UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 25, 2021

or

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

For the transition period from ____ to ____

Commission File Number 1-10948

The ODP Corporation
(Exact Name of Registrant as Specified in its Charter)

Delaware	**85-1457062**
(State or Other Jurisdiction of Incorporation or Organization)	**(IRS Employer Identification No.)**
6600 North Military Trail, Boca Raton, Florida	**33496**
(Address of Principal Executive Offices)	**(Zip Code)**

(561) 438-4800
(Registrant's Telephone Number, Including Area Code)

(Former Name, Former Address and Former Fiscal Year, If Changed Since Last Report)

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on which Registered
Common Stock, par value $0.01 per share	**ODP**	**The NASDAQ Stock Market (NASDAQ Global Select Market)**

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐	Non-accelerated filer	☐
Smaller reporting company	☐	Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒
The number of shares outstanding of the registrant's common stock, as of the latest practicable date: At October 27, 2021, there were 51,573,323 outstanding shares of The ODP Corporation Common Stock, $0.01 par value.

TABLE OF CONTENTS

The order and presentation of this Quarterly Report on Form 10-Q differ from that of the traditional U.S. Securities and Exchange Commission ("SEC") Form 10-Q format. We believe that our format better presents the relevant sections of this document and enhances readability. See "Form 10-Q Cross-Reference Index" within Other Information for a cross-reference index to the traditional SEC Form 10-Q format.

THE ODP CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share amounts)
(Unaudited)

	13 Weeks Ended		39 Weeks Ended	
	September 25, 2021	September 26, 2020	**September 25, 2021**	September 26, 2020
Sales:				
Products	**$ 1,993**	$ 2,166	**$ 5,890**	$ 6,238
Services	**186**	181	**533**	549
Total sales	**2,179**	2,347	**6,423**	6,787
Cost of goods and occupancy costs:				
Products	**1,560**	1,688	**4,660**	4,935
Services	**115**	112	**332**	351
Total cost of goods and occupancy costs	**1,675**	1,800	**4,992**	5,286
Gross profit	**504**	547	**1,431**	1,501
Selling, general and administrative expenses	**382**	411	**1,173**	1,251
Asset impairments	**5**	10	**18**	175
Merger, restructuring and other operating expenses, net	**13**	24	**37**	89
Operating income (loss)	**104**	102	**203**	(14)
Other income (expense):				
Interest income	**—**	—	**—**	3
Interest expense	**(7)**	(6)	**(20)**	(34)
Loss on extinguishment and modification of debt	**—**	—	**—**	(12)
Other income, net	**3**	2	**19**	5
Income (loss) from continuing operations before income taxes	**100**	98	**202**	(52)
Income tax expense	**27**	64	**47**	42
Net income (loss) from continuing operations	**73**	34	**155**	(94)
Discontinued operations, net of tax	**28**	23	**(89)**	(243)
Net income (loss)	**$ 101**	$ 57	**$ 66**	$ (337)
Basic earnings (loss) per share				
Continuing operations	**$ 1.38**	$ 0.64	**$ 2.89**	$ (1.78)
Discontinued operations	**0.54**	0.43	**(1.65)**	(4.62)
Net basic earnings (loss) per share	**$ 1.92**	$ 1.07	**$ 1.24**	$ (6.40)
Diluted earnings (loss) per share				
Continuing operations	**$ 1.33**	$ 0.63	**$ 2.79**	$ (1.78)
Discontinued operations	**0.52**	0.41	**(1.60)**	(4.62)
Net diluted earnings (loss) per share	**$ 1.85**	$ 1.04	**$ 1.19**	$ (6.40)

This report should be read in conjunction with the Notes to Condensed Consolidated Financial Statements herein and the Notes to Consolidated Financial Statements in The ODP Corporation Annual Report on Form 10-K filed on February 24, 2021 (the "2020 Form 10-K").

THE ODP CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In millions)
(Unaudited)

	13 Weeks Ended		39 Weeks Ended	
	September 25, 2021	September 26, 2020	**September 25, 2021**	September 26, 2020
Net income (loss)	**$ 101**	$ 57	**$ 66**	$ (337)
Other comprehensive income (loss), net of tax, where applicable:				
Foreign currency translation adjustments	**(8)**	9	**1**	(19)
Other	**—**	—	**1**	(1)
Total other comprehensive income (loss), net of tax, where applicable	**(8)**	9	**2**	(20)
Comprehensive income (loss)	**$ 93**	$ 66	**$ 68**	$ (357)

This report should be read in conjunction with the Notes to Condensed Consolidated Financial Statements herein and the Notes to Consolidated Financial Statements in the 2020 Form 10-K.

THE ODP CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions, except share and per share amounts)

	September 25, 2021 (Unaudited)	December 26, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 753**	$ 729
Receivables, net	**482**	442
Inventories	**841**	916
Prepaid expenses and other current assets	**56**	49
Current assets held for sale	**744**	219
Total current assets	**2,876**	2,355
Property and equipment, net	**492**	542
Operating lease right-of-use assets	**948**	1,107
Goodwill	**462**	394
Other intangible assets, net	**57**	57
Deferred income taxes	**213**	218
Other assets	**303**	319
Noncurrent assets held for sale	**—**	622
Total assets	**$ 5,351**	$ 5,614
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	**$ 863**	$ 857
Accrued expenses and other current liabilities	**1,020**	1,050
Income taxes payable	**6**	10
Short-term borrowings and current maturities of long-term debt	**20**	24
Current liabilities held for sale	**272**	152
Total current liabilities	**2,181**	2,093
Deferred income taxes and other long-term liabilities	**169**	172
Pension and postretirement obligations, net	**33**	42
Long-term debt, net of current maturities	**333**	354
Operating lease liabilities	**773**	935
Noncurrent liabilities held for sale	**—**	138
Total liabilities	**3,489**	3,734
Commitments and contingencies		
Stockholders' equity:		
Common stock — authorized 80,000,000 shares of $0.01 par value; issued shares — 64,699,340 at September 25, 2021 and 62,551,255 at December 26, 2020; outstanding shares — 52,134,592 at September 25, 2021 and 52,694,062 at December 26, 2020	**1**	1
Additional paid-in capital	**2,711**	2,675
Accumulated other comprehensive loss	**(30)**	(32)
Accumulated deficit	**(343)**	(409)
Treasury stock, at cost — 12,564,748 shares at September 25, 2021 and 9,857,193 shares at December 26, 2020	**(477)**	(355)
Total stockholders' equity	**1,862**	1,880
Total liabilities and stockholders' equity	**$ 5,351**	$ 5,614

This report should be read in conjunction with the Notes to Condensed Consolidated Financial Statements herein and the Notes to Consolidated Financial Statements in the 2020 Form 10-K.

THE ODP CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	39 Weeks Ended	
	September 25, 2021	September 26, 2020
Cash flows from operating activities:		
Net income (loss)	**$ 66**	$ (337)
Loss from discontinued operations, net of tax	**(89)**	(243)
Net income (loss) from continuing operations	**155**	(94)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	**110**	119
Charges for losses on receivables and inventories	**17**	26
Asset impairments	**18**	175
(Gain) loss on disposition of assets, net	**(3)**	5
Loss on extinguishment and modification of debt	**—**	12
Compensation expense for share-based payments	**26**	28
Deferred income taxes and deferred tax asset valuation allowances	**5**	11
Changes in working capital and other operating activities	**(72)**	128
Net cash provided by operating activities of continuing operations	**256**	410
Net cash provided by (used in) operating activities of discontinued operations	**(10)**	79
Net cash provided by operating activities	**246**	489
Cash flows from investing activities:		
Capital expenditures	**(47)**	(49)
Businesses acquired, net of cash acquired	**(29)**	(28)
Proceeds from collection of notes receivable	**—**	818
Proceeds from disposition of assets	**4**	1
Settlement of company-owned life insurance policies	**21**	9
Net cash provided by (used in) investing activities of continuing operations	**(51)**	751
Net cash used in investing activities of discontinued operations	**(3)**	(5)
Net cash provided by (used in) investing activities	**(54)**	746
Cash flows from financing activities:		
Net payments on long and short-term borrowings	**(20)**	(337)
Debt retirement	**—**	(1,196)
Debt issuance	**—**	400
Cash dividends on common stock	**—**	(13)
Share purchases for taxes, net of proceeds from employee share-based transactions	**(25)**	(5)
Repurchase of common stock for treasury	**(122)**	(30)
Other financing activities	**(1)**	(7)
Net cash used in financing activities of continuing operations	**(168)**	(1,188)
Net cash used in financing activities of discontinued operations	**—**	—
Net cash used in financing activities	**(168)**	(1,188)
Effect of exchange rate changes on cash and cash equivalents	**—**	(4)
Net increase in cash and cash equivalents	**24**	43
Cash, cash equivalents and restricted cash at beginning of period	**729**	700
Cash and cash equivalents at end of period – continuing operations	**$ 753**	$ 743
Supplemental information on non-cash investing and financing activities		
Right-of-use assets obtained in exchange for new finance lease liabilities	**$ 3**	$ 22
Right-of-use assets obtained in exchange for new operating lease liabilities	**69**	85
Business acquired in exchange for common stock issuance	**35**	—

This report should be read in conjunction with the Notes to Condensed Consolidated Financial Statements herein and the Notes to Consolidated Financial Statements in the 2020 Form 10-K.

THE ODP CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In millions, except share and per share amounts)
(Unaudited)

	39 Weeks Ended September 25, 2021						
	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Treasury Stock	Total Equity
Balance at December 26, 2020	62,551,255	$ 1	$ 2,675	$ (32)	$ (409)	$ (355)	$ 1,880
Net income	—	—	—	—	53	—	53
Other comprehensive income	—	—	—	5	—	—	5
Exercise and release of incentive stock (including income tax benefits and withholding)	1,225,876	—	(23)	—	—	—	(23)
Amortization of long-term incentive stock grants	—	—	10	—	—	—	10
Common stock issuance related to the BuyerQuest acquisition	827,498	—	35	—	—	—	35
Balance at March 27, 2021	64,604,629	$ 1	$ 2,697	$ (27)	$ (356)	$ (355)	$ 1,960
Net loss	—	—	—	—	(88)	—	(88)
Other comprehensive income	—	—	—	5	—	—	5
Exercise and release of incentive stock (including income tax benefits and withholding)	18,767	—	—	—	—	—	—
Amortization of long-term incentive stock grants	—	—	10	—	—	—	10
Repurchase of common stock	—	—	—	—	—	(46)	(46)
Balance at June 26, 2021	64,623,396	$ 1	$ 2,707	$ (22)	$ (444)	$ (401)	$ 1,841
Net income	—	—	—	—	101	—	101
Other comprehensive loss	—	—	—	(8)	—	—	(8)
Exercise and release of incentive stock (including income tax benefits and withholding)	75,944	—	(2)	—	—	—	(2)
Amortization of long-term incentive stock grants	—	—	6	—	—	—	6
Repurchase of common stock	—	—	—	—	—	(76)	(76)
Balance at September 25, 2021	64,699,340	$ 1	$ 2,711	$ (30)	$ (343)	$ (477)	$ 1,862

This report should be read in conjunction with the Notes to Condensed Consolidated Financial Statements herein and the Notes to Consolidated Financial Statements in the 2020 Form 10-K.

THE ODP CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In millions, except share and per share amounts)
(Unaudited) – (Continued)

	39 Weeks Ended September 26, 2020						
	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Treasury Stock	Total Equity
Balance at December 28, 2019	62,042,477	$ 1	$ 2,652	$ (66)	$ (89)	$ (325)	$ 2,173
Net income	—	—	—	—	45	—	45
Other comprehensive loss	—	—	—	(42)	—	—	(42)
Exercise and release of incentive stock (including income tax benefits and withholding)	426,591	—	(4)	—	—	—	(4)
Amortization of long-term incentive stock grants	—	—	7	—	—	—	7
Dividends paid on common stock ($0.25 per share)	—	—	(13)	—	—	—	(13)
Repurchase of common stock	—	—	—	—	—	(30)	(30)
Adjustment for adoption of accounting standard	—	—	—	—	(1)	—	(1)
Balance at March 28, 2020	62,469,068	$ 1	$ 2,642	$ (108)	$ (45)	$ (355)	$ 2,135
Net loss	—	—	—	—	(439)	—	(439)
Other comprehensive income	—	—	—	13	—	—	13
Exercise and release of incentive stock (including income tax benefits and withholding)	45,478	—	(1)	—	—	—	(1)
Amortization of long-term incentive stock grants	—	—	9	—	—	—	9
Balance at June 27, 2020	62,514,546	$ 1	$ 2,650	$ (95)	$ (484)	$ (355)	$ 1,717
Net income	—	—	—	—	57	—	57
Other comprehensive income	—	—	—	9	—	—	9
Exercise and release of incentive stock (including income tax benefits and withholding)	14,408	—	—	—	—	—	—
Amortization of long-term incentive stock grants	—	—	12	—	—	—	12
Balance at September 26, 2020	62,528,954	$ 1	$ 2,662	$ (86)	$ (427)	$ (355)	$ 1,795

This report should be read in conjunction with the Notes to Condensed Consolidated Financial Statements herein and the Notes to Consolidated Financial Statements in the 2020 Form 10-K.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The ODP Corporation, including its consolidated subsidiaries ("ODP" or the "Company"), is a leading provider of business services and supplies, products and digital workspace technology solutions to small, medium-sized and enterprise businesses. The Company operates through its direct and indirect subsidiaries and maintains a fully integrated business-to-business ("B2B") distribution platform of thousands of dedicated sales and technology service professionals, online presence and 1,084 retail stores, all supported by supply chain facility and delivery operations. Through its banner brands Office Depot®, OfficeMax® and Grand & Toy®, as well as others, the Company offers its customers the tools and resources they need to focus on starting, growing and running their business. The Company's corporate headquarters is located in Boca Raton, FL, and its primary website is www.officedepot.com.

At September 25, 2021, the Company had two reportable segments (or "Divisions"): Business Solutions Division and Retail Division. After the end of the second quarter of 2021, the Company's Board of Directors provided their alignment with management's commitment to a plan to sell its CompuCom Division through a single disposal group. Accordingly, that business is presented as discontinued operations beginning in the third quarter of 2021. The Company has reclassified the financial results of the CompuCom Division to discontinued operations, net of tax in the Condensed Consolidated Statements of Operations for all periods presented. The Company also reclassified the related assets and liabilities as assets and liabilities held for sale on the accompanying Condensed Consolidated Balance Sheets as of September 25, 2021, and December 26, 2020. Cash flows from the Company's discontinued operations are presented in the Condensed Consolidated Statements of Cash Flows for all periods. Refer to Note 13 for additional information.

The Condensed Consolidated Financial Statements as of September 25, 2021, and for the 13-week and 39-week periods ended September 25, 2021 (also referred to as the "third quarter of 2021" and "year-to-date 2021," respectively) and September 26, 2020 (also referred to as the "third quarter of 2020" and "year-to-date 2020," respectively) are unaudited. However, in management's opinion, these Condensed Consolidated Financial Statements reflect all adjustments of a normal recurring nature necessary to provide a fair presentation of the Company's financial position, results of operations and cash flows for the periods presented. Business acquisitions in 2020 and 2021 are included prospectively from the date of acquisition, thus affecting the comparability of the Company's financial statements for all periods presented in this report on Form 10-Q.

The Company has prepared the Condensed Consolidated Financial Statements included herein pursuant to the rules and regulations of the SEC. Some information and note disclosures, which would normally be included in comprehensive annual financial statements prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), have been condensed or omitted pursuant to those SEC rules and regulations. The preparation of these Condensed Consolidated Financial Statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. For a better understanding of the Company and its Condensed Consolidated Financial Statements, the Company recommends reading these Condensed Consolidated Financial Statements in conjunction with the audited financial statements, which are included in the Company's 2020 Form 10-K. These interim results are not necessarily indicative of the results that should be expected for the full year.

PLANNED SEPARATION OF CONSUMER BUSINESS

As previously announced, in May 2021, the Company's Board of Directors unanimously approved a plan to pursue a separation of the Company into two independent, publicly traded companies. When the plan was announced, the Company expected to structure it as a tax-free spin-off of the Company's B2B related operations. Following further review, the Company determined that it should utilize the flexibility created by the holding company reorganization in 2020 to structure the separation as a tax-free spin-off of the Company's consumer business, with the Company retaining its B2B related operations (the "Separation"), as further described below. The Company believes that this modified approach will be more efficient considering that it is expected that the majority of the Company's current management team and Directors will remain with the B2B business which will continue to be owned by "The ODP Corporation." Each company is expected to have a unique and highly focused strategy and investment profile, as follows:

- ODP – a leading B2B solutions provider serving small, medium and enterprise level companies, will consist of several operating companies, including the contract sales channel of ODP's current Business Solutions Division, which will be renamed ODP Business Solutions, and ODP's newly formed B2B digital platform technology business, which has been named Varis. ODP Business Solutions and Varis will be owned by ODP, but operated as separate businesses. ODP will also continue to own the global sourcing operations and other sourcing, supply chain and logistics assets. Gerry Smith will continue to serve as CEO of The ODP Corporation following the separation; and
- Office Depot – an Office Depot branded leading provider of retail consumer and small business products and services distributed via approximately 1,100 Office Depot and OfficeMax retail locations and an eCommerce presence, officedepot.com. Kevin Moffitt, currently EVP, Chief Retail Officer of The ODP Corporation, will be appointed CEO of Office Depot upon completion of the spin-off.

The Separation is expected to allow ODP and Office Depot to pursue market opportunities and separate growth strategies, and improve value for shareholders and stakeholders. While ODP and Office Depot will be separate, independent companies, they will share commercial agreements that will allow them to continue to leverage scale benefits in such areas as product sourcing and supply chain.

The Separation is expected to occur through a tax-free stock dividend of shares of Office Depot to ODP's shareholders as of a record date to be determined by the Company's Board of Directors, after which ODP shareholders will own 100% of the equity in both of the publicly traded companies. The Separation is intended to be completed in the middle of 2022, subject to customary conditions, including final approval by the Company's Board of Directors, opinions from tax counsel and a favorable ruling by the IRS on the tax-free nature of the transaction to the Company and to its shareholders, the filing and effectiveness of a registration statement with the U.S. Securities and Exchange Commission, the approved listing of Office Depot's common stock on a national securities exchange and the completion of any necessary financings. There can be no assurances regarding the ultimate timing of the Separation or that the transaction will be completed.

In addition, beginning in the third quarter of 2021, the Company has committed to a plan to sell its CompuCom Division through a single disposal group. Refer to Note 13 for additional information.

CASH MANAGEMENT

The cash management process generally utilizes zero balance accounts which provide for the settlement of the related disbursement and cash concentration accounts on a daily basis. Amounts not yet presented for payment to zero balance disbursement accounts of $24 million and $20 million at September 25, 2021 and December 26, 2020, respectively, are presented in Trade accounts payable and Accrued expenses and other current liabilities, and $2 million and $3 million at September 25, 2021, and December 26, 2020, respectively, are presented in Current liabilities held for sale.

At September 25, 2021 and December 26, 2020, cash and cash equivalents held outside the United States amounted to $161 million and $159 million, respectively.

Restricted cash consists primarily of short-term cash deposits having original maturity dates of twelve months or less that serve as collateral to certain of the Company's letters of credit. Restricted cash is valued at cost, which approximates fair value. There was no restricted cash at both September 25, 2021 and December 26, 2020.

NEW ACCOUNTING STANDARDS

Standards that were adopted:

Defined benefit plan: In August 2018, the Financial Accounting Standards Board ("FASB") issued an accounting standards update that modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The Company adopted this accounting standards update on the first day of the first quarter of 2021 with no material impact on its Condensed Consolidated Financial Statements.

Income Taxes: In December 2019, the FASB issued an accounting standards update that simplifies the accounting for income taxes by eliminating certain exceptions to the guidance related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The accounting standards update also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The Company adopted this accounting standards update on the first day of the first quarter of 2021 with no material impact on its Condensed Consolidated Financial Statements.

