

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 27, 1997

/ / Transition Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934 (No fee required)
for the transition period from to

Commission file number 1-10948

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

Delaware

59-2663954

(State or other jurisdiction of incorporation or organization)

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

2200 Old Germantown Road, Delray Beach, Florida
(Address of principal executive offices)

33445
(Zip Code)

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

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

TITLE OF EACH CLASS

NAME OF EACH EXCHANGE ON WHICH REGISTERED

Common Stock, par value \$0.01 per share
Preferred Share Purchase Rights
Liquid Yield Option Notes due 2007 convertible into Common Stock
Liquid Yield Option Notes due 2008 convertible into Common Stock

New York Stock Exchange
New York Stock Exchange
New York Stock Exchange
New York Stock Exchange

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

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

|X|

The aggregate market value of voting stock held by non-affiliates of the registrant as of March 20, 1998 was approximately \$4,563,473,203.

As of March 20, 1998, the Registrant had 158,686,001 shares of Common Stock outstanding.

Documents Incorporated by Reference

Portions of the Registrant's Annual Report to Stockholders for the fiscal year ended December 27, 1997 are incorporated by reference in Part II, and the Proxy Statement to be mailed to stockholders on or about April 22, 1998 for the Annual Meeting to be held on May 26, 1998 is incorporated by reference in Part III.

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PART I

ITEM 1. BUSINESS.

GENERAL

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

The Company began its operations in 1986 with its first retail office supply store. Currently, it operates 576 office products stores in 38 states and the District of Columbia, (which include 566 office supply stores, five Images and Office Depot Express stores, and five Furniture At Work stores) and 37 office supply stores in five Canadian provinces. Through its 23 delivery warehouses (also referred to as customer service centers) and certain retail stores, the Company also delivers office products to businesses of all sizes and provides other value-added business services.

The Company's office supply stores carry a wide selection of merchandise, including general office supplies, business machines and computers, office furniture and other business-related products for sale primarily to businesses. The stores utilize a "warehouse" format. The Company's Images and Office Depot Express stores provide various copy center services, including printing and copying, as well as offer a limited assortment of office supplies. The Company's Furniture At Work stores offer a broad line of up-scale office furniture, office accessories and design services. Beginning in 1998, these Furniture At Work stores will also serve as showrooms for the contract stationer and delivery business. The Company's business strategy for its office products stores is to enhance the sales and profitability of its existing stores and to add new stores in locations where the Company can establish a significant market presence. During 1997, the Company added (net of closures) 41 new office supply stores. The Company currently believes it will open approximately 80 to 100 stores during 1998.

The Company's Business Services Division provides delivery services of office products and a full array of value-added contract stationer services to small, medium and large businesses, schools and other educational institutions and governmental agencies. The Company's delivery sales exceeded \$2.18 billion in 1997. The Company provides its delivery customers access to a broad selection of office products and office furniture, including the approximately 7,000 items available at the Company's office supply stores and approximately 4,000 additional items which are only stocked at the Company's customer service centers. In addition, the Company provides its contract customers with specialized resources and services designed to aid them in achieving improved efficiencies and significant reduction in their overall office products and office furniture costs. These efficiencies include electronic ordering, stockless office procurement and business forms management services, desktop delivery programs and comprehensive product utilization reports. The Company's nationwide full service contract stationer business was established through the acquisition of eight contract stationers in 1993 and 1994 and by subsequently opening new facilities and replacing old facilities.

The Company's strategy for its Business Services Division is to build an integrated national operation to provide delivery services to businesses and to increase the Company's penetration into new and existing markets for its full service contract stationer business. The Company has also enhanced its operating margins through the almost complete conversion of the contract stationer businesses that were acquired by the Company into a national network of facilities, which utilize standard systems and procedures. The Company is in the process of combining the delivery functions of its office supply stores into the operations of its 23 delivery warehouses. During 1997, the Company replaced one of its customer service centers with a larger, more efficient facility. During 1998, the Company plans to significantly expand at least two of its existing customer service centers with larger facilities, consolidating operations in certain markets.

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

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

The Company has entered into licensing arrangements for the operation of its office supply stores in Colombia, Hungary, Israel, Poland and Thailand and into joint venture agreements to operate stores in Mexico, France and Japan. As of December 27, 1997, there were 14 locations open in Mexico, 11 in Israel, five each in Colombia, France and Poland, two each in Japan and Thailand and one in Hungary under these arrangements. The Company's joint venture partner in France is Carrefour S.A. ("Carrefour"), which beneficially owns approximately 3% of the Company's issued and outstanding shares of common stock through its indirect wholly-owned subsidiary Fourcar B.V. ("Fourcar"). The joint venture is owned 50% by Carrefour and 50% by the Company. A Schedule 13D dated July 31, 1995 shows Fourcar having beneficial ownership of 9,192,600 shares of the Company's common stock, or 6%. However, Fourcar has represented to the Company that it held approximately 3% of the Company's common stock as of December 27, 1997 and that it has since sold such shares.

OFFICE PRODUCTS INDUSTRY

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

Sales of office products in the United States have historically been made primarily through office products dealers and contract stationers. Smaller businesses have traditionally purchased office products from retail office products dealers, and in recent years, competition from other high-volume office supply chains, mass merchandisers and other discount retailers has increased. Although the industry has changed in recent years, a significant portion of the market is still served by dealers. Dealers purchase a significant portion of their merchandise from national or regional office supply distributors who, in turn, purchase merchandise from manufacturers. Dealers often employ a commissioned sales force that utilizes the distributor's catalog, showing products at retail list prices, for selection and price negotiation with the customer. The Company believes that these dealers generally sell their products at prices higher than those offered by the Company.

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

Larger customers have been, and continue to be, served primarily by full service contract stationers which offer contract bids at discounts equivalent to or greater than those offered by the Company. These stationers traditionally serve larger businesses through commissioned sales forces, purchase in large quantities primarily from manufacturers, and offer competitive pricing and customized services to their customers. As discussed earlier herein, the Company entered the full-service contract stationer portion of the office products industry by acquiring eight contract stationers during 1993 and 1994 and has since opened new facilities and replaced old ones.

MERCHANDISING AND PRODUCT STRATEGY

The Company's merchandising strategy is to offer a broad selection of brand-name office products at everyday low prices. The Company offers a comprehensive selection of paper and paper products, filing supplies, computer hardware and software, calculators, copiers, typewriters, telephones, facsimile and other business machines, office furniture, art and engineering supplies and virtually every other type of office supply. Each of the Company's office supply stores stocks approximately 7,000 stock-keeping units (including variations in color and size), and each customer service center stocks approximately 11,000 stock-keeping units, including the 7,000 stock-keeping units stocked at the office supply stores.

The table below shows sales of each major product group as a percentage of total merchandise sales for the 1997, 1996, and 1995 fiscal years:

	1997 FISCAL YEAR	1996 FISCAL YEAR	1995 FISCAL YEAR
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General office supplies(1).....	42.5%	44.2%	47.2%
Business machines and related supplies, computers and computer accessories(2).....	45.9%	44.6%	41.3%
Office furniture(3).....	11.6%	11.2%	11.5%
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	100.0%	100.0%	100.0%
	=====	=====	=====

(1) Includes paper, filing supplies, organizers, writing instruments, mailing supplies, desktop accessories, calendars, business forms, binders, tape, art supplies, books, engineering and janitorial supplies and revenues from the business services center located in each store.

(2) Includes calculators, adding machines, typewriters, telephones, cash registers, copiers, facsimile machines, safes, tape recorders, computers, printers, computer diskettes, computer paper and related accessories.

(3) Includes chairs, desks, tables, partitions and filing and storage cabinets.

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

Initial purchasing decisions are generally made at the corporate headquarters by buyers who are responsible for selecting and pricing merchandise. Inventory levels are monitored, and reorders for products are prepared, by central replenishment buyers, or "rebuyers", with the assistance of a computerized automatic replenishment system. This system allows buyers to devote more time to selecting products, developing new product lines, analyzing competitive developments and negotiating with vendors in order to obtain more favorable prices and product availability. Purchase orders to approximately 500 vendors are currently transmitted by electronic data interchange ("EDI"), which expedites orders and promotes accuracy and efficiency. The Company receives Advance Ship Notices and invoicing via EDI from selected vendors and continues to expand this program to other vendors.

MARKETING AND SALES

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

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

SALES. In addition to the sales associates at each of its stores, the Company has a direct sales force serving its contract customers. Additionally, in early 1998 the Company introduced internet-based marketing and ordering capabilities. The Company's direct sales force operates out of the Company's 23 regional customer service centers and 70 additional sales offices. All members of the Company's sales force are employees of the Company. The Company plans to establish an inside sales force dedicated to serving the needs of its smaller commercial customers in early 1998.

SERVICES

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

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

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

The Company provides the office supplies purchasing departments of its contract customers with a wide range of services designed to improve efficiencies and reduce costs, including electronic ordering, stockless office procurement and business forms management services, desktop delivery programs and comprehensive product utilization reports. During 1997, the Company expanded its electronic ordering relationship with its contract customers utilizing the Internet and customized intranets developed with its customers. For contract customers, the Company typically sells on credit through an open account, although the payment options available to customers at the retail stores are also available to all contract and commercial customers.

The Company offers revolving credit terms to its customers through the use of private label credit cards. Every customer can apply for one of these credit cards, which are issued without charge. Sales transactions using the private label credit cards are transmitted electronically to financial services companies, which credit the Company's bank account with the net proceeds within two days. The Company offers its contract customers a store purchasing card which allows these customers to purchase office supplies at one of the Company's office supply stores at the customer's contractual prices.

EXPANSION PROGRAM

OFFICE SUPPLY STORES. The Company's business strategy for its office supply stores is to enhance the sales and profitability of its existing stores, and to add new stores in locations where the Company believes it can achieve a significant market presence. The Company added (net of closures) 41 new office supply stores in 1997, and plans to open approximately 80 to 100 new stores during 1998. Uncertainty and the loss of certain real estate personnel, both resulting from the terminated merger with Staples, Inc., negatively impacted the Company's store opening program during 1997. Office supply store opening activity for the last five years is summarized as follows:

	OFFICE SUPPLY STORES			OPEN END OF PERIOD
	OPEN BEGINNING OF PERIOD	OPENED	CLOSED	
1993.....	284	68	1	351
1994.....	351	71	2	420
1995.....	420	82	1	501
1996.....	501	60	--	561
1997.....	561	42	1	602

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

DELIVERY SERVICES. The Company's strategy for expanding its delivery business is to build an integrated national operation which will provide delivery services to businesses and enable it to increase the Company's penetration into new and existing markets through its full service contract stationer business and its commercial business by expanding its outside sales force and its telecenter staff. The Company is in the process of combining the delivery functions of its office supply stores into the operations of its delivery warehouses. During 1997, the Company replaced one of its existing customer service centers with a larger, more efficient facility. During 1998, the Company plans to significantly expand at least two of its existing customer service centers with larger facilities, consolidating operations in certain markets.

OTHER OFFICE PRODUCTS AND SERVICES. In addition to the Company's core office products and delivery businesses, the Company also operates the following:

- * INTERNATIONAL - Retail office supply stores and delivery centers operated under the Office Depot(R) name abroad, either through joint ventures or licensing arrangements. Since

1994, a total of 45 such locations have been opened in Colombia, France, Hungary, Israel, Japan, Mexico, Poland and Thailand.

- * FURNITURE AT WORK(TM) - Approximately 20,000 square foot office furniture stores offer a broad line of office furniture, office accessories and design services. The Company operates two stores each in Florida and Texas and a store in California. These stores, in addition to serving retail customers, will also serve as furniture showrooms for the Company's Business Services Division.

STORE AND CUSTOMER SERVICE CENTER FACILITIES AND OPERATIONS

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

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

DELIVERY SERVICES. The Company's customer service centers range from 34,000 to 434,000 square feet, with its more recently opened customer service centers averaging 275,000 square feet. Inventory is received and stocked in each center using an automated inventory tracking system. The Company is currently completing the conversion of its customer service centers' warehouse and order entry systems to new standardized systems. It is anticipated that the Company will be substantially finished with this integration by late 1998. Customer orders, placed via phone, fax or electronically, are filled by the appropriate customer service center or office supply store for next day delivery. The appropriate delivery location is determined by the Company's automated routing systems, and the order is filled by using both in-stock and wholesaler inventory. The Company is in the process of combining the delivery functions of its office supply stores into the operations of its customer service centers.

MANAGEMENT INFORMATION SYSTEMS

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

Inventory data is entered into the computer system upon its receipt by the store, and sales data is entered through the use of a point-of-sale or telemarketing system. The point-of-sale system permits the entry of sales data through the use of bar code laser scanning and also has a price "look-up" capability that permits immediate

price checking and efficient movement of customers through the check-out process. Information is centrally processed at the end of each day, permitting a perpetual daily inventory and the calculation of average unit cost by stock-keeping unit for each store or warehouse. Daily compilation of sales and gross margin data permits the monitoring of sales, gross margin and inventory by item and product line, as well as the results of sales promotions. For all stock-keeping units, management has immediate access to on-hand daily unit inventory, units on order, current and past rates of sale, the number of weeks' sales for which quantities are on-hand and a recommended unit purchase reorder. Data from all of the Company's stores is transmitted to the Company's headquarters on a daily basis.

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

EMPLOYEES, STORE MANAGEMENT AND TRAINING

As of March 19, 1998, the Company employed approximately 35,000 persons. Additional personnel will be added as needed to implement the Company's expansion program. The Company's goal is to promote as many existing employees into management positions as possible. Due to the rate of its expansion, however, for the foreseeable future the Company will continue to hire a portion of its management personnel from outside the Company.

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

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

COMPETITION

The Company operates in a highly competitive environment. Historically, its markets have been served by traditional office products dealers as well as contract stationers. The Company believes it competes favorably against these dealers, who purchase their products from distributors and generally sell their products at prices higher than those offered by the Company. The Company also competes with wholesale clubs selling general merchandise, discount stores, mass merchandisers, conventional retail stores, catalog showrooms and direct mail companies. These companies, in varying degrees, compete with the Company on both price and selection.

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

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

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

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

ITEM 2.

As of March 20, 1998, the Company operated 576 office product stores in 38 states and the District of Columbia (including 566 office supply stores, five Images and Office Depot Express stores, and five Furniture At Work stores) and 37 office supply stores in five Canadian provinces. The Company also operates 23 customer service centers in 17 states. The following table sets forth the locations of these Company facilities.

STATE	NUMBER OF STORES	STATE	NUMBER OF STORES	STATE	NUMBER OF CUSTOMER SERVICE DELIVERY CENTERS
Alabama	13	New Jersey	3	Arizona	1
Arizona	2	New Mexico	3	California	5
Arkansas	4	New York	6	Colorado	1
California	106	North Carolina	20	Florida	2
Colorado	16	Ohio	16	Georgia	1
District of Columbia	2	Oklahoma	6	Illinois	1
Florida	72	Oregon	12	Louisiana	1
Georgia	28	Pennsylvania	6	Maryland	1
Hawaii	3	South Carolina	9	Massachusetts	1
Idaho	1	Tennessee	9	Michigan	1
Illinois	24	Texas	65	Minnesota	1
Indiana	9	Utah	1	New Jersey	1
Iowa	1	Virginia	12	North Carolina	1
Kansas	7	Washington	22	Ohio	1
Kentucky	4	West Virginia	3	Texas	2
Louisiana	17	Wisconsin	10	Utah	1
Maryland	11			Washington	1
Michigan	18	CANADA			
Minnesota	8	-----			
Mississippi	5	Alberta	8		
Missouri	12	British Columbia	8		
Nebraska	3	Manitoba	2		
Nevada	7	Ontario	17		
		Saskatchewan	2		

Most of the Company's facilities are leased or subleased by the Company with lease terms (excluding renewal options exercisable by the Company at escalated rents) expiring between 1998 and 2020, except for 49 facilities that are owned by the Company. The owned facilities are located in 17 states, primarily Florida and Texas, and three Canadian provinces. The Company operates its office products stores under the names Office Depot, The Office Place (in Ontario, Canada), Furniture At Work, Images, and Office Depot Express. The Company operates its contract stationer businesses under the name Office Depot.

The Company's corporate offices in Delray Beach, Florida consist of approximately 560,000 square feet in three adjacent buildings, two of which are owned and one is leased.

ITEM 3. LEGAL PROCEEDINGS.

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

The Common Stock of the Company is listed on the New York Stock Exchange ("NYSE") under the symbol "ODP." At March 20, 1998, there were 2,870 holders of record of Common Stock. The last reported sales price of the Common Stock on the NYSE on March 20, 1998 was \$28.875.

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

\	HIGH ----	LOW ----
1996		
First Quarter.....	\$23.875	\$16.875
Second Quarter.....	25.625	19.375
Third Quarter.....	23.500	12.875
Fourth Quarter.....	23.750	17.250
1997		
First Quarter.....	\$23.250	\$16.375
Second Quarter.....	21.250	12.000
Third Quarter.....	21.563	14.500
Fourth Quarter.....	23.688	18.750

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

ITEM 6. SELECTED FINANCIAL DATA.

The selected financial data as of and for the fiscal years ended December 27, 1997, December 28, 1996, December 30, 1995, December 31, 1994 and December 25, 1993 set forth in the Company's Annual Report to Stockholders for the fiscal year ended December 27, 1997 (on the inside front cover) is incorporated herein by reference and made a part of this report.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations set forth in the Company's Annual Report to Stockholders for the fiscal year ended December 27, 1997 (on pages 24-29) is incorporated herein by reference and made a part of this report.

ITEM 8. FINANCIAL STATEMENTS.

The financial statements of the Company for the fiscal years ended December 27, 1997, December 28, 1996 and December 30, 1995 and Independent Auditors' Report thereon set forth in the Company's Annual Report to Stockholders for the fiscal year ended December 27, 1997 (on pages 30-47) are incorporated herein by reference and made a part of this report.

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 of the Company is incorporated herein by reference to the information under the caption "Management--Directors and Executive Officers" in the Company's Proxy Statement for the 1998 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 "Management--Compensation" in the Company's Proxy Statement for the 1998 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 tabulation under the caption "Security Ownership" in the Company's Proxy Statement for the 1998 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 Transactions" in the Company's Proxy Statement for the 1998 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.

The Company did not file any Reports on Form 8-K during the fourth quarter of fiscal 1997.

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 24th day of March, 1998.

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 24, 1998.

SIGNATURE

CAPACITY

/s/ DAVID I. FUENTE

David I. Fuente

Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)

/s/ JOHN C. MACATEE

John C. Macatee

Director, President and Chief Operating Officer

/s/ BARRY J. GOLDSTEIN

Barry J. Goldstein

Executive Vice President -- Finance, Chief Financial
Officer, Secretary and Treasurer (Principal Financial
and Accounting Officer)

/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

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*Incorporated herein by reference to the respective information in the Company's
Annual Report to Stockholders for the fiscal year ended December 27, 1997.

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 27, 1997 and December 28, 1996 and for each of the three years in the period ended December 27, 1997, and have issued our report thereon dated February 12, 1998; such consolidated financial statements and report are included in the Company's Annual Report to Stockholders for the fiscal year ended December 27, 1997 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
Fort Lauderdale, Florida
February 12, 1998

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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
Description	Balance at Beginning of Period	Additions			Balance at End of Period
		Charged to Costs and Expenses	Charged to Other Accounts	Deductions - Write-offs	
Allowance for Doubtful Accounts:					
1997	\$11,538	\$11,931	--	\$3,965	\$19,504
1996	3,808	8,825	600	1,695	11,538
1995.....	3,426	1,869	--	1,487	3,808

INDEX TO EXHIBITS

EXHIBIT NUMBER -----	EXHIBIT -----	Sequentially Numbered PAGE + -----
3.1	Restated Certificate of Incorporation, as amended to date	(1)
3.2	Bylaws	(2)
4.1	Form of certificate representing shares of Common Stock	(3)
4.2	Form of Indenture (including form of LYON) between the Company and The Bank of New York, as Trustee	(4)
4.3	Form of Indenture (including form of LYON) between the Company and Bankers Trust Company, as Trustee	(5)
4.4	Rights Agreement dated as of September 4, 1996 between Office Depot, Inc. and ChaseMellon Shareholder Services, L.L.C., as Rights Agent, including the form of Certificate of Designation, Preferences and Rights of Junior Participating Preferred Stock, Series A attached thereto as Exhibit A, the form of Rights Certificate attached thereto as Exhibit B and the Summary of Rights attached thereto as Exhibit C.	(6)
10.1	Stock Purchase Agreement, dated as of June 21, 1989, between the Company and Carrefour S.A.	(3)
10.2	Agreement and Plan of Reorganization, dated December 19, 1990, among the Company, The Office Club, Inc. and OD Sub Corp.	(3)
10.3	Stock Purchase Agreement, dated as of April 24, 1991, between the Company, Carrefour S.A. and Carrefour Nederland B. V.	(7)
10.4	Revolving Credit and Line of Credit Agreement dated as of 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)	(8)
10.5	Office Depot, Inc. Long-Term Equity Incentive Plan*	(9)
10.6	Amended and Restated Agreement and Plan of Merger dated as of July 12, 1993 and amended and restated as of August 30, 1993 by and among the Company, Eastman Office Products Corporation, EOPC Acquisition Corp. and certain investors	(9)
10.7	1997-2001 Office Depot, Inc. Designated Executive Incentive Plan*	
10.8	Partnership Agreement, dated as of June 10, 1995, between the Company and Carrefour, a joint stock company incorporated under French law.	(10)
10.9	Form of Employment Agreement, dated as of September 4, 1996, by and between Office Depot, Inc. and each of F. Terry Bean, Thomas Kroeger and William P. Seltzer	(11)
10.10	Form of Employment Agreement, dated as of September 4, 1996, by and between Office Depot, Inc. and each of David I. Fuente, John C. Macatee, Barry J. Goldstein and Richard M. Bennington	(11)
10.11	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, F. Terry Bean, Richard M. Bennington, William P. Seltzer, John C. Macatee, Thomas Kroeger and R. John Schmidt, Jr.	(11)

EXHIBIT NUMBER -----	EXHIBIT -----	Sequentially Numbered PAGE + -----
10.12	Form of Employment Agreement, dated as of October 21, 1997, by and between Office Depot, Inc. and each of Richard M. Bennington, Barry J. Goldstein, John C. Macatee and William P. Seltzer	
13.1	Selected financial data, Management's Discussion and Analysis of Financial Condition and Results of Operations, and financial Statements and Independent Auditors' Report thereon excerpted from the Company's Annual Report to Stockholders	
21.1	List of the Company's subsidiaries	
23.1	Consent of Deloitte & Touche LLP	
27.1	Financial Data Schedule	

- -----
+ This information appears only in the manually signed original copies of this report.
* Management contract or compensatory plan or arrangement.

- (1) Incorporated by reference to the respective exhibit to the Company's Proxy Statement for its 1995 Annual Meeting of Stockholders.
- (2) Incorporated by reference to the Company's Quarterly Report on Form 10-Q, filed with the Commission on August 12, 1996.
- (3) Incorporated by reference to the respective exhibit to the Company's Registration Statement No. 33-39473.
- (4) Incorporated by reference to the respective exhibit to the Company's Registration Statement No. 33-54574.
- (5) Incorporated by reference to the respective exhibit to the Company's Registration Statement No. 33-70378.
- (6) Incorporated by reference to the Company's Current Report on Form 8-K, filed with the Commission on September 6, 1996.
- (7) Incorporated by reference to the respective exhibit to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 29, 1991.
- (8) Incorporated by reference to the respective exhibit to the Company's Proxy Statement for its 1997 Annual Meeting of Stockholders.
- (9) Incorporated by reference to the respective exhibit to the Company's Registration Statement No. 33-51409.
- (10) Incorporated by reference to the respective exhibit to the Company's Annual Report on Form 10-K for the year ended December 30, 1995.
- (11) 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.

The date of this agreement is February 20, 1998

REVOLVING CREDIT AND LINE OF CREDIT AGREEMENT

Dated as of February 20, 1998

By And Among

OFFICE DEPOT, INC.

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

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EXHIBITS

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Exhibit B	Form of Competitive Bid Revolving Credit Note
Exhibit C	Form of Line of Credit Note
Exhibit D	Form of Subsidiary Guaranty Agreement
Exhibit E	Form of Closing Certificate
Exhibit F	Form of Assignment and Acceptance
Exhibit G	Form of Contribution Agreement

REVOLVING CREDIT AND LINE OF CREDIT AGREEMENT

THIS REVOLVING CREDIT AND LINE OF CREDIT AGREEMENT, dated as of February 20, 1998 (the "Agreement") by and among OFFICE DEPOT, INC. ("Borrower"), a Delaware corporation, SUNTRUST BANK, CENTRAL FLORIDA, NATIONAL ASSOCIATION ("SunTrust"), a national banking association, NATIONSBANK, NATIONAL ASSOCIATION ("NationsBank"), a national banking association, BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, a national banking association ("Bank of America"), ROYAL BANK OF CANADA ("Royal Bank"), a Canadian chartered bank, CITIBANK, N.A. ("CitiBank"), a national banking association, THE FIRST NATIONAL BANK OF CHICAGO ("First National"), a national banking association, CORESTATES BANK, N.A., a national banking association, PNC BANK, NATIONAL ASSOCIATION, a national banking association, FIFTH THIRD BANK, a national banking association, and HIBERNIA NATIONAL BANK, a national banking association (collectively, the "Lenders" and, individually, a "Lender"), SUNTRUST as Administrative Agent, BANK OF AMERICA as Syndication Agent, NATIONSBANK as Documentation Agent, and ROYAL BANK, CITIBANK and FIRST NATIONAL as Co-Agents for the Lenders.

W I T N E S S E T H :

THAT for and in consideration of the mutual covenants made herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

ARTICLE I

DEFINITIONS; CONSTRUCTION

SECTION 1.1 DEFINITIONS. As used in this Agreement, and in any instrument, certificate, document or report delivered pursuant thereto, the following terms shall have the following meanings (to be equally applicable to both the singular and plural forms of the term defined):

"ADJUSTED LIBO RATE" shall mean, with respect to each Interest Period for a Eurodollar Advance, the rate obtained by dividing (A) LIBOR for such Interest Period by (B) a percentage

equal to 1 minus the then stated maximum rate (stated as a decimal) of all reserves requirements (including, without limitation, any marginal, emergency, supplemental, special or other reserves) applicable to any member bank of the Federal Reserve System in respect of Eurodollar liabilities as defined in Regulation D (or against any successor category of liabilities as defined in Regulation D).

