SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 25, 1999

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 1-10948

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

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

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

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

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

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

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

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

The aggregate market value of voting stock held by non-affiliates of the registrant as of March 3, 2000 was approximately $3,651,720,818.

As of March 3, 2000, the Registrant had 321,728,565 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of our Annual Report to Stockholders for the fiscal year ended December 25, 1999 are incorporated by reference in Part II, and the Proxy Statement, to be mailed to stockholders on or about March 31, 2000 for the Annual Meeting to be held on April 28, 2000, is incorporated by reference in Part III.

PART I

ITEM 1. BUSINESS.

GENERAL

Office Depot, Inc., together with our subsidiaries, is the largest supplier of office products and services in the world. We sell to consumers and businesses of all sizes through our three business segments: Stores, Business Services and International. We operate on a 52- or 53-week fiscal year ending on the last Saturday in December.

Stock Split

On February 24, 1999, our Board of Directors ("Board") declared a three-for-two stock split in the form of a 50% stock dividend distributed on April 1, 1999 to stockholders of record on March 11, 1999. We have restated all share and per share amounts in our financial statements to reflect this stock split. The split resulted in the issuance of approximately 125 million additional shares of our stock to existing stockholders.

Stock Repurchase

In August 1999, our Board approved a $500 million stock repurchase program reflecting its belief that our common stock represented a significant value at its then-current trading price. We completed this stock repurchase during the third and fourth quarters of 1999 by purchasing 46.7 million shares of our stock at a total cost of $500 million plus commissions. In January and March 2000, our Board approved additional stock repurchases of up to $200 million, bringing our total authorization to $700 million. As of March 3, 2000 we had purchased an additional 9.2 million shares of our stock at a total cost of $100 million plus commissions. The remaining authorization does not have an expiration date, and we can acquire our common stock either on the open market or through negotiated purchases.

Stores Division

We opened our first office supply store in Florida in October 1986. As of March 3, 2000, we operated 829 retail office supply stores through our Stores Division in 46 states, the District of Columbia and 5 Canadian provinces.

Our stores utilize a warehouse format. Using this format, merchandise is displayed on the sales floor using low-profile fixtures, pallets, bins and industrial steel shelving, permitting the bulk stacking of inventory and quick and efficient restocking. Shelving is positioned to form aisles large enough to comfortably accommodate customer traffic and merchandise movement.

Our stores carry a wide selection of merchandise, including brand name office supplies, business machines and computers, computer software, office furniture and other business-related products. Our stores sell primarily to small offices/home offices and individual consumers. Each store also contains a multipurpose copy and print center offering printing, reproduction, mailing, shipping and other services. The sales staff in all of our stores includes specialists who are trained to answer our customers' questions regarding a wide variety of technology products.

We open new stores either by leasing existing retail space and renovating it according to our specifications or by constructing new space. Prior to selecting a new store site, we obtain detailed demographic information indicating business concentrations, traffic counts, population, income levels and future growth prospects. Our stores are located primarily in suburban strip shopping centers on major commercial roadways where the cost of space is generally lower than in urban areas. These suburban locations are generally more accessible to our customers and provide them with convenient parking. Additionally, they are typically situated in a manner that allows our stores to efficiently receive inventory on a daily basis.

Our retail stores conform to a model designed to achieve cost efficiency by minimizing rent and eliminating the need for a central warehouse. Each store displays virtually all its inventory on the sales floor according to a uniform store layout plan. This plan is intended to display merchandise effectively, use merchandising space efficiently and provide customers with a consistent and appealing store layout. We completed approximately 65 store remodels in 1999, compared with 200 in 1998. In 1999, we focused on re-merchandising our stores (i.e., re-arranging product displays in a way that is more appealing to the customer) rather than performing full-scale remodels. This approach requires less capital and yields a better overall return given the number of new stores in our store base. Recent changes in our store layouts provide a more customer-friendly atmosphere, with brighter lighting and more colorful displays.

Substantially all inventory on the sales floor is bar-coded for automatic processing. Sales are processed through registers located at the front of the store. Sales and inventory information for each stock-keeping unit ("SKU") are transmitted to our central computer system daily, and pricing information is transmitted from our central computer system back to the stores. Rather than individually price marking each product, a master sign for each product is used to display its price. As price changes occur, a new master sign is automatically generated for the product display, and the new price is reflected in the register, allowing us to avoid labor costs associated with re-pricing.

Our overall business strategy for our Stores Division is to maximize sales and profitability in our existing stores and to add new stores in existing markets that have the potential for further Office Depot development, in smaller markets in regions that are still under-served by office supply retailers and, to a lesser extent, in larger markets that are attractive because of the number of potential customers in those markets. However, stores in larger markets often require higher occupancy costs. Store opening activity for the last five years is summarized as follows:

	OPEN AT BEGINNING OF YEAR	OPENED	CLOSED	OPEN AT END OF YEAR	STORES RELOCATED
1995	420	82	1	501	6
1996	501	60	--	561	3
1997	561	42	1	602	2
1998	602	101	1	702	5
1999	702	130	7	825	14

The decline in the number of stores opened in 1996 and 1997 was the result of our proposed merger with Staples, Inc. ("Staples"), which was terminated in July 1997. During this period of uncertainty, several of our key real estate employees left the Company. After the merger discussions with Staples were terminated, we re-staffed our real estate department and re-launched our store expansion program.

We currently plan to open approximately 100 new retail stores in the United States and Canada during 2000. However, our real estate strategy will stress a more analytical approach in the future, rather than focusing on a specific number of new stores. Over the past year, we have conducted extensive customer and market research that will provide us with a more precise evaluation of the profit potential and return on investment of each new store opening.

Business Services Group ("BSG")

In 1993 and 1994, we expanded into the contract business by acquiring eight contract stationers. Contract stationers are businesses which provide a wide variety of office products to customers who have continuing relationships with the seller, often through contractual agreements to purchase office supplies from that seller. These acquisitions allowed us to enter the contract business and broaden our commercial (primarily catalog) and retail delivery business. In 1998, we merged with Viking Office Products, Inc. ("Viking"), a global direct marketing office products company, significantly increasing the customer base and catalog marketing expertise of our BSG. Today, BSG sells office products and services to contract and commercial customers through our Office Depot(R) and Viking Office Products(R) direct mail catalogs and Internet sites, and by means of our dedicated contract sales force.

We currently operate customer service centers ("CSCs") in 18 states. Our CSCs, which range in size from 51,000 to 620,000 square feet, serve as warehouse and delivery facilities, many of which also house sales offices, call centers and administrative offices. Our CSCs perform warehousing and delivery services on behalf of all of our domestic segments, handling most of our delivery business. We believe that these facilities, along with their surrounding satellites, provide cost effective and efficient delivery services to our customers in the 48 contiguous states.

Our contract and commercial customers have access to a broad selection of stocked office products and office furniture, as well as special order items. In addition, we provide our contract customers with specialized services designed to aid them in achieving efficiencies and eliminating waste in their overall office products and office furniture costs. These services include tailored electronic ordering, stockless office procurement, desktop delivery, business forms management services and comprehensive product usage reports.

Prior to our merger with Viking in August 1998, we replaced several outdated, inefficient facilities with new CSCs and converted all of our warehouse and order entry systems to one common technology platform. Customers place orders by phone, fax, electronic data interchange ("EDI") and the Internet. Orders are routed to the appropriate CSC for delivery. If an item is not in stock, the order is automatically routed to a wholesaler. Wholesaler orders are generally delivered to the CSC the same day, enabling us to deliver the most complete order possible to our customers, in most cases the next business day.

We currently operate 30 CSCs in the United States, 10 of which we added as a result of the Viking merger. We have initiated plans to integrate our Viking and Office Depot warehouses. We expect to accomplish this integration by either absorbing the Viking operations into existing Office Depot warehouses or by opening new combined warehouses, depending on the particular market circumstances. Once our integration is complete, we will operate 21 combined CSCs, having closed nine Viking and two Office Depot CSCs and opened two new combined facilities. See MERGERS, ACQUISITIONS AND RESTRUCTURINGS for further information. Although we are integrating our warehouse and delivery network, we will continue to operate under both the Office Depot(R) and Viking(R) brands.

In January 1998, we introduced our Office Depot public Web site (www.officedepot.com), offering our customers the convenience of shopping over the Internet. The addition of this site expanded our domestic electronic commerce capabilities beyond the Viking public Web site (www.vikingop.com) and the Office Depot business-to-business ("B2B") contract Web sites. Our Web sites provide customers with the same assortment of products offered to our catalog customers. They also provide news articles geared toward small office/home office businesses as well as pertinent information about Office Depot.

Our strategies for growing the BSG include continuing to build and expand upon our integrated national network to provide efficient and effective delivery services to customers. We plan to complete the integration of our Viking and Office Depot CSCs by early 2001. See MERGERS, ACQUISITIONS AND RESTRUCTURINGS for further discussion. Additionally, we plan to increase our penetration into new and existing markets by expanding the coverage of our contract sales force, which currently exceeds 1,100 account executives, and by increasing the use of database marketing tools to maximize the effectiveness of our direct mail catalogs.

International Division

Our International Division sells office products and services to retail, contract and commercial customers in 17 countries outside the United States and Canada. We launched our international direct marketing business in 1990 under the Viking(R) brand with the establishment of our United Kingdom operations. In December 1993, we initiated our international retail operations by opening our first store in Colombia through a licensing agreement. We have expanded internationally through licensing and joint venture agreements, acquisitions and the merger with Viking.

In March 1999, we introduced our first international public Web site (www.viking-direct.co.uk) for individuals and businesses in the United Kingdom; and in the first quarter of 2000, we introduced our public Web site in Germany (www.viking.de). We expect to introduce several new international Web sites in 2000 under both the Office Depot(R) and Viking(R) brand names. In relative terms, sales of office products via the Internet are significantly less prevalent internationally than in the United States. We believe that this affords us a unique opportunity to achieve "first mover" advantages by aggressively developing and introducing Internet shopping opportunities for our international customers.

As of March 3, 2000, we have 121 office supply stores in eight countries outside the United States and Canada operating under the Office Depot name, 32 of which are wholly owned. In addition to these retail stores, our International Division has catalog and delivery operations in 14 countries. We operate our catalog business under the Viking(R) brand in 11 of these countries and the Office Depot(R) brand in five of these countries. Our International Division currently operates in Australia, Austria, Belgium, Colombia, France, Germany, Hungary, Ireland, Israel, Italy, Japan, Luxembourg, Mexico, the Netherlands, Poland, Thailand and the United Kingdom. Certain of our operations are wholly-owned; others operate through joint venture or licensing arrangements.

CSCs in our International Division serve the same function as they do in our BSG, but are typically smaller. They range in size from 36,000 to 240,000 square feet and may also accommodate call centers and/or administrative offices. International store and CSC operations, including facilities operated through licensing and joint venture agreements, for the last five years are detailed below. All years prior to 1998 have been restated to include facilities operated by Viking prior to our merger.

	OFFICE SUPPLY STORES				CUSTOMER SERVICE CENTERS			
	OPEN AT BEGINNING OF PERIOD	OPENED	CLOSED	OPEN AT END OF PERIOD	OPEN AT BEGINNING OF PERIOD	OPENED	CLOSED	OPEN AT END OF PERIOD
1995	3	6	--	9	4	4	--	8
1996	9	12	--	21	8	4	--	12
1997	21	18	--	39	12	4	--	16
1998	39	48	--	87	16	2	1	17
1999	87	36	5	118	17	1	1	17

MERGERS, ACQUISITIONS AND RESTRUCTURINGS

Viking Merger

On August 26, 1998, we completed our merger with Viking. Faced with the task of integrating our Office Depot and Viking warehouses, we formulated a plan to close most of the Viking facilities by the end of 2000. In 1998, we recorded merger and restructuring costs of $108.1 million that were directly related to the Viking merger. These costs consisted of legal fees, investment banker fees, asset write-offs associated with the closure of identified facilities, write-off of software applications to be abandoned, personnel costs and other facility exit and integration costs. During the fourth quarter of 1999, we modified our integration plans after evaluating the results of integrating two test facilities. Our modified plans incorporate a simplified approach and, as a result, require less capital. Consequently, we reversed previously accrued charges of $32.5 million, reducing direct merger costs to a net credit of $28.6 million in 1999. For additional information regarding the restructuring and integration, refer to the Management's Discussion and Analysis incorporated by reference in Item 7 of this report.

Closure of Furniture at Work(TM) and Images(TM) Stores

In addition to our core retail and delivery businesses, we have in the past operated under the following concepts:

Images(TM) and Office Depot Express(TM) -- Retail stores providing graphics design, printing, copying, shipping and fulfillment services, as well as a limited assortment of office supplies.

Furniture At Work(TM) -- Stand alone office furniture stores offering a broad line of office furniture, office accessories and design services.

In November 1998, we decided to focus our attention on the continued growth of our core businesses and on expansion of our international operations. In conjunction with this decision, we decided to close our five Furniture at Work(TM)and five Images(TM)/Office Depot Express(TM) stores, and we recorded restructuring costs of $11.0 million. These costs consisted primarily of estimated lease commitments subsequent to the closing of the stores and the write-off of certain fixed assets. In 1999, we recorded a net restructuring credit of $2.0 million as a result of adjusting our estimates of expenses to actual as the stores closed. All ten of these stores have been closed. For additional information regarding this restructuring, please refer to the Management's Discussion and Analysis incorporated by reference in Item 7 of this report.

Acquisition of Joint Venture Interests in France and Japan

In November 1998, we purchased our joint venture partner's 50% interest in our French Office Depot retail operations for $27.7 million, recording goodwill of $20.2 million. Following this purchase, we decided to restructure and integrate the separate Office Depot and Viking operations in France. We do not expect to close any facilities in France in conjunction with restructuring or integration. Instead, we will integrate the warehousing and delivery operation of our Office Depot(R) and Viking(R) brands in each of our existing warehouses.

In April 1999, we purchased our joint venture partner's 50% interest in our Japanese Office Depot retail operations for $27.6 million, raising our total ownership in those operations to 100%. In conjunction with this acquisition, we recorded goodwill of $21.4 million and announced plans to restructure and integrate our Japanese operations. We closed one CSC in 1999 and plan to close another during 2000. Additionally, we have closed one store in connection with implementing our plans.

During 1999, we recorded restructuring costs, primarily personnel-related costs and facility exit costs, of $23.5 million for integration activities in France and Japan. For additional information regarding the restructuring and integration in these countries, refer to the Management's Discussion and Analysis incorporated by reference in Item 7 of this report.

STORE CLOSURE AND RELOCATION

During 1999, we recorded a charge of $40.4 million to reflect our decision to accelerate our store closure program for under-performing stores and our relocation program for older stores in our Stores Division. This charge also reflects our decision to sell our interest in our retail operations in Thailand. On October 28, 1999, we entered into an agreement with Central Retail Group, our joint venture partner at the time, to sell them our Thai operations for $1.4 million and license to them certain trademarks, software and operating systems. Central Retail Group now operates the two Thai stores under a licensing agreement. Finally, the charge also reflects our decision to write-off certain other long-lived assets in our BSG.

OFFICE PRODUCTS BUSINESS

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

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

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

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

COMPETITION

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

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

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

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

MERCHANDISING AND PRODUCT STRATEGY

Our merchandising strategy is to offer a broad selection of office products, under both our Office Depot(R) and Viking(R) brands, and to provide our customers with a compelling combination of quality, assortment, price and service. Our selection of office products includes general office supplies, computers, software and computer supplies, business machines and related supplies, and office furniture. Each of our office supply superstores stocks approximately 8,000 SKUs, including variations in color and size, and our CSCs stock approximately 13,000 SKUs, including 4,500 of the SKUs stocked at our office supply stores. The number of SKUs carried in our CSCs decreased in 1999 as a result of a rationalization of our warehouse inventory assortments in connection with the integration and consolidation of our Viking and Office Depot CSCs. As we continue our integration, we will continue to evaluate and optimize the number of SKUs we offer.

The table below shows sales of each major product group as a percentage of our total merchandise sales for 1999, 1998 and 1997:

	1999	1998	1997
General office supplies(1)	40.96%	42.85%	42.65%
Technology Products(2)	47.55%	46.02%	45.69%
Office furniture(3)	11.49%	11.13%	11.66%
	100.0%	100.0%	100.0%

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(1) Includes paper; filing supplies; organizers; business cases; writing instruments; mailing supplies; desktop accessories; calendars; business forms; binders; tape; post-it notes; staplers; fasteners; art supplies; school supplies; engineering, food and janitorial supplies; and revenue from the copy and print centers located in each store.
(2) Includes calculators; typewriters; projectors; telephones; cameras and film; cash registers; copiers; facsimile machines; tape recorders; computers; printers; computer diskettes; ribbons; cartridges; software and books.
(3) Includes chairs; desks; tables; partitions; bookcases; filing and storage cabinets; and furniture accessories such as chair mats, lamps, and clocks.

We buy substantially all of our merchandise directly from manufacturers and other primary suppliers. Our suppliers deliver the merchandise directly to our stores or CSCs or to our ten cross-dock facilities. Our supply chain operations, including the cross-docks, use a customized system to manage the inbound flow of merchandise with the goal of minimizing our landed cost. This system enables us to maintain optimal in-stock positions by permitting a shorter lead time for reordering at the stores and CSCs, while still meeting the minimum ordering requirements of our vendors. The use of cross-docks also reduces our freight costs by centralizing the receiving function.

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

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

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

CATALOG PRODUCTION AND CIRCULATION

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

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

We currently have several different specialty catalogs, including catalogs dedicated to office furniture, computer supplies, custom printed business forms and stationery, paper products, shipping and warehouse supplies (including cleaning and janitorial products) and presentation supplies (including transparencies and overhead slides). Other specialty catalogs are being considered and may be introduced in the future.

During 1999, we mailed approximately 296 million copies of over 180 different Office Depot(R) and Viking(R) brand catalogs. During 1998 and 1997, we mailed approximately 248 million and 226 million copies, respectively, of over 100 different catalogs to existing and prospective customers.

SELLING AND MARKETING

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

We have a low price guarantee policy for our Office Depot(R) brand. Under this policy, we will match any competitor's comparable lower price. In addition, the Office Depot(R) brand guarantee gives the customer a credit of 55% of the price difference, up to $55. This program assures customers that they can always receive low prices from us even during periodic sales promotions by our competitors. Monthly competitive pricing analyses are performed to monitor each market, and prices are adjusted as necessary to adhere to this pricing philosophy and ensure competitive positioning.

In addition to the sales associates at each of our stores and the customer service representatives at our call centers, we have a dedicated sales force serving contract customers in our BSG. Our dedicated sales force operates out of our more than 60 regional sales offices. All members of our sales force are employees.

In early 1998, we introduced our Office Depot public Web site (www.officedepot.com), enabling customers to order our products directly through the Internet. In early 2000, we launched our completely renovated Viking public Web site (www.vikingop.com), providing our Viking customers with improved functionality, greater selection and easier direct order services. Our customers nationwide can place orders over the Internet, by telephone or by fax using toll-free telephone numbers that route the calls through call centers located in Florida, Georgia, Texas, Ohio, Connecticut, Kansas, and California. We electronically transmit any orders received at the call centers or via the Internet to the store or CSC closest to our customer for pick-up or delivery at a nominal delivery fee (free with a minimum order size, currently $50). Orders are packaged, invoiced and shipped for next-day delivery or same-day delivery in the case of Viking orders in selected markets.

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

In March 1999, we introduced our first international public Web site (www.viking-direct.co.uk) for individuals and businesses in the United Kingdom; and in the first quarter of 2000, we introduced our public Web site in Germany (www.viking.de). We expect to introduce several new international Web sites in 2000 under both the Office Depot(R) and Viking(R) brand names, providing our international customers with another way to order office products from us.

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

INFORMATION SYSTEMS

Inventory is received and stocked in each facility using an automated inventory tracking system. Prior to our merger with Viking, we replaced several outdated, inefficient facilities with new CSCs and converted all of our warehouse and order entry systems to one common technology platform. We have initiated plans to integrate our Viking and Office Depot warehouses. See MERGERS, ACQUISITIONS AND RESTRUCTURINGS. Customer orders, placed by phone, fax or electronically, are filled by the most appropriate CSC or office supply superstore, usually for next day delivery. The appropriate delivery location is determined by our automated routing systems, and orders are filled using both in-stock and wholesaler-supplied inventory.

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

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

All of our computer operations are managed internally in state-of-the-art facilities that capitalize on advanced technologies. Our help desk is manned 24 hours per day, 7 days per week, and 365 days per year; and we utilize off-site disaster recovery facilities. These operations result in industry leading system availability and reliability.

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

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

EMPLOYEES, STORE MANAGEMENT AND TRAINING

As of March 3, 2000, we had approximately 48,000 employees worldwide. We anticipate that we will continue to add employees in the future as we grow and expand our business. We try to promote as many of our existing employees into management positions as possible. Because of the rapid rate of our expansion, however, for the foreseeable future we will continue to recruit a portion of our management talent from external sources.

We hire and train new employees well in advance of new store and CSC openings, and these employees undergo a comprehensive training program prior to the facility opening. In general, our store managers have extensive experience in retailing, particularly with warehouse store chains or discount stores that generate high sales volumes. Each of our new retail store managers usually spends two to four months in an apprenticeship position at an existing Office Depot store prior to being assigned to a new store. Typically, our CSC managers have extensive experience in distribution operations. Our retail sales associates view product knowledge videos and complete written training programs relating to certain products before being allowed to assist customers. We create some of these videos and training programs internally. New product information is periodically transmitted to associates via satellite broadcasts. The satellite broadcasts are also used for associate training. We grant stock options and offer bonus programs to certain of our employees, including retail store managers, as an incentive to attract and retain them.

We have never experienced a strike or any other work stoppage among our domestic employees, and we believe that our relations with all of our employees are good. There are no collective bargaining agreements covering any of our employees. However, certain of our international employees work under various labor arrangements.

ITEM 2. PROPERTIES.

As of March 3, 2000, we operate 791 office supply stores in 46 states and the District of Columbia, 38 office supply stores in 5 Canadian provinces and 121 office supply stores (including those operated under licensing and joint venture agreements) in 8 countries outside of the United States and Canada. We also operate 30 CSCs in 18 U.S. states and 17 CSCs in 10 countries outside of the United States. The following table sets forth the locations of these facilities.