NOTE 2. ACQUISITIONS

Since 2017, the Company has been undergoing a strategic business transformation to pivot into an integrated B2B distribution platform, with the objective of expanding its product offerings to include value-added services for its customers and capture greater market share. As part of this transformation, the Company is evolving its B2B business to include a new digital procurement platform focused on transforming the B2B procurement and sourcing industry. On January 29, 2021, in connection with the Company's development efforts in this area, the Company acquired BuyerQuest Holdings, Inc. ("BuyerQuest"), a business services software company with an eProcurement platform for approximately $71 million, subject to customary post-closing adjustments. The purchase consideration for BuyerQuest includes $61 million paid at closing, funded with $26 million of cash on hand and the issuance of 827,498 shares of the Company's common stock, and up to $10 million contingent consideration that will be payable over a two-year period subject to BuyerQuest meeting certain performance conditions. The current and non-current portions of this contingent consideration liability are presented in Accrued expenses and other current liabilities and Deferred income taxes and other liabilities, respectively, on the Condensed Consolidated Balance Sheets.

As part of its transformation, the Company continues to acquire profitable regional office supply distribution businesses to expand its reach and distribution network into geographic areas that were previously underserved. Year-to-date 2021, the Company acquired one small independent regional office supply distribution business for approximately $2 million funded with cash on hand, subject to customary post-closing adjustments.

The acquisitions were treated as purchases in accordance with ASC 805, Business Combinations ("ASC 805") which requires allocation of the purchase price to the estimated fair values of assets and liabilities acquired in the transactions including goodwill and other intangible assets. The Company has performed a preliminary purchase price allocation of the aggregate purchase price to the estimated fair values of assets and liabilities acquired in the transactions. The preliminary purchase price allocation for BuyerQuest includes $6 million of technology intangible assets and $67 million of goodwill. The preliminary purchase price allocation for the acquired office supply distribution business includes $1 million of goodwill. An immaterial amount of the aggregate purchase price was allocated to working capital accounts. These assets and liabilities are included in the Condensed Consolidated Balance Sheet as of September 25, 2021. As additional information is obtained about these assets and liabilities within the measurement period (not to exceed one year from the dates of acquisition), the Company will refine its estimates of fair value to allocate the purchase price. The operating results of the acquired businesses are combined with the Company's operating results subsequent to their purchase dates. The operating results of the acquired office supply distribution business are included in the Business Solutions Division, and the operating results of BuyerQuest are included in Other, as described in Note 5. Certain disclosures set forth under ASC 805, including supplemental pro forma financial information, are not disclosed because the operating results of the acquired businesses, individually and in the aggregate, are not material to the Company.

Based on new information received, the preliminary purchase price allocations of the companies acquired in 2020 have been adjusted during the respective measurement periods. These adjustments were insignificant individually and in the aggregate to the Company's Condensed Consolidated Financial Statements. The measurement periods for acquisitions completed year-to-date 2020 closed within year-to-date 2021.

Under the business combinations accounting guidance, merger and integration costs are not included as components of consideration transferred. Instead, they are accounted for as expenses in the period in which the costs are incurred. Transaction-related expenses are included in the Merger, restructuring and other operating expenses, net line in the Condensed Consolidated Statements of Operations. Refer to Note 3 for additional information about the merger, restructuring and other operating expenses incurred during the third quarter and year-to-date 2021.

NOTE 3. MERGER, RESTRUCTURING AND OTHER ACTIVITY

Since 2017, the Company has taken actions to optimize its asset base and drive operational efficiencies. These actions include acquiring profitable businesses, closing underperforming retail stores and non-strategic distribution facilities, consolidating functional activities, eliminating redundant positions and disposing of non-strategic businesses and assets. The expenses and any income recognized directly associated with these actions are included in Merger, restructuring and other operating expenses, net on a separate line in the Condensed Consolidated Statements of Operations in order to identify these activities apart from the expenses incurred to sell to and service customers. These expenses are not included in the determination of Division operating income. The table below summarizes the major components of Merger, restructuring and other operating expenses, net.

	Third Quarter		Year-to-Date	
(In millions)	**2021**	2020	**2021**	2020
Merger and transaction related expenses				
Transaction and integration	**$ (1)**	$ —	**—**	5
Total Merger and transaction related expenses	**(1)**	—	**—**	5
Restructuring expenses				
Severance	**(1)**	2	**(2)**	39
Professional fees	**—**	10	**1**	21
Facility closure, contract termination, and other expenses, net	**5**	12	**14**	24
Total Restructuring expenses, net	**4**	24	**13**	84
Other operating expenses				
Professional fees	**10**	—	**24**	—
Total Other operating expenses	**10**	—	**24**	—
Total Merger, restructuring and other operating expenses, net	**$ 13**	$ 24	**$ 37**	$ 89

MERGER AND TRANSACTION RELATED EXPENSES

In the third quarter of 2021, the Company did not incur any transaction and integration expenses. The $1 million income represents the impact of earnout adjustments on acquisitions made in prior periods. Year-to-date 2021, the Company did not incur any transaction and integration expenses. Year-to-date 2020, the Company incurred $5 million of merger and transaction related expenses. These expenses include legal, accounting, and other third-party expenses incurred in connection with acquisitions and business integration activities.

RESTRUCTURING EXPENSES

Maximize B2B Restructuring Plan

In May 2020, the Company's Board of Directors approved a restructuring plan to realign the Company's operational focus to support its "business-to-business" solutions and IT services business units and improve costs ("Maximize B2B Restructuring Plan"). Implementation of the Maximize B2B Restructuring Plan is expected to be substantially completed by the end of 2023. The Maximize B2B Restructuring Plan aims to generate savings through optimizing the Company's retail footprint, removing costs that directly support the Retail business and additional measures to implement a company-wide low-cost business model, which will then be invested in accelerating the growth of the Company's business-to-business platform. The plan is broader than restructuring programs the Company has implemented in the past and includes closing and/or consolidating retail stores and distribution facilities and the reduction of up to 13,100 employee positions by the end of 2023. The Company is evaluating the number and timing of retail store and distribution facility closures and/or consolidations. However, it is generally understood that closures will approximate the store's lease termination date. The Company closed 6 and 67 retail stores under the Maximize B2B Restructuring Plan during the third quarter and year-to-date 2021, respectively. The Company had closed 70 retail stores and two distribution facilities in 2020 under the Maximize B2B Restructuring Plan. It is anticipated that additional retail stores will be closed in 2021. Total estimated restructuring costs related to the Maximize B2B Restructuring Plan are expected to be up to $115 million, comprised of:

(a) severance costs of approximately $53 million;
(b) facility closure costs of approximately $34 million, which are mainly related to retail stores; and
(c) other costs, including contract termination costs, to facilitate the execution of the Maximize B2B Restructuring Plan of approximately $28 million.

The total costs of up to $115 million above are less than the Company's estimate of total costs for this restructuring plan when it commenced, mainly as a result of the reduction in the number of expected retail store and distribution facility closures based upon the Company's most recent evaluation of economic factors that influence expected store closures. There could be further fluctuations in the estimate of total expected costs in the future and timing of such costs as a result of an assessment of general market conditions and changes in the Company's business strategy, including the Separation described in Note 1 above. In addition, the reduction of employee positions may also be impacted as a result of fewer retail store closures and the changes in the Company's business strategy. The $115 million of total costs are expected to be incurred as cash expenditures through 2023 and funded primarily with cash on hand and cash from operations. The Company incurred $94 million in restructuring expenses to implement the Maximize B2B Restructuring Plan since its inception in 2020 and through year-to-date 2021, of which $46 million were cash expenditures. Of these amounts, $6 million of restructuring expenses and $2 million of cash expenditures were related to the CompuCom Division which is now presented in discontinued operations.

In the third quarter of 2021, the Company incurred $4 million, net, in restructuring expenses associated with the Maximize B2B Restructuring Plan, which consisted of $5 million of facility closure, contract termination and other costs, partially offset by $1 million in reversal of employee severance accruals due to changes in estimates. Year-to-date 2021, the Company incurred $13 million in restructuring expenses associated with the Maximize B2B Restructuring Plan, which consisted of $1 million in third-party professional fees, $15 million of facility closure, contract termination and other costs, partially offset by $2 million in reversal of employee severance accruals due to changes in estimates and a $1 million gain on sale of retail store assets. The facility closure costs were mainly related to retail store closure accruals and accelerated depreciation. Of these amounts, $2 million and $17 million were cash expenditures in the third quarter and year-to-date 2021, respectively.

In the third quarter of 2020, the Company incurred $17 million in restructuring expenses associated with the Maximize B2B Restructuring Plan, which consisted of $1 million in severance, $7 million in third-party professional fees, and $9 million of retail store and facility closure costs and other that were mainly related to closure accruals, gains and losses on asset dispositions, and accelerated depreciation. Of these amounts, $12 million were cash expenditures in the third quarter of 2020. Year-to-date 2020, the Company incurred $62 million in restructuring expenses associated with the Maximize B2B Restructuring Plan which consisted of $39 million in severance, $7 million in third-party professional fees, and $16 million of retail store and facility closure costs and other that were mainly related to facility closure accruals, gains and losses on asset dispositions, and accelerated depreciation. Of these amounts, $15 million were cash expenditures year-to-date 2020.

Other

Included in restructuring expense in the third quarter and year-to-date 2020 were $6 million and $19 million, respectively, of costs incurred in connection with the Business Acceleration Program. These costs included third-party professional fees, retail and facility closure costs and other costs. The Business Acceleration Program was announced in 2019 and largely concluded at the end of 2020.

OTHER OPERATING EXPENSES

USR Parent, Inc. proposals

During the first quarter of 2021, the Company received two proposals from USR Parent, Inc., the parent company of Staples Inc. and a portfolio company of Sycamore Partners, to acquire 100% of the Company's issued and outstanding stock or certain assets of the Company. After careful review and consideration of the proposals and in consultation with the Company's financial and legal advisors, the Company's Board of Directors unanimously concluded that the transactions described in the proposals were not in the best interest of the Company and its shareholders, and that there was a more compelling path forward to create value. The Company filed statements on Schedule 14D-9 with the SEC on January 19, 2021 and March 15, 2021 containing its Board of Directors' recommendation. Also, on March 31, 2021, USR Parent, Inc. publicly announced that it decided to defer the March 2021 launch of a tender offer for the Company's common stock while reserving the right to commence one in the future.

During the second quarter of 2021, the Company received a third proposal from USR Parent, Inc. to acquire the Company's consumer business, including its retail stores, and reiterated its intention to commence a tender offer if negotiations for an alternative transaction are not successful. The Company's Board of Directors is carefully reviewing the third proposal with the assistance of its financial and legal advisors to determine the course of action that it believes is in the best interests of the Company and its shareholders. The Company incurred $1 million and $4 million in third-party professional fees related to the evaluation of USR Parent, Inc.'s proposals in the third quarter and year-to-date 2021, respectively, including expenses incurred in connection with a Civil Investigative Demand ("CID") from the U.S. Federal Trade Commission ("FTC"), which is conducting an investigation of USR Parent, Inc.'s proposals.

In order to relieve the Company from the continuation of a costly and burdensome process, the FTC has agreed to defer requiring further responses from the Company unless and until USR Parent, Inc. formally launches a tender offer or the parties execute a negotiated agreement. Additionally, on May 4, 2021 the Canadian Competition Bureau (the "Bureau") advised the Company that it has determined that USR Parent, Inc.'s proposed acquisition of the Company would likely result in a substantial lessening or prevention of competition in the sale of business essentials to enterprise customers in Canada. While it is not known for certain what the Bureau would do if USR Parent, Inc. actually launches a tender offer in the future, the Bureau's determination signals that the Bureau would likely challenge the acquisition. The Company cannot be certain that USR Parent, Inc. will not commence a tender offer in the future. The Company anticipates that it will incur additional significant legal and other expenses in the future if USR Parent, Inc. pursues a tender offer.

Planned Separation of Consumer Business

In May 2021, the Company's Board of Directors unanimously approved a plan to pursue a separation of the Company into two independent, publicly traded companies, as further described in Note 1 above. The Company expects to incur significant costs in connection with the Separation, which are expected to primarily be third-party professional fees related to investment banking, accounting, legal, consulting and other similar types of services associated with the Separation transaction, as well as costs associated with the operational separation of the two companies, such as those related to human resources, brand management, real estate and IT infrastructure. Separation costs also may include the costs associated with bonuses and restricted stock grants awarded to certain employees for retention through the Separation. The Company incurred $9 million and $20 million in third-party professional fees associated with the Separation in the third quarter and year-to-date 2021, respectively, related to the Separation, and expects to continue to incur additional Separation costs in the remainder of 2021 and in 2022 until the Separation is completed. The Company currently estimates that such additional costs will exceed $100 million, although such estimate is subject to a number of assumptions and uncertainties.

MERGER, RESTRUCTURING AND OTHER ACCRUALS

The activity in the merger, restructuring and other accruals in year-to-date 2021 is presented in the table below. Certain merger, restructuring and other charges are excluded from the table because they are paid as incurred or non-cash, such as accelerated depreciation and gains and losses on asset dispositions.

(In millions)	**Balance as of December 26, 2020**	**Charges (credits) Incurred**	**Cash Payments**	**Balance as of September 25, 2021**
Termination benefits:				
Maximize B2B Restructuring Plan	27	(2)	(5)	**20**
Business Acceleration Program	2	—	(2)	**—**
Lease and contract obligations, accruals for facilities closures and other costs:				
Maximize B2B Restructuring Plan	10	9	(9)	**10**
Business Acceleration Program	1	—	(1)	**—**
Comprehensive Business Review	2	—	(1)	**1**
USR Parent, Inc. proposals	—	4	(4)	**—**
Planned separation of consumer business	—	20	(19)	**1**
Total	$ 42	$ 31	$ (41)	**$ 32**

The short-term and long-term components of these liabilities are included in Accrued expenses and other current liabilities and Deferred income taxes and other long-term liabilities, respectively, in the Condensed Consolidated Balance Sheets.

NOTE 4. REVENUE RECOGNITION

PRODUCTS AND SERVICES REVENUE

The following table provides information about disaggregated revenue from continuing operations by Division, and major products and services categories.

	Third Quarter of 2021			
(In millions)	Business Solution Division	Retail Division	Other	Total
Major products and services categories				
Products				
Supplies	$ 621	$ 388	$ 3	$ 1,012
Technology	275	373	—	648
Furniture and other	198	131	4	333
Services				
Copy and print	26	89	—	115
Technology and other	51	18	2	71
Total	$ 1,171	$ 999	$ 9	$ 2,179

	Third Quarter of 2020			
(In millions)	Business Solution Division	Retail Division	Other	Total
Major products and services categories				
Products				
Supplies	$ 632	$ 401	$ 2	$ 1,035
Technology	303	473	—	776
Furniture and other	192	163	—	355
Services				
Copy and print	22	84	—	106
Technology and other	48	26	1	75
Total	$ 1,197	$ 1,147	$ 3	$ 2,347

	Year-to-Date 2021			
(In millions)	Business Solution Division	Retail Division	Other	Total
Major products and services categories				
Products				
Supplies	$ 1,788	$ 1,048	$ 8	$ 2,844
Technology	881	1,201	1	2,083
Furniture and other	561	389	13	963
Services				
Copy and print	69	253	—	322
Technology and other	146	61	4	211
Total	$ 3,445	$ 2,952	$ 26	$ 6,423

	Year-to-Date 2020			
(In millions)	Business Solution Division	Retail Division	Other	Total
Major products and services categories				
Products				
Supplies	$ 1,934	$ 1,085	$ 9	$ 3,028
Technology	890	1,379	3	2,272
Furniture and other	514	420	4	938
Services				
Copy and print	67	247	—	314
Technology and other	149	85	1	235
Total	$ 3,554	$ 3,216	$ 17	$ 6,787

Products revenue includes the sale of:

- Supplies such as paper, writing instruments, office supplies, cleaning and breakroom items, and personal protective equipment;
- Technology related products such as toner and ink, printers, computers, tablets and accessories, and electronic storage; and
- Furniture and other products such as desks, seating, and luggage.

The Company sells its supplies, technology, furniture and other products through its Business Solutions and Retail Divisions. Customers can purchase products through the Company's call centers, electronically through its Internet websites, or through its retail stores. Revenues from supplies, technology, and furniture and other product sales are recognized when the customer obtains control of the Company's product, which occurs at a point in time, typically upon delivery to the customer.

Furniture and other products also include arrangements where customers can make special furniture interior design and installation orders that are customized to their needs. The performance obligations related to these arrangements are satisfied over time.

Services revenue includes the sale of:

- Copy and print services, including managed print and fulfillment services; and
- Technology support services offerings provided in the Company's retail stores, such as installation and repair, product subscriptions, and sales of third party software, gift cards, and warranties.

Upon the reclassification of its CompuCom Division, which provided the majority of the technology support services, as discontinued operations in the third quarter of 2021, the Company updated its service revenue groupings where technology support services are presented together with other service revenue as described above. Copy and print services, which is the largest service revenue category upon the classification of the CompuCom Division to discontinued operations, is presented separately. Substantially all of the Company's service offerings are satisfied at a point in time and revenue is recognized as such. The largest other service offering is copy and print services, which includes printing, copying, and digital imaging. The majority of copy and print services are fulfilled through retail stores and the related performance obligations are satisfied within a short period of time (generally within the same day).

REVENUE RECOGNITION AND SIGNIFICANT JUDGMENTS

Revenue is recognized upon transfer of control of promised products or services to customers for an amount that reflects the consideration the Company is entitled to receive in exchange for those products or services. For product sales, transfer of control occurs at a point in time, typically upon delivery to the customer. For service offerings, the transfer of control and satisfaction of the performance obligation is either over time or at a point in time. When performance obligations are satisfied over time, the Company evaluates the pattern of delivery and progress each reporting period and, if necessary, adjusts the measure of performance and related revenue recognition. Revenue is recognized net of allowance for returns and net of any taxes collected from customers, which are subsequently remitted to governmental authorities. Shipping and handling costs are considered fulfillment activities and are recognized within the Company's cost of goods sold.

Contracts with customers could include promises to transfer multiple products and services to a customer. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. Determining the standalone selling price also requires judgment. The Company did not have significant revenues generated from such contracts year-to-date 2021 and year-to-date 2020.

Products are generally sold with a right of return and the Company may provide other incentives, such as rebates and coupons, which are accounted for as variable consideration when estimating the amount of revenue to recognize. The Company estimates returns and incentives at contract inception and includes the amount in the transaction price for which significant reversal is not probable. These estimates are updated at the end of each reporting period as additional information becomes available.

The Company offers a customer loyalty program that provides customers with rewards that can be applied to future purchases or other incentives. Loyalty rewards are accounted for as a separate performance obligation and deferred revenue is recorded in the amount of the transaction price allocated to the rewards, inclusive of the impact of estimated breakage. The estimated breakage of loyalty rewards is based on historical redemption rates experienced under the loyalty program. Revenue is recognized when the loyalty rewards are redeemed or expire. As of September 25, 2021 and December 26, 2020, the Company had $13 million and $12 million of deferred revenue related to the loyalty program, respectively, which is included in Accrued expenses and other current liabilities in the Condensed Consolidated Balance Sheets.

The Company recognizes revenue in certain circumstances before product delivery occurs (commonly referred to as bill-and-hold transactions). Revenue from bill-and-hold transactions is recognized when all specific requirements for transfer of control under a bill-and-hold arrangement have been met which include, among other things, a request from the customer that the product be held for future scheduled delivery. For these bill-and-hold arrangements, the associated product inventory is identified separately as belonging to the customer and is ready for physical transfer.

CONTRACT BALANCES

The timing of revenue recognition may differ from the timing of invoicing to customers. A receivable is recognized in the period the Company delivers goods or provides services, and is recorded at the invoiced amount, net of an allowance for doubtful accounts. A receivable is also recognized for unbilled services where the Company's right to consideration is unconditional, and is recorded based on an estimate of time and materials. Payment terms and conditions vary by contract type, although terms generally include a requirement of payment within 20 to 60 days. In instances where the timing of revenue recognition differs from the timing of invoicing, the Company has determined that the contracts do not include a significant financing component. The primary purpose of the Company's invoicing terms is to provide customers with simplified and predictable ways of purchasing its products and services.