"ADMINISTRATIVE AGENT" shall mean SunTrust Bank, Central Florida, National Association, as Administrative Agent for the Lenders hereunder and under the other Credit Documents, and each successor administrative agent.

"ADVANCE" shall mean any principal amount advanced and remaining outstanding at any time under the Revolving Loans or the Line of Credit Loans, which Advance shall be made or outstanding as a Base Rate Advance or Eurodollar Advance in the case of Syndicate Revolving Loans, which Advance shall be made as Libor Bid Loans or Fixed Rate Bid Loans in the case of Competitive Bid Revolving Loans, and which Advance shall be made or outstanding as a Federal Funds Rate Advance in the case of Line of Credit Loans.

"AFFILIATE" of any Person means any other Person directly or indirectly controlling, controlled by, or under common control with, such Person, whether through the ownership of voting securities, by contract or otherwise. For purposes of this definition, "control" (including with correlative meanings, the terms "controlling", "controlled by", and "under common control with") as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that Person.

"AGENTS" shall mean, collectively, the Administrative Agent, the Syndication Agent and the Documentation Agent.

"AGREEMENT" shall mean this Revolving Credit and Line of Credit Agreement, as originally executed and as it may be from time to time supplemented, amended, restated, renewed or extended and in effect.

"APPLICABLE MARGIN" shall mean the number of basis points designated below based on (a) the Borrower's Fixed Charge Coverage Ratio ("FCCR") and (b) the rating, whether actual or implied of the Borrower's senior unsecured long-term debt by either or both of Moody's and S&P in effect on the date of determination (the "Rating"):

Level	Rating: S&P/Moody's	FCCR	Facility Fee	Eurodollar Margin/ Letter of Credit Fee
I	Greater than or Equal to A-/A3	Greater than or Equal to 2.75:1.0	8.0 bp	17.0 bp
II	BBB+/Baa1	Lesser than 2.75:1.0 & Greater than or Equal to 2.50:1.0	9.5 bp	18.0 bp
III	BBB/Baa2	Lesser than 2.50:1.0 & Greater than or Equal to 2.0:1.0	11.5 bp	21.0 bp
IV	BBB-/Baa3	Lesser than 2.0:1.0 & Greater than or Equal to 1.75:1.0	13.0 bp	24.5 bp
V	Lesser than BBB-/Baa3	Lesser than 1.75:1.0	18.5 bp	36.5 bp

PROVIDED, HOWEVER, that:

(a) The Applicable Margin shall be the LOWER of the margins based on the Borrower's FCCR or the margin based on the Borrower's Rating, provided they are no more than one Level apart and, if they are more than one Level apart, the Applicable Margin shall be the margin one Level below the higher of the two Levels;

(b) If the Ratings established by S&P and Moody's shall fall within different Levels, the Applicable Margin shall be based upon the lower Level, provided the Ratings are not more than one Level apart and, if they are more than one Level apart, the Applicable Margin shall be based on the Rating one Level below the higher of the two Levels;

(c) If any Rating established by S&P or Moody's shall be changed, such change shall be effective as of the date on which such change is first announced publicly by the agency making such change;

(d) If S&P or Moody's shall change the basis on which ratings are established, each reference to the Rating announced by S&P or Moody's, as the case may be, shall refer to the then equivalent Rating by S&P or Moody's, as the case may be; and

(e) If only one of S&P or Moody's shall have in effect a Rating, the Applicable Margin shall be determined by reference to the available Rating; and

PROVIDED FURTHER, HOWEVER, that:

(f) The Applicable Margin in effect as of the date of execution and delivery of this Agreement shall be as provided for in Level III in the table above and shall remain in effect until such time as the Applicable Margin may be adjusted as hereinafter provided; and

(g) So long as no Default or Event of Default has occurred and is continuing under this Agreement, adjustments, if any, to the Applicable Margin based on changes in the Borrower's FCCR as set forth above shall be made and become effective upon receipt by the Administrative Agent of the no default/compliance certificate as provided in Section 7.7(c).

"ASSET VALUE" shall mean, with respect to any property or asset of any Consolidated Company as of any particular date, an amount equal to the greater of (i) the then book value of such property or asset as established in accordance with GAAP, and (ii) the then fair market value of such property or asset as determined in good faith by the board of directors of such Consolidated Company.

"ASSIGNMENT AND ACCEPTANCE" shall mean an assignment and acceptance entered into by a Lender and an Eligible Assignee in accordance with the terms of this Agreement and substantially in the form of EXHIBIT F.

"BANKRUPTCY CODE" shall mean the Bankruptcy Code of 1978, as amended and in effect from time to time (11 U.S.C. ss. 5101 ET SEQ.).

"BASE RATE" shall mean (with any change in the Base Rate to be effective as of the date of change of either of the following rates):

with respect to the Revolving Loans and Line of Credit Loans the higher of (a) the rate which the Administrative Agent designates from time to time to be its prime lending rate (as in effect from time to time) or (b) the Federal Funds Rate (as in effect from time to time) PLUS one-half of one percent (0.50%) per annum. The Administrative Agent's prime lending rate is a reference rate and does not necessarily represent the lowest or best rate charged to customers; the Administrative Agent may make commercial loans or other loans at rates of interest at, above or below the Administrative Agent's prime lending rate.

"BASE RATE ADVANCE" shall mean an Advance made or outstanding as a Syndicate Revolving Loan bearing interest based on the Base Rate.

"BASE RATE LOAN" shall mean any Loan hereunder which bears interest at the Base Rate.

"BORROWING" shall mean the incurrence by Borrower under any Facility of Advances of one Type concurrently having the same Interest Period or the continuation or conversion of an existing Borrowing or Borrowings in whole or in part.

"BUSINESS DAY" shall mean, with respect to Eurodollar Loans and Libor Bid Loans, any day other than a day on which commercial banks are closed or required to be closed for domestic and international business, including dealings in Dollar deposits on the London Interbank Market, and with respect to all Loans and matters, any day other than Saturday, Sunday and a day on which commercial banks are required to be closed for business in Orlando, Florida.

"CAPITALIZED LEASE OBLIGATIONS" shall mean all lease obligations which have been or are required to be, in accordance with GAAP, capitalized on the books of the lessee.

"CERCLA" has the meaning set forth in Section 6.15(a) of this Agreement.

"CLOSING DATE" shall mean the date on or before February 20, 1998, on which the initial Loans are made and the conditions set forth in Section 5.1 are satisfied or waived in accordance with Section 11.2.

"CODE" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"COMMITMENT" shall mean, for any Lender at any time, its Revolving Loan Commitment and, in addition, for SunTrust, it shall also mean its Line of Credit Loan Commitment, as the case may be.

"COMMITMENT LETTER" shall mean that certain engagement letter entered into by and among the Borrower, the Administrative Agent, the Syndication Agent, BancAmerica Robertson Stephens and SunTrust Capital Markets, Inc. dated December 30, 1997.

"COMPETITIVE BID LENDER" shall mean a Lender making a Competitive Bid Revolving Loan.

"COMPETITIVE BID RATE" shall mean the interest rate charged by a Lender on a Competitive Bid Revolving Loan.

"COMPETITIVE BID REVOLVING CREDIT NOTES" shall mean, collectively, the promissory notes evidencing the Competitive Bid Revolving Credit Loans in the form attached hereto as EXHIBIT B.

"COMPETITIVE BID REVOLVING LOAN" shall mean a Revolving Loan made by a Lender on a Competitive Bid basis as provided herein, consisting of either a Libor Bid Loan or a Fixed Rate Bid Loan.

"CONSOLIDATED COMPANIES" shall mean, collectively, Borrower and all of its Subsidiaries.

"CONSOLIDATED EBIT" shall mean, for any fiscal period of the Borrower, an amount equal to the sum of its Consolidated Net Income (Loss), PLUS, to the extent deducted in determining Consolidated Net Income (Loss), (i) provisions for taxes based on income and (ii) Consolidated Interest Expense.

"CONSOLIDATED EBITR" shall mean, for any fiscal period of the Borrower, an amount equal to the sum of its Consolidated EBIT plus Consolidated Rental Expense to the extent deducted in determining Consolidated Net Income (Loss), determined on a consolidated basis.

"CONSOLIDATED INTEREST EXPENSE" shall mean, for any fiscal period of Borrower, total interest expense (including without limitation, interest expense attributable to capitalized leases) of Borrower and its subsidiaries on a consolidated basis.

"CONSOLIDATED NET INCOME (LOSS)" shall mean, for any fiscal period of Borrower, the net income (or loss) of Borrower and its subsidiaries on a consolidated basis for such period (taken as a single accounting period); PROVIDED THAT there shall be excluded therefrom (i) any items of gain or loss resulting from the sale of assets other than in the ordinary course of business; and (ii) the income (or loss) of any party accrued prior to the date such party becomes a subsidiary of Borrower or is merged into or consolidated with Borrower or any of its subsidiaries, or such party's assets are required by the Borrower or any of its subsidiaries.

"CONSOLIDATED NET WORTH" shall mean as of the date of determination, the Borrower's total shareholders' equity.

"CONSOLIDATED RENTAL EXPENSE" shall mean for any fiscal period of Borrower, total operating lease expense of Borrower and its subsidiaries on a consolidated basis.

"CONSOLIDATED SUBSIDIARY" shall mean, as at any particular time, any corporation included as a consolidated Subsidiary of Borrower in Borrower's most recent financial statements furnished to its stockholders and certified by Borrower's independent public accountants, provided that under then GAAP approved by such independent public accountants, such corporation may continue to be so included as a consolidated Subsidiary of Borrower in any financial statements thereafter certified by such accountants.

"CONTRACTUAL OBLIGATION" of any Person shall mean any provision of any security issued by such Person or of any agreement, instrument or undertaking under which such Person is obligated or by which it or any of the property owned by it is bound.

"CONVERTIBLE SUBORDINATED DEBT" means Borrower's 5% Zero-Coupon Convertible Subordinated Notes due December 11, 2007 in an aggregate principal amount of \$316,250,000 at maturity and Borrower's 4% Zero-Coupon Convertible Subordinated Notes due November 1, 2008 in aggregate principal amount of \$345,000,000 at maturity.

"CREDIT DOCUMENTS" shall mean, collectively, the Agreement, the Notes, the Letter of Credit Applications, the Guaranty Agreements, and all other Guaranty Documents, if any.

"CREDIT PARTIES" shall mean, collectively, each of Borrower, the Guarantors, and every other Person who from time to time executes a Credit Document with respect to all or any portion of the Obligations.

"DEFAULT" shall mean any condition or event which, with notice or lapse of time or both, would constitute an Event of Default.

"DEFAULT RATE" shall mean the higher of (i) Base Rate plus two percent (2%), or (ii) the interest rate otherwise applicable to said amount outstanding plus two percent (2%), but in no event shall such interest rate exceed the highest lawful rate.

"DOCUMENTATION AGENT" shall mean NationsBank, National Association, as Documentation Agent for the Lenders hereunder and under the other Credit Documents, and each successor documentation agent.

"DOLLAR" AND "U.S. DOLLAR" and the sign "\$" shall mean lawful money of the United States of America.

"ELIGIBLE ASSIGNEE" shall mean (i) a commercial bank organized under the laws of the United States, or any state thereof, having total assets in excess of \$1,000,000,000 or any commercial finance or asset based lending Affiliate of any such commercial bank and (ii) any Lender or any Affiliate of any Lender.

"ENVIRONMENTAL LAWS" shall mean all federal, state, local and foreign statutes and codes or regulations, rules or ordinances issued, promulgated, or approved thereunder, and having the force of laws, now or hereafter in effect (including, without limitation, those with respect to asbestos or asbestos containing material or exposure to asbestos or asbestos containing material), relating to pollution or protection of the environment and relating to public health and safety, including, without limitation, those imposing liability or standards of conduct concerning (i) emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals or industrial toxic or hazardous materials, substances or wastes, including without limitation, any Hazardous Substance, petroleum including crude oil or any fraction thereof, any petroleum product or other waste, chemicals or substances regulated by any Environmental Law into the environment (including without limitation, ambient air, surface water, ground water, land surface or subsurface strata), or (ii) the manufacture, processing, distribution, use, generation, treatment, storage, disposal, transport or handling of any Hazardous Substance, petroleum including crude oil or any fraction thereof, any petroleum product or other waste, chemicals or substances regulated by any Environmental Law, and (iii) underground storage tanks and related piping, and emissions, discharges and releases or threatened releases therefrom, such Environmental Laws to include, without limitation (i) the Clean Air Act (42 U.S.C. ss. 7401 ET SEQ.), (ii) the Clean Water Act (33 U.S.C. ss. 1251 ET SEC.), (iii) the Resource Conservation and Recovery Act (42 U.S.C. ss. 6901 ET SEQ.), (iv) the Toxic Substances Control Act (15 U.S.C. ss. 2601 ET SEQ.) and (v) the Comprehensive Environmental Response Compensation and Liability Act, as amended by the Superfund Amendments and Reauthorization Act (42 U.S.C. ss. 9601 ET SEQ.).

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended and in effect from time to time.

"ERISA AFFILIATE" shall mean, with respect to any Person, each trade or business (whether or not incorporated) which is a member of a group of which that Person is a member and which is under common control within the meaning of the regulations promulgated under Section 414 of the Tax Code.

"EURODOLLAR ADVANCE" shall mean an Advance made or outstanding as a Syndicate Revolving Loan bearing interest based on the Adjusted LIBO Rate plus the Applicable Margin.

"EURODOLLAR LOAN" shall mean any Syndicate Revolving Loan hereunder which bears interest based on the Adjusted LIBO Rate.

"EVENT OF DEFAULT" shall have the meaning set forth in Article IX.

"EXCHANGE ACT" shall mean the Securities Exchange Act of 1934, as amended from time to time, and any successor statute thereto.

"EXECUTIVE OFFICER" shall mean with respect to any Person (other than a Guarantor), the President, Executive Vice Presidents, Chief Financial Officer, Treasurer, Secretary and any Person holding comparable offices or duties, and with respect to a Guarantor, the President, Chief Financial Officer or Treasurer and any Person holding comparable offices or duties.

"EXTENSION OF CREDIT" shall mean the issuance of a Letter of Credit or making of a Loan or the conversion of a Loan of one type into a Loan of another type.

"FACILITY" or "FACILITIES" shall mean the Revolving Loan Commitments and Loans or the Line of Credit Commitment and Loans as the context may indicate.

"FACILITY FEE" shall mean the quarterly fee payable by the Borrower to the Administrative Agent for the account of and distribution to the Lenders pursuant to Section 4.5(a).

"FEDERAL FUNDS RATE" shall mean for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with member banks of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of Atlanta, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by the Administrative Agent.

"FEDERAL FUNDS RATE ADVANCE" shall mean an Advance made or outstanding as a Line of Credit Loan bearing interest based on the Federal Funds Rate.

"FINAL MATURITY DATE" shall mean the date on which all commitments have been terminated and all amounts outstanding under this Agreement have been declared or have automatically become due and payable pursuant to the provisions of Article IX.

"FIXED CHARGE COVERAGE RATIO" shall mean, as at the end of any fiscal period of Borrower, the ratio of (A) Consolidated EBITR for such fiscal period to (B) the sum of (i) Consolidated Interest Expense plus (ii) Consolidated Rental Expense plus (iii) interest and other continuing program fees (excluding initial closing fees) related to an accounts receivable securitization program, each for such fiscal period.

"FIXED RATE BID LOAN" shall mean a Competitive Bid Revolving Loan, bearing interest based on a fixed rate.

"FOREIGN SUBSIDIARY" shall mean a Subsidiary not organized under the laws of any of the fifty (50) states of the United States of America or the District of Columbia, or that is operating entirely outside of the United States.

"FUNDED DEBT" shall mean, without duplication, all indebtedness for money borrowed, purchase money mortgages, capitalized leases, the aggregate outstanding net investment of a purchaser under an accounts receivable securitization program, conditional sales contracts and similar title retention debt instruments, including any current maturities of such indebtedness, which by its terms matures more than one year from the date of any calculation thereof and/or which is renewable or extendable at the option of the obligor to a date beyond one year from such date. The calculation of Funded Debt shall include, without duplication, all Funded Debt of the Borrower and its Subsidiaries, plus all Funded Debt of other entities or Persons, other than Subsidiaries, which has been guaranteed by the Borrower or any Subsidiary or which is supported by a letter of credit issued for the account of the Borrower or any Subsidiary. Funded Debt shall also include the redemption amount with respect to any stock of the Borrower or its Subsidiaries required to be redeemed within the next twelve months.

"GAAP" shall mean generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession, which are applicable to the circumstances as of the date of determination.

"GUARANTEED INDEBTEDNESS" shall mean, as to any Person, any obligation of such Person guaranteeing any indebtedness, lease, dividend, or other obligation ("primary obligation") of any other Person (the "primary obligor") in any manner including, without limitation, any obligation or arrangement of such Person (a) to purchase or repurchase any such primary obligation, (b) to advance or supply funds (i) for the purchase or payment of any such primary

obligation or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency or any balance sheet condition of the primary obligor, (c) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation, or (d) to indemnify the owner of such primary obligation against loss in respect thereof.

"GUARANTORS" shall mean, collectively, The Office Club, Inc., a California corporation; Eastman Office Products Corporation, a Delaware corporation; Eastman, Inc., a Delaware corporation; OD International, Inc., a Delaware corporation; ODO, Inc., a Florida corporation; and all other Material Subsidiaries, and their respective successors and permitted assigns.

"GUARANTY AGREEMENTS" shall mean, collectively, the Subsidiary Guaranty Agreement executed by each of the Guarantors in favor of the Lenders and the Administrative Agent, substantially in the form of EXHIBIT D as the same may be amended, restated or supplemented from time to time, and the Contribution Agreement executed by each of the Guarantors, substantially in the form of EXHIBIT G as the same may be amended, restated or supplemented from time to time.

"GUARANTY DOCUMENTS" shall mean, collectively, the Guaranty Agreements, and each other guaranty agreement as the same may be amended, restated, or supplemented from time to time, and the Contribution Agreements executed by each of the Guarantors, as the same may be amended, restated or supplemented from time to time.

"HAZARDOUS SUBSTANCES" has the meaning assigned to that term in CERCLA.

"INDEBTEDNESS" of any Person shall mean, without duplication (i) all obligations of such Person which in accordance with GAAP would be shown on the balance sheet of such Person as a liability (including, without limitation, obligations for borrowed money and for the deferred purchase price of property or services, and obligations evidenced by bonds, debentures, notes or other similar instruments); (ii) all rental obligations under leases required to be capitalized under GAAP; (iii) all Guaranteed Indebtedness of such Person (including contingent reimbursement obligations under undrawn letters of credit); (iv) Indebtedness of others secured by any Lien upon property owned by such Person, whether or not assumed; and (v) obligations or other liabilities under currency contracts, interest rate hedging contracts, or similar agreements or combinations thereof.

"INTERCOMPANY LOAN DOCUMENTS" shall mean, collectively, the promissory notes and all related loan, subordination, and other agreements, to the extent that they exist, relating in any manner to the Intercompany Loans.

"INTERCOMPANY LOANS" shall mean, collectively, (i) the loans more particularly described on SCHEDULE 6.22 and (ii) those loans or other extensions of credit made by any Consolidated Company to another Consolidated Company or as may otherwise be approved in writing by the Administrative Agent and the Required Lenders.

"INTEREST PERIOD" shall mean (i) such periods agreed upon between Borrower and Lenders making Competitive Bid Revolving Loans, and (ii) with respect to Eurodollar Advances, the period of 1, 2, 3 or 6 months selected by the Borrower, in either case pursuant to the terms of the credit facility and subject to customary adjustments in duration; provided, that (a) the first day of an Interest Period must be a Business Day, (b) any Interest Period that would otherwise end on a day that is not a Business Day for Eurodollar Loans shall be extended to the next succeeding Business Day for Eurodollar Loans, unless such Business Day falls in the next calendar month, in which case the Interest Period shall end on the next preceding Business Day for Eurodollar Loans, and (c) Borrower may not elect an Interest Period which would extend beyond the Final Maturity Date.

"INVESTMENT" shall mean, when used with respect to any Person, any direct or indirect advance, loan or other extension of credit (other than the creation of receivables in the ordinary course of business) or capital contribution by such Person (by means of transfers of property to others or payments for property or services for the account or use of others, or otherwise) to any Person, or any direct or indirect purchase or other acquisition by such Person of, or of a beneficial interest in, capital stock, partnership interests, bonds, notes, debentures or other securities issued by any other Person.

"LENDER" or "LENDERS" shall mean SunTrust, the other banks and lending institutions listed on the signature pages hereof, and each assignee thereof, if any, pursuant to Section 11.6.

"LENDING INSTALLATION" shall mean any office, branch, subsidiary or affiliate of any Lender.

"LENDING OFFICE" shall mean for each Lender the office such Lender may designate in writing from time to time to Borrower and the Administrative Agent with respect to each Type of Loan.

"LETTER OF CREDIT" means a Standby Letter of Credit, a Revolving Trade Letter of Credit, or any combination of the foregoing, as the context may require.

"LETTER OF CREDIT APPLICATION" means an application to the Administrative Agent for the issuance of a Letter of Credit in form and substance satisfactory to the Administrative Agent.

"LETTER OF CREDIT OBLIGATION" means, in respect of each Letter of Credit, the undrawn face amount of such Letter of Credit, plus the aggregate amount of all unreimbursed draws in respect of such Letter of Credit.

"LETTER OF CREDIT OBLIGATIONS" means the sum of each Letter of Credit Obligation.

"LEVERAGE RATIO" shall mean the ratio, expressed as a percentage, of Funded Debt to Total Capitalization for the Consolidated Companies.

"LIBOR" shall mean, for any Interest Period, the offered rates for deposits in U.S. dollars for a period comparable to the Interest Period appearing on the Reuters Screen LIBOR Page as of 11:00 a.m., London time, on the day that is two London banking days prior to the first day of the Interest Period. If at least two such rates appear on the Reuters Screen LIBOR Page, the rate for that Interest Period will be the arithmetic mean of such rates, rounded, if necessary, to the next higher 1/16 of 1.0%; and in either case as such rates may be adjusted for any applicable reserve requirements. If the foregoing rate is unavailable from the Reuters Screen for any reason, then such rate shall be determined by the Administrative Agent from Telerate or, if such rate is also unavailable on such service, then on any other interest rate reporting service of recognized standing designated in writing by the Administrative Agent to Borrower and the Lenders; in any such case rounded, if necessary, to the next higher 1/16 of 1.0%, if the rate is not such a multiple.

"LIBOR BID LOAN" shall mean a Competitive Bid Revolving Loan, bearing interest based on LIBOR plus (or minus) a margin.

"LIEN" shall mean any mortgage, pledge, security interest, encumbrance, lien or charge of any kind or description and shall include, without limitation, any agreement to give any of the foregoing, any conditional sale or other title retention agreement, any capitalized lease in the nature thereof including any lease or similar arrangement with a public authority executed in connection with the issuance of industrial development revenue bonds or pollution control revenue bonds, and the filing of or

agreement to give any financing statement under the Uniform Commercial Code of any jurisdiction.

"LINE OF CREDIT COMMITMENT" shall mean at any time for SunTrust, Twenty-Five Million Dollars (\$25,000,000.00), as the same may be increased or decreased from time to time as a result of any reduction thereof pursuant to Section 3.3, any assignment thereof pursuant to Section 11.6, or any amendment thereof pursuant to Section 11.2.

"LINE OF CREDIT LOANS" shall mean the line of credit loans made to Borrower by SunTrust pursuant to Section 3.1.

"LINE OF CREDIT NOTE" shall mean the promissory note issued by Borrower to SunTrust substantially in the form of EXHIBIT C, either as originally executed or as the same may from time to time be supplemented, modified, amended, renewed or extended.

"LOANS" shall mean, collectively, the Revolving Loans and the Line of Credit Loans.

"MARGIN REGULATIONS" shall mean Regulation G, Regulation T, Regulation U and Regulation X of the Board of Governors of the Federal Reserve System, as the same may be in effect from time to time.

"MATERIALLY ADVERSE EFFECT" shall mean a material adverse effect upon, or a material adverse change in, any of the (i) business, results of operations, properties, or financial condition of the Consolidated Companies taken as a whole, (ii) legality, validity, binding effect or enforceability of any Credit Document, or (iii) ability of the Credit Parties to perform their obligations under the Credit Documents.

"MATERIAL SUBSIDIARY" shall mean (i) each Credit Party other than Borrower and (ii) each other Subsidiary of Borrower, now existing or hereafter established or acquired, that at any time prior to the Final Maturity Date has or acquires total assets in excess of \$50,000,000 or that accounted for or produced more than 10% of the Consolidated EBITR of Borrower on a consolidated basis during any of the three most recently completed fiscal years of Borrower.

"MAXIMUM LETTER OF CREDIT AMOUNT" shall mean \$50,000,000.00.

"MOODY'S" shall mean Moody's Investors Service, Inc. and its successors and assigns.

"MULTIEMPLOYER PLAN" shall have the meaning set forth in Section 4001(a)(3) of ERISA.

"NOTE" shall mean any of the Revolving Credit Notes or the Line of Credit Note, either as originally executed or as the same may be from time to time supplemented, modified, amended, renewed or extended.

"NOTICE OF COMPETITIVE BID BORROWING" shall have the meaning provided in Section 4.1.

"NOTICE OF BORROWING" shall have the meaning provided in Section 4.1.

"NOTICE OF CONTINUATION/CONVERSION" shall have the meaning provided in Section 4.1.

"OBLIGATIONS" shall mean all amounts owing to the Administrative Agent or any Lender pursuant to the terms of this Agreement or any other Credit Document, including without limitation, all Loans (including all principal and interest payments due thereunder), fees, expenses, indemnification and reimbursement payments, indebtedness, liabilities, and obligations of the Credit Parties, direct or indirect, absolute or contingent, liquidated or unliquidated, now existing or hereafter arising, together with all renewals, extensions, modifications or refinancings thereof.

"PERMITTED LIENS" shall mean those Liens expressly permitted by Section 8.1.

