SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

(MARK ONE)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED, EFFECTIVE OCTOBER 7, 1996).
FOR THE FISCAL YEAR ENDED DECEMBER 28, 1996

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)
FOR THE TRANSITION PERIOD FROM ____________ TO ____________

COMMISSION FILE NUMBER 1-10948

OFFICE DEPOT, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	59-2663954
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2200 OLD GERMANTOWN ROAD, DELRAY BEACH, FLORIDA	33445
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: 561/278-4800

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

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

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

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

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

The aggregate market value of voting stock held by non-affiliates of the registrant as of March 24, 1997 was approximately $3,471,557,773.

As of March 24, 1997, the Registrant had 157,471,381 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

No documents (other than exhibits) have been incorporated by reference to this Annual Report on Form 10-K.

PART I

ITEM 1. BUSINESS.

PROPOSED MERGER

In September 1996, the Company entered into an agreement and plan of merger (the "Merger Agreement") with Staples, Inc. ("Staples") and Marlin Acquisition Corp., a wholly-owned subsidiary of Staples ("Acquisition Sub"). Pursuant to the Merger Agreement, (i) Acquisition Sub will be merged with and into Office Depot, and Office Depot will become a wholly-owned subsidiary of Staples and (ii) each outstanding share of the Company's common stock will be converted into the right to receive 1.14 shares of common stock of Staples. In connection with the merger, both companies also issued mutual options to purchase up to 19.9% of the outstanding stock of the other company under certain conditions.

The consummation of the merger is subject to a number of conditions, including approval by the stockholders of both the Company and Staples, and the receipt of governmental consents and approvals, including those under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 ("HSR Act") and the Canadian Competition Act. On November 1, 1996, the Federal Trade Commission ("FTC") issued a Second Request for Information to Staples and the Company, beginning an investigation of the merger. Since that time, the Company has cooperated with the FTC in its review of the merger and has provided the FTC with requested documents and information. The Company believes the merger fully complies with the antitrust laws. An "Advanced Ruling Certificate" from the Canadian Competition Bureau clearing the proposed merger under Canadian law was received on December 16, 1996.

On March 10, 1997, the FTC voted to challenge the merger. Staples and the Company plan to vigorously contest any FTC challenge. Nevertheless, the Company has been working with Staples and the FTC staff on an acceptable divestiture of stores or other settlement arrangement that would benefit the Company, its shareholders and its customers by allowing the merger to close. Staples and the Company have entered into an agreement with OfficeMax, Inc. ("OfficeMax") whereby Staples and the Company would divest a total of 63 stores, which Staples and the Company believe should remedy any perceived competitive issues and should obviate the need for any FTC challenge. The FTC is currently reviewing the proposed divestiture package, and has withheld issuance of a complaint pending this review. If this or another settlement is ultimately approved by the FTC, a consent decree would be issued along with the complaint that would allow the merger to close.

If a settlement is not ultimately approved by the FTC, the Company anticipates the merger will be subject to litigation with the FTC. A preliminary injunction hearing will be held, likely within a few months of the issuance of the complaint. Whether or not the FTC is ultimately successful in obtaining a preliminary injunction, after any appeals, the FTC has told the Company it plans to pursue its challenge in FTC administrative hearings. Staples and the Company each have the right to terminate the Merger Agreement if the merger has not been consummated by May 31, 1997.

Notwithstanding the Company's belief that the merger fully complies with the antitrust laws and notwithstanding the ongoing negotiations with the FTC, there can be no assurance that the FTC will not ultimately challenge the merger or that the merger will ultimately be consummated.

GENERAL

The information in the remainder of this section pertains to the business of the Company as it is currently conducted without giving effect to the proposed merger between the Company and Staples.

Office Depot, Inc. (the "Company") operates a national chain of high-volume retail office products stores, provides delivery of its products in the United States and Canada and is a full-service contract stationer serving businesses throughout the United States. The Company sells high-quality, brand-name office products at significant discounts at its office products stores and through its delivery business.

The Company began its operations in 1986 with its first retail store. Currently, it operates 536 office products stores in 38 states and the District of Columbia and 36 stores in five Canadian provinces. Through its 23 customer service centers and certain retail stores, the Company also delivers office products to businesses of all sizes and provides other value-added business services.

The Company's office supply stores carry a wide selection of merchandise, including general office supplies, business machines and computers, office furniture and other business-related products for sale primarily to businesses. The stores utilize a "warehouse" format. The Company also operates five Images stores and five Furniture At Work stores. The Company's business strategy for its office products stores is to enhance the sales and profitability of its existing stores and to add new stores in locations where the Company can establish a significant market presence. During 1996, the Company opened 66 new office products stores. The Company currently believes it will open approximately 40 stores during 1997.

The Company's delivery business provides delivery services of office products and full service contract stationer services for small, medium and large businesses, schools and other educational institutions and governmental agencies. The Company's delivery sales exceeded $1.85 billion in 1996. The Company provides its delivery customers access to a broad selection of office products and office furniture, including the approximately 6,000 items available at the Company's office supply stores and approximately 5,000 additional items which are only stocked at the Company's customer service centers. In addition, the Company provides its contract stationer customers with specialized resources and services designed to aid them in achieving improved efficiencies and significant reduction in their overall office products and office furniture costs. These efficiencies include electronic ordering, stockless office procurement and business forms management services (which reduce customer need for office products storage facilities), desktop delivery programs (which reduce customer personnel requirements) and comprehensive product utilization reports. The Company's nationwide full service contract stationer business was built primarily through the acquisition of eight contract stationers in 1993 and 1994 and opening new facilities in 1995.

The Company's strategy for its delivery business is to build an integrated national operation to provide delivery service to businesses and to increase the Company's penetration into new and existing markets for its full service contract stationer business. The Company also seeks to enhance its operating margins through the conversion of contract stationer businesses that have been acquired by the Company into a national network of facilities providing a consistently high level of customer service. The Company is in the process of combining the operations of its 23 contract stationer warehouses and delivery centers, as well as the delivery functions at the retail stores. During 1996, the Company replaced three of its customer service centers with larger, more efficient facilities. During 1997, the Company plans to replace three to four of its existing customer service centers with larger facilities, consolidating operations in certain markets.

Through expansion of both its office products stores and delivery business, the Company seeks to increase efficiencies in operations, purchasing, marketing and management. The Company's merchandising strategy is to offer customers a wide selection of brand-name office products at everyday low prices. The Company is able to maintain its competitive price policy primarily as a result of the significant cost efficiencies achieved through its operating format and purchasing power. The Company buys substantially all of its inventory directly from manufacturers in large quantities. It does not utilize a central warehouse and maintains most of its inventory on the sales floors of its stores, at its crossdocks and at its customer service centers. The Company operates in a highly competitive environment, and no assurance can be given that increased competition will not have an adverse effect on the Company's operations.

Following is a brief description of the eight contract stationer acquisitions noted above:

- In May 1993, the Company acquired the office supply business of Wilson Stationery & Printing Company ("Wilson"), a full service contract stationer with operations in Texas and North Carolina.

- In September 1993, the Company acquired Eastman Office Products Corporation ("Eastman"), a full service contract stationer and office furniture dealer headquartered in California with operations primarily in the western United States.

- In February 1994, the Company acquired L.E. Muran Co., Inc., based in Boston, and Yorkship Press, Inc. servicing customers in Philadelphia and southern New Jersey.

- In May 1994, the Company acquired Midwest Carbon Company, based in Minneapolis, and Silvers, Inc. based in Detroit.

- In August 1994, the Company acquired J.A. Kindel Company, based in Cincinnati, and Allstate Office Products, Inc., based in Tampa.

Each of the 1994 acquisitions was accounted for on a "pooling of interests" basis. Accordingly, the financial data, statistical data, financial statements and discussions of financial and other information included in or incorporated by reference herein for periods prior to the acquisitions have been restated to reflect the financial position, results of operations, and other information relating to these companies for all periods presented. No affiliations existed between the Company and any of the acquired companies prior to the acquisitions. The 1993 acquisitions were accounted for as purchases. Therefore, all information and data included or incorporated by reference herein include the results of those businesses from the respective dates of acquisition.

The Company has entered into licensing arrangements for the operation of office supply stores in Colombia, Israel and Poland and joint venture agreements to operate stores in Mexico and France. As of December 28, 1996, there were five, seven, three, seven and two stores and delivery centers open in Colombia, Israel, Poland, Mexico and France under these arrangements, respectively. The Company's joint venture partner in France is Carrefour S.A. ("Carrefour"), which beneficially owns approximately 6% of the Company's issued and outstanding shares of common stock through its indirect wholly-owned subsidiary Fourcar B.V. ("Fourcar"). The joint venture is owned 50% by Carrefour and 50% by the Company. Office Depot has also entered into a joint venture in Japan and a licensing arrangement in Thailand. Two stores were opened in March 1997 in Thailand and stores are expected to open in Japan in late 1997.

OFFICE PRODUCTS INDUSTRY

The office products industry is comprised of three broad categories of merchandise: office supplies, office machines and computers, and office furniture. These products are distributed through different and often overlapping channels of distribution, including manufacturers, distributors, dealers, retailers and catalog companies.

Sales of office products in the United States have historically been made primarily through office products dealers and contract stationers, which generally operate one or more retail stores and utilize a central warehouse facility. Smaller businesses have traditionally purchased office products from retail office products dealers, and there have been few regional or national chains. This portion of the industry is still typified by small stores operated by dealers. Dealers purchase a significant portion of their merchandise from national or regional office supply distributors who, in turn, purchase merchandise from manufacturers. Dealers often employ a commissioned sales force that utilizes the distributor's catalog, showing products at retail list prices, for selection and price negotiation with the customer. The Company believes that small- and medium-size businesses in the past have been able to obtain discounts on manufacturers' suggested retail list prices of only 20% or less. In addition, those businesses whose volume usage does not justify a dealer's one-to-one selling effort generally were treated as retail customers and charged prices close to full retail list prices.

Over the past decade, high-volume office supply superstores have emerged throughout the United States. These stores offer selection, service and low prices. High-volume office products retailers typically offer substantial price savings to individuals and small- and medium-size businesses, which traditionally have had limited opportunities to buy at significant discounts from retail list prices. Recently, other retailers, including mass merchandisers and warehouse clubs, have been offering a wide variety of like products at low prices, and have become increasingly competitive with office supply superstores. Delivery companies have also been making inroads into the Company's traditional customer base.

Larger customers have been, and continue to be, served primarily by full service contract stationers which offer contract bids to larger businesses at discounts equivalent to or greater than those offered by the

Company. These stationers traditionally serve larger businesses through commissioned sales forces, purchase in large quantities primarily from manufacturers, and offer competitive pricing and customized services to their customers. The Company entered the full-service contract stationer portion of the office products industry by acquiring eight contract stationers during 1993 and 1994 and opening new facilities in 1995.

MERCHANDISING AND PRODUCT STRATEGY

The Company's merchandising strategy is to offer a broad selection of brand-name office products at everyday low prices. The Company offers a comprehensive selection of paper and paper products, filing supplies, computer hardware and software, calculators, copiers, typewriters, telephones, facsimile and other business machines, office furniture, art and engineering supplies and virtually every other type of office supply. Each of the Company's office supply stores stocks approximately 6,000 stock-keeping units (including variations in color and size) and each customer service center stocks approximately 11,000 stock-keeping units, including the 6,000 stock-keeping units stocked at the retail stores.

The table below shows sales of each major product group as a percentage of total merchandise sales for the 1996, 1995, and 1994 fiscal years:

	1996 FISCAL YEAR	1995 FISCAL YEAR	1994 FISCAL YEAR
General office supplies(1)	44.2%	47.2%	48.1%
Business machines and related supplies, computers and computer accessories(2)	44.6	41.3	39.0
Office furniture(3)	11.2	11.5	12.9
	100.0%	100.0%	100.0%

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(1) Includes paper, filing supplies, organizers, writing instruments, mailing supplies, desktop accessories, calendars, business forms, binders, tape, art supplies, books, engineering and janitorial supplies and revenues from the business services center located in each store.
(2) Includes calculators, adding machines, typewriters, telephones, cash registers, copiers, facsimile machines, safes, tape recorders, computers, computer diskettes, computer paper and related accessories.
(3) Includes chairs, desks, tables, partitions and filing and storage cabinets.

The Company buys substantially all of its merchandise directly from manufacturers and other primary source suppliers. Products are generally delivered from manufacturers directly to the stores or customer service centers. The Company operates nine cross-dock operations that receive bulk deliveries from certain vendors and sort and deliver merchandise to the Company's stores and customer service centers. The cross-dock operations enable the Company to maintain better in-stock positions. No single customer accounts for more than one percent of the Company's sales. The Company has no material long-term contracts or commitments with any vendor or customer. The Company has not experienced any difficulty in obtaining desired quantities of merchandise for sale and does not foresee any significant difficulties in the future.

Initial purchasing decisions are generally made at the corporate headquarters level by buyers who are responsible for selecting and pricing merchandise. Inventory levels are monitored, and reorders for products are prepared, by central replenishment buyers, or "rebuyers", with the assistance of a computerized automatic replenishment system. This system allows buyers to devote more time to selecting products, developing new product lines, analyzing competitive developments and negotiating with vendors in order to obtain more favorable prices and product availability. Purchase orders to approximately 625 vendors are currently transmitted by electronic data interchange ("EDI"), which expedites orders and promotes accuracy and efficiency. The Company receives Advance Ship Notices and invoicing via EDI from selected vendors and continues to expand this program to other vendors.

MARKETING AND SALES

Marketing. The Company's marketing programs are designed to attract new customers and to provide information to existing customers. The Company places advertisements with the major local newspapers in each of its markets. These newspaper advertisements are supplemented with local radio and television advertising and direct marketing efforts. Print advertisements, as well as catalog layouts, are created by the Company's in-house graphics department. The Company periodically issues catalogs featuring merchandise offered in its stores. The catalogs generally compare the manufacturer's suggested retail list price and the Company's price to illustrate the savings offered. The catalogs are distributed through direct mail programs and are available in each store. Upon entering a new market, the Company purchases a list of businesses for an initial mailing of catalogs. This list is continually refined and updated by incorporating the names of private label credit card holders and guarantee card holders and forms the basis of a highly targeted proprietary mailing list for updated catalogs and other promotional mailings.

The Company has a low price guarantee policy. Under this policy, the Company will match any competitor's lower price and give the customer 55% (up to $55) of the difference toward the customer's purchase. This program assures customers of always receiving the lowest price from the Company even during periodic sales promotions by competitors. Monthly competitive pricing analyses are performed to monitor each market, and prices are adjusted as necessary to adhere to this pricing philosophy and ensure competitive positioning.

Sales. In addition to the sales associates at each of its stores, the Company has a direct sales force serving its contract stationer customers. The sales force operates out of the Company's 23 regional customer service centers and additional satellite sales offices. All members of the Company's sales force are employees of the Company.

SERVICES

Each Office Depot office supply store contains a multipurpose business center for printing, copying and a wide assortment of other services. These business centers offer shoppers a range of printing and reproduction capabilities, including business cards, letterhead stationery and envelopes, personalized checks and business forms, full- or self-service copies, color copies, custom stamps and labels, signs and banners. Each of the Company's office supply stores also has business machine specialists, specially-trained associates who are available to answer customer questions on a wide variety of technically sophisticated products.

The Company currently operates 23 regional customer service centers in 17 states. Delivery orders received from customers in these areas, whether through the Company's telephone centers, contract customer orders or at its stores, are generally handled through these facilities. The Company believes that these facilities enable it to provide improved delivery services on a more cost effective basis.

The Company's customers nationwide can place orders by telephone or facsimile using toll-free telephone numbers that route the calls through the Company's order departments located in South Florida, Atlanta and the San Francisco area. Orders received by the order departments are transmitted electronically to the store or delivery center nearest the customer for pick-up or delivery at a nominal delivery fee or free delivery with a minimum order size. Orders are packaged, invoiced and shipped for next-day delivery.

The Company provides the office supplies purchasing departments of its contract customers with a wide range of services designed to improve efficiencies and reduce costs, including electronic ordering, stockless office procurement and business forms management services, desktop delivery programs and comprehensive product utilization reports. For contract customers, the Company will typically sell on credit through an open account, although all credit options provided at the retail stores are also available to all contract and delivery customers.

The Company offers revolving credit terms to its customers through the use of private label credit cards. Every customer can apply for one of these credit cards, which are issued without charge. Sales transactions using the private label credit cards are transmitted by computer to financial services companies, which credit the Company's bank account with the net proceeds within two days.

EXPANSION PROGRAM

Office Supply Stores. The Company's business strategy for its office supply stores is to enhance the sales and profitability of its existing stores, and to add new stores in locations where the Company can achieve a significant market presence. The Company opened 60 new office supply stores in 1996, and plans to open approximately 40 new stores during 1997. Uncertainty and a loss of certain real estate personnel, both resulting from the delay in the pending merger with Staples, have negatively affected the Company's short term store opening program. Office supply store opening activity for the last five years is summarized as follows.

	OFFICE SUPPLY STORES			
	OPEN BEGINNING OF PERIOD	OPENED/ ACQUIRED	CLOSED	OPEN END OF PERIOD
1992	228	58(1)	2	284
1993	284	68	1	351
1994	351	71	2	420
1995	420	82	1	501
1996	501	60	--	561

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(1) Includes the acquisition of five stores in Canada.

Prior to selecting a new store site, the Company obtains detailed demographic information indicating business concentrations, traffic counts, population, income levels and future growth prospects. The Company's existing and scheduled new stores are located primarily in suburban strip shopping centers on major commercial thoroughfares where the cost of space is generally lower than at urban locations. Suburban locations are generally more accessible to the Company's primary customers, have convenient parking and facilitate delivery to customers and receipt of inventory from manufacturers. The Company expands by leasing existing space and renovating it according to its specifications or by constructing new space according to its specifications.

Accomplishing the Company's expansion goals will depend on a number of factors, including the Company's ability to locate and obtain acceptable sites, open new stores in a timely manner, hire and train competent managers and real estate personnel, integrate new stores into its operations, generate adequate funds from operations and continue to access external sources of capital.

Delivery Services. The Company's strategy for delivery services is to build an integrated national operation which will provide delivery services to small- and medium-size businesses and enable it to increase the penetration in new and existing markets by the Company's full service contract stationer business. The Company is in the process of combining the operations of its contract stationer warehouses and delivery centers, as well as the delivery functions at the office supply stores. During 1996, the Company replaced three of its existing customer service centers with larger, more efficient facilities. During 1997, the Company plans to replace three to four customer service centers with larger facilities, consolidating operations in certain markets.

Other Office Products and Services. In addition to the Company's core office supply and delivery businesses, the Company also operates the following:

- International -- Retail office supply stores and delivery services operated under the Office Depot(R) name abroad, either through joint ventures or licensing arrangements. Since 1994, a total of 24 such stores and delivery centers have been opened in Colombia, Israel, Mexico, Poland and France. In addition, two such stores were opened in Thailand in March 1997 and one or more stores are expected to open in Japan in late 1997.

- Images(TM) -- Retail facilities which provide a range of business services including graphic design, printing, copying, shipping and fulfillment services as well as a limited assortment of office supplies. Four Images units and one Office Depot Express(TM) (a slightly different store format with an expanded assortment of products) are currently open in South Florida.

- Office Depot(R) "Megastores" -- 45,000-50,000 square foot Office Depot(R) retail stores with expanded assortments of furniture, computer software and accessories and general office supplies. The first megastore opened in August 1995 in Las Vegas. Six additional megastores opened during 1995 and

1996 when the Company entered the New York metropolitan market with five stores and the Salt Lake City market with one store.

- Furniture At Work(TM) -- Approximately 20,000 square foot office furniture stores, which offer a broad line of office furniture, office accessories and design services. The Company opened its first store in Texas in 1995 and opened four additional stores in California, South Florida and Texas in 1996.

- Uptime Services(TM) -- Providers, primarily through outside service companies, of a variety of technology support services which complement the Company's computer and business machine offerings, including on-site installation (at home or office), computer leasing and training, software support and product protection plans.

STORE DESIGN AND OPERATIONS

Office Supply Stores. The Company's office supply stores average approximately 25,000-30,000 square feet of space (other than its Megastores, which average 45,000-50,000 square feet) and conform to a model designed to achieve cost efficiency by minimizing rent and eliminating the need for a central warehouse. Each store displays virtually all of its inventory on the sales floor according to a plan-o-gram that designates the location of each item in the store. The plan-o-gram is intended to ensure that merchandise is effectively displayed and to promote economy and efficiency in the use of merchandising space. On the sales floor, merchandise is displayed on various types of fixtures including low-profile fixtures, on pallets or in bins on ten to twelve foot high industrial steel shelving that permits the bulk stacking of inventory and quick and efficient restocking. The shelving is positioned to form aisles large enough to comfortably accommodate customer traffic and merchandise movement. Additional efficiencies are gained by selling merchandise in multiple quantity packaging, which significantly reduces duplicate handling and stocking costs.