STORES

STATE/COUNTRY	#
UNITED STATES:	
Alabama	14
Alaska	2
Arizona	11
Arkansas	7
California	121
Colorado	22
Connecticut	2
Delaware	1
District of Columbia	2
Florida	79
Georgia	34
Hawaii	4
Idaho	3
Illinois	32
Indiana	14
Iowa	5

STATE/COUNTRY	#
Kansas	10
Kentucky	10
Louisiana	23
Maryland	12
Massachusetts	2
Michigan	25
Minnesota	10
Mississippi	8
Missouri	18
Montana	1
Nebraska	4
Nevada	9
New Jersey	8
New Mexico	4
New York	17
North Carolina	22

STATE/COUNTRY	#
North Dakota	2
Ohio	32
Oklahoma	9
Oregon	15
Pennsylvania	9
Rhode Island	1
South Carolina	11
Tennessee	17
Texas	95
Utah	6
Virginia	17
Washington	26
West Virginia	3
Wisconsin	11
Wyoming	1
Total United States	791
CANADA:	
Alberta	8
British Columbia	8
Manitoba	4
Ontario	16
Saskatchewan	2
Total Canada	38

COLOMBIA	2
FRANCE	26
HUNGARY	4
ISRAEL	22
JAPAN	6
MEXICO	43
POLAND	16
THAILAND	2

Total Outside the United States	121

CSC'S

STATE/COUNTRY	#
UNITED STATES:	
Arizona	1
California	4
Colorado	2
Connecticut	1
Florida	3
Georgia	1
Illinois	1
Louisiana	1
Maryland	2
Massachusetts	1

STATE/COUNTRY	#
Michigan	1
Minnesota	2
New Jersey	1
North Carolina	1
Ohio	2
Texas	3
Utah	1
Washington	2

Total United States	30

STATE/COUNTRY	#
AUSTRALIA	2
FRANCE	2
ISRAEL	1
GERMANY	2
THE NETHERLANDS	1
IRELAND	1
ITALY	1
JAPAN	2
MEXICO	2
UNITED KINGDOM	3

Total Outside the United States	17

Most of our facilities are leased or subleased, with lease terms (excluding renewal options) expiring in various years through 2020, except for the 66 facilities, excluding our corporate offices and systems data center, which we own. Our owned facilities are located in 16 states, primarily in Florida, Texas and California; two Canadian provinces; the United Kingdom; the Netherlands; Australia; Mexico and France.

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

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

ITEM 3. LEGAL PROCEEDINGS.

We are involved in litigation arising in the normal course of our business. We do not believe that any of these matters, either individually or in the aggregate, will materially affect our financial position or the results of our operations.

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

None

PART II

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

Our common stock is listed on the New York Stock Exchange ("NYSE") under the symbol "ODP." As of March 3, 2000, there were 4,204 holders of record of our common stock. The last reported sale price of the common stock on the NYSE on March 3, 2000 was $11.6875.

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

1999	HIGH(1)	LOW(1)
First Quarter	$26.0000	$20.3333
Second Quarter	25.8333	18.2500
Third Quarter	23.0000	9.8125
Fourth Quarter	13.1875	9.0000

1998		
First Quarter	$20.0417	$14.5000
Second Quarter	23.1667	18.7083
Third Quarter	24.8333	13.3333
Fourth Quarter	24.4167	10.5833

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

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

On February 24, 1999, our Board declared a three-for-two stock split in the form of a 50% stock dividend payable on April 1, 1999 to stockholders of record on March 11, 1999. In conjunction with the stock split, 124,560,075 additional shares were issued to our existing stockholders on April 1, 1999.

In August 1999, our Board approved a $500 million stock repurchase program reflecting its belief that our common stock represented a significant value at its then-current trading price. We purchased 46.7 million shares of our stock at a total cost of $500 million plus commissions during the third and fourth quarters of 1999. In January and March 2000, our Board approved additional stock repurchases of up to $200 million, bringing our total authorization to $700 million. As of March 3, 2000, we had purchased an additional 9.2 million shares of our stock at a total cost of $100 million plus commissions. The remaining authorization does not have an expiration date, and we can acquire our common stock either in the open market or through negotiated purchases.

ITEM 6. SELECTED FINANCIAL DATA.

The information required by this Item is set forth in Exhibit 13 under the heading "Financial Highlights" as of and for the fiscal years ended December 25, 1999, December 26, 1998, December 27, 1997, December 28, 1996 and December 30, 1995. This information is set forth in our Annual Report to Stockholders for the fiscal year ended December 25, 1999 (on page 22) and is incorporated herein by this reference and made a part hereof.

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

The information required by this item is set forth in Exhibit 13 under the headings "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Cautionary Statements for Purposes of the 'Safe Harbor' Provisions of the Private Securities Litigation Reform Act of 1995." This information is set forth in our Annual Report to Stockholders for the fiscal year ended December 25, 1999 (on pages 23-38) and is incorporated herein by reference and made a part hereof.

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

Interest Rate Risks

When we invest our funds in short-term investments, which generate income subject to variable interest rates, we are subject to interest rate risk. We did not, however, have any funds invested in such instruments as of December 25, 1999.

Our zero coupon, convertible subordinated notes (Liquid Yield Option Notes or LYONs(R)) offer stated yields to maturity which are not subject to interest rate risks. Borrowings under our domestic and Japanese credit facilities are both subject to variable interest rates. As of December 25, 1999, there were no borrowings under our domestic credit agreement. The interest rate risk on our Japanese bank borrowings has been partially mitigated by an interest rate swap that fixes the interest rate on a portion of our yen borrowings for the remaining life of the loan. With interest rates currently approximating 1% in Japan, a 10% change in interest rates would not materially change our total interest expense.

Foreign Exchange Rate Risks

The nature and magnitude of our foreign exchange risks have not changed materially in the past year. We conduct business in various countries outside the United States where the functional currency of the country is not the U.S. dollar. This results in foreign exchange translation exposure when these foreign currency earnings are translated into U.S. dollars in our consolidated financial statements. As of December 25, 1999, a 10% change in the applicable foreign exchange rates would have resulted in an increase or decrease in our after-tax earnings of approximately $3 million on an annual basis.

We are also subject to foreign exchange transaction exposure when our subsidiaries transact business in a currency other than their own functional currency. This exposure arises primarily from inventory purchases in a foreign currency. The introduction of the euro and our decision to consolidate our European purchases has greatly reduced these exposures. During 1999, we entered into foreign exchange forward contracts to hedge certain inventory exposures. The maximum contract amount outstanding during the year was $13.7 million.

ITEM 8. FINANCIAL STATEMENTS.

The information required by this Item is set forth in Exhibit 13 under the headings "Consolidated Balance Sheets," "Consolidated Statements of Earnings," "Consolidated Statements of Stockholders' Equity," "Consolidated Statements of Cash Flows" and "Notes to Consolidated Financial Statements" as of December 25, 1999 and December 26, 1998 and for the fiscal years ended December 25, 1999, December 26, 1998 and December 27, 1997. This information is set forth in our Annual Report to Stockholders for the fiscal year ended December 25, 1999 (on pages 40-57) and is incorporated herein by this reference and made a part hereof.

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

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Information with respect to directors and executive officers is incorporated herein by reference to the information under the caption "Directors and Executive Officers" in the Proxy Statement for our 2000 Annual Meeting of Stockholders.

ITEM 11. EXECUTIVE COMPENSATION.

Information with respect to executive compensation is incorporated herein by reference to the information under the caption "Executive Compensation" in the Proxy Statement for our 2000 Annual Meeting of Stockholders.

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

Information with respect to security ownership of certain beneficial owners and management is incorporated herein by reference to the information under the caption "Stock Ownership Information" in the Proxy Statement for our 2000 Annual Meeting of Stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Information with respect to certain relationships and related transactions is incorporated herein by reference to the information under the caption "Certain Relationships and Related Transactions" in the Proxy Statement for our 2000 Annual Meeting of Stockholders.

PART IV

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

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

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

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

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

(b) Reports on Form 8-K.

No reports on Form 8-K were filed during the year ended December 25, 1999 except those disclosed in our 1999 Quarterly Reports on Form 10-Q.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on this 22nd day of March, 2000.

OFFICE DEPOT, INC.

By /s/ DAVID I. FUENTE

David I. Fuente, Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities indicated on March 22, 2000.

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

INDEX TO FINANCIAL STATEMENTS

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* Incorporated herein by reference to the respective information in our Annual Report to Stockholders for the fiscal year ended December 25, 1999.

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENT SCHEDULE

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

We have audited the consolidated financial statements of Office Depot, Inc. and Subsidiaries as of December 25, 1999 and December 26, 1998 and for each of the three years in the period ended December 25, 1999, and have issued our report thereon dated February 10, 2000 (March 3, 2000 as to Note J); such consolidated financial statements and report are included in the Company's Annual Report to Stockholders for the fiscal year ended December 25, 1999 and are incorporated herein by reference. Our audits also included the financial statement schedule of Office Depot, Inc. and Subsidiaries listed in the Index to Financial Statement Schedule. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE LLP

Certified Public Accountants
Miami, Florida
February 10, 1999 (March 3, 2000 as to Note J)

INDEX TO FINANCIAL STATEMENT SCHEDULE

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

SCHEDULE II

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

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS -- CHARGED TO EXPENSES	DEDUCTIONS -- WRITE-OFFS, PAYMENTS AND OTHER ADJUSTMENTS	BALANCE AT END OF PERIOD
Allowance for Doubtful Accounts:				
1999	$25,927	$22,940	$21,131	$27,736
1998	25,587	23,702	23,362	25,927
1997	17,662	25,254	17,329	25,587
Accrued Merger Costs:				
1999	$40,832	$26,035	$45,599	$21,268
1998	1,416	73,329	33,913	40,832
1997	1,956	13,218	13,758	1,416

INDEX TO EXHIBITS

EXHIBIT NUMBER	EXHIBIT	SEQUENTIALLY NUMBERED PAGE+
3.1	Restated Certificate of Incorporation, as amended to date...	(1)
3.2	Bylaws..	(2)
4.1	Form of Certificate representing shares of Common Stock.....	(3)
4.2	Form of Indenture (including form of LYON) between the Company and The Bank of New York, as Trustee................	(4)
4.3	Form of Indenture (including form of LYON) between the Company and Bankers Trust Company, as Trustee...............	(5)
4.4	Rights Agreement dated as of September 4, 1996 between Office Depot, Inc. and ChaseMellon Shareholder Services, L.L.C., as Rights Agent, including the form of Certificate of Designation, Preferences and Rights of Junior Participating Preferred Stock, Series A attached thereto as Exhibit A, the form of Rights Certificate attached thereto as Exhibit B and the Summary of Rights attached thereto as Exhibit C..	(6)
10.1	Revolving Credit and Line of Credit Agreement dated as of February 20, 1998 by and among the Company and SunTrust Bank, Central Florida, National Association, individually and as Administrative Agent; Bank of America National Trust and Savings Association, individually and as Syndication Agent; NationsBank, National Association, individually and as Documentation Agent; Royal Bank of Canada, individually and as Co-Agent; Citibank, N.A., individually and as Co-Agent; The First National Bank of Chicago, individually and as Co-Agent; CoreStates Bank, N.A.; PNC Bank, National Association; Fifth Third Bank; and Hibernia National Bank. (Exhibits to the Revolving Credit and Line of Credit Agreement have been omitted, but a copy may be obtained free of charge upon request to the Company)......................	(7)
10.2	Office Depot, Inc. Long-Term Equity Incentive Plan*.........	(8)
10.3	1997-2001 Office Depot, Inc. Designated Executive Incentive Plan*...	(7)
10.4	Form of Change of Control Employment Agreement, dated as of September 4, 1996, by and between Office Depot, Inc. and each of Thomas Kroeger and William P. Seltzer...............	(9)
10.5	Form of Change of Control Employment Agreement, dated as of September 4, 1996, by and between Office Depot, Inc. and each of David I. Fuente and Barry J. Goldstein..............	(9)
10.6	Form of Indemnification Agreement, dated as of September 4, 1996, by and between Office Depot, Inc. and each of David I. Fuente, Cynthia R. Cohen, W. Scott Hedrick, James L. Heskett, Michael J. Myers, Peter J. Solomon, Barry J. Goldstein, William P. Seltzer, and Thomas Kroeger...........	(9)
10.7	Form of Executive Employment Agreement, dated as of October 21, 1997, by and between Office Depot, Inc. and each of Thomas Kroeger, Barry J. Goldstein and William P. Seltzer...	(7)
10.8	Form of Executive Employment Agreement, dated as of January 1, 1998, by and between Office Depot, Inc. and David I. Fuente...	
10.9	Executive Part-time Employment Agreement, dated as of September 30, 1999, by and between Office Depot, Inc. and Irwin Helford...	

EXHIBIT NUMBER	EXHIBIT	SEQUENTIALLY NUMBERED PAGE+
10.10	Form of Executive Employment Agreement, dated as of May 17, 1998, by and between Office Depot, Inc. and Bruce Nelson....	
10.11	Form of Executive Employment Agreement, dated as of March 30, 1998, by and between Office Depot, Inc. and Shawn McGhee..	
13.1	Certain portions of the Company's Annual Report to Stockholders..	
21.1	List of subsidiaries.......................................	
23.1	Consent of Deloitte & Touche LLP............................	
27.1	Financial Data Schedule....................................	

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+ This information appears only in the manually signed original copies of this report.
* Management contract or compensatory plan or arrangement.
(1) Incorporated by reference to the respective exhibit to the Proxy Statement for the Company's 1995 Annual Meeting of Stockholders.
(2) Incorporated by reference to the Company's Quarterly Report on Form 10-Q, filed with the Commission on August 12, 1996.
(3) Incorporated by reference to the respective exhibit to the Company's Registration Statement No. 33-39473.
(4) Incorporated by reference to the respective exhibit to the Company's Registration Statement No. 33-54574.
(5) Incorporated by reference to the respective exhibit to the Company's Registration Statement No. 33-70378.
(6) Incorporated by reference to the Company's Current Report on Form 8-K, filed with the Commission on September 6, 1996.
(7) Incorporated by reference to the respective exhibit to the Company's Annual Report on Form 10-K for the year ended December 27, 1997.
(8) Incorporated by reference to the respective exhibit to the Proxy Statement for the Company's 1997 Annual Meeting of Stockholders.
(9) Incorporated by reference to the respective exhibit to the Company's Annual Report on Form 10-K for the year ended December 28, 1996.

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

EXHIBIT 10.8

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

THIS AGREEMENT is made as of January 1, 1998 between Office Depot, Inc., a Delaware corporation (the "Company"), and David I. Fuente ("Executive").

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

1. EMPLOYMENT.

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

(b) The parties hereto have entered into an Employment Agreement dated as of September 1996 by and between the Company and the Executive (the "CHANGE OF CONTROL EMPLOYMENT AGREEMENT") which, by its terms, takes effect during the "EMPLOYMENT PERIOD" as defined in such agreement. During any such Employment Period under the Change of Control Employment Agreement, the terms and provisions of the Change of Control Employment Agreement shall control to the extent such terms and provisions are in conflict with the terms and provisions of this Agreement. In addition, during such Employment Period, the Employment Term hereunder shall be tolled and upon expiration of the Employment Period under the Change of Control Employment Agreement the Employment Term hereunder shall recommence.

2. POSITION AND DUTIES.

(a) During the Employment Period, Executive shall serve as Chairman of the Company's Board of Directors (the "Board") and shall have the normal duties, responsibilities and authority attendant to such position, subject to the power of the Board to expand or limit such duties, responsibilities and authority. The Executive shall also serve as the Chief Executive Officer of the Company until such time as his replacement is elected by the Board.

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

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

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

3. BASE SALARY AND BENEFITS.

(a) Initially, Executive's base salary shall be $1,000,000 per annum (the "BASE SALARY"), which salary shall be payable in regular installments in accordance with the Company's general payroll practices and shall be subject to customary withholding. Executive's Base Salary shall be reviewed at least annually by the Compensation Committee of the Board and shall, in their discretion, be subject to adjustment, but not reduction, based on among other things, market practice and performance and the applicability of Section 162(m) of the Internal Revenue Code. In addition, during the Employment Term, Executive shall be entitled to participate in certain of the Company's long term incentive programs established currently or in the future by the Company for which officers of the Company then at Executive's level are generally eligible (including, but not limited to, stock option, restricted stock, performance unit/share plans or long-term cash plans). Assuming approval of the requisite amendments to the Company's Long-Term Equity Incentive Plan at the Company's 1998 Annual Meeting, at the next following Board meeting the Board shall grant to Executive an option to purchase 1,000,000 shares of common stock at a purchase price equal to the market price on the date of grant. Executive will also be entitled to receive an additional grant of options for 1,000,000 shares on January 4, 1999, with an option price equal to the greater of the market price on such date of grant or 125% of the purchase price of the initial tranche of options described above. Each option grant will have a ten year term and will vest in a single tranche on the fourth anniversary of its date of grant. Beginning in the year 2000, Executive will be entitled to receive annual grants of stock options at the discretion of the Board or the Compensation Committee; provided, however, that Executive shall be entitled to receive grants of options each year for at least 165,000 shares.

(b) In addition to the Base Salary, Executive shall be entitled to participate in the Company's Management Incentive Plan (the "BONUS PLAN") as administered by the Board or the Compensation Committee. For 1998, the "minimum," "target" and "maximum" bonus payment levels shall be 50%, 70% and 100% of salary, respectively. These payment levels will be increased by 5, 8.5 and 10 percentage points, respectively, each year during the Employment Term beginning in 1999 (e.g. in 1999, the payment levels will be 55%, 78.5% and 110%, respectively). These levels may be adjusted by the Board if the Section 162(m) limits are changed and the Board chooses to increase Executive's salary; in which case the bonus levels may be decreased proportionally. If the Board or the Compensation Committee modifies such Bonus Plan during the Employment Term, Executive shall continue to participate at a level no lower than the highest level established for any officer of the Company then at Executive's level. At the discretion of the Board or the Compensation Committee, Executive may be offered from time to time the opportunity to participate in other bonus plans of the Company in lieu of the Bonus Plan and, if Executive chooses to participate in such plan or plans, the provisions of this paragraph 3(b) shall be tolled during the period of such participation.

(c) Executive shall also be entitled to a deferred matching bonus equal to the amount actually earned by Executive each year under the Bonus Plan (the "DEFERRED BONUS") provided, however, that such Deferred Bonus shall only be paid if, and shall be contingent upon, the Company meeting its earnings per share target for such year under the Bonus Plan. Deferred Bonus earned with respect to 1998 and 1999 will vest in a single tranche on December 31, 2000 and Deferred Bonuses earned with respect to subsequent years will each vest in a single tranche on the fourth December 31 following the year in which such Deferred Bonus is earned (e.g. the Deferred Bonus earned with respect to 2000 will vest 100% on December 31, 2004).

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

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

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

4. TERM.

(a) The term of Executive's employment hereunder shall end on the fifth anniversary of the date of this Agreement; PROVIDED that (i) such term shall be automatically extended for successive one year periods in the event that written notice of the termination of this' Agreement is not given by one party hereto to the other party at least six months prior to the end of such term (the term of Executive's employment hereunder, as it may be extended, is herein referred to as the "Employment Term"); PROVIDED FURTHER that (ii) the Employment Term shall terminate prior to such date (A) upon Executive's death or permanent disability or incapacity (as determined by the Board in its good faith judgment), (B) upon the mutual agreement of the Company and Executive, (C) by the Company's termination of Executive's employment hereunder for Cause (as defined below) or without Cause or (D) by Executive's termination of employment for Good Reason (as defined below) or without Good Reason.

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

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

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

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

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

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

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

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

(g) For purposes of this Agreement, "GOOD REASON" shall mean:

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

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

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

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

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

(i) Notwithstanding any other provisions of this Agreement, any health insurance benefits that Executive becomes entitled to receive as a result of any subsequent employment after the expiration or termination of the Employment Term shall serve as primary coverage for Executive and Executive's family.

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

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

7. NON-COMPETE. NON-SOLICITATION.

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

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

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

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

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

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

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

NOTICES TO EXECUTIVE:
Name: David I. Fuente

Address: 701 Tern Point Circle
Boca Raton, FL 33431

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

and

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

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

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

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

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

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

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

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

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

* * * * *

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

OFFICE DEPOT, INC.

By: /s/ W. Scott Hedrick

Name: W. Scott Hedrick
Its: Chairman, Compensation Committee

EXECUTIVE

/s/ David I. Fuente

Name: David I. Fuente

EXHIBIT 10.9

EXECUTIVE PART-TIME EMPLOYMENT AGREEMENT

THIS AGREEMENT is made and entered into as of September 30, 1999 between Office Depot, Inc., a Delaware corporation (the" COMPANY"), and Irwin Helford ("Executive"), with reference to the following facts:

A. Executive has been employed by Viking Office Products, Inc., a California corporation ("Viking"), as Chairman and Chief Executive Officer pursuant to an Employment Agreement, dated as of July 1, 1997 (the "Employment Agreement"). In August 1998, Viking was acquired by the Company, and Viking is now a wholly-owned subsidiary of the Company.

B. Executive and the Company have agreed to change the status of Executive from a full-time employee of Viking to a part-time employee of the Company, to terminate the Employment Agreement and to replace such Employment Agreement with this Agreement.

C. Executive and the Company desire by this Agreement to set forth certain understandings between them regarding such employment relationship.

D. Executive and the Company also desire by this Agreement to set forth certain additional understandings between them regarding restrictions on Executive's ability to compete with the Company for the period described herein.