The Company receives payments from customers based upon contractual billing schedules. Contract assets include amounts related to deferred contract acquisition costs (refer to the section "Costs to Obtain a Contract" below) and if applicable, the Company's conditional right to consideration for completed performance under a contract. The short- and long-term components of contract assets in the table below are included in Prepaid expenses and other current assets, and Other assets, respectively, in the Condensed Consolidated Balance Sheets. Contract liabilities include payments received in advance of performance under the contract, which are recognized as revenue when the performance obligation is completed under the contract, as well as accrued contract acquisition costs, liabilities related to the Company's loyalty program and gift cards. The short- and long-term components of contract liabilities in the table below are included in Accrued expenses and other current liabilities, and Deferred income taxes and other long-term liabilities, respectively, in the Condensed Consolidated Balance Sheets.

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

(In millions)	September 25, 2021	December 26, 2020
Trade receivables, net	$ 367	$ 325
Short-term contract assets	17	15
Long-term contract assets	10	15
Short-term contract liabilities	52	50
Long-term contract liabilities	2	4

Year-to-date 2021 and year-to-date 2020, the Company did not have any contract assets related to conditional rights. The Company recognized revenues of $23 million and $19 million in year-to-date 2021 and year-to-date 2020, respectively, which were included in the short-term contract liability balance at the beginning of each respective period. The Company recognized no contract assets and $2 million of contract liabilities in year-to-date of 2021 as a result of business combinations. There were no contract assets and liabilities that were recognized in year-to-date 2020 as a result of business combinations. There were no significant adjustments to revenue from performance obligations satisfied in previous periods and there were no contract assets recognized at the beginning of each respective period that transferred to receivables in year-to-date 2021 and year-to-date 2020. Included in the table above are short- and long-term contract assets of $1 million and $2 million as of September 25, 2021, respectively, and $1 million and $2 million as of December 26, 2020, respectively, related to CompuCom, which are presented as part of assets held for sale on the Condensed Consolidated Balance Sheets. Also included in the table above are short- and long-term contract liabilities of $11 million and $2 million as of September 25, 2021, respectively, and $9 million and $4 million as of December 26, 2020, respectively, related to CompuCom, which are presented as part of liabilities held for sale on the Condensed Consolidated Balance Sheets.

A majority of the purchase orders and statements of work related to contracts with customers require delivery of the product or service within one year or less. For certain service contracts that exceed one year, the Company recognizes revenue at the amount to which it has the right to invoice for services performed. Accordingly, the Company has applied the optional exemption provided by the current revenue recognition standard relating to unsatisfied performance obligations and does not disclose the value of unsatisfied performance obligations for its contracts.

COSTS TO OBTAIN A CONTRACT

The Company recognizes an asset for the incremental costs of obtaining a contract with a customer if it expects the benefit of those costs to be longer than one year. The Company has determined that certain rebate incentive programs meet the requirements to be capitalized. These costs are periodically reviewed for impairment, and are amortized on a straight-line basis over the expected period of benefit. As of September 25, 2021 and December 26, 2020, short-term contract assets and long-term contract assets in the table above represent capitalized acquisition costs. In the third quarter and year-to-date 2021, amortization expenses were $7 million and $19 million, respectively. In the third quarter and year-to-date 2020, amortization expenses were $7 million and $22 million, respectively. The Company had no asset impairment charges related to contract assets in the periods presented herein. There is uncertainty regarding the impacts of COVID-19, the novel coronavirus disease that was declared a pandemic by the World Health Organization on March 11, 2020, on the global and national economies, which could negatively affect the Company's customers and result in future impairments of contract assets.

NOTE 5. SEGMENT INFORMATION

At September 25, 2021, the Company had two reportable segments: Business Solutions Division and Retail Division. The Business Solutions Division sells nationally branded as well as the Company's private branded office supply and adjacency products and services to customers in the United States, Puerto Rico, the U.S. Virgin Islands, and Canada. Business Solutions Division customers are served through a dedicated sales force, catalogs, telesales, and electronically through the Company's Internet websites. The Retail Division includes a chain of retail stores in the United States, Puerto Rico and the U.S. Virgin Islands, which sell office supplies, technology products and solutions, business machines and related supplies, cleaning, breakroom and facilities products, personal protective equipment, and office furniture as well as offer business services including copying, printing, digital imaging, mailing, shipping and technology support services. In addition, the print needs for retail and business customers are also facilitated through the Company's regional print production centers. After the end of the second quarter of 2021, management obtained the Board of Directors' alignment and committed to a plan to sell its CompuCom Division through a single disposal group. The CompuCom disposal group has met the accounting criteria to be classified as held for sale as of June 29, 2021 and is presented as discontinued operations starting in the third quarter of 2021. Refer to Note 13 for additional information.

The retained global sourcing operations previously included in the former International Division are not significant and have been presented as Other. The operating results of BuyerQuest are not significant in the third quarter and year-to-date 2021 and are included in Other since its acquisition on January 29, 2021. Also included in Other is the elimination of intersegment revenues of $5 million and $14 million for the third quarter and year-to-date 2021, respectively, and $5 million and $12 million for the third quarter and year-to-date 2020, respectively.

The products and services offered by the Business Solutions Division and the Retail Division are similar. The Company's two operating segments are its two reportable segments. The Business Solutions Division and the Retail Division are managed separately as they represent separate channels in the way the Company serves its customers. The accounting policies for each segment are the same as those described in Note 1 of the 2020 Form 10-K. Division operating income is determined based on the measure of performance reported internally to manage the business and for resource allocation. This measure charges to the respective Divisions those expenses considered directly or closely related to their operations and allocates support costs. Certain operating expenses and credits are not allocated to the Business Solutions Division or the Retail Division, including asset impairments and merger, restructuring and other operating expenses, as well as expenses and credits retained at the Corporate level, including certain management costs and legacy pension and environmental matters. Other companies may charge more or less of these items to their segments and results may not be comparable to similarly titled measures used by other entities. In addition, the Company regularly evaluates the appropriateness of the reportable segments based on how the business is managed, including decision-making about resources allocation and assessing performance of the segments, particularly in light of organizational changes, merger and acquisition activity and changing laws and regulations. Therefore, the current reportable segments may change in the future.

The following is a summary of sales and operating income (loss) by each of the Divisions and Other, reconciled to consolidated totals.

	Sales			
	Third Quarter		Year-to-Date	
(In millions)	**2021**	2020	**2021**	2020
Business Solutions Division	**$ 1,171**	$ 1,197	**$ 3,445**	$ 3,554
Retail Division	**999**	1,147	**2,952**	3,216
Other	**9**	3	**26**	17
Total	**$ 2,179**	$ 2,347	**$ 6,423**	$ 6,787

	Division Operating Income (Loss)			
	Third Quarter		Year-to-Date	
(In millions)	**2021**	2020	**2021**	2020
Business Solutions Division	**$ 41**	$ 45	**$ 89**	$ 98
Retail Division	**107**	119	**252**	224
Other	**—**	—	**(1)**	2
Total	**$ 148**	$ 164	**$ 340**	$ 324

A reconciliation of the measure of Division operating income to Consolidated income (loss) from continuing operations before income taxes is as follows:

	Third Quarter		Year-to-Date	
(In millions)	**2021**	2020	**2021**	2020
Total Divisions operating income	**$ 148**	$ 164	**$ 340**	$ 324
Add/(subtract):				
Asset impairments	**(5)**	(10)	**(18)**	(175)
Merger, restructuring and other operating expenses, net	**(13)**	(24)	**(37)**	(89)
Unallocated expenses	**(26)**	(28)	**(82)**	(74)
Interest income	**—**	—	**—**	3
Interest expense	**(7)**	(6)	**(20)**	(34)
Loss on extinguishment and modification of debt	**—**	—	**—**	(12)
Other income, net	**3**	2	**19**	5
Income (loss) from continuing operations before income taxes	**$ 100**	$ 98	**$ 202**	$ (52)

The components of goodwill by segment are provided in the following table:

(In millions)	Business Solutions Division	Retail Division	Other	Total
Balance as of December 26, 2020	$ 316	$ 78	$ —	$ 394
Acquisitions	1	—	67	68
Balance as of September 25, 2021	**$ 317**	**$ 78**	**$ 67**	**$ 462**

Additions to goodwill relate to acquisitions made during year-to-date 2021, as well as the impact of purchase accounting adjustments associated with 2020 acquisitions. As disclosed in Note 2, these adjustments were insignificant individually and in the aggregate to the Company's Condensed Consolidated Financial Statements. Refer to Note 2 for additional information on the acquisitions made during year-to-date 2021.

Goodwill and indefinite-lived intangible assets are tested for impairment annually as of the first day of fiscal December or more frequently when events or changes in circumstances indicate that impairment may have occurred. The most recent annual impairment assessment was performed during the fourth quarter of 2020, using a quantitative assessment for all reporting units. The quantitative assessment combined the income approach and the market approach valuation methodologies and concluded that the fair value of all the Company's reporting units exceed their carrying amounts. The margin of passage for the CompuCom and Contract reporting units during this assessment were approximately 12%. The Contract reporting unit is a component of the Business Solutions Division segment. The CompuCom reporting unit is classified as discontinued operations; refer to Note 13 for further information.

During the second quarter of 2021, the Company determined that an indicator of potential impairment existed to require an interim quantitative goodwill impairment test for its CompuCom reporting unit, due to the continued macroeconomic impacts of COVID-19 on CompuCom's current and projected future results of operations as further described below. The quantitative goodwill impairment test, which combined the income approach and market approach valuation methodologies, indicated that the carrying value of the CompuCom reporting unit exceeded its fair value by $103 million. As a result, the Company recorded a partial goodwill impairment charge of $103 million in the second quarter of 2021 associated with the CompuCom reporting unit. This non-cash impairment charge is presented within the discontinued operations, net of tax line for year-to-date 2021 in the accompanying Condensed Consolidated Statements of Operations. After the impairment charge, the CompuCom reporting unit has remaining goodwill of $113 million as of September 25, 2021, which is presented within Noncurrent assets held for sale in the accompanying Condensed Consolidated Balance Sheets.

The decline in the fair value of the CompuCom reporting unit resulted from continued macroeconomic impacts of COVID-19, particularly as it relates to the disruptions to the operations of its business customers, which lowered the projected revenue growth rate and profitability level of the reporting unit. The duration of the impacts of the pandemic are expected to be longer than previously anticipated for CompuCom, which has significantly impacted the Company's expectations on timing for its customers returning back to levels of historical operations, impacting annuity-based and project-based service revenues, as well as product revenues. In addition, the Company has experienced an increase in product costs due to supply constraints, which had a negative impact on its profitability levels, and is expected to further impact future periods. The consideration of incremental risk associated with the continued uncertainty related to the pace of the economic recovery was also a factor that contributed to the decline in the fair value of the reporting unit.

The fair value estimate for the reporting unit was based on a blended analysis of the present value of future discounted cash flows and market value approach. The significant estimates used in the discounted cash flow model included the Company's weighted average cost of capital, projected cash flows and the long-term rate of growth. The assumptions were based on the actual historical performance of the reporting unit and took into account the recent and continued weakening of operating results as well as the anticipated rate of recovery, and implied risk premiums based on market prices of the Company's equity and debt as of the assessment date. Significant estimates in the market approach model included identifying similar companies with comparable business factors such as size, growth, profitability, risk and return on investment and assessing comparable revenue and earnings multiples in estimating the fair value of the reporting unit. CompuCom's tradename, which is an indefinite-lived intangible asset, was also tested for impairment using the relief from royalty method and was determined to be impaired as its carrying value exceeded its fair value by $11 million. Accordingly, the Company recorded an impairment charge of $11 million in the second quarter of 2021 related to this asset. This non-cash impairment charge is presented within the discontinued operations, net of tax line for year-to-date 2021 in the accompanying Condensed Consolidated Statements of Operations.

The Company is monitoring the performance of its Contract reporting unit. The Company's Contract reporting unit, which had also been negatively impacted by COVID-19, has experienced partial recovery as the impacts of the pandemic on its business customers have begun to recede in the second quarter of 2021. The Contract reporting units' operating performance and future outlook are in line with the Company's forecasts used in determining the fair value estimates in the most recent quantitative annual impairment test. Accordingly, there are no impairment indicators identified for this reporting unit as of September 25, 2021. The Company also did not identify indicators of impairment related to its other reporting units, which mainly serve consumers through its retail stores and eCommerce platform and have been performing in accordance with forecasts. The Company will continue to evaluate the recoverability of goodwill at the reporting unit level on an annual basis and whenever events or changes in circumstances indicate there may be a potential impairment. If the operating results of the Company's reporting units deteriorate in the future, it may cause the fair value of one or more of the reporting units to fall below their carrying amount, resulting in additional goodwill impairment charges.

NOTE 6. INCOME TAXES

During 2021 and 2020, the mix of income and losses across jurisdictions, although still applicable, has become less of a factor in influencing the Company's effective tax rates due to limited international operations and improved operating results. The Company's effective tax rates were 27% and 23% for the third quarter and year-to-date 2021, respectively, and 65% and (81)% for the third quarter and year-to-date 2020, respectively. Year-to-date 2021, the Company's effective rate was primarily impacted by the recognition of a large tax windfall associated with stock-based compensation awards year-to-date and recognition of tax benefits due to an agreement reached with the IRS related to a prior tax position. These factors, along with the impact of state taxes and the mix of income and losses across U.S. and non-U.S. jurisdictions, caused the Company's effective tax rate to differ from the statutory rate of 21%. The Company's effective tax rate in the prior period has varied considerably primarily due to the impact of goodwill impairment, state taxes, excess tax deficiencies associated with stock-based compensation awards and certain nondeductible items and the mix of income and losses across U.S. and non-U.S. jurisdictions. Changes in pretax income projections and the mix of income across jurisdictions could impact the effective tax rates in future quarters.

The Company continues to have a U.S. valuation allowance for certain U.S. federal credits and state tax attributes, which relates to deferred tax assets that require certain types of income or for income to be earned in certain jurisdictions in order to be realized. The Company will continue to assess the realizability of its deferred tax assets in the U.S. and remaining foreign jurisdictions in future periods. Changes in pretax income projections could impact this evaluation in future periods. Upon the sale of CompuCom, the Company anticipates recognizing a large capital loss. A portion of this loss is available to be carried back to several jurisdictions, primarily the U.S. federal income tax. The estimated tax benefits of these carry back claims are reflected in the discontinued operations taxes. It is anticipated that any excess capital loss will be offset by a valuation allowance until sufficient capital gain is generated to be utilized.

The Company files a U.S. federal income tax return and other income tax returns in various states and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal and state and local income tax examinations for years prior to 2019 and 2014, respectively. The acquired OfficeMax U.S. consolidated group is no longer subject to U.S. federal income tax examination, and with few exceptions, is no longer subject to U.S. state and local income tax examinations for years prior to 2013. The Company's U.S. federal income tax return for 2020 is currently under review. Generally, the Company is subject to routine examination for years 2013 and forward in its international tax jurisdictions.

It is anticipated that $1 million of tax positions will be resolved within the next 12 months. Additionally, the Company anticipates that it is reasonably possible that new issues will be raised or resolved by tax authorities that may require changes to the balance of unrecognized tax benefits; however, an estimate of such changes cannot be reasonably made.

NOTE 7. EARNINGS (LOSS) PER SHARE

The following table represents the calculation of earnings (loss) per common share – basic and diluted:

	Third Quarter		Year-to-Date	
(In millions, except per share amounts)	**2021**	2020	**2021**	2020
Basic Earnings Per Share				
Numerator:				
Net income (loss) from continuing operations	**$ 73**	$ 34	**$ 155**	$ (94)
Income (loss) from discontinued operations, net of tax	**28**	23	**(89)**	(243)
Net income (loss)	**$ 101**	$ 57	**$ 66**	$ (337)
Denominator:				
Weighted-average shares outstanding	**53**	53	**54**	53
Basic earnings (loss) per share:				
Continuing operations	**$ 1.38**	$ 0.64	**$ 2.89**	$ (1.78)
Discontinued operations	**0.54**	0.43	**(1.65)**	(4.62)
Net earnings (loss) per share	**$ 1.92**	$ 1.07	**$ 1.24**	$ (6.40)
Diluted Earnings Per Share				
Numerator:				
Net income (loss) from continuing operations	**$ 73**	$ 34	**$ 155**	$ (94)
Income (loss) from discontinued operations, net of tax	**28**	23	**(89)**	(243)
Net income (loss)	**$ 101**	$ 57	**$ 66**	$ (337)
Denominator:				
Weighted-average shares outstanding	**53**	53	**54**	53
Effect of dilutive securities:				
Stock options and restricted stock	**2**	1	**2**	—
Diluted weighted-average shares outstanding	**55**	54	**56**	53
Diluted earnings (loss) per share:				
Continuing operations	**$ 1.33**	$ 0.63	**$ 2.79**	$ (1.78)
Discontinued operations	**0.52**	0.41	**(1.60)**	(4.62)
Net diluted earnings (loss) per share	**$ 1.85**	$ 1.04	**$ 1.19**	$ (6.40)

Awards of stock options and nonvested shares representing additional shares of outstanding common stock were less than 1 million in both the third quarter and year-to-date 2021, and less than 1 million in the third quarter of 2020 and 2 million year-to-date 2020, but were not included in the computation of diluted weighted-average shares outstanding because their effect would have been antidilutive.

NOTE 8. DEBT

On April 17, 2020, the Company entered into the Third Amended and Restated Credit Agreement (the "Third Amended Credit Agreement"), which provides for a $1.2 billion asset-based revolving credit facility and a $100 million asset-based first-in, last-out term loan facility (the "FILO Term Loan Facility"), for an aggregate principal amount of up to $1.3 billion (the "New Facilities"). The New Facilities mature on April 17, 2025. The Third Amended Credit Agreement replaced the Company's then existing amended and restated credit agreement that was due to mature in May 2021.

As provided by the Third Amended Credit Agreement, available amounts that can be borrowed at any given time are based on percentages of certain outstanding accounts receivable, credit card receivables, inventory, cash value of company-owned life insurance policies, and certain specific real estate of the Company. At September 25, 2021, the Company had no revolving loans outstanding, $100 million of outstanding FILO Term Loan Facility loans, $49 million of outstanding standby letters of credit, and $953 million of available credit under the Third Amended Credit Agreement. The Company was in compliance with all applicable covenants at September 25, 2021.

NOTE 9. STOCKHOLDERS' EQUITY

Accumulated other comprehensive loss activity, net of tax, where applicable, is provided in the following table:

(In millions)	Foreign Currency Translation Adjustments	Change in Deferred Pension and Other	Total
Balance at December 26, 2020	$ (27)	$ (5)	$ (32)
Other comprehensive income activity	1	1	2
Balance at September 25, 2021	**$ (26)**	**$ (4)**	**$ (30)**

TREASURY STOCK

In May 2021, the Board of Directors approved a new stock repurchase program of up to $300 million, available through June 30, 2022, which replaced the Company's then existing $200 million stock repurchase program. The new authorization may be suspended or discontinued at any time. The exact number and timing of stock repurchases will depend on market conditions and other factors, and will be funded through available cash balances.

The Company repurchased 2 million shares of its common stock at a cost of $76 million and 3 million shares at a cost of $122 million in the third quarter and year-to-date 2021, respectively. As of September 25, 2021, $178 million remains available for stock repurchases under the current stock repurchase program. Subsequent to the end of the third quarter of 2021 and through October 27, 2021, the Company repurchased 567 thousand shares of its common stock at a cost of $24 million.

At September 25, 2021, there were 13 million shares of common stock held in treasury. The Company's Third Amended Credit Agreement permits restricted payments, such as common stock repurchases, but may be limited if the Company does not meet the required minimum liquidity or fixed charge coverage ratio requirements. Refer to Note 8 for additional information about the Company's compliance with covenants.