In all of the Company's stores, inventory that has not been bar coded by the manufacturer is bar coded in the receiving area and moved directly to the sales floor. Sales are processed through centralized check-out facilities, which transmit sales and inventory information on a stock-keeping unit basis to the Company's central computer system where this information is updated daily. Rather than individually price marking each product, merchandise is identified by its stock-keeping unit number with a master sign for each product displaying the product's price. As price changes occur, a new master sign is automatically generated for the product display and the new price is reflected in the check-out register, allowing the Company to avoid labor costs associated with price remarking.

Delivery Services. The Company's customer service centers range from 38,000 to 325,000 square feet, with its more recently opened customer service centers averaging 165,000 square feet. Inventory is received and stocked in each center using an automated inventory tracking system. The Company is in the process of converting its customer service centers to an integrated system. Customer orders, placed via phone, fax or electronically, are filled by the appropriate customer service center for next day delivery. The appropriate customer service center is determined by the Company's automated routing systems, and the order is filled by using both in-stock and wholesaler inventory.

MANAGEMENT INFORMATION SYSTEMS

The Company employs IBM ES9000 mainframes and IBM System AS/400 computers and client/server technologies to aid in controlling its merchandising and operations. The systems include advanced software packages that have been customized for the Company's specific business operations. By integrating these environments, the Company improved its ability to manage stock status, order processing, inventory replenishment and advertising maintenance. The Company is continuing its implementation of a multi-year strategy to upgrade and convert its systems to operate in an "open system" mainframe environment.

Inventory data is entered into the computer system upon its receipt by the store, and sales data is entered through the use of a point-of-sale or telemarketing system. The point-of-sale system permits the entry of sales data through the use of bar code laser scanning and also has a price "look-up" capability that permits immediate price checking and efficient movement of customers through the check-out process. Information is centrally processed at the end of each day, permitting a perpetual daily inventory and the calculation of average unit cost by stock-keeping unit for each store or warehouse. Daily compilation of sales and gross margin data permits the monitoring of sales, gross margin and inventory by item and product line, as well as the results of sales promotions. For all stock-keeping units, management has immediate access to on-hand daily unit inventory, units on order, current and past rates of sale, the number of weeks' sales for which quantities are on-hand and a recommended unit purchase reorder. Data from all of the Company's stores is transmitted to the Company's headquarters on a daily basis.

The Company is in the process of integrating the acquired contract stationer businesses and its commercial delivery business into a national delivery network. This integration encompasses many systems, including order entry, warehouse management and routing. This integrated system allows a customer to place an order via phone, fax or electronically. When the order is placed, the system determines the appropriate customer service center for delivery, looks up the stock status of each item ordered and automatically reserves the item for the customer or place it on order from the wholesaler. The wholesaler order will be delivered to the customer service center the same day, enabling the Company to deliver the most complete order possible the next day. The Company believes that the complete implementation of these systems will enable it to aggressively grow its delivery business.

EMPLOYEES, STORE MANAGEMENT AND TRAINING

As of March 24, 1997, the Company employed approximately 32,000 persons. Additional personnel will be added as needed to implement the Company's expansion program. The Company's goal is to promote as many existing employees into management positions as possible. Due to the rate of its expansion, however, for the foreseeable future the Company will continue to hire a portion of its management personnel from outside the Company.

The Company's policy is to hire and train additional personnel in advance of new store and customer service center openings. In general, store managers have extensive experience in retailing, particularly with warehouse store chains or discount stores that generate high sales volumes. Each new store manager usually spends two to four months in an apprenticeship position at an existing store prior to being assigned to a new store. The Company's retail sales associates are required to view product knowledge videos and complete written training programs relating to certain products. The Company creates some of these videos and training programs internally while the remainder are supplied by manufacturers. Typically, customer service center managers have extensive experience in distribution operations. The Company grants stock options to certain of its employees as an incentive to attract and retain such employees.

The Company has never experienced a strike or any other work stoppages, and management believes that its relations with its employees are good. There are no collective bargaining agreements covering any of the Company's employees.

COMPETITION

The Company operates in a highly competitive environment. Its markets are presently served by traditional office products dealers that typically operate a central warehouse and one or more retail stores. The Company believes it competes favorably against these dealers, who purchase their products from distributors and generally sell their products at prices higher than those offered by the Company, because they generally offer small- and medium-size businesses discounts on manufacturers' suggested retail list prices of only 20% or less as compared to the Company's 30% to 60% discount to customers. The Company also competes with wholesale clubs selling general merchandise, discount stores, mass merchandisers, conventional retail stores, catalog showrooms and direct mail companies. These companies, in varying degrees, compete with the Company on both price and selection.

Several high-volume office supply chains that are similar in concept to the Company in terms of store format, pricing strategy and product selection and availability also operate in the United States. The Company competes with these chains and other competitors described above in substantially all of its current markets.

The Company believes that in the future it will face increased competition from these chains as the Company and these chains expand their operations and as competitors allocate more shelf space to office products.

In the delivery and contract stationer portions of the industry, principal competitors are national and regional full service contract stationers, national and regional office furniture dealers, independent office products distributors, discount superstores and, to a lesser extent, direct mail order houses and stationery retail outlets. Certain office supply superstores are also developing a presence in the contract stationer portion of the business. The Company competes with these businesses in substantially all of its current markets.

Some of the entities against which the Company competes, or may compete, may have greater financial resources than the Company. No assurance can be given that increased competition will not have an adverse effect on the Company. The Company believes it competes based on product price, selection, availability and service.

ITEM 2. PROPERTIES.

As of March 24, 1997, the Company operated 536 office product stores in 38 states and the District of Columbia and 36 office supply stores in five Canadian provinces. The Company also operates 23 customer service centers. The following table sets forth the locations of these Company facilities.

STATE	NUMBER OF STORES	STATE	NUMBER OF STORES	STATE	NUMBER OF CUSTOMER SERVICE DELIVERY CENTERS
Alabama	11	New Jersey	2	Arizona	1
Arizona	2	New Mexico	3	California	5
Arkansas	4	New York	4	Colorado	1
California	103	North Carolina	19	Florida	2
Colorado	15	Ohio	13	Georgia	1
District of Columbia	2	Oklahoma	5	Illinois	1
Florida	71	Oregon	11	Louisiana	1
Georgia	25	Pennsylvania	6	Maryland	1
Hawaii	3	South Carolina	9	Massachusetts	1
Idaho	1	Tennessee	7	Michigan	1
Illinois	23	Texas	60	Minnesota	1
Indiana	9	Utah	1	New Jersey	1
Iowa	1	Virginia	10	North Carolina	1
Kansas	6	Washington	20	Ohio	1
Kentucky	3	West Virginia	1	Texas	2
Louisiana	15	Wisconsin	10	Utah	1
Maryland	11			Washington	1
Michigan	17	CANADA			
Minnesota	7	Alberta	8		
Mississippi	4	British Columbia	8		
Missouri	12	Manitoba	2		
Nebraska	3	Ontario	16		
Nevada	7	Saskatchewan	2		

Most of the Company's facilities are leased or subleased by the Company with lease terms (excluding renewal options exercisable by the Company at escalated rents) expiring between 1997 and 2021, except for 46 facilities that are owned by the Company. The owned facilities are located in twenty states, primarily Florida and Texas and four Canadian provinces. The Company operates its office products stores under the names Office Depot, The Office Place (in Ontario, Canada), Furniture at Work, Images, and Office Depot Express. The Company operates its contract stationer businesses under the name Office Depot.

The Company's corporate offices in Delray Beach, Florida, containing approximately 350,000 square feet in two adjacent buildings, were purchased in February 1994. The Company has entered into a lease for an additional 210,000 square foot building which is being constructed adjacent to the existing buildings.

ITEM 3. LEGAL PROCEEDINGS.

The Company is involved in litigation arising in the normal course of its business. The Company believes that these matters will not materially affect its financial position or results of operations.

In September 1996, a complaint was filed asserting, among other things, a claim for breach of fiduciary duty against members of the Company's Board, seeking to be certified as a class action and seeking injunctive relief in connection with the proposed merger with Staples. The Company believes this lawsuit is without merit and will contest it vigorously. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Proposed Merger."

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

None.

PART II

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

The Common Stock of the Company is listed on the New York Stock Exchange ("NYSE") under the symbol "ODP." At March 24, 1997, there were 3,273 holders of record of Common Stock. The last reported sales price of the Common Stock on the NYSE on March 24, 1997 was $22.125.

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

	HIGH	LOW
1995		
First Quarter	$26.500	$22.750
Second Quarter	29.500	20.875
Third Quarter	32.125	27.000
Fourth Quarter	31.750	19.000
1996		
First Quarter	$23.875	$16.875
Second Quarter	25.625	19.375
Third Quarter	23.750	12.875
Fourth Quarter	23.750	17.250

The Company has never declared or paid cash dividends on its Common Stock and does not currently intend to pay cash dividends in the foreseeable future. Earnings and other cash resources of the Company will be used to continue the expansion of the Company's business.

ITEM 6. SELECTED FINANCIAL DATA.

FINANCIAL HIGHLIGHTS
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS AND STATISTICAL DATA)

	52 WEEKS ENDED DECEMBER 28, 1996	52 WEEKS ENDED DECEMBER 30, 1995	53 WEEKS ENDED DECEMBER 31, 1994	52 WEEKS ENDED DECEMBER 25, 1993	52 WEEKS ENDED DECEMBER 26, 1992
STATEMENT OF EARNINGS DATA:					
Sales	$6,068,598	$5,313,192	$4,266,199	$2,836,787	$1,962,953
Cost of goods sold and occupancy costs	4,700,910	4,110,334	3,283,498	2,185,145	1,512,304
Gross profit	1,367,688	1,202,858	982,701	651,642	450,649
Store and warehouse operating and selling expenses	951,084	782,478	642,572	423,272	301,743
Pre-opening expenses	9,827	17,746	11,990	9,073	7,453
General and administrative expenses	162,149	153,344	130,022	95,142	69,549
Amortization of goodwill	5,247	5,213	5,288	1,617	49
Operating profit	239,381	244,077	192,829	122,538	71,855
Interest income	1,593	1,357	4,000	4,626	1,393
Interest expense	(26,078)	(22,551)	(18,096)	(11,322)	(2,658)
Equity and franchise income (loss), net	(2,178)	(962)	197	108	--
Earnings before income taxes and extraordinary credit	212,718	221,921	178,930	115,950	70,590
Income taxes	83,676	89,522	73,973	45,118	25,345
Earnings before extraordinary credit	129,042	132,399	104,957	70,832	45,245
Extraordinary credit(1)	--	--	--	--	1,396
Net earnings	$ 129,042	$ 132,399	$ 104,957	$ 70,832	$ 46,641
Per common share and common equivalent share:					
Earnings before extraordinary credit	$ .81	$ .85	$ .69	$ .48	$ .32
Extraordinary credit(1)	--	--	--	--	.01
Net earnings	$ .81	$ 85	$ .69	$ .48	$ .33
Per common share and common equivalent share-assuming full dilution:					
Earnings before extraordinary credit	$ .80	$ .83	$ .68	$ .48	$ .32
Extraordinary credit(1)	--	--	--	--	.01
Net earnings	$ .80	$ .83	$ .68	$ .48	$ .33
Dividends	--	--	--	--	--

	DECEMBER 28, 1996	DECEMBER 30, 1995	DECEMBER 31, 1994	DECEMBER 25, 1993	DECEMBER 26, 1992
STATISTICAL DATA:					
Facilities open at end of period:					
Office supply stores	561	501	420	351	284
Contract stationer/delivery warehouses	23	23	24	23	13
Other retail locations	9	3	--	--	--
BALANCE SHEET DATA:					
Working capital	$ 693,795	$ 708,984	$ 487,333	$ 471,114	$ 386,426
Total assets	2,740,317	2,531,217	1,903,983	1,531,092	908,585
Long-term debt(2)	416,757	494,910	393,800	367,602	158,313
Common stockholders' equity	1,155,945	1,002,995	715,271	590,284	413,907

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(1) The extraordinary credit represents the benefit derived from the utilization of a net operating loss carryforward.
(2) Excludes current maturities.

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

GENERAL

Office Depot began operations by opening its first office supply store in Florida in October 1986. The Company implemented an expansion program to establish itself as a leader in targeted market areas with high concentrations of small- and medium-sized businesses. This program included opening new stores and acquiring stores in strategic markets. At the end of 1996, the Company operated 570 office products stores in 38 states, the District of Columbia and Canada. Store opening activity for the last five years is summarized as follows:

	OFFICE PRODUCTS STORES				
		OFFICE SUPPLY STORES			
	OPEN BEGINNING OF PERIOD	OPENED/ ACQUIRED	CLOSED	OTHER RETAIL STORES OPENED	OPEN END OF PERIOD
1992	228	58(1)	2	--	284
1993	284	68	1	--	351
1994	351	71	2	--	420
1995	420	82	1	3	504
1996	504	60	--	6	570

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(1) Includes the acquisition of five stores in Canada.

The Company currently plan to open approximately 40 stores and 3 to 4 delivery warehouses during 1997. Uncertainty and a loss of certain real estate personnel, both resulting form the delay in the pending merger with Staples, negatively affected the Company's short-term store opening program.

In 1993, the Company expanded into the full service contract stationer portion of the office supply industry by acquiring two contract stationers with ten warehouses through the acquisitions of Wilson Stationery and Printing Company ("Wilson") in May and Eastman Office Products Corporation ("Eastman") in September, both of which were accounted for as purchases. During 1994, the Company acquired the outstanding stock of six contract stationers with eight warehouses: L. E. Muran Co., Inc. and Yorkship Press, Inc. in February, Midwest Carbon Company and Silver's, Inc. in May, and J.A. Kindel Company and Allstate Office Products, Inc. in August. Each of these 1994 acquisitions was accounted for on a "pooling of interests" basis and, accordingly, the accompanying financial data, statistical data, financial statements and discussions of financial and other information included for periods prior to the acquisitions have been restated to reflect the financial position, results of operations and other information relating to these companies for all periods presented. The Company operated 23 delivery and contract stationer warehouses throughout the United States at the end of 1996.

The Company's results are impacted by the costs incurred in connection with its new store opening schedule. Pre-opening expenses are charged to earnings as incurred. Corporate general and administrative expenses are also incurred in anticipation of store openings. As the Company's store base and sales volume continue to grow, the Company expects that the adverse impact on profitability from new store openings will continue to decrease as expenses incurred prior to store openings continue to represent a declining percentage of total sales.

The Company operates on a 52 or 53 week fiscal year ending on the last Saturday in December. The fiscal years for the financial statements presented were comprised of the 52 weeks ended December 28, 1996 and December 30, 1995 and the 53 weeks ended December 31, 1994.

RESULTS OF OPERATIONS FOR THE YEARS 1996, 1995 AND 1994

Sales. Sales increased to $6,068,598,000 in 1996 from $5,313,192,000 in 1995 and $4,266,199,000 in 1994, or 14% in 1996 and 25% in 1995. Adjusting for the additional week in 1994, the 1995 sales increase was 27%. The increases in sales were due primarily to the 60 additional office supply stores in 1996 and the 81 additional office supply stores in 1995. The increases also were attributable to same store sales growth. Comparable sales in 1996 for the 501 office supply stores and 23 warehouses open for more than one year at

December 28, 1996 increased 5% from 1995. Comparable sales in 1995 for the 419 office supply stores and 23 warehouses open for more than one year at December 30, 1995 increased 17% from 1994. Comparable sales in the future may be affected by competition from other stores, the opening of additional stores in existing markets and economic conditions. Sales of computers, business machines and related supplies in 1996 have risen as a percentage of total sales over 1994 and 1995 sales in this category.

Gross Profit. Gross profit as a percentage of sales was 22.5% in 1996, 22.6% in 1995 and 23.0% in 1994. In 1995, purchasing efficiencies gained through vendor volume, rebate and other discount programs, improved inventory loss experience and leveraging occupancy costs through higher average sales per store were offset by somewhat lower gross margins resulting from an increase in sales of lower margin business machines and computers, combined with decreased margins in the contract stationer business. In 1996, while gross profit continued to benefit from vendor discount programs, a continued increase in business machines and computers in its product mix, and increased occupancy costs as a percentage of sales as a result of the Company's continued expansion into metropolitan markets which tend to yield higher average rents, negatively impacted gross profit as a percentage of sales. The Company's management believes that gross profit as a percentage of sales may fluctuate as a result of the continued expansion of its contract stationer base, competitive pricing in more market areas, continued change in product mix and increased occupancy costs in certain new markets and in existing markets where the Company desires to add stores and warehouses in particular locations to complete its market plan, as well as purchasing efficiencies realized as total merchandise purchases increase.

Store and Warehouse Operating and Selling Expenses. Store and warehouse operating and selling expenses as a percentage of sales were 15.7% in 1996, 14.7% in 1995 and 15.1% in 1994. Store and warehouse operating and selling expenses, consisting primarily of payroll, delivery and advertising expenses, have increased in the aggregate primarily due to the Company's expansion program. The Company, in 1995 and 1996, invested in larger delivery warehouses to accommodate future growth as part of the integration of its contract stationer delivery business. These investments and conversion of operating systems as part of the Company's integration effort have increased current operating expenses as a percentage of sales but should be leveraged as additional sales are generated in these facilities. In addition to the expansion of the contract stationer business, the Company has continued its retail expansion. While the majority of these retail related expenses vary proportionately with sales, there is a fixed cost component to these expenses that, as sales increase within each store and within a cluster of stores in a given market area, should decrease as a percentage of sales. This benefit may not be fully realized, however, during periods when a large number of new stores and delivery centers are being opened, as new facilities typically generate lower sales than the average mature location, resulting in higher operating and selling expenses as a percentage of sales for new facilities. This percentage is also affected when the Company enters large metropolitan market areas where the advertising costs for the full market must be absorbed by the small number of stores initially opened. As additional stores in these large markets are opened, advertising costs, which are substantially a fixed expense for a market area, will be reduced as a percentage of sales. The Company has also continued a strategy of opening stores in existing markets. While increasing the number of stores increases operating results in absolute dollars, this also has the effect of increasing expenses as a percentage of sales since the sales of certain existing stores in the market may initially be adversely affected.

Pre-opening Expenses. As a result of continued store and delivery warehouse openings, pre-opening expenses incurred were $9,827,000 in 1996, $17,746,000 in 1995 and $11,990,000 in 1994. Pre-opening expenses, which are currently approximately $150,000 per office supply prototype store, are predominately incurred during a six-week period prior to the store opening. New warehouse pre-opening expenses approximate $500,000; however, these expenses may vary with the size of future warehouses. These expenses consist principally of amounts paid for salaries and property expenses. Since the Company's policy is to expense these items during the period in which they occur, the amount of preopening expenses in each quarter is generally proportional to the number of new stores and delivery centers opening.

General and Administrative Expenses. General and administrative expenses as a percentage of sales were 2.7% in 1996, 2.9% in 1995 and 3.0% in 1994. General and administrative expenses include, among other costs, site selection expenses and store management training expenses, and therefore vary somewhat with the number of new store openings. During 1994 through 1996, the Company increased its commitment to improving the efficiency of its management information systems and significantly increased its information systems programming staff. While this systems investment has and will continue to increase general and administrative expenses in the short term, the Company believes it will provide benefits in the future. These increases have been offset by a decrease in other general and administrative expenses as a percentage of sales, primarily as a result of the Company's ability to increase sales without a proportionate increase in corporate expenditures. However, there can be no assurance that the Company will be able to continue to increase sales without a proportionate increase in corporate expenditures.

Other Income and Expenses. During 1996, 1995 and 1994, interest expense was $26,078,000, $22,551,000 and $18,096,000, respectively. The increase in interest expense is primarily due to increases in the draws on the working capital line of credit. Interest income during 1996, 1995 and 1994 was $1,593,000, $1,357,000 and $4,000,000, respectively. The decrease from 1994 to 1995 is due primarily to the use of funds raised in public offerings in 1992 and 1993.

Amortization of Goodwill. The Company recorded amortization of goodwill of $5,247,000, $5,213,000 and $5,288,000 in 1996, 1995 and 1994, respectively.

Income Taxes. The effective income tax rate, in comparison to statutory rates, for 1996, 1995 and 1994 was negatively impacted by nondeductible goodwill amortization. The reduction of the effective income tax rate from 1995 to 1996 was primarily due to lower effective state income tax rates. The effective income tax rate for 1994 was impacted by the combining of certain acquired companies which had no provision for income taxes because they were organized as S corporations (as defined under income tax laws).