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

1. PART-TIME EMPLOYMENT.

Executive's employment as Chairman and Chief Executive Officer of Viking shall end as of the close of business on September 30, 1999. Effective on and as of such date and time (the "Effective Date"), Executive's former Employment Agreement (as amended) with Viking shall terminate and cease, and the Company shall commence the employment of Executive under the terms of this Agreement. Executive hereby agrees to the termination of his former Employment Agreement and accepts such employment with the Company, on a part-time basis, upon the terms and conditions set forth in this Agreement for the period beginning on September 30, 1999 and ending as provided in paragraph 4 hereof (the "EMPLOYMENT TERM"). From and after the Effective Date, Executive shall no longer be an officer of the Company or of Viking. The change in Executive's status from a full-time employee of Viking to a part-time employee of the Company as provided in this Agreement shall not be deemed a termination of Executive's employment for purposes of the vesting or exercisability of any stock options held by Executive that were issued under stock option plans of the Company or Viking, all of which shall remain in full force and effect in accordance with their terms.

2. POSITION AND DUTIES.

(a) During the Employment Term, Executive shall serve as a Senior Advisor to the Company, shall be available to consult with the Company with respect to all aspects of the business of the former Viking organization at mutually agreed upon times and otherwise shall provide such advisory services as are mutually agreed upon by Executive and the Company. He shall work with the Company's chief executive officer ("CEO"), its chief financial officer or the President of Office Depot International to expand or limit such duties, responsibilities and authority.

(b) Executive shall devote reasonable efforts and attention to the business and affairs of the Company and its Subsidiaries on a part-time basis as set forth herein, sufficient to provide to the Company the advisory services contemplated hereby. Executive shall be free to serve as (i) a director or officer of any non-profit organization including trade, civic, educational or charitable organizations, or (ii) a director, owner, employee or consultant of any other corporation which is not competing with the Company or any of its Subsidiaries in the office product and office supply industry so long as such duties do not materially interfere with the performance of Executive's duties or responsibilities under this Agreement or reflect badly on the Company. Executive shall perform Executive's duties and responsibilities under this Agreement to the best of Executive's abilities in a diligent, trustworthy, businesslike and efficient manner.

(c) For purposes of this Agreement, "SUBSIDIARIES" shall mean any corporation of which the securities having a majority of the voting power in electing directors are, at the time of determination, owned by the Company, directly or through one of more Subsidiaries, including, without limitation, Viking.

3. BASE SALARY AND BENEFITS.

(a) Executive's base salary for the performance of his services hereunder shall be Fifty Thousand Dollars ($50,000) per annum in accordance with the Company's general payroll practices and shall be subject to customary withholding.

(b) In consideration of the termination of the Executive's former Employment Agreement with Viking, he shall receive the termination payment set forth on ATTACHMENT A to this Agreement.

(c) In addition to the Base Salary, for the period January 1, 1999 to September 30, 1999, Executive shall be entitled to a bonus as set forth on ATTACHMENT A to this Agreement.

(d) The Company shall reimburse Executive for all reasonable and necessary business expenses incurred by him in the course of performing his duties under this Agreement, in accordance with the Company's policies in effect from time to time for peer executives with respect to travel, entertainment and other business expenses, subject to the Company's reasonable requirements with respect to reporting and documentation of such expenses. Executive agrees that he will not receive an automobile or other allowances.

(e) During the Employment Term (and for any additional time specified on ATTACHMENT B hereto), Executive shall be eligible for those benefits which are set forth on ATTACHMENT B to this Agreement; provided this Agreement has not been terminated by Executive without good reason or has not been terminated by the Company for Cause.

(f) During the Employment Term, Executive shall continue to be treated as an employee of the Company for purposes of the vesting and exercisability of his outstanding stock options in accordance with the terms of the applicable stock option plans and agreements between Executive and the Company or Viking; PROVIDED HOWEVER, that Executive shall not be eligible for any future stock option grants. In addition, the indemnification provisions for officers and directors under the charter documents and bylaws of the Company and Viking, and the provisions of any written Indemnification Agreement between Executive and the Company or Viking, shall be extended to Executive (to the maximum extent permitted by law), during the Employment Term and thereafter, with respect to any and all matters, events or transactions occurring or effected during Executive's employment with Viking or during the Employment Term.

4. TERM.

(a) The Employment Term shall end on September 30, 2002; PROVIDED THAT (i) the Employment Term shall terminate prior to such date (A) upon Executive's death or permanent disability or incapacity (as determined by the Company's Board of Directors (the "Board") in its good faith judgment), (B) upon the mutual agreement of the Company and Executive, (C) by the Company's termination of this Agreement for Cause (as defined below) or without Cause or (D) by Executive's termination of this Agreement for Good Reason (as defined below) or without Good Reason.

(b) If the Employment Term is terminated by the Company without Cause or is terminated by Executive for Good Reason, Executive (and Executive's family with respect to clause (iii) below) shall be entitled to receive (i) Executive's Base Salary, including accrued but unpaid amounts, through September 30, 2002 and (ii) vested and earned (in accordance with the Company's applicable plan or program) but unpaid amounts under health and welfare plans, deferred compensation plans, and other employer programs of the Company, if any, in which

Executive participates. The amounts payable pursuant to paragraph 4(b)(i) and (ii) shall be payable in one lump sum within 30 days following termination of the Employment Term.

(c) If the Employment Term is terminated by the Company for Cause or by Executive without Good Reason, Executive shall be entitled to receive (i) Executive's Base Salary through the date of such termination and (ii) vested and earned (in accordance with the Company's applicable plan or program) but unpaid amounts under health and welfare plans, deferred compensation plans, and other employer programs of the Company in which Executive participates.

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

(e) Except as otherwise provided herein, fringe benefits hereunder (if any) which accrue or become payable after the termination of the Employment Term shall cease upon such termination unless otherwise specified on ATTACHMENT B to this Agreement.

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

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

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

For purposes of this provision, no act or failure to act, on the part of Executive, shall be considered "willful" unless it is done, or omitted to be done, by Executive in bad faith or without reasonable belief that Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Company's Board or upon the instructions of the CEO or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by Executive in good faith and in the best interests of the Company.

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

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

6. INVENTIONS AND PATENTS; EXECUTIVE'S LIKENESS AND NAME. Executive acknowledges that all inventions, innovations, improvements, developments, methods, designs, analyses, drawings, reports and all similar or related information (whether or not patentable) that relate to the Company's or any of its Subsidiaries' actual or anticipated business, research and development or existing or future products or services and that are conceived, developed or made by Executive while employed by the Company and its Subsidiaries ("WORK PRODUCT") belong to the Company or such Subsidiary. Executive shall promptly disclose such Work Product to the CEO and perform all actions reasonably requested by the CEO (whether during or after the Employment Term) to establish and confirm such ownership (including, without limitation, assignments, consents, powers of attorney and other instruments). In addition, Executive acknowledges that the exclusive use of his likeness and name in business or commerce shall continue to belong exclusively to the Company for the remainder of Executive's natural life.

7. NON-COMPETE, NON-SOLICITATION.

(a) Executive acknowledges that during the course of Executive's employment with Viking he has, and in the course of Executive's employment with the Company he shall, become familiar with the trade secrets of Viking and the Company and with other Confidential Information concerning Viking, the Company and its other Subsidiaries and that Executive's services have been and shall continue to be of special, unique and extraordinary value to Viking, the Company and its other Subsidiaries. Therefore, in consideration of the payment to Executive of the sum set forth on Attachment A to this Agreement (the "Noncompete Payment"), Executive agrees that, until the third anniversary of the expiration or earlier termination of the Employment Term (including any extension or renewal of the Employment Term) (the "NONCOMPETE PERIOD"), Executive shall not directly or indirectly own any interest in, manage, control, participate in, consult with, render services for, or in any manner engage in any business on behalf of or in concert with any key competitor of the Company, including without limitation the following companies (or any affiliates of any such companies), each of which are considered to be key competitors of the Company (collectively, the "Competitors"): Staples; Boise-Cascade; BT Office Products; Office Max; P.P.R. and Lyreco or with any other company which engages or decides to engage in business competitive with the Company, including without limitation such companies as Wal-Mart, Target Stores or any Internet or other direct mail or direct marketing company engaged as a significant part of its business in the sale of business or office products. Nothing herein shall prohibit Executive from being a passive owner of not more than 2% of the outstanding stock of any class of a corporation which is publicly traded, including any Competitor, so long as Executive has no active participation in the business of such corporation. Except as provided in this Agreement, there shall be no restrictions upon Executive's employment or services.

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

(c) If, at the time of enforcement of this paragraph 7, a court shall hold that the duration, scope or area restrictions stated herein are unreasonable under circumstances then existing, the parties agree that the maximum duration, scope or area reasonable under such circumstances shall be substituted for the stated duration, scope or area and that the court shall be allowed to revise the restrictions contained herein to cover the maximum period, scope and area permitted by law. Executive acknowledges that he has carefully read and considered the provisions of this paragraph 7 and, having done so, agrees that the restrictions set forth herein (including but not limited to the time periods of restriction and the geographical areas of restriction) are fair and reasonable and are reasonably required to protect the interests of the Company, its Subsidiaries and its stockholders.

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

(e) The Noncompete Payment shall be subject to income tax, social security, and similar withholding obligations as required by law. The parties hereto acknowledge that, except as otherwise agreed to by Executive and the Company, any taxes that may be due and owing with respect to the Noncompete Payment shall be the sole responsibility of Executive, and Executive hereby agrees to indemnify and hold Company harmless if any such taxes are not paid. The Noncompete Payment shall not be considered compensation for any benefit calculation or other purpose under any retirement plan or other benefit plan maintained by the Company or Viking. If the Noncompete Payment is not timely paid, it will bear interest at the lower often percent per annum and the maximum rate permitted by Florida law.

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

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

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

NOTICES TO EXECUTIVE:

Irwin Helford

Address: 27 Crestroad West
Rolling Hills, CA 90274

NOTICES TO THE COMPANY:

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

and

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

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

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

12. COMPLETE AGREEMENT. This Agreement and those documents expressly referred to herein and other documents of even date herewith embody the complete agreement and understanding among the parties and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

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

14. COUNTERPARTS; FACSIMILE SIGNATURES. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement. This Agreement may be executed by any party by delivery of a facsimile signature, which signature shall have the same force and effect as an original signature. Any party which delivers a facsimile signature shall promptly thereafter deliver an originally executed signature to the other party(ies); provided, however, that the failure to deliver an original signature page shall not affect the validity of any signature delivered by facsimile.

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

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

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

18. ARBITRATION. Any controversy which may arise between Executive and the Company with respect to the construction, interpretation or application of any of the terms, provisions or conditions of this agreement or any monetary claim arising from or relating to this agreement will be submitted to final and binding arbitration in West Palm Beach, Florida, in accordance with the rules of the American Arbitration Association then in effect.

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

* * *

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

OFFICE DEPOT, INC.

By: /s/ Thomas Kroeger

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

EXECUTIVE

/s/ Irwin Helford

Name: Irwin Helford

ATTACHMENT A

PAYMENTS DUE TO EXECUTIVE

1. TERMINATION PAYMENT. In consideration of his agreement to terminate his previous Employment Agreement with Viking and to enter into this Employment Agreement, Executive shall receive the sum of $750,000.

2. BONUS PAYMENT. For the period of his former employment with Viking, from January 1, 1999 through and including September 30, 1999, Executive shall receive his target bonus from his former full time employment with Viking in the amount of $1,500,000. It is agreed that on and as of September 30, 1999, the amount of such bonus would otherwise not be determined and that the parties are agreeing to this amount of bonus for Executive in lieu of calculating such bonus at the end of the fiscal year of Viking and that such payment is provided pursuant to this Agreement and not to any performance of the Company. Such payment shall be made not later than October 15, 1999.

3. Non-Compete Agreement. In consideration of Executive's agreements in paragraph 7 of this Agreement, he shall receive the sum of $4,000,000, payable in a lump sum not later than October 15, 1999.

IT IS EXPRESSLY UNDERSTOOD AND AGREED THAT ALL PAYMENTS BEING MADE TO EXECUTIVE HEREUNDER SHALL BE SUBJECT TO DEDUCTIONS FOR APPLICABLE FEDERAL, STATE AND LOCAL TAXES, FICA AND MEDICARE PAYMENTS AND ALL OTHER APPLICABLE WITHHOLDING AMOUNTS.

ATTACHMENT B

BENEFITS TO WHICH EXECUTIVE IS ENTITLED

1. HEALTH INSURANCE. Provided this Agreement has not been terminated by Executive without Good Reason or by the Company for Cause, Executive and his eligible dependents shall be entitled to health insurance coverage comparable to the health insurance Executive and his eligible dependents have received during the period of his prior employment with Viking for the Term of this Agreement and ending at the end of Executive's natural life. In the event this Agreement should be terminated by the Company without Cause or by the Executive for Good Reason, such benefits shall continue as provided herein as if such termination had not occurred. Such health insurance may be under the terms of the existing policy of insurance provided to Executive or pursuant to any other insurance plan selected by the Company which provides comparable coverage and benefits.

2. SPLIT DOLLAR LIFE INSURANCE. PROVIDED THIS AGREEMENT has not been terminated by Executive without Good Reason or by the Company for Cause, the Company shall continue the policy of split dollar life insurance on the life of Executive.

3. RESTRICTED STOCK PLAN. Executive shall continue to participate in the Restricted Stock Plan in which he currently participates during the duration of this Agreement.

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

IT is expressly UNDERSTOOD THAT ALL benefits payable TO EXECUTIVE WHICH ARE SUBJECT TO federal, state or local income taxation shall be provided net of any required withholding FOR SUCH TAXES.

Exhibit 10.10

EMPLOYMENT AGREEMENT

THIS AGREEMENT is made as of May 17, 1998 between Office Depot, Inc., a Delaware corporation (the "COMPANY"), and Bruce Nelson ("EXECUTIVE").

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

1. EMPLOYMENT

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

2. POSITION AND DUTIES

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

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

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

3. BASE SALARY AND BENEFITS

(a) Initially, Executive's base salary shall be $600,000 per annum (the "BASE SALARY"), which salary shall be payable in regular installments in accordance with the Company's general payroll practices and shall be subject to customary withholding. Executive's Base Salary shall be reviewed at least annually by the CEO and shall be subject to adjustment as the CEO shall determine based on among other things, market practice and performance. In addition, during the Employment Term, Executive shall be entitled to participate in certain of the Company's long term incentive programs established currently or in the future by the Company for which officers of the Company then at Executive's level are generally eligible (including, but not limited to, stock option, restricted stock, performance unit/share plans or long-term cash plans).

(b) In addition to the Base Salary, Executive shall be entitled to participate in the Company's Management Incentive Plan (the "Bonus Plan") as administered by the Compensation Committee. If the Compensation Committee (or the Company's Board of Directors (the "Board")) modifies such Bonus Plan during the Employment Term, Executive shall continue to participate at a level no lower than the highest established for any officer of the Company then at Executive's level.

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

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

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

4. TERM

(a) The Employment Term shall end on the second anniversary of the Merger (as defined in the Agreement and Plan of Merger among Office Depot, Inc., VK Acquisition Corp. and Viking Office Products Inc. dated May 17,1998; PROVIDED THAT (i) the Employment Term shall be extended for one year in the event that written notice of the tennination of this Agreement is not given by one party hereof to the other at least six months prior to the end of the Employment Term PROVIDED FURTHER that (ii) the Employment Term shall terminate prior to such date (A) upon Executive's death or permanent disability or incapacity (as determined by the Board in its good faith judgment), (B) upon the mutual agreement of the Company and Executive, (C) by the Company's termination of this Agreement for Cause (as defined below) or without Cause or (D) by Executive's termination of this Agreement for Good Reason (as defined below) or without Good Reason.

(b) If the Employment Term is terminated by the Company without Cause or is terminated by the Executive for Good Reason, Executive (and Executive's family with respect to clause (iii) below) shall be entitled to receive (i) Executive's Base Salary through the second anniversary of such termination and Executive's Pro Rata Bonus, if and only if Executive has not breached the provisions of paragraph 5, 6 and 7 hereof, (ii) vested and earned (in accordance with the Company's applicable plan or program) but unpaid amounts under incentive plans, health and welfare plans, deferred compensation plans, and other employer programs of the Company which Executive participates (other than the Pro Rata Bonus) and (iii) life insurance and medical insurance through the second anniversary of such termination pursuant to the Company's insurance programs to the extent Executive participated immediately prior to the date of such termination; PROVIDED THAT the insurance Executive or Executive's family is entitled to pursuant to this clause (iii) shall be reduced by the amount of any such insurance Executive or Executive's family is entitled to receive as a result of any other employment. The amounts payable pursuant to paragraph 4(b)(i) and (ii) shall be payable, at the Company's discretion, in one lump sum payment within 30 days following termination of the Employment Term or in any other manner consistent with the Company's normal payment policies.

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

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

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

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

(i) the willful and continued failure of the Executive to perform substantially the Executive's duties with the Company or one of its affiliates (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Executive by the Board or the CEO which specifically identifies the manner in which the Board or the

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CEO believes that the Executive has not substantially performed the Executive's Duties, or

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

For purposes of this provision, no act of failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interest of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of the CEO or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interest of the Company.

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

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

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

6. INVENTIONS AND PATENTS. Executive acknowledges that all inventions, innovations, improvements, development, methods, designs, analyses, drawings, reports and all similar or related information (whether or not patentable) that relate to the Company's or any of its Subsidiaries' actual or anticipated business, research and development or existing or

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future products or services and that are conceived, developed or made by Executive while employed by the Company and its Subsidiaries ("WORK PRODUCT") belong to the Company or such Subsidiary. Executive shall promptly disclose such Work Product to the Board or the CEO and perform all actions reasonably requested by the Board or the CEO (whether during or after the Employment Term) to establish and confirm such ownership (including, without limitation, assignments, consents, powers of attorney and other instruments).

7. NON-COMPETE, NON-SOLICITATION.

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

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

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

(d) In the event of the breach or a threatened breach by Executive of any of the provisions of this paragraph 7, the Company, in addition and supplementary to other rights and remedies existing in its favor, may apply to any court of law or equity of

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competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce or prevent any violations for the provisions hereof (without posting a bond or other security). In addition, in the event of any alleged breach or violation by Executive of this paragraph 7, the Noncompete Period shall be tolled until such breach or violation has been duly cured.

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

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

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

NOTICE TO EXECUTIVE:

Name: Bruce Nelson
Address: 67 Marguerite
Rancho Palos Verdes, CA 90274

NOTICE TO THE COMPANY:

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

and

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

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

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

12. COMPLETE AGREEMENT. This Agreement and those documents expressly referred to herein and other documents of even date herewith embody the complete agreement and understanding among the parties and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

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

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

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

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

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

* * * * *

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

OFFICE DEPOT, INC.

By: /s/ Thomas Kroeger

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

EXECUTIVE

/s/ Bruce Nelson

Name: Bruce Nelson

EXHIBIT 10.11

EXECUTIVE EMPLOYMENT AGREEMENT

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

THIS AGREEMENT is made as of March 30, 1998 between Office Depot, Inc., a Delaware corporation (the "COMPANY"), and Shawn McGhee ("EXECUTIVE").

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

1. EMPLOYMENT.

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

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

2. POSITION AND DUTIES.

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

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

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

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

3. BASE SALARY AND BENEFITS.

(a) Initially, Executive's base salary shall be $425,000 per annum (the "Base Salary"), which salary shall be payable in regular installments in accordance with the Company's general payroll practices and shall be subject to customary withholding. Executive's Base Salary shall be reviewed at least annually by the Compensation Committee of the Board and shall be subject to adjustment, but not reduction, as they shall determine based on among other things, market practice and performance. In addition, during the Employment Term, Executive shall be entitled to participate in certain of the Company's long term incentive programs established currently or in the future by the Company for which officers of the Company then at Executive's level, are generally eligible (including, but not limited to, stock option, restricted stock, performance unit/share plans or long-term cash plans).

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

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

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

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

4. TERM.

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

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

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

(d) If the Employment Term is terminated upon Executive's death or permanent disability or incapacity (as determined by the Board in its good faith judgment), Executive, or

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

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

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

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

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

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

(g) For purposes of this Agreement, "GOOD REASON" shall mean:

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

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

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

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

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

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

6. INVENTIONS AND PATENTS. Executive acknowledges that all inventions, innovations, improvements, developments, methods, designs, analyses, drawings, reports and all similar or related information (whether or not patentable) that relate to the Company's or any of its Subsidiaries' actual or anticipated business, research and development or existing or future products

or services and that are conceived, developed or made by Executive while employed by the Company and its Subsidiaries ("WORK PRODUCT") belong to the Company or such Subsidiary. Executive shall promptly disclose such Work Product to the Board or the CEO and perform all actions reasonably requested by the Board or the CEO (whether during or after the Employment Term) to establish and confirm such ownership (including, without limitation, assignments, consents, powers of attorney and other instruments).

7. NON-COMPETE, NON-SOLICITATION.

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

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

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

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

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

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

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

NOTICES TO EXECUTIVE:

Name: Shawn McGhee
Address: ______________________

NOTICES TO THE COMPANY:

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

and

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

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

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

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

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

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

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

16. CHOICE OF LAW. All issues and questions concerning the construction, validity, enforcement and interpretation of this Agreement and the exhibits and schedules hereto shall be governed by, and construed in accordance with, the laws of the State of Florida, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Florida or any

other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Florida.

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

* * * * *

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

OFFICE DEPOT, INC.