"PBGC" shall mean the Pension Benefit Guaranty Corporation, and any successor thereto.

"PERSON" shall mean and shall include an individual, a partnership, a joint venture, a corporation, a trust, an unincorporated association, a government or any department or agency thereof and any other entity whatsoever.

"PLAN" shall mean any employee benefit plan, program, arrangement, practice or contract, maintained by or on behalf of the Borrower or an ERISA Affiliate, which provides benefits or compensation to or on behalf of employees or former employees, whether formal or informal, whether or not written, including but not limited to the following types of plans:

(i) EXECUTIVE ARRANGEMENTS - any bonus, incentive compensation, stock option, deferred compensation, commission, severance, "golden parachute", "rabbi trust", or other executive compensation plan, program, contract, arrangement or practice;

(ii) ERISA PLANS - any "employee benefit plan" as defined in Section 3(3) of ERISA), including, but not limited to, any defined benefit pension plan, profit sharing plan, money purchase pension plan, savings or thrift plan, stock bonus plan, employee stock ownership plan, Multiemployer Plan, or any plan, fund, program, arrangement or practice providing for medical (including post-retirement medical), hospitalization, accident, sickness, disability, or life insurance benefits;

(iii) OTHER EMPLOYEE FRINGE BENEFITS - any stock purchase, vacation, scholarship, day care, prepaid legal services, severance pay or other fringe benefit plan, program, arrangement, contract or practice.

"PRO RATA SHARE" shall mean, with respect to the Commitment of each Lender, each Letter of Credit and each Syndicate Revolving Loan or Line of Credit Loan to be made by and each payment (including, without limitation, any payment of principal, interest or fees) to be made to each Lender, the percentage designated as such Lender's Pro Rata Share of such Commitment, such Loans, Letter of Credit or such payments, as applicable, set forth under the name of such Lender on the respective signature page for such Lender, in each case as such Pro Rata Share may change from time to time as a result of assignments or amendments made pursuant to this Agreement.

"REFINANCED INDEBTEDNESS" shall mean the outstanding balance under the \$300,000,000 revolving credit pursuant to the Revolving Credit and Line of Credit Agreement dated as of September 30, 1993 by and among Office Depot, Inc., the lenders party thereto and SunTrust Bank, Central Florida, National Association, as Agent, as amended.

"REGULATION D" shall mean Regulation D of the Board of Governors of the Federal Reserve System, as the same may be in effect from time to time.

"REQUIRED LENDERS" shall mean, at any time, Lenders holding at least fifty-one per cent (51%) of the then aggregate amount of the Revolving Loan Commitments and the Line of Credit Commitments.

"REQUIREMENT OF LAW" for any Person shall mean the articles or certificate of incorporation and by-laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation, or determination of an arbitrator or a court or other governmental authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"REUTERS SCREEN" shall mean, when used in connection with any designated page and LIBOR, the display page so designated on the Reuter Monitor Money Rates Service (or such other page as may replace that page on that service for the purpose of displaying rates comparable to LIBOR).

"REVOLVING CREDIT NOTES" shall mean, collectively, the promissory notes evidencing the Revolving Loans in the form attached hereto as EXHIBIT A and EXHIBIT B.

"REVOLVING LOANS" shall mean, collectively, the revolving credit loans made to Borrower by the Lenders pursuant to Section 2.1.

"REVOLVING LOAN COMMITMENT" shall mean, at any time for any Lender, the amount of such commitment set forth opposite such Lender's name on the signature pages hereof, as the same may be increased or decreased from time to time as a result of any reduction thereof pursuant to Section 2.3, any assignment thereof pursuant to Section 11.6, or any amendment thereof pursuant to Section 11.2, which amount shall include such Lender's Revolving Loans and Letter of Credit Obligations.

"REVOLVING PERIOD" shall mean the period commencing on the date hereof and ending on the occurrence of (i) an Event of Default (unless waived or cured) or (ii) the Termination Date, whichever first occurs.

"REVOLVING TRADE LETTER OF CREDIT" means any Letter of Credit having terms described in Section 2.4(a) and issued pursuant to a Letter of Credit Application.

"REVOLVING TRADE LETTER OF CREDIT OBLIGATIONS" means the sum of the undrawn face amount of each Revolving Trade Letter of Credit plus the aggregate amount of all drawings not paid pursuant to Section 2.6(b) in respect of each Revolving Trade Letter of Credit.

"S & P" shall mean Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies and its successors and assigns.

"SENIOR FUNDED DEBT" shall mean all Funded Debt, less Subordinated Debt and less redemption amount with respect to any stock of the Borrower or its Subsidiaries required to be redeemed within the next twelve months.

"STANDBY LETTER OF CREDIT" means any letter of credit having terms described in Section 2.4(b) and issued in response to a Letter of Credit Application.

"STANDBY LETTER OF CREDIT OBLIGATIONS" shall mean the sum of the undrawn face amount of each Standby Letter of Credit plus the aggregate amount of all drawings not paid pursuant to Section 2.6(b) in respect of each Standby Letter of Credit.

"SUBORDINATED DEBT" shall mean Indebtedness of Borrower and its Subsidiaries subordinated to all obligations of Borrower and its Subsidiaries or any other Credit Party arising under this Agreement, the Notes, and the Guaranty Agreements on terms and conditions satisfactory in all respects to the Administrative Agent and the Required Lenders, including without limitation, with respect to interest rates, payment terms, maturities, amortization schedules, covenants, defaults, remedies, and subordination provisions, as evidenced by the written approval of the Administrative Agent and Required Lenders, including but not limited to the Borrower's Convertible Subordinated Debt.

"SUBSIDIARY" shall mean, with respect to any Person, any corporation or other entity (including, without limitation, partnerships, joint ventures, and associations) regardless of its jurisdiction of organization or formation, at least a majority of the total combined voting power of all classes of voting stock or other ownership interests of which shall, at the time as of which any determination is being made, be owned by such Person, either directly or indirectly through one or more other Subsidiaries.

"SYNDICATE REVOLVING CREDIT NOTES" shall mean, collectively, the promissory notes evidencing the Syndicate Revolving Loans in the form attached hereto as EXHIBIT A.

"SYNDICATE REVOLVING LOAN" shall mean, collectively, the Revolving Loans made to Borrower hereunder other than Competitive Bid Revolving Loans.

"TANGIBLE NET WORTH" shall mean, as of the date of determination, the Borrower's total Consolidated Net Worth minus any goodwill or other intangibles as determined in accordance with GAAP.

"TAXES" shall mean any present or future taxes, levies, imposts, duties, fees, assessments, deductions, withholdings or

other charges of whatever nature, including without limitation, income, receipts, excise, property, sales, transfer, license, payroll, withholding, social security and franchise taxes now or hereafter imposed or levied by the United States, or any state, local or foreign government or by any department, agency or other political subdivision or taxing authority thereof or therein and all interest, penalties, additions to tax and similar liabilities with respect thereto.

"TELERATE" shall mean, when used in connection with any designated page and "LIBOR," the display page so designated on the Dow Jones Telerate Service (or such other page as may replace that page on that service for the purpose of displaying rates comparable to "LIBOR").

"TERMINATION DATE" shall mean February 20, 2003.

"TOTAL CAPITALIZATION" shall mean the sum of Funded Debt and Consolidated Net Worth.

"TOTAL COMMITMENT" shall mean the sum of the Lenders' Commitments as such Total Commitment may be reduced by voluntary reduction, prepayment or nonrenewal of a Lender's Commitment as provided herein.

"TYPE" of Borrowing shall mean a Borrowing consisting of Base Rate Advances or Eurodollar Advances, and any Advances made pursuant to the Competitive Bid Facility.

"WHOLLY OWNED SUBSIDIARY" shall mean any Subsidiary, all the stock or ownership interest of every class of which, except directors' qualifying shares, shall, at the time as of which any determination is being made, be owned by Borrower either directly or indirectly.

SECTION 1.2 ACCOUNTING TERMS AND DETERMINATION. Unless otherwise defined or specified herein, all accounting terms shall be construed herein, all accounting determinations hereunder shall be made, all financial statements required to be delivered hereunder shall be prepared, and all financial records shall be maintained in accordance with, GAAP.

SECTION 1.3 OTHER DEFINITIONAL PROVISIONS.

- (a) Except as otherwise specified herein, references herein to any agreement or contract defined or referred to herein shall be deemed a reference to any such agreement or contract (and in the case of any instrument, any other instrument issued in substitution therefor) as the terms

thereof may have been or may be amended, supplemented, waived or otherwise modified from time to time.

- (b) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Article, Section, Schedule, Exhibit and like references are to this Agreement unless otherwise specified.
- (c) The singular pronoun, when used in this Agreement, shall include the plural and neuter shall include the masculine and the feminine.
- (d) All terms defined in this Agreement shall have the defined meanings when used in any Note or, except as otherwise expressly stated herein, any certificate, opinion, or other document delivered pursuant hereto.

SECTION 1.4 EXHIBITS AND SCHEDULES. All Exhibits and Schedules attached hereto are by reference made a part hereof.

ARTICLE II

REVOLVING LOANS; LETTERS OF CREDIT

SECTION 2.1 COMMITMENT; USE OF PROCEEDS.

(a) Subject to and upon the terms and conditions herein set forth, each Lender severally agrees from time to time on and after the Closing Date, but during the Revolving Period, (i) to make the Revolving Loans as provided in this Section 2.1, and (ii) to purchase participations in Standby Letters of Credit and Revolving Trade Letters of Credit issued by the Administrative Agent for the account of the Borrower as provided in Section 2.8. Borrower shall be entitled to repay and reborrow Revolving Loans in accordance with the provisions hereof.

(b) The sum of (i) the aggregate unpaid principal amount of any Lender's Syndicate Revolving Loans outstanding, plus (ii) the aggregate amount of such Lender's participations in Letter of Credit Obligations, shall not exceed at any time such Lender's Revolving Loan Commitment.

(c) The sum of (i) the aggregate unpaid principal amount of all Revolving Loans, plus (ii) the aggregate amount of all Standby Letter of Credit Obligations and

Revolving Trade Letter of Credit Obligations, shall not exceed at any time the total Revolving Loan Commitments for all Lenders.

(d) The aggregate amount of all Standby Letter of Credit Obligations and Revolving Trade Letter of Credit Obligations shall not exceed at any time the Maximum Letter of Credit Amount.

(e) Each Revolving Loan (other than Competitive Bid Revolving Loans) shall, at the option of Borrower, be made or continued as, or converted into, part of one or more Borrowings that shall consist entirely of Syndicate Revolving Loans (as Base Rate Advances or Eurodollar Advances). The aggregate principal amount of each Borrowing of Syndicate Revolving Loans shall be not less than \$1,000,000 or a greater integral multiple of \$100,000. Each Competitive Bid Revolving Loan shall be not less than \$1,000,000 or a greater integral multiple of \$100,000. At no time shall the number of Borrowings of Syndicate Revolving Loans comprised of Eurodollar Advances outstanding under this Article II exceed twelve (12); provided that, for the purpose of determining the minimum amount for Borrowings resulting from conversions or continuations, all Borrowings of Base Rate Advances under this Facility shall be considered as one Borrowing. The parties hereto agree that (i) the aggregate principal balance of the Revolving Loans (including the Competitive Bid Revolving Loans) of the Lenders as a group shall not exceed the sum of the Revolving Loan Commitment for each Lender, (ii) no Lender shall be obligated to make Syndicate Revolving Loans in excess of the Revolving Loan Commitment of such Lender, (iii) no Lender shall be obligated hereunder to extend Competitive Bid Revolving Loans or to make quotes for such Loans, (iv) a Lender may elect, in its discretion, to extend Competitive Bid Revolving Loans which, notwithstanding the Syndicate Revolving Loans and Letter of Credit Obligations of such Lender, exceed the Revolving Loan Commitment of such Lender and (v) the Competitive Bid Revolving Loans (if any) extended by a Lender shall not, while outstanding, reduce the Commitment of such Lender to make Syndicate Revolving Loans or to purchase participations in Letter of Credit Obligations based upon the Lender's Pro Rata Share of Revolving Loan Commitment even if such purchase or Syndicate Revolving Loan would exceed the amount of such Lender's Revolving Loan Commitment set forth opposite such Lender's name on the signature page hereof.

(f) The proceeds of Revolving Loans shall be used solely for working capital and for other general

corporate purposes, including acquisitions and capital expenditures of the Consolidated Companies.

SECTION 2.2 NOTES; REPAYMENT OF PRINCIPAL.

(a) Borrower's obligations to pay the principal of, and interest on, the Syndicate Revolving Loans and the Competitive Bid Revolving Loans to each Lender shall be evidenced by the records of the Administrative Agent and such Lender and by the Revolving Credit Notes payable to such Lender (or the assignor of such Lender) completed in conformity with this Agreement.

(b) All outstanding principal amounts under the Revolving Loans shall be due and payable in full on the Termination Date.

SECTION 2.3 VOLUNTARY REDUCTION OF REVOLVING LOAN COMMITMENTS. Upon at least three (3) Business Days' prior telephonic notice (promptly confirmed in writing) to the Administrative Agent, Borrower shall have the right, without premium or penalty, to terminate the Revolving Loan Commitments, in part or in whole, provided that (i) any such termination shall apply to proportionately and permanently reduce the Revolving Loan Commitments of each of the Lenders, (ii) any partial termination pursuant to this Section 2.3 shall be in an amount of at least \$1,000,000 and integral multiples of \$100,000, and (iii) no such reduction shall be permitted if prohibited or without payment of all costs required to be paid hereunder with respect to a prepayment. If the aggregate outstanding amount of the Revolving Loans and the Letter of Credit Obligations exceeds the amount of the Revolving Loan Commitments as so reduced, Borrower shall immediately repay the Revolving Loans for the ratable account of the Lenders by an amount equal to such excess, together with all accrued but unpaid interest on such excess amount and any amounts due under Section 4.12 hereof.

SECTION 2.4 LETTERS OF CREDIT. Upon the terms and subject to the conditions of this Agreement, from the Closing Date to but excluding the Termination Date, the Administrative Agent shall issue (i) Revolving Trade Letters of Credit for the account of the Borrower or the joint account of the Borrower and any Guarantor, and (ii) Standby Letters of Credit for the account of the Borrower or the joint account of the Borrower and any Guarantor, and each Lender shall thereupon be deemed to have purchased a participation in each such Letter of Credit as provided in Section 2.8.

(a) REVOLVING TRADE LETTERS OF CREDIT. Each Revolving Trade Letter of Credit shall (i) be payable at sight or upon the expiration of such other period not to exceed sixty (60) days as provided in said Revolving Trade Letter of Credit, (ii) have an

expiration date no later than the earlier of (A) 180 days after the date of issuance of such Letter of Credit or (B) the Termination Date, (iii) be used only for the shipment or importation of inventory, and the payment of the purchase price thereof (inclusive, at the election of the Borrower, of freight and insurance charges, Tariffs, taxes, customs duties and other like charges), and (iv) in the case of a Revolving Trade Letter of Credit issued for the joint account of the Borrower and a Guarantor, indicate either the Borrower and the Guarantor jointly, or only such Guarantor, as the account party on the face of the Letter of Credit.

(b) STANDBY LETTERS OF CREDIT. Each Standby Letter of Credit shall (i) have an expiration date not later than the earlier of (A) 365 days after the date of issuance of such Letter of Credit (which may include any provision providing for the automatic extension of the term of such Letter of Credit for an additional period of time beyond 365 days after the date of issuance) or (B) the Termination Date and (ii) be used for any corporate purpose allowed under this Agreement including, without limitation, to secure any surety bond or any self-insurance program of the Borrower.

SECTION 2.5 MANNER OF ISSUANCE. The Borrower shall forward a Letter of Credit Application in the appropriate form to the Administrative Agent at the address specified on the Letter of Credit Application prior to noon (Orlando, Florida time) at least two Business Days before the requested date of issuance of a Letter of Credit. The Administrative Agent shall give each Lender a written (which may be by telecopier) report of all Letters of Credit outstanding hereunder on a monthly basis. In the event there is a conflict between any provision in the Letter of Credit Application and this Agreement, the terms and provisions of this Agreement will prevail.

SECTION 2.6 DRAWINGS UNDER LETTERS OF CREDIT.

(a) Upon receipt by the Administrative Agent of any draft upon, or other notice of drawing under, a Letter of Credit, the Administrative Agent shall promptly give the Borrower written or telephone notice of the amount of such draft, of the Letter of Credit against which it is drawn and of the date upon which the Administrative Agent proposes to honor such draft.

(b) Subject to the following sentence, the Borrower shall pay to the Administrative Agent for the ratable account of the Lenders the amount of each drawing under a Letter of Credit on the date of such drawing. Subject to the requirement contained in Section 2.1, the Borrower may elect to repay the amount of such drawing with the proceeds of a Syndicate Revolving Loan by delivering a Notice of Borrowing complying with Section 4.1 hereof.

(c) The amount of any drawing under a Letter of Credit that is not paid on the date of drawing pursuant to subsection (b) of this Section 2.6 shall bear interest, payable on demand, from the date of such drawing until paid, at a rate per annum equal to the Default Rate.

(d) The Borrower agrees that it shall be indebted to each Lender in an amount equal to the amount of each drawing paid by the Administrative Agent for the account of such Lender in accordance with the provisions of this Section 2.6.

SECTION 2.7 GENERAL PROVISIONS AS TO LETTERS OF CREDIT.

(a) LIMITATION ON ADMINISTRATIVE AGENT'S DUTY TO ISSUE. The Administrative Agent shall have no obligation to issue: (i) any Letter of Credit if the aggregate undrawn face amount of Letters of Credit outstanding, after giving effect to the issuance of such Letter of Credit, would exceed any limit imposed on the Administrative Agent or any Lender by, or if the issuance of such Letter of Credit would otherwise cause a violation of, applicable law or any regulatory directive, interpretation or request, to which the Administrative Agent or such Lender is subject; or (ii) any Revolving Trade Letter of Credit or Standby Letter of Credit if such issuance would cause the Maximum Letter of Credit Amount to be exceeded; or (iii) any Letter of Credit if the issuance thereof would exceed the limits provided in Section 2.1 above.

(b) BORROWER'S OBLIGATIONS ABSOLUTE. The obligation of the Borrower to reimburse the Administrative Agent for the account of the Lenders, for each drawing under a Letter of Credit shall be irrevocable, shall not be subject to any qualification or exception whatsoever and shall be binding in accordance with the terms and conditions of this Agreement under all circumstances, including, without limitation, the following circumstances:

(i) any lack of validity or enforceability of this Agreement or any of the other Credit Documents;

(ii) the existence of any claim, set-off, defense or right which the Borrower may have at any time against a beneficiary of any Letter of Credit or any transferee of any Letter of Credit (or any Person for whom any such transferee may be acting), the Administrative Agent, the Lenders or any other Person, whether in connection with this Agreement, or any Letter of Credit, the transactions contemplated herein or any unrelated transactions;

(iii) any draft, certificate or any other document presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient (unless, in each case,

manifestly so) in any respect or any statement therein being untrue or inaccurate in any respect;

(iv) the surrender or impairment of any security for the performance or observance of any of the terms of this Agreement or the other Credit Documents;

(v) any failure of the Administrative Agent to provide notice to the Borrower of any drawing under any Letter of Credit; or

(vi) the occurrence or continuance of any Default.

(c) LIMITATION OF LIABILITY WITH RESPECT TO LETTERS OF CREDIT.

As among the Borrower, any Guarantors, the Lenders, and the Administrative Agent, the Borrower and the Guarantors assume all risks of the acts and omissions of, or misuse of any Letter of Credit by the beneficiaries of such Letter of Credit. Without limiting the foregoing, neither the Administrative Agent nor the Lenders shall be responsible for:

(i) subject to clause (c)(iii), the form, validity, sufficiency, accuracy, genuineness or legal effect of any draft, demand, application or other documents submitted by any Person in connection with any Letter of Credit (but not including the Letter of Credit itself), even if such document should in fact prove to be in any and all respects invalid, insufficient, inaccurate, fraudulent or forged;

(ii) the validity, genuineness or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason;

(iii) failure of the beneficiary of a Letter of Credit to comply fully with the conditions required in order to draw upon such Letter of Credit to the extent that the documents presented in connection with a drawing manifestly comply with the terms of the Letter of Credit provided that the payment by the Administrative Agent does not constitute gross negligence or wilful misconduct;

(iv) errors, omissions, interruptions or delays in transmission or delivery of any messages by mail, cable, telegraph, telex or otherwise, whether or not they be in cipher;

(v) errors in interpretations of technical terms;

(vi) any loss or delay in the transmission or otherwise of any document required to make a drawing under any Letter of Credit or with respect to the proceeds thereof;

(vii) the misapplication by the beneficiary of a Letter of Credit or of the proceeds of any drawing under such Letter of Credit; or

(viii) any consequences arising from causes beyond the control of the Administrative Agent or the Lenders, including, without limitation, any act or omission, rightfully or wrongfully of any present or future governmental authority.

None of the above circumstances shall affect, impair or prevent the vesting of any of the Administrative Agent's and the Lenders' rights or powers under this Section.

SECTION 2.8 PARTICIPATION.

(a) Simultaneously with the issuance by the Administrative Agent of any Letter of Credit, each Lender shall be deemed to have irrevocably and unconditionally purchased and received from the Administrative Agent, without recourse or warranty, an undivided interest and participation in such Letter of Credit (including, without limitation, all obligations of the Borrower with respect thereto) and any security therefor or Guaranty pertaining thereto, equal to such Lender's Pro Rata Share of such Letter of Credit.

(b) Each Lender hereby agrees that it shall pay to the Administrative Agent, prior to 12:00 noon (local time for the Administrative Agent) on the date of each Letter of Credit drawing such Lender's Pro Rata Share of such Letter of Credit drawing; PROVIDED, that if the Borrower should pay in full or in part any Letter of Credit drawing on the date thereof with the proceeds of a Revolving Loan, the obligation of each Lender to pay to the Administrative Agent pursuant to this Section with respect to such drawing shall be reduced by an amount equal to such Lender's Pro Rata Share of such payment by the Borrower that is received by the Administrative Agent. Amounts paid in excess of the net amount so owed shall promptly be refunded by the Administrative Agent to such Lender.

(c) The obligation of each Lender to pay to the Administrative Agent its Pro Rata Share of each Letter of Credit drawing, or of the amount thereof not repaid by the Borrower as described above, shall be irrevocable, unconditional, shall not be subject to any qualification or exception whatsoever and shall be binding in accordance with the terms and conditions of this Agreement under all circumstances, including, without limitation, the following circumstances:

(i) any lack of validity or enforceability of this Agreement;

(ii) the existence of any claim, set-off, defense or other right which the Borrower or any Lender may have at any time against the other, the Administrative Agent, any Lender or any other Person, whether in connection with this Agreement, the transactions contemplated herein or any unrelated transactions;

(iii) any draft or any other document presented under this Agreement proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(iv) the surrender or impairment of any security for the performance or observance of any of the terms of this Agreement; or

(v) the occurrence or continuance of any Default.

(d) If any Lender shall fail to pay the amount of its participation in a Letter of Credit drawing on the date such amount is due in accordance with subparagraph (b) above, the Administrative Agent shall be deemed to have advanced funds on behalf of such Lender. Each such advance shall be secured by such Lender's participation interest, and the Administrative Agent shall be subrogated to such Lender's rights hereunder in respect thereof. Such advance may be repaid by application by the Administrative Agent of any payment which such Lender is otherwise entitled to receive under this Agreement. Any amount not paid by such Lender to the Administrative Agent hereunder shall bear interest for each day from the day such payment was due until such payment shall be paid in full at a rate per annum equal to the highest rate then payable by the Borrower under this Agreement.

ARTICLE III

LINE OF CREDIT LOANS

SECTION 3.1 LINE OF CREDIT LOAN COMMITMENT; USE OF PROCEEDS.

(a) Subject to and upon the terms and conditions herein set forth, SunTrust agrees to make to Borrower from time to time on and after the Closing Date, but during the Revolving Period, Line of Credit Loans in an aggregate amount outstanding at any time not to exceed SunTrust's Line of Credit Loan Commitment. Borrower shall be entitled to repay and reborrow Line of Credit Loans in accordance with the provisions hereof.

(b) Each Line of Credit Loan shall consist entirely of Federal Funds Rate Advances. The principal amount of each Line of Credit Loan shall be not less than \$1,000,000 or a greater integral multiple of \$100,000.

(c) The proceeds of Line of Credit Loans shall be used (i) to fund daily swings in the cash position of the Borrower and (ii) for other general corporate purposes.

SECTION 3.2 NOTES; REPAYMENT OF PRINCIPAL.

(a) Borrower's obligations to pay the principal of, and interest on, the Line of Credit Loans to SunTrust shall be evidenced by the records of the Administrative Agent and SunTrust and by the Line of Credit Note payable to SunTrust (or the assignor of such Lender) completed in conformity with this Agreement.

(b) All outstanding principal amounts under the Line of Credit Loans shall be due and payable in full on the Termination Date.

SECTION 3.3 VOLUNTARY REDUCTION OF LINE OF CREDIT LOAN COMMITMENT. Upon at least three (3) Business Days' prior telephonic notice (promptly confirmed in writing) to the Administrative Agent, Borrower shall have the right, without premium or penalty, to terminate the Line of Credit Loan Commitment, in part or in whole, provided that (i) any such termination shall apply to permanently reduce the Line of Credit Commitment, (ii) any partial termination pursuant to this Section 3.3 shall be in an amount of at least \$1,000,000 and integral multiples of \$100,000, and (iii) no such reduction shall be permitted if prohibited or without payment of all costs required to be paid hereunder with respect to a prepayment. If the aggregate outstanding amount of the Line of Credit Loans exceeds the amount of the Line of Credit Commitment as so reduced, Borrower shall immediately repay the Line of Credit Loans by an amount equal to such excess, together with all accrued but unpaid interest on such excess amount.

ARTICLE IV

GENERAL LOAN TERMS

SECTION 4.1 FUNDING NOTICES.