PROPOSED MERGER

In September 1996, the Company entered into the Merger Agreement with Staples and Acquisition Sub. Pursuant to the Merger Agreement, (i) Acquisition Sub will be merged with and into Office Depot, and Office Depot will become a wholly-owned subsidiary of Staples and (ii) each outstanding share of the Company's common stock will be converted into the right to receive 1.14 shares of common stock of Staples. In connection with the merger, both companies also issued mutual options to purchase up to 19.9% of the outstanding stock of the other company under certain conditions.

The consummation of the merger is subject to a number of conditions, including approval by the stockholders of both the Company and Staples, and the receipt of governmental consents and approvals, including those under the HSR Act and the Canadian Competition Act. On November 1, 1996, the FTC issued a Second Request for Information to Staples and the Company, beginning an investigation of the merger. Since that time, the Company has cooperated with the FTC in its review of the merger and has provided the FTC with requested documents and information. The Company believes the merger fully complies with the antitrust laws. An "Advanced Ruling Certificate" from the Canadian Competition Bureau clearing the proposed merger under Canadian law was received on December 16, 1996.

On March 10, 1997, the FTC voted to challenge the merger. Staples and the Company plan to vigorously contest any FTC challenge. Nevertheless, the Company has been working with Staples and the FTC staff on an acceptable divestiture of stores or other settlement arrangement that would benefit the Company, its shareholders and its customers by allowing the merger to close. Staples and the Company have entered into an agreement with OfficeMax whereby Staples and the Company would divest a total of 63 stores, which Staples and the Company believe should remedy any perceived competitive issues and should obviate the need for any FTC challenge. The FTC is currently reviewing the proposed divestiture package, and has withheld issuance of a complaint pending this review. If this or another settlement is ultimately approved by the FTC, a consent decree would be issued along with the complaint that would allow the merger to close.

If a settlement is not ultimately approved by the FTC, the Company anticipates the merger will be subject to litigation with the FTC. A preliminary injunction hearing will be held, likely within a few months of the issuance of the complaint. Whether or not the FTC is ultimately successful in obtaining a preliminary injunction, after any appeals, the FTC has told the Company it plans to pursue its challenge in FTC administrative hearings. Staples and the Company each have the right to terminate the Merger Agreement if the merger has not been consummated by May 31, 1997.

Notwithstanding the Company's belief that the merger fully complies with the antitrust laws and notwithstanding the ongoing negotiations with the FTC, there can be no assurance that the FTC will not ultimately challenge the merger or that the merger will ultimately be consummated.

The merger, if completed, will be accounted for as a pooling of interests, and, accordingly, the Company's prior period financial statements will be restated and combined with the prior period financial statements of Staples, as if the merger had taken place at the beginning of the periods reported.

Based upon the number of outstanding shares of Staples common stock and Company common stock as of December 28, 1996, the stockholders of Company immediately prior to the consummation of the merger will own approximately 53% of the outstanding shares of Staples common stock immediately following consummation of the merger.

Upon consummation of the proposed merger, pursuant to the Merger Agreement, each outstanding option to purchase the Company common stock will be converted into an option to purchase such number of shares of Staples common stock (rounded down to the nearest whole number) as is equal to the number of shares of Company common stock issuable upon exercise of such option immediately prior to the effective time of the merger multiplied by the exchange ratio. The exercise price per share of each such option, as so converted, will be equal to (x) the aggregate exercise price for the shares of Company common stock otherwise purchasable pursuant to such Company stock option immediately prior to the effective time of the merger divided by (y) the number of whole shares of Staples common stock deemed purchasable pursuant to such Company stock option as determined above (rounded up to the nearest whole cent). All outstanding Company stock options, under the terms of such option agreements, will become exercisable in full upon the closing of the merger.

In September 1996, a complaint was filed asserting, among other things, a claim for breach of fiduciary duty against members of the Company's Board of Directors, seeking to be certified as a class action and seeking injunctive relief in connection with the proposed merger. The Company believes that this lawsuit is without merit and will defend against it vigorously.

LIQUIDITY AND CAPITAL RESOURCES

Since the Company's inception in March 1986, the Company has relied upon equity capital, convertible debt, capital equipment leases and bank borrowings as the primary sources of its funds. The Company issued approximately 5.7 million shares of common stock for acquisitions in 1994. In August 1995, the Company issued 4,325,000 shares of common stock in a public offering raising net proceeds of $121,799,000.

Since the Company's store sales are substantially on a cash and carry basis, cash flow generated from operating stores provides a source of liquidity to the Company. Working capital requirements are reduced by vendor credit terms that allow the Company to finance a portion of its inventory. The Company utilizes private label credit card programs administered and financed by financial services companies, which allow the Company to expand store sales without the burden of additional receivables.

A significant portion of the sales made from the contract stationer warehouses are made under regular commercial credit terms where the Company carries its own receivables. As the Company expands the contract stationer portion of its business, it is expected that the Company's receivables will continue to grow.

The Company added 66 office products stores in 1996, 84 office products stores (net of closures) in 1995 and 69 office products stores (net of closures) in 1994. Net cash provided by operating activities was $112,963,000, $25,974,000 and $46,107,000 for 1996, 1995 and 1994, respectively. As stores mature and become more profitable, and as the number of new stores opened in a year becomes a smaller percentage of the existing store base, cash generated from operations will provide a greater portion of funds required for new store inventories and other working capital requirements. Cash generated from operations will continue to be affected by increases in receivables carried without outside financing and increases in inventory as the Company continues to expand. Capital expenditures are also affected by the number of stores and warehouses opened or acquired each year and the increase in computer and other equipment at the corporate office required to support such expansion. Cash utilized for capital expenditures (including $22,000,000 for the corporate headquarters in 1994) was $176,888,000 in 1996, $219,892,000 in 1995 and $171,810,000 in 1994. During 1996, the Company's cash balance decreased by $10,595,000 and long- and short-term debt increased by $60,877,000.

The Company has a credit agreement with its principal bank and a syndicate of commercial banks which provides for a working capital line and letters of credit totaling $300,000,000. The credit agreement provides that funds borrowed will bear interest, at the Company's option, at either .3125% over the LIBOR rate, 1.75% over the Federal Funds rate, a base rate linked to the prime rate, or under a competitive bid facility. The Company must also pay a facility fee of .1875% per annum on the available and unused portion of the credit facility. The credit facility currently expires June 30, 2000. As of December 28, 1996, the Company had borrowed $140,000,000 and had outstanding letters of credit totaling $11,170,000 under the credit facility. The credit agreement contains certain restrictive covenants relating to various financial statement ratios. In the first quarter of 1997, the Company repaid in full all borrowings outstanding at December 28, 1996 under the credit agreement. Accordingly, the outstanding balance is reflected as a current liability at December 28, 1996. In addition to the credit facility, the bank has provided a lease facility to the Company under which the bank has agreed to purchase up to $25,000,000 of equipment on behalf of the Company and lease such equipment to the Company. As of December 28, 1996, the Company has utilized approximately $12,682,000 of this lease facility. In July 1996, the Company entered into an additional lease facility with another bank for up to $25,000,000 of equipment. As of December 28, 1996, the Company had utilized approximately $16,493,000 of this lease facility.

The Company currently plans to open approximately 40 stores and 3 to 4 delivery warehouses during 1997. Uncertainty and a loss of certain real estate personnel, both resulting from the delay in the pending merger with Staples, have negatively affected the Company's short-term store opening program. Management estimates that the Company's cash requirements, exclusive of pre-opening expenses, will be approximately $1,900,000 for each additional store, which includes an average of approximately $1,100,000 for leasehold improvements, fixtures, point-of-sale terminals and other equipment in the stores, as well as approximately $800,000 for the portion of the store inventory that is not financed by vendors. The cash requirements, exclusive of pre-opening expenses, for a delivery warehouse is expected to be approximately $5,300,000, which includes an average of $3,100,000 for leasehold improvements, fixtures and other equipment and $2,200,000 for the portion of inventory not financed by vendors. In addition, management estimates that each new store and warehouse requires pre-opening expenses of approximately $150,000 and $500,000, respectively. In January 1996, the Company entered into a lease commitment for an additional corporate office building which is still under construction. The lease will be classified as a capital lease and will be recorded as such when the term commences in 1997. This lease will result in a capital lease asset and obligation of approximately $26,000,000 and initial annual lease commitments of approximately $2,200,000.

In 1992 and 1993, the Company issued Liquid Yield Option Notes ("LYONs") which are zero coupon, convertible subordinated notes maturing in 2007 and 2008, respectively. Each LYON is convertible at the option of the holder at any time on or prior to maturity, unless previously redeemed or otherwise purchased by the Company, into common stock of the Company at conversion rates of 29.263 and 21.234 shares per 1992 and 1993 LYON, respectively. The 1992 LYONs may be required to be purchased by the Company at the option of the holder, as of December 11, 1997, at the issue price plus accrued original issue discount. The Company, at its option, may elect to pay the purchase price on any particular purchase date in cash or common stock, or any combination thereof. The total amount of the 1992 LYONs as of December 28, 1996, including accrued interest, was approximately $183,825,000.

The Company's management continually reviews its financing options and, although they currently anticipate that the 1997 expansion will be financed through cash on hand, funds generated from operations, equipment leased under the Company's lease facilities and funds available under the Company's revolving credit facility, alternative financing will be considered if market conditions make it financially attractive. The

Company's financing requirements beyond 1997 will be affected by the number of new stores or warehouses opened or acquired.

INFLATION AND SEASONALITY

Although the Company cannot accurately determine the precise effects of inflation, it does not believe inflation has a material effect on sales or results of operations. The Company considers its business to be somewhat seasonal with sales generally slightly higher during the first and fourth quarters of each year.

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

In December 1995, the Private Securities Litigation Reform Act of 1995 (the "Act") was enacted. The Act contains amendments to the Securities Act of 1933 and the Securities Exchange Act of 1934 which provide protection from liability in private lawsuits for "forward-looking" statements made by persons specified in the Act. The Company desires to take advantage of the "safe harbor" provisions of the Act.

The Company wishes to caution readers that with the exception of historical matters, the matters discussed in this Annual Report are forward-looking statements that involve risks and uncertainties, including but not limited to factors related to the highly competitive nature of the office products supply industry and its sensitivity to changes in general economic conditions, the Company's proposed merger with Staples, the Company's expansion plans and ability to integrate the acquired contract stationer businesses, the results of financing efforts and other factors discussed in the Company's filings with the Securities and Exchange Commission. Such factors could affect the Company's actual results and could cause the Company's actual results during 1997 and beyond to differ materially from those expressed in any forward-looking statement made by or on behalf of the Company.

ITEM 8. FINANCIAL STATEMENTS.

The consolidated financial statements (together with independent auditors' report) of the Company and its subsidiaries are included on pages F-2 through F-19 of this report on Form 10-K.

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

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Directors are elected at the Annual Meeting of Stockholders to serve during the ensuing year or until a successor is duly elected and qualified. Executive officers are elected annually by the Board and serve at the discretion of the Board. The following sets forth certain information concerning each of the Company's directors and executive officers.

DIRECTORS

DAVID I. FUENTE AGE: 51

Mr. Fuente has been Chairman of the Board and Chief Executive Officer since he joined the Company in December 1987. For five years prior to that time, he was employed by The Sherwin-Williams Co. ("Sherwin-Williams") as President of its Paint Stores Group, a chain of over 1,800 paint stores. Prior positions included Vice President of Marketing of the Paint Stores Group and Vice President of Marketing, Consumer Division, and Vice President of Marketing, Automotive Aftermarket Division of Sherwin-Williams. Mr. Fuente is a director of National Vision Associates Ltd.

CYNTHIA R. COHEN AGE: 44

Ms. Cohen has been a director since July 1994. She is the President of MARKETPLACE 2000, a marketing and strategy consulting firm. Prior to founding the firm in 1990, she was a Partner of Deloitte & Touche. Ms. Cohen is a director of Loehmann's Holdings, Inc., One Price Clothing, Inc., Capital Factors, Inc. and Spec's Music Stores, Inc.

HERVE DEFFOREY AGE: 47

Mr. Defforey has been a director since May 1996. Since 1993, Mr. Defforey has served as Director of General Finance and Administration of Carrefour. From 1990 to 1993, he served as Director of Diversification for EBRO SA. Mr. Defforey is an executive director of Carrefour and a member of the oversight committee (but not the board of directors) of Carrefour Nederland B.V. (a subsidiary of Carrefour which directly owns all of the outstanding capital stock of Fourcar). Mr. Defforey is a director of the joint venture entered into between the Company and Carrefour to own and operate office supply stores in France.

W. SCOTT HEDRICK AGE: 51

Mr. Hedrick has been a director since April 1991. From November 1986 until April 1991, he was a director of Office Club, a subsidiary of the Company since April 1991. He was a founder and has been a general partner of InterWest Partners, a venture capital fund, since 1979.

JAMES L. HESKETT AGE: 63

Mr. Heskett has been a director since May 1996. Mr. Heskett has served on the faculty of the Harvard University Graduate School of Business Administration since 1965 and has taught courses in marketing, business logistics, the management of service operations, business policy and service management. Mr. Heskett is a director of Equitable of Iowa Companies.

MICHAEL J. MYERS AGE: 56

Mr. Myers has been a director since July 1987. He is the President and a director of First Century Partners Management Company, an advisor to private venture capital equity funds, and a director of Smith Barney Venture Corp., a wholly-owned subsidiary of Smith Barney, Inc., which acts as the managing general partner of two private venture capital equity funds. Until January 1992, he was a Senior Vice President and Managing Director of Smith Barney, Harris Upham & Co., Incorporated ("Smith Barney"). He joined Smith Barney's venture capital group in 1972 and has had a senior operating responsibility for that group since 1976. Prior to 1972, he spent three years with J.H. Whitney & Co., a private venture capital firm. Mr. Myers is a director of Encore Paper Company, Inc., HASCO Holdings Corp. and Wisconsin Porcelain, Inc.

FRANK P. SCRUGGS, JR. AGE: 45

Mr. Scruggs has been a director since October 1996. Since May 1995, Mr. Scruggs has been an attorney and shareholder in the law firm of Greenberg Traurig specializing in the representation of management in employment and governmental law matters. From 1984 until April 1995, Mr. Scruggs was a partner in the law firm of Steel, Hector & Davis other than during the period from January 1991 to July 1992 when Mr. Scruggs was Secretary of Labor of the State of Florida. Mr. Scruggs is a director of Blue Cross and Blue Shield of Florida, a managed care company.

PETER J. SOLOMON AGE: 58

Mr. Solomon has been a director since April 1990. He is Chairman and Chief Executive Officer of Peter J. Solomon Company Limited ("PJSC"), an investment banking firm which provided services to the Company in fiscal 1993 and is providing services to the Company in connection with the proposed merger with Staples. See "Certain Relationships and Related Transactions." From 1985 to 1989, he was a Vice Chairman and a member of the board of directors of Shearson Lehman Hutton Inc. ("Shearson"). From 1981 to 1985, he was a Managing Director at Shearson. Mr. Solomon is a director of Centennial Cellular Corporation, Century Communications, Inc., Monro Muffler/Brake, Inc., Phillips-VanHeusen Corporation and Culbro Corporation. Mr. Solomon served as a director of Bradlees, Inc. until March 1996.

EXECUTIVE OFFICERS WHO ARE NOT DIRECTORS

BARRY J. GOLDSTEIN AGE: 54

Mr. Goldstein has been Chief Financial Officer since he joined the Company in May 1987, has served as Executive Vice President -- Finance since July 1991 and has served as Secretary since January 1988. From May 1987 until June 1991, he served as Vice President -- Finance. Prior to joining the Company, he spent 22 years in public accounting, the most recent 18 of which were with Grant Thornton, a national accounting firm. He became a partner of Grant Thornton in 1976.

F. TERRY BEAN AGE: 49

Mr. Bean has been Executive Vice President -- Human Resources since he joined the Company in January 1994. Prior to joining the Company, he was employed by Roses Stores Inc., a mass merchandiser, as Senior Vice President of Human Resources. From 1978 to 1989, he was employed by Federal Express Corp., a shipping company, where he held the position of Vice President of Personnel Services from 1982 through 1989. Prior to 1978, Mr. Bean held human resource management positions with Eaton Corp. and Johnson & Johnson Corp.

RICHARD M. BENNINGTON AGE: 56

Mr. Bennington has been Executive Vice President -- Operations and Sales since January 1996, and was Executive Vice President -- Retail Division from July 1991 to January 1996. He joined the Company as a store manager in June 1986 and has served as the Company's Executive Vice President -- Office Depot Store Operations, Vice President -- Operations, District Manager and Director of Store Operations. Prior to joining the Company, he was employed for one year by Mr. How, a chain of home products stores, as a zone manager and held various field operations positions with other specialty and mass merchandise chains.

HARRY S. BROWN AGE: 50

Mr. Brown has been Executive Vice President -- Merchandising since he joined the Company in February 1995. Prior to joining the Company, he was employed by Marshall's, an off-price department store chain, where he served in various senior merchandise management positions from 1989 until 1995, most recently as Executive Vice President, Merchandising, Planning and Allocation. From 1980 to 1989, he served in various merchandise management positions within Macy's.

WILLIAM P. SELTZER AGE: 58

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

The Company believes that each of its officers, directors and greater than ten-percent owners complied with all Section 16(a) filing requirements applicable to them during fiscal 1996.

The Board met nine times during the 1996 fiscal year. The Board has standing Audit, Compensation, Executive and Nominating Committees. All directors attended at least 75% of the aggregate of the total number of meetings of the Board and the total number of meetings of all committees on which they served.

The Audit Committee is currently composed of two directors (Mr. Myers and Ms. Cohen). This committee recommends to the Board the appointment of the Company's independent accountants. The committee meets with the independent accountants to discuss the scope of the audit, any nonaudit related assignments, fees, the independence of the accountants, the results of the audit and the effectiveness of the Company's internal accounting controls. The committee reports to the Board. The independent accountants have access to the committee, with or without advising management, to discuss auditing and any other accounting matters. The Audit Committee met three times during the 1996 fiscal year.

The Compensation Committee is currently composed of two directors (Mr. Hedrick and Ms. Cohen). This committee recommends action to the Board regarding the salaries and incentive compensation of elected officers of the Company. The committee also reviews the compensation of certain other principal management employees and administers the Company's employee benefit plans. The Compensation Committee met three times during the 1996 fiscal year.

The Executive Committee was established in February 1992 and is currently composed of two directors (Messrs. Fuente and Solomon). This committee handles matters arising between regularly scheduled meetings of the Board. The Executive Committee did not meet during the 1996 fiscal year.

The Nominating Committee is currently composed of two directors (Messrs. Fuente and Solomon). This committee evaluates the performance of incumbent directors, considers nominees recommended by management or stockholders of the Company and develops its own recommendations. The committee will consider nominees recommended by stockholders in accordance with the Company's By-laws. The Nominating Committee met one time during the 1996 fiscal year.

ITEM 11. EXECUTIVE COMPENSATION.

Directors who are not salaried employees of the Company receive $15,000 per year plus $2,000 per Board meeting attended and are reimbursed for costs incurred in attending meetings. No additional amounts are paid for service on any committee of the Board. Directors who are not salaried employees of the Company also each receive options to purchase 7,500 shares of Common Stock per year, with an exercise price per share of fair market value measured on the date of grant. Such options become exercisable in equal proportions on the first, second and third anniversary of their date of grant. Directors who are salaried employees of the Company receive no compensation other than their compensation for such service as employees. Directors who are not salaried employees of the Company are permitted to defer 100% of their cash compensation under the Office Depot Compensation Plan.

Executive Officers Compensation. The following table sets forth the aggregate cash compensation paid by the Company for services rendered during the 1994, 1995 and 1996 fiscal years by (i) the Company's Chief Executive Officer, (ii) the Company's four other most highly compensated executive officers who were serving as executive officers at the end of the 1996 fiscal year and (iii) one additional individual for whom disclosure would have been provided pursuant to clause (ii) above but for the fact that the individual was not serving as an executive officer at the end of the 1996 fiscal year (collectively, the "Named Executive Officers").