By: /s/ Tom Kroeger

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

EXECUTIVE

/s/ Shawn McGhee

Name: Shawn McGhee

Exhibit 13.1

Five-Year Financial Highlights Office Depot, Inc. and Subsidiaries

Statements of Earnings Data:
(In thousands, except per share amounts and statistical data)

	1999	1998	1997	1996	1995
Sales	$10,263,280	$8,997,738	$8,100,319	$7,250,931	$6,233,985
Cost of goods sold and occupancy costs	7,450,310	6,484,464	5,963,521	5,395,223	4,650,240
Gross profit	2,812,970	2,513,274	2,136,798	1,855,708	1,583,745
Store and warehouse operating and selling expenses	1,961,037	1,642,042	1,443,192	1,280,107	1,041,514
Pre-opening expenses	23,628	17,150	6,609	9,827	17,746
General and administrative expenses	381,611	330,194	272,022	222,714	195,816
Merger and restructuring costs	(7,104)	119,129	16,094	--	--
Store closure and relocation costs	40,425	--	--	--	--
Operating profit(1)	413,373	404,759	398,881	343,060	328,669
Interest income	30,176	25,309	7,570	3,726	4,004
Interest expense	(26,148)	(22,356)	(21,680)	(26,378)	(22,741)
Miscellaneous expense, net(1)	(3,514)	(18,985)	(13,180)	(8,325)	(7,075)
Earnings before income taxes	413,887	388,727	371,591	312,083	302,857
Income taxes	156,249	155,531	136,730	115,865	117,797
Net earnings	$ 257,638	$ 233,196	$ 234,861	$ 196,218	$ 185,060
Earnings per share(2)					
Basic	$ .71	$ .64	$ .65	$ .55	$ .53
Diluted	.69	.61	.62	.53	.50
STATISTICAL DATA:					
Facilities open at end of period:					
United States and Canada:					
Office supply stores	825	702	602	561	501
Customer service centers	30	30	33	32	31
Call centers	7	8	8	6	5
International(3)					
Office supply stores	118	87	39	21	9
Customer service centers	17	17	16	12	8
Call centers	14	13	12	8	5
BALANCE SHEET DATA:					
Working capital(1)	$ 687,007	$1,293,370	$1,093,463	$ 860,280	$ 836,761
Total assets(1)	4,276,183	4,025,283	3,498,891	3,186,630	2,891,390
Long-term debt, excluding current maturities	321,099	470,711	447,020	416,757	494,910
Common stockholders' equity	1,907,720	2,028,879	1,717,638	1,469,110	1,238,820

(1)We have reclassified certain amounts in our prior year financial statements to conform with our current year presentation.
(2)Earnings per share previously reported for 1995 through 1998 have been restated to reflect the three-for-two stock split declared on February 24, 1999.
(3)Includes facilities in our international segment that we wholly own or lease, as well as those that we operate through licensing and joint venture agreements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Tabular dollar amounts are in thousands)

GENERAL

Office Depot, Inc., together with our subsidiaries, is the largest supplier of office products and services in the world. We sell to consumers and businesses of all sizes through our three business segments: Stores, Business Services and International. Each of these segments is described in more detail below. In 1999, we refined our segment definitions to better reflect our current management responsibilities. We modified our financial systems to allow us to restate 1998 segment information. However, reliable information was not available to restate our 1997 segment information. We operate on a 52- or 53-week fiscal year ending on the last Saturday in December.

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

On February 24, 1999, our Board of Directors declared a three-for-two stock split in the form of a 50% stock dividend distributed on April 1, 1999 to stockholders of record on March 11, 1999. We have restated all share and per share amounts in our financial statements to reflect this stock split. The split resulted in the issuance of approximately 125 million additional shares.

STORES DIVISION

Our Stores Division sells office products, copy and print services and other business-related services under the Office Depot(R) and the Office Place(R) brands through our chain of high-volume office supply stores in the United States and Canada. We opened our first office supply store in Florida in October 1986. From our inception, we have been a leader in the retail office supplies industry, concentrating on expanding our store base and increasing our sales in markets with high concentrations of small- and medium-sized businesses. As of the end of 1999, our Stores Division operated 825 office supply stores in 46 states, the District of Columbia and Canada. Store activity for the last five years has been as follows:

	Open at Beginning of Period	Opened	Closed	Open at End of Period	Stores Relocated
1995	420	82	1	501	6
1996	501	60	--	561	3
1997	561	42	1	602	2
1998	602	101	1	702	5
1999	702	130	7	825	14

The decline in the number of stores opened in 1996 and 1997 was the result of our proposed merger with Staples, Inc. ("Staples"), which was terminated in July 1997. During this period of uncertainty, several of our key employees in the real estate area left the Company. See MERGER AND RESTRUCTURING COSTS for more information on the proposed Staples merger. After the merger discussions with Staples were terminated, we re-staffed our real estate department and re-launched our store expansion program.

We currently plan to open approximately 100 new retail stores in the United States and Canada during 2000. Our real estate strategy will stress a more analytical approach in the future, rather than focusing on a specific number of new stores. Over the past year, we have conducted extensive customer and market research that will provide us with a more precise evaluation of the profit potential and return on investment of each new store opening.

BUSINESS SERVICES GROUP ("BSG")

In 1993 and 1994, we expanded into the contract business by acquiring eight contract stationers with 18 domestic customer service centers and an established contract sales force. These acquisitions allowed us to enter the contract business and broaden our commercial (primarily catalog) and retail delivery businesses. Today, BSG sells office products and services to contract and commercial customers through our Office Depot(R) and Viking Office Products(R) direct mail catalogs and Internet sites, and by means of our dedicated sales force. Customer service centers ("CSCs") are warehouse and delivery facilities, many of which also house sales offices, call centers and administrative offices. Our CSCs perform warehousing and delivery services on behalf of all our domestic segments of our business. Prior to our merger with Viking Office Products, Inc. ("Viking") in August 1998, we replaced several outdated, inefficient facilities with new CSCs and converted all of our warehouse and order entry systems to one common technology platform.

At the end of 1999, we operated 30 CSCs in the United States, 10 of which we added as a result of the Viking merger. We have initiated plans to integrate our Viking and Office Depot warehouses. We expect to accomplish this integration by either absorbing the Viking operations into existing Office Depot warehouses or by opening new combined warehouses, depending on the particular market circumstances. Once our integration is complete, we will operate 21 combined CSCs after closing nine Viking and two Office Depot CSCs and opening two new combined facilities. We have included the estimated costs of this integration in merger and restructuring costs. See MERGER AND RESTRUCTURING COSTS for further information. Although we are integrating our warehouse and delivery network, we will continue to operate under both the Office Depot and Viking brands.

(Tabular dollar amounts are in thousands)

In January 1998, we introduced our Office Depot public Web site (www.officedepot.com), offering our customers the convenience of shopping on-line. The addition of this site expanded our domestic electronic commerce capabilities beyond the Viking public Web site (www.vikingop.com) and the Office Depot business-to-business ("B2B") contract Web sites. In 1999, our domestic Internet sales were $349.7 million, compared to approximately $66.5 million in 1998, an increase of 426%. Although this business channel is still in its infancy, we believe our Internet business will provide significant future growth opportunities for our BSG segment and our business as a whole based on the growth rates we have experienced over the last two years.

INTERNATIONAL DIVISION

Our International Division sells office products and services to retail and commercial customers in 17 countries outside the United States and Canada. We launched our international direct marketing business in 1990 under the Viking brand with the establishment of our United Kingdom operations. In December 1993, we initiated our international retail operations by opening our first store in Colombia through a licensing agreement. We have expanded internationally through licensing and joint venture agreements, acquisitions and the merger with Viking. Prior to 1998, our international business was operated entirely through licensing and joint venture agreements. In 1998, we merged with Viking, whose international operations were wholly-owned, and we increased our ownership in our retail operations in France to 100%. In 1999, we increased our ownership in our retail operations in Japan to 100%.

In March 1999, we introduced our first international public Web site (www.viking-direct.co.uk) for individuals and businesses in the United Kingdom; and in the first quarter of 2000, we introduced our public Web site in Germany (www.viking.de). We expect to introduce several new international Web sites in 2000 under both the Office Depot and Viking brand names, and we believe that the Internet provides a significant opportunity for international growth.

At the end of 1999, there were 118 office supply stores in eight countries outside the United States and Canada operating under the Office Depot name, 32 of which were wholly-owned. This compares to 87 stores in eight countries, 15 of which were wholly-owned, at the end of 1998. In addition to these retail stores, our International Division has catalog and delivery operations in 13 countries. We operate our catalog business under the Viking brand in 11 of these countries and under the Office Depot brand in four of these countries. At the end of 1999, our International Division operated in Australia, Austria, Belgium, Colombia, France, Germany, Hungary, Ireland, Israel, Italy, Japan, Luxembourg, Mexico, the Netherlands, Poland, Thailand and the United Kingdom. International store and CSC operations, including facilities operated through licensing and joint venture agreements, for the last five years are detailed below. All years prior to 1998 have been restated to include facilities operated by Viking prior to our merger.

	Office Supply Stores			
	Open at Beginning of Period	Opened	Closed	Open at End of Period
1995	3	6	--	9
1996	9	12	--	21
1997	21	18	--	39
1998	39	48	--	87
1999	87	36	5	118

	Customer Service Centers			
	Open at Beginning of Period	Opened	Closed	Open at End of Period
1995	4	4	--	8
1996	8	4	--	12
1997	12	4	--	16
1998	16	2	1	17
1999	17	1	1	17

We have begun integrating and restructuring our operations in France and Japan, the only two international operations in which we sell under both our Office Depot and Viking brands. In conjunction with this restructuring, we closed one CSC and one store in Japan, with a second CSC targeted for closure. In France, we merged our Office Depot and Viking headquarters into a new, more conveniently located office. We expect to complete our integration in both countries by the end of 2000. We have included the estimated costs of this integration in merger and restructuring costs. See MERGER AND RESTRUCTURING COSTS for further information.

RESULTS OF OPERATIONS

As discussed earlier in this MD&A, we operate in three reportable segments -- Stores, BSG and International. Each of these segments is managed separately primarily because it serves different customer groups. Our senior management evaluates the performance of our business based on each segment's operating income, which is defined as income before income taxes, interest income and expense, goodwill amortization, merger and restructuring costs and general and administrative expenses. In 1999, we refined our segment definitions to better reflect our current management responsibilities. All segment amounts presented throughout this MD&A for prior years have been restated, whenever possible, to reflect this refinement in segment definitions.

SALES

	1999	1998	1997	1999 Annual Increase	1998 Annual Increase
Stores	$ 5,781,336	$ 5,049,201	$ 4,716,991	15%	7%
BSG	3,164,953	2,904,984	2,503,826	9%	16%
International	1,320,875	1,047,472	882,806	26%	19%
Inter-segment	(3,884)	(3,919)	(3,304)		
Total	$ 10,263,280	$ 8,997,738	$ 8,100,319	14%	11%

Overall

The largest driver of our overall sales increases has been our continued worldwide store expansion. We increased our domestic and international store base by 123 and 31 stores, respectively, in 1999 and by 100 and 48 stores, respectively, in 1998. We also achieved greater penetration in the contract market by expanding our contract sales force. Furthermore, we adopted a more focused marketing approach to our Viking catalog circulation internationally, allowing us to achieve additional sales growth. We believe that the growth in our Internet business, with total domestic Internet sales increasing 426% in 1999 to $350 million, has stimulated sales growth in our BSG segment. In our stores and warehouses worldwide, we achieved comparable sales growth of 6% in 1999 and 8% in 1998. As discussed above, in 1999, we refined our segment definitions but were not able to restate our 1997 segment information. Had we refined our 1997 sales, the percentage increase in our 1998 Stores Division sales would have been somewhat greater than 7%. Similarly, the percentage increase in our BSG for 1998 would have been somewhat smaller than 16%.

Our worldwide sales by product group were as follows:

	1999	1998	1997
General office supplies	40.96%	42.85%	42.65%
Technology products	47.55%	46.02%	45.69%
Office furniture	11.49%	11.13%	11.66%
	100.00%	100.00%	100.00%

Our merchandise mix remained relatively consistent between 1997 and 1998, with a slight shift toward the sale of technology products (i.e., computers, business machines and related supplies), driven primarily by growth in the business machine supplies category. In 1999, aggressive promotional programs offering discounts on certain hardware and software when customers purchased Internet service further expanded the sales of technology products. We have also continued to focus on consultative selling of technology products in our stores.

Stores

We have increased sales in our Stores Division primarily through our store expansion program. Sales generated by non-comparable stores represented approximately 90% and 86% of the total sales increases in our Stores Division in 1999 and 1998, respectively. The remainder of the growth is attributable to comparable sales increases of 2% and 3% in 1999 and 1998, respectively. We expect to add approximately 100 new stores to our store base in 2000. We believe that the opening of new Office Depot stores in markets where our own and competing retailers' stores already exist has and will continue to negatively impact our comparable store sales increases in the future. However, we believe we will benefit from overall sales increases when we open new stores in those markets. Our plan to close certain under-performing stores in 2000, which we announced in the third quarter of 1999, will negatively impact our sales growth in the short term. See STORE CLOSURE AND RELOCATION COSTS for further information regarding the impact our store closings will have on our revenues in 2000.

Sales of computer products (i.e., computers, printers, peripherals, software and related supplies) in our stores, with increases of 23% in 1999 and 7% in 1998, contributed significantly to the sales increases in our Stores Division. Growth in units sold of technology products greatly exceeded declines in average selling prices for both years, particularly in computer hardware. Sales of business machine supplies, which are also significant to our Stores product mix, increased 17% in 1999 and 22% in 1998.

In late 1999, the SEC released accounting guidance which dictates that retailers named as the legal obligor in an extended warranty service contract must recognize the revenues and direct expenses associated with the sale of such warranties over the service period of the contract, regardless of economic risk. In addition, retailers that are not the legal obligor in a warranty service contract must record their revenues net of direct expenses. We sell extended service plans, administered by an unrelated third party, to customers in our Stores Division. All performance obligations and risk of loss associated with such contracts are economically transferred to our administrator, which insures itself against any liabilities arising under such contracts, at the time the contracts are sold to the customer.

(Tabular dollar amounts are in thousands)

While our service plans typically extended over a period of one to four years, we previously recognized the gross revenues and direct expenses from the sale of these contracts immediately. Because we were named as the legal obligor in the majority of the states in which we sell these contracts, we modified our accounting to recognize revenue for warranty service contract sales in those states over the service period. In those states where we are not the legal obligor, we modified our accounting to recognize warranty revenues net of the direct costs. We have given effect to this modification to our accounting in our 1999 financial statements by reducing our sales and cost of goods sold by (1) the cumulative amounts we need to defer and recognize in future periods and (2) the cumulative amounts we need to net against our sales. We are modifying the terms of our extended service contracts in states where we are not legally obligated to serve as the obligor to substantially alleviate the deferral of our warranty revenues and costs in future years. This adjustment, which only impacted our Stores Division, resulted in a reduction in our 1999 gross profit of $15.8 million, or $0.03 per share.

BSG

In our BSG segment, we achieved increased contract sales in 1999 and 1998 through expansion of our sales force and promotion of our B2B Web sites. Our BSG Internet sales increased to $350 million in 1999, compared with sales of $66 million in 1998. The number of Internet customers who have opened accounts on-line has increased by approximately 250,000 since the end of 1998, when we had approximately 42,000 on-line customer accounts open. In 1997, our Internet channel consisted solely of B2B sites, which were not significant as compared to our other sales channels. Accordingly, we did not begin capturing data on this sales channel until January 1998, when we launched our public Internet site. We expect continued growth in our Internet sales during 2000 as we allocate additional resources to that sales channel.

We also experienced growth in our Viking brand catalog sales in both years, driven by a more targeted approach to catalog promotions. We have achieved comparatively smaller increases in our Office Depot brand catalog sales from increased circulation of our direct mail catalogs. Sales of business machine supplies, which are significant to our BSG product mix, increased 26% in 1999 and 55% in 1998.

International

Sales in our International Division grew as we continued to penetrate new and existing markets with our Office Depot and Viking brands. Comparable catalog sales increased 15% and 18% in 1999 and 1998, respectively. Our International Division also includes the sales from our French and Japanese stores, which were consolidated from the fourth quarter of 1998 and the second quarter of 1999, respectively, following our purchase of the remaining 50% interest in each of these operations from our joint venture partners. In U.S. dollars, our comparable catalog sales increased 15% in 1999 and 18% in 1998. In local currency, our International Division's sales increased 30% in 1999 and 19% in 1998. Competitive, political and economic conditions in international markets in which we operate may impact our sales in the future.

GROSS PROFIT

		Gross Profit %*
1999		
Stores	$ 1,303,543	22.6%
BSG	978,533	30.9%
International	532,559	40.3%
Inter-segment	(1,665)	
Total	$ 2,812,970	27.4%
1998		
Stores	$ 1,199,864	23.8%
BSG	884,734	30.5%
International	430,173	41.1%
Inter-segment	(1,497)	
Total	$ 2,513,274	27.9%
1997		
Stores	$ 1,012,127	21.5%
BSG	768,059	30.7%
International	357,792	40.5%
Inter-segment	(1,180)	
Total	$ 2,136,798	26.4%

*Our gross profit for 1999 includes a provision for slow-moving and obsolete inventories of $56.1 million and a $15.8 million adjustment to modify our accounting for warranty service contracts as discussed in the SALES section. Excluding these charges and adjustments, our gross profit percentages would have been 23.4% in our Stores Division, 31.4% in our BSG, 40.4% in our International Division and 28.0% overall. The provision for slow-moving and obsolete inventories is discussed below.

Overall

The decrease in our overall gross profit percentage in 1999 as compared to 1998 is primarily the result of a $56.1 million provision for slow-moving and obsolete inventories recorded in the third quarter of 1999. The need for this provision resulted from two factors: 1) slow-moving technology related products whose market values have been adversely affected by accelerated rates of change in technology, and 2) a rationalization of our warehouse inventory assortments in connection with the Viking warehouse consolidation. This provision impacted gross profit in our business segments as follows:

Stores	$ 39,200
BSG	15,500
International	1,400
Total	$ 56,100

While we believe that this charge is non-recurring, we cannot assure you that we will not incur charges like this in the future.

Excluding the charges and adjustments discussed earlier, decreased net product costs derived from merger-related synergies during 1999 drove our slight improvement in margins compared to 1998. However, offsetting these savings were increased occupancy costs in our Stores Division and lowered margins in our International Division, both of which are discussed in more detail later. In 1998, our overall gross profit improved as compared to 1997 as a result of favorable product mix shifts within the technology category and continued strengthening of our vendor relationships which drove overall product costs down.

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

Stores

Gross profit in our Stores Division decreased as a result, in part, of increased occupancy costs driven by the large number of new stores we opened in the fourth quarter of 1998 and throughout 1999. Our stores typically need about four years to reach sales maturity. Until a store reaches maturity, its fixed occupancy costs as a percentage of its sales are typically higher than in more mature stores. In addition, technology products, which yield lower gross profit percentages than other product groups, have increased each year as a percentage of our total Stores' sales mix. As discussed in more detail earlier, in 1999, we also increased our provision for slow-moving and obsolete inventories in our stores, and we modified our accounting for the recognition of sales and direct costs of warranty service contracts. In 1998, our Stores Division saw a favorable shift in sales mix within the technology category toward the more profitable business machine supplies and accessories compared to 1997. In addition, the improvements in our 1998 gross profit percentages in our Stores Division were largely the result of proactive merchandising and pricing strategies applied to all product categories.

BSG

We earn higher gross profit percentages in our BSG than in our Stores Division principally as the result of a different sales mix. Paper, machine supplies and other general office supplies, which yield higher margins than our other product groups, account for a much larger percentage of total sales in our BSG than in our Stores Division. BSG's gross profit percentages are, however, lower than those we earn internationally as a result of the lower relative pricing we negotiate with our contract customers. Contributing to the increase in our BSG's gross profit from 1998 to 1999 were overall lower net product costs. We were also able to lower our product costs by realizing certain synergies from our merger with Viking. An increase in our provision for slow-moving and obsolete inventory, as more fully discussed above, partially offset these improvements in gross profit percentages. In 1998, gross profit declined slightly as we aggressively pursued market share growth, particularly in our contract business, in a highly competitive environment. We believe this strategy resulted in increased market penetration and improved margins in our BSG in 1999.

International

Gross profit as a percentage of sales in our International Division decreased during 1999 largely because of the consolidation of our French and Japanese retail operating results beginning in November 1998 and April 1999, respectively. The operations of these countries were previously accounted for under the equity method, which did not impact our gross profit. See MERGER AND RESTRUCTURING COSTS for further information. Similar to our margins domestically, the gross margins in our international retail stores are significantly lower than in our international catalog business, mainly as a result of pricing and product mix differences. With the consolidation of certain retail operations, our International Division's gross profit rate has decreased. In our catalog operations, we also saw an unfavorable shift in our sales mix in 1999 to ink and laser jet supplies, which yield lower gross profit margins than other office products. The impact of the increase in the provision for slow-moving and obsolete inventories during 1999 was not significant. In 1998, gross profit in our International Division improved over 1997 as our direct mail operations in various European countries continued to mature.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)
(Tabular dollar amounts are in thousands)

STORE AND WAREHOUSE OPERATING AND SELLING EXPENSES

		Percentage of Sales
1999		
Stores	$ 864,713	15.0%
BSG	728,728	23.0%
International	369,078	27.9%
Other	(1,482)	
Total	$ 1,961,037	19.1%
1998		
Stores	$ 675,538	13.4%
BSG	684,484	23.6%
International	283,102	27.0%
Other	(1,082)	
Total	$ 1,642,042	18.2%
1997		
Stores	$ 622,266	13.2%
BSG	577,752	23.1%
International	243,952	27.6%
Other	(778)	
Total	$ 1,443,192	17.8%

Overall

Store and warehouse operating and selling expenses consist of personnel costs; maintenance and other facility costs; advertising expenses; delivery and transportation costs; credit card and bank charges and certain other operating and selling costs. On an overall basis, higher personnel and advertising costs in our stores were the main driver of our expense increases relative to sales in 1999 and 1998. As discussed more fully below, the large number of new stores in our store base and the fixed component of certain personnel costs have increased our costs as a percentage of sales in our newer stores compared to our more mature stores. These increased costs were only partially offset by our ability to hold certain of our operating expenses constant as our sales increased.

Stores

In our Stores Division, the largest components of operating and selling expenses are personnel, facility, advertising and credit card expenses. In our Stores Division, we added 123 stores in 1999 (with 38 opened in the fourth quarter) and 100 stores in 1998 (with 68 opened in the fourth quarter). Because newer stores typically generate lower average sales than more mature stores, operating and selling expenses as a percentage of sales in the Stores Division have increased. Additionally, we believe that opening new stores in existing markets has cannibalized, to some extent, the sales of other Office Depot stores in those markets (i.e., had the effect of reducing sales at existing stores), also causing our expenses to increase relative to sales.