(a) (i) Whenever Borrower desires to make a Borrowing consisting of Syndicate Revolving Loans or a Line of Credit Loan (other than one resulting from a

conversion or continuation pursuant to Section 4.1(b)(i)), it shall give the Administrative Agent prior written notice (or telephonic notice confirmed in writing) of such Borrowing (a "Notice of Borrowing"), such Notice of Borrowing to be given prior to 12:00 noon (local time for the Administrative Agent) at its Payment Office (A) the same Business Day of the requested date of such Borrowing in the case of Revolving Loans comprised of Base Rate Advances, (B) three Business Days prior to the requested date of such Borrowing in the case of Eurodollar Advances, and (C) the same Business Day of the requested date of such Borrowing in the case of Line of Credit Loans. Notices received after 12:00 noon shall be deemed received on the next Business Day. Each Notice of Borrowing shall be irrevocable and shall specify whether such Borrowing will be a Syndicate Revolving Loan or Line of Credit Loan, the aggregate principal amount of the Borrowing, the date of Borrowing (which shall be a Business Day), if the Borrowing is a Syndicate Revolving Loan, whether the Borrowing is to consist of Base Rate Advances or Eurodollar Advances and (in the case of Eurodollar Advances) the Interest Period to be applicable thereto.

(ii) Whenever Borrower desires to make a Borrowing consisting of a Competitive Bid Revolving Loan (other than one resulting from a conversion or continuation pursuant to Section 4.1(b)(i)), it shall give the Administrative Agent prior written notice by facsimile not later than 10:00 A.M. (local time for the Administrative Agent) (a "Notice of Competitive Bid Borrowing") not less than three Business Days prior to the requested date of such Borrowing in the case of Libor Bid Loans and one Business Day prior to the requested date of such Borrowing in the case of Fixed Rate Bid Loans and shall request that the Lenders provide Competitive Bid Rates for Interest Periods of not less than seven (7) days identified by Borrower. The Administrative Agent shall give the Lenders said "Notice of Competitive Bid Borrowing" not later than 11:00 A.M. (local time for the Administrative Agent) on the same Business Day such notice is received from Borrower. Alternatively, at Borrower's option, said Notice of Competitive Bid Borrowing shall be furnished directly to the Lenders. Notices furnished directly to the Lenders must be delivered by facsimile not later than 11:00 A.M. (local time for the Administrative Agent) not less than three Business Days prior to the requested date of such Borrowing in the case of Libor Bid Loans and one Business Day prior to the requested date of such Borrowing in the case of Fixed Rate Bid Loans. Each Lender in its discretion may, but shall not be obligated to, submit an

irrevocable quote to the Administrative Agent or Borrower, whichever is applicable, in connection with such request. Each Lender shall give the Administrative Agent or Borrower its Competitive Bid Rates for the Interest Periods identified by the Borrower not later than 9:30 A.M. (local time for the Administrative Agent) two Business Days prior to the requested date of such Borrowing in the case of Libor Bid Loans and not later than 9:30 A.M. (local time for the Administrative Agent) on the requested date of such Borrowing in the case of Fixed Rate Bid Loans. If the Competitive Bid Rates are given to the Administrative Agent, the Administrative Agent shall give such Competitive Bid Rates to the Borrower no later than 10:00 A.M. (local time for the Administrative Agent) on the same day it receives such Competitive Bid Rates. In the event such Notice of Competitive Bid Borrowing is furnished to the Administrative Agent and the Administrative Agent wishes to submit a Competitive Bid Rate, then the Administrative Agent shall so submit its Competitive Bid Rate to Borrower not later than 5:00 P.M. (local time for the Administrative Agent) the same day of receipt of said Notice of Competitive Bid Borrowing and prior to the Administrative Agent's receipt of any Competitive Bid Rates from any other Lender. The Borrower shall then be entitled, in its sole discretion, to elect to incur all or any part of the Competitive Bid Revolving Loans offered by one or more of the Lenders that have elected to provide quotes for any of the Interest Periods and at the rate(s) quoted by such Lender(s) provided, however, in the event two or more Lenders submit identical quotes and the Borrower elects to incur all or any part of the Competitive Bid Revolving Loans at such identical quotes, such Borrowing shall be from said Lenders on a pro rata basis determined by the amounts offered by such Lenders. The Competitive Bid Revolving Loans incurred by the Borrower in connection with such a request for quotes shall not exceed (i) with respect to all Lenders then providing quotes, the then unutilized Revolving Loan Commitment of all Lenders as a group, and (ii) with respect to each Lender providing a quote, the amount bid by such Lender in connection with such Lender's quote. The Borrower shall notify the Administrative Agent and such Lender or Lenders of its election by telephone (and confirmed in writing before 5:00 p.m. (local time for the Administrative Agent of the same day) not later than 12:00 noon (local time for the Administrative Agent) two (2) Business Days prior to the requested date of such Borrowing in the case of Libor Bid Loans and on the requested date of such Borrowing in the event of Fixed Rate Bid Loans.

(b) (i) Whenever Borrower desires to convert all or a portion of an outstanding Borrowing under the Syndicate Revolving Loans, which Borrowing consists of Base Rate Advances or Eurodollar Advances, into one or more Borrowings consisting of Eurodollar Advances, or to continue outstanding a Borrowing consisting of Eurodollar Advances for a new Interest Period, it shall give the Administrative Agent at least three Business Days' prior written notice (or telephonic notice promptly confirmed in writing) of each such Borrowing to be converted into or continued as Eurodollar Advances. Such notice (a "Notice of Conversion/Continuation") shall be given prior to 11:00 A.M. (local time for the Administrative Agent) on the date specified at the Payment office of the Administrative Agent. Each such Notice of Conversion/Continuation shall be irrevocable and shall specify the aggregate principal amount of the Advances to be converted or continued, the date of such conversion or continuation, whether the Advances are being converted into or continued as Eurodollar Advances and (in the case of Eurodollar Advances) the Interest Period applicable thereto. If, upon the expiration of any Interest Period in respect of any Borrowing, Borrower shall have failed to deliver the Notice of Conversion/ Continuation, Borrower shall be deemed to have elected to convert or continue such Borrowing to a Borrowing consisting of Base Rate Advances. No conversion of any Borrowing of Eurodollar Advances shall be permitted except on the last day of the Interest Period in respect thereof.

(ii) Whenever Borrower desires to convert all or a portion of an outstanding Borrowing under a Competitive Bid Revolving Loan into one or more Borrowings consisting of another Type, or to continue outstanding a Borrowing consisting of Libor Bid Loans for a new Interest Period, it may request that the Lenders provide quotes for Competitive Bid Rates in the same manner prescribed in Section 4.1(a)(ii) for funding.

So long as any Default or Event of Default shall have occurred and be continuing, no Borrowing may be converted into or continued as (upon expiration of the current Interest Period) Libor Bid Loans. No conversion of any Borrowing into Libor Bid Loans shall be permitted except on the last day of the Interest Period in respect thereof.

(c) Without in any way limiting Borrower's obligation to confirm in writing any telephonic notice, the Administrative Agent and the Lenders may act without liability upon the basis of telephonic notice reasonably believed by the Administrative Agent or the Lenders in

good faith to be from Borrower prior to receipt of written confirmation.

(d) The Administrative Agent shall promptly give each Lender notice by telephone (confirmed in writing) or by telex, telecopy or facsimile transmission of the matters covered by the notices given to the Administrative Agent pursuant to this Section 4.1 with respect to the Revolving Credit Commitments.

SECTION 4.2 DISBURSEMENT OF FUNDS.

(a) No later than 1:00 P.M. (local time for the Administrative Agent) on the date of each Borrowing with respect to Syndicate Revolving Loans or Line of Credit Loans (other than one resulting from a conversion or continuation pursuant to Section 4.1(b)(i)), each Lender will make available its Pro Rata Share of the amount of such Borrowing in immediately available funds at the Payment Office of the Administrative Agent. The Administrative Agent will make available to Borrower the aggregate of the amounts (if any) so made available by the Lenders to the Administrative Agent in a timely manner by crediting such amounts to Borrower's demand deposit account maintained with the Administrative Agent or, at Borrower's option, by effecting a wire transfer of such amounts to Borrower's account specified by the Borrower, by the close of business on such Business Day. In the event that the Lenders do not make such amounts available to the Administrative Agent by the time prescribed above, but such amount is received later that day, such amount may be credited to Borrower in the manner described in the preceding sentence on the next Business Day (with interest on such amount to begin accruing hereunder on such next Business Day).

(b) No later than 3:00 P.M. (local time for the Administrative Agent) on the date of each Borrowing with respect to the Competitive Bid Revolving Loans (other than one resulting from a conversion or continuation pursuant to Section 4.1(b)(ii)), each relevant Competitive Bid Lender will make available the amount of such Borrowing in immediately available funds at its Payment Office or the Payment Office of the Administrative Agent, as directed by the Borrower, on the date of such Borrowing. In the event the Borrower directs that the funds be made available at the Payment Office of the Administrative Agent, each relevant Competitive Bid Lender will make available the amount of such Borrowing in immediately available funds at the Payment Office of the Administrative Agent and the

Administrative Agent will disburse the amount of such Borrowing as provided in Section 4.2(a) above.

(c) Unless the Administrative Agent shall have been notified by any Lender prior to the date of a Borrowing that such Lender does not intend to make available to the Administrative Agent such Lender's portion of the Borrowing to be made on such date, the Administrative Agent may assume that such Lender has made such amount available to the Administrative Agent on such date and the Administrative Agent may make available to Borrower a corresponding amount. If such corresponding amount is not in fact made available to the Administrative Agent by such Lender on the date of such Borrowing, the Administrative Agent shall be entitled to recover such corresponding amount on demand from such Lender together with interest at the Federal Funds Rate. If such Lender does not pay such corresponding amount forthwith upon the Administrative Agent's demand therefor, the Administrative Agent shall promptly notify Borrower, and Borrower shall immediately pay such corresponding amount to the Administrative Agent together with interest at the rate specified for the Borrowing. Nothing in this subsection shall be deemed to relieve any Lender from its obligation to fund its Loans hereunder or to prejudice any rights which Borrower may have against any Lender as a result of any default by such Lender hereunder.

(d) All Borrowings consisting of Syndicate Revolving Loans shall be loaned by the Lenders on the basis of their Pro Rata Share of the Revolving Loan Commitments. All Borrowings consisting of Competitive Bid Revolving Loans shall be loaned by the Lenders whose quotes were accepted by the Borrower. No Lender shall be responsible for any default by any other Lender in its obligations hereunder, and each Lender shall be obligated to make the Loans provided to be made by it hereunder, regardless of the failure of any other Lender to fund its Loans hereunder.

SECTION 4.3 INTEREST.

(a) Borrower agrees to pay interest in respect of all unpaid principal amounts of the Syndicate Revolving Loans and Line of Credit Loans from the respective dates such principal amounts were advanced to maturity (whether by acceleration, notice of prepayment or otherwise) at rates per annum (on the basis of a 365-day year for Base Rate Advances and on the basis of a 360-day year for Eurodollar Advances and Line of Credit Loans) equal to the applicable rates indicated below:

(i) For Base Rate Advances--the Base Rate in effect from time to time;

(ii) For Eurodollar Advances--the relevant Adjusted LIBO Rate plus the Applicable Margin; and

(iii) For Line of Credit Loans--the Federal Funds Rate in effect from time to time plus such amount as the Borrower and SunTrust may mutually agree to from time to time not to exceed fifty basis points (i.e. 0.50%).

(b) Borrower agrees to pay interest in respect of all unpaid principal amounts of the Competitive Bid Revolving Loans made to Borrower from the respective dates such principal amounts were advanced to maturity (whether by acceleration, notice of prepayment or otherwise) at times and at rates per annum equal to the applicable times and rates agreed upon between Borrower and the respective Competitive Bid Lender.

(c) Overdue principal (whether by non-payment at scheduled due date, acceleration, notice of prepayment or otherwise) and, to the extent not prohibited by applicable law, overdue interest, in respect of the Revolving Loans and Line of Credit Loans, whether Syndicate Revolving Loans or Competitive Bid Revolving Loans, and all other overdue amounts owing hereunder, shall bear interest from each date that such amounts are overdue at the Default Rate.

(d) Interest on each Loan shall accrue from and including the date of such Loan to but excluding the date of any repayment thereof; PROVIDED that, if a Loan is repaid on the same day made, one day's interest shall be paid on such Loan. Interest on all outstanding Base Rate Advances and Federal Funds Rate Advances shall be payable quarterly in arrears on the last calendar day of each calendar quarter of Borrower in each year. Interest on all outstanding Eurodollar Advances shall be payable on the last day of each Interest Period applicable thereto, and, in the case of Eurodollar Advances having an Interest Period in excess three months, on each day which occurs every 3 months after the initial date of such Interest Period. Interest on all Loans shall be payable on any conversion of any Advances comprising such Loans into Advances of another Type, prepayment (on the amount prepaid), at maturity (whether by acceleration, notice of prepayment or otherwise) and, after maturity, on demand.

(e) The Administrative Agent, upon determining the Adjusted LIBO Rate for any Interest Period, shall promptly notify by telephone (confirmed in writing) or in writing Borrower and the Lenders. Any such determination shall, absent manifest error, be final, conclusive and binding for all purposes. A Competitive Bid Lender has no obligation to notify any other Lender of the interest rates charged to Borrower.

SECTION 4.4 INTEREST PERIODS.

(a) In connection with the making or continuation of, or conversion into, each Borrowing of Syndicate Revolving Loans comprised of Eurodollar Advances, Borrower shall select an Interest Period to be applicable to such Eurodollar Advances, which Interest Period shall be either a 1, 2, 3 or 6 month period; PROVIDED THAT:

(i) The initial Interest Period for any Borrowing of Eurodollar Advances shall commence on the date of such Borrowing (including the date of any conversion from a Borrowing consisting of Advances of another Type) and each Interest Period occurring thereafter in respect of such Borrowing shall commence on the day on which the next preceding Interest Period expires;

(ii) If any Interest Period would otherwise expire on a day which is not a Business Day, such Interest Period shall expire on the next succeeding Business Day, provided that if any Interest Period in respect of Eurodollar Advances would otherwise expire on a day that is not a Business Day but is a day of the month after which no further Business Day occurs in such month, such Interest Period shall expire on the next preceding Business Day;

(iii) Any Interest Period in respect of Eurodollar Advances which begins on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period shall, subject to part (iv) below, expire on the last Business Day of such calendar month;

(iv) No Interest Period shall extend beyond the Final Maturity Date.

(b) When it requests a Lender to make a quote for a Competitive Bid Revolving Loan, the Borrower shall specify to such Lender the Interest Period to be applicable to such Loan, which Interest Period shall be as agreed upon by the Borrower and such Lender; provided, however, that (i) no Interest Period shall extend beyond the Final Maturity Date and (ii) if any Interest Period would otherwise expire on a day which is not a Business Day, such Interest Period shall expire on the next succeeding Business Day.

SECTION 4.5 FEES.

(a) FACILITY FEE. Borrower shall pay to the Administrative Agent, for the account of and distribution to each Lender, a Facility Fee computed at the rate of the Facility Fee Applicable Margin on the Revolving Loan Commitment and the Line of Credit Commitment of each Lender regardless of usage, such fee being payable quarterly in arrears on the last calendar day of each fiscal quarter of Borrower and on the Termination Date.

(b) REVOLVING TRADE LETTER OF CREDIT FEES.

(i) Upon each issuance of a Revolving Trade Letter of Credit, the Borrower shall pay the Administrative Agent, for the account of each Lender (for monthly distribution to the Lenders by the Administrative Agent), a fee equal to 0.125% of such Lender's Pro Rata Share of the face amount of such Revolving Trade Letter of Credit, provided that the minimum fee with respect to each issuance shall be \$50.

(ii) Upon the honoring of a draft drawn under a Revolving Trade Letter of Credit, the Borrower shall pay to the Administrative Agent, for the account of each Lender, a fee equal to 0.125% of such Lender's Pro Rata Share of the amount of such drawing, PROVIDED that the minimum fee with respect to each drawing shall be \$50.

(c) STANDBY LETTER OF CREDIT FEES. With respect to each Standby Letter of Credit, the Borrower shall pay the Administrative Agent for the account of each Lender, a nonrefundable fee equal to the Eurodollar Margin/Letter of Credit Fee Applicable Margin per annum on such Lender's Pro Rata Share of the undrawn face amount of such Letter of Credit. All fees due pursuant to this Section 4.5(c) shall be based on a year of 360 days and computed for the actual number of days elapsed, and shall be payable in advance on the date of such Letter of Credit for the period from the date of issuance to the

first Business Day of each calendar quarter and thereafter on the first Business Day of each calendar quarter.

(d) LETTER OF CREDIT ADMINISTRATIVE FEES. In addition to the foregoing fees, the Borrower shall pay to the Administrative Agent, for the Administrative Agent's account, such other administrative fees as the Administrative Agent customarily charges in respect of letter of credit transactions together with all telecommunication fees and other expenses incurred by the Administrative Agent in connection with the issuance or honoring of any Letter of Credit issued for the Borrower's account.

(e) ANNUAL ADMINISTRATIVE FEE. Borrower shall pay to the Administrative Agent an annual administrative fee, in advance, in the respective amount and on the dates previously agreed in writing by Borrower with the Administrative Agent pursuant to the Commitment Letter.

(f) OTHER FEES. Borrower shall pay to the Agents any other fees as required by the Commitment Letter, as and when due.

SECTION 4.6 VOLUNTARY PREPAYMENTS OF BORROWINGS.

(a) With the consent of the Lender, Borrower may prepay Competitive Bid Revolving Loans on such terms as are mutually agreed to by the Lender and the Borrower. Borrower may, at its option, prepay Borrowings consisting of Base Rate Advances at any time in whole, or from time to time in part, in amounts aggregating \$1,000,000 or any greater integral multiple of \$100,000, by paying the principal amount to be prepaid together with interest accrued and unpaid thereon to the date of prepayment. Those Borrowings consisting of Eurodollar Advances may be prepaid, at Borrower's option, in whole, or from time to time in part, in the respective minimum amounts and multiples set forth in Section 2.1(b) with respect to the Revolving Loan Commitments, by paying the principal amount to be prepaid, together with interest accrued and unpaid thereon to the date of prepayment, and all compensation payments pursuant to Section 4.12 if such prepayment is made on a date other than the last day of an Interest Period applicable thereto. Each such optional prepayment shall be applied in accordance with Section 4.6(c) below.

(b) Borrower shall give written notice (or telephonic notice confirmed in writing) to the

Administrative Agent of any intended prepayment of the Revolving Loans or Line of Credit Loans prior to 12:00 noon (local time for the Administrative Agent) (i) not less than the same Business Day of any prepayment of Base Rate Advances, and (ii) not less than three Business Days prior to any prepayment of Eurodollar Advances. Borrower shall give written notice (or telephonic notice confirmed in writing) to the respective Competitive Bid Lender of any intended prepayment of the Competitive Bid Loans (i) not less than the same Business Day of any prepayment of Base Rate Advances, and (ii) not less than three Business Days prior to any prepayment of Eurodollar Advances. Such notice, once given, shall be irrevocable. Upon receipt of such notice of prepayment pursuant to the first sentence of this paragraph (b), the Administrative Agent shall promptly notify each Lender of the contents of such notice and of such Lender's share of such prepayment.

(c) Borrower, when providing notice of prepayment pursuant to Section 4.6(b) may designate the Types of Advances and the specific Borrowing or Borrowings which are to be prepaid, provided that (i) if any prepayment of Eurodollar Advances made pursuant to a single Borrowing of the Syndicate Revolving Loans shall reduce the outstanding Advances made pursuant to such Borrowing to an amount less than \$1,000,000, such Borrowing shall immediately be converted into Base Rate Advances; and (ii) each prepayment made pursuant to a single Borrowing shall be applied pro rata among the Loans comprising such Borrowing, if such prepayment is not a prepayment of a Borrowing of Competitive Bid Revolving Loans. All voluntary prepayments shall be applied to the payment of any unpaid interest before application to principal.

SECTION 4.7 PAYMENTS, ETC.

(a) (i) Except as otherwise specifically provided herein, all payments under this Agreement and the other Credit Documents, other than the payments specified in clause (ii) below, shall be made without defense, set-off or counterclaim to the Administrative Agent, not later than 12:00 noon (local time for the Administrative Agent) on the date when due and shall be made in Dollars in immediately available funds at the respective Payment Office.

(ii) Except as otherwise specifically provided herein, all payments under this Agreement with respect to the Competitive Bid Lenders shall be made without defense, set-off or counterclaim to the Administrative

Agent or respective Competitive Bid Lender at its Payment Office not later than 12:00 noon (local time for the Administrative Agent or such Competitive Bid Lender, whichever is applicable) on the date when due and in immediately available funds, or, if the Borrower elects to make payment directly to the Competitive Bid Lender, at any other location of the Competitive Bid Lender as the Competitive Bid Lender may specify in writing to Borrower not later than Noon (local time for the Competitive Bid Lender) on the Business Day such payment is due.

(b) (i) All such payments shall be made free and clear of and without deduction or withholding for any Taxes in respect of this Agreement, the Notes or other Credit Documents, or any payments of principal, interest, fees or other amounts payable hereunder or thereunder (but excluding any Taxes imposed on the overall net income of any Lender pursuant to the laws of the jurisdiction in which the principal executive office or appropriate Lending Office of such Lender is located). If any such Taxes are so levied or imposed, Borrower agrees (A) to pay the full amount of such Taxes, and such additional amounts as may be necessary so that every net payment of all amounts due hereunder and under the Notes and other Credit Documents, after withholding or deduction for or on account of any such Taxes (including additional sums payable under this Section 4.7), will not be less than the full amount provided for herein had no such deduction or withholding been required, (B) to make such withholding or deduction and (C) to pay the full amount deducted to the relevant authority in accordance with applicable law. Borrower will furnish to the Administrative Agent and each Lender, within 30 days after the date the payment of any Taxes is due pursuant to applicable law, copies of tax receipts evidencing such payment by Borrower. Borrower will indemnify and hold harmless the Administrative Agent and each Lender and reimburse the Administrative Agent and each Lender upon written request for the amount of any Taxes so levied or imposed and paid by the Administrative Agent or Lender and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes were correctly or illegally asserted. A certificate as to the amount of such payment by such Lender or the Administrative Agent, absent manifest error, shall be final, conclusive and binding for all purposes.

(ii) Each Lender that is organized under the laws of any jurisdiction other than the United States of America or any State thereof (including the District of

Columbia) agrees to furnish to Borrower and the Administrative Agent, prior to the time it becomes a Lender hereunder, two copies of either U.S. Internal Revenue Service Form 4224 or U.S. Internal Revenue Service Form 1001 or any successor forms thereto (wherein such Lender claims entitlement to complete exemption from or reduced rate of U.S. Federal withholding tax on interest paid by Borrower hereunder) and to provide to Borrower and the Administrative Agent a new Form 4224 or Form 1001 or any successor forms thereto if any previously delivered form is found to be incomplete or incorrect in any material respect or upon the obsolescence of any previously delivered form; PROVIDED, HOWEVER, that no Lender shall be required to furnish a form under this paragraph (ii) if it is not entitled to claim an exemption from or a reduced rate of withholding under applicable law. A Lender that is not entitled to claim an exemption from or a reduced rate of withholding under applicable law shall so inform Borrower in writing.

(c) Subject to Section 4.4(a)(ii), whenever any payment to be made hereunder or under any Note shall be stated to be due on a day which is not a Business Day, the due date thereof shall be extended to the next succeeding Business Day and, with respect to payments of principal, interest thereon shall be payable at the applicable rate during such extension.

(d) On other than Competitive Bid Revolving Loans, which shall be negotiated from time to time, all computations of interest and fees shall be made on the basis of a year of 360 days for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or fees are payable (to the extent computed on the basis of days elapsed), except that interest on Base Rate Advances shall be computed on the basis of a year of 365 days for the actual number of days. Interest on Base Rate Advances shall be calculated based on the Base Rate from and including the date of such Loan to but excluding the date of the repayment or conversion thereof. Interest on Eurodollar Advances shall be calculated as to each Interest Period from and including the first day thereof to but excluding the last day thereof. Each determination by the Administrative Agent or the Competitive Bid Lender of an interest rate or fee hereunder shall be made in good faith and, except for manifest error, shall be final, conclusive and binding for all purposes.

(e) Payment by Borrower to the Administrative Agent in accordance with the terms of this Agreement shall, as

to Borrower, constitute payment to the Lenders under this Agreement.

SECTION 4.8 INTEREST RATE NOT ASCERTAINABLE, ETC. In the event that the Administrative Agent, in the case of the Adjusted LIBO Rate, shall have determined (which determination shall be made in good faith and, absent manifest error, shall be final, conclusive and binding upon all parties) that on any date for determining the Adjusted LIBO Rate for any Interest Period, by reason of any changes arising after the date of this Agreement affecting the London interbank market or the Administrative Agent's position in such markets, adequate and fair means do not exist for ascertaining the applicable interest rate on the basis provided for in the definition of Adjusted LIBO Rate then, and in any such event, the Administrative Agent shall forthwith give notice (by telephone confirmed in writing) to Borrower and to the Lenders of such determination and a summary of the basis for such determination. Until the Administrative Agent notifies Borrower that the circumstances giving rise to the suspension described herein no longer exist, the obligations of the Lenders to make or permit portions of the Syndicate Revolving Loans to remain outstanding past the last day of the then current Interest Periods as Eurodollar Advances shall be suspended, and such affected Advances shall bear the same interest as Base Rate Advances.

SECTION 4.9 ILLEGALITY.

(a) In the event that any Lender shall have determined (which determination shall be made in good faith and, absent manifest error, shall be final, conclusive and binding upon all parties) at any time that the making or continuance of any Eurodollar Advance has become unlawful by compliance by such Lender in good faith with any applicable law, governmental rule, regulation, guideline or order (whether or not having the force of law and whether or not failure to comply therewith would be unlawful), then, in any such event, the Lender shall give prompt notice (by telephone confirmed in writing) to Borrower and to the Administrative Agent of such determination and a summary of the basis for such determination (which notice the Administrative Agent shall promptly transmit to the other Lenders).

