodeling and if significantly downsized. As the Company refines its real estate strategy and the integration of Office Depot and OfficeMax stores progresses, comparable store sales may be impacted as customers migrate from closed to nearby stores which remain open.

In addition to comparable sales trends discussed above, total sales decline was also impacted by store closures. The Company believes that some shoppers continue to purchase in Company stores in proximity to closed locations and online or through catalogs. Online and catalog sales are reported in the North American Business Solutions Division. While store closures result in lower sales in the North American Retail Division, they are typically lower performing stores and future Division operating income may benefit.

The North American Retail Division reported operating income of \$37 million in the first quarter of 2014, compared to \$21 million in the same period of prior year. Division operating income was negatively affected by the impact our comparable sales decline had on gross profit and fixed operating expenses (the "flow through impact"). However, the closure of underperforming stores provided some benefit, such as lower occupancy costs. The operations of stores under both banners realized lower payroll and lower advertising expenses. These benefits reflect prior restructuring under the Office Depot banner, synergies from combining the two companies and the timing of certain activities across interim periods. Division operating income in 2014 includes the positive contribution from the Merger. As the integration of the businesses continues, the identity of benefits will not be clear at the individual banner level and will be addressed at the Division level.

During the first quarter of 2014, the North American Retail Division opened two stores and closed 14, ending the period with a store count of 1,900.

[Table of Contents](#)

The Company has begun the assessment of how best to manage the combined portfolio of stores and initially anticipates closing at least 400 stores by the end of 2016. The Company expects to close approximately 150 stores in 2014, with the majority to be closed in the fourth quarter. The total closures are expected to result in at least \$75 million in annual run-rate synergies by the end of 2016 and are expected to be accretive to earnings beginning in 2015. The Company continues to finalize its real estate portfolio optimization plan and determine expected working capital savings and costs related to the store closures.

This assessment is expected to result in exit costs associated with facility closures and product harmonization. Closures likely will include Office Depot and OfficeMax locations. Charges associated with these decisions will be reported as appropriate in Cost of goods sold and occupancy costs, Asset impairments and Merger, restructuring and other operating expenses, net in the Consolidated Statement of Operations. These charges will be reflected in Corporate reporting, and not included in the determination of Division income in future periods.

NORTH AMERICAN BUSINESS SOLUTIONS DIVISION

<i>(In millions)</i>	First Quarter	
	2014	2013
Sales	\$1,540	\$816
% change	89%	(1)%
Division operating income	\$ 40	\$ 26
% of sales	2.6%	3.2%

Sales in our North American Business Solutions Division increased 89% in the first quarter of 2014 compared to sales in the same period in the prior year, primarily as a result of the addition of OfficeMax 2014 sales of \$743 million. Excluding the OfficeMax sales, first quarter 2014 sales would have decreased 2%.

Sales under the Office Depot banner in the first quarter of 2014 compared to the same period in 2013 decreased in the contract channel and increased in the direct channel. The decline in the contract channel in part reflects negative impacts from adverse weather and a shift in timing of New Year holiday business, partially offset by the positive impact of Easter holiday timing. The segmentation of contract channel sales on a combined basis is not available. Online sales through the direct channel increased during 2014, reflecting efforts to enhance the Internet shopping offering and experience. The increased online sales were partially offset by reduced catalog and call center sales. We anticipate this shift in customer shopping preference will continue. On a product category basis, ink, toner and paper sales were lower, while copy and print and cleaning and breakroom sales increased.

Division operating income for the first quarter 2014 was \$40 million, compared to \$26 million in the same period of the prior year. Division operating income as a percentage of sales declined in the first quarter of 2014 compared to the same period in 2013, reflecting in part the impact of adding OfficeMax contract channel customers with a higher mix of lower margin accounts. The Company will focus on improving the overall mix of customers and offering margin enhancing products and services to align more with the Office Depot contract channel customers. Partially offsetting these margin impacts, the Division realized lower payroll and advertising expense as a percentage of sales across the channels compared to the prior year. These cost decreases reflect both efficiencies of combining the companies and certain timing across interim periods. Division operating income in 2014 includes the positive contribution from the Merger.

In March 2014, the Company decided to close the 19 stores in Canada that were added as part of the Merger. Because this decision was after the Merger date, the fair value of assets for these locations recognized in purchase accounting has been written down to the amount recoverable through operations prior to closing. That impairment charge has been reflected in the Asset impairments line in the Condensed Consolidated Statement of Operations and as a Corporate charge not included in determination of Division operating income. Additional charges for severance and lease liabilities are likely as these stores are closed in the second quarter of 2014. Those charges, too, will be recognized at the Corporate level.

INTERNATIONAL DIVISION

<i>(Dollars in millions)</i>	First Quarter	
	2014	2013
Sales	\$1,003	\$759
% change	32%	(8)%
Division operating income	\$ 20	\$ 7
% of sales	2.0%	0.9%

Sales in our International Division in U.S. dollars increased 32% in the first quarter of 2014 compared to sales in the same period in the prior year, primarily as a result of the addition of OfficeMax 2014 sales of \$231 million. Excluding the OfficeMax sales, first quarter 2014 sales compared to the same period last year would have increased 2% in U.S. dollars, or decreased 2% on a constant currency basis. The timing of Easter holidays had a positive impact on the European business, comparing the first quarter of 2014 to 2013. On a working day constant currency basis, sales under the Office Depot banner in the contract and direct channels decreased in the first quarter of 2014. The contract channel sales decline reflects, in part, the decision in 2013 not to continue with certain unprofitable contracts. The sales decline in the direct channel reflects the continued decline in catalog and call center sales, partially offset by online sales increases. The Company continues to focus on improving the rate of decline in the direct channel.

Division operating income totaled \$20 million in the first quarter of 2014, compared to \$7 million in the same period of 2013. Division operating income as a percentage of sales increased in the first quarter of 2014 compared to 2013, reflecting benefits from certain of the OfficeMax business in Asia/Pacific, partially offset by competitive pressures experienced in the Office Depot business in Europe. Operating expenses as a percentage of sales decreased across the Division, reflecting lower advertising expenses and benefits from current and prior period restructuring activities. Office Depot supply chain expenses increased. Division operating income in 2014 includes the positive contribution from the Merger. The Division expects to continue restructuring activities during 2014 to align the organization from a geographic-focus to a channel-focus. Costs associated with restructuring activities are reported at the Corporate level and discussed in the "Restructuring and other operating expenses, net" section below.

For U.S. reporting, the International Division's sales are translated into U.S. dollars at average exchange rates experienced during the period. The Division's reported sales were positively impacted by \$30 million from changes in foreign currency exchange rates in the first quarter of 2014. Internally, we analyze our international operations in terms of local currency performance to allow focus on operating trends and results.

During March 2014, we agreed in principle to sell our interest in the Grupo OfficeMax business in Mexico to our joint venture partner for cash. The assets and liabilities of that consolidated joint venture have been classified as held for sale in the March 29, 2014 Condensed Consolidated Balance Sheet. A supply and brand licensing agreement is expected to continue to provide cash flow to the Company and accordingly, the transaction will not be presented as discontinued operations under current accounting rules. Sales and expenses of the joint venture will be included in operating results of the Division through the date of sale which is expected to be during the second quarter of 2014.

CORPORATE AND OTHER**Asset Impairments, Merger, Restructuring, Other Charges and Credits**

In recent years, we have taken actions to adapt to changing and competitive conditions. These actions include closing stores and distribution centers, consolidating functional activities, disposing of businesses and assets, and improving process efficiencies. We have also recognized significant asset impairment charges related to stores and intangible assets and significant expenses associated with the Merger and integration. These activities are managed at the Corporate level and, accordingly, are not included in the determination of Division income for management reporting or external disclosures. Each of these expense items are expected to continue in future periods.

The line items in our Condensed Consolidated Statements of Operations impacted by these Corporate activities are presented in the table below, followed by a narrative discussion of the significant matters. To the extent significant charges result from product harmonization, those charges will be presented in Cost of goods sold and occupancy costs, also at the Corporate level.

<i>(In millions)</i>	First Quarter	
	2014	2013
Asset impairments	\$ 50	\$ 5
Merger, restructuring, and other operating expenses, net	101	19
Total charges and credits impact on Operating income (loss)	\$151	\$24

In addition to these charges and credits, certain Selling, general and administrative expenses are not allocated to the Divisions and are managed at the Corporate level. Those expenses are addressed in the section "Unallocated Expenses" below.

Asset Impairments

The Company recognized asset impairment charges of \$50 million and \$5 million in the first quarters of 2014 and 2013, respectively. The first quarter of 2014 impairment charge included a \$28 million asset impairment related to the abandonment of a software implementation project in Europe, \$13 million to write off of capitalized software following certain information technology platform decisions related to the Merger, and \$1 million from a decision in March 2014 to close the 19 stores in Canada acquired as part of the Merger. The remaining first quarter of 2014 impairment charge is based on a discounted cash flow analysis of the retail locations that assumes a sales decline the next year similar to recent experience, with negative but improving trends for later years. Gross margin assumptions and operating costs have been assumed to be consistent with recent actual results and planned activities.

As our assessment of how best to manage the combined portfolio of Office Depot and OfficeMax stores progresses, we are likely to experience volatility in results. In addition to charges for severance, product harmonization, and facility closure costs that will be recognized as decisions are made and communicated, we may experience volatility from the timing of recognition of impairment charges followed by credits related to capital leases and deferred rent accounts when the leases are terminated or modified. The accounting impacts of future period actions likely will differ for Office Depot stores and OfficeMax stores as the OfficeMax stores were recorded at estimated fair value on November 5, 2013, and certain deferred lease balances were eliminated in purchase accounting.

To the extent that future sales and operating assumptions in the current portfolio are not achieved and are subsequently reduced, or more stores are closed, additional impairment charges may result. Store performance lower than current projections may also result in additional quarterly asset impairment charges. However, at the end of the first quarter of 2014, the impairment analysis reflects the Company's best estimate of future performance, based on the current business model.

[Table of Contents](#)

Merger, restructuring and other operating expenses, net

Merger

We recognized Merger-related expenses of \$96 million and \$15 million in the first quarters of 2014 and 2013, respectively. The \$96 million incurred in 2014 includes (i) \$21 million related to transaction and integration activities, which were primarily legal, accounting, and integration-related; (ii) \$71 million of employee related expenses for cash termination benefits, acceleration of share-based compensation for departing employees and certain incentives to retain and motivate employees; and (iii) \$4 million of other expenses.

The first quarter 2013 expenses were incurred by Office Depot prior to the Merger and include investment banking, legal, accounting, and related third party costs associated with the transaction, including preparation for regulatory filings.

It is expected that significant Merger-related expenses will continue to be incurred in future periods as decisions are made about facility closures, product harmonization, organizational structure and other integration activities. We estimate that merger and integration expenses will be \$400 million during the three-year period of 2014 through 2016, excluding costs related to rationalizing and optimizing the U.S. retail store base and other asset impairments. Costs related to the expected U.S. store closures have not yet been determined. We anticipate that approximately \$300 million of these integration expenses will be incurred in 2014.

Refer to Note 2, "Merger" and Note 3, "Merger, Restructuring, and Other Accruals", in Notes to the Condensed Consolidated Financial Statements for additional information

Restructuring and other operating expenses

During the first quarter of 2014, we recognized \$5 million of restructuring and other operating expenses, primarily for activities in Europe. These charges include severance and other costs for organizational changes intended to promote operational efficiency in future periods.

Restructuring and other operating expenses, net were \$4 million in the first quarter of 2013. These expenses include a net benefit from an asset disposition in Europe that was more than offset by severance and other restructuring charges in North America and Europe.

We expect the restructuring activity in Europe to continue. In late 2013, the International Division began an organizational realignment from a country-based focus to a Europe-wide focus by channel. This realignment, and related cost to implement, is expected to continue throughout 2014.

Unallocated Expenses

The Company allocates to the Divisions functional support costs that are considered to be directly or closely related to segment activity. Those allocated costs are included in the measurement of Division operating income (loss). Other companies may charge more or less of functional support costs to their segments, and our results therefore may not be comparable to similarly titled measures used by other companies. The unallocated costs primarily consist of the building that is used for the Company's corporate headquarters and personnel not directly supporting the Divisions, including certain executive, finance, audit and similar functions. Following the Merger, unallocated costs also include certain pension expense or credit related to the frozen OfficeMax pension and other benefit plans.