The increase in expenses during 1999 and 1998 was driven largely by personnel-related costs, primarily because of competitive wage pressure and the need to attract more highly skilled associates in certain positions. Approximately 60% of our stores' operating expenses are personnel related and have a relatively large fixed cost component. In 1999, we also increased our advertising expenses, launching our new "Taking Care of Business" campaign, and incurred additional operating expenses as we focused on several new sales and re-merchandising initiatives. In 1998, we incurred certain incremental expenses in our Stores Division to support our aggressive store remodeling program. We completed approximately 65 and 200 store remodels in 1999 and 1998, respectively. The decrease in the total number of remodels in 1999 stems from an increased focus on re-merchandising our stores (i.e., re-arranging product displays in a way that is more appealing to the customer) rather than performing full remodels. This approach requires less capital and is more appropriate given the number of new stores in our store base.

BSG

Personnel, facility and delivery expenses are the largest components of our BSG operating expenses. Operating and selling expenses as a percentage of sales are significantly higher in our BSG than in our Stores Division, principally because of the need for a more experienced and highly compensated sales force. Although our BSG made operating efficiency improvements in our warehouses during the latter half of 1999, these improvements are expected to impact overall operating expenses more significantly in the future. During the second half of 1999, we began processing both Office Depot and Viking brand orders in our combined warehouses, and we expect to fully integrate all warehouses by early 2001. This will significantly reduce the total number of warehouse facilities we operate and should positively impact our BSG operating expenses relative to sales. See additional discussion of our BSG integration in MERGER AND RESTRUCTURING COSTS. Operating and selling expenses as a percentage of sales increased in 1998 as compared to 1997, primarily because of the costs associated with consolidating and integrating five of our Office Depot CSCs into two larger, more efficient facilities. They also increased as a result of converting our Office Depot warehouse and order entry systems to common technology platforms.

International

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

Additionally, certain of our operations are in their start-up phase, which also increases our international operating expenses as a percentage of sales when compared to other segments.

During 1999, increased advertising costs significantly impacted our operating and selling expenses as a percentage of sales. Increasing competition in many of our established markets, coupled with our efforts to gain market share in certain newer markets, have driven up our advertising costs. Furthermore, as discussed earlier in this MD&A, we began consolidating the results of our French and Japanese retail operations in the fourth quarter of 1998 and the second quarter of 1999, respectively, as opposed to previously using the equity method of accounting. In 1999, we expanded our store base by 31, ending the year with 118 retail stores internationally. This has resulted in increased operating expenses because the fixed costs of operating a store represent a larger percentage of sales for newer stores than for more mature stores. As part of our integration plan (see MERGER AND RESTRUCTURING COSTS), we will be consolidating certain of our Office Depot and Viking operations in France and Japan. We believe this will result in improved operating results in those countries. In 1998, our international operating and selling expenses as a percentage of sales improved primarily as a result of our operations continuing to mature in countries such as Germany, which we entered in late 1995.

As our operations in a particular market grow, certain fixed operating expenses decline relative to sales. Additionally, as market share increases, advertising costs in the form of prospecting and delivery costs, which are affected by the density of the delivery areas, decline as a percentage of sales. As we continue to grow our international business and establish brand recognition, we expect to leverage certain fixed operating expenses, and our cost to attract new customers should decline as a percentage of sales. We believe, however, that these improvements will be offset, as they were in 1999, by the incremental costs incurred to continue developing new markets, including Japan.

PRE-OPENING EXPENSES

	1999	1998	1997
Pre-opening expenses	$ 23,628	$ 17,150	$ 6,609
Office supply stores opened*	159	106	44

*Includes relocations.

Our pre-opening expenses consist principally of personnel, property and advertising expenses incurred in opening or relocating stores in our Stores Division. We typically incur these expenses during a six-week period prior to the store opening. Because we expense these items as they are incurred, the amount of pre-opening expenses we incur each year is generally proportional to the number of new stores we open during the period. Our pre-opening expenses also include, to a lesser extent, expenses incurred to open or relocate facilities in our Business Services Group and our International Division.

In 1999, our pre-opening expenses approximated $155,000 per domestic office supply store and $80,000 per international office supply store. The amount for our domestic stores has increased from our historical average of $125,000 because we acquired a group of stores from another retailer, which generated higher occupancy costs during an extended pre-opening period. Our cost to open a new CSC varies significantly with the size and location of the facility. Historically, we have incurred up to $1,750,000 to open a domestic or international CSC.

GENERAL AND ADMINISTRATIVE EXPENSES

	1999	1998	1997
General and administrative expenses	$ 381,611	$ 330,194	$ 272,022
Percentage of sales	3.7%	3.7%	3.4%

Our general and administrative expenses consist primarily of personnel-related costs associated with support functions. Because these functions, for the most part, support all segments of our business, we do not consider these costs in determining our segment profitability. Throughout 1998 and 1999, we strengthened our corporate infrastructure, particularly in the areas of Supply Chain management and MIS. This initiative was a significant contributor to the increases in our general and administrative expenses in the last two years. The benefits of this increased spending are reflected in our lower levels of inventory per store and improved purchasing efficiencies. Also contributing to the growth in our general and administrative expenses over the last two years was spending to support our Year 2000 compliance efforts, CSC consolidation and integration and electronic commerce initiatives. In 1997, our personnel-related costs were lower than our current trends as a result of the proposed merger with Staples. During that period of uncertainty, many of our corporate departments were reduced in size in preparation for combining the support functions of the two companies.

MERGER AND RESTRUCTURING COSTS

Viking Merger

In August 1998, we completed our merger with Viking. Transactional and other direct expenses of this merger, primarily legal and investment banking fees, were recorded as merger and restructuring costs in 1998.

Subsequent to the merger, we immediately began the process of integrating our Office Depot and Viking businesses. Our original plans, which we expected to complete during 2000, initially included the closing of 15 domestic CSCs and the opening of five new domestic CSCs, as well as installing complex new systems in each surviving facility. During the fourth quarter of 1999, after evaluating the results of integrating two test facilities, we modified our CSC integration plans. Our new plans incorporate a more simplified approach and, as a result, require less capital. Furthermore, our new plans require the closing of only 11 existing

(Tabular dollar amounts are in thousands)

CSCs and the opening of only two new CSCs, which were opened as test facilities in late 1999. We lease all but two of the closing CSCs. We sold one of the CSCs in 1999, and we plan to sell the other in 2000. Our plan is to vacate all of the buildings. Accordingly, we have written off certain assets such as leasehold improvements and redundant software and conveyor systems in these CSCs. In addition, merger and restructuring costs include certain expenses of exiting these facilities that will provide no future economic benefit to us (e.g., future lease obligations, personnel retention and other termination costs). As a result of modifying our integration plans in the fourth quarter of 1999, we reversed previously accrued merger and restructuring charges of $32.5 million, reducing merger and restructuring costs to a net credit of $7.1 million for the year.

We accrue merger and restructuring costs when significant changes in our plan are unlikely, which in most cases requires that planned actions take place within one year. In the case of our CSC integration, we plan to integrate all but three of our CSCs during 2000. We feel confident that significant changes in our plan are unlikely even though three of our CSCs will not be integrated until early 2001.

Closure of Furniture at Work(TM) and Images(TM) Stores

As a result of our decision to focus on the continued growth of our core businesses and on expanding our international operations, we closed nine of our Furniture at Work(TM) and Images(TM) stores in 1999 and one in the fourth quarter of 1998. Eight of the ten facilities were leased; the other two were owned. We have sold one of the owned facilities and are presently in negotiations to sell the second. In addition, we exercised a purchase option on one of our leased facilities because we have negotiated a sale of that facility as well. We have recorded the exit costs related to closing these facilities in merger and restructuring costs.

Acquisition of Joint Venture Interests in France and Japan

In November 1998, we purchased our joint venture partner's interest in our French Office Depot retail operations. Following this purchase, we decided to restructure and integrate the separate Office Depot and Viking operations in France. During 1999, we merged the Office Depot and Viking headquarters into a new office that is more conveniently located. We do not expect to close any facilities in conjunction with our restructuring and integration programs in France. Instead, we will integrate the warehousing and delivery of our Office Depot and Viking brand merchandise in each of our existing warehouses.

In April 1999, we purchased our joint venture partner's interest in our Japanese Office Depot retail operations and announced plans to restructure and integrate our operations in Japan. We closed one leased CSC and one leased store in Japan in conjunction with these plans. We expect to close another CSC in 2000. We have recorded merger and restructuring costs in 1999 associated with these activities. We expect our operations in France and Japan to be completely integrated by the end of 2000.

Proposed Staples Merger

In September 1996, we entered into an agreement and plan of merger with Staples. In June 1997, the proposed merger was blocked by a preliminary injunction granted by the Federal District Court at the request of the Federal Trade Commission. In July 1997, we announced that the merger agreement had been terminated. Costs directly attributable to the merger transaction, primarily legal expenses, were recorded in 1997 as a result of this attempted merger.

Merger and restructuring costs in 1999, 1998 and 1997 consist of the following charges:

	1999	1998	1997
Viking Merger and Proposed Staples Merger:			
Costs directly attributable to the merger transactions	$ 236	$ 31,555	$16,094
Asset write-offs associated with closing identified facilities and the write-off of software applications to be abandoned	(19,065)	41,962	--
Other facility exit costs, principally estimated lease costs subsequent to the expected closing of each facility	(10,051)	20,079	--
Personnel retention and termination costs	295	14,553	--
	$(28,585)	$108,149	$16,094
Closure of Furniture at Work(TM) and Images(TM) Stores:			
Asset write-offs associated with closing the stores	$ 2,813	$ 3,882	$ --
Other facility exit costs, principally estimated			

lease costs subsequent to closing the stores	(4,832)	7,098	--
	$ (2,019)	$ 10,980	$ --
Acquisition of Joint Venture Interests in France and Japan:			
Costs directly attributable to the acquisitions	$ 1,317	$ --	$ --
Asset write-offs associated with closing identified facilities	3,023	--	--
Other facility exit costs, principally estimated lease costs subsequent to the expected closing of each facility	5,311	--	--
Personnel retention and termination costs	13,849	--	--
	$ 23,500	$ --	$ --
Grand Total	$ (7,104)	$ 119,129	$16,094

We determined the fair value of assets to be disposed of by estimating the net realizable value at the time of the anticipated closure or discontinuation of use. Estimated proceeds from and costs to dispose of these assets were determined through analysis of historical data and expected outcomes. The costs required to complete our merger and restructuring plans necessarily involve the use of estimates. We believe our estimates are unlikely to change significantly in the future.

As of December 25, 1999 and December 26, 1998, we have remaining accruals of approximately $21.3 million and $40.8 million, respectively, for merger and restructuring costs. Amounts expensed for asset write-offs are recorded as a reduction of our fixed assets. All other amounts are recorded as accrued expenses. The activity in the liability accounts by cost category is as follows:

	Beginning Balance	New Charges	Cash Payments	Other Adjustments	Ending Balance
1999					
Accrued direct merger costs	$ 1,626	$ 1,684	$ (1,540)	$ (131)	$ 1,639
Accrued other facility exit costs	26,080	4,344	(8,744)	(13,916)	7,764
Accrued personnel retention and termination costs	13,126	20,007	(15,405)	(5,863)	11,865
Total accrued costs	$40,832	$26,035	$(25,689)	$(19,910)	$21,268
1998					
Accrued direct merger costs	$ 113	$31,555	$(30,042)	$ --	$ 1,626
Accrued other facility exit costs	1,303	27,221	(2,400)	(44)	26,080
Accrued personnel retention and termination costs	--	14,553	(1,427)	--	13,126
Total accrued costs	$ 1,416	$73,329	$(33,869)	$ (44)	$40,832

The other adjustments column represents adjustments of original estimates and other adjustments pursuant to plan modifications made during the fourth quarter of 1999. In addition to the amounts we have accrued, we expect to incur additional integration-related costs over the remaining integration periods. Although we expect these costs to be insignificant to our future operating results, there can be no assurance that this will be the case. We expect to rely primarily on cash flows generated from operations to fund our integration-related costs. SEE LIQUIDITY AND CAPITAL RESOURCES.

We expected to terminate approximately 171 store, warehouse and support employees worldwide in conjunction with our restructuring and integration plans. To date, all 171 employees have been terminated. We believe the reduction in our revenues and increases in our operating profit arising from these integration activities will be insignificant to our overall and segment results.

STORE CLOSURE AND RELOCATION COSTS

We recorded a charge of $46.4 million in the third quarter of 1999 to reflect our decision to accelerate our store closure program for under-performing stores and our relocation program for older stores in our Stores Division. This charge also reflects our decision to sell our interest in our retail operations in Thailand. On October 28, 1999, we entered into an agreement with Central Retail Group, our joint venture partner, to sell to them our Thai operations and license to them certain trademarks, software and operating systems. Central Retail Group now operates the two Thai stores under a licensing agreement. Finally, the charge also reflects our decision to write-off certain other long-lived assets in our BSG. During the fourth quarter of 1999, we reversed $6.0 million of the charge relating to stores that may be relocated after 2000. This reversal is in accordance with guidance issued by the SEC in late 1999 which provides that restructuring charges should not be accrued unless changes in the plan are unlikely, which in most cases requires that planned actions take place within one year.

This charge, net of the reversal, consisted of asset impairment costs ($29.2 million), residual lease obligations ($8.3 million) and other exit costs ($2.9 million). Asset impairment costs consist principally of leasehold improvements and other assets that will be retired when the identified stores are closed or relocated. The charge impacted the operating profits of our business segments as follows:

Stores	$33,260
BSG	2,907
International	4,258

Total	$40,425

While we believe that this charge is of a non-recurring nature, we cannot assure you that we will not incur similar charges in the future. We do not foresee any impact on our revenues or operating profit as a result of the BSG asset write-offs. We believe the lost revenues and increased operating profit in our Stores and International Divisions from closing these stores and selling our joint venture interest will be insignificant.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)
(Tabular dollar amounts are in thousands)

OTHER INCOME AND EXPENSE

	1999	1998	1997
Interest income	$30,176	$25,309	$ 7,570
Interest expense	26,148	22,356	21,680
Miscellaneous expense, net	3,514	18,985	13,180

We do not consider interest income and expense arising from our financing activities at the corporate level in determining segment profitability. The increases in interest income in 1999 and 1998 resulted from improved operating cash flows in 1998, which yielded higher average cash balances throughout 1998 and most of 1999. Pursuant to our Board of Directors authorizing stock repurchases in August 1999 of up to $500 million, we purchased 46.7 million shares of our stock at a total cost of $500 million plus commissions during the last half of 1999. As a result, our cash balances have declined, and we expect a proportional impact on our interest income in future periods. In January 2000 and March 2000, our Board authorized additional stock repurchases of up to $200 million. This will further reduce our cash balances in the future.

The majority of our interest expense is fixed in nature and relates to our convertible, subordinated debt. Additionally, during 1999, we entered into a number of capital leases, primarily related to new point-of-sale equipment in our stores. This has resulted in increased interest expense, which may continue in future years. In late 1999, we began borrowing against our yen-denominated loan facility to finance our expansion in Japan. Because the interest rate we are currently paying on our yen borrowings is between 1% and 2%, we expect that the effect of these borrowings on our future interest expense will be negligible. See LIQUIDITY AND CAPITAL RESOURCES.

Our net miscellaneous expense consists of equity in the earnings (losses) of our joint venture investments, royalty and franchise income that we generate from licensing and franchise agreements and the amortization of goodwill. All of our equity investments involve operations outside of the United States and Canada, and our equity in the earnings (losses) of these operations is included in determining the profitability of our International Division.

The decrease in net miscellaneous expense in 1999 is primarily attributable to the consolidation of our French and Japanese retail operations beginning in the fourth quarter of 1998 and second quarter of 1999, respectively, when we purchased the remaining 50% interest from our joint venture partners. Prior to that consolidation, we recorded equity losses related to the start-up of those operations. During 1998, we increased our ownership share in our operations in Thailand to 80%. Accordingly, the results of our Thai operations have been consolidated from the date of the ownership increase. See Store Closure and Relocation Costs for a discussion of our decision to subsequently sell our ownership interest in the Thai business in November 1999. In 1999, our remaining joint venture operations in Mexico and Israel were profitable. Through our joint ventures that are accounted for using the equity method, we opened 14 locations in 1999, 40 locations in 1998 and 15 locations in 1997 that required start-up costs.

INCOME TAXES

	1999	1998	1997
Income taxes	$ 156,249	$ 155,531	$136,730
Effective income tax rate*	37.8%	40.0%	36.8%
Effective income tax rate*, excluding merger and restructuring costs	37.0%	37.0%	36.8%

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

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

LIQUIDITY AND CAPITAL RESOURCES

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

	1999	1998	1997
Operating activities	$ 373,152	$ 678,615	$ 461,095
Investing activities	(451,544)	(271,317)	(155,176)
Financing activities	(405,849)	61,747	(131,929)

OPERATING AND INVESTING ACTIVITIES

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

The decline in our operating cash flows in 1999 is primarily attributable to our increased store openings. On a worldwide basis in 1999, excluding joint venture operations and licensing arrangements, we opened 159 stores, including relocations of older stores, as compared to 106 and 44 stores during 1998 and 1997, respectively. Opening a new domestic store requires that we outlay approximately $600,000 in cash for the portion of our inventories that is not financed by our vendors, as well as approximately $155,000 for pre-opening expenses (see PRE-OPENING EXPENSES). Our focus on supply chain management helped boost our 1998 operating cash flows through the $139 million reduction in our inventories. This focus continued to reduce the average inventory balances held in stores and CSCs in 1999; however, this benefit was offset by increases resulting from stocking a large number of new stores with inventories and from incremental Y2K-related purchasing.

Our primary investing activity is the acquisition of capital assets. The number of stores and CSCs we open or remodel each year generally drives the volume of our capital investments. As mentioned above, our store openings have increased significantly in each of the years reported. These openings were the most significant contributors to our increased investing cash outflows. Computer and other equipment purchases at our corporate offices and at our facilities, necessary to complete Y2K remediation (see YEAR 2000) and to support our store expansion, also contributed to our increased cash investing needs.

Our Viking integration plans, which are discussed in MERGER AND RESTRUCTURING COSTS, will require capital investments, both domestically and internationally, approximating $50 million over the next 12 to 18 months. We also currently plan to open approximately 100 stores in our Stores Division and 35 stores and one warehouse in our International Division during 2000. We estimate that our cash investing requirements will be approximately $1.2 million for each new domestic office supply store. The $1.2 million includes approximately $600,000 for leasehold improvements, fixtures, point-of-sale terminals and other equipment, and approximately $600,000 for the portion of our inventories that will not be financed by our vendors. In addition, each new office supply store requires pre-opening expenses of $155,000 domestically and $80,000 internationally. Our cash investing requirements for a new CSC are significantly more than the requirements for a new store. Each new domestic and international CSC requires between $6 to $16 million for capital assets and inventory and pre-opening expenses up to $1.8 million, depending on the size, type and location of the facility.

We have expanded our presence in the electronic commerce marketplace by entering into strategic business relationships with several Web-based providers of business-to-business ("B2B") electronic commerce solutions. We have made equity investments in these companies, including PurchasePro.com ($5.2 million), and three other companies ($45.5 million). Of these investments, only the shares in PurchasePro.com are traded publicly. Although our investment in PurchasePro.com has increased in value by more than $100 million since our initial investment, our other investments may not generate similar appreciation. Furthermore, the gain on our investment in PurchasePro.com will not be realized until our investment is sold. In February 2000, we exercised 250,000 warrants and sold the underlying shares of PurchasePro.com on the open market for $19.0 million, net of commissions. The exercise price was satisfied through the exercise of an additional 27,777 warrants. We will realize a gain on this transaction in the first quarter of 2000. The value of our remaining investments could decrease before they are realized. We will continue to look for opportunities to invest in companies that provide B2B electronic commerce solutions for small- and medium-sized businesses.

FINANCING ACTIVITIES

In February 1998, we entered into a credit agreement with a syndicate of banks. This credit agreement (the "domestic credit facility") provides us with a working capital line and letters of credit totaling $300 million. This agreement provides for various borrowing rate options, including a rate based on credit rating and fixed charge coverage ratio factors that currently would result in an interest rate of .18% over LIBOR. Our domestic credit facility expires in February 2003 and contains certain restrictive covenants relating to various financial statement ratios. During December 1999, we borrowed and repaid a total of $44.2 million. As of December 25, 1999, we had no outstanding borrowings under this facility, but we had outstanding letters of credit under this facility totaling $18.0 million.

In July 1999, we entered into term loan and revolving credit agreements with several Japanese banks (the "yen facilities") to provide financing for our operating and expansion activities in Japan. The yen facilities provide for maximum aggregate borrowings of (YEN)9.76 billion (the equivalent of $96 million at December 25, 1999) at an interest rate of .875% over the Tokyo Interbank Offered Rate ("TIBOR"). Although the loans mature at varying rates of three to six months, we have classified these borrowings as non-current on our Balance Sheet because we intend to renew them as they come due. These yen facilities contain covenants similar to those in our domestic credit facility as described earlier. During 1999, we borrowed the equivalent of $47 million under the yen facilities. We have borrowed the equivalent of an additional $8 million subsequent to the end of the year. Effective as of October 28, 1999, we entered into a yen interest rate swap for a principal amount equivalent to $23 million at December 25, 1999 in order to hedge against the volatility of the interest payments on a portion of our yen borrowings. The terms of the swap specify that we pay an interest rate of .7% and receive TIBOR.

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

In August 1999, our Board approved a $500 million stock repurchase program reflecting its belief that our common stock represented a significant value at its then-current trading price. We purchased 46.7 million shares of our stock at a total cost of $500 million plus commissions during the third and fourth quarters of 1999. In January 2000 and March 2000, our Board approved additional stock repurchases of up to $200 million, bringing our total authorization to $700 million. As of March 3, 2000 we had purchased an additional 9.2 million shares of our stock at a total cost of $100 million plus commissions. The remaining authorization does not have an expiration date, and we can acquire our common stock either on the open market or through negotiated purchases.

The decline in cash from our financing activities in 1999, as compared to 1998, was driven by our stock repurchases. The increase in cash flows from financing activities in 1998 as compared to 1997 was driven by our repayment of short-term borrowings in 1997 and by funds received from stock options exercised by our employees in 1998. In connection with our merger with Viking, all options held by Viking employees prior to the merger, with the exception of those granted under Viking's annual option award in July 1998, vested fully on the merger date.