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION SALARY ($)	ANNUAL COMPENSATION BONUS ($)	ANNUAL COMPENSATION OTHER ANNUAL COMPEN-SATION ($)(1)	LONG-TERM COMPENSATION AWARDS RESTRICTED STOCK AWARD(S) ($)	LONG-TERM COMPENSATION AWARDS SECURITIES UNDER-LYING OPTIONS/SARS (#)(2)	LONG-TERM COMPENSATION PAYOUTS LTIP PAYOUTS ($)	ALL OTHER COMPEN-SATION ($)/(3)
David I. Fuente....................	1996	800,000	-0-	-0-	-0-	165,000	-0-	160,801
Chief Executive	1995	700,000	280,000	-0-	-0-	125,000	-0-	127,769
Officer	1994	625,000	1,250,000	-0-	-0-	125,000	-0-	5,328
F. Terry Bean,.....................	1996	345,000	-0-	39,200	-0-	35,000	-0-	33,843
Executive Vice	1995	325,000	98,150	-0-	-0-	35,000	-0-	26,194
President --	1994	300,000	393,600	-0-	-0-	110,000	-0-	-0-
Human Resources								
Richard M. Bennington,.............	1996	450,000	-0-	-0-	-0-	60,000	-0-	67,734
Executive Vice	1995	350,000	108,500	-0-	-0-	35,000	-0-	52,508
President --	1994	300,000	396,000	-0-	-0-	35,000	-0-	2,958
Operations and Sales								
Harry S. Brown(4)..................	1996	400,000	-0-	-0-	-0-	40,000	-0-	68,481
Executive Vice	1995	302,885	134,400	-0-	-0-	95,000	-0-	52,433
President --	1994	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Merchandising and Marketing								
Barry J. Goldstein,................	1996	400,000	-0-	-0-	-0-	40,000	-0-	53,878
Executive Vice	1995	350,000	109,200	-0-	-0-	35,000	-0-	43,122
President --	1994	300,000	393,600	-0-	-0-	35,000	-0-	2,958
Finance, Chief Financial Officer and Secretary								

		ANNUAL COMPENSATION			LONG-TERM COMPENSATION			
					AWARDS		PAYOUTS	
NAME AND PRINCIPAL POSITION	YEAR	SALARY ($)	BONUS ($)	OTHER ANNUAL COMPEN- SATION ($)(1)	RESTRICTED STOCK AWARD(S) ($)	SECURITIES UNDER- LYING OPTIONS/ SARS (#)(2)	LTIP PAYOUTS ($)	ALL OTHER COMPEN- SATION ($)/(3)
Judith Rogala(5),..................	1996	350,000	-0-	39,200	-0-	-0-	-0-	76,056
Executive Vice	1995	350,000	-0-	-0-	-0-	35,000	-0-	46,335
President --	1994	193,821	192,000	-0-	-0-	60,000	-0-	-0-
Business Services Division								

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(1) Other Annual Compensation items for persons named in the summary compensation table were not reportable in 1996, 1995 and 1994 except for Mr. Bean and Ms. Rogala in 1996.

(2) Options granted have been adjusted to reflect a three-for-two stock split in 1994.

(3) Amounts reported represent insurance premiums paid by the Company for the benefit of the Named Executive Officers under a split-dollar life insurance policy and matching contributions under the Company's Retirement Savings Plan, a defined contribution plan.

(4) Mr. Brown joined the Company as Executive Vice President -- Merchandising in February 1995. Mr. Brown was compensated in 1995 at an annualized base salary of $350,000.

(5) Ms. Rogala joined the Company as Executive Vice President-Business Services Division in June 1994. Ms. Rogala resigned from the Company effective January 1996.

The following table sets forth information with respect to all options granted in fiscal 1996 under the Option Plan to the Named Executive Officers.

OPTION/SAR GRANTS IN LAST FISCAL YEAR

	INDIVIDUAL GRANTS				GRANT DATE VALUE
NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS/SARS GRANTED(1)	PERCENT OF TOTAL OPTIONS/SARS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE OR BASE PRICE (S/SH)	EXPIRATION DATE	GRANT DATE PRESENT VALUE(2)
David I. Fuente.........................	165,000	8.35	14.25	7/19/06	886,974
F. Terry Bean...........................	35,000	1.77	14.25	7/19/06	188,146
Richard M. Bennington...................	60,000	3.04	14.25	7/19/06	322,536
Harry S. Brown..........................	40,000	2.02	14.25	7/19/06	215,024
Barry J. Goldstein......................	40,000	2.02	14.25	7/19/06	215,024
Judith Rogala...........................	-0-	-0-	-0-	--	-0-

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(1) All options granted in fiscal 1996 vest in three equal installments on July 19, 1997, July 19, 1998 and July 19, 1999 and were not awarded with tandem stock appreciation rights ("SARs"). If the pending merger with Staples is consummated, outstanding options and SARs will become immediately exercisable under the terms of the applicable agreements. In order to prevent dilution or enlargement of rights under the options, in the event of the Staples merger or any other reorganization, recapitalization, stock split, stock dividend, combinations of shares, merger, consolidation or other change in the Common Stock the number of shares available upon exercise and the exercise price will be adjusted accordingly. The Compensation Committee may, subject to specified limitations, advance (i) the date on which an option shall become exercisable by the grantee and (ii) the grantee's right to designate an Appreciation Date for any SAR.
(2) The Black-Scholes option pricing model was used to determine the grant date present value of the stock options granted in 1996 by the Company to the executive officers listed above. Under the Black-Scholes

option pricing model, the grant date present value of each stock option referred to in the table was calculated to be $5.38. The following facts and assumptions were used in making such calculation: (i) an exercise price of $14.25 for each such stock option; (ii) a fair market value of $14.25 for one share of Common Stock on the date of grant; (iii) a dividend yield of 0%; (iv) a stock option term of 10 years; (v) a stock volatility of 25.00% based on an analysis of weekly stock closing prices of Common Stock during the fourth quarter of 1996; and (vi) an assumed risk-free interest rate of 6.38% which is equivalent to the yield on a ten-year treasury note on the date of grant. No other discounts or restrictions related to vesting or the likelihood of vesting of stock options were applied. The resulting grant date present value of $5.38 for each stock option was multiplied by the total number of stock options granted to each of the executive officers listed above to determine the total grant date present value of such stock options granted to each such executive officer, respectively.

The following table sets forth information with respect to all options exercised in fiscal 1996 and the year-end value of unexercised options held by the Named Executive Officers.

AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION/SAR VALUES

NAME	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED ($)	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS/SARS AT FISCAL YEAR-END EXERCISABLE/ UNEXERCISABLE (#)(1)	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS/SARS AT FISCAL YEAR-END EXERCISABLE/ UNEXERCISABLE ($)(1)
David I. Fuente	-0-	-0-	990,156	7,142,568
			290,001	618,750
F. Terry Bean	-0-	-0-	84,999	-0-
			95,002	131,250
Richard M. Bennington	-0-	-0-	208,753	1,275,941
			95,001	225,000
Harry S. Brown	-0-	-0-	31,666	-0-
			103,334	150,000
Barry J. Goldstein	-0-	-0-	340,034	2,545,386
			75,001	450,000
Judith Rogala	-0-	-0-	51,665	-0-
			-0-	-0-

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(1) The first number shown for each officer represents exercisable options, and the second number represents unexercisable options.

EMPLOYMENT AGREEMENTS

David I. Fuente, Barry J. Goldstein, Richard M. Bennington, F. Terry Bean, Harry S. Brown, R. John Schmidt, Jr. and William P. Seltzer, all of whom are currently executive officers of the Company, entered into employment agreements with the Company in September 1996. Each employment agreement provides that if (but only if) the Company undergoes a Change of Control (as defined in the employment agreements), not including a business combination with Staples or any of its affiliates, during the Change of Control Period (as defined below), the executive will be entitled to certain employment rights; a minimum annual base salary and bonus; participation rights in the Company's incentive, savings, retirement and welfare benefit plans; and certain payments and other benefits upon termination of employment in certain circumstances. As used above, "Change of Control Period" means the period commencing on the date of the employment agreement and ending on the third anniversary thereof, provided that the Change of Control Period will be automatically extended unless earlier terminated by the Company. The purpose of the employment agreements is to assure the continued dedication of the executive, notwithstanding the possibility, threat or occurrence of a Change of Control.

The employment agreements provide for the employment of the executive for the twelve-month period following a Change of Control (the "Employment Period") on terms comparable to those the executive enjoyed immediately prior to the Change of Control. If, during the Employment Period, the Company terminates an executive's employment other than for cause, the executive terminates his own employment for Good Reason (as defined in the employment agreements) or the executive's employment is terminated due to his death or disability, the executive will be entitled to a lump sum cash payment of (a) the sum of (i) the executive's accrued but unpaid salary through the termination date and (ii) a pro rata portion of the higher of the executive's highest bonus under any of the Company's annual incentive bonus plans during the last three full fiscal years prior to the Change of Control and the annualized annual bonus paid or payable for the most recently completed fiscal year (such higher amount being referred to as the "Highest Annual Bonus") plus (b) two (in the case of Messrs. Bean, Brown, Schmidt and Seltzer) or three (in the case of Messrs. Fuente, Goldstein and Bennington) times the sum of such executive's annual base salary and Highest Annual Bonus, plus (c) the equivalent of the amount the executive would have received under the Company's retirement plans had he continued to be employed by the Company for two or three years, as the case may be, following his termination. Moreover, if the Company terminates an executive's employment other than for cause or the executive terminates his own employment for Good Reason, the executive and his family will continue to receive the Company's welfare benefits for two or three years, as the case may be, following the termination date. Each executive will receive a smaller payment and benefit rights (as described in the employment agreements) if terminated for cause or if the executive terminates his own employment for other than Good Reason. The employment agreements further provide for the payment of a "gross up" payment in the event that the payments set forth above are subject to the excise tax imposed by Section 4999 of the Code.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation Committee of the Board is comprised of two directors, currently Mr. Hedrick and Ms. Cohen. Neither of such directors is or was an officer of the Company or any of its subsidiaries, no executive officer of the Company serves or served on the compensation committee of another entity (i) one of whose executive officers served on the compensation committee of the Company or (ii) one of whose executive officers served as a director of the Company, and no executive officer of the Company serves or served as a director of another entity who has or had an executive officer serving on the compensation committee of the Company.

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

The following table sets forth certain information with respect to the beneficial ownership of the Common Stock as of March 24, 1997 by (i) each stockholder known by the Company to own beneficially more than five percent (5%) of the outstanding Common Stock, (ii) each director of the Company, (iii) the Named Executive Officers and (iv) all executive officers and directors of the Company as a group. Beneficial ownership of less than one percent is indicated by an asterisk. Except as otherwise indicated below, each of the entities named in the table has sole voting and investment power with respect to all shares of Common Stock beneficially owned by such entity as set forth opposite such entity's name, and the address of each of the entities named in the table is the Company's address. No effect has been given to shares reserved for issuance under outstanding stock options except where otherwise indicated.

NAME OF INDIVIDUAL OR GROUP	NUMBER OF SHARES BENEFICIALLY OWNED(1)	PERCENT OF CLASS OUTSTANDING(2)
Massachusetts Financial Services Company(3) 500 Boylston Street Boston, Massachusetts 02116	11,989,984	7.6%
FMR Corp.(4) 82 Devonshire Street Boston, Massachusetts 02109	9,451,850	6.0%
Fourcar B.V.(5) Coolsingel 139 3012 AG Rotterdam The Netherlands	9,192,600	5.8%
F. Terry Bean(6)	115,712	*
Richard M. Bennington(7)	216,198	*
Harry S. Brown(8)	57,811	*
Cynthia R. Cohen(9)	13,038	*
Herve Defforey(10)	9,195,100	5.8%
David I. Fuente(11)	1,350,812	*
Barry J. Goldstein(12)	456,332	*
W. Scott Hedrick(13)	70,532	*
James L. Heskett(14)	3,500	*
Michael J. Myers(15)	43,786	*
Frank P. Scruggs, Jr	--	*
Peter J. Solomon(16)	113,314	*
All Executive Officers and Directors as a Group (14 persons)(17)	12,064,784	7.6%

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(1) Includes shares of Common Stock subject to options which are exercisable within 60 days of March 24, 1997.

(2) Based on 157,471,381 shares of Common Stock outstanding as of March 24, 1997. Shares subject to options exercisable within 60 days of March 24, 1997 are considered for the purpose of determining the percent of the class held by the holder of such option, but not for the purpose of computing the percentage held by others.

(3) Based solely upon a Schedule 13G dated February 12, 1997. Of the 11,989,984 shares shown as beneficially owned by Massachusetts Financial Services Company ("MFSC"), MFSC has sole voting power with respect to 11,804,034 of such shares and sole dispositive power with respect to all 11,989,984 of such shares.

(4) Based solely upon a Schedule 13G dated February 14, 1997. Of the 9,451,850 shares shown as beneficially owned by FMR Corp. ("FMR"), FMR has sole voting power with respect to 135,355 of such shares and sole dispositive power with respect to all 9,451,850 of such shares.

(5) Based solely upon a Schedule 13D dated July 31, 1995.

(6) Includes options to purchase 110,000 shares issued to Mr. Bean pursuant to the Office Depot, Inc. Stock Option and Stock Appreciation Rights Plan (the "Option Plan").
(7) Includes options to purchase 208,753 shares issued to Mr. Bennington pursuant to the Option Plan.
(8) Includes options to purchase 51,666 shares issued to Mr. Brown pursuant to the Option Plan.
(9) Includes options to purchase 12,500 shares issued to Ms. Cohen as a director of the Company.
(10) Includes options to purchase 2,500 shares issued to Mr. Defforey as a director of the Company. Mr. Defforey is a director of the Company and is an executive director of Carrefour S. A. ("Carrefour") and a member of the oversight committee (but not the board of directors) of Carrefour Nederland B.V. (a subsidiary of Carrefour which directly owns all of the outstanding capital stock of Fourcar) and may be deemed to share voting and dispositive power as to the 9,192,600 shares held of record by Fourcar. Mr. Defforey disclaims beneficial ownership of these shares.
(11) Includes options to purchase 990,156 shares issued to Mr. Fuente pursuant to the Option Plan, 1,890 shares held of record by his spouse, 3,990 shares held of record by his step-daughter, Rebecca Mishkin, and 2,300 shares held of record by an irrevocable trust for the benefit of his step-daughter. Mr. Goldstein is the trustee of such trust. Mr. Fuente disclaims beneficial ownership of the shares held by his spouse, his step-daughter and Mr. Goldstein, as trustee.
(12) Includes options to purchase 340,034 shares issued to Mr. Goldstein pursuant to the Option Plan and 2,300 shares held of record by an irrevocable trust for the benefit of Mr. Fuente's step-daughter, of which Mr. Goldstein is the trustee. As the trustee, Mr. Goldstein has investment and voting power with respect to the shares held by the trust. Mr. Goldstein disclaims beneficial ownership of the shares held by the trust.
(13) Includes options to purchase 38,011 shares issued to Mr. Hedrick as a director of the Company.
(14) Includes options to purchase 2,500 shares issued to Mr. Heskett as a director of the Company.
(15) Includes options to purchase 40,786 shares issued to Mr. Myers as a director of the Company.
(16) Includes options to purchase 81,814 shares granted to Mr. Solomon as a director of the Company.
(17) Includes options to purchase 2,266,469 shares. Also includes 9,192,600 shares held by Fourcar on account of Mr. Defforey's relationship with such entity. Mr. Defforey disclaims beneficial ownership of such shares. See Note 10 above.

The Company believes that Judith Rogola who resigned from the Company effective January 1996 does not have a reporting obligation to the Company regarding her beneficial ownership of outstanding Common Stock.

Staples has an option to purchase 31,200,000 shares of the Company's common stock pursuant to an Option Agreement dated as of September 4, 1996. The option may only be exercised upon the happening of certain events, none of which have occurred as of the date hereof. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Proposed Merger."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

CARREFOUR S.A.

On April 24, 1991, the Company entered into a Stock Purchase Agreement (the "Stock Purchase Agreement") with Carrefour, pursuant to which the Company agreed to sell to Carrefour 6,435,000 newly issued shares of the Company's Common Stock at a price of $6.23 per share (the "Carrefour Transaction"). Such shares were issued to Fourcar, a wholly-owned indirect subsidiary of Carrefour. The Carrefour Transaction was consummated on June 7, 1991 and resulted in proceeds to the Company of $40,040,000. Fourcar subsequently purchased additional shares in the market. In August 1995, 15,500,000 shares of the Company's Common Stock were offered pursuant to a public offering whereby 2,000,000 shares were sold by the Company and 13,500,000 shares were sold by Fourcar (the "Offerings"). Following the completion of the Offerings, Fourcar continued to own 9,192,600 shares of Common Stock (approximately 6% of the then issued and outstanding shares). In addition, Carrefour has agreed not to compete with the Company in the retail office products supply business in a large volume, warehouse or discount store format in North America. In June 1995, the Company entered into a joint venture agreement with Carrefour to own and operate office supply stores in France using a format similar to that utilized by the Company in its U.S. stores. The joint venture is owned 50% by Carrefour and 50% by the Company. The joint venture opened its first two stores in France in 1996. Herve Defforey, who is a director of the Company, is the Director of General Finance and Administration of Carrefour and, is a Director of the joint venture.

PROPOSED MERGER

In September 1996, the Company entered into the Merger Agreement with Staples and Acquisition Sub. Pursuant to the Merger Agreement, (i) Acquisition Sub will be merged with and into Office Depot, and Office Depot will become a wholly-owned subsidiary of Staples and (ii) each outstanding share of the Company's common stock will be converted into the right to receive 1.14 shares of common stock of Staples. In connection with the merger, both companies also issued mutual options to purchase up to 19.9% of the outstanding stock of the other company under certain conditions. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Proposed Merger."

David I. Fuente, Barry J. Goldstein and Richard M. Bennington, all of whom are currently executive officers of the Company, each have entered into an employment agreements with Staples, which will take effect upon the Effective Date (as defined in the employment agreements). Each employment agreement has a three-year term and contemplates that during the one-year period beginning upon the Effective Date and ending on the first anniversary thereof (the "Initial Period") the executive will devote a significant portion of his time to the integration of the two companies. The employment agreement provides for an annual base salary, bonus arrangements and other benefits which are comparable to those currently received by the executive from the Company. In order to induce the executive to remain employed by Staples after consummation of the merger (the "Merged Company") during the critical transitional period in which the operations of the two companies are being integrated, the employment agreement provides that the executive shall be paid a bonus (the "Initial Bonus") equal to 50% of his Base Amount (as defined below) if he is employed by the Company as of the Effective Date and an additional bonus (the "Transition Bonus") equal to 150% of his Base Amount if he is employed by the Merged Company on the first anniversary of the Effective Date. Generally, an executive's "Base Amount" means the sum of his current annual base salary with the Company and the highest annual bonus earned by him during the five full fiscal years prior to the date of the employment agreement. The employment agreement also provides that if the executive's employment is terminated either (i) by the Merged Company without cause (as defined in the employment agreements), (ii) by the executive for good reason (as defined in the employment agreements, including, among other things, a diminution in his position or responsibilities after the Initial Period from such executive's duties prior to the merger or a required relocation), or (iii) upon the death or disability of the executive, then the Merged Company shall provide certain benefits to the executive (or his estate or beneficiary), including (a) the payment of 100% of his Base Amount (the "Severance Payment"), (b) if such employment termination occurs during the Initial Period (and the executive has therefore not received the Transition Bonus) the payment of an additional amount equal to the Transition Bonus, (c) the payment of a pro rata portion of his annual bonus for the year in which employment termination occurs and (d) the continuation of employee benefits (including medical, disability and other insurance benefits) for a period of three years after such employment termination. The employment agreement further provides that in the event the payments to the executive under the employment agreement (the "Original Payments") are subject to the excise tax imposed by Section 4999 of the Internal Revenue Code (the "Code") (or any interest or penalties are incurred by the executive with respect to such excise tax), then the Merged Company shall make an additional payment (the "Gross-Up Payment") to the executive in an amount such that after payment by the executive of all taxes (including the excise tax) imposed upon the Gross-Up Payment, the executive retains a portion of the Gross-Up Payment equal to the amount of the excise tax imposed upon the Original Payments (provided that if the net after-tax payments to the executive after the Gross-Up Payment would not be at least $50,000 greater than the net after-tax payments to the executive that would result from an elimination of the Gross-Up Payment and a reduction of the Original Payments to such amount that would avoid the imposition of any excise tax, then no Gross-Up Payment shall be made to the executive and the Original Payments shall be reduced to such reduced amount). The employment agreement also contains a covenant by the executive that he will not, while employed by the Merged Company and for two years after the termination of his employment with the

Merged Company, participate in any capacity in any business engaged principally in the sale of office supplies in any country where the Merged Company or its affiliates is then doing business.

F. Terry Bean, Harry S. Brown, R. John Schmidt, Jr. and William P. Seltzer, all of whom are currently executive officers of the Company, have each entered into an employment agreement with Staples on substantially the terms described in the preceding paragraph, with the following exceptions: the amount of the Transition Bonus payable to the executive is 100% (rather than 150%) of his Base Amount; and the amount of the Severance Payment payable to the executive is 50% (rather than 100%) of his Base Amount.