Unallocated costs were \$25 million and \$20 million in the first quarters of 2014 and 2013, respectively. The unallocated cost increase in 2014 reflects \$9 million from the addition of OfficeMax, partially offset by reductions in variable pay and functional area expenses not allocated to the Divisions.

Other Income and Expense

<i>(In millions)</i>	First Quarter	
	2014	2013
Interest income	\$ 6	\$—
Interest expense	(25)	(16)
Other income (expense), net	1	6

First quarter 2014 interest income primarily relates to \$6 million interest income earned on the OfficeMax Timber Notes net of amortization of the fair value adjustment recorded at closing date of Merger date. Interest income on the Timber Notes net of fair value adjustment amortization is expected to be approximately \$21 million in 2014. The associated non-recourse debt net of amortization of the fair value adjustment recorded at Merger date added \$5 million of interest expense in the first quarter of 2014 and is expected to be approximately \$20 million in 2014. Interest expense in the first quarter of 2014 also reflects a \$5 million increase due to interest incurred on debt acquired in the Merger, offset by a \$2 million decrease associated with the maturity of \$150 million of the 6.25% senior notes in August 2013. Debt acquired in the Merger amounting to \$10 million at March 29, 2014 will be de-consolidated when the sale of our interest in the joint venture in Grupo OfficeMax in Mexico is completed, currently expected during the second quarter of 2014.

Other income (expense), net includes gains and losses related to foreign exchange transactions, gains and losses on sales of the Boise Cascade Company stock received by the Company following the Merger, investment results from our deferred compensation plans, and prior to the sale in July 2013, our portion of the Office Depot de Mexico joint venture income. The first quarter of 2013 includes \$7 million as our portion of joint venture earnings.

Income Taxes

For the first quarter of 2014, we recognized income tax expense on a pretax loss because, as in prior periods, deferred tax benefits were not recognized on pretax losses in certain tax jurisdictions with valuation allowances, while income tax expense was recognized in tax jurisdictions with pretax earnings. The increase in income tax expense from the first quarter of 2013 is primarily attributable to the merger with OfficeMax, which resulted in the inclusion of additional tax jurisdictions with pretax earnings and related income tax expense.

Following the recognition of significant valuation allowances in the U.S. and certain foreign jurisdictions in 2009, we have regularly experienced substantial volatility in our effective tax rate in interim periods and across years. Because deferred income tax benefits cannot be recognized in several jurisdictions, changes in the amount, mix, and timing of pretax earnings among jurisdictions can have a significant impact on the overall effective tax rate. This interim and full-year volatility is likely to continue in future periods until the valuation allowances can be released.

The Company has significant deferred tax assets in the U.S. and in foreign jurisdictions against which valuation allowances have been established to reduce such deferred tax assets to the amount that is more likely than not to be realized. As of the first quarter of 2014, valuation allowances remain in certain foreign jurisdictions where we believe it is necessary to see further positive evidence, such as sustained achievement of cumulative profits, before these valuation allowances can be released. If such positive evidence develops in 2014, we may release all or a portion of the remaining valuation allowances in these jurisdictions as early as the second quarter of 2014. Such release would result in an income tax benefit of \$4 million in the period of release.

We believe it is reasonably possible that our balance of unrecognized tax benefits could decrease by as much as \$3 million within the next 12 months due to settlements with certain tax authorities. This decrease could have a positive impact on our income tax expense in the period of change, depending upon the terms of settlement. Additionally, we anticipate that it is reasonably possible that new issues will be raised or resolved by tax authorities that may require changes to the balance of unrecognized tax benefits; however, an estimate of such changes cannot be reasonably made.

Preferred Stock Dividends

In connection with the Merger, we redeemed the preferred stock in two transactions during 2013. Preferred stock dividends for the first quarter of 2013 in our Condensed Consolidated Statement of Operations were \$10 million and relate to contractual dividends incurred prior to the redemptions.

Contingent liabilities

In the ordinary course of business, the Company is routinely a defendant in, or party to a number of pending and threatened legal actions and proceedings, including actions brought on behalf of claimants. The Company accrues for a loss if, in management's opinion, it is probable that a future event will confirm a liability existed at the balance sheet date and the amount of loss can be reasonably estimated. In some cases, it may not be possible to determine whether a liability is probable or to reasonably estimate the amount of loss until a settlement is reached or proposed or the case is closer to resolution. In these instances, no accrual can be made until that time. If it can be determined that a liability exists or is probable as of the balance sheet date, but a reasonable estimate involves a range within which a particular amount appears to be a better estimate, that amount would be accrued. If no such better estimate within a range exists, the Company is required to accrue the minimum amount in the range. On a regular basis, management and internal and external experts are involved in assessing the adequacy of the Company's contingent loss accrual. Changes in these assessments may lead to changes in litigation accruals. There is inherent difficulty in predicting the outcome of such matters and liabilities arising from pending litigation could have a material adverse effect on the Company's consolidated financial position, results of operations and cash flows. See Note 11, "Commitments and Contingencies".

Commitments

In accordance with an amended and restated joint venture agreement, the minority owner of Grupo OfficeMax can elect to require the Company to purchase the minority owner's 49% interest in the joint venture if certain earnings targets are achieved. During the first quarter of 2014, the Grupo OfficeMax earnings targets were achieved, but had no impact on the noncontrolling interest value at March 29, 2014. During the first quarter of 2014, the Company has agreed in principle to sell its interest in Grupo OfficeMax to its joint venture partners for cash. The sale is expected to be completed during the second quarter of 2014.

NEW ACCOUNTING STANDARDS

In April 2014, the Financial Accounting Standards Board issued an accounting standards update that changes the criteria for reporting discontinued operations and modifies the disclosures for other dispositions. Under the new guidance, only disposals representing a strategic shift in operations will be presented as discontinued operations. Those strategic shifts should have a major effect on the organization's operations and financial results. The new guidance also requires disclosure of the pre-tax income attributable to a disposal of a significant part of an organization that does not qualify for discontinued operations reporting. The new standard is to be applied prospectively and is effective for the Company in the first quarter of 2015. Early adoption is permitted with some limitations. The Company is evaluating the new guidance, but currently does not expect it to have a significant impact on the consolidated financial statements.

LIQUIDITY AND CAPITAL RESOURCES

At March 29, 2014, we had approximately \$870 million in cash and equivalents and another \$1.1 billion available under the Amended Credit Agreement (as defined in Note 5 of the Condensed Consolidated Financial Statements) based on March borrowing base certificate, for a total liquidity of approximately \$2.0 billion. We currently believe that our cash on hand, availability of funds under the Amended Credit Agreement, and cash flows generated from operations will be sufficient to fund our working capital, capital expenditure and debt repayment requirements for at least the next twelve months.

At March 29, 2014, no amounts were drawn under the Amended Credit Agreement. There were letters of credit outstanding under the Amended Credit Agreement at the end of the first quarter totaling \$101 million.

We also had short-term borrowings of \$10 million at March 29, 2014 under various local currency credit facilities for our international subsidiaries that had an effective interest rate at the end of the first quarter of approximately 5.8%. The maximum month end amount occurred in March at approximately \$10 million and the maximum monthly average amount occurred in March at approximately \$8 million. These short-term borrowings represent outstanding balances on uncommitted lines of credit, which do not contain financial covenants.

The Company was in compliance with all applicable financial covenants at March 29, 2014.

We have incurred \$96 million in expenses associated primarily with the Merger and integration actions and \$5 million in restructuring expenses associated primarily with actions taken in Europe. Significant Merger and restructuring expenses are expected to continue to be incurred in future periods.

In connection with the Merger, we assumed obligations under the OfficeMax North American pension plans and other postemployment plans. In the first quarter of 2014, \$1 million cash contribution was made to the North American pension and other postemployment plans. An additional \$49 million cash contribution is expected to be made to the North American pension and other postemployment plans in 2014, of which \$37 million was contributed in April 2014. The amounts funded are presented as Operating activity outflows in the Condensed Consolidated Statement of Cash Flows.

Cash Flows

On November 5, 2013, the Company merged with OfficeMax Incorporated. Accordingly, the first quarter of 2014 is the first full quarter that OfficeMax results have been included in the Condensed Consolidated Statement of Cash Flows.

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

<i>(In millions)</i>	First Quarter	
	2014	2013
Operating activities	\$(74)	\$(94)
Investing activities	(8)	(29)
Financing activities	2	7

Operating Activities

During the first quarter of 2014, cash used in operating activities was \$74 million, compared to a use of cash of \$94 million during the same period last year. Operating cash flows in 2014 include approximately an \$80 million use of cash associated to Merger-related activities.

[Table of Contents](#)

Changes in net working capital and other components for the first quarter of 2014 resulted in a \$113 million use of cash compared to a \$156 million use in the same period last year. The decrease in use of cash in 2014 largely reflects the timing of activity toward the end of the respective balance sheet periods, with 2014 experiencing a greater decrease in inventory as compared to the same period in the 2013. These changes were partially offset by a greater decrease in accounts payable, accrued expenses and other current and long-term liabilities in 2014 compared to the same period in the 2013 and proceeds from the increase in withdrawals under an accounts receivable factoring agreement in France in 2013. Working capital is influenced by a number of factors including the flow of goods, credit terms, timing of promotions, vendor production planning, new product introductions and working capital management. For our accounting policy on cash management, refer to Note 1 of the Notes to Condensed Consolidated Financial Statements.

Investing Activities

Cash used in investing activities was \$8 million in the first quarter of 2014, compared to a \$29 million use of cash in the same period last year. The first quarter of 2014 includes \$22 million proceeds from the disposition of Boise Cascade Company common stock received from the Boise Cascade Holdings distribution, offset by capital expenditures of \$39 million. 2014 period also includes \$8 million from proceeds from assets sold. The \$29 million use of cash in 2013 period relates to capital expenditures.

Financing Activities

Cash provided by financing activities was \$2 million in the first quarter of 2014, compared to \$7 million in the same period last year. Net proceeds on long- and short-term borrowings amounted to \$5 million in the first quarter of 2014 compared to net proceeds of \$17 million in the same period last year. Dividend on preferred stock amounting to \$10 million was paid in cash in the first quarter of 2013. Preferred stock was fully redeemed in 2013.

CRITICAL ACCOUNTING POLICIES

Our Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Preparation of these statements requires management to make judgments and estimates. Some accounting policies have a significant impact on amounts reported in these financial statements. A summary of significant accounting policies and a description of accounting policies that are considered critical may be found in our 2013 Form 10-K, in Note 1 of the Notes to the Consolidated Financial Statements and the Critical Accounting Policies section of the Management's Discussion and Analysis of Financial Condition and Results of Operations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Risks

At March 29, 2014, there had not been a material change in the interest rate risk information disclosed in the “Market Sensitive Risks and Positions” subsection of the Management’s Discussion and Analysis of Financial Condition and Results of Operations set forth in Item 7 of the Company’s 2013 Form 10-K.

Foreign Exchange Rate Risks

At March 29, 2014, there had not been a material change in any of the foreign exchange risk information disclosed in the “Market Sensitive Risks and Positions” subsection of the Management’s Discussion and Analysis of Financial Condition and Results of Operations set forth in Item 7 of the Company’s 2013 Form 10-K.

Item 4. Controls and Procedures.

Evaluation of disclosure controls and procedures

We maintain controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be in this report is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. Our management recognizes that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the possible controls and procedures. Each reporting period, the Company carries out an evaluation, with the participation of its Chief Executive Officer (“CEO”), and Chief Financial Officer (“CFO”), of the effectiveness of the design and operation of the Company’s disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act.

During the first quarter of 2014, we continued to integrate the OfficeMax operations, which the Company acquired in November 2013. In connection with this integration and resulting business process changes, we continue to enhance the design and documentation of our internal procedures to maintain suitable controls over our financial reporting.

Based on management’s evaluation, as of March 29, 2014, the Company’s CEO and CFO concluded that the Company’s disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by the Company in reports that the Company files or submits under the Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to the Company’s management, including the CEO and CFO, to allow timely decisions regarding required disclosures.