In 1992 and 1993, we issued Liquid Yield Option Notes ("LYONs") which are zero coupon, convertible subordinated notes maturing in 2007 and 2008, respectively. Each LYON(R) is convertible at the option of the holder at any time on or prior to its maturity into Office Depot common stock at conversion rates of 43.895 and 31.851 shares per 1992 and 1993 LYON(R) , respectively. On November 1, 2000 for the 1993 LYONs(R) and December 11, 2002 for the 1992 LYONs(R) , the holder may require us to purchase the LYONs(R) from them at the issue price plus accrued original issue discount. If the holder decides to exercise their put option, we have the choice of paying the holder in cash, common stock or a combination of the two. For that reason, our 1993 LYONs(R) have been classified as a current liability on our 1999 Balance Sheet. Unless our stock price increases substantially above current levels, we expect that a significant number of LYONs(R) will be put to the Company in November of this year. Our current intention is to pay cash for any puts exercised on November 1, 2000.

We continually review our financing options. Although we currently anticipate that we will finance all of our 2000 expansion, integration and other activities through cash on hand, funds generated from operations, equipment leases and funds available under our credit facilities, we will consider alternative financing as appropriate for market conditions. Our financing requirements beyond 1999 will be affected primarily by the number of new stores or CSCs we open or acquire, the specific actions required to integrate our Office Depot and Viking operations, and the decisions of the LYONs(R) holders.

SIGNIFICANT TRENDS, DEVELOPMENTS AND UNCERTAINTIES

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

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

EURO

On January 1, 1999, 11 of the 15 member countries of the European Economic and Monetary Union ("EMU") established fixed conversion rates between their existing currencies and the EMU's common currency (the "euro"). The euro is presently trading on currency exchanges and may be used in business transactions. The ultimate conversion to the euro will eliminate currency exchange rate risk among the member countries. The former currencies of the participating countries are scheduled to remain legal tender as denominations of the euro until January 1, 2002. During this transition period, parties may settle transactions using either the euro or a participating country's former currency. On July 1, 2002, new euro-denominated bills and coins will become the sole legal currency, and all former currencies will be withdrawn from circulation. We have adapted our internal systems to accommodate euro-denominated transactions.

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

INTEREST RATE AND FOREIGN EXCHANGE MARKET RISKS

INTEREST RATE RISKS

When we invest our funds in short-term investments, which generate income subject to variable interest rates, we are subject to interest rate risk. We did not, however, have any funds invested in such instruments as of December 25, 1999.

Our zero coupon, convertible subordinated notes offer stated yields to maturity which are not subject to interest rate risks. Borrowings under our domestic and Japanese credit facilities are both subject to variable interest rates. As of December 25, 1999, there were no borrowings under our domestic credit agreement. The interest rate risk on our Japanese bank borrowings has been partially mitigated by an interest rate swap that fixes the interest rate on a portion of our yen borrowings for the remaining life of the loan. With interest rates currently approximating 1% in Japan, a 10% change in interest rates would not materially change our total interest expense.

FOREIGN EXCHANGE RATE RISKS

The nature and magnitude of our foreign exchange risks have not changed materially in the past year. We conduct business in various countries outside the United States where the functional currency of the country is not the U.S. dollar. This results in foreign exchange translation exposure when these foreign currency earnings are translated into U.S. dollars in our consolidated financial statements. As of December 25, 1999, a 10% change in the applicable foreign exchange rates would have resulted in an increase or decrease in our after-tax earnings of approximately $3 million on an annual basis.

We are also subject to foreign exchange transaction exposure when our subsidiaries transact business in a currency other than their own functional currency. This exposure arises primarily from inventory purchases in a foreign currency. The introduction of the euro and our decision to consolidate our European purchases has greatly reduced these exposures. During 1999, we entered into foreign exchange forward contracts to hedge certain inventory exposures. The maximum contract amount outstanding during the year was $13.7 million.

INFLATION AND SEASONALITY

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

NEW ACCOUNTING PRONOUNCEMENTS

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

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

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

CAUTIONARY STATEMENTS

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

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

Forward-looking information involves risks and uncertainties, including certain matters that we discuss in more detail below and in our report on Form 10-K, filed with the Securities & Exchange Commission. This information is based on various factors and important assumptions about future events that may or may not actually come true. As a result, our operations and financial results in the future could differ materially and substantially from those we have discussed in the forward-looking statements in this Annual Report. In particular, the factors we discuss below and in our Form 10-K could affect our actual results and could cause our actual results in 2000 and in future years to differ materially from those expressed in any forward-looking statement made by us or on our behalf in this Annual Report.

COMPETITION

We compete with a variety of retailers, dealers and distributors in a highly competitive marketplace that includes high-volume office supply chains, warehouse clubs, computer stores, contract stationers and well-established mass merchant retailers.

Well-established mass merchant retailers have the financial and distribution ability to compete very effectively with us should they choose to enter the office superstore retail category, Internet office supply or contract stationer business. This could have a material adverse effect on our business and results of our operations.

INTERNET

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

EXECUTION OF EXPANSION PLANS

We plan to open approximately 100 stores in the United States and Canada during 2000, and we consider our expansion program to be an integral part of our plan to achieve anticipated operating results in future years. Circumstances outside our control, such as adverse weather conditions affecting construction schedules, unavailability of acceptable sites or materials, labor disputes and similar issues could impact anticipated store openings. The failure to expand by opening new stores as planned and the failure to generate the anticipated sales growth in markets where new stores are opened could have a material adverse effect on our future sales growth and profitability.

CANNIBALIZATION OF SALES IN EXISTING OFFICE DEPOT STORES

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

COSTS OF REMODELING AND RE-MERCHANDISING STORES

The remodeling and re-merchandising of our stores has contributed to increased store expenses, and these costs are expected to continue impacting store expenses throughout 2000 and beyond. While a necessary aspect of maintaining a fresh and appealing image to our customers, the expenses associated with such activities could result in a significant impact on our net income in the future. Furthermore, our growth, through both store openings and acquisitions, will continue to require the expansion and upgrading of our informational, operational and financial systems, as well as necessitate the hiring of new managers at the store and supervisory level.

HISTORICAL FLUCTUATIONS IN PERFORMANCE

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

VIKING MERGER AND INTEGRATION

On August 26, 1998, we merged with Viking. Costs related to the integration of Viking's warehouse facilities with our delivery network will increase our warehouse expenses in 2000 and beyond. Moreover, integrating the operations and management of Office Depot and Viking is a complex process. There can be no assurance that this integration process will be completed as rapidly as we anticipate or that, even if achieved as anticipated, it will result in all of the anticipated synergies and other benefits we expect to realize. The integration of the two companies will require significant management attention, which may temporarily distract us from other matters. Our inability to successfully complete the integration of the operations of Office Depot and Viking could have a material adverse effect on our future sales growth and profitability.

INTERNATIONAL ACTIVITY

We have operations in a number of international markets. We intend to enter additional international markets as attractive opportunities arise. Each entry could take the form of a start-up, acquisition of stock or assets or a joint venture or licensing arrangement. In addition to the risks described above (in our domestic operations), internationally we face such risks as foreign currency fluctuations, unstable political and economic conditions, and, because some of our foreign operations are not wholly-owned, compromised operating control in certain countries. Moreover, we do not have a large group of managers experienced in international operations and will need to recruit additional management resources to successfully compete in many foreign markets. All of these risks could have a material adverse effect on our financial position or our results from operations. Our start-up operation in Japan, in particular, has proven to be unprofitable to date and, in fact, has generated losses that have materially affected our financial results in the past and are expected to do so for some time in the future. Because of differing commercial practices, laws and other factors, our ability to use the Internet and electronic commerce to substantially increase sales in international locations may not progress at the same rate as in North America.

CONTRACT AND COMMERCIAL

We compete with a number of contract stationers, mail order operators and retailers who supply office products and services to large and small businesses, both nationally and internationally. In order to achieve and maintain expected profitability levels, we must continue to grow this segment of the business while maintaining the service levels and aggressive pricing necessary to retain existing customers. There can be no assurance we will be able to continue to expand our contract and commercial

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

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

SOURCES AND USES OF CASH

We believe that our current level of cash and cash equivalents, future operating cash flows, lease financing arrangements and funds available under our credit facilities and term loan should be sufficient to fund our planned expansion, integration and other operating cash needs for at least the next year. However, there can be no assurance that additional sources of financing will not be required during the next 12 months as a result of unanticipated cash demands, opportunities for expansion, acquisition or investment, changes in growth strategy, changes in our warehouse integration plans or adverse operating results. We could attempt to meet our financial needs through the capital markets in the form of either equity or debt financing. Alternative financing will be considered if market conditions make it financially attractive. There can be no assurance that any additional funds required by us, whether within the next 12 months or thereafter, will be available to us on satisfactory terms. Our inability to access needed financial resources could have a material adverse effect on our financial position or operating results.

EFFECTS OF CERTAIN NON-RECURRING CHARGES

On August 30, 1999, we disclosed in a public statement that we anticipated a shortfall in our earnings during the second half of 1999 compared to the investment community's consensus expectations. We also announced the departure of our then-Chief Operating Officer and anticipated charges against earnings in the third quarter for slow-moving inventories in our warehouses and stores and for accelerated store closings and relocations. Then, in the fourth quarter of 1999, in response to recently issued guidance from the SEC, certain of these charges were reversed. Additionally, each quarter since our August 1998 merger with Viking, we have incurred merger and restructuring charges and credits. There can be no assurance that additional charges of this nature will not be required in the future as well. Such charges, if any, could have a materially adverse impact on our financial position or operating results in the future.

Y2K ISSUES

While we have worked diligently to bring our own systems into Year 2000 compliance and believe that the transition was successful, there can be no assurance that we will not have Y2K-related problems in the future. We also have endeavored to ensure that our suppliers, vendors and major customers are Y2K compliant. While we have not encountered any significant difficulties during the early days of 2000, there can be no assurance that all such suppliers, vendors or major customers did, in fact, become Y2K compliant on a timely basis. In addition to the business risks inherent in the Y2K issues, there is also the possibility of litigation from customers and other parties claiming to have been damaged by failures of our products and/or services. While we fully expect to rely on certain protections afforded under federal legislation passed in 1999 as well as on indemnifications from suppliers of various products, there is a possibility that certain claims might not be barred by this legislation or might not be susceptible to indemnification and that the results of such litigation could have a material adverse effect on our businesses.

DISCLAIMER OF OBLIGATION TO UPDATE

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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Office Depot, Inc.

We have audited the consolidated balance sheets of Office Depot, Inc. and Subsidiaries as of December 25, 1999 and December 26, 1998, and the related consolidated statements of earnings, stockholders' equity and cash flows for each of the three years in the period ended December 25, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Office Depot, Inc. and Subsidiaries as of December 25, 1999 and December 26, 1998 and the results of their operations and their cash flows for each of the three years in the period ended December 25, 1999 in conformity with generally accepted accounting principles.

/s/ Deloitte & Touche LLP

DELOITTE & TOUCHE LLP

Certified Public Accountants
Miami, Florida
February 10, 2000 (March 3, 2000 as to Note J)

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

	DECEMBER 25, 1999	December 26, 1998
ASSETS		
Current assets:		
Cash and cash equivalents	$ 218,784	$ 704,541
Short-term investments	--	10,424
Receivables, net of allowances of $27,736 in 1999 and $25,927 in 1998	849,478	721,446
Merchandise inventories, net	1,436,879	1,258,355
Deferred income taxes	68,279	52,422
Prepaid expense	57,632	33,247
Total current assets	2,631,052	2,780,435
Property and equipment, net	1,145,628	891,471
Goodwill, net	240,166	227,964
Other assets	259,337	125,413
	$ 4,276,183	$ 4,025,283
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,239,301	$ 1,027,591
Accrued expenses and other liabilities	414,690	386,730
Income taxes payable	39,588	69,910
Current maturities of long-term debt	250,466	2,834
Total current liabilities	1,944,045	1,487,065
Long-term debt, net of current maturities	109,653	35,490
Deferred income taxes and other credits	103,319	38,628
Zero coupon, convertible subordinated notes	211,446	435,221
Commitments and contingencies		
Stockholders' equity:		
Common stock -- authorized 800,000,000 shares of $.01 par value; issued 376,212,439 in 1999 and 373,817,704 in 1998	3,762	3,738
Additional paid-in capital	926,295	838,122
Unamortized value of long-term incentive stock grants	(4,065)	(2,874)
Accumulated other comprehensive income	15,730	(18,078)
Retained earnings	1,467,359	1,209,721
Treasury stock, at cost -- 46,770,272 shares in 1999 and 3,245,170 shares in 1998	(501,361)	(1,750)
	1,907,720	2,028,879
	$ 4,276,183	$ 4,025,283

The accompanying notes are an integral part of these statements.

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

	1999	1998	1997
Sales	$10,263,280	$8,997,738	$8,100,319
Cost of goods sold and occupancy costs	7,450,310	6,484,464	5,963,521
Gross profit	2,812,970	2,513,274	2,136,798
Store and warehouse operating and selling expenses	1,961,037	1,642,042	1,443,192
Pre-opening expenses	23,628	17,150	6,609
General and administrative expenses	381,611	330,194	272,022
Merger and restructuring costs	(7,104)	119,129	16,094
Store closure and relocation costs	40,425	--	--
Operating profit	413,373	404,759	398,881
Other income (expense):			
Interest income	30,176	25,309	7,570
Interest expense	(26,148)	(22,356)	(21,680)
Miscellaneous expense, net	(3,514)	(18,985)	(13,180)
Earnings before income taxes	413,887	388,727	371,591
Income taxes	156,249	155,531	136,730
Net earnings	$ 257,638	$ 233,196	$ 234,861
Earnings per share:			
Basic	$ .71	$ .64	$ .65
Diluted	.69	.61	.62

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except for number of shares)

	Common stock shares	Common stock amount	Additional paid-In capital	Unamortized value of long-term incentive stock grant	Accumulated other comprehensive income
Balance at December 28, 1996	364,629,996	$3,647	$731,739	$(5,244)	$ (946)
Comprehensive income:					
Net earnings					
Foreign currency translation adjustment					(18,343)
Comprehensive income					
Exercise of stock options (including income tax benefits)	2,727,243	27	23,095		
Issuance of stock under employee stock purchase plans	528,569	5	6,335		
Matching contributions under 401(k) and deferred compensation plans	226,785	2	2,799		
Conversion of LYONs to common stock	1,402	--	20		
Cancellation of long-term incentive stock grant	(450,000)	(4)	(2,303)	1,640	
Amortization of long-term incentive stock grant	--	--	--	394	
Balance at December 27, 1997	367,663,995	$3,677	$761,685	$(3,210)	$ (19,289)
Comprehensive income:					
Net earnings					
Foreign currency translation adjustment					1,211
Comprehensive income					
Exercise of stock options (including income tax benefits)	5,399,946	54	63,456		
Issuance of stock under employee stock purchase plans	467,394	4	7,896		
Matching contributions under 401(k) and deferred compensation plans	203,055	2	3,882		
Conversion of LYONs to common stock	83,314	1	1,203		
Amortization of long-term incentive stock grant				336	
Balance at December 26, 1998	373,817,704	$3,738	$838,122	$(2,874)	$ (18,078)
Comprehensive income:					
Net earnings					
Foreign currency translation adjustment					(28,319)
Unrealized gain on investment securities, net of tax					62,127
Comprehensive income					
Acquisition of treasury stock					
Retirement of treasury stock	(3,245,170)	(32)	(1,718)		
Grant of long-term incentive stock	130,000	1	2,127	(2,127)	
Exercise of stock options (including income tax benefits)	4,457,024	45	72,865		
Issuance of stock under employee stock purchase plans	712,431	7	9,240		
Matching contributions under 401(k) and deferred compensation plans	320,906	3	5,423		
Conversion of LYONs to common stock	23,710	--	329		
Payment for fractional shares in connection with 3-for-2 stock split	(4,166)	--	(93)		
Amortization of long-term incentive stock grant				936	
BALANCE AT DECEMBER 25, 1999	376,212,439	$3,762	$926,295	$(4,065)	$ 15,730

	Comprehensive income	Retained earnings	Treasury stock
Balance at December 28, 1996		$ 741,664	$ (1,750)
Comprehensive income:			
Net earnings	$234,861	234,861	
Foreign currency translation adjustment	(18,343)		
Comprehensive income	$216,518		
Exercise of stock options (including income tax benefits)			
Issuance of stock under employee stock purchase plans			
Matching contributions under 401(k) and deferred compensation plans			
Conversion of LYONs to common stock			
Cancellation of long-term incentive stock grant			
Amortization of long-term incentive stock grant			

Balance at December 27, 1997		$ 976,525	$ (1,750)
Comprehensive income:			
Net earnings	$233,196	233,196	
Foreign currency translation adjustment	1,211		
Comprehensive income	$234,407		
Exercise of stock options (including income tax benefits)			
Issuance of stock under employee stock purchase plans			
Matching contributions under 401(k) and deferred compensation plans			
Conversion of LYONs to common stock			
Amortization of long-term incentive stock grant			
Balance at December 26, 1998		$1,209,721	$ (1,750)
Comprehensive income:			
Net earnings	$257,638	257,638	
Foreign currency translation adjustment	(28,319)		
Unrealized gain on investment securities, net of tax	62,127		
Comprehensive income	$291,446		
Acquisition of treasury stock			(501,361)
Retirement of treasury stock			1,750
Grant of long-term incentive stock			
Exercise of stock options (including income tax benefits)			
Issuance of stock under employee stock purchase plans			
Matching contributions under 401(k) and deferred compensation plans			
Conversion of LYONs to common stock			
Payment for fractional shares in connection with 3-for-2 stock split			
Amortization of long-term incentive stock grant			
BALANCE AT DECEMBER 25, 1999		$1,467,359	$(501,361)

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	1999	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	$ 10,205,532	$ 8,928,519	$ 8,017,406
Cash paid to suppliers	(9,739,616)	(8,119,219)	(7,416,925)
Interest received	31,865	23,972	5,611
Interest paid	(6,472)	(3,625)	(4,166)
Income taxes paid	(118,157)	(151,032)	(140,831)
Net cash provided by operating activities	373,152	678,615	461,095
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of investment securities	(154,364)	(36,697)	--
Proceeds from maturities or sales of investment securities	114,141	44,260	20,030
Investments in unconsolidated joint ventures	(1,606)	(40,475)	(22,464)
Purchase of remaining ownership interest in joint ventures	(21,629)	(27,680)	--
Capital expenditures	(396,008)	(233,089)	(156,869)
Proceeds from sale of property and equipment	7,922	22,364	4,127
Net cash used in investing activities	(451,544)	(271,317)	(155,176)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from exercise of stock options and sale of stock under employee stock purchase plans	59,082	64,237	19,959
Repurchase of common stock for treasury	(501,006)	--	--
Proceeds from issuance of long-term debt	42,841	--	--
Payments on long- and short-term borrowings	(6,766)	(2,490)	(151,888)
Net cash (used in) provided by financing activities	(405,849)	61,747	(131,929)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(1,516)	(4,381)	(1,939)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(485,757)	464,664	172,051
Cash and cash equivalents at beginning of period	704,541	239,877	67,826
Cash and cash equivalents at end of period	$ 218,784	$ 704,541	$ 239,877
RECONCILIATION OF NET EARNINGS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Net earnings	$ 257,638	$ 233,196	$ 234,861
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	168,553	140,604	119,748
Provision for losses on inventories and receivables	111,510	81,270	76,919
Net (earnings) losses on equity method investments	(2,041)	15,254	7,842
Accreted interest on zero coupon, convertible subordinated notes	19,534	18,812	18,005
Contributions of common stock to employee benefit and stock purchase plans	5,426	4,501	3,373
Compensation expense for long-term incentive stock grants	479	336	(272)
Deferred income taxes	(430)	(38,244)	9,534
Loss on disposal of property and equipment	14,124	2,023	4,657
Changes in assets and liabilities:			
Increase in receivables	(152,523)	(88,595)	(147,991)
(Increase) decrease in merchandise inventories	(250,003)	106,189	(28,251)
Net increase in prepaid expenses and other assets	(24,862)	(16,792)	(7,870)
Net increase in accounts payable, accrued expenses and deferred credits	225,747	220,061	170,540
Total adjustments	115,514	445,419	226,234
Net cash provided by operating activities	$ 373,152	$ 678,615	$ 461,095

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular dollar amounts are in thousands)

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Office Depot, Inc., together with our subsidiaries, is the world's largest supplier of office products and services, operating in 19 countries throughout the world and doing business primarily under two brands -- Office Depot and Viking Office Products. We serve our customers, including those in countries operated under licensing and joint venture agreements, through multiple sales channels. They include an international chain of high-volume office supply stores located in ten countries; a domestic contract sales network; three Internet sites, serving both our domestic and international customers; and catalog, mail order and delivery operations in 15 countries. After merging with Viking Office Products, Inc. ("Viking") in August 1998, we now have operations, either owned directly or operated through joint ventures or licensing arrangements, in Australia, Austria, Belgium, Canada, Colombia, France, Germany, Hungary, Ireland, Israel, Italy, Japan, Luxembourg, Mexico, the Netherlands, Poland, Thailand, the United Kingdom and the United States.

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

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

On February 24, 1999, our Board of Directors declared a three-for-two stock split in the form of a 50% stock dividend distributed on April 1, 1999 to stockholders of record on March 11, 1999. We have restated all shares and per share amounts in our financial statements to reflect this stock split. In conjunction with the stock split, we issued 124,560,075 additional shares on April 1, 1999.

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

FOREIGN CURRENCY TRANSLATION: Our subsidiaries outside of the United States record transactions using their local currency as their functional currency. In accordance with Statement of Financial Accounting Standards ("SFAS") No. 52, "Foreign Currency Translation," the assets and liabilities of our foreign subsidiaries are translated into U.S. dollars using either the exchange rates in effect at the balance sheet dates or historical exchange rates, depending upon the account translated. Income and expenses are translated at average daily exchange rates each month. The translation adjustments that result from translating the balance sheets at different rates than the income statements are included in accumulated other comprehensive income, which is a separate component of our stockholders' equity. Accumulated other comprehensive income also includes gains and losses on inter-company loans that are not expected to be repaid in the foreseeable future.