DIVIDENDS ON COMMON STOCK

In May 2020, in order to preserve liquidity during the COVID-19 pandemic and in light of the uncertainties as to its duration and economic impact, the Company's Board of Directors temporarily suspended the Company's quarterly cash dividend beginning in the second quarter of 2020. There was no quarterly cash dividend declared and paid in the third quarter and year-to-date 2021. The Company's quarterly cash dividend remains temporarily suspended. Prior to its temporary suspension, dividends have been recorded as a reduction to additional paid-in capital as the Company is in an accumulated deficit position. The Company's Third Amended Credit Agreement permits restricted payments, such as dividends, but may be limited if the Company does not meet the required minimum liquidity or fixed charge coverage ratio requirements. Refer to Note 8 for additional information about the Company's compliance with covenants.

NOTE 10. EMPLOYEE BENEFIT PLANS

PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS – NORTH AMERICA

The components of net periodic pension benefit for the Company's North America pension plans are as follows:

	Third Quarter		Year-to-Date	
(In millions)	**2021**	2020	**2021**	2020
Service cost	**$ —**	$ —	**$ —**	$ —
Interest cost	**5**	7	**15**	21
Expected return on plan assets	**(7)**	(8)	**(22)**	(24)
Net periodic pension benefit	**$ (2)**	$ (1)	**$ (7)**	$ (3)

The North American pension plans are in a net liability position and included in Pension and postretirement obligations, net in the Condensed Consolidated Balance Sheets at September 25, 2021 and December 26, 2020. During year-to-date 2021, $2 million of cash contributions were made to the North America pension plans. The Company does not expect to make additional cash contributions to the North America pension plans during the remainder of 2021.

PENSION PLAN – UNITED KINGDOM

The components of net periodic pension benefit for the Company's pension plan in the United Kingdom ("UK") are as follows:

	Third Quarter		Year-to-Date	
(In millions)	**2021**	2020	**2021**	2020
Service cost	**$ —**	$ —	**$ —**	$ —
Interest cost	**1**	2	**3**	4
Expected return on plan assets	**(1)**	(2)	**(4)**	(4)
Net periodic pension benefit	**$ —**	$ —	**$ (1)**	$ —

The UK pension plan is in a net asset position and included in Other assets in the Condensed Consolidated Balance Sheets at September 25, 2021 and December 26, 2020. During year-to-date 2021, cash contributions of $2 million were made to the UK pension plan. The Company is not required to make any additional cash contributions to the UK pension plan during the remainder of 2021.

Net periodic pension benefits for the North America and UK pension plans and other postretirement benefit plans (the "Plans") are recorded at the Corporate level. The service cost for the Plans are reflected in Selling, general and administrative expenses, and the other components of net periodic pension benefits are reflected in Other income, net, in the Condensed Consolidated Statements of Operations.

NOTE 11. FAIR VALUE MEASUREMENTS

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

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

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

RECURRING FAIR VALUE MEASUREMENTS

In accordance with GAAP, certain assets and liabilities are required to be recorded at fair value on a recurring basis. The Company's assets and liabilities that are adjusted to fair value on a recurring basis are money market funds that qualify as cash equivalents, and derivative financial instruments, which may be entered into to mitigate risks associated with changes in foreign currency exchange rates, fuel and other commodity prices and interest rates. Amounts associated with derivative instruments were not significant.

NONRECURRING FAIR VALUE MEASUREMENTS

In addition to assets and liabilities that are recorded at fair value on a recurring basis, the Company records certain assets and liabilities at fair value on a nonrecurring basis as required by GAAP. Generally, assets are recorded at fair value on a nonrecurring basis as a result of impairment charges. In the third quarter and year-to-date 2021, the Company recognized asset impairment charges of $5 million and $18 million, respectively, which included $4 million and $15 million, respectively, related to impairment of operating lease right-of-use ("ROU") assets associated with the Company's retail store locations, and the remainder was related to impairment of fixed assets. In the third quarter and year-to-date 2020, the Company recognized asset impairment charges of $10 million and $175 million, respectively. Of the asset impairment charges in the third quarter of 2020, $7 million was related to the impairment of ROU assets associated with the Company's retail store locations, and the remainder related to impairment of fixed assets. Of the asset impairment charges year-to-date 2020, $115 million was related to the impairment of goodwill in the Contract reporting unit, $42 million was related to impairment of operating lease ROU assets associated with the Company's retail store locations, and the remainder was related to impairment of fixed assets and a cost method investment. All impairment charges discussed in the sections below are presented in Asset impairments in the Condensed Consolidated Statements of Operations.

The Company regularly reviews retail store assets for impairment indicators at the individual store level, as this represents the lowest level of identifiable cash flows. When indicators of impairment are present, a recoverability analysis is performed which considers the estimated undiscounted cash flows over the retail store's remaining life and uses input from retail operations and accounting and finance personnel. These inputs include management's best estimates of retail store-level sales, gross margins, direct expenses, exercise of future lease renewal options when reasonably certain to be exercised, and resulting cash flows that can naturally include judgments about how current initiatives will impact future performance. The assumptions used within the recoverability analysis for the retail stores were updated to consider current quarter retail store operational results and formal plans for future retail store closures as part of the Company's restructuring programs, including the probability of closure at the retail store level. While it is generally understood that closures will approximate the store's lease termination date, it is possible that changes in store performance or other conditions could result in future changes in assumptions utilized. These assumptions reflected declining sales over the forecast period, and gross margin and operating cost assumptions that are consistent with recent actual results and consider plans for future initiatives. The Company also analyzed the impact of the COVID-19 pandemic on store asset recoverability. Due to the nature of products sold, the retail stores were considered to be essential by most local jurisdictions and as a result, the substantial majority of these retail stores have remained open and operational with the appropriate safety measures in place since the beginning of the COVID-19 outbreak, including a curbside pickup option. Since late in the first quarter of 2020, the Company has temporarily reduced retail location hours by two hours daily, which continues to be in effect at the majority of its retail locations. The Company's recoverability assessment included evaluating the impact of these developments.

If the undiscounted cash flows of a retail store cannot support the carrying amount of its assets, the assets are impaired if necessary and written down to estimated fair value. The fair value of retail store assets is determined using a discounted cash flow analysis which uses Level 2 unobservable inputs that are corroborated by market data such as independent real estate valuation opinions. Specifically, the analysis uses assumptions of potential rental rates for each retail store location which are based on market data for comparable locations. These estimated cash flows used in the third quarter and year-to-date 2021 impairment calculation were discounted at a weighted average discount rate of 7%.

The Company will continue to evaluate initiatives to improve performance and lower operating costs. There is uncertainty regarding the impact of the COVID-19 pandemic on the future results of operations, including the forecast period used in the recoverability analysis. To the extent that forward-looking sales and operating assumptions are not achieved and are subsequently reduced, additional impairment charges may result. However, at the end of the third quarter of 2021, the impairment recognized reflects the Company's best estimate of future performance.

In addition to its retail store assets, the Company also regularly evaluates whether there are impairment indicators associated with its other long-lived assets, which were negatively impacted by the COVID-19 pandemic, as discussed in Note 5 above. The Company did not identify any impairment indicators for these long-lived assets as of September 25 2021, and as a result, there were no associated impairment charges.

OTHER FAIR VALUE DISCLOSURES

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

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

	September 25, 2021		December 26, 2020	
(In millions)	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial assets:				
Company-owned life insurance	**135**	**135**	147	147
Financial liabilities:				
Long-term debt:				
New Facilities loans under the Third Amended Credit Agreement, due 2025	**100**	**100**	100	100
Revenue bonds, due in varying amounts periodically through 2029	**176**	**177**	176	177
American & Foreign Power Company, Inc. 5% debentures, due 2030	**15**	**15**	15	14

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

- *Company-owned life insurance*: In connection with the 2013 OfficeMax merger, the Company acquired company-owned life insurance policies on certain former employees. The fair value of the company-owned life insurance policies is derived using determinable net cash surrender value, which is the cash surrender value less any outstanding loans (Level 2 measure).
- *Long-term debt*: Long-term debt, for which there were no transactions on the measurement date, was valued based on quoted market prices near the measurement date when available or by discounting the future cash flows of each instrument using rates based on the most recently observable trade or using rates currently offered to the Company for similar debt instruments of comparable maturities (Level 2 measure). The carrying amount of the New Facilities loans under the Third Amended Credit Agreement approximates fair value because the interest rates vary with market interest rates. Refer to Note 8 for additional information about the Third Amended Credit Agreement.

NOTE 12. COMMITMENTS AND CONTINGENCIES

LEGAL MATTERS

The Company is involved in litigation arising in the normal course of business. While, from time to time, claims are asserted that make demands for a large sum of money (including, from time to time, actions which are asserted to be maintainable as class action suits), the Company does not believe that contingent liabilities related to these matters (including the matters discussed below), either individually or in the aggregate, will materially affect the Company's financial position, results of operations or cash flows.

In addition, in the ordinary course of business, sales to and transactions with government customers may be subject to lawsuits, investigations, audits and review by governmental authorities and regulatory agencies, with which the Company cooperates. Many of these lawsuits, investigations, audits and reviews are resolved without material impact to the Company. While claims in these matters may at times assert large demands, the Company does not believe that contingent liabilities related to these matters, either individually or in the aggregate, will materially affect its financial position, results of operations or cash flows.

On March 1, 2021, certain IT systems of CompuCom were affected by a malware incident which negatively impacted some services that CompuCom provides to certain of its customers. Certain CompuCom services were not impacted by the malware incident, and CompuCom continued to deliver certain services to those customers throughout March. CompuCom was able to substantially restore delivery capabilities as of March 17, 2021, and had restored its service delivery to substantially all of its customers as of the end of March 2021. As a part of the restoration efforts, CompuCom has taken actions to efficiently and securely restore service delivery to its customers while hardening its systems with enhanced security measures and advanced anti-malware agents. In the third quarter of 2021, the Company concluded its analysis of the malware incident and provided impacted customers and former and current associates with required notice. While the Company does not expect further material developments, the Company will evaluate new information, if any, in the event any new information arises and will record an estimate for losses when it is both probable and reasonably estimable. Further, the Company may become subject to regulatory enforcement actions and litigation that could result in financial judgments or the payment of settlement amounts and disputes with insurance carriers concerning coverage.

In connection with the down time CompuCom experienced due to temporarily suspending certain services to certain customers, CompuCom had loss of service revenue of $1 million and $6 million in the third quarter and year-to-date 2021, respectively, which is within the Company's previously disclosed estimate for total loss of service revenue due to the malware incident of between $5 million and $8 million. In addition, the Company expects to incur expenses of up to $15 million. Of this amount, the Company incurred expenses of $2 million and $12 million in the third quarter and year-to-date 2021, respectively. These expense estimates are primarily related to CompuCom's efforts to restore service delivery to impacted customers, costs to investigate and remediate the incident, increased expenditures for cyber protection, legal and other professional services related thereto, and to address certain other matters resulting from the incident. The Company carries insurance, including cyber insurance, which it believes to be commensurate with the Company's size and the nature of its operations and expects that a portion of these costs may be covered by insurance. The financial impact of the malware incident, as described above, is reflected within discontinued operations.

In addition to the foregoing, OfficeMax is named as a defendant in a number of lawsuits, claims, and proceedings arising out of the operation of certain paper and forest products assets prior to those assets being sold in 2004, for which OfficeMax agreed to retain responsibility. Also, as part of that sale, OfficeMax agreed to retain responsibility for all pending, threatened and future proceedings alleging asbestos-related injuries arising out of the operation of the paper and forest products assets prior to the closing of the sale. The Company has made provision for losses with respect to the pending proceedings. Additionally, as of September 25, 2021, the Company has made provision for environmental liabilities with respect to certain sites where hazardous substances or other contaminants are or may be located. For these liabilities, the Company's estimated range of reasonably possible losses was approximately $15 million to $25 million. The Company regularly monitors its estimated exposure to these liabilities. As additional information becomes known, these estimates may change, however, the Company does not believe any of these OfficeMax retained proceedings are material to the Company's financial position, results of operations or cash flows.

NOTE 13. DISCONTINUED OPERATIONS

In January 2021, the Company's Board of Directors announced that as a result of a business review of CompuCom, management has initiated a process to explore a value-maximizing sale of the Company's former CompuCom Division to maximize CompuCom's full potential and drive forward its future value and success. On June 29, 2021, the Company's Board of Directors aligned with management's commitment to a plan to sell CompuCom through a single disposal group. Although management did not bring forth a specific transaction to the Board of Directors, the Company is actively marketing CompuCom for sale at a price that the Company believes is reasonable in relation to CompuCom's current fair value. CompuCom is available for immediate sale in its present condition and any sale is expected to be subject to customary regulatory approvals. Based on these considerations, and management's experience and ability to complete similar transactions in the past, management believes the sale is probable and expects to complete it within one year from June 29, 2021. However, there can be no assurances regarding the ultimate timing of the planned disposition of CompuCom or that such disposition will be completed. The CompuCom disposal group has met the accounting criteria to be classified as held for sale as of June 29, 2021 and is presented as such in the Condensed Consolidated Balance Sheets as of September 25, 2021 and December 26, 2020. The planned disposition of CompuCom represents a strategic shift that will have a major impact on the Company's operations and financial results. Accordingly, the Company intends to present the operating results and cash flows of its CompuCom Division as discontinued operations for all periods presented.

Merger and restructuring expenses incurred by the former CompuCom Division, that were previously presented as Corporate expenses, are included in the measurement and presentation of discontinued operations in all periods presented.

The following table represents a reconciliation of the major components of discontinued operations, net of tax presented in the Condensed Consolidated Statements of Operations.

	Third Quarter		Year-to-Date	
(In millions)	**2021**	2020	**2021**	2020
Major components of discontinued operations before income taxes:				
Sales:				
Products	**$ 66**	$ 44	**$ 182**	$ 165
Services	**135**	148	**428**	470
Total sales	**201**	192	**610**	635
Cost of goods and occupancy costs:				
Products	**57**	39	**160**	150
Services	**104**	110	**331**	350
Total cost of goods and occupancy costs	**161**	149	**491**	500
Gross profit	**40**	43	**119**	135
Selling, general and administrative expenses	**29**	40	**117**	128
Asset impairments	**—**	—	**114**	248
Merger, restructuring and other operating expenses, net	**—**	2	**(2)**	18
Operating income (loss)	**11**	1	**(110)**	(259)
Other income, net	**—**	—	**(1)**	1
Income (loss) from major components of discontinued operations before income taxes	**11**	1	**(111)**	(258)
Loss from classification to held for sale	**(1)**	—	**(1)**	—
Income (loss) from discontinued operations before income taxes	**10**	1	**(112)**	(258)
Income tax benefit	**(18)**	(22)	**(23)**	(15)
Discontinued operations, net of tax	**$ 28**	$ 23	**$ (89)**	$ (243)

The following table represents the major classes of assets and liabilities of the disposal group classified as held for sale presented in the Condensed Consolidated Balance Sheets as of September 25, 2021 and December 26, 2020.

(In millions)	**September 25, 2021**	December 26, 2020
Major classes of assets included in discontinued operations:		
Receivables, net	**$ 209**	$ 189
Inventories	**23**	14
Prepaid expenses and other current assets	**18**	16
Total current assets		219
Property and equipment, net	**24**	26
Operating lease right-of-use assets	**64**	62
Goodwill	**112**	214
Other intangible assets, net	**281**	301
Other assets	**14**	19
Total noncurrent assets		622
Less: valuation allowance	**(1)**	
Total assets of the disposal group classified as held for sale	**$ 744**	$ 841
Major classes of liabilities included in discontinued operations:		
Trade accounts payable	**$ 71**	$ 62
Accrued expenses and other current liabilities	**76**	90
Total current liabilities		152
Deferred income taxes and other long-term liabilities	**76**	82
Operating lease liabilities	**49**	56
Total noncurrent liabilities		138
Total liabilities of the disposal group classified as held for sale	**$ 272**	$ 290

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

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

This document, including the following discussion and analysis, contains statements that constitute "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 27A of the Securities Act of 1933, as amended. All statements that are not statements of historical fact are forward-looking statements. Without limitation, when we use the words "believe," "estimate," "plan," "expect," "intend," "anticipate," "continue," "may," "project," "probably," "should," "could," "will" and similar expressions in this Quarterly Report on Form 10-Q, we are identifying forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995). These statements appear in a number of places in this discussion and analysis and include statements regarding the intent, belief or current expectations of the Company, its directors or its officers with respect to, among other things, trends affecting the Company's financial condition or results of operations, the USR Parent, Inc. proposals, the Company's ability to achieve its strategic plans, including the proposed separation of the consumer business and the planned sale of CompuCom, and the high costs in connection with these transactions which may not be recouped if these transactions are not consummated, the CompuCom malware incident, the potential impact of the COVID-19 pandemic on our business, liquidity, suppliers, consumers, customers, and employees, disruptions or inefficiencies in our supply chain, our ability to mitigate or manage disruptions posed by COVID-19, changes in worldwide and U.S. economic conditions that materially impact consumer spending and employment and the demand for our products and services, and the outcome of contingencies such as litigation and investigations. Readers are cautioned that any forward-looking statements are not guarantees of future performance and involve risks and uncertainties. More information regarding these risks, uncertainties and other important factors that could cause actual results to differ materially from those in the forward-looking statements is set forth herein under "Risk Factors," found in Other Information which supplements our discussion of "Risk Factors" within Other Key Information in our Annual Report on Form 10-K filed on February 24, 2021 (the "2020 Form 10-K") with the SEC, Forward-Looking Statements, found in our 2020 Form 10-K, and the discussion of "Risk Factors" within Other Information in our Quarterly Reports on Form 10-Q filed on May 5, 2021 and August 4, 2021.

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to provide information to assist readers in better understanding and evaluating our financial condition and results of operations. We recommend reading this MD&A in conjunction with our Condensed Consolidated Financial Statements and the Notes to those statements included in the "Financial Statements" section of this Quarterly Report on Form 10-Q, as well as our 2020 Form 10-K.

OVERVIEW

THE COMPANY

We are a leading provider of business services and supplies, products and digital workplace technology solutions to small, medium-sized and enterprise businesses. We operate through our direct and indirect subsidiaries and maintain a fully integrated business-to-business ("B2B") distribution platform of thousands of dedicated sales and technology service professionals, online presence and 1,084 retail stores. Through our banner brands Office Depot®, OfficeMax® and Grand & Toy®, as well as others, we offer our customers the tools and resources they need to focus on starting, growing and running their business.

As of September 25, 2021, our operations are organized into two reportable segments (or "Divisions"): Business Solutions Division and Retail Division. After the second quarter of 2021, our Board of Directors provided their alignment with management's commitment to a plan to sell its CompuCom Division through a single disposal group. Accordingly, that business is presented as discontinued operations beginning in the third quarter of 2021.

The Business Solutions Division, or BSD, is the largest component of our integrated B2B distribution platform in terms of both revenue and customers, and provides our customers with nationally branded as well as our private branded office supply products and services. Additionally, BSD provides adjacency products and services including cleaning and breakroom supplies, technology services, copy and print services, and office furniture products and services in the United States, Puerto Rico, the U.S. Virgin Islands, and Canada through a dedicated sales force, catalogs, telesales, and electronically through our Internet websites. BSD includes the regional office supply distribution businesses we have acquired as part of our strategic transformation described in the section below.

The Retail Division includes our chain of retail stores in the United States, Puerto Rico and the U.S. Virgin Islands where we sell office supplies, technology products and solutions, business machines and related supplies, print, cleaning, breakroom supplies and facilities products, and furniture. In addition, our Retail Division offers a range of business-related services targeted to small businesses, technology support services as well as printing, copying, mailing and shipping services.

STRATEGIC TRANSFORMATION

Since 2017, we have been undergoing a strategic business transformation to pivot our Company into an integrated B2B distribution platform, with the objective of expanding our product offerings to include value-added services for our customers and capture greater market share. As part of this transformation, we are evolving our B2B business and developing a new digital platform technology business, which has been named Varis, and aims to transform the B2B procurement and sourcing industry by filling the growing demand for a modern, trusted, digital B2B platform. On January 29, 2021, in connection with our development efforts in this area, we acquired BuyerQuest, a business services software company with an eProcurement platform for approximately $71 million, subject to customary post-closing adjustments. The purchase consideration for BuyerQuest includes $61 million paid at closing, funded with $26 million of cash on hand and the issuance of 827,498 shares of the Company's common stock, and up to $10 million contingent consideration that will be payable over a two-year period subject to BuyerQuest meeting certain performance conditions.