Changes in Internal Control over Financial Reporting

There has been no change in the Company’s internal control over financial reporting that occurred during the Company’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

The Company is involved in litigation, including class actions, arising in the ordinary course of business. The Company is also subject to lawsuits, investigations, audits and reviews by government authorities and regulatory agencies. While claims in these matters may at times involve substantial monetary demands, except as otherwise disclosed herein the Company does not believe that contingent liabilities related to any of these matters will have a material adverse effect on the Company's financial position. However, in the future we could incur judgments, enter into settlements or revise our expectations regarding the outcome of these matters, and such developments could have a material adverse effect on our results of operations and cash flows.

In addition to the foregoing, State of California et. al. ex. rel. David Sherwin v. Office Depot was filed in Superior Court for the State of California, Los Angeles County, and unsealed on October 16, 2012. On January 29, 2014, the case, which had been removed to the United States District Court for the Central District of California, was remanded back to the Superior Court. The lawsuit asserts a variety of claims, including claims under the California False Claims Act, based on allegations regarding certain pricing practices under now expired agreements that were in place between 2001 and January 2011, pursuant to which governmental agencies purchased office supplies from us (the "Purchasing Agreements"). The Plaintiffs seek monetary damages and other relief and, to the extent that liability is found under the California False Claims Act, the Company could also be subject to the trebling of damages and statutory penalties. The Company has made provision for losses with respect to one claim asserted by the Plaintiffs in the lawsuit. No accrual has been made with respect to the remaining claims as the Company has not determined that losses from such claims are both probable and reasonably estimable. An estimate of the range of reasonably possible losses associated with such claims cannot be made at this time because whether plaintiffs recover such damages and the amount of such recovery may be significantly impacted by court rulings on anticipated motions and other prospective events in the litigation. A non-binding, voluntary mediation is scheduled for the second quarter of 2014, and a trial is currently scheduled for July 2015. The Company anticipates that the Plaintiffs' settlement demands in the mediation will include monetary compensation at levels that would, if paid, have a material adverse effect on our results of operations and cash flows. If the Company determines to pursue settlement, it may also determine to accrue an additional reserve, including at an amount that could have a material adverse effect on our results of operations and cash flows. If the case is not settled, an adverse judgment at trial could result in significant monetary liability beyond the amounts accrued for to date and have a material adverse effect on our financial condition, results of operations and cash flows. Office Depot intends to vigorously defend itself in this lawsuit. Additionally, as previously disclosed, during the first quarter of 2011, the Company was notified that the United States Department of Justice ("DOJ") commenced an investigation into certain pricing practices related to the Purchasing Agreements. The Company has cooperated with the DOJ on this matter.

On February 20, 2013, Office Depot and OfficeMax announced a definitive agreement under which the companies would combine in an all-stock merger-of-equals transaction. Between February 25, 2013 and March 29, 2013, six putative class action lawsuits were filed by purported OfficeMax shareholders in the Circuit Court of the Eighteenth Judicial Circuit in DuPage County, Illinois ("Court") challenging the transaction and alleging that the defendant companies and individual members of OfficeMax's Board of Directors violated applicable laws by breaching their fiduciary duties and/or aiding and abetting such breaches. The plaintiffs sought, among other things, injunctive relief and rescission, as well as fees and costs. The lawsuits were consolidated as Venkata S. Donepudi v. OfficeMax Incorporated et. al. Subsequently, two similar lawsuits were filed in the United States District Court for the Northern District of Illinois. Like the state court lawsuits, the federal actions alleged that the disclosure in the joint proxy statement/prospectus was inadequate. On June 25, 2013, the parties entered into a Memorandum of Understanding ("MOU") regarding settlement of the litigation. In consideration for the settlement and release, Office Depot and OfficeMax made certain supplemental disclosures to the joint proxy statement/prospectus. The MOU contemplates that the parties will attempt in good faith to agree to a stipulation of settlement to be submitted to the court for approval. A Stipulation of Settlement was entered into on November 6, 2013, and filed with the Court on November 7, 2013. The Court granted preliminary approval of the settlement on November 11, 2013, and final settlement approval was entered by the Court on January 21, 2014. The amount paid in this settlement was not material to the Company's financial statements.

[Table of Contents](#)

In addition to the foregoing, *Heitzenrater v. OfficeMax North America, Inc., et al.* was filed in the United States District Court for the Western District of New York in September 2012 as a putative class action alleging violations of the Fair Labor Standards Act and New York Labor Law. The complaint alleges that OfficeMax misclassified its assistant store managers as exempt employees, willfully failed to pay overtime compensation, and seeks unpaid wages, punitive damages, and penalties for record keeping violations. The Company believes that adequate provisions have been made for probable losses and such amounts are not material. However, in light of the early stage of the case and the inherent uncertainty of litigation, the Company is unable to reasonably determine the full effect of the potential liability in the matter. OfficeMax intends to vigorously defend itself in this lawsuit. Further, *Kyle Rivet v. Office Depot, Inc.*, is pending in the United States District Court for the District of New Jersey. The complaint alleges that Office Depot's use of the fluctuating workweek (FWW) method of pay was unlawful because Office Depot failed to pay a fixed weekly salary and failed to provide its assistant managers with a clear and mutual understanding that they would receive a fixed weekly salary for all hours worked. The plaintiffs similarly seek unpaid overtime, punitive damages, and attorneys' fees. The Company believes in this case as well that adequate provisions have been made for probable losses and such amounts are not material. However, in light of the early stage of the case and the inherent uncertainty of litigation, the Company is unable to reasonably determine the full effect of the potential liability in these matters. Office Depot intends to vigorously defend itself in these lawsuits.

OfficeMax is named a defendant in a number of lawsuits, claims, and proceedings arising out of the operation of certain paper and forest products assets prior to those assets being sold in 2004, for which OfficeMax agreed to retain responsibility. Also, as part of that sale, OfficeMax agreed to retain responsibility for all pending or threatened proceedings and future proceedings alleging asbestos-related injuries arising out of the operation of the paper and forest products assets prior to the closing of the sale. The Company does not believe any of these OfficeMax retained proceedings are material to the Company's business.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

At March 29, 2014, pursuant to an indenture, dated as of March 14, 2012, we have restrictions on the amount of cash dividends we can pay. We have never declared or paid cash dividends on our common stock and do not anticipate declaring or paying any cash dividends on our common stock in the foreseeable future.

[Table of Contents](#)

Item 6. Exhibits.

Exhibits

10.1	Retention Agreement between Office Depot, Inc. and Ms. Deborah O'Connor dated March 21, 2014 (Incorporated by reference from Office Depot's Current Report on Form 8-K, filed with the SEC on March 24, 2014).
10.2	Second Amendment to 2013 Performance Share Award Agreement between Office Depot, Inc. and Roland C. Smith.
10.3	Award Agreement for 2014 Cash-Settled Performance Award between Office Depot, Inc. and Roland C. Smith.
10.4	Second Amendment to 2013 Performance Share Award Agreement between Office Depot, Inc. and Stephen E. Hare.
10.5	Form of 2014 Restricted Stock Award Agreement.
10.6	Form of 2014 Performance Share Award Agreement.
10.7	Second Amendment to the Office Depot, Inc. 2007 Long-Term Incentive Plan
31.1	Rule 13a-14(a)/15d-14(a) Certification of CEO
31.2	Rule 13a-14(a)/15d-14(a) Certification of CFO
32	Section 1350 Certification
(101.INS)	XBRL Instance Document
(101.SCH)	XBRL Taxonomy Extension Schema Document
(101.CAL)	XBRL Taxonomy Extension Calculation Linkbase Document
(101.DEF)	XBRL Taxonomy Extension Definition Linkbase Document
(101.LAB)	XBRL Taxonomy Extension Label Linkbase Document
(101.PRE)	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements 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.

OFFICE DEPOT, INC.
(Registrant)

Date: May 6, 2014

By: /s/ Roland C. Smith
Roland C. Smith
Chief Executive Officer and
Chairman, Board of Directors
(Principal Executive Officer)

Date: May 6, 2014

By: /s/ Stephen E. Hare
Stephen E. Hare
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

Date: May 6, 2014

By: /s/ Kim Moehler
Kim Moehler
Senior Vice President
and Controller
(Principal Accounting Officer)

SECOND AMENDMENT TO 2013 PERFORMANCE SHARE AWARD AGREEMENT

THIS SECOND AMENDMENT TO THE 2013 PERFORMANCE SHARE AWARD AGREEMENT (this "Amendment") between Office Depot, Inc., a Delaware corporation (the "Company"), and Roland C. Smith, the Chairman and Chief Executive Officer of the Company (the "Executive"). Capitalized terms used in this Amendment and not otherwise defined herein shall have the meanings assigned to them in the Award Agreement (as defined below).

W I T N E S S E T H:

WHEREAS, the Compensation Committee of the Board of Directors of the Company (the "Committee") previously granted a performance share award to the Executive (the "Award");

WHEREAS, the Company and the Executive entered into and executed a 2013 Performance Share Award Agreement made as of November 12, 2013, evidencing the Award (the "Award Agreement") and have previously amended the Award Agreement;

WHEREAS, the Award Agreement, as amended, does not specify the performance measures applicable to the Award but instead specifies that the Committee must determine such performance measures during the first 90 days of the applicable performance period and in no event later than March 29, 2014 and must amend the Award Agreement accordingly;

WHEREAS, the Committee has determined the performance measures applicable to the Award and desires to amend the Award Agreement to set out such performance measures;

NOW, THEREFORE, the Committee hereby amends the Award Agreement as follows:

1. Section 2(a) of the Award Agreement is hereby amended to read in its entirety as follows:

2. Vesting

- a. Performance Conditions. Subject to the terms and conditions set forth herein and in paragraphs 2(b), (c) and (d) below, you will be eligible to earn up to 150% of your Target Award based on the Company's cumulative free cash flow as determined by the Committee pursuant to paragraph (i) below ("Free Cash Flow") and cumulative operating income as determined by the Committee pursuant to paragraph (ii) below ("Operating Income") for the period beginning on December 29, 2013, and ending on December 31, 2016 (the "Performance Period"). If the Committee determines that the Company does not achieve Free Cash Flow equal to at least the threshold amount approved by the Committee for the Performance Period or does not achieve Operating Income equal to at least the threshold amount approved by the Committee for the Performance Period, you will immediately forfeit all rights to the Performance Shares. If the Committee determines that the Company has achieved at least the threshold amounts of Free Cash Flow and Operating Income for the Performance Period, you will be eligible

to earn a number of Performance Shares relative to the number of Performance Shares specified in the Target Award determined pursuant to the following table, up to a maximum of 150% of the number of Performance Shares specified in the Target Award:

Percentage of Attainment of Operating Income for Performance Period	Percentage of Performance Shares in Target Award
At least 125%	150%
120%	140%
115%	130%
110%	120%
105%	110%
100%	100%
95%	75%
90%	50%
Less than 90%	0%

Straight-line interpolation shall be applied to determine the number of Performance Shares earned for a percentile that falls between the percentiles specified in the table above. The Committee will determine the number of Performance Shares, if any, that you are eligible to earn on the foregoing basis as soon as administratively practicable following December 31, 2016 (your “Eligible Award”). In all cases, the number of Performance Shares, if any, in your Eligible Award will be rounded up to the nearest whole number of Performance Shares (as necessary). Upon the Committee’s determination of your Eligible Award, you will immediately forfeit all Performance Shares other than your Eligible Award. To become vested in all or a portion of your Eligible Award, you must satisfy the employment requirements of Section 2(b) below.

- i. Free Cash Flow. The Committee will calculate the Company’s Free Cash Flow by subtracting Capital Expenditures from Net Cash Provided by (Used in) Operating Activities, as reported in the Company’s Audited Consolidated Statement of Cash Flows for the Company’s 2014 through 2016 fiscal years, and as adjusted by eliminating the impact of the settlement of individual legal matters in excess of \$15 million funding.
- ii. Operating Income. The Committee will calculate the Company’s Operating Income as the Company’s three-year cumulative Adjusted Operating Income (Non-GAAP) for the Company’s fiscal years 2014 through 2016, as adjusted, both positively and negatively, for the following items as approved by the Compensation Committee: impacts of unplanned acquisitions and divestitures; impairment charges related to goodwill, other intangible assets, and long-lived assets (non-cash);

unplanned costs and benefits related to real estate strategy including, but not limited to, lease terminations or facility closure obligations; and unplanned legal expenses related to attorneys' fees, settlements, and judgments; and any additional unplanned and extraordinary events (as determined by the Committee) for which the Committee determines adjustments should be made. All calculations related to foreign exchange rates will be calculated based on the foreign exchange rate used in the Company's 2014 through 2016 annual operating plans, as applicable.