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

RECEIVABLES: Included in our receivables are our trade receivables not sold through outside credit card programs and our other non-trade receivables. Our trade receivables totaled $506.7 million and $464.0 million on December 25, 1999 and December 26, 1998, respectively. We record an allowance for doubtful accounts, reducing our receivables balance to an amount we estimate is collectible from our customers. We encounter limited credit risk associated with our trade receivables because we have a large customer base that extends across many different industries and geographic regions.

Other receivables, totaling $342.8 million and $257.4 million as of December 25, 1999 and December 26, 1998, respectively, consist primarily of receivables from our vendors under purchase rebate, cooperative advertising and various other marketing programs. Amounts we expect to receive from our vendors that relate to our purchase of merchandise inventories are capitalized and recognized as a reduction of our cost of goods sold as the merchandise is sold. Amounts relating to cooperative advertising and marketing programs are recognized as a reduction of our advertising expense in the period that the related expenses are incurred.

MERCHANDISE INVENTORIES: Our inventories are stated at the lower of cost or market value. We use a weighted average method for determining the cost of approximately 90% of our inventories and the first-in-first-out (FIFO) method for the remainder of our inventories, primarily in our International segment. In the third quarter of 1999, we increased our provision for slow-moving and obsolete inventories in our warehouses and stores by $56.1 million (as more fully discussed in Note C).

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

We have not recognized income taxes on the undistributed earnings of certain of our foreign subsidiaries. Our intention is to reinvest such earnings permanently to fund further overseas expansion. Cumulative undistributed earnings of our foreign subsidiaries for which no Federal income taxes have been provided approximated $354.5 million and $248.3 million as of December 25, 1999 and December 26, 1998, respectively.

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

INVESTMENTS: All of our investments, except those which are consolidated or accounted for under the equity method, are classified as "available for sale" under the provisions of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Accordingly, we report our investments at fair value if fair value can be determined. Under SFAS No. 115, fluctuations in fair value of investments classified as "available for sale" are included as a separate component of stockholders' equity, net of applicable taxes. At December 25, 1999, we held investments in four unrelated Internet-based companies. All of these investments, which are included in other assets, were made during 1999 and are classified as long-term on our 1999 Consolidated Balance Sheet. The carrying amount of these investments at December 25, 1999 is $152.0 million. One of these investments is publicly traded and has been adjusted from its cost of $5.2 million to its fair value of $106.5 million, with the unrealized gains included in accumulated other comprehensive income in our Consolidated Statements of Stockholders' Equity, net of applicable income taxes. The remaining investments are in closely held corporations, and their fair market values cannot be readily determined. These investments are recorded at cost.

GOODWILL: Goodwill represents the excess of purchase price and related costs over the value assigned to the net tangible and identifiable intangible assets of businesses we have acquired under the purchase method of accounting. We amortize our goodwill on a straight-line basis over 40 years, which is the maximum period allowed. The accumulated amortization of our goodwill was $44.5 million and $37.5 million as of December 25, 1999 and December 26,1998, respectively.

IMPAIRMENT OF LONG-LIVED ASSETS: In accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," we review our long-lived assets, goodwill and other intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Measurement of an impairment loss for such long-lived assets and identifiable intangibles is based on the fair value of the asset less any costs to sell that asset. We have recognized impairment losses during the periods presented in association with merger and restructuring (see Note B) and store closure and relocation activities (see Note C). Otherwise, we have not recognized significant impairment losses during the periods presented.

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

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

Investments: We use quoted market prices, if available, to determine the fair value of our long-term investments. However, most of our long-term investments are in closely held corporations, and quoted market prices are not available. For these investments, a reasonable estimate of fair value could not be made without incurring excessive costs. However, because of the recent nature of these investments, we believe that cost approximates fair value.

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

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

Interest Rate Swaps: We had an interest rate swap agreement outstanding at December 25, 1999 covering a principal amount equivalent to $23 million. Designed to hedge against the volatility of the interest payments on a portion of our yen borrowings, this swap effectively converts a portion of our long-term variable rate debt to a fixed rate obligation. The fair value of our interest rate swaps (used for hedging purposes) is the amount we would receive or have to pay to terminate the swap agreement at the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Tabular dollar amounts are in thousands)

reporting date, taking into account current interest rates. This fair value amount is provided to us by our financial institution, the counterparty to our interest rate swap agreement.

Foreign Currency Contracts: We enter into forward currency contracts to hedge against certain foreign currency purchase commitments. Gains and losses from these transactions are included in the cost of the underlying purchases. Similar to our interest rate swaps, the fair value of our foreign currency contracts is the amount we would receive or have to pay to terminate the contract at the reporting date, taking into account current interest rates. This fair value amount is also provided to us by our financial institution.

There were no significant differences as of December 25, 1999 and December 26, 1998 between the carrying value and fair value of our financial instruments except as disclosed below:

	1999		1998	
	CARRYING AMOUNT	FAIR VALUE	Carrying Amount	Fair Value
Zero coupon, convertible subordinated notes	$454,426	$433,031	$435,200	$633,600
Long-term investments for which it is practicable to estimate fair value-warrants(1)	--	98,250	--	--
Interest rate swaps	--	(60)	--	--
Foreign currency contracts	--	(273)	--	--

(1) We own 750,000 warrants to purchase shares of PurchasePro.com. We acquired these warrants in conjunction with our investment in the common stock of PurchasePro.com. Because the warrants have not been registered under the rules of the Securities and Exchange Act of 1933, they are not publicly traded on a market exchange. We determined the fair value of these warrants using an option model with the assistance of our investment banker.

REVENUE RECOGNITION: We record revenue at the time of shipment for delivery and catalog sales, and at the point of sale for all retail store sales except for sales of extended warranty service plans. These service plans are sold to our customers and administered by an unrelated third party. All performance obligations and risk of loss associated with such contracts are economically transferred to the administrator at the time the contracts are sold to the customer. Our service plans typically extend over a period of one to four years. Because we are the legal obligor in the majority of states in which we sell these contracts, we defer any revenues and direct expenses associated with the sale of these warranty plans and recognize them over the service period of the contract.

We recognize losses on the sale of our credit card receivables in accordance with SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." The related losses are recorded as store and warehouse operating and selling expenses in our Consolidated Statements of Earnings.

ADVERTISING: Advertising costs are either charged to expense when incurred or, in the case of direct marketing advertising, capitalized and amortized in proportion to the related revenues. We participate in cooperative advertising programs with our vendors in which they reimburse us for a portion of our advertising costs. Advertising expense, net of cooperative advertising allowances, amounted to $285.3 million in 1999, $230.8 million in 1998 and $201.8 million in 1997.

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

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

COMPREHENSIVE INCOME: Comprehensive income represents the change in stockholders' equity from transactions and other events and circumstances arising from non-stockholder sources. Our comprehensive income for 1999 consists of net income, foreign currency translation adjustments and unrealized gains or losses on investment securities that are available for sale, net of applicable income taxes. Our comprehensive income for 1998 and 1997 consists of net income and foreign currency translation adjustments.

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

Interest rate swaps involve the periodic exchange of payments without the exchange of the underlying principal amounts. New payments are recognized as an adjustment to interest expense. In 1999, we entered into a yen interest rate swap for a principal amount equivalent to $23 million, the full amount of which was outstanding on December 25, 1999, in order to hedge against the volatility of the interest payments on a portion of our yen borrowings. The swap will mature in July 2000.

Foreign currency contracts involve the future exchange of currencies at an agreed-upon exchange rate. We often enter into contracts to hedge certain of our inventory purchases when we pay our suppliers in a different currency than we sell to our customers. At December 25, 1999, we had approximately $300,000 of foreign currency contracts outstanding which will mature at varying dates through June 2000. At December 26, 1998, we had no foreign currency contracts outstanding. Since the introduction of the euro on January 1, 1999, the exchange rates between the European member countries have been effectively fixed. Because the United Kingdom is not one of the member countries, we currently use these foreign currency contracts to hedge our exposure to fluctuations in the exchange rate between the British pound and the euro. Gains and losses from these transactions are included in the cost of the underlying inventory purchases, which are not recognized in earnings until the inventory is sold.

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

NOTE B-MERGER AND RESTRUCTURING TRANSACTIONS

VIKING MERGER: In August 1998, we completed our merger with Viking. Transactional and other direct expenses of this merger, primarily legal and investment banking fees, were recorded as merger and restructuring costs in 1998.

Subsequent to the merger, we immediately began the process of integrating our Office Depot and Viking businesses. Our original plans, which we expected to complete during 2000, initially included the closing of 15 domestic CSCs and the opening of five new domestic CSCs, as well as installing complex new systems in each surviving facility. During the fourth quarter of 1999, after evaluating the results of integrating two test facilities, we modified our CSC integration plans. Our new plans incorporate a more simplified approach and, as a result, require less capital. Furthermore, our new plans require the closing of only 11 existing CSCs and the opening of only two new CSCs, which were opened as test facilities in late 1999. We lease all but two of the closing CSCs. We sold one of the CSCs in 1999, and we plan to sell the other in 2000. Our plan is to vacate all of the buildings. Accordingly, we have written off certain assets such as leasehold improvements and redundant software and conveyor systems in these CSCs. In addition, merger and restructuring costs include certain expenses of exiting these facilities that will provide no future economic benefit to us (e.g., future lease obligations, personnel retention and other termination costs). As a result of modifying our integration plans in the fourth quarter of 1999, we reversed previously accrued merger and restructuring charges of $32.5 million, reducing merger and restructuring costs to a net credit of $7.1 million for the year.

We accrue merger and restructuring costs when significant changes in our plan are unlikely, which in most cases requires that planned actions take place within one year. In the case of our CSC integration, we plan to integrate all but three of our CSCs during 2000. We feel confident that significant changes in our plan are unlikely even though three of our CSCs will not be integrated until early 2001.

CLOSURE OF FURNITURE AT WORK(TM) AND IMAGES(TM) STORES: As a result of our decision to focus on the continued growth of our core businesses and on expanding our international operations, we closed nine of our Furniture at Work(TM) and Images(TM) stores in 1999 and one in the fourth quarter of 1998. Eight of the ten facilities were leased; the other two were owned. We have sold one of the owned facilities and are presently in negotiations to sell the second. In addition, we exercised a purchase option on one of our leased facilities since we have negotiated a sale of that facility as well. We have recorded the exit costs related to closing these facilities in merger and restructuring costs.

ACQUISITION OF JOINT VENTURE INTERESTS IN FRANCE AND JAPAN: In November 1998, we purchased our joint venture partner's interest in our French Office Depot retail operations. Following this purchase, we decided to restructure and integrate the separate Office Depot and Viking operations in France. During 1999, we merged the Office Depot and Viking headquarters into a new office that is more conveniently located. We do not expect to close any facilities in conjunction with our restructuring and integration programs in France. Instead, we will integrate the warehousing and delivery of our Office Depot and Viking brand merchandise in each of our existing warehouses.

In April 1999, we purchased our joint venture partner's interest in our Japanese Office Depot retail operations and announced plans to restructure and integrate our operations in Japan. We closed one leased CSC and one leased store in Japan in conjunction with these plans. We expect to close another CSC in 2000. We have recorded merger and restructuring costs in 1999 associated with these activities. We expect our operations in France and Japan to be completely integrated by the end of 2000.

PROPOSED STAPLES MERGER: In September 1996, we entered into an agreement and plan of merger with Staples, Inc. ("Staples"). In June 1997, the proposed merger was blocked by a preliminary injunction granted by the Federal District

Court at the request of the Federal Trade Commission. In July 1997, we announced that the merger agreement had been terminated. Costs directly attributable to the merger transaction, primarily legal expenses, were recorded in 1997.

(Tabular dollar amounts are in thousands)

Merger and restructuring costs in 1999, 1998 and 1997 consist of the following charges:

	1999	1998	1997
Viking Merger and Proposed Staples Merger:			
Costs directly attributable to the merger transactions	$ 236	$ 31,555	$ 16,094
Asset write-offs associated with closing identified facilities and the write-off of software applications to be abandoned	(19,065)	41,962	--
Other facility exit costs, principally estimated lease costs subsequent to the expected closing of each facility	(10,051)	20,079	--
Personnel retention and termination costs	295	14,553	--
	$ (28,585)	$ 108,149	$ 16,094
Closure of Furniture at Work(TM) and Images(TM) Stores:			
Asset write-offs associated with closing the stores	$ 2,813	$ 3,882	$ --
Other facility exit costs, principally estimated lease costs subsequent to closing the stores	(4,832)	7,098	--
	$ (2,019)	$ 10,980	$ --
Acquisition of Joint Venture Interests in France and Japan:			
Costs directly attributable to the acquisitions	$ 1,317	$ --	$ --
Asset write-offs associated with closing identified facilities	3,023	--	--
Other facility exit costs, principally estimated lease costs subsequent to the expected closing of each facility	5,311	--	--
Personnel retention and termination costs	13,849	--	--
	$ 23,500	$ --	$ --
Grand Total	$ (7,104)	$ 119,129	$ 16,094

We determined the fair value of assets to be disposed of by estimating the net realizable value at the time of the anticipated closure or discontinuation of use. Estimated proceeds from and costs to dispose of these assets were determined through analysis of historical data and expected outcomes. The costs required to complete our merger and restructuring plans necessarily involve the use of estimates. We believe our estimates are unlikely to change significantly in the future.

As of December 25, 1999 and December 26, 1998, we have remaining accruals of approximately $21.3 million and $40.8 million, respectively, for merger and restructuring costs. Amounts expensed for asset write-offs are recorded as a reduction of our fixed assets. All other amounts are recorded as accrued expenses. The activity in the liability accounts by cost category is as follows:

	Beginning Balance	New Charges	Cash Payments	Other Adjustments	Ending Balance
1999					
Accrued direct merger costs	$ 1,626	$ 1,684	$ (1,540)	$ (131)	$ 1,639
Accrued other facility exit costs	26,080	4,344	(8,744)	(13,916)	7,764
Accrued personnel retention and termination costs	13,126	20,007	(15,405)	(5,863)	11,865
Total accrued costs	$ 40,832	$ 26,035	$ (25,689)	$ (19,910)	$ 21,268
1998					
Accrued direct merger costs	$ 113	$ 31,555	$ (30,042)	$ --	$ 1,626
Accrued other facility exit costs	1,303	27,221	(2,400)	(44)	26,080

Accrued personnel retention and termination costs	--	14,553	(1,427)	--	13,126
Total accrued costs	$ 1,416	$ 73,329	$ (33,869)	$ (44)	$ 40,832

The other adjustments column represents adjustments of original estimates and other adjustments pursuant to plan modifications made during the fourth quarter of 1999. We expect to incur additional merger and restructuring costs over the remaining integration periods. Although we expect these costs to be insignificant to our future operating results, there can be no assurance that this will be the case.

NOTE C--OTHER ONE-TIME CHARGES AND ADJUSTMENTS

In 1999, we increased our provision for slow-moving and obsolete inventories by $56.1 million. The need for this provision resulted from two factors: 1) slow-moving technology related products whose market values have been adversely affected by accelerated rates of change in technology, and 2) a rationalization of our warehouse inventory assortments in connection with the Viking warehouse consolidation. This provision has been included in our cost of goods sold.

We recorded a charge of $46.4 million in 1999 to reflect our decision to accelerate our store closure program for under-performing stores and our relocation program for older stores in our Stores Division. This charge also reflects our decision to sell our interest in our retail operations in Thailand. On October 28, 1999, we entered into an agreement with Central Retail Group, our joint venture partner, to sell to them our Thai operations and license to them certain trademarks, software and operating systems. Central Retail Group now operates the two stores under a licensing agreement. Finally, the charge also reflects our decision to write-off certain other long-lived assets in our BSG.

We subsequently reversed $6.0 million of the charge relating to stores that may be relocated after 2000. This reversal is in accordance with recently issued guidance from the SEC which provides that charges should not be accrued unless changes in our plans are unlikely, which in most cases requires that planned actions take place within one year. This charge, net of the reversal, consists of asset impairment costs ($29.2 million), residual lease obligations ($8.3 million) and other exit costs ($2.9 million) and reduces our operating profit.

NOTE D--PROPERTY AND EQUIPMENT

Property and equipment consisted of:

	DECEMBER 25, 1999	December 26, 1998
Land	$ 88,312	$ 81,617
Buildings	183,596	165,650
Leasehold improvements	561,455	447,521
Furniture, fixtures and equipment	889,650	740,076
	1,723,013	1,434,864
Less accumulated depreciation	(577,385)	(543,393)
	$ 1,145,628	$ 891,471

Assets held under capital leases included above consisted of:

	DECEMBER 25, 1999	December 26, 1998
Buildings	$ 48,326	$ 31,066
Furniture, fixtures and equipment	34,359	16,308
	82,685	47,374
Less accumulated depreciation	(16,817)	(9,786)
	$ 65,868	$ 37,588

NOTE E--LONG-TERM DEBT

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

	DECEMBER 25, 1999	December 26, 1998
Capital lease obligations	$ 7,486	$ 2,834
Zero coupon, convertible subordinated notes	242,980	--
	$ 250,466	$ 2,834

Our 1993 LYONs(R) (described in more detail in Note F) have an option feature that allows each holder of a note to require us, on November 1, 2000, to purchase the LYON(R) from them at the issue price plus accrued original discount. If the option is exercised, we have the choice of paying the holder in cash, common stock or a combination of the two. Because the option on the 1993 LYONs(R) is exercisable in the next 12 months, we have classified this debt as current as of December 25, 1999. This debt was classified as long-term at December 26, 1998.

Long-term debt consisted of the following:

	DECEMBER 25, 1999	December 26, 1998
Capital lease obligations collateralized by certain buildings and equipment	$ 69,439	$ 38,324
Yen facility borrowings	47,435	--
Other	265	--

Less current portion	(7,486)	(2,834)
	$ 109,653	$ 35,490

In February 1998, we entered into a credit agreement with a syndicate of banks. This credit agreement (the "domestic credit facility") provides us with a working capital line and letters of credit totaling $300 million. This agreement provides for various borrowing rate options, including a rate based on credit rating and fixed charge coverage ratio factors that currently would result in an interest rate of .18% over LIBOR. Our domestic credit facility expires in February 2003 and contains certain restrictive covenants relating to various financial statement ratios. During 1999, we borrowed and repaid a total of $44.2 million. As of December 25, 1999, we had no outstanding borrowings under this facility, but we had outstanding letters of credit under this facility totaling $18.0 million.

In July 1999, we entered into term loan and revolving credit agreements with several Japanese banks (the "yen facilities") to provide financing for our operating and expansion activities in Japan. The yen facilities provide for maximum aggregate borrowings of (Y)9.76 billion (the equivalent of $96 million at December 25, 1999) at an interest rate of .875% over the Tokyo Interbank Offered Rate ("TIBOR"). Although the loans mature at varying rates of three to six months, we have classified these borrowings as non-current on our Balance Sheet because we intend to renew them as they come due. These yen facilities contain covenants similar to those in our domestic credit facility as described earlier. During 1999, we borrowed the equivalent of $47 million under these yen facilities. We have borrowed the equivalent of an additional $8 million subsequent to the end of the year. Effective as of October 28, 1999, we entered into a yen interest rate swap with a financial institution for a principal amount equivalent to $23 million at December 25, 1999 in order to hedge against the volatility of the interest payments on a portion of our yen borrowings. The terms of the swap specify that we pay an interest rate of .7% and receive TIBOR. The swap will mature in July 2000.

Under our capital lease agreements, we are required to make certain monthly, quarterly or annual lease payments through

(Tabular dollar amounts are in thousands)

2017. Our aggregate minimum capital lease payments for the next five years and beyond, with their present value as of December 25, 1999, are as follows:

	1999
2000	$ 12,907
2001	10,616
2002	10,718
2003	10,753
2004	5,721
Thereafter	62,300
Total minimum lease payments	113,015
Less amount representing interest at 5.0% to 8.95%	43,576
Present value of net minimum lease payments	69,439
Less current portion	7,486
Long-term portion	$ 61,953

NOTE F--ZERO COUPON, CONVERTIBLE SUBORDINATED NOTES

On December 11, 1992, we issued to the public Liquid Yield Option Notes ("LYONs(R)") with principal amounts totaling $316 million and proceeds of $151 million (the "1992 LYONs(R)"). We issued each 1992 LYON(R) for a price of $476.74, and we are not required to make periodic interest payments on the notes. Our 1992 LYONs(R) will mature on December 11, 2007 at $1,000 per LYON(R), representing a yield to maturity, computed on a semi-annual bond equivalent basis, of 5%.

On November 1, 1993, we issued to the public LYONs(R) with principal amounts totaling $345 million and proceeds of $191 million (the "1993 LYONs(R)"). We issued each 1993 LYON(R) for a price of $552.07, and we are not required to make periodic interest payments on the notes. Our 1993 LYONs(R) will mature on November 1, 2008 at $1,000 per LYON(R), representing a yield to maturity, computed on a semi-annual bond equivalent basis, of 4%.

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

Each LYON(R) is convertible at the option of the holder at any time on or prior to maturity into our common stock at a conversion rate of 43.895 shares per 1992 LYON(R) and 31.851 shares per 1993 LYONs(R). On November 1, 2000 for the 1993 LYONs(R) and December 11, 2002 for the 1992 LYONs(R), the holder may require us to purchase the LYONs(R) from them at the issue price plus accrued original issue discount. If the holder decides to exercise their put option, we have the choice of paying the holder in cash, common stock or a combination of the two. For that reason, our 1993 LYONs(R) have been classified as current (see Note F). The total outstanding amounts of the 1992 and 1993 LYONs(R) as of December 25, 1999, including accrued interest, approximated $211.4 million and $243.0 million, respectively.

In addition, if we experience a change in control prior to November 1, 2000, the holders of our 1993 LYONs(R) can require us to purchase the 1993 LYONs(R) from them for cash. This option is no longer available to the holders of our 1992 LYONs(R). Beginning on December 11, 1996 for the 1992 LYONs(R) and on November 1, 2000 for the 1993 LYONs(R), we can redeem all or part of these notes at any time from the holders for cash equal to the issue price plus accrued original issue discount through the date of redemption. As of December 25, 1999, we have reserved 24,740,713 shares of unissued common stock for conversion of the zero coupon, convertible subordinated notes.