We continue to expand our reach and distribution network through acquisitions of profitable regional office supply distribution businesses, serving small and mid-market customers. Many of these customers are in geographic areas that were previously underserved by our network. During year-to-date 2021, we acquired one small independent regional office supply distribution business for approximately $2 million funded with cash on hand, subject to customary post-closing adjustments. These acquisitions have allowed for an effective and accretive means to expand our distribution reach, target new business customers and grow our offerings beyond traditional office supplies. The operating results of the acquired businesses are combined with our operating results subsequent to their purchase dates. The operating results of the acquired office supply distribution business are included in our Business Solutions Division, and the operating results of BuyerQuest are included in Other. Refer to Note 2. "Acquisitions" in Notes to Condensed Consolidated Financial Statements for additional information.

In January 2021, our Board of Directors announced that as a result of a business review of CompuCom, management has initiated a process to explore a value-maximizing sale of our CompuCom Division to maximize CompuCom's full potential and drive forward its future value and success. Refer to Recent Developments, below, for more information on the progress of this sale.

As previously announced, in May 2021, our Board of Directors unanimously approved a plan to pursue a separation of the Company into two independent, publicly traded companies. When the plan was announced, we expected to structure it as a tax-free spin-off of our B2B related operations. Following further review, we determined that we should utilize the flexibility created by the holding company reorganization in 2020 to structure the separation as a tax-free spin-off of our consumer business, with us retaining our B2B related operations (the "Separation"), as further described below. We believe that this modified approach will be more efficient considering that it is expected that the majority of the Company's current management team and Directors will remain with the B2B business which will continue to be owned by "The ODP Corporation." Refer to Recent Developments, below, for more information on the progress of the Separation.

RECENT DEVELOPMENTS

Planned Separation of Consumer Business

As a result of the planned Separation, each company is expected to have a unique and highly focused strategy and investment profile, as follows:

- ODP – a leading B2B solutions provider serving small, medium and enterprise level companies, will consist of several operating companies, including the contract sales channel of ODP's current Business Solutions Division, which will be renamed ODP Business Solutions, and ODP's newly formed B2B digital platform technology business, which has been named Varis. ODP Business Solutions and Varis will be owned by ODP, but operated as separate businesses. ODP will also continue to own the global sourcing operations and other sourcing, supply chain and logistics assets. Gerry Smith will continue to serve as CEO of The ODP Corporation following the separation; and
- Office Depot – an Office Depot branded leading provider of retail consumer and small business products and services distributed via approximately 1,100 Office Depot and OfficeMax retail locations and an eCommerce presence, officedepot.com. Kevin Moffitt, currently EVP, Chief Retail Officer of The ODP Corporation, will be appointed CEO of Office Depot upon completion of the spin-off.

The Separation is expected to allow ODP and Office Depot to pursue market opportunities and separate growth strategies, and improve value for shareholders and stakeholders. While ODP and Office Depot will be separate, independent companies, they will share commercial agreements that will allow them to continue to leverage scale benefits in such areas as product sourcing and supply chain.

The Separation is expected to occur through a tax-free stock dividend of shares of NewCo to ODP's shareholders as of a record date to be determined by our Board of Directors, after which ODP shareholders will own 100% of the equity in both of the publicly traded companies. The Separation is intended to be completed in the middle of 2022, subject to customary conditions, including final approval by our Board of Directors, opinions from tax counsel and a favorable ruling by the IRS on the tax-free nature of the transaction to the Company and to its shareholders, the filing and effectiveness of a registration statement with the U.S. Securities and Exchange Commission, the approved listing of Office Depot's common stock on a national securities exchange and the completion of any necessary financings. There can be no assurances regarding the ultimate timing of the Separation or that the transaction will be completed. We expect to incur significant costs in connection with the Separation, which are expected to relate primarily to third-party professional fees, retention payments to certain employees, and other costs directly related to the Separation. We incurred $9 million and $20 million in third-party professional fees associated with the Separation in the third quarter and year-to-date 2021, respectively. We currently estimate that additional costs to execute the Separation will exceed $100 million, although such estimate is subject to a number of assumptions and uncertainties.

USR Parent, Inc. Proposals

On January 11, 2021, we received a proposal from USR Parent, Inc., the parent company of Staples Inc. and a portfolio company of Sycamore Partners, to acquire 100% of our issued and outstanding stock for $40.00 per share in cash (the “January Proposal”). After careful review and consideration of the January Proposal and in consultation with our financial and legal advisors, our Board of Directors unanimously concluded that there is a more compelling path forward to create value for us and our shareholders than the potential transaction described in the January Proposal and that the Company is open to combining its retail and consumer-facing ecommerce operations with Staples under the right set of circumstances and on mutually acceptable terms, including in the form of a joint venture or potential sale of such assets by ODP. On January 19, 2021, we filed a statement on Schedule 14D-9 with the SEC containing our Board of Directors’ recommendation.

On March 10, 2021, we received a second proposal (the “March Proposal”) from USR Parent, Inc., including a letter of intent to acquire various ODP assets, which our Board of Directors unanimously concluded that the March Proposal was not in the best interest of us and our shareholders as it did not contain a valuation of the assets that Staples sought to acquire, which include certain B2B businesses of ODP. Our Board further noted that the letter of intent, which contemplated a binding commitment to seek regulatory approval, also did not include any obligation on the part of Sycamore Partners or Staples to proceed with the transaction, agree to a purchase price, or assume any related regulatory risk. On March 15, 2021, we filed a statement on Schedule 14D-9 with the SEC containing our Board of Directors’ recommendation. On March 31, 2021, USR Parent, Inc. publicly announced that USR Parent, Inc. has decided to defer the March 2021 launch of a tender offer for ODP’s common shares while reserving the right to commence one in the future.

On June 4, 2021, we received a third proposal (the “June Proposal” and together with the January Proposal and March Proposal, the “Proposals”) from USR Parent, Inc. to acquire our consumer business, including our retail stores, and reiterated its intention to commence a tender offer if negotiations for an alternative transaction are not successful. Our Board of Directors is carefully reviewing the June proposal with the assistance of its financial and legal advisors to determine the course of action that it believes is in the best interests of the Company and our shareholders. We incurred $1 million and $4 million in third-party professional fees related to the Proposals in the third quarter and year-to-date 2021, respectively, including expenses incurred in connection with a Civil Investigative Demand (“CID”) from the U.S. Federal Trade Commission (“FTC”), which is conducting an investigation of the Proposals. In order to relieve us from the continuation of a costly and burdensome process, the FTC has agreed to defer requiring further responses from us unless and until USR Parent, Inc. formally launches a tender offer, or the parties execute a negotiated agreement. Additionally, on May 4, 2021 the Canadian Competition Bureau (the “Bureau”) advised us that it has determined that USR Parent, Inc.’s proposed acquisition of the Company would likely result in a substantial lessening or prevention of competition in the sale of business essentials to enterprise customers in Canada. While it is not known for certain what the Bureau would do if USR Parent, Inc. actually launches a tender offer in the future, the Bureau’s determination signals that the Bureau would likely challenge the acquisition. However, we cannot be certain that USR Parent, Inc. will not commence a tender offer in the future. We anticipate that we will incur additional significant legal and other expenses throughout this process if USR Parent, Inc. pursues a tender offer.

For further discussion of trends, uncertainties and other factors that could impact our operating results, see the section entitled “Risk Factors” found in Other Information which supplements our discussion of “Risk Factors” within Other Key Information in our 2020 Form 10-K and the discussion of “Risk Factors” within Other Information in our Quarterly Report on Form 10-Q filed on May 5, 2021.

Planned Disposition of CompuCom

In January 2021, our Board of Directors announced that as a result of a business review of CompuCom, management has initiated a process to explore a value-maximizing sale of our CompuCom Division to maximize CompuCom’s full potential and drive forward its future value and success. After the second quarter of 2021, our Board of Directors aligned with management’s commitment to a plan to sell CompuCom through a single disposal group. Although management did not bring forth a specific transaction to the Board of Directors, we are actively marketing CompuCom for sale at a price that we believe is reasonable in relation to CompuCom’s current fair value. CompuCom is available for immediate sale in its present condition and any sale is expected to be subject to customary regulatory approvals. Based on these considerations, and management’s experience and ability to complete similar transactions in the past, management believes the sale is probable and expects to complete it within one year from June 29, 2021. However, there can be no assurances regarding the ultimate timing of the planned disposition of CompuCom or that such disposition will be completed. The CompuCom disposal group has met the accounting criteria to be classified as held for sale as of the third quarter of 2021 and is presented as such in the Condensed Consolidated Financial Statements herein. The planned disposition of CompuCom represents a strategic shift that will have a major impact on our operations and financial results. Accordingly, the operating results and cash flows of the CompuCom Division are classified as discontinued operations for all periods presented. Refer to Note 13. “Discontinued Operations” in Notes to Condensed Consolidated Financial Statements for additional information.

COVID-19 UPDATE

The COVID-19 pandemic continued to have significant adverse impacts on the national and global economy during the third quarter of 2021. From the beginning of the COVID-19 pandemic, we have remained committed to making the health and wellness of our employees and customers a priority. Based upon the guidance of the U.S. Centers for Disease Control (“CDC”) and local health authorities, we maintain appropriate measures to help reduce the spread of infection to our employees and customers, including increased frequency of cleaning and sanitizing in our facilities. While we have reopened our corporate headquarters, certain employees who are able to, continue to work from home. We continue to have employees in our retail stores, customer support and distribution centers working on-site at our facilities, as well as technicians and field support on-site at customer locations. Employee business travel remains limited to only essential business needs. Early in the first quarter of 2021, the U.S. Food and Drug Administration approved certain vaccines effective against COVID-19 for administering to the population and, as of the end of June 2021, every individual aged 12 and over in the United States is eligible to get vaccinated. However, there is significant uncertainty as to the ability to gain adequate herd-immunity levels through vaccine programs and their resilience to future virus variants.

We continued to experience a significant decline in overall demand for our products and services during the third quarter of 2021, as a result of the disruptions experienced by our business customers from restrictions on commercial activities and social distancing measures, and we expect these demand fluctuations to continue into the fourth quarter of 2021. Although we experienced higher sales of school supplies during the third quarter of 2021 as more students returned to in person learning during the back-to-school season, this was more than offset by the decline in sales to our business customers and sales on our eCommerce platform. In response to the volatility resulting from the pandemic, we have taken measures to protect our financial position during this challenging time period, including creating contingency plans for merchandise categories that may be in high demand, adjusting our inventory levels, reducing certain occupancy costs, reducing nonessential expenses, and reducing our capital spend, among others. Our quarterly cash dividend also remains temporarily suspended.

We assess our outlook on a daily basis, but we are unable to accurately predict the pace and shape of the recovery from COVID-19 due to numerous uncertainties, including the duration of the pandemic, actions that may be taken by governmental authorities, the speed at which effective vaccines will be administered to a sufficient number of people to enable cessation of the virus, additional disruption to the economy and consumers’ willingness and ability to spend, temporary or permanent closures of our business customers, supply chain disruptions and other unforeseeable consequences. As a result, we expect weaker global economic conditions and increased unemployment, including continued business disruption relating to COVID-19 and resulting governmental actions will continue to negatively impact our business and results of operations in 2021, and could result in future impairments of our assets.

CONSOLIDATED RESULTS OF CONTINUING OPERATIONS AND LIQUIDITY

The following summarizes the more significant factors impacting our operating results for the 13-week and 39-week periods ended September 25, 2021 (also referred to as the “third quarter of 2021” and “year-to-date 2021” respectively) and September 26, 2020 (also referred to as the “third quarter of 2020” and “year-to-date 2020,” respectively).

Our consolidated sales were 7% lower in the third quarter of 2021 compared to the same period of the prior year. This period-over-period decrease was primarily driven by lower sales in our Retail Division, which were negatively impacted primarily by planned closings of underperforming retail stores. The Retail Division also had lower demand in certain product categories that had higher sales in the prior year comparable quarter driven by the needs of our customers to help address their challenges derived from the COVID-19 pandemic, such as facilitating the continued remote work and virtual learning environments. These negative impacts were partially offset by an increase in sales of school supplies as more students returned to in-person learning during the back-to-school season in the third quarter of 2021, as well as an increase in other office supply products. Sales in our Business Solutions Division also contributed to the decrease in consolidated sales during the third quarter of 2021, mainly due to lower sales in our eCommerce platform and lower demand for cleaning supplies and personal protective equipment.

Our consolidated sales were 5% lower year-to-date 2021 compared to the same period of the prior year. This period-over-period decrease was primarily driven by lower sales in our Retail Division and Business Solution Division, which decreased 8% and 3%, respectively, year-to-date 2021 as compared to the same period in the prior year. The decrease in sales of our Retail Division was primarily due to planned store closures and lower sales of services in existing locations due to reduced customer traffic, which we started experiencing since the second quarter of 2020 due to COVID-19 related restrictions imposed by state and local governments. The decrease in our Business Solutions Division primarily related to the continued impact of disruptions to the operations of certain enterprise customers as a result of COVID-19 since the second quarter of 2020.

Sales	Third Quarter			Year-to-Date		
(In millions)	**2021**	2020	**Change**	**2021**	2020	**Change**
Business Solutions Division	**$ 1,171**	$ 1,197	**(2)%**	**$ 3,445**	$ 3,554	**(3)%**
Retail Division	**999**	1,147	**(13)%**	**2,952**	3,216	**(8)%**
Other	**9**	3	**200%**	**26**	17	**53%**
Total	**$ 2,179**	$ 2,347	**(7)%**	**$ 6,423**	$ 6,787	**(5)%**

Product sales in the third quarter of 2021 decreased 8% from the comparative prior year period, primarily driven by a decline in product sales in our Retail Division, due to the impact of planned store closures and lower sales of certain product categories that were in higher demand during the comparable prior year quarter, driven by the needs of our customers to help address their challenges derived from the COVID-19 pandemic. These declines were partially offset by higher sales of school supplies in our Retail Division. Product sales in our Business Solutions Division also declined, mainly as a result of lower sales of cleaning supplies and personal protective equipment, and lower sales in our eCommerce platform. These declines were partially offset by higher product sales in the majority of product categories, reflecting the partial recovery from the disruptions to the operations of certain enterprise customers and the transition to a work-from-home environment in an effort to prevent and reduce the spread of COVID-19 during the second quarter of 2020. Product sales year-to-date 2021 decreased 6% from the comparative prior year period in our Retail Division and Business Solutions Division, driven by the continued impact of the disruptions from COVID-19, which we started to experience in the second quarter of 2020, and the impact of planned store closures. Our product sales could be impacted in the near term related to numerous factors, among others, a weaker U.S. economy and higher unemployment that materially impact consumer spending, the demand for our products and services and the availability of supply. Specifically, we experienced supply constraints in some of our larger product categories such as ink and technology products in both our Retail Division and Business Solutions Division, and we may continue to face delays or difficulty sourcing these products.

Sales of services in the third quarter of 2021 increased 3% from the comparative prior year period, primarily driven by an increase in sales of our copy and print services in both our Retail Division and Business Solutions Division, due to recovering demand from the impacts of COVID-19, which included disruptions to the operations of our business customers and schools continuing to conduct virtual learning. Sales of services year-to-date 2021 decreased 3% from the comparative prior year period, primarily due to the continued impact of COVID-19 related disruptions on sales of our copy and print services in our Retail Division. On a consolidated basis, services represented approximately 9% and 8% of our total sales in the third quarter and year-to-date 2021, respectively, which was consistent with the third quarter and year-to-date 2020 during which services represented 8% of our consolidated sales.

Sales	Third Quarter			Year-to-Date		
(In millions)	**2021**	2020	**Change**	**2021**	2020	**Change**
Products	**$ 1,993**	$ 2,166	**(8)%**	**$ 5,890**	$ 6,238	**(6)%**
Services	**186**	181	**3%**	**533**	549	**(3)%**
Total	**$ 2,179**	$ 2,347	**(7)%**	**$ 6,423**	$ 6,787	**(5)%**

OTHER SIGNIFICANT FACTORS IMPACTING TOTAL COMPANY RESULTS AND LIQUIDITY

- Total gross profit decreased by $43 million or 8% in the third quarter of 2021 when compared to the same period in 2020. The decrease in gross profit was largely driven by the flow through impact of lower sales in our Retail Division, which consisted of $37 million of the decrease in gross profit, and was partially offset by lower operating lease costs due to store closures and improved product margin. The remaining decrease was primarily related to the flow through impact of lower sales in the Business Solutions Division. Total gross profit decreased by $70 million or 5% year-to-date 2021 when compared to the same period in 2020. The decrease in gross profit was largely driven by the flow through impact of lower sales in our Retail Division and Business Solutions Division, which consisted of $46 million and $24 million, respectively, of the decrease in gross profit year-to-date 2021. These reductions were partially offset by acquisitions within our Business Solutions Division.
- Total gross margin for the third quarter and year-to-date 2021 was 23% and 22%, respectively, which were consistent with the gross margins in the comparative prior year periods. While we incurred incremental costs related to trade tariffs on inventory we purchase from suppliers in China, certain actions, including changes to our contracting model, alternative sourcing strategies, and selective price increase pass-through efforts mitigated much of the impact of such trade tariffs to our results of operations.
- Total selling, general and administrative expenses decreased by $29 million or 7% in the third quarter of 2021 when compared to the same period in 2020. The decrease was primarily due to a reduction in payroll and incentives and cost saving initiatives described below. Selling, general and administrative expenses as a percentage of total sales was flat in the third quarter of 2021 as compared to the prior period. Total selling, general and administrative expenses decreased by $78 million or 6% year-to-date 2021 when compared to the same period in 2020. The decrease was the result of store closures in our Retail Division and certain strategic initiatives, including the Maximize B2B Restructuring Plan, aimed to generate savings through optimizing our retail footprint, removing costs that directly support the Retail Division and additional measures to implement a company-wide low-cost business model reducing our spend on payroll and payroll-related costs and other

discretionary expenses such as professional fees, contingent labor, travel and marketing. The decrease in total selling, general, and administrative expenses year-to-date 2021 was partially offset by increases in expenses associated with the expansion of our distribution network through acquisitions within our Business Solutions Division. Selling, general and administrative expenses as a percentage of total sales was flat year-to-date 2021 as compared to the prior period.