2. Except as expressly modified hereby and in the prior amendment, the Award Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the Committee has caused this Amendment to be executed by the duly authorized officer of the Company on the 17th day of April, 2014.

/s/ Michael R. Allison

Michael R. Allison

Executive Vice President, Human Resources

Acknowledged:

/s/ Roland C. Smith

Roland C. Smith

Date: 4/28/14

AWARD AGREEMENT FOR 2014 CASH-SETTLED PERFORMANCE AWARD

We are pleased to advise you that the Compensation Committee (the “Committee”) of the Board of Directors of Office Depot, Inc. (the “Company”) has granted you a performance award pursuant to the Office Depot, Inc. 2007 Long-Term Incentive Plan (the “Plan”) on March 28, 2014 (the “Grant Date”). Capitalized terms used but not defined in this Award Agreement for 2014 Cash-Settled Performance Award (the “Agreement”) have the meanings given to them in the Plan. This award is subject to federal and local law and the requirements of the New York Stock Exchange.

1. Performance Award

You have been granted the right to earn a payment from the Company based upon satisfaction of certain performance conditions pursuant to the provisions and restrictions contained in the Plan and this Agreement (the “Performance Award”). The target amount of your award is \$2,100,000 (your “Target Award”) and is denominated as a number of shares of common stock of the Company (“Common Stock”) having an aggregate Grant Date value of \$2,100,000 based on the “fair value” of the Common Stock on the Grant Date with such “fair value” to be determined in accordance with the terms of the Plan and generally accepted accounting principles.

2. Vesting

- a. **Performance Conditions.** Subject to the terms and conditions set forth herein and in Sections 2(b) below, you will be eligible to earn up to 150% of your Target Award based on the Company’s free cash flow as determined by the Committee pursuant to paragraph (i) below (“Free Cash Flow”) and operating income as determined by the Committee pursuant to paragraph (ii) below (“Operating Income”) for the Company’s fiscal year beginning on December 29, 2013, and ending on December 27, 2014 (the “Performance Period”). If the Committee determines that the Company does not achieve Free Cash Flow equal to at least the threshold amount approved by the Committee for the Performance Period or does not achieve Operating Income equal to at least the threshold amount approved by the Committee for the Performance Period, you will immediately forfeit all rights to the Performance Award. If the Committee determines that the Company has achieved at least the threshold amounts of Free Cash Flow and Operating Income for the Performance Period, you will be eligible to earn a percentage of your Target Award determined pursuant to the following table, up to a maximum of 150% of your Target Award:

<u>Percentage of Attainment of Operating Income for Performance Period</u>	<u>Percentage of Target Award</u>
120%	150%
117.5%	144%
115%	138%
112.5%	131%
110%	125%
107.5%	119%
105%	113%
102.5%	106%
100%	100%
97.5%	88%
95%	75%
92.5%	63%
90%	50%
Less than 90%	0%

Straight-line interpolation shall be applied to determine the percentage of your Target Award earned for a percentile that falls between the percentiles specified in the table above. The Committee will determine the percentage of your Target Award, if any, that you are eligible to earn on the foregoing basis as soon as administratively practicable following December 27, 2014 (your “Eligible Award”). Upon the Committee’s determination of your Eligible Award, you will immediately forfeit the portion of your Performance Award other than your Eligible Award. To become vested in all or a portion of your Eligible Award, you must satisfy the employment requirements of Section 2(b) below.

- i. Free Cash Flow. The Committee will calculate the Company’s Free Cash Flow by subtracting Capital Expenditures from Net Cash Provided by (Used in) Operating Activities, as reported in the Company’s Audited Consolidated Statement of Cash Flows for the Company’s 2014 fiscal year, and as adjusted by eliminating the impact of the settlement of individual legal matters in excess of \$15 million funding.
- ii. Operating Income. The Committee will calculate the Company’s Operating Income as the Company’s Adjusted Operating Income (Non-GAAP) for the Company’s 2014 fiscal year, as adjusted, both positively and negatively, for the following items as approved by the Committee: impacts of unplanned acquisitions and divestitures; impairment charges related to goodwill, other intangible assets, and long-lived assets (non-cash); unplanned costs and benefits related to real estate strategy

including, but not limited to, lease terminations or facility closure obligations; and unplanned legal expenses related to attorneys' fees, settlements, and judgments; and any additional unplanned and extraordinary events (as determined by the Committee) for which the Committee determines adjustments should be made. All calculations related to foreign exchange rates will be calculated based on the foreign exchange rate used in the Company's 2014 annual operating plan.

b. Employment Requirements.

- i. Continuous Employment. Except as provided in Sections 2(b)(ii) and 2(b)(iii) below, (A) you will vest in your Eligible Award on the date on which the Committee determines your Eligible Award, provided that you remain continuously employed with the Company or any Subsidiary during the period beginning on the Grant Date and ending on December 31, 2014, and (B) you will immediately forfeit your entire Performance Award upon your termination of employment with the Company and its Subsidiaries prior to December 31, 2014.
- ii. Death or Disability. If you terminate employment with the Company and its Subsidiaries due to death or Disability prior to December 31, 2014, you will vest in a pro rata portion of your Eligible Award (if any) on the date on which the Committee determines your Eligible Award and will forfeit the remainder of your Eligible Award (if any) on such date. The portion of your Eligible Award that will vest under the immediately prior sentence shall be determined by multiplying your Eligible Award by a fraction, the numerator of which is the total number of calendar days during which you were employed by the Company and its Subsidiaries during calendar year 2014 and the denominator of which is 365, rounded up to the nearest whole dollar (as necessary). Your Disabled status must become effective prior to the date on which payment of your Eligible Award (if any) would otherwise be required pursuant to Section 4 below in order to be recognized under this Agreement.
- iii) Termination of Employment without Cause or for Good Reason. In the event of your termination of employment with the Company and its Subsidiaries without Cause or for Good Reason prior to December 31, 2014, you will vest in a pro rata portion of your Eligible Award (if any) on the date on which the Committee determines your Eligible Award and will forfeit the remainder of your Eligible Award (if any) on such date, provided that you satisfy the release requirement and other obligations set out in the employment agreement between you and the Company dated as of November 12, 2013. The portion of your Eligible Award that will vest under the immediately prior sentence shall be determined by multiplying your Eligible Award by a fraction, the numerator of which is the total number of calendar days during which you were employed by the Company and its Subsidiaries during calendar year 2014 and the denominator of which is 365, rounded up to the nearest whole dollar (as necessary).

- iv) Definitions. As used herein, the terms “Cause”, “Good Reason” and “Disability” shall have the meanings set out in the employment agreement between you and the Company dated as of November 12, 2013.
- d. No Other Special Vesting Rights. The provisions of the Plan with respect to accelerated vesting in the event of retirement and change in control (e.g., Sections 10.5 and 10.8 of the Plan) do not apply to your Performance Award. If you forfeit your Performance Award at any time, you will cease to have any rights with respect to such forfeited Performance Award.
- 3. Rights as Stockholder
You shall have no voting, dividend or any other rights as a stockholder of the Company with respect to your Performance Award.
- 4. Payment
The Company will make payment of the vested portion of your Eligible Award (if any) in a lump sum in cash during the period beginning January 1, 2015 and ending March 15, 2015.
- 5. Withholding
You are required to pay to the Company all applicable federal, state, local or other taxes, domestic or foreign, with respect to your Performance Award (the “Required Tax Payments”). Unless you make other arrangements with the consent of the Company, all Required Tax Payments will be deducted from the amount of the payment made to you pursuant to Section 4.
- 6. Transferability of Performance Award
Your Performance Award may not be sold, pledged, assigned or transferred in any manner; any such purported sale, pledge, assignment or transfer shall be void and of no effect.

7. Conformity with Plan

Your Performance Award are intended to conform in all respects with, and are subject to, all applicable provisions of the Plan which is incorporated herein by reference. Inconsistencies between this Agreement and the Plan shall be resolved in accordance with the terms of the Plan except as expressly provided otherwise in this Agreement. The Committee reserves its right to amend or terminate the Plan at any time without your consent; provided, however, that your Performance Award shall not, without your written consent, be adversely affected thereby (except to the extent the Committee reasonably determines that such amendment or termination is necessary or appropriate to comply with applicable law or the rules or regulations of any stock exchange on which the Company's stock is listed or quoted). All interpretations and determinations of the Committee or its delegate shall be final, binding and conclusive upon you and your legal representatives with respect to any question arising hereunder or under the Plan or otherwise, including guidelines, policies or regulations which govern administration of the Plan. By acknowledging this Agreement, you agree to be bound by all of the terms of the Plan and acknowledge availability and accessibility of the Plan document, the Plan Prospectus, and either the Company's latest annual report to shareholders or annual report on Form 10-K on the Plan and/or Company websites. You understand that you may request paper copies of the foregoing documents by contacting the Company's Director, Executive Compensation & International Compensation.

8. Restrictions on Shares

If the Committee determines that the listing, registration or qualification upon any securities exchange or under any law of shares subject to the grant of the Performance Award is necessary or desirable as a condition of, or in connection with, the granting of same or the issue or purchase of shares thereunder, no shares may be issued unless such listing, registration or qualification is effected free of any conditions not acceptable to the Committee. In making such determination, the Committee may rely upon an opinion of counsel for the Company. The Company shall have no liability to make any distribution of the benefits under the Plan unless such delivery or distribution would comply with all applicable state, federal, and foreign laws (including, without limitation and if applicable, the requirements of the Securities Act of 1933), and any applicable requirements of any securities exchange or similar entity. The Committee shall be permitted to amend this Agreement in its discretion to the extent the Committee determines that such amendment is necessary or desirable to achieve compliance with the Dodd-Frank Wall Street Reform and Consumer Protection Act and the guidance thereunder.

9. Non-Compete, Confidentiality, and Non-Solicitation Requirements

Your Performance Award is also subject to your complying with and not breaching the non-compete, confidentiality, and non-solicitation covenants that you were required to sign as a condition of your employment with the Company.

10. Compliance with Section 409A

- a. It is intended, and this Agreement shall be construed and administered, so that all compensation payable to you under this Agreement shall be exempt from section 409A of the Internal Revenue Code of 1986, as amended (the "Code").
- b. However, to the extent that any compensation payable under this Agreement constitutes deferred compensation within the meaning of Code Section 409A and the Department of Treasury regulations and other guidance thereunder, (i) any provisions of this Agreement that provide for payment of compensation that is subject to Section 409A and that has payment triggered by your termination of employment other than on account of your death shall be deemed to provide for payment that is triggered only by your "separation from service" within the meaning of Treasury Regulation Section §1.409A-1(h) (a "Section 409A Separation from Service"), and (ii) if you are a "specified employee" within the meaning of Treasury Regulation Section §1.409A-1(i) on the date of your Section 409A Separation from Service (with such status determined by the Company in accordance with rules established by the Company in writing in advance of the "specified employee identification date" that relates to the date of such Section 409A Separation from Service or in the absence of such rules established by the Company, under the default rules for identifying specified employees under Treasury Regulation Section 1.409A-1(i)), such compensation triggered by such Section 409A Separation from Service shall be paid to you six months following the date of such Section 409A Separation from Service (provided, however, that if you die after the date of such Section 409A Separation from Service, this six month delay shall not apply from and after the date of your death). You acknowledge and agree that the Company has made no representation regarding the tax treatment of any payment under this Agreement and, notwithstanding anything else in this Agreement, that you are solely responsible for all taxes due with respect to any payment under this Agreement.

11. Employment and Successors

Nothing in the Plan or this Agreement shall serve to modify or amend any employment agreement you may have with the Company or any Subsidiary or to interfere with or limit in any way the right of the Company or any Subsidiary to terminate your employment at any time, or confer upon you any right to continue in the employ of the Company or any Subsidiary for any period of time or to continue your present or any other rate of compensation subject to the terms of any employment agreement you may have with the Company. The grant of your Performance Award shall not give you any right to any additional awards under the Plan or any other compensation plan the Company has adopted or may adopt. The agreements contained in this Agreement shall be binding upon and inure to the benefit of any successor of the Company.