(b) Upon the giving of the notice to Borrower referred to in subsection (a) above, (i) Borrower's right to request from such Lender and such Lender's obligation to make Eurodollar Advances shall be immediately suspended, and such Lender shall make an Advance as part of the requested Borrowing of Eurodollar Advances as a Base Rate Advance, which Base Rate Advance shall, for all

other purposes, be considered part of such Borrowing, and (ii) if the affected Eurodollar Advance or Advances are then outstanding, Borrower shall immediately, or if permitted by applicable law, no later than the date permitted thereby, upon at least one Business Day's written notice to the Administrative Agent and the affected Lender, convert each such Advance into an Advance or Advances of a different Type with an Interest Period ending on the date on which the Interest Period applicable to the affected Eurodollar Advances expires, provided that if more than one Lender is affected at any time, then all affected Lenders must be treated the same pursuant to this Section 4.9(b).

SECTION 4.10 INCREASED COSTS.

(a) If, by reason of (x) after the date hereof, the introduction of or any change (including, without limitation, any change by way of imposition or increase of reserve requirements) in or in the interpretation of any law or regulation, or (y) the compliance with any guideline or request from any central bank or other governmental authority or quasi-governmental authority exercising control over banks or financial institutions generally (whether or not having the force of law):

(i) any Lender (or its applicable Lending Office) shall be subject to any tax, duty or other charge with respect to its Eurodollar Advances or its obligation to make Eurodollar Advances, or the basis of taxation of payments to any Lender of the principal of or interest on its Eurodollar Advances or its obligation to make Eurodollar Advances shall have changed (except for changes in the tax on the overall net income of such Lender or its applicable Lending Office imposed by the jurisdiction in which such Lender's principal executive office or applicable Lending Office is located); or

(ii) any reserve (including, without limitation, any imposed by the Board of Governors of the Federal Reserve System), special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender's applicable Lending Office shall be imposed or deemed applicable or any other condition affecting its Eurodollar Advances or its obligation to make Eurodollar Advances shall

be imposed on any Lender or its applicable Lending Office or the London interbank market or the United States secondary certificate of deposit market;

and as a result thereof there shall be any increase in the cost to such Lender of agreeing to make or making, funding or maintaining Eurodollar Advances (except to the extent already included in the determination of the applicable Adjusted LIBO Rate for Eurodollar Advances), or there shall be a reduction in the amount received or receivable by such Lender or its applicable Lending Office, then Borrower shall from time to time (subject, in the case of certain Taxes, to the applicable provisions of Section 4.7(b)), upon written notice from and demand by such Lender on Borrower (with a copy of such notice and demand to the Administrative Agent), pay to the Administrative Agent for the account of such Lender within five Business Days after the date of such notice and demand, additional amounts sufficient to indemnify such Lender against such increased cost. A certificate as to the amount of such increased cost, submitted to Borrower and the Administrative Agent by such Lender in good faith and accompanied by a statement prepared by such Lender describing in reasonable detail the basis for and calculation of such increased cost, shall, except for manifest error, be final, conclusive and binding for all purposes.

(b) If any Lender shall advise the Administrative Agent that at any time, because of the circumstances described in clause (x) or (y) in Section 4.10(a) or any other circumstances beyond such Lender's control arising after the date of this Agreement affecting such Lender or the London interbank market or such Lender's position in such market, the Adjusted LIBO Rate, as determined by the Administrative Agent, will not adequately and fairly reflect the cost to such Lender of funding its Eurodollar Advances, then, and in any such event:

(i) the Administrative Agent shall forthwith give notice (by telephone confirmed in writing) to Borrower and to the other Lenders of such advice;

(ii) Borrower's right to request and such Lender's obligation to make or permit portions of the Loans to remain outstanding past the last day of the then current Interest Periods as Eurodollar Advances shall be immediately suspended; and

(iii) such Lender shall make a Loan as part of the requested Borrowing of Eurodollar Advances as a Base Rate Advance, which such Base Rate Advance shall, for all other

purposes, be considered part of such Borrowing.

SECTION 4.11 LENDING OFFICES.

(a) Each Lender agrees that, if requested by Borrower, it will use reasonable efforts (subject to overall policy considerations of such Lender) to designate an alternate Lending Office with respect to any of its Eurodollar Advances affected by the matters or circumstances described in Section 4.7(b), 4.8, 4.9 or 4.10 to reduce the liability of Borrower or avoid the results provided thereunder, so long as such designation is not disadvantageous to such Lender as determined by such Lender, which determination if made in good faith, shall be conclusive and binding on all parties hereto. Nothing in this Section 4.11 shall affect or postpone any of the obligations of Borrower or any right of any Lender provided hereunder.

(b) If any Lender that is organized under the laws of any jurisdiction other than the United States of America or any State thereof (including the District of Columbia) issues a public announcement with respect to the closing of its lending offices in the United States such that any withholdings or deductions and additional payments with respect to Taxes may be required to be made by Borrower thereafter pursuant to Section 4.7(b), such Lender shall use reasonable efforts to furnish Borrower notice thereof as soon as practicable thereafter; provided, however, that no delay or failure to furnish such notice shall in any event release or discharge Borrower from its obligations to such Lender pursuant to Section 4.7(b) or otherwise result in any liability of such Lender.

SECTION 4.12 FUNDING LOSSES. Borrower shall compensate each Lender, upon its written request to Borrower (which request shall set forth the basis for requesting such amounts in reasonable detail and which request shall be made in good faith and, absent manifest error, shall be final, conclusive and binding upon all of the parties hereto), for all losses, expenses and liabilities (including, without limitation, any interest paid by such Lender to lenders of funds borrowed by it to make or carry its Eurodollar Advances, in either case to the extent not recovered by such Lender in connection with the reemployment of such funds and including loss of anticipated profits), which the Lender may sustain: (i) if for any reason (other than a default by such Lender) a borrowing of, or conversion to or continuation of, Eurodollar Advances to Borrower does not occur on the date specified therefor in a Notice of Borrowing or Notice of Conversion/Continuation (whether or not

withdrawn), (ii) if any repayment (including mandatory prepayments and any conversions pursuant to Section 4.9(b)) of any Eurodollar Advances to Borrower occurs on a date which is not the last day of an Interest Period applicable thereto, or (iii), if, for any reason, Borrower defaults in its obligation to repay its Eurodollar Advances when required by the terms of this Agreement.

SECTION 4.13 ASSUMPTIONS CONCERNING FUNDING OF EURODOLLAR ADVANCES.

Calculation of all amounts payable to a Lender under this Article IV shall be made as though that Lender had actually funded its relevant Eurodollar Advances through the purchase of deposits in the relevant market bearing interest at the rate applicable to such Eurodollar Advances in an amount equal to the amount of the Eurodollar Advances and having a maturity comparable to the relevant Interest Period and through the transfer of such Eurodollar Advances from an offshore office of that Lender to a domestic office of that Lender in the United States of America; PROVIDED HOWEVER, that each Lender may fund each of its Eurodollar Advances in any manner it sees fit and the foregoing assumption shall be used only for calculation of amounts payable under this Article IV.

SECTION 4.14 APPORTIONMENT OF PAYMENTS.

Aggregate principal and interest payments in respect of Loans and payments in respect of facility fees and letter of credit fees shall be apportioned among all outstanding Commitments and Loans to which such payments relate, proportionately to the Lenders' respective pro rata portions of such Commitments and outstanding Loans. The Administrative Agent shall promptly distribute to each Lender at its payment office set forth beside its name on the appropriate signature page hereof or such other address as any Lender may request its share of all such payments received by the Administrative Agent.

SECTION 4.15 SHARING OF PAYMENTS, ETC.

If any Lender shall obtain any payment or reduction (including, without limitation, any amounts received as adequate protection of a deposit treated as cash collateral under the Bankruptcy Code) of the Obligations (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) in excess of its pro rata portion of payments or reductions on account of such Obligations obtained by all the Lenders, such Lender shall forthwith (i) notify each of the other Lenders and Administrative Agent of such receipt and (ii) purchase from the other Lenders such participations in the affected Obligations as shall be necessary to cause such purchasing Lender to share the excess payment or reduction, net of costs incurred in connection therewith, ratably with each of them, provided that if all or any portion of such excess payment or reduction is thereafter recovered from such purchasing Lender or additional costs are incurred, the purchase shall be rescinded and the purchase price restored to the extent of such recovery or such

additional costs, but without interest unless the Lender obligated to return such funds is required to pay interest on such funds. Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this Section 4.15 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Lender were the direct creditor of Borrower in the amount of such participation.

SECTION 4.16 CAPITAL ADEQUACY. Without limiting any other provision of this Agreement, in the event that any Lender shall have determined that any law, treaty, governmental (or quasi-governmental) rule, regulation, guideline or order regarding capital adequacy not currently in effect or fully applicable as of the Closing Date, or any change therein or in the interpretation or application thereof after the Closing Date, or compliance by such Lender with any request or directive regarding capital adequacy not currently in effect or fully applicable as of the Closing Date (whether or not having the force of law and whether or not failure to comply therewith would be unlawful) from a central bank or governmental authority or body having jurisdiction, does or shall have the effect of reducing the rate of return on such Lender's capital as a consequence of its obligations hereunder to a level below that which such Lender could have achieved but for such law, treaty, rule, regulation, guideline or order, or such change or compliance (taking into consideration such Lender's policies with respect to capital adequacy) by an amount deemed by such Lender to be material, then within ten (10) Business Days after written notice and demand by such Lender (with copies thereof to the Administrative Agent), Borrower shall from time to time pay to such Lender additional amounts sufficient to compensate such Lender for such reduction (but, without duplication of any amounts already recovered by such Lender by reason of an adjustment in the applicable Base Rate or Adjusted LIBO Rate). Each certificate as to the amount payable under this Section 4.16 (which certificate shall set forth the basis for requesting such amounts in reasonable detail), submitted to Borrower by any Lender in good faith, shall, absent manifest error, be final, conclusive and binding for all purposes.

SECTION 4.17 BENEFITS TO GUARANTORS. In consideration for the execution and delivery by the Guarantors of their Guaranty Agreements, Borrower agrees to make the benefit of extensions of credit hereunder available to the Guarantors.

SECTION 4.18 LIMITATION ON CERTAIN PAYMENT OBLIGATIONS.

(a) Each Lender or Administrative Agent shall make written demand on Borrower for indemnification or compensation pursuant to Section 4.7 no later than 120 days after the earlier of (i) the date on which such

Lender or Administrative Agent makes payment of such Taxes and (ii) the date on which the relevant taxing authority or other governmental authority makes written demand upon such Lender or Administrative Agent for payment of such Taxes.

(b) Each Lender or Administrative Agent shall make written demand on Borrower for indemnification or compensation pursuant to Section 4.10 or 4.12 no later than 120 days after the event giving rise to the claim for indemnification or compensation occurs.

(c) Each Lender or Administrative Agent shall make written demand on Borrower for indemnification or compensation pursuant to Section 4.9 or 4.16 no later than 120 days after such Lender or Administrative Agent receives actual notice or obtains actual knowledge of the promulgation of a law, rule, order or interpretation or occurrence of another event giving rise to a claim pursuant to such sections.

(d) In the event that the Lenders or Administrative Agent fail to give Borrower notice within the time limitations prescribed in (a) or (b) above, Borrower shall not have any obligation to pay such claim for compensation or indemnification. In the event that the Lender or Administrative Agent fail to give Borrower notice within the time limitation prescribed in (c) above, Borrower shall not have any obligation to pay any amount with respect to claims accruing prior to the one hundred and twentieth (120th) day preceding such written demand.

SECTION 4.19 RETURN OF PAYMENTS. If the Administrative Agent shall be required by any court, trustee or debtor-in-possession or other Person to return any amount previously received by it in respect of the Obligations under this Agreement, upon receipt of notice from it, each Lender that received all or a portion thereof shall immediately pay over to it, such Lender's pro rata share of the amount to be returned.

ARTICLE V

CONDITIONS TO EXTENSIONS OF CREDIT

The obligations of each Lender to make Advances to Borrower hereunder and of the Administrative Agent to issue Letters of Credit hereunder is subject to the satisfaction of the following conditions:

SECTION 5.1 CONDITIONS PRECEDENT TO EXTENSION OF CREDIT. At the Closing Date, all obligations of Borrower hereunder incurred prior to the Closing Date (including, without limitation, Borrower's obligations to reimburse the reasonable fees and expenses of counsel to the Administrative Agent and any fees and expenses payable to the Administrative Agent and the Lenders as previously agreed with Borrower), shall have been paid in full, and the Administrative Agent shall have received the following, in form and substance reasonably satisfactory in all respects to the Administrative Agent:

(a) the duly executed counterparts of this Agreement;

(b) the duly completed Revolving Notes evidencing the Revolving Loan Commitments and the duly executed Line of Credit Note evidencing the Line of Credit Commitment;

(c) the Guaranty Agreements;

(d) certificate of Borrower in substantially the form of EXHIBIT E attached hereto and appropriately completed;

(e) certificates of the Secretary or Assistant Secretary of each of the Credit Parties, attaching and certifying copies of the resolutions of the boards of directors of the Credit Parties, authorizing as applicable the execution, delivery and performance of the Credit Documents;

(f) certificates of the Secretary or an Assistant Secretary of each of the Credit Parties, certifying (i) the name, title and true signature of each officer of such entities executing the Credit Documents, and (ii) the bylaws or comparable governing documents of such entities;

(g) certified copies of the certificate or articles of incorporation of each Credit Party, certified by the Secretary of State or the Secretary or Assistant Secretary of such Credit Party, together with certificates of good standing or existence, as may be available from the Secretary of State of the jurisdiction of incorporation or organization of such Credit Party;

(h) copies of all documents and instruments, including all consents, authorizations and filings, required or advisable under any Requirement of Law or by any material Contractual Obligation of the Credit Parties, in connection with the execution, delivery,

performance, validity and enforceability of the Credit Documents and the other documents to be executed and delivered hereunder, and such consents, authorizations, filings and orders shall be in full force and effect and all applicable waiting periods shall have expired;

(i) certified copies of the Intercompany Loan Documents, to the extent that they exist;

(j) acknowledgment from CSC, The United States Corporation Company as to its appointment as agent for service of process for the various Credit Parties;

(k) agreement by the lenders of the Refinanced Indebtedness to accept payment in full of all obligations outstanding under the Refinanced Indebtedness and termination of all credit facilities relating thereto and to release all Liens securing such obligations, and the establishment of escrow or other arrangements for such repayment and release of Liens acceptable to the Administrative Agent and the Lenders;

(l) certified copies of indentures, credit agreements, leases, capital leases, instruments, and other documents evidencing or securing Indebtedness of any Consolidated Company, described on SCHEDULE 6.13(a), in any single case in an amount not less than \$25,000,000;

(m) certificates, reports and other information as the Administrative Agent may reasonably request from any Consolidated Company in order to satisfy the Lenders as to the absence of any liabilities or obligations which could reasonably be expected to have a Materially Adverse Effect arising from matters relating to employees of the Consolidated Companies, including employee relations, collective bargaining agreements, and Plans;

(n) certificates, reports, environmental audits and investigations, and other information as the Administrative Agent may reasonably request from any Consolidated Company in order to satisfy the Lenders as to the absence of any material liabilities or obligations under Environmental Laws which could reasonably be expected to have a Materially Adverse Effect;

(o) certificates, reports and other information as the Administrative Agent may reasonably request from any Consolidated Company in order to satisfy the Lenders as to the absence of any liabilities or obligations which could reasonably be expected to have a Materially Adverse Effect arising from litigation (including without

limitation, products liability and patent infringement claims) pending or threatened against the Consolidated Companies;

(p) a summary, set forth in format and detail reasonably acceptable to the Administrative Agent, of the types and amounts of insurance (property and liability) maintained by the Consolidated Companies;

(q) the favorable opinion of independent counsel to the Credit Parties acceptable to the Administrative Agent, addressed to, and in form and substance satisfactory to, the Administrative Agent and each of the Lenders;

(r) financial statements of Borrower and its Subsidiaries, on a consolidated basis, for the most recently completed fiscal year for which audited annual financial statements are available; and

(s) all material documentation in conjunction with the Convertible Subordinated Debt, the subordination provisions of which shall, in all respects, be satisfactory to the Administrative Agent and the Required Lenders.

In addition to the foregoing, the following conditions shall have been satisfied or shall exist, all to the satisfaction of the Administrative Agent, as of the time the initial Extensions of Credit are made hereunder:

(t) payment in full and termination of all outstanding senior indebtedness of the Borrower and its Material Subsidiaries and the release of any liens securing the same; provided, however, the following indebtedness may remain outstanding: (i) all Capitalized Lease Obligations described on SCHEDULE 6.7; (ii) installment notes and other Indebtedness described on SCHEDULE 6.13(a); and (iii) the Intercompany Loans described on SCHEDULE 6.22;

(u) the Extensions of Credit to be made and the use of proceeds thereof shall not contravene, violate or conflict with, or involve the Administrative Agent or any Lender in a violation of, any law, rule, injunction, or regulation, or determination of any court of law or other governmental authority;

(v) all corporate proceedings and all other legal matters in connection with the authorization, legality, validity and enforceability of the Credit Documents shall be reasonably satisfactory in form and substance to the Required Lenders; and

(w) the status of all pending and threatened litigation (including products liability and patent claims) described on SCHEDULE 6.5, including a description of any damages sought and the claims constituting the basis therefor, shall have been reported in writing to the Administrative Agent, the Administrative Agent shall have reported such matters to the Lenders, and the Lenders shall be satisfied with such status.

SECTION 5.2 CONDITIONS TO ALL EXTENSIONS OF CREDIT. At the time of the making of all Extensions of Credit (before as well as after giving effect to such Loans and to the proposed use of the proceeds thereof), the following conditions shall have been satisfied or shall exist:

(a) there shall exist no Default or Event of Default;

(b) all representations and warranties by Borrower contained herein shall be true and correct in all material respects with the same effect as though such representations and warranties had been made on and as of the date of such Extensions of Credit;

(c) since the date of the most recent financial statements of the Consolidated Companies described in Section 6.3, there shall have been no change which has had or could reasonably be expected to have a Materially Adverse Effect.

(d) there shall be no action or proceeding instituted or pending before any court or other governmental authority or, to the knowledge of Borrower, threatened (i) which reasonably could be expected to have a Materially Adverse Effect, or (ii) seeking to prohibit or restrict one or more Credit Party's ownership or operation of any portion of its business or assets, or to compel one or more Credit Party to dispose of or hold separate all or any portion of its businesses or assets, where such portion or portions of such business(es) or assets, as the case may be, constitute a material portion of the total businesses or assets of the Consolidated Companies;

(e) the Extensions of Credit to be made and the use of proceeds thereof shall not contravene, violate or conflict with, or involve the Administrative Agent or any Lender in a violation of, any law, rule, injunction, or regulation, or determination of any court of law or other governmental authority applicable to Borrower; and

(f) the Administrative Agent shall have received such other documents or legal opinions as the Administrative Agent or any Lender may reasonably request, all in form and substance reasonably satisfactory to the Administrative Agent.

Each request for an Extension of Credit and the acceptance by Borrower of the proceeds thereof shall constitute a representation and warranty by Borrower, as of the date of such Extension of Credit, that the applicable conditions specified in Sections 5.1 and 5.2 have been satisfied without any further action by the Borrower.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES

Borrower represents, warrants and covenants to Lenders that:

SECTION 6.1 ORGANIZATION AND QUALIFICATION. Borrower is a corporation duly organized and existing in good standing under the laws of the State of Delaware. Each Subsidiary of Borrower is a corporation duly organized and existing under the laws of the jurisdiction of its incorporation. Borrower and each of its Material Subsidiaries are duly qualified to do business as a foreign corporation and are in good standing in each jurisdiction in which the character of their properties or the nature of their business makes such qualification necessary, except for such jurisdictions in which a failure to qualify to do business would not have a Materially Adverse Effect. Borrower and each of its Material Subsidiaries have the corporate power to own their respective properties and to carry on their respective businesses as now being conducted. The jurisdiction of incorporation or organization, and the ownership of all issued and outstanding capital stock, for each Material Subsidiary as of the date of this Agreement is accurately described on SCHEDULE 6.1. SCHEDULE 6.1 also designates the Material Subsidiaries as of the Closing Date.

SECTION 6.2 CORPORATE AUTHORITY. The execution and delivery by Borrower and the Guarantors of and the performance by Borrower and Guarantors of their obligations under the Credit Documents have been duly authorized by all requisite corporate action and all requisite shareholder action, if any, on the part of Borrower and the Guarantors and do not and will not (i) violate any provision of any law, rule or regulation, any judgment, order or ruling of any court or governmental agency, the organizational papers or bylaws of Borrower or the Guarantors, or any indenture, agreement or other instrument to which Borrower or the Guarantors are a party or by which Borrower or the Guarantors or any of their properties is bound, or (ii) be in conflict with, result in a

breach of, or constitute with notice or lapse of time or both a default under any such indenture, agreement or other instrument.

SECTION 6.3 FINANCIAL STATEMENTS. Borrower has furnished Lenders with the following financial statements, identified by the Chief Financial Officer of Borrower: consolidated balance sheets and consolidated statements of income, stockholders' equity and cash flow of Borrower for the fiscal years ended on the last Saturday in December, 1996 certified by Deloitte & Touche, and quarterly, publicly filed financial statements for the periods ended March 31, 1997, June 30, 1997, and September 30, 1997. Such financial statements (including any related schedules and notes) are true and correct in all material respects, have been prepared in accordance with GAAP consistently applied throughout the period or periods in question and show, in the case of audited statements, all liabilities, direct or contingent, of Borrower and its Subsidiaries, required to be shown in accordance with GAAP consistently applied throughout the period or periods in question and fairly present the consolidated financial position and the consolidated results of operations of Borrower and its Subsidiaries for the periods indicated therein. There has been no material adverse change in the business, condition or operations, financial or otherwise, of Borrower and its Consolidated Subsidiaries since the date of such financial statements.

SECTION 6.4 TAX RETURNS. Except as set forth on SCHEDULE 6.4, each of Borrower and its Material Subsidiaries has filed all federal, state and other income tax returns which, to the best knowledge of the executive officers of Borrower and its Material Subsidiaries, are required to be filed, and each has paid all taxes as shown on said returns and on all assessments received by it to the extent that such taxes have become due or except such as are being contested in good faith by appropriate proceedings for which adequate reserves have been established in accordance with GAAP.

SECTION 6.5 ACTIONS PENDING. Except as disclosed on SCHEDULE 6.5 hereto, there is no action, suit, investigation or proceeding pending or, to the knowledge of any Executive Officer of Borrower, threatened against or affecting Borrower or any of its Material Subsidiaries or any of their properties or rights, by or before any court, arbitrator or administrative or governmental body, which might result in any Materially Adverse Effect.

SECTION 6.6 REPRESENTATIONS; NO DEFAULTS. At the time of each Extension of Credit there shall exist no Default or Event of Default, and each Extension of Credit shall be deemed a renewal by Borrower of the representations and warranties contained in this Agreement, except to the extent that such representations and warranties specifically relate to and are limited to an earlier date, and an affirmative statement by Borrower that such

representations and warranties are true and correct in all material respects on and as of such time with the same effect as though such representations and warranties had been made on and as of such time.

SECTION 6.7 TITLE TO PROPERTIES; CAPITALIZED LEASES. Each of Borrower and its Material Subsidiaries has (i) good and marketable fee simple title to its respective real properties (other than real properties which it leases from others), including such real properties reflected in the consolidated balance sheet of Borrower and its Material Subsidiaries as of December 28, 1996 hereinabove described (other than real properties disposed of in the ordinary course of business), subject to no Lien of any kind which could reasonably be expected to have a Materially Adverse Effect and except Liens permitted by Section 8.1 and (ii) good title to all of its other respective properties and assets (other than properties and assets which it leases from others), including the other properties and assets reflected in the consolidated balance sheet of Borrower and its Subsidiaries at December 28, 1996 hereinabove described (other than properties and assets disposed of in the ordinary course of business), subject to no Lien of any kind which could reasonably be expected to have a Materially Adverse Effect and except Liens permitted by Section 8.1. Each of Borrower and its Material Subsidiaries enjoys peaceful and undisturbed possession under all leases necessary in any material respect for the operation of its respective properties and assets, none of which contains any unusual or burdensome provisions which could reasonably be expected to have a Materially Adverse Effect, and all such leases are valid and subsisting and in full force and effect. There are no Capitalized Lease Obligations except as disclosed on SCHEDULE 6.7 hereto.

SECTION 6.8 ENFORCEABILITY OF AGREEMENT. This Agreement is the legal, valid and binding agreement of Borrower enforceable against Borrower in accordance with its terms, and the Notes, and all other Credit Documents, when executed and delivered, will be similarly legal, valid, binding and enforceable, except as the enforceability of the Notes and other Credit Documents may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditor's rights and remedies in general and by general principles of equity, whether considered in a proceeding at law or in equity.

SECTION 6.9 CONSENT. No consent, permission, authorization, order or license of or filing with any governmental authority or Person which has not been obtained or made is necessary in connection with the execution, delivery, performance or enforcement of the Credit Documents by the Credit Parties, or in order to constitute the indebtedness to be incurred hereunder and under the Notes and the other Credit Documents as "Senior Debt" or any similar term defined within each of the Subordinated Debt documents.

SECTION 6.10 USE OF PROCEEDS; FEDERAL RESERVE REGULATIONS. The proceeds of the Notes will be used solely for the purposes specified in Section 2.1(c) and 3.1(c) and none of such proceeds will be used, directly or indirectly, for the purpose of purchasing or carrying any "margin security" or "margin stock" or for the purpose of reducing or retiring any indebtedness that originally was incurred to purchase or carry a "margin security" or "margin stock" or for any other purpose that might constitute this transaction a "purpose credit" within the meaning of the regulations of the Board of Governors of the Federal Reserve System.

SECTION 6.11 ERISA.

(a) IDENTIFICATION OF CERTAIN PLANS. SCHEDULE 6.11 hereto sets forth all Plans of Borrower and its Subsidiaries;

(b) COMPLIANCE. Each Plan is being maintained, by its terms and in operation, in accordance with all applicable laws, except such noncompliance (when taken as a whole) that will not have a Materially Adverse Effect on the Borrower and its Subsidiaries taken as a whole, or upon their financial condition, assets, business, operations, liabilities or prospects;

(c) LIABILITIES. Neither the Borrower nor any Subsidiary is currently or will become subject to any liability (including withdrawal liability), tax or penalty whatsoever to any person whomsoever with respect to any Plan including, but not limited to, any tax, penalty or liability arising under Title I or Title IV of ERISA or Chapter 43 of the Code, except such liabilities (when taken as a whole) as will not have a Materially Adverse Effect on the Borrower and its Subsidiaries taken as a whole, or upon their financial condition, assets, business, operations, liabilities or prospects; and

(d) FUNDING. The Borrower and each ERISA Affiliate has made full and timely payment of all amounts (i) required to be contributed under the terms of each

Plan and applicable law and (ii) required to be paid as expenses of each Plan, except where such non-payment would not have a Material Adverse Effect. No Plan has an "amount of unfunded benefit liabilities" (as defined in Section 4001(a)(18) of ERISA) except as disclosed on SCHEDULE 6.11. No Plan is subject to a waiver or extension of the minimum funding requirements under ERISA or the Code, and no request for such waiver or extension is pending.