- We recorded $5 million and $18 million of asset impairment charges in the third quarter and year-to-date 2021, respectively, which included $4 million and $15 million related to the impairment of operating lease ROU assets associated with our retail store locations. The remaining asset impairment charges related to fixed assets. We recorded $10 million and $175 million of asset impairment charges in the third quarter and year-to-date 2020, respectively, which included $115 million related to goodwill in our Contract reporting unit year-to-date 2020. We also recorded $7 million and $42 million of asset impairment charges in the third quarter and year-to-date 2020, respectively, related to impairment of operating lease ROU assets associated with our retail store locations, with the remainder primarily relating to impairment of fixed assets and a cost method investment. Refer to Note 11. “Fair Value Measurements” in Notes to Condensed Consolidated Financial Statements for additional information.
- We recorded $13 million and $37 million of merger, restructuring and other operating expenses, net in the third quarter and year-to-date 2021, respectively, compared to $24 million and $89 million in the third quarter and year-to-date 2020, respectively. Merger, restructuring and other operating expenses in the third quarter and year-to-date 2021 included $10 million and $24 million, respectively, of third-party professional fees associated with the planned Separation of our consumer business and USR Parent, Inc. Proposals. Also included in merger, restructuring and other operating expenses were $4 million and $13 million of costs associated with restructuring activities in the third quarter and year-to-date 2021, respectively. We did not record any transaction and integration costs in the third quarter and year-to-date 2021. The $1 million income in the third quarter of 2021 represents the impact of earnout adjustments on acquisitions made in prior periods. Refer to Note 3. “Merger, Restructuring and Other Activity” in Notes to Condensed Consolidated Financial Statements for additional information.
- In year-to-date 2021, we recognized a large tax windfall associated with stock-based compensation awards and recognized tax benefits due to an agreement reached with the IRS related to a prior tax position. These factors, along with the impact of state taxes and the mix of income and losses across U.S. and non-U.S. jurisdictions, caused our effective tax rate to differ from the statutory rate of 21%. Our effective tax rates in the prior period varied primarily due to the impact of goodwill impairments, state taxes, excess tax deficiencies associated with stock-based compensation awards and certain nondeductible items, and the mix of income and losses across U.S. and non-U.S. jurisdictions. Refer to Note 6. “Income Taxes” in Notes to Condensed Consolidated Financial Statements for additional information.
- Diluted earnings per share from continuing operations was $1.33 in the third quarter of 2021 compared to $0.63 in the third quarter of 2020. Diluted earnings per share from continuing operations was $2.79 year-to-date 2021 compared to loss per share of $(1.78) year-to-date 2020.
- Diluted earnings per share from discontinued operations was $0.52 in the third quarter of 2021 compared to $0.41 in the third quarter of 2020. Diluted loss per share from continuing operations was $(1.60) year-to-date 2021 compared to loss per share of $(4.62) year-to-date 2020.
- Net diluted earnings per share was $1.85 in the third quarter of 2021 compared to $1.04 in the third quarter of 2020. Net diluted earnings per share from continuing operations was $1.19 year-to-date 2021 compared to loss per share of $(6.40) year-to-date 2020.
- In the first quarter of 2020, we paid a quarterly cash dividend on our common stock in the amount of $0.25 per share, resulting in total cash payments of $13 million. In May 2020, in order to preserve liquidity during the COVID-19 pandemic and in light of the uncertainties as to its duration and economic impact, our Board of Directors suspended our quarterly cash dividend. Our quarterly cash dividend continues to be temporarily suspended. In May 2021, our Board of Directors approved a new stock repurchase program of up to $300 million, available through June 30, 2022, which replaced our then existing $200 million stock repurchase program. Under our new stock repurchase program, we bought back 2 million and 3 million shares of our common stock in the third quarter and year-to-date 2021, respectively, returning $76 million and $122 million to our shareholders, respectively. Subsequent to the end of the third quarter of 2021 and through October 27, 2021, we bought back 567 thousand shares of our common stock at a cost of $24 million. We bought back 1 million shares of our common stock year-to-date 2020 under our then-existing stock repurchase program, returning $30 million to our shareholders. We did not repurchase any shares of our common stock in the third quarter of 2020.
- At September 25, 2021, we had $753 million in cash and cash equivalents and $953 million of available credit under the Third Amended Credit Agreement, for a total liquidity of approximately $1.7 billion. Cash provided by operating activities of continuing operations was $256 million year-to-date 2021 compared to $410 million in the comparable prior year period. Refer to the “Liquidity and Capital Resources” section for further information on cash flows.

OPERATING RESULTS BY DIVISION

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

BUSINESS SOLUTIONS DIVISION

(In millions)	Third Quarter		Year-to-Date	
	2021	2020	**2021**	2020
Products	**$ 1,094**	$ 1,127	**$ 3,230**	$ 3,338
Services	**77**	70	**215**	216
Total Sales	**$ 1,171**	$ 1,197	**$ 3,445**	$ 3,554
% change	**(2)%**	(11)%	**(3)%**	(12)%
Division operating income	**$ 41**	$ 45	**$ 89**	$ 98
% of sales	**4%**	4%	**3%**	3%

Product sales in our Business Solutions Division decreased 3% in the third quarter of 2021 compared to the corresponding period in 2020. During the third quarter of 2021, our Business Solutions Division experienced higher demand across the majority of our product categories, especially in product categories such as furniture, technology, paper, toner, breakroom, school and office supplies as our business-to-business customers, including those in the education sector, continue to recover from the disruptions to their operations as a result of the impacts of the COVID-19 pandemic. The higher demand from our business-to-business customers, which resulted in an increase of $45 million in sales during the third quarter of 2021, was more than offset by decreased sales of personal protective equipment and cleaning supplies and lower sales in our eCommerce platform, although they were not material drivers of our results for the third quarter of 2021. The impact of acquisitions, while positive, was also not material to the third quarter of 2021.

Product sales in our Business Solutions Division decreased 3% year-to-date 2021 compared to the corresponding period in 2020. Year-to-date 2021, we experienced higher demand from our business-to-business customers in our Business Solutions Division across certain product categories such as furniture, technology and office supplies, as our business-to-business customers, including those in the education sector, continue to recover from the disruptions to their operations as a result of the impacts of the COVID-19 pandemic. The higher demand from our business-to-business customers, which resulted in an increase of $49 million in sales year-to-date 2021, was more than offset by $149 million lower sales of personal protective equipment and cleaning supplies, as well as lower sales in our eCommerce platform, although it was not a material driver of our results year-to-date 2021. The impact of acquisitions, while positive, was also not material year-to-date 2021.

Our product sales could be impacted in the near term related to numerous factors, among others, a weaker U.S. economy and higher unemployment that materially impact consumer spending, the demand for our products and services and the availability of supply. Specifically, we experienced supply constraints in some of our larger product categories such as ink and technology products, and we may continue to face delays or difficulty sourcing these products.

Sales of services in our Business Solutions Division increased 10% in the third quarter of 2021 compared to the prior period. The increase was primarily due to higher demand from our business-to-business customers for our managed print and fulfillment services and copy and print services. Sales of services in our Business Solutions Division was flat year-to-date 2021 compared to the prior period. We experienced higher demand for our copy and print and technology services, which were fully offset by lower demand from our business-to-business customers for our managed print and fulfillment services year-to-date 2021 and lower subscription volume.

The impacts of the COVID-19 outbreak on the future quarters of 2021 and the magnitude by which sales of products and services of our Business Solutions Division will be affected will depend heavily on the duration of the pandemic, impact and speed of vaccination distributions, as well as the substance and pace of macroeconomic recovery. However, as discussed above, the impact has been material to the results of the Business Solutions Division in the third quarter and year-to-date 2021 and could continue into the fourth quarter of 2021 and beyond.

Our Business Solutions Division operating income was $41 million in the third quarter of 2021 compared to $45 million in the third quarter of 2020, a decrease of 9% period-over-period. As a percentage of sales, operating income was flat. The decrease in operating income in the third quarter of 2021 was primarily related to the flow through impact of lower sales volume. Gross margin, as well as selling, general and administrative expenses as a percentage of sales were flat compared to the prior year period. Our Business Solutions Division operating income was $89 million year-to-date 2021 compared to $98 million year-to-date 2020, a decrease of 9% period-over-period, which was mainly related to the flow through impact of lower sales volume. As a percentage of sales, operating income was flat between both periods. Our gross margin and selling, general and administrative expenses as a percentage of sales were also flat between both periods.

RETAIL DIVISION

	Third Quarter		Year-to-Date	
(In millions)	**2021**	2020	**2021**	2020
Products	**$ 892**	$ 1,037	**$ 2,638**	$ 2,884
Services	**107**	110	**314**	332
Total Sales	**$ 999**	$ 1,147	**$ 2,952**	$ 3,216
% change	**(13)%**	(3)%	**(8)%**	(4)%
Division operating income	**$ 107**	$ 119	**$ 252**	$ 224
% of sales	**11%**	10%	**9%**	7%

Product sales in our Retail Division decreased 14% and 9% in the third quarter and year-to-date 2021, respectively, compared to the corresponding periods in 2020. Product sales were negatively impacted in the third quarter of 2021, primarily by planned closings of underperforming retail stores and lower demand in product categories such as furniture, technology products and personal protective equipment. These categories had experienced higher demand in the prior year comparable quarter, which was driven by the needs of our customers to help address their challenges derived from the COVID-19 pandemic, and included facilitating the continued remote work and virtual learning environments. As vaccination rates have increased during since early in 2021 and the effects of the COVID-19 pandemic have begun to recede, more of our customers are transitioning into on-site work and in-person learning, and the demand for these categories has declined. These negative impacts on our product sales during the third quarter of 2021 were partially offset by $29 million of increased sales in other categories, primarily office and school supplies. Year-to-date 2021, product sales were negatively impacted primarily due to planned closings of underperforming retail stores. This was partially offset by $31 million of increased sales in office and school supplies.

Our product sales could be impacted in the near term related to numerous factors, among others, a weaker U.S. economy and higher unemployment that materially impact consumer spending, the demand for our products and services and the availability of supply. Specifically, we experienced supply constraints in some of our larger product categories such as ink and technology products, and we may continue to face delays or difficulty sourcing these products.

Product sales were also negatively impacted during the quarter by the decrease in the volume of transactions where our customers buy online for pick up in our stores (“BOPIS”). BOPIS transactions are included in our Retail Division results because they are fulfilled with retail store inventory and serviced by our retail store associates. Our BOPIS sales have decreased 9% in both the third quarter and year-to-date 2021, respectively, from the corresponding periods of 2020. The decrease is driven by the corresponding periods in 2020 having significant BOPIS sales due to an increase in online orders when the pandemic began. Our BOPIS sales have increased 68% and 70% in the third quarter and year-to-date 2021, respectively, when compared to the corresponding periods of 2019 prior to the impact of the pandemic.

Our business is considered to be essential by most local jurisdictions, and as a result, the substantial majority of our retail locations have remained open and operational with the appropriate safety measures in place during the COVID-19 pandemic, including a curbside pickup option. Since late in the first quarter of 2020, we have temporarily reduced our retail location hours by two hours daily, which continues to be in effect at the majority of our retail locations. We believe sales in our Retail Division may continue to be adversely impacted in the fourth quarter of 2021 and potentially longer. As there is uncertainty in the extent and duration of the impacts of the pandemic, we are unable to estimate the full impact at this time.

Sales of services in our Retail Division decreased 3% and 5% in the third quarter and year-to-date 2021 compared to the corresponding periods in 2020, primarily due to a decline in our product subscription sales and technology services, partially offset by higher demand for our copy and print services. Due to COVID-19, our copy and print services and subscription volume was negatively impacted by a reduction in demand due to disruptions to the operations of our business customers, as well as the transition of a significant portion of our customers to a remote work and virtual learning environment. As discussed above, more of our customers are transitioning to on-site work and in-person learning as the impacts of COVID-19 have begun to recede, which has increased the demand for our copy and print services.

We have historically reported our comparable store sales, which relate to stores that have been open for at least one year. Stores are removed from the comparable sales calculation one month prior to closing, as sales during that period are mostly related to clearance activity. Stores are also removed from the comparable sales calculation during periods of store remodeling, store closures due to hurricanes, natural disasters or epidemics/pandemics, or if significantly downsized. Our measure of comparable store sales has been applied consistently across periods, but may differ from measures used by other companies. Due to the reduction in our retail location hours due to COVID-19 during late in the first quarter of 2020, and the variability in COVID-19 related restrictions imposed by state and local governments such as occupancy levels and business regulations that can affect demand for our in-store products and services, comparable store sales are not a meaningful metric for the third quarter of 2021, and therefore is not provided.

The Retail Division operating income decreased 10% in the third quarter of 2021 compared to the corresponding period in 2020; however, as a percentage of sales, reflects a period-over-period increase of approximately 30 basis points. The comparative decrease in operating income in the third quarter of 2021 was mostly attributable to the flow through impact of lower sales, partially offset by selling, general and administrative expenses resulting from continuous efforts to optimize costs, lower operating lease costs due to store closures and improved product margin. The Retail Division operating income increased 13% year-to-date 2021 compared to the corresponding period in 2020, which, as a percentage of sales, reflects a period-over-period increase of approximately 150 basis points. The comparative increase in operating income year-to-date 2021 was mostly attributable to lower selling, general and administrative expenses resulting from continuous efforts to optimize costs, lower operating lease costs recognized as a result of store closures, and improved product margin. These improvements have more than offset the flow-through impact of lower sales year-to-date 2021.

As of September 25, 2021, the Retail Division operated 1,084 retail stores in the United States, Puerto Rico and the U.S. Virgin Islands compared to 1,244 stores at the end of the third quarter of 2020. Charges associated with store closures as part of a restructuring plan are reported as appropriate in Asset impairments and Merger, restructuring and other operating expenses, net in the Condensed Consolidated Statements of Operations. In addition, as part of our periodic recoverability assessment of owned retail stores and distribution center assets, and operating lease ROU assets, we recognize impairment charges in the Asset impairments line item of our Condensed Consolidated Statements of Operations. These charges are reflected in Corporate reporting and are not included in the determination of Division operating income. Refer to the “Corporate” section below for additional information of expenses incurred to date.

OTHER

Certain operations previously included in the former International Division, including our global sourcing and trading operations in the Asia/Pacific region, which we have retained, are presented as Other. These operations primarily relate to the sale of products to former joint venture partners, and are not material in any period. The operating results of BuyerQuest are not significant in the third quarter or year-to-date 2021 and are included in Other since its acquisition on January 29, 2021.

CORPORATE

The line items in our Condensed Consolidated Statements of Operations included as Corporate activities are Asset impairments and Merger, restructuring and other operating expenses, net. These activities are managed at the Corporate level and, accordingly, are not included in the determination of Division income for management reporting or external disclosures. In addition to these charges and credits, certain selling, general and administrative expenses are not allocated to the Divisions and are managed at the Corporate level. Those expenses are addressed in the section “Unallocated Expenses” below.

Asset impairments

We recognized asset impairment charges of $5 million and $18 million in the third quarter and year-to-date 2021, respectively, related to our continuing operations. These charges included $4 million and $15 million, respectively, related to impairment of operating lease ROU assets associated with our retail store locations, and the remainder was related to impairment of fixed assets. We recognized asset impairment charges of $10 million and $175 million in the third quarter and year-to-date 2020, respectively, related to our continuing operations. Of the asset impairment charges in the third quarter of 2020, $7 million was related to impairment of operating lease ROU assets associated with our retail store locations, and the remainder was related to impairment of fixed assets. Of the asset impairment charges year-to-date 2020, $115 million was related to impairment of goodwill in our Contract reporting unit, $42 million was related to impairment of operating lease ROU assets associated with our retail store locations, and the remainder was related to impairment of fixed assets and a cost method investment.

In addition to the impairment charges related to our continuing operations, we also recognized $114 million and $248 million year-to-date 2021 and 2020, respectively, related to impairment charges on goodwill and indefinite-lived intangible assets of our CompuCom division. These charges are presented as part of discontinued operations.

We regularly review retail store assets for impairment indicators at the individual store level, as this represents the lowest level of identifiable cash flows. When indicators of impairment are present, a recoverability analysis is performed which considers the estimated undiscounted cash flows over the retail store’s remaining life and uses inputs from retail operations and accounting and finance personnel. These inputs include our best estimates of retail store-level sales, gross margins, direct expenses, exercise of future lease renewal options when reasonably certain to be exercised, and resulting cash flows, which, by their nature, include judgments about how current initiatives will impact future performance. In the third quarter and year-to-date 2021, the assumptions used within the recoverability analysis for the retail stores were updated to consider current quarter retail store operational results and formal plans for future retail store closures as part of our restructuring programs, including the probability of closure at the retail store level. While it is generally expected that closures will approximate the store’s lease termination date, it is possible that changes in store performance or other conditions could result in future changes in assumptions utilized. In addition, the assumptions used reflected declining sales over the forecast period, and gross margin and operating cost assumptions that are consistent with recent actual results and consider plans for future initiatives. If the undiscounted cash flows of a retail store cannot support the carrying amount of its assets, the assets are impaired and written down to estimated fair value. Our retail store assets recoverability analyses in the third quarter of 2021 also included the impact of the COVID-19 pandemic on the operations of our retail stores as described in the “Retail Division” section. As discussed above, there is uncertainty regarding the impact of the COVID-19 pandemic on the results of our operations in the fourth quarter of 2021 and beyond, which could result in future impairments of store assets if deemed unrecoverable.

We are monitoring the performance of our Contract reporting unit, which is a component of our Business Solutions Division segment. The operating performance and future outlook for the Contract reporting unit are in line with our revised forecasts used in determining the fair value estimates in the most recent quantitative annual impairment assessment, which it passed by a 12% margin. Accordingly, there are no impairment indicators identified for this reporting unit as of September 25, 2021. We also did not identify indicators of impairment related to our other reporting units, which mainly serve consumers through our retail stores and eCommerce platform and have been performing in accordance with our forecasts. We will continue to evaluate the recoverability of goodwill at the reporting unit level on an annual basis and whenever events or changes in circumstances indicate there may be a potential impairment. If the operating results of our reporting units deteriorate in the future, it may cause the fair value of one or more of the reporting units to fall below their carrying value, resulting in additional goodwill impairment charges. Further, while we are currently in a strong liquidity and capital position, a significant deterioration may have a material impact on our liquidity and capital in future periods.

Merger, restructuring and other operating expenses, net

Since 2017, we have taken actions to optimize our asset base and drive operational efficiencies. These actions include acquiring profitable businesses, closing underperforming retail stores and non-strategic distribution facilities, consolidating functional activities, eliminating redundant positions and disposing of non-strategic businesses and assets. The expenses and any income recognized directly associated with these actions are included in Merger, restructuring and other operating expenses, net on a separate line in the Condensed Consolidated Statements of Operations in order to identify these activities apart from the expenses incurred to sell to and service customers. These expenses are not included in the determination of Division operating income. Merger, restructuring and other operating expenses, net were $13 million and $37 million in the third quarter and year-to-date 2021, respectively, compared to $24 million and $89 million in the third quarter and year-to-date 2020, respectively.

Maximize B2B Restructuring Plan

In May 2020, our Board of Directors approved a restructuring plan to realign our operational focus to support our “business-to-business” solutions and IT services business units and improve costs (the “Maximize B2B Restructuring Plan”). Implementation of the Maximize B2B Restructuring Plan is expected to be substantially completed by the end of 2023. The Maximize B2B Restructuring Plan aims to generate savings through optimizing our retail footprint, removing costs that directly support our Retail business and additional measures to implement a company-wide low-cost business model, which will then be invested in accelerating the growth of our business-to-business platform. The plan is broader than restructuring programs we have implemented in the past and includes closing and/or consolidating retail stores and distribution facilities and the reduction of up to 13,100 employee positions by the end of 2023. We are evaluating the number and timing of retail store and distribution facility closures and/or consolidations. However, we generally expect that closures will approximate the store’s lease termination date. We closed 6 and 67 retail stores under the Maximize B2B Restructuring Plan during the third quarter and year-to-date 2021, respectively. We had closed 70 retail stores and two distribution facilities in 2020 under the Maximize B2B Restructuring Plan. We anticipate that additional retail stores will be closed in 2021. Total estimated restructuring costs related to the Maximize B2B Restructuring Plan are expected to be up to $115 million, comprised of:

(a) severance costs of approximately $53 million;

(b) facility closure costs of approximately $34 million, which are mainly related to retail stores; and

(c) other costs, including contract termination costs, to facilitate the execution of the Maximize B2B Restructuring Plan of approximately $28 million.

The total costs of up to $115 million above are less than our estimate of total costs for this restructuring plan when it had commenced, mainly as a result of the reduction in the number of expected retail store and distribution facility closures based upon the Company's most recent evaluation of economic factors that influence expected store closures. There could be further fluctuations in the estimate of total expected costs in the future and timing of such costs as a result of an assessment of general market conditions and changes in our business strategy, including the planned Separation described in Recent Developments above. In addition, the reduction of employee positions may also be impacted as a result of fewer retail store closures and the changes in our business strategy. The $115 million of total costs are expected to be incurred as cash expenditures through 2023 and funded primarily with cash on hand and cash from operations. We incurred $94 million in restructuring expenses to implement the Maximize B2B Restructuring Plan since its inception in 2020 and through year-to-date 2021, of which $46 million were cash expenditures. Of these amounts, $6 million of restructuring expenses and $2 million of cash expenditures were related to CompuCom which is now presented in discontinued operations. As part of the optimization of our Retail footprint, potential closure prior to lease terms were considered. However, it is generally expected that closures would approximate their lease termination dates. Changes in future economic conditions and events may influence the decisions made which would not be a part of this plan. If stores are determined to be closed before the end of their lease term and the fair values of their assets are not sufficient to cover their carrying amounts, we may also incur non-cash asset impairment charges related to the operating lease ROU assets and fixed assets at these locations. The timing and amount of these future impairments will be dependent upon the decisions that will be made and whether the closures or disposals occur prior to the lease maturity dates or useful lives of the assets involved. Impairment charges on these assets, if any, will be reflected on the Asset impairments line item of our Condensed Consolidated Statements of Operations.