12. Amendment

The Committee may amend this Agreement by a writing that specifically states that it is amending this Agreement, so long as a copy of such amendment is delivered to you, provided that no such amendment shall adversely affect in a material way your rights hereunder without your written consent (except to the extent the Committee reasonably determines that such amendment or termination is necessary or appropriate to comply with applicable law or the rules or regulations of any stock exchange on which the Company's stock is listed or quoted). Without limiting the foregoing, the Committee reserves the right to change, by written notice to you, the provisions of the Performance Award or this Agreement in any way it may deem necessary or advisable to carry out the purpose of the grant of the Performance Award as a result of any change in applicable law or regulation or any future law, regulation, ruling, or judicial decisions; provided that, any such change shall be applicable only to that portion of your Performance Award that is then subject to restrictions as provided herein.

13. Notices

Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company as follows:

Office Depot, Inc.
c/o Vice President, Global Compensation, Benefits, HRIS and Shared Services
6600 North Military Trail, C278
Boca Raton, FL 33496

Any notice to be given under the terms of this Agreement to you shall be addressed to you at the address listed in the Company's records. By a notice given pursuant to this Section, either party may designate a different address for notices. Any notice shall be deemed to have been duly given when personally delivered (addressed as specified above) or when enclosed in a properly sealed envelope (addressed as specified above) and deposited, postage prepaid, with the U.S. postal service or an express mail company.

14. Severability

If all or any part of this Agreement or the Plan is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not invalidate any portion of this Agreement or the Plan not declared to be unlawful or invalid. Any section of this Agreement (or part of such a section) so declared to be unlawful or invalid shall, if possible, be construed in a manner that will give effect to the terms of such section or part of a section to the fullest extent possible while remaining lawful and valid.

15. Entire Agreement

This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements or understandings, oral or written, with respect to the subject matter herein. By acknowledging this Agreement, you accept the Performance Award in full satisfaction of any and all obligations of the Company to grant annual Performance Award to you as of the date hereof.

16. Governing Law

This Agreement will be governed by and enforced in accordance with the laws of the State of Florida, without giving effect to its conflicts of laws rules or the principles of the choice of law.

17. Venue

Any action or proceeding seeking to enforce any provision of or based on any right arising out of this Agreement may be brought against you or the Company only in the courts of the State of Florida or, if it has or can acquire jurisdiction, in the United States District Court for the Southern District of Florida, West Palm Beach Division; and you and the Company consent to the jurisdiction of such courts in any such action or proceeding and waive any objection to venue laid therein.

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SECOND AMENDMENT TO 2013 PERFORMANCE SHARE AWARD AGREEMENT

THIS SECOND AMENDMENT TO THE 2013 PERFORMANCE SHARE AWARD AGREEMENT (this "Amendment") between Office Depot, Inc., a Delaware corporation (the "Company"), and Stephen E. Hare, EVP, Chief Financial Officer of the Company (the "Executive"). Capitalized terms used in this Amendment and not otherwise defined herein shall have the meanings assigned to them in the Award Agreement (as defined below).

W I T N E S S E T H:

WHEREAS, the Compensation Committee of the Board of Directors of the Company (the "Committee") previously granted a performance share award to the Executive (the "Award");

WHEREAS, the Company and the Executive entered into and executed a 2013 Performance Share Award Agreement made as of December 2, evidencing the Award (the "Award Agreement") and have previously amended the Award Agreement;

WHEREAS, the Award Agreement, as amended, does not specify the performance measures applicable to the Award but instead specifies that the Committee must determine such performance measures during the first 90 days of the applicable performance period and in no event later than March 29, 2014 and must amend the Award Agreement accordingly;

WHEREAS, the Committee has determined the performance measures applicable to the Award and desires to amend the Award Agreement to set out such performance measures;

NOW, THEREFORE, the Committee hereby amends the Award Agreement as follows:

1. Section 2(a) of the Award Agreement is hereby amended to read in its entirety as follows:

2. Vesting

- a. Performance Conditions. Subject to the terms and conditions set forth herein and in paragraphs 2(b), (c) and (d) below, you will be eligible to earn up to 150% of your Target Award based on the Company's cumulative free cash flow as determined by the Committee pursuant to paragraph (i) below ("Free Cash Flow") and cumulative operating income as determined by the Committee pursuant to paragraph (ii) below ("Operating Income") for the period beginning on December 29, 2013, and ending on December 31, 2016 (the "Performance Period"). If the Committee determines that the Company does not achieve Free Cash Flow equal to at least the threshold amount approved by the Committee for the Performance Period or does not achieve Operating Income equal to at least the threshold amount approved by the Committee for the Performance Period, you will immediately forfeit all rights to the Performance Shares. If the Committee determines that the Company has achieved at least the threshold amounts of Free Cash Flow and Operating Income for the Performance Period, you will be eligible

to earn a number of Performance Shares relative to the number of Performance Shares specified in the Target Award determined pursuant to the following table, up to a maximum of 150% of the number of Performance Shares specified in the Target Award:

<u>Percentage of Attainment of Operating Income for Performance Period</u>	<u>Percentage of Performance Shares in Target Award</u>
At least 125%	150%
120%	140%
115%	130%
110%	120%
105%	110%
100%	100%
95%	75%
90%	50%
Less than 90%	0%

Straight-line interpolation shall be applied to determine the number of Performance Shares earned for a percentile that falls between the percentiles specified in the table above. The Committee will determine the number of Performance Shares, if any, that you are eligible to earn on the foregoing basis as soon as administratively practicable following December 31, 2016 (your “Eligible Award”). In all cases, the number of Performance Shares, if any, in your Eligible Award will be rounded up to the nearest whole number of Performance Shares (as necessary). Upon the Committee’s determination of your Eligible Award, you will immediately forfeit all Performance Shares other than your Eligible Award. To become vested in all or a portion of your Eligible Award, you must satisfy the employment requirements of Section 2(b) below.

- i. Free Cash Flow. The Committee will calculate the Company’s Free Cash Flow by subtracting Capital Expenditures from Net Cash Provided by (Used in) Operating Activities, as reported in the Company’s Audited Consolidated Statement of Cash Flows for the Company’s 2014 through 2016 fiscal years, and as adjusted by eliminating the impact of the settlement of individual legal matters in excess of \$15 million funding.
- ii. Operating Income. The Committee will calculate the Company’s Operating Income as the Company’s three-year cumulative Adjusted Operating Income (Non-GAAP) for the Company’s fiscal years 2014 through 2016, as adjusted, both positively and negatively, for the following items as approved by the Compensation Committee: impacts of unplanned acquisitions and divestitures; impairment charges related to goodwill, other intangible assets, and long-lived assets (non-cash);

unplanned costs and benefits related to real estate strategy including, but not limited to, lease terminations or facility closure obligations; and unplanned legal expenses related to attorneys' fees, settlements, and judgments; and any additional unplanned and extraordinary events (as determined by the Committee) for which the Committee determines adjustments should be made. All calculations related to foreign exchange rates will be calculated based on the foreign exchange rate used in the Company's 2014 through 2016 annual operating plans, as applicable.

2. Except as expressly modified hereby and in the prior amendment, the Award Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the Committee has caused this Amendment to be executed by the duly authorized officer of the Company on the 17th day of April, 2014.

/s/ Michael R. Allison

Michael R. Allison

Executive Vice President, Human Resources

Acknowledged:

/s/ Stephen E. Hare

Stephen E. Hare

Date: 4/17/2014

2014 RESTRICTED STOCK UNIT AWARD AGREEMENT

We are pleased to advise you that the Compensation Committee (the "Committee") of the Board of Directors of Office Depot, Inc. (the "Company") has granted you a restricted stock unit award pursuant to either the Office Depot, Inc. 2007 Long-Term Incentive Plan (the "ODP Plan") or the 2003 OfficeMax Incentive and Performance Plan (the "OMX Plan"). The grant date for your 2014 restricted stock unit grant (the "Grant Date") and the plan under which this grant was made to you (the "Plan") are displayed under the Restricted Stock Unit link of the Plan website. Capitalized terms used but not defined in this 2014 Restricted Stock Unit Award Agreement (the "Agreement") have the meanings given to them in the Plan. This award is subject to federal and local law and the requirements of the New York Stock Exchange.

1. Restricted Stock Units

You have been granted restricted stock units subject to the provisions and restrictions contained in the Plan and this Agreement (the "Restricted Stock Units"). The number of Restricted Stock Units that have been awarded to you are displayed as the 2014 restricted stock unit grant under the Restricted Stock Unit link of the Plan website.

2. Vesting

- a. **Normal Vesting.** The Restricted Stock Units will vest one-third (rounded down to the next highest whole number of Restricted Stock Units, as necessary) on each of the first, second and third anniversaries of the Grant Date (the "Vesting Period"), provided that you are continuously employed with the Company or any Subsidiary from the Grant Date until each such anniversary of the Grant Date.
- b. **Effect on Vesting of Separation from Service.** Notwithstanding paragraph 2(a) above, the following rules will apply if you separate from service with the Company and its Subsidiaries during the Vesting Period:
 - i) **Death or Disability.** If you separate from service with the Company and its Subsidiaries due to death or Disability during the Vesting Period, you will become fully vested in the Restricted Stock Units on the date of such separation from service. For this purpose, you will be considered "Disabled" if you have been determined to be eligible to commence benefits under the Company's long-term disability program; the effective date of your Disabled status will be the later of the date on which such determination is made or the date as of which you are determined to be eligible to commence such benefits. Your Disabled status must become effective under the preceding sentence prior to the date on which payment

of vested Restricted Stock Units due to your separation from service would otherwise be required pursuant to Section 4 below in order to be recognized under this Agreement. This definition of "Disability" applies in lieu of the definition set out in the Plan.

- ii) Change in Control. In the event of your separation from service with the Company and its Subsidiaries without Cause or for Good Reason during the Vesting Period and within 24 months after the effective date of a Change in Control, the Restricted Stock Units will become fully vested on the date of such separation from service. However, in any case, if the Restricted Stock Units are not assumed, substituted or otherwise continued on an equivalent basis by the surviving entity in the Change in Control, the Restricted Stock Units shall become fully vested on the effective date of the Change in Control.
- iii) Other Separation from Service. Except as provided otherwise in paragraphs 2(b)(i) and (ii) above, upon your separation from service with the Company and its Subsidiaries during the Vesting Period you will immediately forfeit all of your unvested Restricted Stock Units on the date of such separation from service.
- iv) No Other Special Vesting Rights. No accelerated vesting of your Restricted Stock Units will apply upon your termination of employment for any reason related to the merger of the Company and OfficeMax Incorporated. If your Restricted Stock Units were granted under the ODP Plan, the provisions of the ODP Plan with respect to accelerated vesting in the event of retirement and change in control (e.g., Sections 10.5 and 10.8 of the ODP Plan) do not apply to your Restricted Stock Units. If your Restricted Stock Units were granted under the OMX Plan, the provisions of the OMX Plan with respect to accelerated vesting upon change in control (e.g., Section 24.1 of the OMX Plan) do not apply to your Restricted Stock Units. If you forfeit Restricted Stock Units at any time, you will cease to have any rights with respect to such forfeited Restricted Stock Units.
- v). Definition of Cause. As used herein, the term "Cause" shall mean:
 - A. your willful failure to perform your material duties (other than any such failure resulting from incapacity due to physical or mental illness);
 - B. your willful failure to comply with any valid and legal directive of the Board;

- C. your engagement in dishonesty, illegal conduct or misconduct, which is, in each case, materially injurious to the Company or its affiliates;
- D. your embezzlement, misappropriation or fraud, whether or not related to your employment with the Company or its affiliate;
- E. your conviction of or plea of guilty or nolo contendere to a crime that constitutes a felony (or state law equivalent) or a crime that constitutes a misdemeanor involving moral turpitude;
- F. your willful violation of a material policy of the Company or its affiliate with whom you are employed;
- G. your willful unauthorized disclosure of confidential information (within the meaning of the confidentiality covenant that you were required to sign as a condition of your employment with the Company or its affiliate); or
- H. your material breach of any material obligation under any written agreement between you and Company or its affiliate.