SECTION 6.12 SUBSIDIARIES. All the outstanding shares of stock of each Consolidated Subsidiary have been validly issued and are fully paid and nonassessable and all such outstanding shares, except as noted on such SCHEDULE 6.1, are owned by Borrower or a Wholly Owned Subsidiary of Borrower free of any Lien or claim.

Each Subsidiary (i) is a corporation duly organized, validly existing and in good standing under the laws of the State of its incorporation with the power and authority (corporate and other) to carry on its business as it is now conducted and (ii) is qualified to transact business as a foreign corporation and is in good standing in each jurisdiction in which such qualification is required under applicable law, except for such jurisdictions in which a failure to qualify to do business would not have a Materially Adverse Effect.

SECTION 6.13 OUTSTANDING DEBT.

(a) Except for the Refinanced Indebtedness to be repaid and terminated on the Closing Date and the Intercompany Loans set forth on SCHEDULE 6.22, and except as set forth on SCHEDULE 6.13(a) as of the Closing Date and after giving effect to the transactions contemplated by this Agreement, neither Borrower nor any of its Subsidiaries has outstanding any Indebtedness.

(b) There exists no event of default under the provisions of any instrument evidencing such Indebtedness or of any agreement relating thereto except as noted on SCHEDULE 6.13(b).

SECTION 6.14 CONFLICTING AGREEMENTS. Neither Borrower nor any of its Consolidated Subsidiaries is a party to any contract or agreement or subject to any charter, bylaw or other corporate restriction which would reasonably be expected to have a Materially Adverse Effect. Assuming the consummation of the transactions contemplated by this Agreement, neither the execution or delivery of this Agreement or the Credit Documents, nor fulfillment of or compliance with the terms and provisions hereof and thereof, will conflict with, or result in a breach of the terms, conditions or provisions of, or constitute a default under, or result in any

violation of, or result in the creation of any Lien upon any of the properties or assets of Borrower or any of its Subsidiaries pursuant to, the charter or By-Laws of Borrower or any of its Subsidiaries, any award of any arbitrator or any agreement (including any agreement with stockholders), instrument, order, judgment, decree, statute, law, rule or regulation to which Borrower or any of its Subsidiaries is subject, and neither Borrower nor any of its Subsidiaries is a party to, or otherwise subject to any provision contained in, any instrument evidencing Debt of Borrower or any of its Subsidiaries, any agreement relating thereto or any other contract or agreement (including its charter) which limits the amount of, or otherwise imposes restrictions on the incurring of, Debt of the type to be evidenced by the Notes or contains dividend or redemption limitations on Common Stock of Borrower, except for this Agreement, Borrower's Certificate of Incorporation and those matters listed on SCHEDULE 6.14 attached hereto.

SECTION 6.15 ENVIRONMENTAL MATTERS.

(a) Except as set forth on SCHEDULE 6.15(a), each of the Borrower and its Subsidiaries has complied in all material respects (except for instances of noncompliance that have been resolved prior to the Closing Date) with all applicable Environmental Laws, including without limitation, compliance with permits, licenses, standards, schedules and timetables issued pursuant to Environmental Laws, and is not in violation of, and does not presently have outstanding any liability under, has not been notified that it is or may be liable under and does not have knowledge of any liability or potential liability under any applicable Environmental Law, including without limitation, the Resource Conservation and Recovery Act of 1976, as amended ("RCRA"), the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986 ("CERCLA"), the Federal Water Pollution Control Act, as amended ("FWPCA"), the Federal Clean Air Act, as amended ("FCAA"), and the Toxic Substance Control Act ("TSCA"), which violation, liability or potential liability could reasonably be expected to have a Materially Adverse Effect.

(b) Except as set forth on SCHEDULE 6.15(b), neither the Borrower nor any of its Subsidiaries has received a written request for information under CERCLA or any analogous state law, or written notice that any such entity has been identified as a potential responsible party under CERCLA, or any analogous state law, nor has any such entity received any written notification that any Hazardous Substance that it or any of its respective predecessors in interest has generated, stored, treated, handled, transported, or disposed of, has been released or is threatened to be released at any site at which any Person intends to conduct or is conducting

a remedial investigation or other action pursuant to any applicable Environmental Law, or any other Environmental Laws.

(c) Except as set forth on SCHEDULE 6.15(c), each of the Borrower and its Subsidiaries has obtained all permits, licenses or other authorizations which are material for the conduct of their respective operations under all applicable Environmental Laws and with respect to which each such authorization is in full force and effect.

(d) Except as set forth in SCHEDULE 6.15(d), each of Borrower and its Subsidiaries complies in all material respects with all laws and regulations relating to equal employment opportunity and employee safety in all jurisdictions in which it is presently doing business.

SECTION 6.16 POSSESSION OF FRANCHISES, LICENSES, ETC. Each of Borrower and its Material Subsidiaries possesses all franchises, certificates, licenses, permits and other authorizations from governmental political subdivisions or regulatory authorities, free from burdensome restrictions, that are necessary in any material respect for the ownership, maintenance and operation of its properties and assets, and neither Borrower nor any of its Subsidiaries is in violation of any thereof in any material respect.

SECTION 6.17 PATENTS, ETC. Except as set forth on SCHEDULE 6.17, each of Borrower and its Material Subsidiaries owns or has the right to use all patents, trademarks, service marks, trade names, copyrights, licenses and other rights, which are necessary for the operation of its business as presently conducted. To the knowledge of any Executive Officer (i) no product, process, method, substance, part or other material presently contemplated to be sold by or employed by Borrower or any of its Material Subsidiaries in connection with its business may infringe any patent, trademark, service mark, trade name, copyright, license or other right owned by any other Person, (ii) there are no pending or threatened claim or litigation against or affecting Borrower or any of its Subsidiaries contesting its right to sell or use any such product, process, method, substance, part or other material or (iii) there is no, or there is no pending or proposed, patent, invention, device, application or principle or any statute, law, rule, regulation, standard or code which would prevent, inhibit or render obsolete the production or sale of any products of, or substantially reduce the projected revenues of, or otherwise Materially Adversely Effect the Borrower or any of its Material Subsidiaries.

SECTION 6.18 GOVERNMENTAL CONSENT. Neither the nature of Borrower or any of its Subsidiaries nor any of their respective businesses or properties, nor any relationship between Borrower and

any other Person, nor any circumstance in connection with the execution and delivery of the Credit Documents and the consummation of the transactions contemplated thereby is such as to require on behalf of Borrower or any of its Material Subsidiaries any consent, approval or other action by or any notice to or filing with any court or administrative or governmental body in connection with the execution and delivery of this Agreement and the Credit Documents.

SECTION 6.19 DISCLOSURE. Neither this Agreement nor the Credit Documents nor any other document, certificate or written statement furnished to Lenders by or on behalf of Borrower in connection herewith contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein or therein not misleading. There is no fact peculiar to Borrower which materially adversely affects or in the future may (so far as Borrower can now foresee) materially adversely affect the business, property or assets, financial condition of Borrower which has not been set forth in this Agreement or in the Credit Documents, certificates and written statements furnished to Lenders by or on behalf of Borrower prior to the date hereof in connection with the transactions contemplated hereby.

SECTION 6.20 INSURANCE COVERAGE. Each property of Borrower or any of its Subsidiaries is insured within terms reasonably acceptable to Lenders for the benefit of Borrower or a Subsidiary of Borrower in amounts deemed adequate by Borrower's management and no less than those amounts customary in the industry in which Borrower and its Subsidiaries operate against risks usually insured against by Persons operating businesses similar to those of Borrower or its Subsidiaries in the localities where such properties are located.

SECTION 6.21 LABOR MATTERS. Except as set forth on SCHEDULE 6.21, the Borrower and the Borrower's Subsidiaries have experienced no strikes, labor disputes, slow downs or work stoppages due to labor disagreements which have had, or would reasonably be expected to have, a Materially Adverse Effect, and, to the best knowledge of Borrower's Executive Officers, there are no such strikes, disputes, slow downs or work stoppages threatened against Borrower or any of Borrower's Subsidiaries. The hours worked and payment made to employees of the Borrower and Borrower's Subsidiaries have not been in violation in any material respect of the Fair Labor Standards Act or any other applicable law dealing with such matters which could reasonably be expected to have a Materially Adverse Effect. All payments due from the Borrower and Borrower's Subsidiaries, or for which any claim may be made against the Consolidated Companies, on account of wages and employee health and welfare insurance and other benefits have been paid or accrued as liabilities on the books of the Borrower and Borrower's

Subsidiaries where the failure to pay or accrue such liabilities would reasonably be expected to have a Materially Adverse Effect.

SECTION 6.22 INTERCOMPANY LOANS; DIVIDENDS. The Intercompany Loans and the Intercompany Loan Documents, to the extent that they exist, have been duly authorized and approved by all necessary corporate and shareholder action on the part of the parties thereto, and constitute the legal, valid and binding obligations of the parties thereto, enforceable against each of them in accordance with their respective terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting creditors' rights generally, and by general principles of equity. There are no restrictions on the power of any Consolidated Company to repay any Intercompany Loan or to pay dividends on capital stock. Intercompany Loans as of the Closing date are described in SCHEDULE 6.22.

SECTION 6.23 SECURITIES ACTS. Neither Borrower nor any of its Subsidiaries nor any agent engaged to act on their behalf has, directly or indirectly, taken or will take any action which would subject the issuance of the Notes to the provisions of Section 5 of the Securities Act of 1933, as amended, or to the provisions of any securities or Blue Sky Law of any applicable jurisdiction.

SECTION 6.24 INVESTMENT COMPANY ACT; HOLDING COMPANY. Neither Borrower nor any of its Subsidiaries is an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940 or is a "holding company," or a subsidiary or affiliate of a "holding company," or a "public utility," within the meaning of the Public Utility Holding Company Act of 1935, as amended or a "public utility" within the meaning of the Federal Power Act, as amended.

SECTION 6.25 REGULATION G, ETC. Neither Borrower nor any of its Subsidiaries nor any agent acting on their behalf has taken or will take any action which might cause this Agreement or the Notes to violate Regulation G, T, or X or any other regulation of the Board of Governors of the Federal Reserve System or to violate the Securities Exchange Act of 1934, and each case in effect now or as the same may hereafter be in effect.

ARTICLE VII

AFFIRMATIVE COVENANTS

Borrower covenants and agrees that so long as it may borrow under this Agreement or so long as any Obligations remain outstanding that it will:

SECTION 7.1 CORPORATE EXISTENCE, ETC. Preserve and maintain, and cause each of its Material Subsidiaries to preserve and maintain, its corporate existence, its material rights, franchises, and licenses, and its material patents and copyrights (for the scheduled duration thereof), trademarks, trade names, and service marks, necessary or desirable in the normal conduct of its business, and its qualification to do business as a foreign corporation in all jurisdictions where it conducts business or other activities making such qualification necessary, where the failure to do so would reasonably be expected to have a Materially Adverse Effect.

SECTION 7.2 COMPLIANCE WITH LAWS, ETC. Comply, and cause each of its Subsidiaries to comply with all Requirements of Law (including, without limitation, the Environmental Laws, subject to the exception set forth in Section 7.7(f) where the penalties, claims, fines, and other liabilities resulting from noncompliance with such Environmental Laws do not involve amounts in excess of five percent (5%) of Borrower's Consolidated Net Worth in the aggregate) and Contractual Obligations applicable to or binding on any of them where the failure to comply with such Requirements of Law and Contractual Obligations would reasonably be expected to have a Materially Adverse Effect.

SECTION 7.3 PAYMENT OF TAXES AND CLAIMS, ETC. Pay, and cause each of its Subsidiaries to pay, (i) all taxes, assessments and governmental charges imposed upon it or upon its property, and (ii) all claims (including, without limitation, claims for labor, materials, supplies or services), which might, if unpaid, become a Lien upon its property, unless, in each case, the validity or amount thereof is being contested in good faith by appropriate proceedings and adequate reserves are maintained with respect thereto.

SECTION 7.4 KEEPING OF BOOKS. Keep, and cause each of its Subsidiaries to keep, proper books of record and account, containing complete and accurate entries of all their respective financial and business transactions.

SECTION 7.5 VISITATION, INSPECTION, ETC. Permit, and cause each of its Material Subsidiaries to permit, any representative of the Administrative Agent or any Lender to visit and inspect any of its property, to examine its books and records and to make copies and take extracts therefrom, and to discuss its affairs, finances and accounts with its officers, all during normal business hours and as often as the Administrative Agent or such Lender may reasonably request after reasonable prior notice to Borrower; provided, however, that at any time following the occurrence and during the continuance of a Default or an Event of Default, no prior notice to Borrower shall be required and further, provided, that in the event any documents and records are subject to any

contractual confidentiality requirements with any Person, the right to make copies or extracts therefrom shall be subject to the prior written consent of the Borrower, which consent will not be unreasonably withheld.

SECTION 7.6 INSURANCE; MAINTENANCE OF PROPERTIES.

(a) Maintain or cause to be maintained with financially sound and reputable insurers, insurance with respect to its properties and business, and the properties and business of its Subsidiaries, against loss or damage of the kinds customarily insured against by reputable companies in the same or similar businesses, such insurance to be of such types and in such amounts, including such self-insurance and deductible provisions, as is customary for such companies under similar circumstances; provided, however, that in any event Borrower shall use its best efforts to maintain, or cause to be maintained, insurance in amounts and with coverages not materially less favorable to any Consolidated Company as in effect on the date of this Agreement, except where the costs of maintaining such insurance would, in the judgment of both Borrower and the Administrative Agent, be excessive.

(b) Cause, and cause each of the Consolidated Companies to cause, all properties used or useful in the conduct of its business to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements, settlements and improvements thereof, all as in the judgment of Borrower may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; provided, however, that nothing in this Section shall prevent Borrower from discontinuing the operation or maintenance of any such properties if such discontinuance is, in the judgment of Borrower, desirable in the conduct of its business or the business of any Consolidated Company.

SECTION 7.7 REPORTING COVENANTS. Furnish to each Lender:

(a) ANNUAL FINANCIAL STATEMENTS. As soon as available and in any event within 90 days after the end of each fiscal year of Borrower, balance sheets of the Consolidated Companies as at the end of such year, presented on a consolidated basis, and the related statements of income, shareholders' equity, and cash flows of the Consolidated Companies for such fiscal year, presented on a consolidated basis, setting forth in each

case in comparative form the figures for the previous fiscal year, all in reasonable detail and accompanied by a report thereon of Deloitte & Touche or other independent public accountants of comparable recognized national standing, which such report shall be unqualified as to going concern and scope of audit and shall state that such financial statements present fairly in all material respects the financial condition as at the end of such fiscal year on a consolidated basis, and the results of operations and statements of cash flows of the Consolidated Companies for such fiscal year in accordance with GAAP and that the examination by such accountants in connection with such consolidated financial statements has been made in accordance with generally accepted auditing standards;

(b) QUARTERLY FINANCIAL STATEMENTS. As soon as available and in any event within 45 days after the end of each fiscal quarter of Borrower (other than the fourth fiscal quarter), balance sheets of the Consolidated Companies as at the end of such quarter presented on a consolidated basis and the related statements of income, shareholders' equity, and cash flows of the Consolidated Companies for such fiscal quarter and for the portion of Borrower's fiscal year ended at the end of such quarter, presented on a consolidated basis setting forth in each case in comparative form the figures for the corresponding quarter and the corresponding portion of Borrower's previous fiscal year, all in reasonable detail and certified by the chief financial officer or principal accounting officer of Borrower that such financial statements fairly present in all material respects the financial condition of the Consolidated Companies as at the end of such fiscal quarter on a consolidated basis, and the results of operations and statements of cash flows of the Consolidated Companies for such fiscal quarter and such portion of Borrower's fiscal year, in accordance with GAAP consistently applied (subject to normal year end audit adjustments and the absence of certain footnotes);

(c) NO DEFAULT/COMPLIANCE CERTIFICATE. Together with the financial statements required pursuant to subsections (a) and (b) above, a certificate of the president, chief financial officer or principal accounting officer of Borrower (i) to the effect that, based upon a review of the activities of the Consolidated Companies and such financial statements during the period covered thereby, there exists no Event of Default and no Default under this Agreement, or if there exists an Event of Default or a Default hereunder, specifying the nature thereof and the proposed response thereto, and

(ii) demonstrating in reasonable detail compliance as at the end of such fiscal year or such fiscal quarter with Section 7.8 and Sections 8.1 through 8.3;

(d) NOTICE OF DEFAULT. Promptly after any Executive Officer of Borrower has notice or knowledge of the occurrence of an Event of Default or a Default, a certificate of the chief financial officer or principal accounting officer of Borrower specifying the nature thereof and the proposed response thereto;

(e) LITIGATION. Promptly after (i) the occurrence thereof, notice of the institution of or any adverse development in any action, suit or proceeding or any governmental investigation or any arbitration, before any court or arbitrator or any governmental or administrative body, agency or official, against any Consolidated Company, or any material property thereof which might have a Materially Adverse Effect, or (ii) actual knowledge thereof, notice of the threat of any such action, suit, proceeding, investigation or arbitration;

(f) ENVIRONMENTAL NOTICES. Promptly after receipt thereof, notice of any actual or alleged violation, or notice of any action, claim or request for information, either judicial or administrative, from any governmental authority relating to any actual or alleged claim, notice of potential responsibility under or violation of any Environmental Law, or any actual or alleged spill, leak, disposal or other release of any waste, petroleum product, or hazardous waste or Hazardous Substance by any Consolidated Company which violation, action, claim, request, spill, leak, disposal, or release could result in penalties, fines, claims or other liabilities to any Consolidated Company in amounts in excess of \$5,000,000 individually or when aggregated with other then pending such matters;

(g) ERISA.

A. Promptly after the occurrence thereof with respect to any Plan of any Consolidated Company or any ERISA Affiliate thereof, or any trust established thereunder, notice of (x) a "reportable event" described in Section 4043 of ERISA and the regulations issued from time to time thereunder (other than a "reportable event" not subject to the provisions for 30 day notice to the PBGC under such regulations), or (y) any other event which could subject any Consolidated Company to any tax, penalty or liability under Title I

or Title IV of ERISA or Chapter 43 of the Tax Code, or any tax or penalty resulting from a loss of deduction under Sections 162, 404 or 419 of the Tax Code, where any such taxes, penalties or liabilities exceed or could exceed \$5,000,000 in the aggregate;

B. Promptly after such notice must be provided to the PBGC, or to a Plan participant, beneficiary or alternative payee, any notice required under Section 101(d), 302(f)(4), 303, 307, 4041(b)(1)(A) or 4041(c)(1)(A) of ERISA or under Section 401(a)(29) or 412 of the Tax Code with respect to any Plan of any Consolidated Company or any ERISA Affiliate thereof;

C. Promptly after receipt, any notice received by any Consolidated Company or any ERISA Affiliate thereof concerning the intent of the PBGC or any other governmental authority to terminate a Plan of such Company or ERISA Affiliate thereof which is subject to Title IV of ERISA, to impose any liability on such Company or ERISA Affiliate under Title IV of ERISA or Chapter 43 of the Tax Code;

D. Upon the request of the Administrative Agent, promptly upon the filing thereof with the Internal Revenue Service ("IRS") or the Department of Labor ("DOL"), a copy of IRS Form 5500 or annual report for each Plan of any Consolidated Company or ERISA Affiliate thereof which is subject to Title IV of ERISA;

E. Upon the request of the Administrative Agent, (A) true and complete copies of any and all documents, government reports and IRS determination or opinion letters or rulings for any Plan of any Consolidated Company from the IRS, PBGC or DOL, (B) any reports filed with the IRS, PBGC or DOL with respect to a Plan of the Consolidated Companies or any ERISA Affiliate thereof, or (C) a current statement of withdrawal liability for each Multiemployer Plan of any Consolidated Company or any ERISA Affiliate thereof;

(h) LIENS. Promptly upon any Consolidated Company becoming aware thereof, notice of the filing of any

federal statutory Lien, tax or other state or local government Lien or any other Lien affecting its respective properties, other than those Liens expressly permitted by Section 8.1;

(i) PUBLIC FILINGS, ETC. Promptly upon the filing thereof or otherwise becoming available, copies of all financial statements, annual, quarterly and special reports, proxy statements and notices sent or made available generally by Borrower to its public security holders, of all regular and periodic reports and all registration statements and prospectuses, if any, filed by any of them with any securities exchange, and of all press releases and other statements made available generally to the public containing material developments in the business or financial condition of Borrower and the other Consolidated Companies;

(j) ACCOUNTANTS' REPORTS. Upon request by the Administrative Agent, promptly upon receipt thereof, copies of all financial statements of, and all publicly filed reports submitted by, independent public accountants to Borrower in connection with each annual, interim, or special audit of Borrower's consolidated financial statements;

(k) TRADEMARKS; LABOR DISPUTES, ETC. Promptly upon the existence or occurrence thereof, notice of the existence or occurrence of (i) failure of any Consolidated Company to hold in full force and effect those material trademarks, service marks, patents, trade names, copyrights, licenses and similar rights necessary in the normal conduct of its business, and (ii) any strike, labor dispute, slow down or work stoppage as described in Section 6.21;

(l) NEW SUBSIDIARIES. Within 90 days after the formation or acquisition of any Subsidiary, or any other event resulting in the creation of a new Subsidiary, notice of the formation or acquisition of such Subsidiary or such occurrence, including a description of the assets of such entity, the activities in which it will be engaged, and such other information as the Administrative Agent may request;

(m) MATERIAL SUBSIDIARIES. Promptly upon the occurrence thereof, notice of any Subsidiary becoming a Material Subsidiary and of any Material Subsidiary no longer qualifying as such;

(n) INTERCOMPANY ASSET TRANSFERS. Promptly upon the occurrence thereof, notice of the transfer of any

assets from Borrower or any Guarantor to any other Consolidated Company that is not Borrower or a Guarantor (in any transaction or series of related transactions), excluding sales or other transfers of assets in the ordinary course of business, where the Asset Value of such assets is less than \$25,000,000; and

(o) OTHER INFORMATION. With reasonable promptness, such other information about the Consolidated Companies as the Administrative Agent or any Lender may reasonably request from time to time.

SECTION 7.8 FINANCIAL COVENANTS.

(a) FIXED CHARGE COVERAGE. Maintain as of the last day of each fiscal quarter, a minimum Fixed Charge Coverage Ratio, calculated for the immediately preceding four fiscal quarters, of at least 1.5:1.0.

(b) LEVERAGE RATIO. Maintain as of the last day of each fiscal quarter, a Leverage Ratio, of less than or equal to 0.45:1.0.

SECTION 7.9 NOTICES UNDER CERTAIN OTHER INDEBTEDNESS. Immediately upon its receipt thereof, Borrower shall furnish the Administrative Agent a copy of any notice received by it or any other Consolidated Company from the holder(s) of Indebtedness (or from any trustee, agent, attorney, or other party acting on behalf of such holder(s)) in an amount which, in the aggregate, exceeds \$25,000,000, where such notice states or claims (i) the existence or occurrence of any default or event of default with respect to such Indebtedness under the terms of any indenture, loan or credit agreement, debenture, note, or other document evidencing or governing such Indebtedness, or (ii) the existence or occurrence of any event or condition which requires or permits holder(s) of any Indebtedness to exercise rights under any change in control provision. Borrower agrees to take such actions as may be necessary to require the holder(s) of any Indebtedness (or any trustee or agent acting on their behalf) incurred pursuant to documents executed or amended and restated after the Closing Date, to furnish copies of all such notices directly to the Administrative Agent simultaneously with the furnishing thereof to Borrower, and that such requirement may not be altered or rescinded without the prior written consent of the Administrative Agent.

SECTION 7.10 ADDITIONAL GUARANTORS. Promptly after (i) the formation or acquisition (provided that nothing in this Section shall be deemed to authorize or prohibit the acquisition of any entity) of any Material Subsidiary not listed on SCHEDULE 6.1, (ii) the transfer of assets to any Consolidated Company if notice thereof is required to be given pursuant to Section 7.7(n) and as a result thereof the recipient of such assets becomes a Material Subsidiary, (iii) the occurrence of any other event creating a new Material Subsidiary, Borrower shall execute and deliver, and cause to be executed and delivered Guaranty Agreements from each such Material Subsidiary, together with related documents of the kind described in Section 5.1, all in form and substance satisfactory to the Administrative Agent and the Required Lenders. As used in this Section, Material Subsidiary shall not include a Foreign Subsidiary.

SECTION 7.11 FINANCIAL STATEMENTS; FISCAL YEAR. Borrower shall make no change in the dates of the fiscal year now employed for accounting and reporting purposes without the prior written consent of the Administrative Agent and the Required Lenders, which consent shall not be unreasonably withheld.

SECTION 7.12 OWNERSHIP OF GUARANTORS. Borrower shall maintain at least its percentage of ownership existing as of the date hereof of all Guarantors, and shall not decrease its ownership percentage in each Person which becomes a Guarantor after the date hereof, as such ownership exists at the time such Person becomes a Guarantor, without the written consent of the Administrative Agent and the Required Lenders, which consent will not be unreasonably withheld or delayed.