In the third quarter of 2021, we incurred $4 million, net, in restructuring expenses associated with the Maximize B2B Restructuring Plan, which consisted of $5 million in of facility closure, contract termination and other costs, partially offset by $1 million in reversal of employee severance accruals due to changes in estimates. Year-to-date 2021, we incurred $13 million in restructuring expenses associated with the Maximize B2B Restructuring Plan, which consisted of $1 million in third-party professional fees, $15 million of facility closure, contract termination and other costs, partially offset by $2 million in reversal of employee severance accruals due to changes in estimates and a $1 million gain on sale of retail store assets. The facility closure costs were mainly related to retail store closure accruals and accelerated depreciation. Of these amounts, $2 million and $17 million were cash expenditures in the third quarter and year-to-date 2021, respectively.

USR Parent, Inc. proposals

During the first quarter of 2021, as described in the "Recent Developments" section above, we received two proposals from USR Parent, Inc., the parent company of Staples Inc. and a portfolio company of Sycamore Partners, to acquire 100% of the Company's issued and outstanding stock or certain assets of the Company. After careful review and consideration of the proposals and in consultation with financial and legal advisors, our Board of Directors unanimously concluded that the transactions described in the proposals were not in the best interest of the Company and its shareholders, and that there was a more compelling path forward to create value. We filed statements on Schedule 14D-9 with the SEC on January 19, 2021 and March 15, 2021 containing the Board of Directors' recommendation. Also, on March 31, 2021, USR Parent, Inc. publicly announced that it decided to defer the March 2021 launch of a tender offer for our common stock while reserving the right to commence one in the future.

During the second quarter of 2021, we received a third proposal from USR Parent, Inc. to acquire our consumer facing business, including our retail stores, and USR Parent, Inc. reiterated its intention to commence a tender offer if negotiations for an alternative transaction are not successful. Our Board of Directors is carefully reviewing this proposal with the assistance of its financial and legal advisors to determine the course of action that it believes is in the best interests of the Company and its shareholders. We incurred $1 million and $4 million in third-party professional fees related to the evaluation of USR Parent, Inc.'s proposals in the third quarter and year-to-date 2021, respectively, including expenses incurred in connection with a CID from the FTC, which is conducting an investigation of USR Parent, Inc.'s proposals.

In order to relieve us from the continuation of a costly and burdensome process, the FTC has agreed to defer requiring further responses from us unless and until USR Parent, Inc. formally launches a tender offer, or the parties execute a negotiated agreement. Additionally, on May 4, 2021 the Bureau advised us that it has determined that USR Parent, Inc.'s proposed acquisition of the Company would likely result in a substantial lessening or prevention of competition in the sale of business essentials to enterprise customers in Canada. While it is not known for certain what the Bureau would do if USR Parent, Inc. actually launches a tender offer in the future, the Bureau's determination signals that the Bureau would likely challenge the acquisition. However, we cannot be certain that USR Parent, Inc. will not commence a tender offer in the future. We anticipate that we will incur additional significant legal and other expenses throughout this process if USR Parent, Inc. pursues a tender offer.

Planned Separation of Consumer Business

In May 2021, our Board of Directors unanimously approved a plan to pursue a separation of the Company into two independent, publicly traded companies. Refer to Recent Developments above for further information. We expect to incur significant costs in connection with the planned Separation, which are expected to relate primarily to third-party professional fees, retention payments to certain employees, and other costs directly related to the Separation. We incurred $9 million and $20 million, respectively, in third-party professional fees associated with the planned Separation in the third quarter and year-to-date 2021 and expect to continue to incur additional Separation costs in the remainder of 2021 and in 2022 until the Separation is completed. We currently estimate that such additional Separation costs will exceed $100 million, although such estimate is subject to a number of assumptions and uncertainties.

Other

In the third quarter of 2021 we had $1 million of transaction and integration income, related to earnout adjustments on acquisitions made in prior periods. We did not incur any transaction and integration costs year-to-date 2021. We did not incur any transaction and integration expenses in the third quarter of 2020, and incurred $5 million year-to-date 2020 related to legal, accounting, and other third-party expenses incurred in connection with acquisitions and business integration activities.

Included in restructuring expense in the third quarter and year-to-date 2020 were $6 million and $19 million, respectively, of costs incurred in connection with the Business Acceleration Program. These costs included third-party professional fees, retail and facility closure costs and other costs. The Business Acceleration Program was announced in 2019 and largely concluded at the end of 2020.

Refer to Note 3. "Merger, Restructuring and Other Activity" in Notes to Condensed Consolidated Financial Statements for an additional analysis of these Corporate charges.

Unallocated Expenses

We allocate to our Divisions functional support expenses that are considered to be directly or closely related to segment activity. These allocated expenses are included in the measurement of Division operating income. Other companies may charge more or less for functional support expenses to their segments, and our results, therefore, may not be comparable to similarly titled measures used by other companies. The unallocated expenses primarily consist of the buildings used for our corporate headquarters and personnel not directly supporting the Divisions, including certain executive, finance, legal, audit and similar functions. Unallocated expenses also include the pension credit related to the frozen OfficeMax pension and other benefit plans. Additionally, the pension plan in the United Kingdom that has been retained by us in connection with the sale of the European Business, as well as certain general and administrative costs previously allocated to the former International Division have been included in corporate unallocated expenses.

Unallocated expenses were $26 million and $82 million in the third quarter and year-to-date 2021, respectively, and $28 million and $74 million in the third quarter and year-to-date 2020, respectively. The decrease in the third quarter of 2021 compared to the prior year period was primarily due to $10 million related to executive incentive pay adjustments and lower legal expenses, partially offset by $8 million increase in connection with our development efforts in evolving our digital procurement platform as described in the "Strategic Transformation" section. The increase year-to-date 2021 compared to the prior year period was primarily due to our development efforts in evolving our digital procurement platform.

Other Income and Expense

	Third Quarter		Year-to-Date	
(In millions)	**2021**	2020	**2021**	2020
Interest income	**$ —**	$ —	**$ —**	$ 3
Interest expense	**(7)**	(6)	**(20)**	(34)
Loss on extinguishment and modification of debt	**—**	—	**—**	(12)
Other income, net	**3**	2	**19**	5

In April 2020, we entered into the Third Amended Credit Agreement which provided for an aggregate principal amount of up to $1.3 billion asset-based revolving credit facility and asset-based FILO Term Loan Facility, maturing in April 2025. We recorded $1 million and $3 million of interest expense in the third quarter and year-to-date 2021, respectively, and $2 million and $5 million in the third quarter and year-to-date 2020 related to the Third Amended Credit Agreement. We recorded $10 million of interest expense year-to-date 2020 related to the now terminated Term Loan Credit Agreement. We recognized $12 million of loss from extinguishment and modification of debt related to the now terminated Term Loan Credit Agreement year-to-date 2020, which primarily included the write-off of the remaining unamortized original issue discount and debt issuance costs of the Term Loan Credit Agreement. Refer to Note 8. "Debt" in Notes to Condensed Consolidated Financial Statements for additional information. We also recorded interest expense related to our finance lease obligations and revenue bonds in all periods presented.

We recorded $7 million of other income, net related to the release of certain liabilities of our former European Business year-to-date 2021.

Income Taxes

During 2021 and 2020, the mix of income and losses across jurisdictions, although still applicable, has become less of a factor in influencing our effective tax rates due to limited international operations and improved operating results. Our effective tax rates were 27% and 23% for the third quarter and year-to-date 2021, respectively, and 65% and (81)% for the third quarter and year-to-date 2020, respectively. Year-to-date 2021, our effective tax rate was primarily impacted by the recognition of a large tax windfall associated with stock-based compensation awards and recognition of tax benefits due to an agreement reached with the IRS related to a prior tax position. These factors, along with the impact of state taxes and the mix of income and losses across U.S. and non-U.S. jurisdictions, caused our effective tax rate to differ from the statutory rate of 21%. Our effective tax rates in the prior period has varied considerably primarily due to the impact of goodwill impairment, state taxes, excess tax deficiencies associated with stock-based compensation awards and certain non-deductible items, and the mix of income and losses across U.S. and non-U.S. jurisdictions. Changes in pretax income projections and the mix of income across jurisdictions could impact the effective tax rates in future quarters.

We continue to have a U.S. valuation allowance for certain U.S. federal credits and state tax attributes, which relates to deferred tax assets that require certain types of income or for income to be earned in certain jurisdictions in order to be realized. We will continue to assess the realizability of our deferred tax assets in the U.S. and remaining foreign jurisdictions in future periods. Changes in pretax income projections could impact this evaluation in future periods. Upon the sale of CompuCom, we anticipate recognizing a large capital loss. A portion of this loss is available to be carried back to several jurisdictions, primarily the U.S. federal income tax. The estimated tax benefits of these carry back claims are reflected in the discontinued operations taxes. It is anticipated that any excess capital loss will be offset by a valuation allowance until sufficient capital gain is generated to be utilized

We file a U.S. federal income tax return and other income tax returns in various states and foreign jurisdictions. With few exceptions, we are no longer subject to U.S. federal and state and local income tax examinations for years prior to 2019 and 2014, respectively. The acquired OfficeMax U.S. consolidated group is no longer subject to U.S. federal income tax examination, and with few exceptions, is no longer subject to U.S. state and local income tax examinations for years prior to 2013. Our U.S. federal income tax return for 2020 is currently under review. Generally, we are subject to routine examination for years 2013 and forward in our international tax jurisdictions.

It is anticipated that $1 million of tax positions will be resolved within the next 12 months. Additionally, we anticipate that it is reasonably possible that new issues will be raised or resolved by tax authorities that may require changes to the balance of unrecognized tax benefits; however, an estimate of such changes cannot be reasonably made at this time.

Discontinued Operations

Refer to Note 13. “Discontinued Operations” in Notes to Condensed Consolidated Financial Statements for information regarding the CompuCom Division which is accounted for as discontinued operations.

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

At September 25, 2021 and December 26, 2020, we had $753 million and $729 million in cash and cash equivalents, respectively, and $953 million and $934 million of available credit under the Third Amended Credit Agreement (as defined in Note 8. “Debt” in Notes to Condensed Consolidated Financial Statements), respectively, for a total liquidity of approximately $1.7 billion at the end of both periods. Despite the weaker global economic conditions and the uncertainties related to the impacts of the COVID-19 pandemic, we currently believe that as a result of our strong financial position, including our cash and cash equivalents on hand, availability of funds under the Third Amended Credit Agreement, and future year cash flows generated from operations, we will be able to fund our working capital, capital expenditures, debt repayments, common stock repurchases, dividends (if any), merger integration and restructuring expenses, the planned Separation of our consumer business, and future acquisitions consistent with our strategic growth initiatives for at least the next twelve months from the date of this Quarterly Report on Form 10-Q. From time to time, we may prepay outstanding debt and/or restructure or refinance debt obligations. As the impact of the COVID-19 pandemic on the global and national economies and our operations evolve, we will continue to assess our liquidity needs.

Financing

On April 17, 2020, as disclosed in Note 8. “Debt,” we entered into the Third Amended and Restated Credit Agreement, which provides for a $1.2 billion asset-based revolving credit facility and a $100 million asset-based FILO Term Loan Facility, for an aggregate principal amount of up to $1.3 billion (the “New Facilities”). The New Facilities mature in April 2025. The Third Amended and Restated Credit Agreement replaced our then existing amended and restated credit agreement that was due to mature in May 2021.

There were no revolving loans outstanding, $100 million of outstanding FILO Term Loan Facility loans, and $49 million of outstanding standby letters of credit under the Third Amended Credit Agreement at the end of the third quarter of 2021, and we were in compliance with all applicable covenants at September 25, 2021.

Strategic Transformation

In addition to the acquisitions disclosed herein, we have evaluated, and expect to continue to evaluate, possible acquisitions and dispositions of businesses and assets in connection with our strategic transformation. Such transactions may be material and may involve cash, our securities or the incurrence of additional indebtedness (Refer to Note 2. "Acquisitions" for additional information).

Also, we announced a plan to pursue a separation of the Company into two independent, publicly traded companies, expected to be structured as a tax-free spin-off of our consumer business. We expect to incur significant costs in connection with the planned Separation, which we currently estimate to exceed $100 million, although such estimate is subject to a number of assumptions and uncertainties. The Separation is intended to be completed in the middle of 2022, subject to customary conditions as disclosed herein. Refer to Recent Developments above for further information. There can be no assurances regarding the ultimate timing of the Separation or that the transaction will be completed.

Capital Expenditures

We estimate capital expenditures in 2021 to be up to approximately $73 million, which includes investments to support our business priorities. These expenditures will be funded through available cash on hand and operating cash flows.

Capital Return Programs – Share Repurchases and Dividends

In May 2021, our Board of Directors approved a new stock repurchase program of up to $300 million, available through June 30, 2022, which replaced the Company's then existing $200 million stock repurchase program. The new authorization may be suspended or discontinued at any time. Under the new repurchase program, we repurchased 2 million and 3 million shares of our common stock at a cost of $76 million and $122 million in the third quarter and year-to-date 2021, respectively. As of September 25, 2021, $178 million remains available for stock repurchases under the current stock repurchase program. Subsequent to the end of the third quarter of 2021 and through October 27, 2021, we repurchased 567 thousand shares of our common stock at a cost of $24 million.

The stock repurchase authorization permits us to repurchase stock from time-to-time through a combination of open market repurchases, privately negotiated transactions, 10b5-1 trading plans, accelerated stock repurchase transactions and/or other derivative transactions. The exact number and timing of stock repurchases will depend on market conditions and other factors, and will be funded through available cash balances. Our Third Amended Credit Agreement permits restricted payments, such as common stock repurchases, but may be limited if we do not meet the required minimum liquidity or fixed charge coverage ratio requirements. The authorized amount under the stock repurchase program excludes fees, commissions or other expenses.

In May 2020, in order to preserve liquidity during the COVID-19 pandemic and in light of the uncertainties as to its duration and economic impact, our Board of Directors temporarily suspended the Company's quarterly cash dividend beginning in the second quarter of fiscal 2020. There was no quarterly cash dividend declared and paid in the third quarter and year-to-date 2021, and our quarterly cash dividend remains temporarily suspended. Prior to its temporary suspension, dividends have been recorded as a reduction to additional paid-in capital as we are in an accumulated deficit position. Our Third Amended Credit Agreement permits restricted payments, such as dividends, but may be limited if we do not meet the required minimum liquidity or fixed charge coverage ratio requirements.

We will continue to evaluate our capital return programs as appropriate. Decisions regarding future share buybacks and dividends are within the discretion of our Board of Directors, and depend on a number of factors, including, general business and economic conditions, which includes the impact of COVID-19 on such conditions, and other factors which are discussed in this discussion and analysis and "Risk Factors" within Other Key Information in our 2020 Form 10-K, as supplemented by our discussion of "Risk Factors" within Other Information in this quarterly report, and the discussion of "Risk Factors" within Other Information in our Quarterly Report on Form 10-Q filed on May 5, 2021.

CASH FLOWS

Continuing Operations

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

	Year-to-Date	
(In millions)	**2021**	2020
Operating activities of continuing operations	**$ 256**	$ 410
Investing activities of continuing operations	**(51)**	751
Financing activities of continuing operations	**(168)**	(1,188)

Operating Activities from Continuing Operations

Year-to-date 2021, cash provided by operating activities from continuing operations was $256 million, compared to $410 million during the corresponding period in 2020. This decrease in cash flows from operating activities was primarily driven by $200 million more cash outflows from working capital and $6 million less usage of deferred tax assets against current obligations, partially offset by $52 million more net income after adjusting for non-cash charges. Working capital is influenced by a number of factors, including period end sales, the flow of goods, credit terms, timing of promotions, vendor production planning, new product introductions and working capital management. Year-to-date 2021, the primary driver for higher working capital usage was due to $188 million less cash inflows due to changes in our receivables and $48 million more cash outflows due to changes in our trade payables and other liabilities, offset by $51 million increase in cash inflows from our inventories. The remaining cash outflow of $15 million is related changes in various other asset balances. The change in our receivables is due to the impact of the COVID-19 pandemic on the sales of our Business Solutions Division in the prior year period, as well as the recovery we are observing in the third quarter of 2021. The change in our payables is reflective of the timing of payments, as well as lower purchase activity. The change in inventories is mainly attributable to the sale of inventory on hand, especially related to cleaning supplies and personal protective equipment, as well as lower purchase activity.

For our accounting policy on cash management, refer to Note 1. “Summary of Significant Accounting Policies” in Notes to Condensed Consolidated Financial Statements.

Investing Activities

Cash used in investing activities from continuing operations was $51 million year-to-date 2021, compared to cash provided by investing activities of $751 million year-to-date 2020. The cash outflow in year-to-date 2021 was driven by $29 million in business acquisitions, net of cash acquired, and $47 million in capital expenditures associated with improvements in our service platform, distribution network, and eCommerce capabilities. These outflows were partially offset by the cash proceeds from our company-owned life insurance policies of $21 million and proceeds from sale of assets of $4 million. The cash inflow year-to-date 2020 was driven by the cash proceeds from the collection of the Timber notes receivable of $818 million, which was partially offset by $28 million in business acquisitions, net of cash acquired, and $49 million in capital expenditures. These outflows were partially offset by the cash proceeds from our company-owned life insurance policies of $9 million and proceeds from sale of assets of $1 million.

Financing Activities

Cash used in financing activities from continuing operations was $168 million year-to-date 2021, compared to $1,188 million year-to-date 2020. The cash outflow in year-to-date 2021 primarily consisted of $20 million of net payments on long- and short-term borrowings activity related to our debt, $122 million in repurchases of common stock, including commissions, and $25 million share purchases for taxes, net of proceeds, for employee share-based transactions. Cash used year-to-date 2020 primarily consisted of $735 million in Non-recourse debt retirement, $388 million Term Loan Credit Agreement retirement, $64 million on borrowings associated with our company-owned life insurance policies, $337 million in repayments on long and short-term borrowings, $9 million revenue bond maturity, and $6 million in debt related fees, offset by $400 million of debt proceeds under the Third Amended Credit Agreement. We also used $13 million in payment of cash dividends and $30 million in repurchases of common stock, including commissions year-to-date 2020.

Discontinued Operations

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

	Year-to-Date	
(In millions)	**2021**	2020
Operating activities of discontinued operations	**$ (10)**	$ 79
Investing activities of discontinued operations	**(3)**	(5)
Financing activities of discontinued operations	**—**	—

Cash used in operating activities from discontinued operations was $10 million year-to-date 2021, compared to cash provided by operating activities of $79 million year-to-date 2020. The change in operating cash flows of discontinued operations in the comparative periods was primarily driven by more cash outflows from working capital in discontinued operations year-to-date 2021.

Cash used in investing activities from discontinued operations was $3 million year-to-date 2021, compared to $5 million year-to-date 2020. The change in investing cash flows of discontinued operations in the comparative periods reflects the reduction in capital expenditures in discontinued operations.

NEW ACCOUNTING STANDARDS

For a description of new applicable accounting standards, refer to Note 1. “Summary of Significant Accounting Policies” in Notes to Condensed Consolidated Financial Statements of this Quarterly Report on Form 10-Q.