If you are an Executive Vice President or the Controller of the Company, the determination as to whether “Cause” has occurred shall be made by the affirmative vote of not less than two-thirds of the Board, finding that you are guilty of the conduct described in any of (A)—(H) above, after having afforded you a reasonable opportunity to appear (with counsel) before the Board; otherwise such termination shall be made by the officer of the Company or its affiliate to whom you directly report in the performance of your duties, after having afforded you a reasonable opportunity to appear (with counsel) before such officer. Except for a failure, breach or refusal which, by its nature, cannot reasonably be expected to be cured, you shall have thirty (30) business days from the delivery of written notice by Company within which to cure any acts constituting Cause; provided, however, that if Company reasonably expects irreparable injury from a delay of thirty (30) business days, Company may give you notice of such shorter period within which to cure as is reasonable under the circumstances, which may include the termination of your employment without notice and with immediate effect. No act or failure by you shall be considered “willful” if such act is done by you in the good faith belief that such act is or was in the best interests of Company or one or more of its businesses.

vi). Definition of Good Reason. As used herein, the term “Good Reason” shall have the meaning set forth in the Company’s change in control plan in which you participate, if any, or the change in control agreement between you and the Company, if any; if there is no such plan or agreement that contains a definition of Good Reason that applies to you, then the provisions of this Agreement with respect to Good Reason do not apply to you.

vii). Definition of Change in Control. As used herein, the term “Change in Control” shall have the meaning set forth in the ODP Plan.

3. Rights as Stockholder

You shall have no voting, dividend or any other rights as a stockholder of the Company with respect to your Restricted Stock Units. Upon the issuance of shares of the Company’s common stock (“Common Stock”) pursuant to Section 4 below, you shall obtain full voting and other rights of a stockholder of the Company as to such shares.

4. Payment

Within 30 days after each of the following dates (except as provided otherwise in Section 10 below), the vested portion of the Restricted Stock Units as of such date (if any, less any portion of the Restricted Stock Units which became vested and was paid on an earlier date) shall be paid to you:

- a. The first, second and third anniversary of the Grant Date;
- b. The date of your separation from service; and
- c. The effective date of a Change in Control.

The Company will make payment by issuing to you and registering in your name a certificate or certificates for (or evidencing in book entry or similar account) a number of shares of the Common Stock equal to the vested number of Restricted Stock Units. Such shares will not be subject to any restrictions under this Agreement, but may be subject to certain restrictions under applicable securities laws.

5. Withholding

You are required to pay to the Company all applicable federal, state, local or other taxes, domestic or foreign, with respect to your Restricted Stock Units (the "Required Tax Payments"). Unless you make other arrangements with the consent of the Company, all Required Tax Payments will be satisfied by the Company withholding Shares otherwise to be delivered to you, having a Fair Market Value on the date the tax is to be determined, sufficient to make the Required Tax Payments. The Company will withhold the whole number of Shares sufficient to make the Required Tax Payments and will make a cash payment to you for the difference between the Fair Market Value of the Shares withheld and the Required Tax Payments on the payment date specified in Section 4 above (but if this would cause adverse accounting then the Company will withhold one less Share and you must pay in cash the additional withholding).

6. Transferability of Restricted Stock Units

Your Restricted Stock Units may not be sold, pledged, assigned or transferred in any manner; any such purported sale, pledge, assignment or transfer shall be void and of no effect.

7. Conformity with Plan

Your Restricted Stock Units are intended to conform in all respects with, and are subject to, all applicable provisions of the Plan which is incorporated herein by reference. Inconsistencies between this Agreement and the Plan shall be resolved in accordance with the terms of the Plan except as expressly provided otherwise in this Agreement. The Committee reserves its right to amend or terminate the Plan at any time without your consent; provided, however, that your Restricted Stock Units shall not, without your written consent, be adversely affected thereby (except to the extent the Committee reasonably determines that such amendment or termination is necessary or appropriate to comply with applicable law or the rules or regulations of any stock exchange on which the Company's stock is listed or quoted). All interpretations and determinations of the Committee or its delegate shall be final, binding and conclusive upon you and your legal representatives with respect to any question arising hereunder or under the Plan or otherwise, including guidelines, policies or regulations which govern administration of the Plan. By acknowledging this Agreement through the Plan website, you agree to be bound by all of the terms of the Plan and acknowledge availability and accessibility of the Plan document, the Plan Prospectus, and either the Company's latest annual report to shareholders or annual report on Form 10-K on the Plan and/or Company websites. You understand that you may request paper copies of the foregoing documents by contacting the Company's Director, Executive Compensation & International Compensation.

8. Restrictions on Shares

If the Committee determines that the listing, registration or qualification upon any securities exchange or under any law of shares subject to the grant of the Restricted Stock Units is necessary or desirable as a condition of, or in connection with, the granting of

same or the issue or purchase of shares thereunder, no shares may be issued unless such listing, registration or qualification is effected free of any conditions not acceptable to the Committee. All certificates for shares of Common Stock delivered under the Plan shall be subject to such stop-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any listing standards of any exchange or self-regulatory organization on which the Common Stock of the Company is listed, and any applicable federal or state laws; and the Committee may cause a legend or legends to be placed on any such certificates to make appropriate reference to such restrictions. In making such determination, the Committee may rely upon an opinion of counsel for the Company. The Company shall have no liability to deliver any shares under the Plan or make any other distribution of the benefits under the Plan unless such delivery or distribution would comply with all applicable state, federal, and foreign laws (including, without limitation and if applicable, the requirements of the Securities Act of 1933), and any applicable requirements of any securities exchange or similar entity. The Committee shall be permitted to amend this Agreement in its discretion to the extent the Committee determines that such amendment is necessary or desirable to achieve compliance with the Dodd-Frank Wall Street Reform and Consumer Protection Act and the guidance thereunder.

9. Non-Compete, Confidentiality, and Non-Solicitation Requirements

Your Restricted Stock Units are also subject to your complying with and not breaching the non-compete, confidentiality, and non-solicitation covenants that you were required to sign as a condition of your employment with the Company.

10. Compliance with Section 409A

- a. This Agreement shall be construed and administered in accordance with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), or an applicable exemption from Code Section 409A.
- b. To the extent that any compensation payable under this Agreement constitutes deferred compensation within the meaning of Code Section 409A and the Department of Treasury regulations and other guidance thereunder, (i) any provisions of this Agreement that provide for payment of compensation that is subject to Section 409A and that has payment triggered by your separation from service other than on account of your death shall be deemed to provide for payment that is triggered only by your "separation from service" within the meaning of Treasury Regulation Section §1.409A-1(h) (a "Section 409A Separation from Service"), (ii) if you are a "specified employee" within the meaning of Treasury Regulation Section §1.409A-1(i) on the date of your Section 409A Separation from Service (with such status determined by the Company in accordance with rules established by the Company in writing in advance of the

“specified employee identification date” that relates to the date of such Section 409A Separation from Service or in the absence of such rules established by the Company, under the default rules for identifying specified employees under Treasury Regulation Section 1.409A-1(i)), such compensation triggered by such Section 409A Separation from Service shall be paid to you six months following the date of such Section 409A Separation from Service (provided, however, that if you die after the date of such Section 409A Separation from Service, this six month delay shall not apply from and after the date of your death); and (iii) to the extent necessary to comply with Code Section 409A, the definition of change in control that applies under Code Section 409A shall apply under this Agreement to the extent that it is more restrictive than the definition Change in Control that would otherwise apply. You acknowledge and agree that the Company has made no representation regarding the tax treatment of any payment under this Agreement and, notwithstanding anything else in this Agreement, that you are solely responsible for all taxes due with respect to any payment under this Agreement.

11. Employment and Successors

Nothing in the Plan or this Agreement shall serve to modify or amend any employment agreement you may have with the Company or any Subsidiary or to interfere with or limit in any way the right of the Company or any Subsidiary to terminate your employment at any time, or confer upon you any right to continue in the employ of the Company or any Subsidiary for any period of time or to continue your present or any other rate of compensation subject to the terms of any employment agreement you may have with the Company. The grant of your Restricted Stock Units shall not give you any right to any additional awards under the Plan or any other compensation plan the Company has adopted or may adopt. The agreements contained in this Agreement shall be binding upon and inure to the benefit of any successor of the Company.

12. Amendment

The Committee may amend this Agreement by a writing that specifically states that it is amending this Agreement, so long as a copy of such amendment is delivered to you, provided that no such amendment shall adversely affect in a material way your rights hereunder without your written consent (except to the extent the Committee reasonably determines that such amendment or termination is necessary or appropriate to comply with applicable law or the rules or regulations of any stock exchange on which the Company’s stock is listed or quoted). Without limiting the foregoing, the Committee reserves the right to change, by written notice to you, the provisions of the Restricted Stock Units or this Agreement in any way it may deem necessary or advisable to carry out the purpose of the grant of the Restricted Stock Units as a result of any change in applicable law or regulation or any future law, regulation, ruling, or judicial decisions; provided that, any such change shall be applicable only to that portion of your Restricted Stock Units that are then subject to restrictions as provided herein.

13. Notices

Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company as follows:

Office Depot, Inc.
c/o Vice President, Global Compensation, Benefits, HRIS and Shared Services
6600 North Military Trail, C278
Boca Raton, FL 33496

Any notice to be given under the terms of this Agreement to you shall be addressed to you at the address listed in the Company's records. By a notice given pursuant to this Section, either party may designate a different address for notices. Any notice shall be deemed to have been duly given when personally delivered (addressed as specified above) or when enclosed in a properly sealed envelope (addressed as specified above) and deposited, postage prepaid, with the U.S. postal service or an express mail company.

14. Severability

If all or any part of this Agreement or the Plan is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not invalidate any portion of this Agreement or the Plan not declared to be unlawful or invalid. Any section of this Agreement (or part of such a section) so declared to be unlawful or invalid shall, if possible, be construed in a manner that will give effect to the terms of such section or part of a section to the fullest extent possible while remaining lawful and valid.

15. Entire Agreement

This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements or understandings, oral or written, with respect to the subject matter herein. By acknowledging this Agreement online through the Plan website, you accept the Restricted Stock Units in full satisfaction of any and all obligations of the Company to grant restricted stock units to you as of the date hereof.

16. Governing Law

This Agreement will be governed by and enforced in accordance with the laws of the State of Florida, without giving effect to its conflicts of laws rules or the principles of the choice of law.

17. Venue

Any action or proceeding seeking to enforce any provision of or based on any right arising out of this Agreement may be brought against you or the Company only in the courts of the State of Florida or, if it has or can acquire jurisdiction, in the United States District Court for the Southern District of Florida, West Palm Beach Division; and you and the Company consent to the jurisdiction of such courts in any such action or proceeding and waive any objection to venue laid therein.

To confirm your understanding and acknowledgment of the terms contained in this Agreement, please log onto the Plan website and follow the online instructions for acknowledging your Restricted Stock Units.

Very truly yours,

OFFICE DEPOT, INC.

2014 PERFORMANCE SHARE AWARD AGREEMENT

We are pleased to advise you that the Compensation Committee (the "Committee") of the Board of Directors of Office Depot, Inc. (the "Company") has granted you a performance share award pursuant to either the Office Depot, Inc. 2007 Long-Term Incentive Plan (the "ODP Plan") or the 2003 OfficeMax Incentive and Performance Plan (the "OMX Plan"). The grant date for your 2014 performance share grant (the "Grant Date") and the plan under which this grant was made to you (the "Plan") are displayed under the Performance Plan link of the Plan website. Capitalized terms used but not defined in this 2014 Performance Share Award Agreement (the "Agreement") have the meanings given to them in the Plan. This award is subject to federal and local law and the requirements of the New York Stock Exchange.

1. Performance Shares

You have been granted the right to earn shares of the common stock of the Company ("Common Stock") based upon satisfaction of certain performance conditions pursuant to the provisions and restrictions contained in the Plan and this Agreement (the "Performance Shares"). The target number of Performance Shares that have been awarded to you are displayed for the 2014 performance share grant under the Performance Plan link of the Plan website (your "Target Award").