Approximately 51 additional employees of the Company have each entered into an employment agreement with Staples on substantially the terms described above, with the following exceptions: no bonuses are paid to such employee upon either the Effective Date or the first anniversary of the Effective Date; the Base Amount is calculated with reference to the highest annual bonus earned in the prior three fiscal years (rather than five); the amount of the Severance Payment is 100% of his or her Base Amount; the provision of benefits following certain employment terminations continues for one year (rather than three); and there is no Gross-Up Payment made in the event that the Original Payments are subject to the excise tax under Section 4999 of the Code (the amount of the Original Payments under these Employment Agreements would not normally trigger such excise tax).

All outstanding stock options for the purchase of Company common stock were granted pursuant to option agreements that provide that such options shall become exercisable in full from and after the date of a change in control of the Company. The merger will constitute a change in control of the Company within the meaning of such option agreements.

Pursuant to the Merger Agreement, Staples has agreed to indemnify each present and former director and officer of the Company against liabilities or expenses incurred in connection with claims relating to matters occurring prior to the closing of the Merger, and to maintain in effect directors' and officers' liability insurance for their benefit. In addition, Office Depot has entered into an indemnity agreement with each of its directors and executive officers pursuant to which the Company has agreed, among other things, to indemnify such persons to the maximum extent permitted by Delaware law.

Peter J. Solomon, a member of the Company's board of directors, is also Chairman of PJSC. PJSC was engaged by the Company to provide investment banking services in connection with the proposed merger with Staples. Under the engagement letter between the Company and PJSC, the Company has agreed to pay PJSC, upon consummation of the merger, a transaction fee of 0.375% of the aggregate consideration paid or payable in the merger (the "Initial Transaction Fee") minus (a) the amount paid (up to $2 million) by the Company to a financial advisor other than PJSC for a fairness opinion and (b) the amount paid by the Company to any additional financial advisor hired by the Company (up to an aggregate of 30% of the Initial Transaction Fee). For this purpose, the "aggregate consideration" includes the total amount of cash, securities, contractual arrangements and other properties paid or payable to holders of the Company's equity securities (including any amounts paid to holders of options, warrants and convertible securities) plus the amount of any short-term and long-term debt of the Company (x) existing on the balance sheet of the Company at the time of the consummation of the merger or (y) repaid, retired or assumed in connection with the merger. PJSC is also entitled, if the Company receives a break-up, termination or topping fee in connection with the termination or abandonment of the merger, to a cash fee equal to 70% of the lesser of (i) $10 million or (ii) 20% of the aggregate amount of all such break-up fees. The Company also has agreed to reimburse PJSC for its reasonable out-of-pocket expenses, including attorneys' fees, under certain circumstances and to indemnify PJSC against certain liabilities, including certain liabilities under the federal securities laws.

PART IV

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

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

1. The financial statements listed in the "Index to Financial Statements."

2. The financial statement schedule listed in "Index to Financial Statement Schedule."

3. The exhibits listed in the "Index to Exhibits."

(b) Reports on Form 8-K.

The Company did not file any Reports on Form 8-K during the fourth quarter of fiscal 1996.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on March 28, 1997.

OFFICE DEPOT, INC.

By /s/ DAVID I. FUENTE

David I. Fuente,
Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities indicated on March 28, 1997.

SIGNATURE	CAPACITY
/s/ DAVID I. FUENTE David I. Fuente	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)
/s/ BARRY J. GOLDSTEIN Barry J. Goldstein	Executive Vice President -- Finance, Chief Financial Officer and Secretary (Principal Financial and Accounting Officer)
/s/ CYNTHIA R. COHEN Cynthia R. Cohen	Director
/s/ HERVE DEFFOREY Herve Defforey	Director
/s/ W. SCOTT HEDRICK W. Scott Hedrick	Director
/s/ JAMES L. HESKETT James L. Heskett	Director
/s/ MICHAEL J. MYERS Michael J. Myers	Director
/s/ FRANK P. SCRUGGS, JR. Frank P. Scruggs, Jr.	Director
/s/ PETER J. SOLOMON Peter J. Solomon	Director

INDEX TO FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Office Depot, Inc.

We have audited the consolidated balance sheets of Office Depot, Inc. and Subsidiaries as of December 28, 1996 and December 30, 1995, and the related consolidated statements of earnings, stockholders' equity and cash flows for each of the three years in the period ended December 28, 1996. Our audits also included the financial statement schedule listed in the Index at Item 14(a)2. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Office Depot, Inc. and Subsidiaries as of December 28, 1996 and December 30, 1995 and the results of their operations and their cash flows for each of the three years in the period ended December 28, 1996 in conformity with generally accepted accounting principles. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Deloitt & Touche LLP

DELOITTE & TOUCHE LLP
Certified Public Accountants

Fort Lauderdale, Florida
February 25, 1997
(March 10, 1997 as to Note B)

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	DECEMBER 28, 1996	DECEMBER 30, 1995
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 51,398	$ 61,993
Receivables, net of allowances of $11,538 in 1996 and $3,808 in 1995	401,900	380,431
Merchandise inventories	1,324,506	1,258,413
Deferred income taxes	29,583	18,542
Prepaid expenses	14,209	11,620
Total current assets	1,821,596	1,730,999
Property and Equipment, net	671,648	565,082
Goodwill, net of Amortization	190,052	195,302
Other Assets	57,021	39,834
	$2,740,317	$2,531,217
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 781,963	$ 841,589
Accrued expenses	177,680	166,575
Income taxes	25,819	10,542
Short-term borrowings and current maturities of long-term debt	142,339	3,309
Total current liabilities	1,127,801	1,022,015
Long-Term Debt, less Current Maturities	17,128	112,340
Deferred Taxes and Other Credits	39,814	11,297
Zero Coupon, Convertible Subordinated Notes	399,629	382,570
Commitments and Contingencies	--	--
Common Stockholders' Equity:		
Common stock -- authorized 400,000,000 shares of $.01 par value; issued 159,417,089 in 1996 and 157,961,801 in 1995	1,594	1,580
Additional paid-in capital	630,049	605,876
Foreign currency translation adjustment	(1,073)	(794)
Retained earnings	527,125	398,083
Less: 2,163,447 shares of treasury stock, at cost	(1,750)	(1,750)
	1,155,945	1,002,995
	$2,740,317	$2,531,217

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF EARNINGS
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	52 WEEKS ENDED DECEMBER 28, 1996	52 WEEKS ENDED DECEMBER 30, 1995	53 WEEKS ENDED DECEMBER 31, 1994
Sales	$6,068,598	$5,313,192	$4,266,199
Cost of goods sold and occupancy costs	4,700,910	4,110,334	3,283,498
Gross profit	1,367,688	1,202,858	982,701
Store and warehouse operating and selling expenses	951,084	782,478	642,572
Pre-opening expenses	9,827	17,746	11,990
General and administrative expenses	162,149	153,344	130,022
Amortization of goodwill	5,247	5,213	5,288
	1,128,307	958,781	789,872
Operating profit	239,381	244,077	192,829
Other income (expense)			
Interest income	1,593	1,357	4,000
Interest expense	(26,078)	(22,551)	(18,096)
Equity and franchise income (loss), net	(2,178)	(962)	197
Earnings before income taxes	212,718	221,921	178,930
Income taxes	83,676	89,522	73,973
Net earnings	$ 129,042	$ 132,399	$ 104,957
Earnings per common and common equivalent share:			
Primary	$ .81	$ .85	$ .69
Fully diluted	.80	.83	.68

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
PERIOD FROM DECEMBER 26, 1993 TO DECEMBER 28, 1996
(IN THOUSANDS, EXCEPT FOR NUMBER OF SHARES)

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	FOREIGN CURRENCY TRANSLATION ADJUSTMENT	RETAINED EARNINGS	TREASURY STOCK
BALANCE AT DECEMBER 26, 1993	149,114,196	$1,491	$428,891	$ 383	$161,269	$(1,750)
Exercise of stock options (including tax benefits)	2,137,696	21	17,526	--	--	--
Issuance of stock under employee purchase plan	199,974	2	4,651	--	--	--
401(k) plan matching contributions	84,915	1	2,049	--	--	--
S corporation distribution to stockholders	--	--	--	--	(542)	--
Foreign currency translation adjustment	--	--	--	(3,678)	--	--
Net earnings for the period	--	--	--	--	104,957	--
BALANCE AT DECEMBER 31, 1994	151,536,781	1,515	453,117	(3,295)	265,684	(1,750)
Issuance of common stock	4,325,000	43	121,756	--	--	--
Exercise of stock options (including tax benefits)	1,751,620	17	22,146	--	--	--
Issuance of stock under employee purchase plan	274,161	3	7,019	--	--	--
401(k) plan matching contributions	59,438	1	1,564	--	--	--
Conversion of LYONs to common stock	14,801	1	274	--	--	--
Foreign currency translation adjustment	--	--	--	2,501	--	--
Net earnings for the period	--	--	--	--	132,399	--
BALANCE AT DECEMBER 30, 1995	157,961,801	1,580	605,876	(794)	398,083	(1,750)
Exercise of stock options (including tax benefits)	947,402	10	14,347	--	--	--
Issuance of stock under employee purchase and restricted award plans	398,913	3	7,750	--	--	--
401(k) plan matching contributions	108,681	1	2,070	--	--	--
Conversion of LYONs to common stock	292	--	6	--	--	--
Foreign currency translation adjustment	--	--	--	(279)	--	--
Net earnings for the period	--	--	--	--	129,042	--
BALANCE AT DECEMBER 28, 1996	159,417,089	$1,594	$630,049	$(1,073)	$527,125	$(1,750)

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
CHANGE IN CASH AND CASH EQUIVALENTS
(IN THOUSANDS)

	52 WEEKS ENDED DECEMBER 28, 1996	52 WEEKS ENDED DECEMBER 30, 1995	53 WEEKS ENDED DECEMBER 31, 1994
Cash flows from operating activities			
Cash received from customers	$ 6,039,729	$ 5,243,724	$ 4,208,675
Cash paid for inventories	(4,632,221)	(4,090,129)	(3,239,438)
Cash paid for store and warehouse operating, selling and general and administrative expenses	(1,231,412)	(1,045,448)	(860,354)
Interest received	1,624	1,357	4,296
Interest paid	(8,898)	(5,665)	(2,078)
Income taxes paid	(55,859)	(77,865)	(64,994)
Net cash provided by operating activities	112,963	25,974	46,107
Cash flows from investing activities			
Capital expenditures, net	(176,888)	(219,892)	(171,810)
Net cash used in investing activities	(176,888)	(219,892)	(171,810)
Cash flows from financing activities			
Proceeds from exercise of stock options and sales of stock under employee stock purchase plan	14,596	20,883	14,976
Proceeds from stock offering	--	121,799	--
Foreign currency translation adjustment	(279)	2,501	(3,678)
Proceeds from long- and short-term borrowings	146,652	178,410	30,466
Payments on long- and short-term borrowings	(107,639)	(100,088)	(25,584)
S corporation distribution to stockholders	--	--	(542)
Net cash provided by financing activities	53,330	223,505	15,638
Net increase (decrease) in cash and cash equivalents	(10,595)	29,587	(110,065)
Cash and cash equivalents at beginning of period	61,993	32,406	142,471
Cash and cash equivalents at end of period	$ 51,398	$ 61,993	$ 32,406
Reconciliation of net earnings to net cash provided by operating activities			
Net earnings	$ 129,042	$ 132,399	$ 104,957
Adjustments to reconcile net earnings to net cash provided by operating activities			
Depreciation and amortization	82,525	64,830	49,585
Provision for losses on inventory and accounts receivable	38,597	20,297	11,718
Accreted interest on zero coupon, convertible subordinated notes	17,064	16,505	16,042
Contributions of common stock to employee benefit and stock purchase plans	2,780	2,271	2,458
Changes in assets and liabilities			
Increase in receivables	(30,054)	(116,092)	(66,026)
Increase in merchandise inventories	(96,105)	(340,372)	(283,233)
Increase in prepaid expenses, deferred income taxes and other assets	(32,965)	(583)	(18,337)
Increase in accounts payable, accrued expenses and deferred credits	2,079	246,719	228,943
Total adjustments	(16,079)	(106,425)	(58,850)
Net cash provided by operating activities	$ 112,963	$ 25,974	$ 46,107

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Office Depot, Inc. and subsidiaries (the "Company") operates a national chain of high-volume office supply stores and contract stationer/delivery warehouses. The Company was incorporated in March 1986 and opened its first store in October 1986.

BASIS OF PRESENTATION

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions have been eliminated in consolidation. Investments in joint ventures are accounted for using the equity method.

The Company is on a 52 or 53 week fiscal year ending on the last Saturday in December. The fiscal years presented in the financial statements include 52 weeks in 1996 and 1995 and 53 weeks in 1994.

All common stock share and per share amounts for all periods presented have been adjusted for a three-for-two stock split in June 1994 effected in the form of a stock dividend.

Certain reclassifications were made to prior year statements to conform to current year presentations.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

The Company considers any highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

RECEIVABLES

Receivables as of December 28, 1996 and December 30, 1995 are comprised of trade receivables not financed through outside programs, totaling approximately $222,673,000 and $187,476,000, respectively, as well as amounts due from others. An allowance for doubtful accounts is provided for estimated amounts considered to be uncollectible. The credit risk related to these trade receivables is limited due to the large number of customers comprising the Company's customer base, and their dispersion across many different industries and geographies.

Amounts due from others, totaling approximately $179,227,000 and $192,955,000 as of December 28, 1996 and December 30, 1995, respectively, consist primarily of estimated receivables from vendors under various rebate, cooperative advertising and miscellaneous programs. Funds received from vendors under rebate and miscellaneous marketing programs related to the purchase price of merchandise inventories are capitalized and recognized as a reduction of cost of sales as merchandise is sold. Amounts relating to cooperative advertising and marketing programs are recognized as a reduction of advertising expense in the period that the related expenses are incurred.

MERCHANDISE INVENTORIES

Inventories are stated at the lower of weighted average cost or market value.

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES

The Company provides for Federal and state income taxes currently payable as well as deferred income taxes resulting from temporary differences between the basis of assets and liabilities for tax purposes and for financial statement purposes using the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Under this standard, deferred tax assets and liabilities represent the tax effects, based on current tax law, of future deductible or taxable amounts attributable to events that have been recognized in the financial statements.

PROPERTY AND EQUIPMENT

Property and equipment is recorded at cost. Depreciation and amortization are provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives on a straight-line basis. Estimated useful lives are 30 years for buildings and 3 to 10 years for furniture, fixtures and equipment. Leasehold improvements are amortized over the lesser of the terms of the respective leases, including applicable renewal periods, or the estimated useful lives of the improvements. The Company capitalized interest costs of approximately $700,000 in 1996, $600,000 in 1995 and $1,000,000 in 1994 as part of the cost of major asset construction projects.

GOODWILL

Goodwill represents the excess of purchase price and related costs over the value assigned to the net tangible and identifiable intangible assets of businesses acquired under the purchase method of accounting. Goodwill is amortized on a straight-line basis over 40 years. Accumulated amortization of goodwill was $17,411,000 and $12,164,000 as of December 28, 1996 and December 30, 1995, respectively. Management periodically evaluates the recoverability of goodwill, as measured by projected undiscounted future cash flows from the underlying acquired businesses which gave rise to such amount.

LONG-LIVED ASSETS

Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("SFAS No. 121"), establishes accounting standards for the impairment of long-lived assets, certain identifiable intangibles, and goodwill related to those assets to be held and used and for long-lived assets and certain identifiable intangibles to be disposed of. Long-lived assets and certain identifiable intangibles to be held and used by a company are required to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Measurement of an impairment loss for such long-lived assets and identifiable intangibles should be based on the fair value of the asset. Long-lived assets and certain identifiable intangibles to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell.

The adoption of SFAS No. 121 in 1996 did not have a material effect on the Company's financial position or the results of its operations.

ADVERTISING

Advertising costs are either charged to expense when incurred or capitalized and amortized in proportion to related revenues. The Company and its vendors participate in cooperative advertising programs in which the vendors reimburse the Company for a portion of certain advertising costs. Advertising expense, net of vendor cooperative advertising allowances, amounted to $55,828,000 in 1996, $42,878,000 in 1995 and $45,361,000 in 1994.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PRE-OPENING EXPENSES

Pre-opening expenses related to new store and customer service center openings are expensed as incurred.

POSTRETIREMENT BENEFITS

The Company does not currently provide postretirement benefits for its employees.

INSURANCE RISK RETENTION

The Company retains certain risks for workers' compensation, general liability and employee medical programs and accrues estimated liabilities on an undiscounted basis for known claims and claims incurred but not reported.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standards No. 107, "Disclosure about Fair Value of Financial Instruments," requires disclosure of the fair value of financial instruments, both assets and liabilities, recognized and not recognized in the Consolidated Balance Sheets of the Company, for which it is practicable to estimate fair value. The estimated fair values of financial instruments which are presented herein have been determined by the Company using available market information and appropriate valuation methodologies. However, considerable judgment is required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of amounts the Company could realize in a current market exchange.

The following methods and assumptions were used to estimate fair value:

- the carrying amounts of cash and cash equivalents, receivables and accounts payable approximate fair value due to their short-term nature;

- discounted cash flows using current interest rates for financial instruments with similar characteristics and maturity were used to determine the fair value of short-term and long-term debt; and

- quoted market prices were used to determine the fair value of the zero coupon, convertible subordinated notes.

There were no significant differences as of December 28, 1996 and December 30, 1995 in the carrying value and fair value of financial instruments except for the zero coupon, convertible subordinated notes which had a carrying value of $399,629,000 and $382,570,000 and a fair value of $376,033,000 and $422,407,000 at the end of 1996 and 1995, respectively.

NOTE B -- PROPOSED MERGER

In September 1996, the Company entered into an agreement and plan of merger (the "Merger Agreement") with Staples, Inc. ("Staples") and Marlin Acquisition Corp., a wholly-owned subsidiary of Staples ("Acquisition Sub"). Pursuant to the Merger Agreement, (i) Acquisition Sub will be merged with and into Office Depot, and Office Depot will become a wholly-owned subsidiary of Staples and (ii) each outstanding share of the Company's common stock will be converted into the right to receive 1.14 shares of common stock of Staples. In connection with the merger, both companies also issued mutual options to purchase up to 19.9% of the outstanding stock of the other company under certain conditions.

The consummation of the merger is subject to a number of conditions, including approval by the stockholders of both the Company and Staples, and the receipt of governmental consents and approvals, including those under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and the Canadian Competition Act. On November 1, 1996, the Federal Trade Commission ("FTC") issued a Second Request

NOTE B -- PROPOSED MERGER (CONTINUED)

for Information to Staples and the Company, beginning an investigation of the merger. Since that time, the Company has cooperated with the FTC in its review of the merger and has provided the FTC with requested documents and information. The Company believes the merger fully complies with the antitrust laws. An "Advanced Ruling Certificate" from the Canadian Competition Bureau clearing the proposed merger under Canadian law was received on December 16, 1996.

On March 10, 1997, the FTC voted to challenge the merger. Staples and the Company plan to vigorously contest any FTC challenge. Nevertheless, the Company has been working with Staples and the FTC staff on an acceptable divestiture of stores or other settlement arrangement that would benefit the Company, its shareholders and its customers by allowing the merger to close. Staples and the Company have entered into an agreement with OfficeMax, Inc. whereby Staples and the Company would divest a total of 63 stores, which Staples and the Company believe should remedy any perceived competitive issues and should obviate the need for any FTC challenge. The FTC is currently reviewing the proposed divestiture package, and has withheld issuance of a complaint pending this review. If this or another settlement is ultimately approved by the FTC, a consent decree would be issued along with the complaint that would allow the merger to close.

If a settlement is not ultimately approved by the FTC, the Company anticipates the merger will be subject to litigation with the FTC. A preliminary injunction hearing will be held, likely within a few months of the issuance of the complaint. Whether or not the FTC is ultimately successful in obtaining a preliminary injunction, after any appeals, the FTC has told the Company it plans to pursue its challenge in FTC administrative hearings.

Staples and the Company each have the right to terminate the Merger Agreement if the merger has not been consummated by May 31, 1997.

The merger, if completed, will be accounted for as a pooling of interests, and, accordingly, the Company's prior period financial statements will be restated and combined with the prior period financial statements of Staples, as if the merger had taken place at the beginning of the periods reported.

Based upon the number of outstanding shares of Staples common stock and the Company common stock as of December 28, 1996, the stockholders of the Company immediately prior to the consummation of the merger will own approximately 53% of the outstanding shares of Staples common stock immediately following consummation of the merger.