NOTE G--INCOME TAXES

Our income tax provision consisted of the following:

	1999	1998	1997
Current provision:			
Federal	$ 114,800	$ 147,031	$ 90,889
State	15,561	23,975	16,161
Foreign	26,318	22,769	20,146
Deferred (benefit) provision	(430)	(38,244)	9,534
Total provision for income taxes	$ 156,249	$ 155,531	$ 136,730

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

	AS OF DECEMBER 25,	As of December 26,

	1999	1998
Self-insurance accruals	$ 18,366	$ 17,503
Inventory	12,659	9,910
Vacation pay and other accrued compensation	9,220	10,765
Reserve for bad debts	6,589	6,352
Reserve for facility closings	16,537	5,829
Merger costs	9,011	29,179
Foreign and state net operating loss carryforwards	74,645	33,401
Other items	31,726	20,123
Gross deferred tax assets	178,753	133,062
Valuation allowance	(74,645)	(33,401)
Deferred tax assets	104,108	99,661
Basis difference in fixed assets	43,765	45,462
Unrealized gain on investment securities	39,222	--
Capitalized leases	5,275	3,335
Excess of tax over book amortization	2,653	2,385
Other items	14,020	10,516
Deferred tax liabilities	104,935	61,698
Net deferred tax assets (liabilities)	$ (827)	$ 37,963

As of December 25, 1999, we had approximately $163 million of foreign and $167 million of state net operating loss carryforwards. Of these carryforwards, $10 million can be carried forward indefinitely, $6 million will expire in 2000 and the balance will expire between 2001 and 2012. The valuation allowance has been developed to reduce our deferred tax asset to an amount that is more likely than not to be realized, and is based upon the uncertainty of the realization of certain foreign and state deferred tax assets relating to net operating loss carryforwards.

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

	1999	1998	1997
Federal tax computed at the statutory rate	$ 144,862	$ 136,054	$ 130,057
State taxes, net of Federal benefit	12,383	14,978	11,477
Nondeductible goodwill amortization	1,964	1,990	1,992
Merger costs	2,920	11,044	--
Foreign income taxed at rates other than Federal	(6,508)	(10,061)	(6,463)
Other items, net	628	1,526	(333)
Provision for income taxes	$ 156,249	$ 155,531	$ 136,730

NOTE H--COMMITMENTS AND CONTINGENCIES

OPERATING LEASES: We lease facilities and equipment under agreements that expire in various years through 2020. Substantially all such leases contain provisions for multiple renewal options. In addition to minimum rentals, we are required to pay certain executory costs such as real estate taxes, insurance and common area maintenance on most of our facility leases. We are also required to pay additional rent on certain of our facility leases if sales exceed a specified amount. The table below shows you our future minimum lease payments due under non-cancelable leases as of December 25, 1999. These minimum lease payments do not include facility leases that were accrued as merger and restructuring costs (See Note B) or store closure and relocation costs (See Note C).

2000	$ 332,136
2001	305,963
2002	271,350
2003	228,770
2004	200,595
Thereafter	1,106,663
	2,445,477
Less sublease income	19,540
	$2,425,937

The above amounts include lease commitments for 36 stores that had not yet opened as of December 25, 1999. We are in the process of opening new stores and CSCs in the ordinary course of business, and leases signed subsequent to December 25, 1999 are not included in the above described commitment amounts. Rent expense, including equipment rental, was approximately $321.5 million, $249.2 million and $218.4 million in 1999, 1998 and 1997, respectively. Included in this rent expense was approximately $0.8 million, $1.1 million and $1.5 million of contingent rent, otherwise known as percentage rent, in 1999, 1998 and 1997, respectively. Rent expense was reduced in 1999, 1998 and 1997 by sublease income of approximately $3.2 million, $4.0 million and $3.0 million, respectively.

RECEIVABLES SOLD WITH RECOURSE: We have two private label credit card programs that are managed by financial services companies. All credit card receivables related to these programs were sold on a recourse basis during 1999, 1998 and 1997. Proceeds from the sale of these receivables were approximately $1.1 billion in 1999, 1998 and 1997. Our maximum exposure to off-balance sheet credit risk is represented by the outstanding balance of private label credit card receivables with recourse, which totaled approximately $223.6 million at December 25, 1999.

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

NOTE I--EMPLOYEE BENEFIT PLANS

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

As of December 25, 1999, we had 40,723,118 shares of common stock reserved for issuance to directors, officers and key employees under our Long-Term Equity Incentive Plan. Under this plan, stock options must be granted at an option price that is greater than or equal to the market price of the stock on the date of the grant. If an employee owns at least 10% of our outstanding common stock, the option price must be at least 110% of the market price on the date of the grant.

Options granted under this plan and options granted in July 1998 under Viking's prior plans become exercisable from one to five years after the date of grant, provided that the individual is continuously employed with us. The vesting periods for all other

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Tabular dollar amounts are in thousands)

options granted under Viking's prior plans were accelerated, and the options became exercisable, as of the date of our merger with Viking in August 1998. All options granted expire no more than ten years from the date of grant.

Under this plan, we have also issued 211,193 shares of restricted stock at no cost to the employees, 13,565 of which have been canceled. The fair market value of these awards approximated $2.9 million at the date of the grants. Common stock issued under this plan is restricted and vests over a three to four year period. We recognize compensation expense over the vesting period.

LONG-TERM INCENTIVE STOCK PLAN: Viking has a Long-Term Incentive Stock Plan that, prior to the merger, allowed Viking's management to award up to 2,400,000 restricted shares of common stock to key Viking employees. Under this plan, 1,845,000 shares were issued at no cost to employees, 1,135,000 of which have been canceled. Pursuant to the merger agreement, shares issued under this plan were converted to Office Depot common stock, and no additional shares may be issued under the plan. The fair market value of these restricted stock awards approximated $10.0 million at the date of the grants. Prior to the merger, the vesting period was 15 years. Because of the plan's change in control provision, however, the employees now vest in their stock ratably over the 15-year period. Compensation expense is recognized over the vesting period.

EMPLOYEE STOCK PURCHASE PLAN: Our Employee Stock Purchase Plan, which was approved effective July 1999, replaces our prior plan and Viking's plan and permits eligible employees to purchase our common stock at 85% of its fair market value. The maximum aggregate number of shares eligible for purchase under this plan is 1,125,000.

OTHER STOCK-BASED COMPENSATION PLANS: Viking has two stock-based compensation plans that are effective in Australia and the United Kingdom. These plans allow eligible employees to purchase up to 537,813 shares of common stock at 80-85% of its fair market value.

RETIREMENT SAVINGS PLANS: We have a 401(k) retirement savings plan which allows eligible employees to contribute up to 18% of their salaries, commissions and bonuses, up to $10,000 annually, to the plan on a pretax basis in accordance with the provisions of Section 401(k) of the Internal Revenue Code. We make matching contributions of common stock into the plan that is equivalent to 50% of the first 3% of an employee's contributions. We may, at our option, make discretionary matching common stock contributions in addition to the normal match. We also have a deferred compensation plan, which permits eligible employees to make tax-deferred contributions of up to 18% of their salaries, commissions and bonuses to the plan. We make matching contributions to the deferred compensation plan similar to those under our 401(k) retirement savings plan described above.

Additionally, Viking has a profit sharing plan that includes a 401(k) plan allowing eligible employees to make pretax contributions. Under the profit sharing plan, we make matching cash contributions of 25% of the first 6% of the employee's contributions.

ACCOUNTING FOR STOCK-BASED COMPENSATION: We apply Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations in accounting for our stock-based compensation plans. The compensation cost that we have charged against income for our Long-Term Equity Incentive Plan, Long-Term Incentive Stock Plan, Employee Stock Purchase Plans, and retirement savings plans approximated $12.5 million, $19.9 million and $4.1 million in 1999, 1998 and 1997, respectively. No other compensation costs have been recognized under our stock-based compensation plans. Had compensation cost for awards under our stock-based compensation plans been determined using the fair value method prescribed by SFAS No. 123, "Accounting for Stock-Based Compensation," our net earnings and earnings per share would have been reduced to the pro forma amounts presented below:

	1999	1998	1997
Net earnings			
As reported	$257,638	$233,196	$234,861
Pro forma	226,424	184,916	214,653
Basic earnings per share			
As reported	$ .71	$ .64	$ .65
Pro forma	.63	.50	.59
Diluted earnings per share			
As reported	$ .69	$ .61	$ .62
Pro forma	.61	.49	.57

The fair value of each stock option granted is established on the date of the grant using the Black-Scholes option-pricing model with the following weighted average assumptions for grants in 1999, 1998 and 1997:

- expected volability rates of 35% for 1999 and 25% for 1998 and 1997

- risk-free interest rates of 5.84% for 1999, 4.88% for 1998, and 5.75% for 1997

- - expected lives of 5.6, 5.0 and 5.1 years for 1999, 1998 and 1997, respectively

- - a dividend yield of zero for all three years.

A summary of the status of and the changes in our stock option plans for the last three years is presented below.

	1999		1998		1997	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	31,369,122	$13.75	28,708,497	$10.79	23,446,599	$10.35
Granted	8,123,883	18.85	9,225,000	20.49	10,447,604	11.13
Canceled	(1,325,988)	15.91	(1,165,218)	13.56	(2,481,107)	13.78
Exercised	(4,659,951)	10.31	(5,399,157)	9.59	(2,704,599)	5.51
Outstanding at end of year	33,507,066	$15.31	31,369,122	$13.75	28,708,497	$10.79

As of December 25, 1999, the weighted average fair values of options granted during 1999, 1998, 1997 were $8.24, $6.77 and $4.34, respectively.

The following table summarizes information about options outstanding at December 25, 1999.

	Options Understanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 0.17 - $ 1.95	179,985	4.4	$ 1.37	179,985	$ 1.37
1.96 - 2.95	241,331	1.7	2.40	241,331	2.40
2.95 - 4.42	1,107,185	1.8	3.79	1,107,185	3.79
4.43 - 6.64	473,853	3.3	5.37	473,853	5.37
6.65 - 9.97	4,702,507	5.6	8.95	4,011,122	8.91
9.98 - 14.96	8,374,907	6.8	12.04	4,467,979	12.72
14.97 - 22.45	13,895,815	8.2	18.29	4,192,720	18.21
22.46 - 25.00	4,531,483	8.8	24.39	390,548	24.08
$ 0.17 - $25.00	33,507,066	7.3	$15.37	15,064,723	$12.34

(Tabular dollar amounts are in thousands)

NOTE J - CAPITAL STOCK

PREFERRED STOCK: As of December 25, 1999, there were 1,000,000 shares of $.01 par value preferred stock authorized of which none are issued or outstanding.

STOCKHOLDER RIGHTS PLAN: Effective September 4, 1996, we adopted a Stockholder Rights Plan (the "Rights Plan"). Under this Rights Plan, each of our stockholders is issued one right to acquire one one-thousandth of a share of our Junior Participating Preferred Stock, Series A at an exercise price of $63.33, subject to adjustment, for each outstanding share of Office Depot common stock they own. These rights are only exercisable if a single person or company were to acquire 20% or more of our outstanding common or if we announced a tender or exchange offer that would result in 20% or more of our common stock being acquired.

If we are acquired, each right, except those of the acquirer, can be exchanged for shares of our common stock with a market value of twice the exercise price of the right. In addition, if we become involved in a merger or other business combination where (1) we are not the surviving company, (2) our common stock is changed or exchanged, or (3) 50% or more of our assets or earning power is sold, then each right, except those of the acquirer, and an amount equal to the exercise price of the right can be exchanged for shares of our common stock with a market value of twice the exercise price of the right.

We may redeem the rights for $0.01 per right at any time prior to an acquisition.

STOCK SPLIT: On February 24, 1999, we declared a three-for-two stock split in the form of a 50% stock dividend, payable April 1, 1999. All share and per share amounts have been restated in our financial statements to reflect this stock split. In conjunction with the stock split, we issued 124,560,075 additional shares on April 1, 1999.

TREASURY STOCK: In August 1999, our Board approved a $500 million stock repurchase program. We purchased 46.7 million shares of our stock at a total cost of $500 million plus commissions during the third and fourth quarters of 1999. In January 2000 and March 2000, our Board approved additional stock repurchases of up to $200 million, bringing our total authorization to $700 million. As of March 3, 2000, we had purchased an additional 9.2 million shares of our stock at a total cost of $100 million plus commissions. The remaining authorization does not have an expiration date, and we can acquire our common stock either in the open market or through negotiated purchases.

NOTE K - NET EARNINGS PER SHARE

Basic earnings per share is based on the weighted average number of shares outstanding during each period. Diluted earnings per share further assumes that the zero coupon, convertible subordinated notes, if dilutive, are converted as of the beginning of the period and that, under the treasury stock method, dilutive stock options are exercised. Net earnings under this assumption have been adjusted for interest on the notes, net of the related income tax effect.

The information required to compute basic and diluted net earnings per share is as follows:

	1999	1998	1997
Basic:			
Weighted average number of common shares outstanding	361,499	367,065	362,633
Diluted:			
Net earnings	$257,638	$233,196	$234,861
Interest expense related to convertible notes, net of tax	12,068	11,532	11,037
Adjusted net earnings	$269,706	$244,728	$245,898
Weighted average number of common shares outstanding	361,499	367,065	362,633
Shares issued upon assumed conversion of convertible notes	24,744	24,810	24,848
Shares issued upon assumed exercise of stock options	7,414	10,444	7,449
Shares used in computing diluted net earnings per common share	393,657	402,319	394,930

Options to purchase 26,672,312 shares of common stock at an average exercise price of approximately $17.44 per share were not included in our computation of diluted earnings per share for 1999 because their effect would be anti-dilutive.

NOTE L - SUPPLEMENTAL INFORMATION ON NON-CASH INVESTING AND FINANCING ACTIVITIES

Our Consolidated Statements of Cash Flows for 1999, 1998 and 1997 do not include the following non-cash investing and financing transactions:

	1999	1998	1997
Assets acquired under capital leases	$37,881	$ 8,935	$24,300
Common stock issued upon conversion of debt	329	1,204	20
Additional paid-in capital related to tax benefit on stock options exercised	22,987	11,235	8,165
Unrealized gain on investment securities, net of income taxes	62,128	--	--
Shares received into treasury for payment of withholding taxes on stock options exercised	354	--	--

NOTE M - SEGMENT INFORMATION

We adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," effective for our fiscal year ended December 26, 1998.

We operate in three reportable segments: Stores, BSG and International. Each of these segments is managed separately primarily because it serves different customer groups. Our senior management evaluates the performance of our business based on each segment's operating income, which is defined as income before income taxes, interest income and expense, goodwill amortization, merger and restructuring costs and general and administrative expenses. In 1999, we refined our segment definitions to better reflect our current management responsibilities. We modified our financial systems to allow us to restate 1998 information. However, reliable information was not available to restate our 1997 segment informtion.

The following is a summary of our significant accounts and balances by segment, reconciled to our consolidated totals.

	Sales			Earnings Before Income Taxes		
	1999	1998	1997	1999	1998	1997
Stores	$ 5,781,336	$5,049,201	$4,716,991	$ 384,508	$ 510,721	$ 383,619
Business Services	3,164,953	2,904,984	2,503,826	246,047	196,705	189,940
International	1,320,875	1,047,472	882,806	160,839	134,260	106,806
Total Reportable Segments	10,267,164	9,001,657	8,103,623	791,394	841,686	680,365
Eliminations and other	(3,884)	(3,919)	(3,304)	(377,507)	(452,959)	(308,774)
Total	$10,263,280	$8,997,738	$8,100,319	$ 413,887	$ 388,727	$ 371,591

	Capital Expenditures			Depreciation and Amortization		
	1999	1998	1997	1999	1998	1997
Stores	$ 198,751	$ 153,624	$ 71,312	$ 74,363	$ 60,130	$ 51,761
Business Services	71,810	41,180	43,764	29,189	25,049	29,254
International	35,766	10,355	25,789	14,768	9,771	13,760
Total Reportable Segments	306,327	205,159	140,865	118,320	94,950	94,775
Other	89,681	27,930	16,004	50,233	45,654	24,973
Total	$ 396,008	$ 233,089	$ 156,869	$ 168,553	$140,604	$119,748

	Provision for Losses on Accounts Receivable and Inventory			Equity in Earnings (Losses) of Investees, Net		
	1999	1998	1997	1999	1998	1997
Stores	$ 43,203	$ 26,037	$ 27,716	$ --	$ --	$ --
Business Services	$ 47,368	$ 31,532	$ 39,524	$ --	$ --	$ --
International	20,939	23,701	9,679	3,331	(12,811)	(7,034)
Total Reportable Segments	111,510	81,270	76,919	3,331	(12,811)	(7,034)
Other	--	--	--	--	--	--
Total	$ 111,510	$ 81,270	$ 76,919	$ 3,331	$(12,811)	$(7,034)

(Tabular dollar amounts are in thousands)

	Assets	
	1999	1998
Stores	$2,088,130	$1,783,183
Business Services	915,225	841,817
International	617,346	498,076
Total Reportable Segments	3,620,701	3,123,076
Other	655,482	902,207
Total	$4,276,183	$4,025,283

A reconciliation of our earnings before income taxes reported by our reportable segments to earnings before income taxes in our consolidated financial statements is as follows:

	1999	1998	1997
Total from reportable segments	$ 791,394	$ 841,686	$ 680,385
General and administrative expenses	(381,611)	(330,194)	(272,022)
Unallocated portion of miscellaneous expense, net	(6,845)	(6,174)	(6,146)
Interest, net	4,028	2,953	(14,110)
Merger and restructuring costs	7,104	(119,129)	(16,094)
Inter-segment transactions	(183)	(415)	(402)
Total	$ 413,887	$ 388,727	$ 371,591

Our total sales by operating segment include Inter-segment sales, which are generally recorded at the cost to the selling entity. The accounting policies of our segments are the same as those described in the summary of significant accounting policies (see Note A). Assets not allocated to segments consist primarily of our corporate cash balances, tax related accounts, employee benefit plan balances and assets associated with corporate investing and financing transactions.

We have operations, either owned directly or operated through joint ventures or licensing arrangements, in Australia, Austria, Belgium, Canada, Colombia, France, Germany, Hungary, Ireland, Israel, Italy, Japan, Luxembourg, Mexico, the Netherlands, Poland, the United Kingdom and the United States. During 1999, we sold our operations in Thailand (as more fully discussed in Note C). There is no single geographic area outside of the United States in which we generate 10% or more of our total revenues. Summarized financial information relating to our operations is as follows:

	Sales		
	1999	1998	1997
United States	$ 8,739,178	$ 7,761,516	$ 7,031,498
International	1,524,102	1,236,222	1,068,821
Total	$10,263,280	$ 8,997,738	$ 8,100,319

	Assets	
	1999	1998
United States	$ 3,668,038	$ 3,474,007
International	608,145	551,276
Total	$ 4,276,183	$ 4,025,283

Office Depot, Inc. and Subsidiaries

NOTE N -- QUARTERLY FINANCIAL DATA (UNAUDITED)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
FISCAL YEAR ENDED DECEMBER 25, 1999(a)				
Net Sales	$2,622,851	$2,343,036	$2,578,500	$2,718,893
Gross Profit(b)	728,848	678,235	649,992	755,895
Net earnings (loss)	100,576	74,116	(1,073)	84,019
Net earnings (loss) per common share:				
Basic	$ .27	$ .20	$ .00	$ .26
Diluted(c)	.25	.19	.00	.24
Fiscal Year Ended December 26, 1998(a)				
Net sales	$2,398,677	$2,068,558	$2,234,900	$2,295,603
Gross Profit(b)	630,494	573,649	622,036	687,095
Net earnings	81,094	67,676	15,748	68,678
Net earnings per common share:				
Basic	$ .22	$ .18	$ .04	$ .19
Diluted(c)	.21	.17	.04	.18

(a) In the third quarter 1999, we increased our provision for slow-moving and obsolete inventories by $56.1 million. This provision has been included in our cost of goods sold. We also recorded a store closure and relocation charge of $46.4 million in the third quarter of 1999, and reversed $6.0 million of it during the fourth quarter of 1999. All of these charges are discussed in more detail in Note C. Furthermore, we began recording merger and restructuring costs in the third quarter of 1998 relating to the Viking merger. We reversed previously accrued merger and restructuring charges of $32.5 million during the fourth quarter of 1999 as a result of modifying our integration plans. These costs are discussed in more detail in Note B.

(b) Gross profit is net of occupancy costs.

(c) For the third quarters of 1998 and 1999, the zero coupon, convertible subordinated notes were anti-dilutive and, accordingly, were not included in the diluted earnings per share computations.

EXHIBIT 21.1

LIST OF THE COMPANY'S SUBSIDIARIES

NAME	JURISDICTION OF INCORPORATION
Eastman, Inc.	Delaware
Office Depot, Inc.	Delaware
OD International, Inc.	Delaware
The Office Club, Inc.	California
ODO, Inc.	Florida
Office Depot of Texas, L.P.	Delaware
ODI of Texas, Inc.	Delaware
Viking Direct Limited	United Kingdom
Viking Office Products, Inc.	California

EXHIBIT 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statements No. 33-31743, No. 33-62781, No. 33-62801, No. 333-24521, No. 333-45591, No. 333-59603, No. 333-63507, No. 333-68081, and No. 333-69831 of Office Depot, Inc. on Forms S-8 of our reports dated February 10, 2000 (March 3, 2000 as to Note J) included and incorporated by reference in the Annual Report on Form 10-K of Office Depot, Inc. for the year ended December 25, 1999.

DELOITTE & TOUCHE LLP

Certified Public Accountants

Miami, Florida
March 22, 2000

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF OFFICE DEPOT, INC. FOR THE YEAR ENDED DECEMBER 25, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

YEAR
DEC-25-1999
DEC-27-1998
DEC-25-1999
218,784
0
877,214
27,736
1,436,879
2,631,052
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4,276,183
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0
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4,276,183
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10,263,280
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414,932
22,940
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413,887
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0
0
0
257,638
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0.69