2. Vesting

- a. **Performance Conditions.** Subject to the terms and conditions set forth herein and in Sections 2(b), (c) and (d) below, you will be eligible to earn up to 150% of your Target Award based on the Company's cumulative free cash flow as determined by the Committee pursuant to paragraph (i) below ("Free Cash Flow") and cumulative operating income as determined by the Committee pursuant to paragraph (ii) below ("Operating Income") for the period beginning on December 29, 2013, and ending on December 31, 2016 (the "Performance Period"). If the Committee determines that the Company does not achieve Free Cash Flow equal to at least the threshold amount approved by the Committee for the Performance Period or does not achieve Operating Income equal to at least the threshold amount approved by the Committee for the Performance Period, you will immediately forfeit all rights to the Performance Shares. If the Committee determines that the Company has achieved at least the threshold amounts of Free Cash Flow and Operating Income for the Performance Period, you will be eligible to earn a number of Performance Shares relative to the number of Performance Shares specified in the Target Award determined pursuant to the following table, up to a maximum of 150% of the number of Performance Shares specified in the Target Award:

<u>Percentage of Attainment of Operating Income for Performance Period</u>	<u>Percentage of Performance Shares in Target Award</u>
At least 125%	150%
120%	140%
115%	130%
110%	120%
105%	110%
100%	100%
95%	75%
90%	50%
Less than 90%	0%

Straight-line interpolation shall be applied to determine the number of Performance Shares earned for a percentile that falls between the percentiles specified in the table above. The Committee will determine the number of Performance Shares, if any, that you are eligible to earn on the foregoing basis as soon as administratively practicable following December 31, 2016 (your "Eligible Award"). In all cases, the number of Performance Shares, if any, in your Eligible Award will be rounded up to the nearest whole number of Performance Shares (as necessary). Upon the Committee's determination of your Eligible Award, you will immediately forfeit all Performance Shares other than your Eligible Award. To become vested in all or a portion of your Eligible Award, you must satisfy the employment requirements of Section 2(b) below.

- i. Free Cash Flow. The Committee will calculate the Company's Free Cash Flow by subtracting Capital Expenditures from Net Cash Provided by (Used in) Operating Activities, as reported in the Company's Audited Consolidated Statement of Cash Flows for the Company's 2014 through 2016 fiscal years, and as adjusted by eliminating the impact of the settlement of individual legal matters in excess of \$15 million.
- ii. Operating Income. The Committee will calculate the Company's Operating Income as the Company's three-year cumulative Adjusted Operating Income (Non-GAAP) for the Company's fiscal years 2014 through 2016, as adjusted, both positively and negatively, for the following items as approved by the Compensation Committee: impacts of unplanned acquisitions and divestitures; impairment charges related to goodwill, other intangible assets, and long-lived assets (non-cash); unplanned costs and benefits related to real estate strategy including, but not limited to, lease terminations or facility closure obligations; and unplanned legal expenses related to attorneys' fees, settlements, and judgments; and any additional unplanned and extraordinary events (as determined by the Committee) for which the Committee determines adjustments should be made. All calculations related to foreign exchange rates will be calculated based on the foreign exchange rate used in the Company's 2014 through 2016 annual operating plans, as applicable.

b. Employment Requirements.

- i. Continuous Employment. Except as provided in Sections 2(b)(ii) and 2(c) below, (A) you will vest in your Eligible Award on the later of the date on which the Committee determines your Eligible Award or the third anniversary of the Grant Date, provided that you remain continuously employed with the Company or any Subsidiary during the period beginning on the Grant Date and ending on the third anniversary of the Grant Date (the "Service Period"), and (B) you will immediately forfeit all of your Performance Shares upon your termination of employment with the Company and its Subsidiaries prior to the third anniversary of the Grant Date.
- ii. Death or Disability.
 - A. If you terminate employment with the Company and its Subsidiaries due to death or Disability prior to the third anniversary of the Grant Date and prior to the date on which the Committee has determined your Eligible Award, you will vest in a pro rata portion of your Target Award on the date of such termination of employment and you will forfeit the remainder of your Performance Shares on such date. The portion of your Target Award that will vest under the immediately prior sentence shall be determined by multiplying the total number of Performance Shares in your Target Award by a fraction, the numerator of which is the total number of calendar days during which you were employed by the Company and its Subsidiaries during the Service Period and the denominator of which is 1095, rounded up to the nearest whole number of Performance Shares (as necessary).
 - B. If you terminate employment with the Company and its Subsidiaries due to death or Disability prior to the third anniversary of the Grant Date but on or after the date on which the Committee has determined your Eligible Award, you will vest in a pro rata portion of your Eligible Award (if any) on the date of such termination of employment and you will forfeit the remainder of your Eligible Award on such date. The portion of your Eligible Award that will vest under the immediately prior sentence shall be determined by multiplying the total number of Performance Shares in your Eligible Award by a fraction, the numerator of which is the total number of calendar days during which you were employed by the Company and its Subsidiaries during the Service Period and the denominator of which is 1095, rounded up to the nearest whole number of Performance Shares (as necessary).

- C. For this purpose, you will be considered “Disabled” if you have been determined to be eligible to commence benefits under the Company’s long-term disability program; the effective date of your Disabled status will be the later of the date on which such determination is made or the date as of which you are determined to be eligible to commence such benefits. Your Disabled status must become effective under the preceding sentence prior to the date on which payment of vested Performance Shares due to your termination of employment would otherwise be required pursuant to Section 4 below in order to be recognized under this Agreement. This definition of Disability applies in lieu of the definition set out in the Plan.

iii. Change in Control.

- A. In the event of a Change in Control prior to the date on which the Committee has determined your Eligible Award, performance shall be deemed to be achieved at target. The Committee will determine the number of Performance Shares, if any, that you are eligible to earn on the foregoing basis on or within 60 days following the effective date of the Change in Control (your “CIC Award”). In all cases, the number of Performance Shares, if any, in your CIC Award will be rounded up to the nearest whole number of Performance Shares (as necessary). Upon the Committee’s determination of your CIC Award, you will immediately forfeit all Performance Shares other than your CIC Award. Except as provided in the immediately following sentence, (A) you will vest in your CIC Award if you remain continuously employed with the Company or any Subsidiary until the third anniversary of the Grant Date, and (B) you will immediately forfeit your CIC Award upon your termination of employment with the Company and its Subsidiaries prior to the third anniversary of the Grant Date. In the event of your involuntary termination of employment with the Company and its Subsidiaries without Cause or your termination of employment with the Company and its Subsidiaries for Good Reason, in either case within 24 months after the effective date of a Change in Control, you will vest in a pro rata portion of your CIC Award on the date of such termination of employment and you will forfeit the remainder of your CIC Award on such date. The portion of your CIC Award that will vest under the immediately prior sentence shall be determined by multiplying the total number of Performance Shares in your CIC Award by a fraction, the numerator of which is the total number of calendar days during which you were employed by the Company and its Subsidiaries during the Service Period and the denominator of which is 1095, rounded up to the nearest whole number of Performance Shares (as

necessary). However, in any case, and notwithstanding the first sentence of this subsection (c)), if the CIC Award is not assumed, substituted or otherwise continued on an equivalent basis by the surviving entity in the Change in Control, the CIC Award shall become fully vested on the effective date of the Change in Control.

- B. In the event of a Change in Control on or after the date on which the Committee has determined your Eligible Award, except as provided in the immediately following sentence, (A) you will vest in your Eligible Award if you remain continuously employed with the Company or any Subsidiary until the third anniversary of the Grant Date, and (B) you will immediately forfeit your Eligible Award upon your termination of employment with the Company and its Subsidiaries prior to the third anniversary of the Grant Date. In the event of your involuntary termination of employment with the Company and its Subsidiaries without Cause or your termination of employment with the Company and its Subsidiaries for Good Reason, in either case within 24 months after the effective date of a Change in Control and prior to the third anniversary of the Grant Date, you will vest in a pro rata portion of your Eligible Award on the date of such termination of employment and you will forfeit the remainder of your Eligible Award on such date. The portion of your Eligible Award that will vest under the immediately prior sentence shall be determined by multiplying the total number of Performance Shares in your Eligible Award by a fraction, the numerator of which is the total number of calendar days during which you were employed by the Company and its Subsidiaries during the Service Period and the denominator of which is 1095, rounded up to the nearest whole number of Performance Shares (as necessary). However, in any case, and notwithstanding the first sentence of this subsection (c)), if the Eligible Award is not assumed, substituted or otherwise continued on an equivalent basis by the surviving entity in the Change in Control, the Eligible Award shall become fully vested on the effective date of the Change in Control.
- c. No Other Special Vesting Rights. No accelerated vesting of your Performance Shares will apply upon your termination of employment for any reason related to the merger of the Company and OfficeMax Incorporated. If your Performance Shares were granted under the ODP Plan, the provisions of the ODP Plan with respect to accelerated vesting in the event of retirement and change in control (e.g., Sections 10.5 and 10.8 of the ODP Plan) do not apply to your Performance Shares. If your Performance Shares were granted under the OMX Plan, the provisions of the OMX Plan with respect to accelerated vesting upon change in control (e.g., Section 24.1 of the OMX Plan) do not apply to your Performance Shares. If you forfeit Performance Shares at any time, you will cease to have any rights with respect to such forfeited Performance Shares.

d. Definitions.

i. Cause. As used herein, the term “Cause” shall mean:

- A. your willful failure to perform your material duties (other than any such failure resulting from incapacity due to physical or mental illness);
- B. your willful failure to comply with any valid and legal directive of the Board;
- C. your engagement in dishonesty, illegal conduct or misconduct, which is, in each case, materially injurious to the Company or its affiliates;
- D. your embezzlement, misappropriation or fraud, whether or not related to your employment with the Company or its affiliate;
- E. your conviction of or plea of guilty or nolo contendere to a crime that constitutes a felony (or state law equivalent) or a crime that constitutes a misdemeanor involving moral turpitude;
- F. your willful violation of a material policy of the Company or its affiliate with whom you are employed;
- G. your willful unauthorized disclosure of confidential information (within the meaning of the confidentiality covenant that you were required to sign as a condition of your employment with the Company or its affiliate); or
- H. your material breach of any material obligation under any written agreement between you and Company or its affiliate.

If you are an Executive Vice President or the Controller of the Company, the determination as to whether “Cause” has occurred shall be made by the affirmative vote of not less than two-thirds of the Board, finding that you are guilty of the conduct described in any of (A)—(H) above, after having afforded you a reasonable opportunity to appear (with counsel) before the Board; otherwise such termination shall be made by the officer of the Company or its affiliate to whom you directly report in the performance of your duties, after having afforded you a reasonable opportunity to appear (with counsel) before such officer. Except for a failure, breach or refusal which, by its nature, cannot reasonably be expected to be cured, you shall have thirty (30) business days from the delivery of written notice by Company within which to cure any acts constituting Cause; provided, however, that if Company reasonably expects irreparable injury from a

delay of thirty (30) business days, Company may give you notice of such shorter period within which to cure as is reasonable under the circumstances, which may include the termination of your employment without notice and with immediate effect. No act or failure by you shall be considered “willful” if such act is done by you in the good faith belief that such act is or was in the best interests of Company or one or more of its businesses.

- ii. Good Reason. As used herein, the term “Good Reason” shall have the meaning set forth in the Company’s change in control plan in which you participate, if any, or the change in control agreement between you and the Company, if any; if there is no such plan or agreement that contains a definition of Good Reason that applies to you, then the provisions of this Agreement with respect to Good Reason do not apply to you.
- iii. Change in Control. As used herein, the term “Change in Control” shall have the meaning set forth in the ODP Plan.

3. Rights as Stockholder

You shall have no voting, dividend or any other rights as a stockholder of the Company with respect to your Performance Shares. Upon the issuance of shares of the Company’s common stock (“Common Stock”) pursuant to Section 4 below, you shall obtain full voting and other rights of a stockholder of the Company as to such shares.

4. Payment

On each of the following dates, the vested portion of your Performance Shares (if any) shall be paid to you:

- a. During the period beginning April 13, 2017 and ending May 15, 2017;
- b. Within 30 days following the date of your termination of employment (subject to delay pursuant to Section 10(b)); and
- c. Within 30 days following the effective date of a Change in Control.

The Company will make payment by issuing to you and registering in your name a certificate or certificates for (or evidencing in book entry or similar account) a number of shares of the Common Stock equal to the vested portion of your Performance Shares. Such shares will not be subject to any restrictions under this Agreement, but may be subject to certain restrictions under applicable securities laws.