Upon consummation of the proposed merger, pursuant to the Merger Agreement, each outstanding option to purchase Company common stock will be converted into an option to purchase such number of shares of Staples common stock (rounded down to the nearest whole number) as is equal to the number of shares of Company common stock issuable upon exercise of such option immediately prior to the effective time multiplied by the exchange ratio. The exercise price per share of each such option, as so converted, will be equal to (x) the aggregate exercise price for the shares of Company common stock otherwise purchasable pursuant to such Company stock option immediately prior to the effective time divided by (y) the number of whole shares of Staples common stock deemed purchasable pursuant to such Company stock option as determined above (rounded up to the nearest whole cent). All outstanding Company stock options, under the terms of such option agreements, will become exercisable in full upon the closing of the merger.

In September 1996, a complaint was filed asserting, among other things, a claim for breach of fiduciary duty against members of the Company's Board of Directors, seeking to be certified as a class action and seeking injunctive relief in connection with the proposed merger. The Company believes that this lawsuit is without merit and will defend against it vigorously.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE C -- PROPERTY AND EQUIPMENT

Property and equipment consists of:

	DECEMBER 28, 1996	DECEMBER 30, 1995
	(IN THOUSANDS)	
Land	$ 64,678	$ 64,094
Buildings	103,338	66,703
Leasehold improvements	333,992	278,821
Furniture, fixtures and equipment	423,525	338,308
	925,533	747,926
Less accumulated depreciation and amortization	253,885	182,844
	$671,648	$565,082

Assets held under capital leases included above consist of:

	DECEMBER 28, 1996	DECEMBER 30, 1995
	(IN THOUSANDS)	
Assets, at cost	$24,929	$22,439
Less accumulated depreciation	14,334	12,919
	$10,595	$ 9,520

NOTE D -- DEBT

Debt consists of the following:

	DECEMBER 28, 1996		DECEMBER 30, 1995	
	SHORT-TERM	LONG-TERM	SHORT-TERM	LONG-TERM
	(IN THOUSANDS)			
Capital lease obligations collateralized by certain equipment and fixtures	$ --	$ 9,816	$ --	$ 8,570
13% senior subordinated notes, unsecured and due 2002	--	9,651	--	9,888
Non-interest bearing promissory note, due February 1996, guaranteed by an irrevocable letter of credit	--	--	1,980	--
Bank borrowings	140,000	--	--	95,000
Installment notes, interest rates ranging from 5.9% to 18.7%, payable in monthly installments through 2007, collateralized by certain equipment	--	--	--	211
	140,000	19,467	1,980	113,669
Current portion of long-term debt	2,339	(2,339)	1,329	(1,329)
	$142,339	$17,128	$3,309	$112,340

The Company has a credit agreement with its principal bank and a syndicate of commercial banks which provides for a working capital line and letters of credit totaling $300,000,000. The agreement provides that funds borrowed will bear interest, at the Company's option, at either .3125% over the LIBOR rate, 1.75% over the Federal Funds rate, a base rate linked to the prime rate, or under a competitive bid facility. The Company must also pay a fee of .1875% per annum on the available and unused portion of the credit facility. The credit facility expires in June 2000. In addition to the credit facility, the bank has provided a capital lease facility to

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE D -- DEBT (CONTINUED)
the Company under which the bank has agreed to purchase up to $25,000,000 of equipment on behalf of the Company and lease such equipment to the Company. As of December 28, 1996, the Company had $140,000,000 of outstanding borrowings under the revolving credit facility and had utilized approximately $18,321,000 of the lease facility. Additionally, the Company had outstanding letters of credit under the credit agreement totaling $11,170,000 as of December 28, 1996. The loan agreement contains covenants relating to maintaining various financial statement ratios. In the first quarter of 1997, the Company repaid in full all borrowings outstanding at December 28, 1996 under the credit agreement. Accordingly, the outstanding balance is reflected as a current liability at December 28, 1996.

Maturities of debt are as follows:

	DECEMBER 28, 1996 (IN THOUSANDS)
1997	$142,339
1998	2,495
1999	2,596
2000	2,343
2001	588
Thereafter	9,106
	$159,467

Future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of December 28, 1996 are as follows:

	DECEMBER 28, 1996 (IN THOUSANDS)
1997	$2,633
1998	2,659
1999	2,621
2000	2,227
2001	398
Thereafter	680
Total minimum lease payments	11,218
Less amount representing interest at 6.0% to 9.0%	1,402
Present value of net minimum lease payments	9,816
Less current portion	2,101
Non-current portion	$7,715

NOTE E -- ZERO COUPON, CONVERTIBLE SUBORDINATED NOTES

On December 11, 1992, the Company issued $316,250,000 principal amount of Liquid Yield Option Notes ("LYONs") with a price to the public of $150,769,000. The issue price of each such LYON was $476.74 and there will be no periodic payments of interest. The LYONs will mature on December 11, 2007 at $1,000 per LYON, representing a yield to maturity of 5% (computed on a semi-annual bond equivalent basis).

On November 1, 1993, the Company issued $345,000,000 principal amount of LYONs with a price to the public of $190,464,000. The issue price of each such LYON was $552.07 and there will be no periodic payments of interest. These LYONs will mature on November 1, 2008 at $1,000 per LYON, representing a yield to maturity of 4% (computed on a semiannual bond equivalent basis).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE E -- ZERO COUPON, CONVERTIBLE SUBORDINATED NOTES (CONTINUED)

All LYONs are subordinated to all existing and future senior indebtedness of the Company.

Each LYON is convertible at the option of the holder at any time on or prior to maturity, unless previously redeemed or otherwise purchased by the Company, into common stock of the Company at a conversion rate of 29.263 shares per 1992 LYON and 21.234 shares per 1993 LYON. The LYONs may be required to be purchased by the Company, at the option of the holder, as of December 11, 1997 and December 11, 2002 for the 1992 LYONs and as of November 1, 2000 for the 1993 LYONs, at the issue price plus accrued original issue discount. The Company, at its option, may elect to pay the purchase price on any particular purchase date in cash or common stock, or any combination thereof. The total amount of the 1992 LYONs and 1993 LYONs as of December 28, 1996, including accrued interest, were approximately $183,825,000 and $215,804,000, respectively.

In addition, prior to December 11, 1997 for the 1992 LYONs and prior to November 1, 2000 for the 1993 LYONs, the LYONs will be purchased for cash by the Company, at the option of the holder, in the event of a change in control of the Company. The Company believes the proposed merger with Staples does not constitute a change in control of the Company for purposes of the LYONs. Beginning on December 11, 1996, for the 1992 LYONs and on November 1, 2000 for the 1993 LYONs, the LYONs are redeemable for cash at any time at the option of the Company in whole or in part at the issue price plus accrued original issue discount through the date of redemption.

NOTE F -- INCOME TAXES

The income tax provision consists of the following:

	52 WEEKS ENDED DECEMBER 28, 1996	52 WEEKS ENDED DECEMBER 30, 1995	53 WEEKS ENDED DECEMBER 31, 1994
		(IN THOUSANDS)	
Current provision			
Federal	$69,291	$65,573	$62,211
State	8,649	12,613	14,616
Deferred provision (benefit)	5,736	11,336	(2,854)
Total provision for income taxes	$83,676	$89,522	$73,973

The tax effected components of deferred income tax accounts consists of the following:

	AS OF DECEMBER 28, 1996	AS OF DECEMBER 30, 1995	AS OF DECEMBER 31, 1994
		(IN THOUSANDS)	
Interest premium on notes redeemed	$ --	$ 2,004	$ 4,944
Self-insurance accruals	7,529	5,839	8,302
Inventory costs capitalized for tax purposes	2,949	2,797	4,483
Vacation pay accruals	3,535	3,264	2,993
Reserve for bad debts	3,606	1,173	1,463
Reserve for facility closings	4,768	2,996	3,073
Other items, net	17,955	16,875	13,034
Deferred tax assets	40,342	34,948	38,292
Excess of tax over book depreciation	12,465	7,468	3,524
Capitalized leases	5,123	4,781	4,509
Excess of tax over book amortization	2,775	1,455	708
Other items, net	11,835	7,364	4,335
Deferred tax liabilities	32,198	21,068	13,076
Net deferred tax assets	$ 8,144	$13,880	$25,216

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE F -- INCOME TAXES (CONTINUED)

The following schedule is a reconciliation of income taxes at the federal statutory rate to the provision for income taxes:

	52 WEEKS ENDED DECEMBER 28, 1996	52 WEEKS ENDED DECEMBER 30, 1995	53 WEEKS ENDED DECEMBER 31, 1994
		(IN THOUSANDS)	
Federal tax computed at the statutory rate....	$74,452	$77,672	$62,626
State taxes, net of federal benefit...........	6,382	8,877	8,944
Effect of S corporation income prior to acquisitions...............................	--	--	(1,161)
Nondeductible goodwill amortization...........	1,821	1,843	1,955
Other items, net.............................	1,021	1,130	1,609
Provision for income taxes...................	$83,676	$89,522	$73,973

Four of the contract stationers acquired in 1994 were organized as S corporations and, therefore, did not provide for income taxes prior to their respective acquisitions.

NOTE G -- COMMITMENTS AND CONTINGENCIES

LEASES

The Company conducts its operations in various leased facilities under leases that are classified as operating leases for financial statement purposes. The leases provide for the Company to pay real estate taxes, common area maintenance, and certain other expenses, including, in some instances, contingent rentals based on sales. Lease terms, excluding renewal option periods exercisable by the Company at escalated rents, expire between 1997 and 2021. In addition to the base lease term, the Company has various renewal option periods. Also, certain equipment used in the Company's operations is leased under operating leases. A schedule of fixed operating lease commitments follows:

	DECEMBER 28, 1996
	(IN THOUSANDS)
1997..	$ 155,761
1998..	151,245
1999..	141,425
2000..	124,092
2001..	108,377
Thereafter..	628,422
	$1,309,322

The above amounts include ten stores leased but not yet opened as of December 28, 1996. The Company is in the process of opening new stores and customer service centers in the ordinary course of business, and leases signed subsequent to December 28, 1996 are not included in the above described commitment amount. Rent expense, including equipment rental, was approximately $184,697,000, $154,633,000 and $124,693,000, during 1996, 1995 and 1994, respectively.

In January 1996, the Company entered into a lease commitment for an additional corporate office building. As of December 28, 1996, the building, which is based on a build-to-suit lease, was still under construction. The lease has an initial term of 20 years commencing on the earlier of (i) the Company's commencement of business in the building, or (ii) the later of (a) July 1, 1997 or (b) 15 days following completion of the building. This lease will be classified as a capital lease and will be recorded as such when the term commences in 1997. This lease will result in a capital lease asset and obligation of approximately

NOTE G -- COMMITMENTS AND CONTINGENCIES (CONTINUED)

$26,000,000 and initial annual lease commitments of approximately $2,200,000. Also, in July 1996, the Company entered into an operating lease facility for up to $25,000,000 of equipment. As of December 28, 1996, the Company had utilized approximately $16,493,000 of this lease facility.

OTHER

Certain holders of the Company's common stock have limited demand registration rights. The cost of such registration will generally be borne by the Company.

The Company is involved in litigation arising in the normal course of its business. In the opinion of management, these matters will not materially affect the financial position or results of operations of the Company (see also Note B).

As of December 28, 1996, the Company has reserved 16,565,223 shares of unissued common stock for conversion of the zero coupon, convertible subordinated notes (see also Note E).

NOTE H -- EMPLOYEE BENEFIT PLANS

STOCK OPTION PLANS

As of December 28, 1996, the Company had reserved 10,693,208 shares of common stock for issuance to officers and key employees under its 1986 and 1987 Incentive Stock Option Plans, its 1988 and 1989 Employees Stock Option Plans and its Omnibus Equity Plan and its Directors Stock Option Plan. Under these plans, the option price must be equal to or in excess of the market price of the stock on the date of the grant or, in the case of employees who own 10% or more of common stock, the minimum price must be 110% of the market price.

Options granted to date become exercisable from one to four years after the date of grant, provided that the individual is continuously employed by the Company (see also Note B). All options expire no more than ten years after the date of grant. No amounts have been charged to income under the plans.

EMPLOYEE STOCK PURCHASE PLAN

In October 1989, the Board of Directors approved an Employee Stock Purchase Plan, which permits eligible employees to purchase common stock from the Company at 90% of its fair market value through regular payroll deductions. The maximum aggregate number of shares eligible for purchase under the plan is 1,125,000.

RETIREMENT SAVINGS PLAN

In February 1990, the Board of Directors approved a Retirement Savings Plan, which permits eligible employees to make contributions to the plan on a pretax salary reduction basis in accordance with the provisions of Section 401(k) of the Internal Revenue Code. The Company makes a matching stock contribution of 50% of the employee's pretax contribution, up to 3% of the employee's compensation, in any calendar year.

ACCOUNTING FOR STOCK-BASED COMPENSATION

The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations in accounting for its stock-based compensation plans. Accordingly, no compensation cost has been recognized for its fixed stock option plan. The compensation cost that has been charged against income for its Employee Stock Purchase Plan and its restricted stock award plan approximated $1,482,000, $693,000 and $428,000, in 1996, 1995 and 1994, respectively. Had compensation cost for the Company's stock-based compensation plans been determined using the fair value method described in

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE H -- EMPLOYEE BENEFIT PLANS (CONTINUED)
Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," at the grant dates for awards under these plans, the Company's net earnings and earnings per share would have been reduced to the pro forma amounts presented below:

	1996	1995
Net earnings (in thousands)		
As reported	$129,042	$132,399
Pro forma	122,072	129,712
Primary earnings per share		
As reported	$ 0.81	$ 0.85
Pro forma	0.77	0.83
Fully diluted earnings per share		
As reported	$ 0.80	$ 0.83
Pro forma	0.76	0.81

The fair value of each option grant is established on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants in 1996 and 1995: expected volatility of 25% for both years, risk-free interest rates of 6.36% for 1996 and 6.28% for 1995, expected lives of approximately five years for both years; and a dividend yield of zero for both years.

A summary of the status of the option plans as of and for the changes during each of the three years in the period ended December 28, 1996 is presented below:

	1996		1995		1994	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of year	8,325,801	$16.95	8,369,379	$12.95	8,715,741	$ 9.29
Granted	2,036,276	16.50	1,983,750	27.00	1,944,002	22.67
Canceled	841,942	22.33	291,487	20.21	342,094	21.41
Exercised	946,502	7.98	1,735,841	8.49	1,948,270	5.56
Outstanding at end of year	8,573,633	$17.30	8,325,801	$16.89	8,369,379	$12.80

The weighted average fair values of options granted during the years ended December 28, 1996 and December 30, 1995 were $5.83 and $9.60, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE H -- EMPLOYEE BENEFIT PLANS (CONTINUED)

The following table summarizes information about the option plans as of December 28, 1996:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (IN YEARS)	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
$ 2.28 - 3.40	153,191	3.4	$ 3.16	153,191	$ 3.16
3.41 - 5.15	185,981	3.3	4.15	185,981	4.15
5.16 - 7.70	965,395	4.5	6.01	965,395	6.01
7.71 - 11.50	363,814	5.5	10.76	363,814	10.76
11.51 - 17.30	2,439,621	7.9	13.88	1,097,190	13.28
17.31 - 23.00	2,445,990	7.6	20.29	1,581,945	19.95
23.01 - 31.94	2,019,641	8.4	26.67	810,205	26.49
$ 2.28 - 31.94	8,573,633	7.3	$17.30	5,157,721	$15.23

NOTE I -- CAPITAL STOCK

In August 1995, the Company completed a public offering of 4,325,000 shares of common stock, raising net proceeds of approximately $121,799,000.

As of December 28, 1996, there were 1,000,000 shares of $.01 par value preferred stock authorized of which none are issued or outstanding.

STOCKHOLDER RIGHTS PLAN

Effective September 4, 1996, the Company's Board of Directors adopted a Stockholder Rights Plan (the "Rights Plan"). The Rights Plan provides for the issuance to stockholders of record on September 16, 1996 one right for each outstanding share of the Company's common stock. The rights will become exercisable only if a person or group, other than Staples and its affiliates, acquires 20% or more of the Company's outstanding common stock or announces a tender or exchange offer that would result in ownership of 20% or more of the Company's common stock. Each right, should it become exercisable, will entitle the holder to purchase one one-thousandth of a share of Junior Participating Preferred Stock, Series A of the Company at an exercise price of $95.00, subject to adjustment.

In the event of an acquisition, each right will entitle the holder, other than an acquirer, to receive a number of shares of common stock with a market value equal to twice the exercise price of the right. In addition, in the event that the Company is involved in a merger or other business combination wherein the Company is not the surviving corporation, or wherein common stock is changed or exchanged, or in a transaction with any entity other than Staples or any affiliate thereof in which 50% or more of the Company's assets or earning power is sold, each holder of a right, other than an acquirer, will have the right to receive, at the exercise price of the right, a number of shares of common stock of the acquiring company with a market value equal to twice the exercise price of the right.

The Company's board of directors may redeem the rights for $0.01 per right at any time prior to an acquisition.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE J -- SUPPLEMENTAL INFORMATION ON NONCASH INVESTING AND FINANCING ACTIVITIES

The Consolidated Statements of Cash Flows for 1996, 1995 and 1994 do not include the following noncash investing and financing transactions:

	52 WEEKS ENDED DECEMBER 28, 1996	52 WEEKS ENDED DECEMBER 30, 1995	53 WEEKS ENDED DECEMBER 31, 1994
Equipment purchased under leases	$4,805	$5,836	$ --
Conversion of convertible, subordinated debt to common stock	6	275	--
Additional paid-in capital related to tax benefit on stock options exercised	6,804	7,598	6,816

NOTE K -- NET EARNINGS PER SHARE

Net earnings per common and common equivalent share is based upon the weighted average number of shares and equivalents outstanding during each period. Stock options are considered common stock equivalents. The zero coupon, convertible subordinated notes are not common stock equivalents. Net earnings per common share assuming full dilution was determined on the assumption that the unconverted notes were converted as of the beginning of the period. Net earnings under this assumption have been adjusted for interest, net of its income tax effect.

The information required to compute net earnings per share on a primary and fully diluted basis is as follows:

	52 WEEKS ENDED DECEMBER 28, 1996	52 WEEKS ENDED DECEMBER 30, 1995	53 WEEKS ENDED DECEMBER 31, 1994
		(IN THOUSANDS)	
Primary:			
Weighted average number of common and common equivalent shares	158,655	155,551	152,570
Fully diluted:			
Net earnings	$129,042	$132,399	$104,957
Interest expense related to convertible notes, net of tax	10,580	10,068	9,359
Adjusted net earnings	$139,622	$142,467	$114,316
Weighted average number of common and common equivalent shares	158,720	155,674	152,654
Shares issued upon assumed conversion of convertible notes	16,565	16,568	16,580
Shares used in computing net earnings per common and common equivalent share assuming full dilution	175,285	172,242	169,234

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE L -- RECEIVABLES SOLD WITH RECOURSE

The Company has two private label credit card programs which are managed by financial services companies. All credit card receivables related to one of these programs were sold on a recourse basis. Proceeds to the Company for such receivables sold with recourse were approximately $331,000,000, $313,000,000 and $253,000,000 in 1996, 1995 and 1994, respectively. One of the Company's maximum exposure to off-balance sheet credit risk is represented by the outstanding balance of private label credit card receivables with recourse, which totaled approximately $4,800,000 as of December 28, 1996. One of the financial services companies periodically estimates the percentage to be withheld from proceeds for receivables sold to achieve the necessary reserve for potential uncollectible amounts. The Company expenses such withheld amounts at the time of the sale to the financial services company.

NOTE M -- QUARTERLY FINANCIAL DATA (UNAUDITED)

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
	(IN THOUSANDS, EXCEPT PER SHARE DATA)			
Fiscal Year Ended December 28, 1996				
Net sales	$1,632,995	$1,381,365	$1,509,650	$1,544,588
Gross profit(a)	355,378	324,704	333,686	353,920
Net earnings	33,483	28,237	31,858	35,464
Net earnings per common share (fully diluted)	$ .21	$ .18	$ .20	.22
Fiscal Year Ended December 30, 1995				
Net sales	$1,351,212	$1,200,410	$1,337,108	$1,424,462
Gross profit(a)	304,829	271,804	307,490	318,735
Net earnings	32,474	27,418	36,842	35,665
Net earnings per common share (fully diluted)	$ .21	$ .18	$ .23	$ .22

(a) Gross profit is net of occupancy costs.