CRITICAL ACCOUNTING POLICIES

Our Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Preparation of these statements requires management to make judgments and estimates. Some accounting policies have a significant impact on amounts reported in these financial statements. A summary of significant accounting policies and a description of accounting policies that are considered critical may be found in our 2020 Form 10-K, in Note 1 of the Notes to the Consolidated Financial Statements and the Critical Accounting Policies and Estimates section of the Management’s Discussion and Analysis of Financial Condition and Results of Operations. Except for our accounting policy updates described in Note 1 “Summary of Significant Accounting Policies” in Notes to Condensed Consolidated Financial Statements of this Quarterly Report on Form 10-Q, there have been no significant changes to our critical accounting policies since December 26, 2020.

OTHER INFORMATION

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

At September 25, 2021, there had not been a material change in the interest rate, foreign exchange, and commodities risks information disclosed in the "Market Sensitive Risks and Positions" subsection of the Management's Discussion and Analysis of Financial Condition and Results of Operations set forth in our 2020 Form 10-K.

CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES

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

Based on management's evaluation, our principal executive officer and principal financial officer have concluded that, as of September 25, 2021, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to management, including the principal executive officer and the principal financial officer, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosures.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in our internal control over financial reporting during the quarter ended September 25, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

We have not experienced any material impact to our internal controls over financial reporting despite the fact that most of our employees are working remotely due to the COVID-19 pandemic. We continually monitor and assess the COVID-19 situation on our internal controls to minimize the impact on their design and operating effectiveness.

LEGAL PROCEEDINGS

For a description of our legal proceedings, see Note 12. "Commitments and Contingencies" in Notes to Condensed Consolidated Financial Statements of this Quarterly Report on Form 10-Q.

RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in "Risk Factors" within Other Key Information in our 2020 Form 10-K and the discussion of "Risk Factors" within Other Information in our Quarterly Report on Form 10-Q filed on August 4, 2021.

UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

We repurchased 2 million shares of our common stock at a cost of $76 million in the third quarter of 2021. At September 25, 2021, $178 million remained available for additional repurchases under the current stock repurchase program. Subsequent to the end of the third quarter of 2021 and through October 27, 2021, we repurchased 567 thousand shares of our common stock at a cost of $24 million.

Period	Total Number of Shares Purchased *(In thousands)*	Average Price Paid per Share (a)	Total Number of Shares Purchased as Part of a Publicly Announced Plan or Program *(In thousands)*	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Repurchase Programs (b) *(In millions)*
June 27, 2021 — July 24, 2021	423	$ 46.82	423	$ 235
July 25, 2021 — August 21, 2021	434	$ 45.97	434	$ 215
August 22, 2021 — September 25, 2021	832	$ 44.05	832	$ 178
Total	**1,689**	$ 45.24	**1,689**	

(a) The average price paid per share for our common stock repurchases includes a per share commission paid.

(b) In May 2021, our Board of Directors approved a new stock repurchase program of up to $300 million, available through June 30, 2022, which replaced our then existing $200 million stock repurchase program. The new authorization may be suspended or discontinued at any time. The stock repurchase authorization permits us to repurchase stock from time-to-time through a combination of open market repurchases, privately negotiated transactions, 10b5-1 trading plans, accelerated stock repurchase transactions and/or other derivative transactions. The exact number and timing of stock repurchases will depend on market conditions and other factors, and will be funded through available cash balances. Our Third Amended Credit Agreement permits restricted payments, such as common stock repurchases, but may be limited if we do not meet the required minimum liquidity or fixed charge coverage ratio requirements. The authorized amount under the stock repurchase program excludes fees, commissions or other expenses. We commenced stock repurchases under this stock repurchase program on May 7, 2021.

In order to preserve liquidity during the COVID-19 pandemic and in light of the uncertainties as to its duration and economic impact, in May 2020, our Board of Directors temporarily suspended the Company's quarterly cash dividend beginning in the second quarter of fiscal 2020. There was no quarterly cash dividend declared and paid in the third quarter and year-to-date 2021, and our quarterly cash dividend remains temporarily suspended. Prior to its temporary suspension, dividends have been recorded as a reduction to additional paid-in capital as we are in an accumulated deficit position. Our Third Amended Credit Agreement permits restricted payments, such as dividends, but may be limited if we do not meet the required minimum liquidity or fixed charge coverage ratio requirements.

EXHIBITS

10.1*	Executive Transition Agreement, dated as of September 28, 2021, by and between The ODP Corporation and N. David Bleisch.
31.1	Certification of Principal Executive Officer required by Securities and Exchange Commission Rule 13a-14(a) or 15d-14(a)
31.2	Certification of Principal Financial Officer required by Securities and Exchange Commission Rule 13a-14(a) or 15d-14(a)
32	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	The cover page from this Quarterly Report on Form 10-Q has been formatted in Inline XBRL and contained in Exhibit 101.

* Management contract or compensatory plan or arrangement.

FORM 10-Q CROSS-REFERENCE INDEX

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	THE ODP CORPORATION	
		(Registrant)
Date: November 3, 2021	By:	/s/ GERRY P. SMITH Gerry P. Smith Chief Executive Officer (Principal Executive Officer)
Date: November 3, 2021	By:	/s/ D. ANTHONY SCAGLIONE D. Anthony Scaglione Executive Vice President and Chief Financial Officer (Principal Financial Officer)
Date: November 3, 2021	By:	/s/ RICHARD A. HAAS Richard A. Haas Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)

Exhibit 10.1

September 28, 2021

N. David Bleisch
[Redacted]
[Redacted]

Dear David:

As we have discussed, it is important to Office Depot, LLC ("Office Depot") that you remain employed with Office Depot and its affiliates (the "Company") until April 30, 2022, to assist in critical matters affecting the Company. Accordingly, the following terms and conditions shall apply to your continuing employment under this letter agreement ("Agreement"):

1. Transition Period. During the period beginning on the date of this Agreement and ending on April 30, 2022 (the "Transition Period"):

(a) the Company will continue to employ you in the role and with the title of Executive Vice President, Chief Legal & Administrative Officer and Corporate Secretary of The ODP Corporation, with your current level of responsibility and authority;

(b) your annual base salary, target bonus percentage, employee benefits (except for employee benefits changes that apply to similarly situated executives of the Company) and perquisites will remain the same as they are on the date of this Agreement;

(c) the Company's stock ownership requirements will not apply to you; and

(d) you will receive long-term incentive awards (including 2022 annual awards) commensurate with your position and consistent with the Company's past practice.

In addition, the Company will reimburse you for up to $10,000 in professional fees that you incur in calendar year 2021 in connection with review of this Agreement. You must submit documentation evidencing these fees to the Company by December 31, 2021.

2. Retention Benefits. Upon your separation from service with the Company for any reason on or after April 30, 2022, Office Depot will pay you the following retention benefits (the "Retention Benefits") if you satisfy the release requirement set out in Section 2 below:

(a) a lump sum amount equal to eighteen (18) months of your annual base salary at the rate in effect on the date of this Agreement, payable as specified in Section 3 below;

(b) a lump sum amount equal to eighteen (18) times the difference between the Company's monthly COBRA charge on the date of your separation from service for the type of Company-provided group health plan coverage in effect for you on that date and the applicable active employee charge for such coverage, payable as specified in Section 3 below;

(c) any earned but unpaid annual bonus for the completed fiscal year preceding the fiscal year of your separation from service, payable when annual bonuses are paid to other senior executives for such fiscal year;

(d) an annual bonus calculated at the greater of target performance or actual performance under the Company's executive annual bonus plan for the Company's fiscal year in which your separation from service occurs and your annual eligible earnings in such fiscal year, payable when annual bonuses are paid to other senior executives for such fiscal year;

(d) vesting of your currently outstanding restricted stock units and performance stock units that are scheduled to vest on or prior to April 30, 2022, determined for each award pursuant to the vesting provisions specified in the award agreement evidencing the award but regardless of your employment status on the applicable vesting date, with each such vested award payable at the time or times specified in the applicable award agreement; and

(e) additional pro-rated vesting of all restricted stock units outstanding to you on the date of your separation from service, determined for each such award on the basis of the number of days you are employed during the full vesting period specified in the award agreement evidencing the award, with each such vested award payable at the times specified in the applicable award agreement.

In addition, upon your termination of employment at any time for any reason, you will be due your accrued salary, any accrued unused vacation and accrued vested benefits under the Company employee benefit plans, as well as reimbursement of your business expenses incurred (in accordance with Company policy) through the date of your termination.

If the Company initiates your separation from service with the Company without Good Cause or you initiate your separation from service with the Company for Good Reason (as defined in Section 5 and Section 6 below, respectively), in either case prior to April 1, 2022, Office Depot will pay you the Retention Benefits conditioned upon and subject to your satisfaction of the release requirement set out in Section 3 below. If you separate from service with the Company for any other reason prior to April 1, 2022, you will not be entitled to the Retention Benefits; provided, for the avoidance of doubt, nothing in this sentence shall adversely affect your entitlements under any Company plan or agreement (including restricted stock unit and performance stock unit agreements) in the event of your death or termination due to disability (as provided thereunder).

Despite the above, if the Company undergoes a Change in Control (as defined in the Executive Change in Control Plan ("ECICP")) and you incur a qualifying termination of employment within the meaning of the ECICP during the Transition Period, the severance benefit provisions of the ECICP will apply to you instead of the retention benefit provisions described above in this Section 2 if payment of severance benefits under the ECICP will result in an equal or greater economic after-tax benefit to you than the payment of the Retention Benefits specified in this Section 2.

3. <u>Release of Claims</u>. Office Depot must deliver to you a release agreement in a form substantially consistent with Office Depot's standard form of general release used for officers and not inconsistent with the terms of this Agreement (the "Release") within seven days following the date of your separation from service. As a condition to receipt of the Retention Benefits specified in (a), (b), (d), (e) and (f) of Section 1 above, you must (A) sign the Release and return the signed Release to Office Depot within the time period prescribed in the Release (which will not be more than 45 days after Office Depot delivers the Release to you), and (B) not revoke the Release within any seven-day revocation period that applies to you under the Age Discrimination in Employment Act of 1967, as amended; the total period of time described in (A) and (B) above is the "Release Period." Office Depot will pay the amounts described in (a) and (b) of the Retention Benefits to you in a lump sum within 15 days following the expiration of the Release Period, unless the six-month delay described in Section 4 below applies. In the event you decline or fail for any reason to timely execute and deliver the Release or you revoke the

Release, then you will not be entitled to the Retention Benefits specified in (a), (b), (d), (e) and (f) in Section 1 above.

4. Section 409A. This Agreement shall at all times be administered and construed in accordance with the requirements of section 409A of the Internal Revenue Code of 1986, as amended, and the Department of Treasury regulations and other guidance thereunder ("Code Section 409A"), including any applicable exceptions. Office Depot shall have authority to take action, or refrain from taking any action, with respect to the payments and benefits under this Agreement that is reasonably necessary to comply with Code Section 409A. For purposes of this Agreement if you become entitled to the Retention Benefits, (i) payment of the amounts described in (a) and (b) of Section 1 above shall be triggered only by your "separation from service" within the meaning of Treasury Regulation Section §1.409A-1(h) ("Separation from Service"), and (ii) if, on the date of your Separation from Service, you are a "specified employee" within the meaning of Code Section 409A(a)(2)(B)(i) and Treasury Regulation Section 1.409A-1(i) (with such status determined by Office Depot in accordance with rules established by Office Depot in writing in advance of the "specified employee identification date" that relates to the date of such Separation from Service or in the absence of such rules established by Office Depot, under the default rules for identifying specified employees under Treasury Regulation Section 1.409A-1(i)), payment of such amounts shall be made on the first business day following the six month anniversary of the date of such Separation from Service (provided, however, that if you die after the date of such Separation from Service, payment will be paid to your estate in a lump sum without regard to the six-month delay that otherwise applies to specified employees). To the extent necessary to comply with Code Section 409A, in no event may you, directly or indirectly, designate the taxable year of payment of the Retention Benefits. Any amounts payable in installments shall be considered a series of separate payments. In particular, to the extent necessary to comply with Code Section 409A, because the amounts described in (a) and (b) of the Retention Benefits are conditioned upon you executing and not revoking the Release, if the designated payment period for such amounts begins in one taxable year and ends in the next taxable year, the payment will be made in the later taxable year. You acknowledge and agree that the Company has made no representation regarding the tax treatment of any payment under this Agreement and, notwithstanding anything else in this Agreement, that you are solely responsible for all taxes due with respect to any payment under this Agreement. Consistent with the requirements of Code Section 409A, to the extent that any reimbursement or in-kind benefit provided under this Agreement is taxable and subject to Section 409A, unless stated otherwise – (i) eligible reimbursements must be incurred, and in-kind benefits will be provided, only during the Transition Period; (ii) the expenses eligible for reimbursement or the in-kind benefits provided in any given calendar year will not affect the expenses eligible for reimbursement or the in-kind benefits provided in any other calendar year; (iii) the reimbursement of an eligible expense must be made no later than the last day of the calendar year following the calendar year in which the expense is incurred; and (iv) the right to reimbursements or in-kind benefits cannot be liquidated or exchanged for any other benefit.

5. Definition of Good Cause. For purposes of this Agreement, "Good Cause" means:

(a) your willful failure to perform your material duties (other than any such failure resulting from incapacity due to physical or mental illness);

(b) your willful failure to comply with any valid and legal directive of the Chief Executive Officer of Office Depot;

(c) your engagement in dishonesty, illegal conduct or misconduct, which is, in each case, materially injurious to the Company;

(d) your embezzlement, misappropriation or fraud, whether or not related to your employment with the Company;

(e) your conviction of or plea of guilty or nolo contendere to a crime that constitutes a felony (or state law equivalent) or a crime that constitutes a misdemeanor involving moral turpitude;

(f) your willful violation of a material policy of the Company; or

(g) your material breach of any material obligation under this letter, the Associate Non-Competition, Confidentiality and Non-Solicitation Agreement, or any other written agreement between the Company and you;

provided, however, that termination of your employment shall not be deemed to be for Good Cause unless and until the Company delivers to you a copy of a resolution duly adopted by the affirmative vote of not less than two-thirds of the Board of Directors of The ODP Corporation (The "Board"), finding that you are guilty of the conduct described in any of (a) through (g) above, after having afforded you a reasonable opportunity to appear (with counsel) before the Board. Except for a failure, breach or refusal which, by its nature, cannot reasonably be expected to be cured, you shall have thirty (30) business days from the delivery of written notice by the Company within which to cure any acts constituting Good Cause; provided, however, that if the Company reasonably expects irreparable injury from a delay of thirty business (30) days, the Company may give you notice of such shorter period within which to cure as is reasonable under the circumstances, which may include the termination of your employment without notice and with immediate effect. For purposes of this "Good Cause" definition, no act or failure by you shall be considered "willful" if such act is done by you in the good faith belief that such act is or was in the best interests of the Company or one or more of its businesses.

6. Definition of Good Reason. For purposes of this Agreement, "Good Reason" means the occurrence of any one or more of the following, in each case without your written consent:

(a) a material reduction in your annual base salary (as such annual base salary may be increased from time to time), except for across-the-board annual base salary reductions affecting the executive leadership team;

(b) the relocation of the Company's principal executive office to a location more than fifty miles (or such longer distance that is the minimum permissible distance under the circumstances for purposes of the involuntary separation from service standards under the Treasury Regulations or other guidance under Code Section 409A) from its location on the date of this Agreement and that results in a material increase to your normal daily commute, except for required travel on business for the Company;

(c) the failure of the Company to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement and the ECICP; or

(d) material breach by the Company of any material provision of this letter, unless arising from your inability to materially perform your duties contemplated hereunder;

provided, however, that you will only have Good Reason if you provide notice of termination to Office Depot of the existence of the event or circumstance constituting Good Reason specified in any of the preceding clauses within ninety (90) days of the initial existence of such event or circumstances and if such event or circumstance is not cured within thirty (30) days after Office Depot's receipt of such notice of termination. If you initiate your separation from service for Good Reason, the actual separation from service must occur within sixty (60) days after the date of the notice of termination. Your failure to timely give notice of termination of the occurrence of a specific event that would otherwise constitute Good

Reason will not constitute a waiver of your right to give notice of any new subsequent event that would constitute Good Reason that occurs after such prior event (regardless of whether the new subsequent event is of the same or different nature as the preceding event).

7. Transferability. None of your rights under this Agreement may be assigned, transferred, pledged or otherwise disposed of by you, other than by your will or under the laws of descent and distribution.

8. Withholding. The Company is authorized to withhold from the Retention Benefits the amount of any applicable federal, state and local taxes as may be required to be withheld pursuant to any applicable law or regulation.

9. No Right to Employment or Other Benefits. This Agreement will not be construed as a guarantee of continued employment.

10. No Trust Fund. This Agreement will not be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company and you or any other person. To the extent that you acquire the right to receive payments from the Company under this Agreement, such right will be no greater than the right of any unsecured general creditor of the Company.

11. Confidentiality. To the extent not previously publicly disclosed by the Company, you are required to keep strictly confidential the fact that you have been offered the Retention Benefits, the fact that you have entered into this Agreement and the terms and conditions of this Agreement and specifically agree not to disclose such to co-workers, whether within the Company or otherwise, Company employees or anyone else other than your spouse, legal counsel and financial advisors or as required by law. Any permitted disclosure in accordance with the preceding sentence should be accompanied by notice that the recipient is to maintain the confidentiality of this Agreement as well. This confidentiality requirement is a material condition of this Agreement and, notwithstanding anything herein to the contrary if you violate it, you will forfeit your eligibility to receive the Retention Benefits and, to the extent permitted by applicable law, you agree repay to Office Depot, within thirty (30) days following your breach of this requirement, the full amount of the Retention Benefits for which you have already received payment.

12. Entire Agreement. This Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein, including but not limited to your offer letter with Office Depot dated September 16, 2017, and, except as otherwise provided herein, supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto, and any prior agreement of the parties hereto in respect of the subject matter contained herein is hereby terminated and canceled. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party, which are not set forth expressly in this Agreement. In particular, and not be way of limitation, you acknowledge and agree that you have no entitlement or potential entitlement to severance pay from the Company other than as set forth in this Agreement and in the ECICP (which will only become relevant in the event of a Change in Control). In the event of any inconsistency between this Agreement and any other plan, program or agreement of the Company and you, this Agreement shall control unless such other plan, program or agreement specifically provides otherwise by reference to this Agreement. Neither party shall be liable or bound to the other party in any manner by any representations and warranties or covenants relating to such subject matter except as specifically set forth herein.

13. Governing Law. The validity, construction, and effect of this award letter will be determined in accordance with the laws of the State of Florida, without reference to principles of conflict of laws.

Please return an executed and scanned copy of this Agreement to Gerry Smith by September 28, 2021. Any questions regarding this Agreement should be directed to Gerry Smith at [Redacted]@officedepot.com.

Sincerely,

/s/ GERRY P. SMITH

Gerry Smith
Chief Executive Officer

Acknowledged and Agreed:

/s/ N. DAVID BLEISCH	9/28/2021
N. David Bleisch	Date

Exhibit 31.1

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

I, Gerry P. Smith, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The ODP Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ GERRY P. SMITH

Name: Gerry P. Smith
Title: Chief Executive Officer (principal executive officer)
Date: November 3, 2021

Exhibit 31.2

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

I, D. Anthony Scaglione, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The ODP Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ D. ANTHONY SCAGLIONE

Name:	D. Anthony Scaglione
Title:	Executive Vice President and Chief Financial Officer (principal financial officer)
Date:	November 3, 2021

Exhibit 32

The ODP Corporation

**Certification of Principal Executive Officer and Principal Financial Officer Pursuant to
18 U.S.C. Section 1350, as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q (the "Report") of The ODP Corporation (the "Company") for the quarter ended September 25, 2021, as filed with the U.S. Securities and Exchange Commission on the date hereof, Gerry P. Smith, as Chief Executive Officer of the Company, and D. Anthony Scaglione, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to each officer's knowledge:

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

/s/ GERRY P. SMITH

Name: Gerry P. Smith
Title: Chief Executive Officer (principal executive officer)
Date: November 3, 2021

/s/ D. ANTHONY SCAGLIONE

Name: D. Anthony Scaglione
Title: Chief Financial Officer (principal financial officer)
Date: November 3, 2021

A signed original of this certification required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the U.S. Securities and Exchange Commission or its staff upon request.

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