ARTICLE VIII

NEGATIVE COVENANTS

So long as any Commitment remains in effect hereunder or any Obligations remain outstanding, Borrower will not and will not permit any Consolidated Subsidiary to:

SECTION 8.1 LIENS. Create, incur, assume or suffer to exist any Lien on any of its property now owned or hereafter acquired to secure any Indebtedness other than:

(a) Liens existing on the date hereof disclosed on SCHEDULE 8.1;

(b) any Lien on any property securing Indebtedness incurred or assumed for the purpose of financing all or any part of the acquisition cost of such property and any

refinancing thereof, provided that such Lien does not extend to any other property, and provided further that the aggregate principal amount of Indebtedness secured by all such Liens at any time does not exceed \$150,000,000;

(c) Liens for taxes not yet due, and Liens for taxes or Liens imposed by ERISA which are being contested in good faith by appropriate proceedings and with respect to which adequate reserves are being maintained;

(d) Statutory Liens of landlords, existing contractual Liens of landlords, future contractual Liens of landlords which would not reasonably be expected to have a Materially Adverse Effect and Liens of carriers, warehousemen, mechanics, materialmen and other Liens imposed by law created in the ordinary course of business for amounts not yet due or which are being contested in good faith by appropriate proceedings and with respect to which adequate reserves are being maintained;

(e) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);

(f) Liens resulting from zoning, easements, and restrictions on the use of such real estate, or rights reserved or vested in governmental authority, which do not materially impair the use of such real estate;

(g) Liens arising under ERISA;

(h) Liens relating to an accounts receivable securitization program in an amount not to exceed \$300,000,000; and

(i) Any other Lien consented to by the Required Lenders, which consent will not be unreasonably withheld or delayed.

SECTION 8.2 MERGERS, ACQUISITIONS, SALES, ETC. Merge or consolidate with any other Person, other than Borrower or another Subsidiary, or sell, lease, or otherwise dispose of its accounts, property or other assets (including capital stock of Subsidiaries), or, except for the purchase of capital stock as an investment in a Subsidiary as permitted by subsections (a) and (b) in Section 8.3, below, purchase, lease or otherwise acquire all or any substantial portion of the property or assets (including capital stock) of any

Person; provided, however, that the foregoing restrictions on asset sales shall not be applicable to (i) sales of equipment or other personal property being replaced by other equipment or other personal property purchased as a capital expenditure item having comparable values, (ii) sale, lease or transfer of assets of the Borrower or any Subsidiary to the Borrower or to any other Subsidiary, (iii) sales of inventory in the ordinary course of business, (iv) other asset sales (including the stock of Subsidiaries) where, on the date of execution of a binding obligation to make such asset sale (provided that if the asset sale is not consummated within six (6) months of such execution, then on the date of consummation of such asset sale rather than on the date of execution of such binding obligation), the Asset Value of asset sales occurring after the Closing Date, taking into account the Asset Value of the proposed asset sale, would not exceed twenty-five percent (25%) of Borrower's assets, since the Closing Date and (v) the sale of accounts receivable in an amount permitted by Section 8.3(h) through an accounts receivable securitization program; provided further, that the foregoing restrictions on mergers shall not apply to mergers involving Borrower and another entity, provided Borrower is the surviving entity, and mergers between a Subsidiary of Borrower and Borrower or between Subsidiaries of Borrower provided that, in either case, upon consummation of such mergers, Borrower is in compliance with this Section 8.2; provided, however, that no transaction pursuant to clauses (i), (ii), (iv) or the second proviso above shall be permitted if any Default or Event of Default otherwise exists at the time of such transaction or would otherwise exist as a result of such transaction.

SECTION 8.3 INVESTMENTS, LOANS, ETC. Make, permit or hold any Investments in any Person, or otherwise acquire or hold any Subsidiaries, other than:

(a) Investments in Subsidiaries that are Guarantors under this Agreement, whether such Subsidiaries are Guarantors on the Closing Date or become Guarantors in accordance with Section 7.10 after the Closing Date; provided, however, nothing in this Section 8.3 shall be deemed to authorize or prohibit an investment pursuant to this subsection (a) in any entity that is not a Subsidiary and a Guarantor prior to such investment;

(b) Investments in Subsidiaries, other than those Subsidiaries that are or become Guarantors under this Agreement, or unless otherwise permitted by this Section 8.3, not to exceed \$25,000,000 and Investments in such Subsidiaries in excess of \$25,000,000 as approved by the Administrative Agent and the Required Lenders, which approval will not be unreasonably withheld;

(c) acquisition of or an increase in a minority position in another Person for which Borrower pays cash not to exceed \$100,000,000 and/or conveys shares of its common stock in exchange for equity securities of such Person;

(d) direct obligations of the United States or any agency thereof, or obligations guaranteed by the United States or any agency thereof and maturing within three years from the date of creation thereof;

(e) commercial paper, bankers acceptances and corporate obligations maturing within one year from the date of creation thereof having a rating at the time as of which any determination is made of P-1 (or higher) according to Moody's or as A-1 (or higher) according to S&P or the equivalent thereof if by another nationally recognized credit rating agency;

(f) time deposits maturing within one year from the date of purchase thereof, including certificates of deposit issued by any Lender and any office located in the United States of any bank or trust company which is organized under the laws of the United States or any state thereof and has total assets aggregating at least \$500,000,000, including without limitation, any such deposits in Eurodollars issued by a foreign branch of any such bank or trust company;

(g) Investments made by Plans;

(h) the sale of accounts receivable in an amount not to exceed \$300,000,000 through an accounts receivable securitization program; and

(i) tax-exempt securities having a rating at the time at which any determination is made of A-1 (or higher) according to S&P or a rating of VMIG-1 (or higher) according to Moody's or the equivalent thereof, if by another nationally recognized credit rating agency;

(j) advances to employees in the ordinary course of business not to exceed \$10,000,000 at any one time;

(k) Investments in foreign joint ventures and/or other non-consolidated entities in an aggregate amount not exceeding ten percent (10%) of the Consolidated Net Worth of the Borrower;

(l) options to purchase or lease property in the ordinary course of business; and

(m) Mutual funds consisting of investments described in subsections (d), (e) and (f) of this Section 8.3 except that such funds can invest in instruments rated A-2/P-2 or the equivalent with an average maturity of less than one year and/or money market funds.

SECTION 8.4 TRANSACTIONS WITH AFFILIATES.

(a) Except in conjunction with an accounts receivable securitization program as permitted in this Agreement, enter into any material transaction or series of related transactions which in the aggregate would be material, whether or not in the ordinary course of business, with any Affiliate of any Consolidated Company (but excluding any Affiliate which is also a Consolidated Company), other than on terms and conditions substantially as favorable to such Consolidated Company as would be obtained by such Consolidated Company at the time in a comparable arm's length transaction with a Person other than an Affiliate.

(b) Convey or transfer to any other Person (including any other Consolidated Company) any real property, buildings, or fixtures used in the manufacturing or production operations of any Consolidated Company, or convey or transfer to any other Consolidated Company any other assets (excluding conveyances or transfers in the ordinary course of business) if at the time of such conveyance or transfer any Default or Event of Default exists or would exist as a result of such conveyance or transfer.

SECTION 8.5 OPTIONAL PREPAYMENTS. Directly or indirectly, prepay, purchase, redeem, retire, defease or otherwise acquire, or make any optional payment on account of any principal of, interest on, or premium payable in connection with the optional prepayment, redemption or retirement of, any of its Indebtedness, or give a notice of redemption with respect to any such Indebtedness, or make any payment in violation of the subordination provisions of any Subordinated Debt, except with respect to (i) the Obligations under this Agreement and the Notes, (ii) prepayments of Indebtedness outstanding pursuant to revolving credit, overdraft and line of credit facilities set forth in SCHEDULE 6.13(a), (iii) Intercompany Loans set forth in SCHEDULE 6.22, and/or outstanding pursuant to Section 8.3, (iv) Subordinated Debt, in form and substance acceptable to the Administrative Agent and the Required Lenders, as evidenced by their written consent, issued to refinance existing Subordinated Debt (v) trade payables incurred in the ordinary course of business and (vi) prepayments of Indebtedness outstanding pursuant to an accounts receivable securitization program as permitted in this Agreement.

SECTION 8.6 CHANGES IN BUSINESS. Enter into any business which is substantially different from that presently conducted by the Consolidated Companies taken as a whole.

SECTION 8.7 ERISA. Take or fail to take any action with respect to any Plan of any Consolidated Company or, with respect to its ERISA Affiliates, any Plans which are subject to Title IV of ERISA or to continuation health care requirements for group health plans under the Tax Code, including without limitation (i) establishing any such Plan, (ii) amending any such Plan (except where required to comply with applicable law), (iii) terminating or withdrawing from any such Plan, or (iv) incurring an amount of unfunded benefit liabilities, as defined in Section 4001(a)(18) of ERISA, or any withdrawal liability under Title IV of ERISA with respect to any such Plan, without first obtaining the written approval of the Administrative Agent and the Required Lenders, where such actions or failures could result in a Material Adverse Effect.

SECTION 8.8 ADDITIONAL NEGATIVE PLEDGES. Create or otherwise cause or suffer to exist or become effective, directly or indirectly, any prohibition or restriction on the creation or existence of any Lien upon any asset of any Consolidated Company, other than pursuant to (i) the terms of any agreement, instrument or other document pursuant to which any Indebtedness incurred in connection with the Liens permitted by Section 8.1(a) is incurred by any Consolidated Company, so long as such prohibition or restriction applies only to the property or asset being financed by such Indebtedness, and (ii) any requirement of applicable law or any regulatory authority having jurisdiction over any of the Consolidated Companies.

SECTION 8.9 LIMITATION ON PAYMENT RESTRICTIONS AFFECTING CONSOLIDATED COMPANIES. Create or otherwise cause or suffer to exist or become effective, any consensual encumbrance or restriction on the ability of any Consolidated Company to (i) pay dividends or make any other distributions on such Consolidated Company's stock, or (ii) pay any indebtedness owed to Borrower or any other Consolidated Company, or (iii) transfer any of its property or assets to Borrower or any other Consolidated Company, except any consensual encumbrance or restriction existing under the Credit Documents.

SECTION 8.10 ACTIONS UNDER CERTAIN DOCUMENTS. Without the prior written consent of the Administrative Agent (which consent shall not be unreasonably withheld), modify, amend, cancel or rescind the Intercompany Loans or Intercompany Loan Documents, or any agreements or documents evidencing or governing Subordinated Debt or senior Indebtedness (except that a loan between Consolidated Companies may be modified or amended).

ARTICLE IX

EVENTS OF DEFAULT

Upon the occurrence and during the continuance of any of the following specified events (each an "Event of Default"):

SECTION 9.1 PAYMENTS. Borrower shall fail to make promptly when due (including, without limitation, by mandatory prepayment) any principal payment with respect to the Loans or any reimbursement obligation with respect to Letters of Credit, or Borrower shall fail to make within three (3) Business Days after the due date thereof any payment of interest, fee or other amount payable hereunder;

SECTION 9.2 COVENANTS WITHOUT NOTICE. Borrower shall fail to observe or perform any covenant or agreement contained in Sections 7.7(h), 7.8, 7.11, and 8.1 through 8.10;

SECTION 9.3 OTHER COVENANTS. Borrower shall fail to observe or perform any covenant or agreement contained in this Agreement, other than those referred to in Sections 9.1 and 9.2, and, if capable of being remedied, such failure shall remain unremedied for 30 days after the earlier of (i) Borrower's obtaining knowledge thereof, or (ii) written notice thereof shall have been given to Borrower by Administrative Agent or any Lender;

SECTION 9.4 REPRESENTATIONS. Any representation or warranty made or deemed to be made by Borrower or any other Credit Party or by any of its officers under this Agreement or any other Credit Document (including the Schedules attached thereto), or any certificate or other document submitted to the Administrative Agent or the Lenders by any such Person pursuant to the terms of this Agreement or any other Credit Document, shall be incorrect in any material respect when made or deemed to be made or submitted;

SECTION 9.5 NON-PAYMENTS OF OTHER INDEBTEDNESS. Any Consolidated Company shall fail to make when due (whether at stated maturity, by acceleration, on demand or otherwise, and after giving effect to any applicable grace period) any payment of principal of or interest on any Indebtedness (other than the Obligations) exceeding \$25,000,000.00 in the aggregate;

SECTION 9.6 DEFAULTS UNDER OTHER AGREEMENTS. Any Consolidated Company shall fail to observe or perform within any applicable grace period any covenants or agreements (other than those referenced in Section 9.5) contained in any agreements or instruments relating to any of its Indebtedness exceeding \$25,000,000.00 in the aggregate, or any other event shall occur if

the effect of such failure or other event is to accelerate, or to permit the holder of such Indebtedness or any other Person to accelerate, the maturity of such Indebtedness; or any such Indebtedness shall be required to be prepaid (other than by a regularly scheduled required prepayment) in whole or in part prior to its stated maturity;

SECTION 9.7 BANKRUPTCY. Borrower or any other Consolidated Company shall commence a voluntary case concerning itself under the Bankruptcy Code or an involuntary case for bankruptcy is commenced against any Consolidated Company and the petition is not controverted within 10 days, or is not dismissed within 60 days, after commencement of the case; or a custodian (as defined in the Bankruptcy Code) is appointed for, or takes charge of, all or any substantial part of the property of any Consolidated Company; or any Consolidated Company commences proceedings of its own bankruptcy or to be granted a suspension of payments or any other proceeding under any reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction, whether now or hereafter in effect, relating to any Consolidated Company or there is commenced against any Consolidated Company any such proceeding which remains undismissed for a Period of 60 days; or any Consolidated Company is adjudicated insolvent or bankrupt; or any order of relief or other order approving any such case or proceeding is entered; or any Consolidated Company suffers any appointment of any custodian or the like for it or any substantial part of its property to continue undischarged or unstayed for a period of 60 days; or any Consolidated Company makes a general assignment for the benefit of creditors; or any Consolidated Company shall fail to pay, or shall state that it is unable to pay, or shall be unable to pay, its debts generally as they become due; or any Consolidated Company shall call a meeting of its creditors with a view to arranging a composition or adjustment of its debts; or any Consolidated Company shall by any act or failure to act indicate its consent to, approval of or acquiescence in any of the foregoing; or any corporate action is taken by any Consolidated Company for the purpose of effecting any of the foregoing;

SECTION 9.8 ERISA. A Plan of a Consolidated Company or a Plan subject to Title IV of ERISA of any of its ERISA Affiliates:

(a) shall fail to be funded in accordance with the minimum funding standard required by applicable law, the terms of such Plan, Section 412 of the Tax Code or Section 302 of ERISA for any plan year or a waiver of such standard is sought or granted with respect to such Plan under applicable law, the terms of such Plan or Section 412 of the Tax Code or Section 303 of ERISA; or

(b) is being, or has been, terminated or the subject of termination proceedings under applicable law or the terms of such Plan; or

(c) shall require a Consolidated Company to provide security under applicable law, the terms of such Plan, Section 401 or 412 of the Tax Code or Section 306 or 307 of ERISA; or

(d) results in a liability to a Consolidated Company under applicable law, the terms of such Plan, or Title IV of ERISA;

and there shall result from any such failure, waiver, termination or other event a liability to the PBGC or a Plan that would have a Materially Adverse Effect;

SECTION 9.9 MONEY JUDGMENT. A judgment or order for the payment of money in excess of \$25,000,000.00 or otherwise having a Materially Adverse Effect shall be rendered against Borrower or any other Consolidated Company and such judgment or order shall continue unsatisfied (in the case of a money judgment) and in effect for a period of 30 days during which execution shall not be effectively stayed or deferred (whether by action of a court, by agreement or otherwise);

SECTION 9.10 OWNERSHIP OF CREDIT PARTIES AND PLEDGED ENTITIES. If Borrower shall at any time fail to own and control the required percentage of the voting stock of any Guarantor, either directly or indirectly through a Wholly Owned Subsidiary of Borrower;

SECTION 9.11 CHANGE IN CONTROL OF BORROWER.

(a) Any "person" or "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Exchange Act) shall become the "beneficial owner(s)" (as defined in said Rule 13d-3) of more than forty percent (40%) of the shares of the outstanding common stock of Borrower entitled to vote for members of Borrower's board of directors; or

(b) any event or condition shall occur or exist which, pursuant to the terms of any change in control provision, requires or permits the holder(s) of Indebtedness of any Consolidated Company to require that such Indebtedness be redeemed, repurchased, defeased, prepaid or repaid, in whole or in part, or the maturity of such Indebtedness to be accelerated in any respect, except for the puts arising at the end of years 5 and 10 on the Convertible Subordinated Debt.

SECTION 9.12 DEFAULT UNDER OTHER CREDIT DOCUMENTS. There shall exist or occur any "Event of Default" as provided under the terms of any other Credit Document, or any Credit Document ceases to be in full force and effect or the validity or enforceability thereof is disaffirmed by or on behalf of Borrower or any other Credit Party, or at any time it is or becomes unlawful for Borrower or any other Credit Party to perform or comply with its obligations under any Credit Document, or the obligations of Borrower or any other Credit Party under any Credit Document are not or cease to be legal, valid and binding on Borrower or any such Credit Party;

SECTION 9.13 ATTACHMENTS. An attachment or similar action shall be made on or taken against any of the assets of any Consolidated Company with an Asset Value exceeding \$750,000 in aggregate and is not removed, suspended or enjoined within 30 days of the same being made or any suspension or injunction being lifted;

then, and in any such event, and at any time thereafter if any Event of Default shall then be continuing, the Administrative Agent may, and upon the written or telex request of the Required Lenders, shall, by written notice to Borrower, take any or all of the following actions, without prejudice to the rights of the Administrative Agent, any Lender or the holder of any Note to enforce its claims against Borrower or any other Credit Party: (i) declare all Commitments terminated, whereupon the pro rata Commitments of each Lender shall terminate immediately and any Facility Fee shall forthwith become due and payable without any other notice of any kind; and (ii) declare the principal of and any accrued interest on the Loans, and all other Obligations owing hereunder, to be due, whereupon the same shall become, forthwith due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by Borrower; provided, that, if an Event of Default specified in Section 9.7 shall occur, the result which would occur upon the giving of written notice by the Administrative Agent to any Credit Party, as specified in clauses (i) and (ii) above, shall occur automatically without the giving of any such notice.

ARTICLE X

THE AGENTS

SECTION 10.1 APPOINTMENT OF AGENTS. Each Lender hereby designates SunTrust as Administrative Agent, Bank of America as Syndication Agent, and NationsBank as Documentation Agent (collectively, the "Agents") to administer all matters concerning the Loans and Letters of Credit and to act as herein specified. Each Lender hereby irrevocably authorizes, and each holder of any Note by the acceptance of a Note shall be deemed irrevocably to

authorize, the Agents to take such actions on its behalf under the provisions of this Agreement, the other Credit Documents, and all other instruments and agreements referred to herein or therein, and to exercise such powers and to perform such duties hereunder and thereunder as are specifically delegated to or required of the Agents by the terms hereof and thereof and such other powers as are reasonably incidental thereto. The Agents may perform any of their duties hereunder by or through their agents or employees. The provisions of this Section 10.1 are solely for the benefit of the Agents, and Borrower and the other Consolidated Companies shall not have any rights as third party beneficiaries of any of the provisions hereof. In performing their functions and duties under this Agreement, the Agents shall act solely as agents of the Lenders and do not assume and shall not be deemed to have assumed any obligations towards or relationship of agency or trust with or for the Borrower and the other Consolidated Companies.

SECTION 10.2 NATURE OF DUTIES OF AGENTS. The Agents shall have no duties or responsibilities except those expressly set forth in this Agreement and the other Credit Documents. None of the Agents nor any of their respective officers, directors, employees or agents shall be liable for any action taken or omitted by it as such hereunder or in connection herewith, unless caused by its gross negligence or willful misconduct. The duties of the Agents shall be ministerial and administrative in nature; the Agents shall not have by reason of this Agreement a fiduciary relationship in respect of any Lender; and nothing in this Agreement, express or implied, is intended to or shall be so construed as to impose upon the Agents any obligations in respect of this Agreement or the other Credit Documents except as expressly set forth herein.

SECTION 10.3 LACK OF RELIANCE ON THE AGENTS.

(a) Independently and without reliance upon the Agents, each Lender, to the extent it deems appropriate, has made and shall continue to make (i) its own independent investigation of the financial condition and affairs of the Credit Parties in connection with the taking or not taking of any action in connection herewith, and (ii) its own appraisal of the creditworthiness of the Credit Parties, and, except as expressly provided in this Agreement, the Agents shall have no duty or responsibility, either initially or on a continuing basis, to provide any Lender with any credit or other information with respect thereto, whether coming into its possession before the making of the Extensions of Credit or at any time or times thereafter.

(b) The Agents shall not be responsible to any Lender for any recitals, statements, information, representations or warranties herein or in any document,

certificate or other writing delivered in connection herewith or for the execution, effectiveness, genuineness, validity, enforceability, collectibility, priority or sufficiency of this Agreement, the Notes, the Guaranty Agreements, or any other documents contemplated hereby or thereby, or the financial condition of the Credit Parties, or be required to make any inquiry concerning either the performance or observance of any of the terms, provisions or conditions of this Agreement, the Notes, the Guaranty Agreements, or the other documents contemplated hereby or thereby, or the financial condition of the Credit Parties, or the existence or possible existence of any Default or Event of Default; provided, however, to the extent that the Agents have been advised that a Lender has not received any information formally delivered to any of the Agents pursuant to Section 7.7, such Agent shall deliver or cause to be delivered such information to such Lender.

SECTION 10.4 CERTAIN RIGHTS OF THE AGENTS. If any of the Agents shall request instructions from the Required Lenders with respect to any action or actions (including the failure to act) in connection with this Agreement, such Agent shall be entitled to refrain from such act or taking such act, unless and until such Agent shall have received instructions from the Required Lenders; and the Agents shall not incur liability to any Person by reason of so refraining. Without limiting the foregoing, no Lender shall have any right of action whatsoever against the Agents as a result of the Agents acting or refraining from acting hereunder in accordance with the instructions of the Required Lenders.

SECTION 10.5 RELIANCE BY AGENTS. The Agents shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, statement, certificate, telex, teletype or telecopier message, cable gram, radiogram, order or other documentary, teletransmission or telephone message believed by them to be genuine and correct and to have been signed, sent or made by the proper Person. The Agents may consult with legal counsel (including counsel for any Credit Party), independent public accountants and other experts selected by them and shall not be liable for any action taken or omitted to be taken by them in good faith in accordance with the advice of such counsel, accountants or experts.

SECTION 10.6 INDEMNIFICATION OF ADMINISTRATIVE AGENT. To the extent the Agents are not reimbursed and indemnified by the Credit Parties, each Lender will reimburse and indemnify the Administrative Agent, ratably according to the respective amounts of the Loans outstanding under all Facilities (or if no amounts are outstanding, ratably in accordance with the Total Commitments), in either case, for and against any and all liabilities, obligations,

losses, damages, penalties, actions, judgments, suits, costs, expenses (including reasonable counsel fees and disbursements) or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against the Administrative Agent in performing its duties hereunder, in any way relating to or arising out of this Agreement or the other Credit Documents; provided that no Lender shall be liable to the Administrative Agent for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Administrative Agent's gross negligence or willful misconduct.

SECTION 10.7 THE AGENTS IN THEIR INDIVIDUAL CAPACITY. With respect to their obligations to extend credit under this Agreement, the Loans made by them and the Notes issued to them, the Agents shall have the same rights and powers hereunder as any other Lender or holder of a Note and may exercise the same as though they were not performing the duties specified herein; and the terms "Lenders", "Required Lenders", "holders of Notes", or any similar terms shall, unless the context clearly otherwise indicates, include the Agents in their individual capacity. The Agents may accept deposits from, lend money to, and generally engage in any kind of banking, trust, financial advisory or other business with the Consolidated Companies or any affiliate of the Consolidated Companies as if they were not performing the duties specified herein, and may accept fees and other consideration from the Consolidated Companies for services in connection with this Agreement and otherwise without having to account for the same to the Lenders.

SECTION 10.8 HOLDERS OF NOTES. The Agents may deem and treat the payee of any Note as the owner thereof for all purposes hereof unless and until a written notice of the assignment or transfer thereof shall have been filed with the Administrative Agent. Any request, authority or consent of any Person who, at the time of making such request or giving such authority or consent, is the holder of any Note shall be conclusive and binding on any subsequent holder, transferee or assignee of such Note or of any Note or Notes issued in exchange therefor.

SECTION 10.9 SUCCESSOR AGENTS.

(a) Any Agent may resign at any time by giving written notice thereof to the Lenders and Borrower and may be removed at any time with or without cause by the Required Lenders; provided, however, none of the Agents may resign or be removed until a successor Agent has been appointed and shall have accepted such appointment. Upon any such resignation or removal, the Required Lenders shall have the right to appoint a successor Administrative Agent, Syndication Agent or Documentation

Agent, as the case may be, subject to Borrower's prior written approval, which approval will not be unreasonably withheld. If no such successor Agent shall have been so appointed by the Required Lenders, and shall have accepted such appointment, within 30 days after the retiring Agent's giving of notice of resignation or the Required Lenders' removal of the retiring Agent, then the retiring Agent may, on behalf of the Lenders, appoint a successor Administrative Agent, Syndication Agent or Documentation Agent, as the case may be, subject to Borrower's prior written approval, which approval will not be unreasonably withheld, which successor Administrative Agent, Syndication Agent or Documentation Agent, as the case may be, shall be a bank which maintains an office in the United States, or a commercial bank organized under the laws of the United States of America or any State thereof, or any Affiliate of such bank, having a combined capital and surplus of at least \$100,000,000. If at any time SunTrust is removed as or ceases to be a Lender, SunTrust shall simultaneously resign as Administrative Agent.

(b) Upon the acceptance of any appointment as the Administrative Agent, the Syndication Agent or the Documentation Agent, as the case may be, hereunder by a successor Agent, such successor Administrative Agent, Syndication Agent or Documentation Agent, as the case may be, shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, Syndication Agent or Documentation Agent, as the case may be, and the retiring Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Agent's resignation or removal hereunder as Administrative Agent, Syndication Agent or Documentation Agent, as the case may be, the provisions of this Article X shall inure to its benefit as to any actions taken or omitted to be taken by it while it was an Administrative Agent, Syndication Agent or Documentation Agent, as the case may be, under this Agreement.