INDEX TO FINANCIAL STATEMENT SCHEDULE

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

SCHEDULE II

OFFICE DEPOT, INC. AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS
(IN THOUSANDS)

COLUMN A	COLUMN B	COLUMN C			COLUMN D
		ADDITIONS			
DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS	DEDUCTIONS -- WRITE-OFFS	BALANCE AT END OF PERIOD
Allowance for Doubtful Accounts:					
1996.................................	$3,808	$8,825	$600	$1,695	$11,538
1995.................................	3,426	1,869	--	1,487	3,808
1994.................................	3,251	1,167	--	992	3,426

INDEX TO EXHIBITS

EXHIBIT NUMBER		EXHIBIT	SEQUENTIALLY NUMBERED PAGE +
3.1	--	Restated Certificate of Incorporation, as amended to date...	(1)
3.2	--	Bylaws..	(2)
4.1	--	Form of certificate representing shares of Common Stock.....	(3)
4.2	--	Form of Indenture (including form of LYON) between the Company and The Bank of New York, as Trustee.............	(4)
4.3	--	Form of Indenture (including form of LYON) between the Company and Bankers Trust Company, as Trustee............	(5)
4.4	--	Rights Agreement dated as of September 4, 1996 between Office Depot, Inc. and ChaseMellon Shareholder Services, L.L.C., as Rights Agent, including the form of Certificate of Designation, Preferences and Rights of Junior Participating Preferred Stock, Series A attached thereto as Exhibit A, the form of Rights Certificate attached thereto as Exhibit B and the Summary of Rights attached thereto as Exhibit C....................................	(6)
10.1	--	Stock Purchase Agreement, dated as of June 21, 1989, between the Company and Carrefour S.A............................	(3)
10.2	--	Agreement and Plan of Reorganization, dated December 19, 1990, among the Company, The Office Club, Inc. and OD Sub Corp..	(3)
10.3	--	Stock Purchase Agreement, dated as of April 24, 1991, between the Company, Carrefour S.A. and Carrefour Nederland B. V..	(7)
10.4	--	Revolving Credit and Line of Credit Agreement dated as of September 30, 1993 by and among the Company and Sun Bank, National Association, individually and as Agent, NationsBank of Florida, N.A., PNC Bank, Kentucky, Inc., Bank of America National Trust and Savings Association and Royal Bank of Canada....................................	(8)
10.5	--	Office Depot, Inc. Omnibus Equity Plan*....................	(1)
10.6	--	Directors' Stock Option Plan*..............................	(9)
10.7	--	Amended and Restated Agreement and Plan of Merger dated as of July 12, 1993 and amended and restated as of August 30, 1993 by and among the Company, Eastman Office Products Corporation, EOPC Acquisition Corp. and certain investors...	(10)
10.8	--	1994-1998 Office Depot, Inc. Designated Executive Incentive Plan*...	(1)
10.9	--	Partnership Agreement, dated as of June 10, 1995, between the Company and Carrefour, a joint stock company incorporated under French law...........................	(11)
10.10	--	Agreement and Plan of Merger dated as of September 4, 1996, by and among Staples, Inc., Marlin Acquisition Corp. and Office Depot, Inc.......................................	(12)
10.11	--	Stock Option Agreement dated as of September 4, 1996 between Staples, Inc., as Grantee, and Office Depot, Inc., as Grantor...	(12)
10.12	--	Stock Option Agreement dated as of September 4, 1996 between Office Depot, Inc., as Grantee, and Staples, Inc., as Grantor...	(12)
10.13	--	Form of Employment Agreement, dated as of September 4, 1996, by and between Office Depot, Inc. and each of F. Terry Bean, Harry S. Brown, R. John Schmidt, Jr. and William P. Seltzer..	
10.14	--	Form of Employment Agreement, dated as of September 4, 1996, by between Office Depot, Inc. and each of David I. Fuente, Barry J. Goldstein and Richard M. Bennington.............	

EXHIBIT NUMBER		EXHIBIT	SEQUENTIALLY NUMBERED PAGE +
10.15	--	Form of Indemnification Agreement, dated as of September 4, 1996, by and between Office Depot, Inc. and each of David I. Fuente, Mark D. Begelman, Cynthia R. Cohen, Herve Defforey, W. Scott Hedrick, James L. Heskett, John B. Mumford, Michael J. Myers, Peter J. Solomon, Alan L. Wurtzel, Barry J. Goldstein, F. Terry Bean, Richard M. Bennington, Harry S. Brown, William P. Seltzer and R. John Schmidt, Jr.	
10.16	--	Financial advisory services letter agreement, dated as of August 22, 1996, between Office Depot, Inc. and Peter J. Solomon Company Limited..................................	
21.1	--	List of the Company's subsidiaries..........................	
23.1	--	Consent of Deloitte & Touche LLP............................	
27.1	--	Financial Data Schedule....................................	

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

* Management contract or compensatory plan or arrangement.

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

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

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

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

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

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

(7) Incorporated by reference to the respective exhibit to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 29, 1991.

(8) Incorporated by reference to the respective exhibit to the Company's Current Report on Form 8-K filed October 14, 1993.

(9) Incorporated by reference to the respective exhibit to the Company's Annual Report on Form 10-K for the year ended December 26, 1992.

(10) Incorporated by reference to the respective exhibit to the Company's Registration Statement No. 33-51409.

(11) Incorporated by reference to the respective exhibit to the Company's Annual Report on Form 10-K for the year ended December 30, 1995.

(12) Incorporated by reference to the Company's Registration Statement on Form 8-A, filed with the Commission on September 6, 1996.

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

EXHIBIT 10.13

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is made as of September   , 1996 by and between Office Depot, Inc., a Delaware corporation (the "Company"), and F. Terry Bean (the "Executive").

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

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

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

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

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

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

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

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

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

Notwithstanding any provision in this Agreement to the contrary, a "Change of Control" shall not occur as a result of or in connection with any Business Combination between the Company or any of its affiliates and Staples, Inc. or any of its affiliates on or prior to June 30, 1997.

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

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

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

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

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

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

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

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

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

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

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

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

5. Termination of Employment. (a) Death or Disability. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period. If the Company determines in good faith that the Disability of the Executive has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may give to the Executive written notice in accordance with Section 12(b) of this Agreement of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties with the Company on a full-time basis for 180 consecutive days as a result of incapacity due to mental

or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative.

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

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

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

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

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

(i) the assignment to the Executive of any duties inconsistent in any respect with the Executive's position (including status, offices, titles and reporting require ments), authority, duties or responsibilities as contemplated by Section 4(a) of this Agreement, or any other action by the Company which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

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

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

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

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

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

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

(e) Date of Termination. "Date of Termination" means (i) if the Executive's employment is terminated by the Company for Cause, or by the Executive for Good Reason, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be, (ii) if the Executive's employment is terminated by the Company other than for Cause or Disability, the Date of Termination shall be the date on which the Company notifies the Executive of such termination and (iii) if the Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Executive or the Disability Effective Date, as the case may be.

6. Obligations of the Company upon Termination. (a) Good Reason; Other Than for Cause, Death or Disability. If, during the Employment Period, the Company shall terminate the

Executive's employment other than for Cause, death or Disability or the Executive shall terminate employment for Good Reason:

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

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

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

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

(ii) for two years after the Executive's Date of Termination, or such longer period as may be provided by the terms of the appropriate plan, program, practice or policy, the Company shall continue benefits to the Executive and/or the Executive's family at least equal to those which would have been provided to them in accordance with the plans, programs, practices and policies described in Section 4(b)(iv) of this Agreement if the Executive's employment had not been terminated or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies and their families, provided, however, that if the

Executive becomes reemployed with another employer and is eligible to receive medical or other welfare benefits under another employer-provided plan, the medical and other welfare benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility. Notwithstanding the foregoing, the Company shall continue to make all scheduled premium payments under any split-dollar life insurance policy in effect on the Date of Termination on behalf of the Executive for so long as such payments are scheduled (without giving effect to Executive's termination). For purposes of determining eligibility (but not the time of commencement of benefits) of the Executive for retiree benefits pursuant to such plans, practices, programs and policies, the Executive shall be considered to have remained employed until two years after the Date of Termination and to have retired on the last day of such period;

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

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

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

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

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

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

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

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

(b) Subject to the provisions of Section 9(c), all determinations required to be made under this Section 9, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by Deloitte & Touche or such other certified public accounting firm as may be designated by the Executive (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, the Executive shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 9, shall be paid by the Company to the Executive within five days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 9(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

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

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

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

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

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

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 9(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or to contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

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

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

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

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

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

12. Miscellaneous. (a) This Agreement shall be governed by and construed in

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

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

If to the Executive:

F. Terry Bean
c/o Office Depot, Inc.
2200 Old Germantown Road
Delray Beach, Florida 33445

If to the Company:

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

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

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

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

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

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

Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof.

* * * * *

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

Executive

OFFICE DEPOT, INC.

BY: --------------------------

ITS: -------------------------

Exhibit 10.14

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is made as of September , 1996 by and between Office Depot, Inc., a Delaware corporation (the "Company"), and David I. Fuente (the "Executive").

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

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

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

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

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

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

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

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

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

Notwithstanding any provision in this Agreement to the contrary, a "Change of Control" shall not occur as a result of or in connection with any Business Combination between the Company or any of its affiliates and Staples, Inc.or any of its affiliates on or prior to June 30, 1997.

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

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

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

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

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

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

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

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

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

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

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

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

5. Termination of Employment. (a) Death or Disability. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period. If the Company determines in good faith that the Disability of the Executive has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may give to the Executive written notice in accordance with Section 12(b) of this Agreement of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties with the Company on a full-time basis for 180 consecutive days as a result of incapacity due to mental

or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative.

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

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

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

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

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

(i) the assignment to the Executive of any duties inconsistent in any respect with the Executive's position (including status, offices, titles and reporting require ments), authority, duties or responsibilities as contemplated by Section 4(a) of this Agreement, or any other action by the Company which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

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

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

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

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

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

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

(e) Date of Termination. "Date of Termination" means (i) if the Executive's employment is terminated by the Company for Cause, or by the Executive for Good Reason, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be, (ii) if the Executive's employment is terminated by the Company other than for Cause or Disability, the Date of Termination shall be the date on which the Company notifies the Executive of such termination and (iii) if the Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Executive or the Disability Effective Date, as the case may be.

6. Obligations of the Company upon Termination. (a) Good Reason; Other Than for Cause, Death or Disability. If, during the Employment Period, the Company shall terminate the

Executive's employment other than for Cause, death or Disability or the Executive shall terminate employment for Good Reason:

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

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

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

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

(ii) for three years after the Executive's Date of Termination, or such longer period as may be provided by the terms of the appropriate plan, program, practice or policy, the Company shall continue benefits to the Executive and/or the Executive's family at least equal to those which would have been provided to them in accordance with the plans, programs, practices and policies described in Section 4(b)(iv) of this Agreement if the Executive's employment had not been terminated or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies and their families, provided, however, that if the

Executive becomes reemployed with another employer and is eligible to receive medical or other welfare benefits under another employer-provided plan, the medical and other welfare benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility. Notwithstanding the foregoing, the Company shall continue to make all scheduled premium payments under any split-dollar life insurance policy in effect on the Date of Termination on behalf of the Executive for so long as such payments are scheduled (without giving effect to Executive's termination). For purposes of determining eligibility (but not the time of commencement of benefits) of the Executive for retiree benefits pursuant to such plans, practices, programs and policies, the Executive shall be considered to have remained employed until three years after the Date of Termination and to have retired on the last day of such period;

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

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

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

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

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

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

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

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

(b) Subject to the provisions of Section 9(c), all determinations required to be made under this Section 9, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by Deloitte & Touche or such other certified public accounting firm as may be designated by the Executive (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, the Executive shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 9, shall be paid by the Company to the Executive within five days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 9(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

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

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

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

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

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

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 9(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or to contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

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

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

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

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

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

12. Miscellaneous. (a) This Agreement shall be governed by and construed in

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

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

If to the Executive:

David I. Fuente
c/o Office Depot, Inc.
2200 Old Germantown Road
Delray Beach, Florida 33445

If to the Company:

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

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

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

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

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

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

Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof.

* * * * *

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

Executive

OFFICE DEPOT, INC.

BY:

ITS:

Exhibit 10.15

INDEMNIFICATION AGREEMENT

This Indemnification Agreement ("Agreement") is made as of this 4th day of September, 1996 by and between Office Depot, Inc., a Delaware corporation (the "Company") and ____________________ ("Indemnitee"), a director and/or officer of the Company.

WHEREAS, the Company and Indemnitee recognize the increasing difficulty in obtaining directors' and officers' liability insurance, the significant increases in the cost of such insurance, and the general reductions in the coverage of such insurance;

WHEREAS, the Company and Indemnitee further recognize the substantial increase in corporate litigation subjecting officers and directors to expensive litigation risks at the same time as liability insurance has been severely limited;

WHEREAS, Indemnitee does not regard the current protection available as adequate given the present circumstances, and Indemnitee and other officers and directors of the Company may not be willing to serve as officers and directors without adequate protection; and

WHEREAS, the Company desires to attract and retain the services of highly qualified individuals, such as Indemnitee, to serve as officers and directors of the Company and to indemnify its officers and directors so as to provide them with the maximum protection permitted by law.

NOW, THEREFORE, the Company and Indemnitee hereby agree as follows:

1. INDEMNIFICATION.

(a) THIRD PARTY PROCEEDINGS. The Company shall indemnify Indemnitee if Indemnitee is or was a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Company) by reason of the fact that Indemnitee is or was a director, officer, employee or agent of the Company or any subsidiary of the Company or by reason of the fact that Indemnitee is or was serving at the request of the Company as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement (if such settlement is approved in advance by the Company, which approval shall not be unreasonably withheld) actually and reasonably incurred by Indemnitee in connection with such action, suit or proceeding if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe Indemnitee's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plan of NOLO CONTENDERE or its equivalent, shall not, of itself, create a presumption that Indemnitee did not act in good faith and in a manner which Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had reasonable cause to believe that Indemnitee's conduct was unlawful.

(b) PROCEEDINGS BY OR IN THE RIGHT OF THE COMPANY. The Company shall indemnify Indemnitee if Indemnitee was or is a party or is threatened to be made a party to any threatened, pending, or completed action or suit by or in the right of the Company or any subsidiary of the Company to procure a judgment in its favor by reason of the fact that Indemnitee is or was a director, officer, employee or agent of the Company or any subsidiary of the Company, or by reason of the fact that Indemnitee is or was serving at the request of the Company as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred by Indemnitee in connection with the defense or settlement of such action or suit if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company and except that no indemnification shall be made in respect of any claim, issue, or matter as to which Indemnitee shall have been adjudged to be liable to the Company unless and only to the extent that the Court of Chancery of the State of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all of the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnity for such expenses that the Court of Chancery of the State of Delaware or such other court shall deem proper.

(c) MANDATORY PAYMENT OF EXPENSES. To the extent that Indemnitee has been successful on the merits or otherwise in defense of any action, suit, or proceeding referred to in Subsection (a) or (b) of this Section 1 or in defense of any claim, issue, or matter therein, Indemnitee shall be indemnified against expenses (including attorneys' fees) and any costs of settlement actually and reasonably incurred by Indemnitee in connection therewith.

2. AGREEMENT TO SERVE. In consideration of this Agreement, Indemnitee agrees to continue to serve as an officer or director of the Company, at the will of the Company (or under separate agreement, if such agreement exists), in the capacity in which Indemnitee currently serves and in any other capacity as an officer or director of the Company or any subsidiary of the Company subsequently assigned to Indemnitee, so long as Indemnitee is duly appointed or elected and qualified in accordance with the applicable provisions of the by-laws of the Company or any subsidiary of the Company or until such time as Indemnitee tenders his or her resignation in writing; provided however, that nothing contained in this Agreement is intended to create in Indemnitee any right to continued employment.

3. Expenses; Indemnification Procedure.

(a) ADVANCEMENT OF EXPENSES. The Company shall advance all expenses incurred by Indemnitee, and, to the fullest extent permitted by law, amounts paid in settlement by Indemnitee in connection with the investigation, defense, settlement, or appeal of any civil or criminal action, suit, or proceeding referenced in Subsection (a) or (b) of Section 1. Indemnitee hereby undertakes to repay such amounts advanced only if, and to the extent that, it shall ultimately be determined that Indemnitee is not entitled to be indemnified by the Company as authorized hereby. The advances to be made hereunder shall be paid by the Company to Indemnitee within 20 days following delivery of a written request therefor by Indemnitee to the Company.

(b) COOPERATION BY INDEMNITEE. Indemnitee shall, as a condition precedent to his right to be indemnified under this Agreement, give the Company notice in writing as soon as practicable of any claim made against Indemnitee for which indemnification will or could be sought under this Agreement. In addition, Indemnitee shall give the Company such information and cooperation as it may reasonably require and as shall be within Indemnitee's power.

(c) PROCEDURE. Any indemnification and advances provided for in Section 1 and this Section 3 shall be made no later than 20 days after receipt of the written request of Indemnitee. If a claim under this Agreement, under any statute, or under any provision of the Company's certificate of incorporation or by-laws providing for indemnification, is not paid in full by the Company within 20 days after a written request for payment thereof has first been received by the Company, Indemnitee may, but need not, at any time thereafter bring an action against the Company to recover the unpaid amount of the claim and, subject to Section 12 of this Agreement, Indemnitee shall also be entitled to be paid for the expenses (including attorneys' fees) of bringing such action. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in connection with any action, suit, or proceeding in advance of its final disposition) that Indemnitee has not met the standards of conduct that make it permissible under applicable law for the Company to indemnify Indemnitee for the amount claimed, but the burden of proving such defense shall be on the Company and Indemnitee shall be entitled to receive interim payments of expenses pursuant to Section 3(a) unless and until such defense may be finally adjudicated by court order or judgment from which no further right of appeal exists. It is the parties' intention that if the Company contests Indemnitee's right to indemnification, the question of Indemnitee's right to indemnification shall be for the court to decide, and neither the failure of the Company (including its board of directors, any committee or subgroup of its board of directors, independent legal counsel, or its stockholders) to have made a determination that indemnification of Indemnitee is proper in the circumstances because Indemnitee has met the applicable standard of conduct required by applicable law, nor an actual determination by the Company (including its board of directors, any committee or subgroup of the board of directors, independent legal counsel, or its stockholders) that Indemnitee has not met such applicable standard of conduct shall be dispositive.

(d) NOTICE TO INSURERS. If, at the time of the receipt of a notice of a claim pursuant to Section 3(b) hereof, the Company has director and officer liability insurance in effect, the Company shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policies.

(e) SELECTION OF COUNSEL. In the event the Company shall be obligated under Section 3(a) hereof to pay the expenses of any proceeding against Indemnitee, the Company, if appropriate, shall be entitled to assume the defense of such proceeding, with counsel approved by Indemnitee, upon the delivery to Indemnitee of written notice of its election so to do. After delivery of such notice, approval of such counsel by Indemnitee, and the retention of such counsel by the Company, the Company will not be liable to Indemnitee under this Agreement for any fees of counsel subsequently incurred by Indemnitee with respect to the same proceeding, provided, that

(i) Indemnitee shall have the right to employ his counsel in any such proceeding at Indemnitee's expense; and (ii) if (A) the employment of counsel by Indemnitee has been previously authorized by the Company, (B) Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and Indemnitee in the conduct of any such defense, or (C) the Company shall not, in fact, have employed counsel to assume the defense of such proceeding, then the fees and expenses of Indemnitee's counsel shall be at the expense of the Company.

4. Additional Indemnification Rights; Non-Exclusivity.

(a) SCOPE. Notwithstanding any other provision of this Agreement, the Company hereby agrees to indemnify the Indemnitee to the full extent permitted by law, notwithstanding that such indemnification is not specifically authorized by the other provisions of this Agreement, the Company's certificate of incorporation, by-laws, or by statute. In the event of any changes, after the date of this Agreement, in any applicable law, statute, or rule that expand the right of a Delaware corporation to indemnify a member of its board of directors or its officers, such changes shall be, ipso facto, within the purview of Indemnitee's rights and the Company's obligations under this Agreement. In the event of any changes in any applicable law, statute, or rule that narrow the right of a Delaware corporation to indemnify a member of its board of directors, such changes, to the extent not otherwise required by such law, statute, or rule to be applied to this Agreement shall have no effect on this Agreement or the parties' rights and obligations hereunder.

(b) NON-EXCLUSIVITY. The indemnification provided by this Agreement shall not be deemed exclusive of any rights to which an Indemnitee may be entitled under the Company's certificate of incorporation, by-laws, any agreement, any vote of stockholders or disinterested Directors, the General Corporation Law of the State of Delaware, or otherwise, both as to action in Indemnitee's official capacity and as to action in another capacity while holding such office. The indemnification provided under this Agreement shall continue as to Indemnitee for any action taken or not taken while serving in an indemnified capacity even though he may have ceased to serve in such capacity at the time of any action, suit, or other covered proceeding.

5. PARTIAL INDEMNIFICATION. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the expenses, judgments, fines or penalties actually or reasonably incurred by him in the investigation, defense, appeal, or settlement of any civil or criminal action, suit, or proceeding, but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion of such expense, judgments, fines, or penalties to which Indemnitee is entitled.