5. Withholding

You are required to pay to the Company all applicable federal, state, local or other taxes, domestic or foreign, with respect to your Performance Shares (the "Required Tax Payments"). Unless you make other arrangements with the consent of the Company, all Required Tax Payments will be satisfied by the Company withholding Shares otherwise to be delivered to you, having a Fair Market Value on the date the tax is to be determined, sufficient to make the Required Tax Payments. The Company will withhold the whole number of Shares sufficient to make the Required Tax Payments and will make a cash payment to you for the difference between the Fair Market Value of the Shares withheld and the Required Tax Payments on the payment date specified in Section 4 above (but if this would cause adverse accounting then the Company will withhold one less Share and you must pay in cash the additional withholding).

6. Transferability of Performance Shares

Your Performance Shares may not be sold, pledged, assigned or transferred in any manner; any such purported sale, pledge, assignment or transfer shall be void and of no effect.

7. Conformity with Plan

Your Performance Shares are intended to conform in all respects with, and are subject to, all applicable provisions of the Plan which is incorporated herein by reference. Inconsistencies between this Agreement and the Plan shall be resolved in accordance with the terms of the Plan except as expressly provided otherwise in this Agreement. The Committee reserves its right to amend or terminate the Plan at any time without your consent; provided, however, that your Performance Shares shall not, without your written consent, be adversely affected thereby (except to the extent the Committee reasonably determines that such amendment or termination is necessary or appropriate to comply with applicable law or the rules or regulations of any stock exchange on which the Company's stock is listed or quoted). All interpretations and determinations of the Committee or its delegate shall be final, binding and conclusive upon you and your legal representatives with respect to any question arising hereunder or under the Plan or otherwise, including guidelines, policies or regulations which govern administration of the Plan. By acknowledging this Agreement through the Plan website, you agree to be bound by all of the terms of the Plan and acknowledge availability and accessibility of the Plan document, the Plan Prospectus, and either the Company's latest annual report to shareholders or annual report on Form 10-K on the Plan and/or Company websites. You understand that you may request paper copies of the foregoing documents by contacting the Company's Director, Executive Compensation & International Compensation.

8. Restrictions on Shares

If the Committee determines that the listing, registration or qualification upon any securities exchange or under any law of shares subject to the grant of the Performance Shares is necessary or desirable as a condition of, or in connection with, the granting of same or the issue or purchase of shares thereunder, no shares may be issued unless such listing, registration or qualification is effected free of any conditions not acceptable to the Committee. All certificates for shares of Common Stock delivered under the Plan shall be

subject to such stop-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any listing standards of any exchange or self-regulatory organization on which the Common Stock of the Company is listed, and any applicable federal or state laws; and the Committee may cause a legend or legends to be placed on any such certificates to make appropriate reference to such restrictions. In making such determination, the Committee may rely upon an opinion of counsel for the Company. The Company shall have no liability to deliver any shares under the Plan or make any other distribution of the benefits under the Plan unless such delivery or distribution would comply with all applicable state, federal, and foreign laws (including, without limitation and if applicable, the requirements of the Securities Act of 1933), and any applicable requirements of any securities exchange or similar entity. The Committee shall be permitted to amend this Agreement in its discretion to the extent the Committee determines that such amendment is necessary or desirable to achieve compliance with the Dodd-Frank Wall Street Reform and Consumer Protection Act and the guidance thereunder.

9. Non-Compete, Confidentiality, and Non-Solicitation Requirements

Your Performance Shares are also subject to your complying with and not breaching the non-compete, confidentiality, and non-solicitation covenants that you were required to sign as a condition of your employment with the Company.

10. Compliance with Section 409A

- a. This Agreement shall be construed and administered in accordance with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), or an applicable exemption from Code Section 409A.
- b. To the extent that any compensation payable under this Agreement constitutes deferred compensation within the meaning of Code Section 409A and the Department of Treasury regulations and other guidance thereunder, (i) any provisions of this Agreement that provide for payment of compensation that is subject to Section 409A and that has payment triggered by your termination of employment other than on account of your death shall be deemed to provide for payment that is triggered only by your "separation from service" within the meaning of Treasury Regulation Section §1.409A-1(h) (a "Section 409A Separation from Service"), (ii) if you are a "specified employee" within the meaning of Treasury Regulation Section §1.409A-1(i) on the date of your Section 409A Separation from Service (with such status determined by the Company in accordance with rules established by the Company in writing in advance of the "specified employee identification date" that relates to the date of such Section 409A Separation from Service or in the absence of such rules established by the Company, under the default rules for identifying specified employees under Treasury Regulation Section 1.409A-1(i)), such compensation triggered by such Section 409A Separation from Service shall be paid to you six months following the date of such Section 409A Separation from Service (provided, however, that if

you die after the date of such Section 409A Separation from Service, this six month delay shall not apply from and after the date of your death), and (iii) to the extent necessary to comply with Code Section 409A, the definition of change in control that applies under Code Section 409A shall apply under this Agreement to the extent that it is more restrictive than the definition of Change in Control that would otherwise apply. You acknowledge and agree that the Company has made no representation regarding the tax treatment of any payment under this Agreement and, notwithstanding anything else in this Agreement, that you are solely responsible for all taxes due with respect to any payment under this Agreement.

11. Employment and Successors

Nothing in the Plan or this Agreement shall serve to modify or amend any employment agreement you may have with the Company or any Subsidiary or to interfere with or limit in any way the right of the Company or any Subsidiary to terminate your employment at any time, or confer upon you any right to continue in the employ of the Company or any Subsidiary for any period of time or to continue your present or any other rate of compensation subject to the terms of any employment agreement you may have with the Company. The grant of your Performance Shares shall not give you any right to any additional awards under the Plan or any other compensation plan the Company has adopted or may adopt. The agreements contained in this Agreement shall be binding upon and inure to the benefit of any successor of the Company.

12. Amendment

The Committee may amend this Agreement by a writing that specifically states that it is amending this Agreement, so long as a copy of such amendment is delivered to you, provided that no such amendment shall adversely affect in a material way your rights hereunder without your written consent (except to the extent the Committee reasonably determines that such amendment or termination is necessary or appropriate to comply with applicable law or the rules or regulations of any stock exchange on which the Company's stock is listed or quoted). Without limiting the foregoing, the Committee reserves the right to change, by written notice to you, the provisions of the Performance Shares or this Agreement in any way it may deem necessary or advisable to carry out the purpose of the grant of the Performance Shares as a result of any change in applicable law or regulation or any future law, regulation, ruling, or judicial decisions; provided that, any such change shall be applicable only to that portion of your Performance Shares that are then subject to restrictions as provided herein.

13. Notices

Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company as follows:

Office Depot, Inc.
c/o Vice President, Global Compensation, Benefits, HRIS and Shared Services
6600 North Military Trail, C278
Boca Raton, FL 33496

Any notice to be given under the terms of this Agreement to you shall be addressed to you at the address listed in the Company's records. By a notice given pursuant to this Section, either party may designate a different address for notices. Any notice shall be deemed to have been duly given when personally delivered (addressed as specified above) or when enclosed in a properly sealed envelope (addressed as specified above) and deposited, postage prepaid, with the U.S. postal service or an express mail company.

14. Severability

If all or any part of this Agreement or the Plan is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not invalidate any portion of this Agreement or the Plan not declared to be unlawful or invalid. Any section of this Agreement (or part of such a section) so declared to be unlawful or invalid shall, if possible, be construed in a manner that will give effect to the terms of such section or part of a section to the fullest extent possible while remaining lawful and valid.

15. Entire Agreement

This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements or understandings, oral or written, with respect to the subject matter herein. By acknowledging this Agreement online through the Plan website, you accept the Performance Shares in full satisfaction of any and all obligations of the Company to grant performance shares to you as of the date hereof.

16. Governing Law

This Agreement will be governed by and enforced in accordance with the laws of the State of Florida, without giving effect to its conflicts of laws rules or the principles of the choice of law.

17. Venue

Any action or proceeding seeking to enforce any provision of or based on any right arising out of this Agreement may be brought against you or the Company only in the courts of the State of Florida or, if it has or can acquire jurisdiction, in the United States District Court for the Southern District of Florida, West Palm Beach Division; and you and the Company consent to the jurisdiction of such courts in any such action or proceeding and waive any objection to venue laid therein.

To confirm your understanding and acknowledgment of the terms contained in this Agreement, please log onto the Plan website and follow the online instructions for acknowledging your Performance Shares.

Very truly yours,

OFFICE DEPOT, INC.

**SECOND AMENDMENT TO THE
OFFICE DEPOT, INC.
2007 LONG-TERM INCENTIVE PLAN**

WHEREAS, Office Depot, Inc. (the “Company”) established the Office Depot, Inc. 2007 Long-Term Incentive Plan (the “Plan”) to promote the long-term growth and profitability of the Company and its subsidiaries by: (i) providing certain Directors, officers, and key employees of, and certain other key individuals who perform services for, the Company and its subsidiaries with incentives to maximize stockholder value and otherwise contribute to the success of the Company; and (ii) enabling the Company to attract, retain, and reward the best available persons for positions of substantial responsibility;

WHEREAS, under Section 14.1 of the Plan, the Compensation Committee of the Board of Directors of the Company (the “Compensation Committee”) has the authority to amend the Plan at any time; provided that, no such action shall adversely affect any rights or obligations with respect to any awards previously granted under the Plan, unless such action is required by applicable law, any applicable listing standards, or the participants consent in writing; and

WHEREAS, the Compensation Committee desires to amend the Plan with respect to awards granted under the Plan on or after March 20, 2014, to provide that restricted stock units granted to directors shall be immediately vested upon grant.

NOW, THEREFORE, the Plan is amended as follows with respect to awards granted on or after March 20, 2014:

1) Section 10.8 is amended to read as follow:

“10.8 *Special Vesting Rules for Directors.*

(a) *Awards Other Than Options, Restricted Stock and RSUs.* With respect to a Director of the Company whose period of service ends, either voluntarily or by reason of his or her not seeking re-election to the Board or not being re-nominated to the Board or his or her not being re-elected to the Board, (i) any issued but unvested SARs granted to such Director during his or her term of office shall, upon such termination of service, become immediately vested, and (ii) any Performance Awards held by the Director that contain performance conditions as a requirement for vesting shall vest pro rata (calculated as if any “target” amount under such Performance Awards has been reached) based on the amount of time from the beginning of the performance cycle through the date of the Director’s termination of service compared to the total length of the performance cycle.

(b) *Awards of Options, Restricted Stock and RSUs.* With respect to a Director of the Company, all Options, Restricted Stock and RSUs granted to such Director during his or her term of office shall be immediately vested upon grant.

Nothing in this Section 10.8 shall serve to extend the term of any Option beyond its initial term upon issuance.”

- 2) In all respects not above amended, the Plan is hereby ratified and confirmed.

* * * * *

IN WITNESS WHEREOF, the Compensation Committee has caused this Second Amendment to the Plan to be executed on its behalf by its duly authorized representative this 20th day of March, 2014.

OFFICE DEPOT, INC.

By: /s/ Richelle Aschenbrenner

Richelle Aschenbrenner

Vice President, Global Compensation, Benefits, HRIS &
Shared Services

Rule 13a-14(a)/15d-14(a) Certification

I, Roland C. Smith, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Office Depot, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Roland C. Smith

Roland C. Smith
Chief Executive Officer and Chairman, Board of Directors

Date: May 6, 2014

Rule 13a-14(a)/15d-14(a) Certification

I, Stephen E. Hare, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Office Depot, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Stephen E. Hare

Stephen E. Hare

Executive Vice President and Chief Financial Officer

Date: May 6, 2014

Office Depot, Inc.**Certification of CEO and CFO Pursuant to
18 U.S.C. Section 1350, as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of Office Depot, Inc. (the "Company") for the quarterly period ended March 29, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Roland C. Smith, as Chief Executive Officer of the Company, and Stephen E. Hare, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to each officer's knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Roland C. Smith

Name: Roland C. Smith
Title: Chief Executive Officer
Date: May 6, 2014

/s/ Stephen E. Hare

Name: Stephen E. Hare
Title: Chief Financial Officer
Date: May 6, 2014

The foregoing certification is being furnished as an exhibit to the Report pursuant to Item 601(b)(32) of Regulation S-K and Section 1350 of Title 18 of the United States Code and, accordingly, is not being filed with the Securities and Exchange Commission as part of the Report and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934 (whether made before or after the date of the Report, irrespective of any general incorporation language contained in such filing).