6. MUTUAL ACKNOWLEDGMENT. Both the Company and Indemnitee acknowledge that in certain instances, federal law will override Delaware law and prohibit the Company from indemnifying its directors and officers. For example, the Company and Indemnitee acknowledge that the Securities and Exchange Commission has taken the position that indemnification is not permissible for liabilities arising under certain federal securities laws and federal legislation prohibits indemnification for certain violations of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). Indemnitee understands and acknowledges that in the event the Company undertakes a public offering of its securities pursuant to a registration with the Securities and Exchange Commission (the "SEC"), the Company may be required to undertake with the SEC to

submit the question of indemnification to a court in certain circumstances for a determination of the Company's right under public policy to indemnify Indemnitee.

7. SEVERABILITY. Nothing in this Agreement is intended to require or shall be construed as requiring the Company to do or fail to do any act in violation of applicable law. The Company's inability pursuant to court order to perform its obligations under this Agreement shall not constitute a breach of this Agreement. The provisions of this Agreement shall be severable as provided in this Section 7. If this Agreement or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Company shall nevertheless indemnify Indemnitee to the full extent permitted by any applicable portion of this Agreement that shall not have been invalidated, and the balance of this Agreement not so invalidated shall be enforceable in accordance with its terms.

8. EXCEPTIONS. Any other provision herein to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of this Agreement:

(a) EXCLUDED ACTIONS OR OMISSIONS. To indemnify Indemnitee for indemnitee's actions, omissions or transactions from which Indemnitee may not be relieved of liability under applicable law;

(b) CLAIMS INITIATED BY INDEMNITEE. To indemnify or advance expenses to Indemnitee with respect to proceedings or claims initiated or brought voluntarily by Indemnitee and not by way of defense, except with respect to proceedings brought to establish or enforce a right to indemnification under this Agreement or any other statute or law or otherwise as required under Section 145 of the General Corporation Law of the State of Delaware, but such indemnification or advancement of expenses may be provided by the Company in specific cases if the Company's board of directors finds it to be appropriate;

(c) LACK OF GOOD FAITH. To indemnify Indemnitee for any expenses incurred by the Indemnitee with respect to any proceeding instituted by Indemnitee to enforce or interpret this Agreement, if a court of competent jurisdiction determines that each of the material assertions made by the Indemnitee in such proceeding was not made in good faith or was frivolous;

(d) INSURED CLAIMS. To indemnify Indemnitee for expenses or liabilities of any type whatsoever (including, but not limited to, judgments, fines, ERISA excise taxes or penalties, and amounts paid in settlement) that have been paid directly to Indemnitee by an insurance carrier under a policy of director and officer liability insurance maintained by the Company; or

(e) CLAIMS UNDER SECTION 16(B). To indemnify Indemnitee for expenses and the payment of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 16(b) of the Securities Exchange Act of 1934, as amended, or any similar successor statute.

9. Construction of Certain Phrases.

(a) For purposes of this Agreement, references to the "Company" shall include, in addition to Office Depot, Inc., any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger, so that if Indemnitee is or was a director, officer, employee, or agent of such constituent corporation or is or was serving at the request of such constituent corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, Indemnitee shall stand in the same position under the provisions of this Agreement with respect to the resulting or surviving corporation as Indemnitee would have with respect to such constituent corporation if its separate existence had continued.

(b) For purposes of this Agreement, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on Indemnitee with respect to an employee benefit plan; and references to "serving at the request of the Company" shall include any service as a director, officer, employee, or agent of the Company that imposes duties on, or involves services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants, or beneficiaries; and if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan, Indemnitee shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Agreement.

10. COUNTERPARTS. This Agreement may be executed in counterparts, each of which shall constitute an original.

11. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon the Company and its successors and assigns, and shall inure to the benefit of Indemnitee and Indemnitee's estate, heirs, legal representatives, and assigns.

12. ATTORNEYS' FEES. In the event that any action is instituted by Indemnitee under this Agreement to enforce or interpret any of the terms hereof, Indemnitee shall be entitled to be paid all court costs and expenses, including reasonable attorneys' fees, incurred by Indemnitee with respect to such action, unless as a part of such action, the court of competent jurisdiction determines that each of the material assertions made by Indemnitee as a basis for such action were not made in good faith or were frivolous. In the event of an action instituted by or in the name of the Company under this Agreement or to enforce or interpret any of the terms of this Agreement, Indemnitee shall be entitled to be paid all court costs and expenses, including attorneys' fees, incurred by Indemnitee in defense of such action (including with respect to Indemnitee's counterclaims and cross-claims made in such action), unless as a part of such action the court determines that each of Indemnitee's material defenses to such action were made in bad faith or were frivolous.

13. NOTICES. All notices, requests, demands, and other communications under this Agreement shall be in writing and shall be deemed duly given on the third business day after the date postmarked, if sent by domestic certified or registered mail with postage prepaid, or, if delivered by other means, on the date actual notice is received. Notice to the Company shall be directed to the President of the Company. The addresses for such notice to Indemnitee is as shown on the signature page of this Agreement, or as subsequently modified by written notice.

14. CONSENT TO JURISDICTION. The Company and Indemnitee each hereby irrevocably consent to the jurisdiction of the courts of the State of Delaware for all purposes in connection with any action or proceeding that arises out of or relates to this Agreement and agree that any action instituted under this Agreement shall be brought only in the state courts of the State of Delaware.

15. GOVERNING LAW. This Agreement shall be governed by and its provisions construed in accordance with the laws of the State of Delaware, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware.

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

OFFICE DEPOT, INC.

By:________________________________

Its:________________________________

INDEMNITEE:

- ------------------------------
(signature)

- ------------------------------
(type or print name)

- ------------------------------

- ------------------------------
(address)

Exhibit 10.16

PETER J. SOLOMON COMPANY
LIMITED

330 Park Avenue
New York, NY 10023
TEL 212-936-3300
FAX 212-935-0770

August 22, 1996

Office Depot, Inc.
2200 Old Germantown Road
Delray Beach, FL 33445

Attention: Barry J. Goldstein, Executive Vice President, Chief Financial Officer and Secretary

Ladies and Gentlemen:

The purpose of this letter is to confirm the engagement of Peter J. Solomon Company Limited ("PJSC") by Office Depot, Inc. (the "Company") to render financial advisory services to the Company in connection with a possible: (i) merger of the Company (or a subsidiary of the Company) with Staples, Inc. ("Staples") (or a subsidiary of Staples); (ii) merger of the Company (or a subsidiary of the Company) and Staples (or a subsidiary of Staples) with a new company ("Newco") formed for the purpose of effecting such merger; (iii) acquisition by the Company (or a subsidiary of the Company) of Staples or all or a significant portion of the assets of Staples; (iv) sale of the Company or a significant portion of the assets of the Company to Staples (or a subsidiary of Staples); or (v) any other form of transaction which accomplishes a similar business combination between the Company and Staples (collectively, a "Transaction").

SECTION 1. SERVICES TO BE RENDERED. PJSC will perform such of the following financial advisory services as the Company may reasonably request:

(a) PJSC will familiarize itself to the extent it deems appropriate and feasible with the business, operations, properties, financial condition and prospects of the Company and, to the extent relevant, Staples, it being understood that PJSC shall, in the course of such familiarization, rely entirely upon publicly available information and such other information as may be supplied by the Company or Staples, without independent investigation;

(b) PJSC will advise and assist the Company in the course of its negotiations of any Transaction with Staples;

(c) PJSC will advise and assist management of the Company in making presentations to the Company's Board of Directors regarding any proposed Transaction;

(d) PJSC will advise the Company in the execution of and closing of a Transaction under a definitive agreement; and

(e) PJSC will render such other financial advisory services as may time to time be agreed upon by PJSC and the Company.

SECTION 2. INFORMATION PROVIDED BY THE COMPANY.

(a) The Company shall make available (and shall request that Staples make available) to PJSC all information concerning the business, assets, liabilities, operations, prospects and financial or other condition of the Company or Staples which PJSC reasonably requests in connection with the rendering of services hereunder; and

(b) The Company recognizes and confirms that PJSC (i) will use and rely primarily on the information provided by the Company and on information available from generally recognized public sources in performing the services contemplated hereby without having assumed any responsibility for independently verifying the same; (ii) does not assume responsibility for the accuracy or completeness of any such information; and (iii) will not make an appraisal of any assets of the Company or Staples. The Company confirms that any such information to be furnished by the Company when delivered will be true and correct in all material respects and will not contain any material misstatement of fact or omit to state any fact necessary to make the statements contained therein not misleading. The Company will promptly notify PJSC if the Company learns of any material inaccuracy or misstatement in, or any material omission from, any such information furnished by the Company to PJSC.

SECTION 3. FEES.

(a) As compensation for the services rendered hereunder, the Company agrees to pay PJSC (via wire transfer) a cash fee (the "Transaction Fee") equal to 0.375% of the Aggregate Consideration paid or payable in connection with a Transaction. In the event that the Company receives a fairness opinion in connection with the Transaction from any financial advisor other than PJSC, PJSC shall reduce the Transaction Fee by the amount paid by the Company for such fairness opinion up to $2.0 million. In the event that the Company hires any financial advisor in addition to PJSC in connection with the Transaction, PJSC shall reduce the Transaction Fee by the amount paid by the Company to such other financial advisor up to an amount equal to 30% of the Transaction Fee (inclusive of the $2.0 million for any fairness opinion as stipulated in the previous sentence).

Such Transaction Fee shall be contingent upon the consummation of a Transaction and shall be payable at the closing thereof, provided that compensation attributable to that part of Aggregate Consideration which is contingent upon the realization of future financial performance (e.g. an earn-out or similar provision) shall be paid by the Company to PJSC promptly upon the receipt of such Aggregate

Consideration by the Company, its shareholders or other parties. Compensation attributable to that part of Aggregate Consideration which is deferred (including without limitation any Aggregate Consideration held in escrow) shall be valued at the total stated amount of such consideration, after applying an appropriate discount thereto, which discount shall be determined in good faith by PJSC and the Company, and shall be paid by the Company at the closing of a Transaction.

For purposes hereof, the term "Aggregate Consideration" shall mean the total amount of all cash, securities, contractual arrangements and other properties paid or payable, directly or indirectly in connection with a Transaction to holders of the Company's equity securities (including, without limitation, amounts paid to holders of any warrants, stock purchase rights or convertible securities of the Company and to holders of any options or stock appreciation rights issued by the Company that are vested at or upon the consummation of the Transaction). The value of securities that are freely tradable in an established public market will be based on the average market closing prices of such securities during the five trading days ending the fifth trading day prior to the consummation of the Transaction. In the event that (i) the Company (or a subsidiary of the Company) acquires Staples or (ii) the Company (or a subsidiary of the Company) is the surviving entity in a Transaction, Aggregate Consideration will include the value of the Company's equity securities (including, without limitation, any warrants, stock purchase rights or convertible securities of the Company and any options or stock appreciation rights issued by the Company that are vested at or upon the consummation of the Transaction) based on the average market closing prices of such securities during the five trading days ending the fifth trading day prior to the consummation of the Transaction.

Aggregate Consideration shall also include, without duplication, the amount of any short-term debt and long-term debt of the Company (including the principal amount of any indebtedness for borrowed money and capitalized leases and the full amount of any off-balance sheet financings but excluding any non-interest bearing current liabilities such as accounts payable) (x) repaid or retired in connection with or in anticipation of a Transaction, (y) existing on the Company's balance sheet at the time of a Transaction (if such Transaction takes the form of a merger, consolidation or a sale of stock or partnership interests) or (z) assumed in connection with a Transaction (if such Transaction takes the form of a sale of assets). The value of securities, lease payments and other consideration that are not freely tradable or have no established public market, or if the consideration utilized consists of property other than securities, the value of such property shall be the fair market value thereof as determined in good faith by PJSC and the Company.

(b) If, following or in connection with the termination or abandonment of any proposed Transaction, the Company receives a so-called "break up," "termination," "topping" or similar fee or payment (a "Break Up Fee"), PJSC shall be entitled to a cash fee equal to no less than 70% of the lesser of (a) $10.0 million or (b) 20% of the aggregate amount of all such Break Up Fees.

SECTION 4. EXPENSES. In the event that a Transaction is not consummated and without in any way reducing or affecting the provisions of Exhibit A hereto, the Company shall reimburse PJSC for its actual and reasonable out-of-pocket expenses incurred in connection with the provision of services hereunder, the execution and delivery of this letter agreement, including, without limitation, the actual and reasonable fees and disbursements of PJSC's counsel. Out-of-pocket expenses shall include, but not be limited to, travel and lodging, data processing and communication charges, research and courier services. The Company shall promptly reimburse PJSC upon presentation of an invoice or other similar documentation.

SECTION 5. INDEMNITY. The Company agrees to the provisions of Exhibit A affixed hereto and incorporated herein by reference, which provisions shall survive the termination or expiration of this letter agreement.

SECTION 6. TERM. The term of PJSC's engagement shall extend from the date hereof until August 30, 1997 and shall continue thereafter until three months after such time as the Company or PJSC shall have notified the other in writing of the termination of this Agreement (the "Term"), provided, however, that PJSC will be entitled to its full fees under Section 3 hereof, less one-half of any fees previously paid by the Company to PJSC under this letter agreement, in the event that a Transaction is consummated with Staples at any time prior to the expiration of twelve months after such termination, or definitive agreement with respect to a Transaction is executed with Staples at any time prior to twelve months after such termination (which definitive agreement subsequently results in the consummation of a Transaction or the Company's receipt of any Break Up Fees at any time); provided, further, that the provisions of Sections 4 through 7 and Exhibit A hereto shall survive any such termination.

SECTION 7. MISCELLANEOUS.

(a) PJSC acknowledges that the Company shall have no obligation to enter into any Transaction and shall have the right to reject any Transaction or to terminate negotiations with respect to any Transaction at any time.

(b) Except as contemplated by the terms hereof or as required by applicable law, PJSC shall keep confidential all non-public information provided to it by the Company, and shall not disclose such information to any third party, other than in confidence to such of its directors, officers, employees, counsel and advisors as PJSC determines to have a need to know in order to render services hereunder.

(c) Except as required by applicable law, any advice to be provided by PJSC under this letter agreement shall not be disclosed publicly or made available to third parties without the prior written approval of PJSC.

(d) The Company agrees that PJSC shall have the right after completion of a Transaction to place advertisements in financial and other newspapers and journals at its own expense describing its services hereunder.

(e) This letter agreement may not be amended or modified except by a writing executed by each of the parties and shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to the conflicts of law principles thereof, and the provisions hereof, including without limitation, the obligation to make the payments set forth in Section 3 above shall be binding on the Company and its successors and assigns.

(f) Any lawsuits with respect to, in connection with or arising out of this letter agreement shall be brought in a court for the Southern District of New York and the parties hereto consent to the jurisdiction and venue of such court for the Southern District as the sole and exclusive forum, unless such court is unavailable, for the resolution of claims by the parties arising under or relating to this Agreement. The parties hereto further agree that proper service of process on a party may be made on any agent designated by such party located in the State of New York.

(g) To the extent permitted by applicable law, each party hereby waives trial by jury in any lawsuit with respect to, in connection with or arising out of this letter agreement, or any other claim or dispute relating to the engagement of PJSC arising between the parties hereto. Each party hereto confirms that the foregoing waivers are informed and freely made.

(h) The relationship of PJSC to the Company hereunder shall be that of an independent contractor and PJSC shall no authority to bind, represent or otherwise act as agent for the Company.

* * *

If the foregoing correctly sets forth the understanding and agreement between PJSC and the Company, please so indicate by signing the enclosed copy of this letter, whereupon it shall become a binding agreement between the parties hereto as of the date first above written.

Very truly yours,

PETER J. SOLOMON COMPANY LIMITED

By: /s/ Peter J. Solomon

Peter J. Solomon, Chairman

Accepted and Agreed to as of
the day first written above:

OFFICE DEPOT, INC.

By: /s/ Barry J. Goldstein
- ---------------------------
Barry J. Goldstein,
Executive Vice President,
Chief Financial Officer and Secretary

EXHIBIT A

(a) The Company shall indemnify and hold harmless PJSC and its affiliates and the respective directors, officers, controlling persons, agents and employees of each of the foregoing (PJSC and all of such other persons being collectively, "Indemnified Parties"), from and against any losses, claims, damages, judgments, investigation costs, settlement costs, fines, penalties, liabilities, arbitration awards and expenses, including its reasonable attorneys' fees and disbursements (collectively, "Losses"), arising out of or resulting from any actions, suits, claims, arbitrations, investigations (whether formal or informal) or administrative or other proceedings, or threats thereof (collectively "Actions"), brought or made against any such Indemnified Party by any person or entity arising under or in connection with the rendering of services by PJSC hereunder. The Company shall not be liable under the foregoing indemnification provision (i) to an Indemnified Party if it is finally judicially determined by a court of competent jurisdiction that such Losses arose primarily out of the gross negligence, bad faith or fraud of such Indemnified Party (a "Wrongdoer") or (ii) to any Indemnified Party if, and only to the extent, it is finally and judicially determined by a court of competent jurisdiction that the Losses sustained by such Indemnified Party (a "Liable Party") arise primarily out of the gross negligence, bad faith or fraud of PJSC.

(b) The Company shall promptly pay or reimburse each Indemnified Party for any legal or other expenses reasonably incurred in any Action, as and when incurred; PROVIDED, HOWEVER, that each Indemnified Party which is determined to be a Wrongdoer and, if PJSC has been determined to be a Wrongdoer, each Liable Party (to the extent that its Losses arise primarily out of the gross negligence, bad faith or fraud of PJSC) will promptly remit to the Company any amount theretofore paid or reimbursed under this clause (b).

The Company agrees that the provisions of this Exhibit A shall apply whether or not any Indemnified Party is a formal party to any such Action and that the Company will not settle or resolve any such Action unless it obtains the written consent of such Indemnified Party, which consent will not be unreasonably withheld. The Company shall, if requested by PJSC, assume the defense of any such Action, including the employment of counsel reasonably satisfactory to PJSC. Any Indemnified Party shall have the right to employ separate counsel and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of the Indemnified Party unless such Indemnified Party shall have been advised by counsel in writing that there may be one or more legal defenses available to it but are different from or in addition to those available to the Company. The Company shall not be liable for any settlement of any Action effected without the written consent of the Company which shall not be unreasonably withheld.

The Company agrees that if any right of any Indemnified Party set forth in the preceding paragraphs is finally judicially determined to be unenforceable as a matter of law then the Company shall contribute to such Losses (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and its shareholders, on the one hand, and such Indemnified Party, on the other hand, in connection with the transactions contemplated hereby, and (ii) if (and only if) the allocation provided in clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) but also the relative fault of the Company and the Indemnified Parties; provided, however, that in no event shall the amount, if any, to be contributed by all Indemnified Parties exceed the amount of the fees actually received by PJSC hereunder.

The rights of the Indemnified Parties hereunder shall be in addition to any other rights that any Indemnified Party may have at common law, by statute or otherwise.

EXHIBIT 21.1

LIST OF THE COMPANY'S SUBSIDIARIES

NAME	JURISDICTION OF INCORPORATION
Eastman, Inc	Delaware
Eastman Office Products Corporation	Delaware
ODI, Inc	Delaware
OD International, Inc	Delaware
Office Town, Inc	Puerto Rico
The Canadian Office Depot, Inc	British Columbia, Canada
The Office Club, Inc	California
Southern Terminals, Inc	North Carolina
Carolina Rail Service, Inc	North Carolina
Con Eng Coal, Inc	Pennsylvania
OD Commercial, Inc	Delaware
ODO, Inc	Florida
ODNV, Inc	Nevada
ODHC, Inc	Delaware
MG Realty, Inc	California
OD France L.L.C	Delaware
Office Club (Thai) Co., Ltd	Thailand
Japan Office Supplies, L.L.C	Delaware
Office Depot Japan Co., Ltd	Japan
Office Depot (Israel), Ltd	Israel
Office Depot France, S.A.S	France
Office Depot de Mexico, S.A. de C.V	Mexico

EXHIBIT 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statements No. 33-31743, No. 33-62781 and No. 33-62801 of Office Depot, Inc. on Forms S-8 and in Registration Statement No. 333-15853 of Office Depot, Inc. on Form S-4 of our report dated February 25, 1997 (March 10, 1997 as to Note B) appearing in the Annual Report on Form 10-K of Office Depot, Inc. for the year ended December 28, 1996.

/s/ Deloitte & Touche

DELOITTE & TOUCHE LLP
Certified Public Accountants

Fort Lauderdale, Florida
March 27, 1997

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF OFFICE DEPOT, INC. FOR THE YEAR ENDED DECEMBER 28, 1996, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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YEAR
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DEC-31-1995
DEC-28-1996
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