ARTICLE XI

MISCELLANEOUS

SECTION 11.1 NOTICES. All notices, requests and other communications to any party hereunder shall be in writing (including bank wire, telex, telecopy or similar teletransmission or writing) and shall be given to such party at its address or applicable teletransmission number set forth on the signature pages

hereof, or such other address or applicable teletransmission number as such party may hereafter specify by notice to the Administrative Agent and Borrower. Each such notice, request or other communication shall be effective (i) if given by telex, when such telex is transmitted to the telex number specified pursuant to this Section and the appropriate answerback is received, (ii) if given by mail, 72 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid, (iii) if given by telecopy, when such telecopy is transmitted to the telecopy number specified in this Section and the appropriate confirmation is received, or (iv) if given by any other means (including, without limitation, by air courier), when delivered or received at the address specified in this Section; provided that notices to the Administrative Agent shall not be effective until received.

SECTION 11.2 AMENDMENTS, ETC. No amendment or waiver of any provision of this Agreement or the other Credit Documents, nor consent to any departure by any Credit Party therefrom, shall in any event be effective unless the same shall be in writing and signed by the Required Lenders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided that no amendment, waiver or consent shall, unless in writing and signed by all the Lenders, do any of the following: (i) waive any of the conditions specified in Section 5.1 or Section 5.2, (ii) increase the Commitments or other contractual obligations to Borrower under this Agreement, (iii) reduce the principal of, or interest on, the Notes or any fees hereunder, (iv) postpone any date fixed for the payment in respect of principal of, or interest on, the Notes or any fees hereunder, (v) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Notes, or the number or identity of Lenders which shall be required for the Lenders or any of them to take any action hereunder, (vi) release any Guarantor from its obligations under any Guaranty Agreements, (vii) modify the definition of "Required Lenders," or (viii) modify this Section 11.2. Notwithstanding the foregoing, no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required hereinabove to take such action, affect the rights or duties of the Administrative Agent under this Agreement or under any other Credit Document.

SECTION 11.3 NO WAIVER; REMEDIES CUMULATIVE. No failure or delay on the part of any Agent, any Lender or any holder of a Note in exercising any right or remedy hereunder or under any other Credit Document, and no course of dealing between any Credit Party and any Agent, any Lender or the holder of any Note shall operate as a waiver thereof, nor shall any single or partial exercise of any right or remedy hereunder or under any other Credit Document preclude any other or further exercise thereof or the exercise of

any other right or remedy hereunder or thereunder. The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies which any Agent, any Lender or the holder of any Note would otherwise have. No notice to or demand on any Credit Party not required hereunder or under any other Credit Document in any case shall entitle any Credit Party to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Agents, the Lenders or the holder of any Note to any other or further action in any circumstances without notice or demand.

SECTION 11.4 PAYMENT OF EXPENSES, ETC. Borrower shall:

(a) whether or not the transactions hereby contemplated are consummated, pay all reasonable, out-of-pocket costs and expenses of the Administrative Agent, the Documentation Agent and/or the Syndication Agent in the negotiation, syndication, documentation and administration (both before and after the execution hereof and including reasonable expenses actually incurred relating to advice of counsel as to the rights and duties of the Administrative Agent, the Documentation Agent and/or the Syndication Agent and the Lenders with respect thereto) of, and in connection with the preparation, execution and delivery of, preservation of rights under, enforcement of, and, after a Default or Event of Default, refinancing, renegotiation or restructuring of, this Agreement and the other Credit Documents and the documents and instruments referred to therein, and any amendment, waiver or consent relating thereto (including, without limitation, the reasonable fees actually incurred and disbursements of counsel for the Administrative Agent, the Documentation Agent and/or the Syndication Agent), and in the case of enforcement of this Agreement or any Credit Document after an Event of Default, all such reasonable, out-of-pocket costs and expenses (including, without limitation, the reasonable fees actually incurred and disbursements of counsel, including without limitation in-house attorneys' fees), for any of the Lenders;

(b) subject, in the case of certain Taxes, to the applicable provisions of Section 4.7(b), pay and hold each of the Lenders harmless from and against any and all present and future stamp, documentary, and other similar Taxes with respect to this Agreement, the Letters of Credit, the Notes and any other Credit Documents, any collateral described therein, or any payments due thereunder, and save each Lender harmless from and against any and all liabilities with respect to or

resulting from any delay or omission to pay such Taxes; and

(c) indemnify each Agent and each Lender, and their respective officers, directors, employees, representatives and agents from, and hold each of them harmless against, any and all costs, losses, liabilities, claims, damages or expenses incurred by any of them (whether or not any of them is designated a party thereto) (an "Indemnitee") arising out of or by reason of any investigation, litigation or other proceeding related to any actual or proposed use of the proceeds of any of the Extensions of Credit or any Credit Party's entering into and performing of the Agreement, the Notes, or the other Credit Documents, including, without limitation, the reasonable fees actually incurred and disbursements of counsel (including foreign counsel) incurred in connection with any such investigation, litigation or other proceeding; provided, however, Borrower shall not be obligated to indemnify any Indemnitee for any of the foregoing arising out of such Indemnitee's gross negligence or willful misconduct;

(d) without limiting the indemnities set forth in subsection (c) above, indemnify each Indemnitee for any and all expenses and costs (including without limitation, remedial, removal, response, abatement, cleanup, investigative, closure and monitoring costs), losses, claims (including claims for contribution or indemnity and including the cost of investigating or defending any claim and whether or not such claim is ultimately defeated, and whether such claim arose before, during or after any Credit Party's ownership, operation, possession or control of its business, property or facilities or before, on or after the date hereof, and including also any amounts paid incidental to any compromise or settlement by the Indemnitee or Indemnitees to the holders of any such claim), lawsuits, liabilities, obligations, actions, judgments, suits, disbursements, encumbrances, liens, damages (including without limitation damages for contamination or destruction of natural resources), penalties and fines of any kind or nature whatsoever (including without limitation in all cases the reasonable fees actually incurred, other charges and disbursements of counsel in connection therewith) incurred, suffered or sustained by that Indemnitee based upon, arising under or relating to Environmental Laws based on, arising out of or relating to in whole or in part, the existence or exercise of any rights or remedies by any Indemnitee under this Agreement, any other Credit Document or any related documents (but excluding those incurred, suffered or

sustained by any Indemnitee as a result of any action taken by or on behalf of the Lenders with respect to any Subsidiary of Borrower (or the assets thereof) owned or controlled by the Lenders); provided, however, Borrower shall not be obligated to indemnify any Indemnitee for any of the foregoing arising out of such Indemnitee's gross negligence or willful misconduct.

If and to the extent that the obligations of Borrower under this Section 11.4 are unenforceable for any reason, Borrower hereby agrees to make the maximum contribution to the payment and satisfaction of such obligations which is permissible under applicable law.

SECTION 11.5 RIGHT OF SETOFF. In addition to and not in limitation of all rights of offset that any Lender or other holder of a Note may have under applicable law, each Lender or other holder of a Note shall, upon the occurrence of any Event of Default and whether or not such Lender or such holder has made any demand or any Credit Party's Obligations are matured, have the right to appropriate and apply to the payment of any Credit Party's Obligations hereunder and under the other Credit Documents, all deposits of any Credit Party (general or special, time or demand, provisional or final) then or thereafter held by and other indebtedness or property then or thereafter owing by such Lender or other holder to any Credit Party, whether or not related to this Agreement or any transaction hereunder. Each Lender shall promptly notify Borrower and the Administrative Agent of any offset hereunder.

SECTION 11.6 BENEFIT OF AGREEMENT.

(a) This Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto, provided that Borrower may not assign or transfer any of its interest hereunder without the prior written consent of all the Lenders.

(b) Any Lender may make, carry or transfer Loans at, to or for the account of, any of its branch offices or the office of an Affiliate of such Lender.

(c) Each Lender may assign all or a portion of its interests, rights and obligations under this Agreement (including all or a portion of any of its Commitments and the Loans at the time owing to it and the Notes held by it) to any Eligible Assignee or any other Person; provided, however, that (i) the Administrative Agent and Borrower must give their prior written consent to such assignment (which consent shall not be unreasonably

withheld or delayed in conjunction with any such assignment to an Eligible Assignee, but which consent may be withheld in the sole discretion of either the Administrative Agent or the Borrower in conjunction with any such assignment to any Person which is not an Eligible Assignee), (ii) the amount of the Commitments, in the case of the Revolving Loan Commitments and the Line of Credit Loan Commitments, or Loans, in the case of assignment of Loans, of the assigning Lender subject to each assignment (determined as of the date the assignment and acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$5,000,000, and (iii) the parties to each such assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance, together with a Note or Notes subject to such assignment and a processing and recordation fee of \$3,500 payable by the Assignee. Borrower shall not be responsible for such processing and recordation fee or any costs or expenses incurred by any Lender or the Administrative Agent in connection with such assignment. From and after the effective date specified in each Assignment and Acceptance, which effective date shall be at least five (5) Business Days after the execution thereof, the assignee thereunder shall be a party hereto and to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement. Notwithstanding the foregoing, the assigning Lender must retain after the consummation of such Assignment and Acceptance a minimum aggregate amount of Commitments or Loans, as the case may be, of \$10,000,000 or such lesser amount (which amount may be zero) as the Administrative Agent, the Borrower and such assigning Lender may agree upon in writing; provided, however, no such minimum amount shall be required with respect to any such assignment made at any time there exists an Event of Default hereunder. Within five (5) Business Days after receipt of the notice and the Assignment and Acceptance, Borrower, at its own expense, shall execute and deliver to the Administrative Agent, in exchange for the surrendered Note or Notes, a new Note or Notes to the order of such assignee in a principal amount equal to the applicable Commitments or Loans assumed by it pursuant to such Assignment and Acceptance and new Note or Notes to the assigning Lender in the amount of its retained Commitment or Commitments or amount of its retained Loans. Such new Note or Notes shall be in an aggregate principal amount equal to the aggregate principal amount of such surrendered Note or Notes, shall be dated the date of the surrendered Note or Notes which they replace, and shall otherwise be in substantially the form attached hereto.

(d) Each Lender may, without the consent of Borrower and the Administrative Agent, sell participations to one or more banks or other entities in all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitments in the Loans owing to it and the Notes held by it), provided, however, that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the participating bank or other entity shall not be entitled to the benefit (except through its selling Lender) of the cost protection provisions contained in Article IV of this Agreement, and (iv) Borrower and the Agents and other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and the other Credit Documents, and such Lender shall retain the sole right to enforce the obligations of Borrower relating to the Loans and to approve any amendment, modification or waiver of any provisions of this Agreement. Any Lender selling a participation hereunder shall provide prompt written notice to Borrower of the name of such participant.

(e) Any Lender or participant may, in connection with the assignment or participation or proposed assignment or participation, pursuant to this Section, disclose to the assignee or participant or proposed assignee or participant any information relating to Borrower or the other Consolidated Companies furnished to such Lender by or on behalf of Borrower or any other Consolidated Company. With respect to any disclosure of confidential, non-public, proprietary information, such proposed assignee or participant shall agree to use the information only for the purpose of making any necessary credit judgments with respect to this credit facility and not to use the information in any manner prohibited by any law, including without limitation, the securities laws of the United States. The proposed participant or assignee shall agree in writing, a copy of which shall be furnished to Borrower, not to disclose any of such information except (i) to directors, employees, auditors or counsel to whom it is necessary to show such information, each of whom shall be informed of the confidential nature of the information, (ii) in any statement or testimony pursuant to a subpoena or order by any court, governmental body or other agency asserting jurisdiction over such entity, or as otherwise required by law (provided prior notice is given to Borrower and the Administrative Agent unless otherwise prohibited by the subpoena, order or law), and (iii) upon the request

or demand of any regulatory agency or authority with proper jurisdiction. The proposed participant or assignee shall further agree to return all documents or other written material and copies thereof received from any Lender, any Agent or Borrower relating to such confidential information unless otherwise properly disposed of by such entity.

(f) Any Lender may at any time assign all or any portion of its rights in this Agreement and the Notes issued to it to a Federal Reserve Bank; provided that no such assignment shall release such Lender from any of its obligations hereunder.

(g) If (i) any Taxes referred to in Section 4.7(b) have been levied or imposed so as to require withholdings or deductions by Borrower and payment by Borrower of additional amounts to any Lender as a result thereof, (ii) any Lender shall make demand for payment of any material additional amounts as compensation for increased costs pursuant to Section 4.10 or for its reduced rate of return pursuant to Section 4.16, or (iii) any Lender shall decline to consent to a modification or waiver of the terms of this Agreement or the other Credit Documents requested by Borrower, then and in such event, upon request from Borrower delivered to such Lender and the Administrative Agent, such Lender shall assign, in accordance with the provisions of Section 11.6(c), all of its rights and obligations under this Agreement and the other Credit Documents to another Lender or an Eligible Assignee selected by Borrower, in consideration for the payment by such assignee to the Lender of the principal of, and interest on, the outstanding Loans accrued to the date of such assignment, and the assumption of such Lender's Total Commitment hereunder, together with any and all other amounts owing to such Lender under any provisions of this Agreement or the other Credit Documents accrued to the date of such assignment.

SECTION 11.7 GOVERNING LAW; SUBMISSION TO JURISDICTION.

(a) THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER AND UNDER THE NOTES AND OTHER CREDIT DOCUMENTS SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAW (WITHOUT GIVING EFFECT TO THE CONFLICT OF LAW PRINCIPLES THEREOF) OF THE STATE OF FLORIDA.

(b) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT, THE NOTES OR ANY OTHER CREDIT DOCUMENT

MAY BE BROUGHT IN THE CIRCUIT COURT OF ORANGE COUNTY, FLORIDA, OR ANY OTHER COURT OF THE STATE OF FLORIDA OR OF THE UNITED STATES OF AMERICA FOR THE MIDDLE DISTRICT OF FLORIDA, AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, BORROWER HEREBY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE JURISDICTION OF THE AFORESAID COURTS. THE PARTIES HERETO HEREBY IRREVOCABLY WAIVE TRIAL BY JURY, AND BORROWER HEREBY IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING, WITHOUT LITIGATION, ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY SUCH ACTION OR PROCEEDING IN SUCH RESPECTIVE JURISDICTIONS.

(c) THE BORROWER HEREBY IRREVOCABLY DESIGNATES CSC, THE UNITED STATES CORPORATION COMPANY, 1201 HAYS STREET, TALLAHASSEE, FLORIDA 32301, AS ITS DESIGNEE, APPOINTEE AND LOCAL AGENT TO RECEIVE, FOR AND ON BEHALF OF BORROWER, SERVICE OF PROCESS IN SUCH RESPECTIVE JURISDICTIONS IN ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT, THE NOTES, THE OTHER CREDIT DOCUMENTS OR ANY DOCUMENT RELATED THERETO. IT IS UNDERSTOOD THAT A COPY OF SUCH PROCESS SERVED ON SUCH LOCAL AGENT WILL BE PROMPTLY FORWARDED BY SUCH LOCAL AGENT AND BY THE SERVER OF SUCH PROCESS BY MAIL TO BORROWER AT ITS ADDRESS SET FORTH OPPOSITE ITS SIGNATURE BELOW, BUT THE FAILURE OF BORROWER TO RECEIVE SUCH COPY SHALL NOT AFFECT IN ANY WAY THE SERVICE OF SUCH PROCESS.

(d) NOTHING HEREIN SHALL AFFECT THE RIGHT OF THE ADMINISTRATIVE AGENT, THE SYNDICATION AGENT, THE DOCUMENTATION AGENT, ANY LENDER, ANY HOLDER OF A NOTE OR ANY CREDIT PARTY TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST BORROWER IN ANY OTHER JURISDICTION.

SECTION 11.8 INDEPENDENT NATURE OF LENDERS' RIGHTS. The amounts payable at any time hereunder to each Lender shall be a separate and independent debt, and each Lender shall be entitled to protect and enforce its rights pursuant to this Agreement and its

Notes, and it shall not be necessary for any other Lender to be joined as an additional party in any proceeding for such purpose.

SECTION 11.9 COUNTERPARTS. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument.

SECTION 11.10 EFFECTIVENESS; SURVIVAL.

(a) This Agreement shall become effective on the date (the "Effective Date") on which all of the parties hereto shall have signed a counterpart hereof (whether the same or different counterparts) and shall have delivered the same to the Administrative Agent pursuant to Section 5.1 or, in the case of the Lenders, shall have given to the Administrative Agent written or telex notice (actually received) that the same has been signed and mailed to them.

(b) The obligations of Borrower under Sections 4.7(b), 4.9, 4.10, 4.12, 4.16, and 11.4 hereof shall survive for one hundred twenty (120) days after the payment in full of the Notes after the Final Maturity Date and expiration of all Letters of Credit. All representations and warranties made herein, in the certificates, reports, notices, and other documents delivered pursuant to this Agreement shall survive the execution and delivery of this Agreement, the other Credit Documents, and such other agreements and documents, the making of the Loans hereunder, and the execution and delivery of the Notes.

SECTION 11.11 SEVERABILITY. In case any provision in or obligation under this Agreement or the other Credit Documents shall be invalid, illegal or unenforceable, in whole or in part, in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

SECTION 11.12 INDEPENDENCE OF COVENANTS. All covenants hereunder shall be given independent effect so that if a particular action or condition is not permitted by any of such covenants, the fact that it would be permitted by an exception to, or be otherwise within the limitation of, another covenant, shall not avoid the occurrence of a Default or an Event of Default if such action is taken or condition exists.

SECTION 11.13 CHANGE IN ACCOUNTING PRINCIPLES, FISCAL YEAR OR TAX LAWS.

If (i) any preparation of the financial statements referred to in Section 7.7 hereafter occasioned by the promulgation of rules, regulations, pronouncements and opinions by or required by the Financial Accounting Standards Board or the American Institute of Certified Public Accounts (or successors thereto or agencies with similar functions) (other than changes mandated by FASB 106) result in a material change in the method of calculation of financial covenants, standards or terms found in this Agreement, (ii) there is any change in Borrower's fiscal quarter or fiscal year as provided herein, or (iii) there is a material change in federal tax laws which materially affects any of the Consolidated Companies' ability to comply with the financial covenants, standards or terms found in this Agreement, Borrower and the Lenders agree to enter into negotiations in order to amend such provisions so as to equitably reflect such changes with the desired result that the criteria for evaluating any of the Consolidated Companies' financial condition shall be the same after such changes as if such changes had not been made. Unless and until such provisions have been so amended, the provisions of this Agreement shall govern.

SECTION 11.14 HEADINGS DESCRIPTIVE; ENTIRE AGREEMENT. The headings of

the several sections and subsections of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement. This Agreement, the other Credit Documents, and the agreements and documents required to be delivered pursuant to the terms of this Agreement constitute the entire agreement among the parties hereto and thereto regarding the subject matters hereof and thereof and supersede all prior agreements, representations and understandings related to such subject matters.

SECTION 11.15 TIME IS OF THE ESSENCE. Time is of the essence in

interpreting and performing this Agreement and all other Credit Documents.

SECTION 11.16 USURY. It is the intent of the parties hereto not to

violate any federal or state law, rule or regulation pertaining either to usury or to the contracting for or charging or collecting of interest, and Borrower and Lenders agree that, should any provision of this Agreement or of the Notes, or any act performed hereunder or thereunder, violate any such law, rule or regulation, then the excess of interest contracted for or charged or collected over the maximum lawful rate of interest shall be applied to the outstanding principal indebtedness due to Lenders by Borrower under this Agreement.

SECTION 11.17 CONSTRUCTION. Should any provision of this Agreement

require judicial interpretation, the parties hereto

agree that the court interpreting or construing the same shall not apply a presumption that the terms hereof shall be more strictly construed against one party by reason of the rule of construction that a document is to be more strictly construed against the party who itself or through its agents prepared the same, it being agreed that Borrower, Administrative Agent, Syndication Agent, Documentation Agent, Lenders and their respective agents have participated in the preparation hereof.

SECTION 11.18 CONFIDENTIALITY. None of the Administrative Agent, the Syndicated Agent, the Documentation Agent, or any Lender shall disclose any confidential, non-public, proprietary information concerning the Consolidated Companies to any Person without the consent of the Borrower, other than (a) to a Lender's Affiliates and the officers, directors, employees, agents, counsel, auditors and advisors of such Person or such Person's Affiliates, (b) to a proposed assignee or to a proposed participant; PROVIDED that prior to any such disclosure, the proposed assignee or participant shall deliver to the Borrower a written agreement pursuant to Section 11.6(e), (c) as required by any law, rule or regulation or judicial process and (d) as requested or required by any state, federal or foreign authority or examiner regulating banks or banking or any aspects of such Lender's or Agent's activities.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their duly authorized officers as of the day and year first above written.

[SIGNATURE PAGE TO REVOLVING CREDIT AND LINE OF CREDIT
AGREEMENT BETWEEN SUNTRUST, AS ADMINISTRATIVE AGENT,
AND OFFICE DEPOT, INC.]

BORROWER:

OFFICE DEPOT, INC.

By: /s/ Jeffrey H. Aiken

Jeffrey H. Aiken
Vice President

ADDRESS FOR NOTICES:

2200 Old Germantown Road
Delray Beach, Florida 33445
Attn: Barry J. Goldstein

Telecopy No. (561) 265-4237
Telephone No. (561) 265-4400

WITH COPY TO:

Legal Department
Office Depot, Inc.
2200 Old Germantown Road
Delray Beach, Florida 33445

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

[SIGNATURE PAGE TO REVOLVING CREDIT
AND LINE OF CREDIT AGREEMENT
BETWEEN SUNTRUST, AS ADMINISTRATIVE AGENT,
AND OFFICE DEPOT, INC.]

Address for Notices:

SUNTRUST BANK, CENTRAL
FLORIDA, NATIONAL ASSOCIATION,
individually and as
Administrative Agent

200 S. Orange Avenue
10th Floor - Tower
Orlando, Florida 32801

By: /s/ Andrew J. Hines

Andrew J. Hines
Vice President

Attn: Andrew J. Hines
Vice President
Telex No. 4415-11
Answerback: SunTrust Bank

Telecopy No. (407) 237-6894
Telephone No. (407) 237-4839

Payment Office:

200 S. Orange Avenue
10th Floor - Tower

Revolving Loan Commitment: \$17,500,000

Pro Rata Share of Revolving Loan Commitment: 6.3636%

Line of Credit Commitment: \$25,000,000

Pro Rata Share of Line of Credit Commitment: 100%

[SIGNATURE PAGE TO REVOLVING CREDIT
AND LINE OF CREDIT AGREEMENT
BETWEEN SUNTRUST, AS ADMINISTRATIVE AGENT,
AND OFFICE DEPOT, INC.]

Address for Notices:

ROYAL BANK OF CANADA,
individually and as Co-Agent

Grand Cayman (North America
No. 1) Branch
c/o New York Branch
Financial Square, 23rd Floor
32 Old Slip
New York, NY 10005-3531

By: /s/ Karen T. Hull

Name: Karen T. Hull

Title: Retail Group Manager

FOR ALL MATTERS EXCEPT THOSE
RELATED TO COMPETITIVE BID
REVOLVING LOANS:
Attn: Danielle Gilles
Telephone No. (212) 428-6332
Telecopy No. (212) 428-2372

Payment Office:
Royal Bank of Canada
Financial Square
32 Old Slip
New York, NY 10005-3531
Attn: Danielle Gilles
Telephone No. (212) 428-6332
Telecopy No. (212) 428-2372

FOR MATTERS RELATED TO
COMPETITIVE BID REVOLVING
LOANS:
Attn: Irene Wanamaker
Telephone No. (212) 428-6308
Telecopy No. (212) 428-2310

Directed through our ABA
System to:
Pay Chase Manhattan Bank
New York, NY
(ABA #021000021 for credit to
Acct. No. 920-1-033363)
For Account RBC New York
CHIPS: ABA 0002
Pay Chase Manhattan Bank
For Account RBC New York
UID025408
Marked RE: OFFICE DEPOT, INC.

IN ALL CASES WITH A COPY TO:
One North Franklin,
Suite 700
Chicago, IL 60606
Attn: Karen T. Hull
Retail Group Manager
Telecopy No. (312) 551-0805
Telephone No. (312) 551-1617

Revolving Loan Commitment: \$30,000,000

Pro Rata Share of Revolving Loan Commitment: 10.9091%

Line of Credit Commitment: -0-

Pro Rata Share of Line of Credit Commitment: 0%

[SIGNATURE PAGE TO REVOLVING CREDIT
AND LINE OF CREDIT AGREEMENT
BETWEEN SUNTRUST, AS ADMINISTRATIVE AGENT,
AND OFFICE DEPOT, INC.]

Address for Notices:

NATIONSBANK, NATIONAL
ASSOCIATION, individually and
as Documentation Agent

100 S.E. 2nd Street, 14th Floor
FL 7950-14-02
Miami, FL 33131
Attn: Adam Kaplan
Vice President

By: /s/ Andrew M. Airheart

Name: Andrew M. Airheart

Title: Sr. Vice President

Telecopy No. (305) 533-2437
Telephone No. (305) 533-2433

Payment Office:

NationsBank, National Association
One Independence Center
101 North Tryon Street
NC1-001-15-06
Charlotte, North Carolina 28255
Attn: Barbara Pollock

Revolving Loan Commitment: \$42,500,000

Pro Rata Share of Revolving Loan Commitment: 15.4546%

Line of Credit Commitment: -0-

Pro Rata Share of Line of Credit Commitment: 0%

[SIGNATURE PAGE TO REVOLVING CREDIT
AND LINE OF CREDIT AGREEMENT
BETWEEN SUNTRUST, AS ADMINISTRATIVE AGENT,
AND OFFICE DEPOT, INC.]

Address for Notices:

PNC BANK, NATIONAL ASSOCIATION

500 W. Jefferson St.
8th Floor
Louisville, Kentucky 40202

By: /s/ Ralph M. Bowman

Name: Ralph M. Bowman

Title: Vice President

Attn: Mr. Jim Neil
Vice President
Telecopy No. (502) 581-2302
Telephone No. (502) 581-3242

Payment Office:

500 W. Jefferson Street
Louisville, Kentucky 40202

Revolving Loan Commitment: \$22,500,000

Pro Rata Share of Revolving Loan Commitment: 8.1818%

Line of Credit Commitment: -0-

Pro Rata Share of Line of Credit Commitment: 0%

[SIGNATURE PAGE TO REVOLVING CREDIT
AND LINE OF CREDIT AGREEMENT
BETWEEN SUNTRUST, AS ADMINISTRATIVE AGENT,
AND OFFICE DEPOT, INC.]

Address for Notices:

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
individually and as
Syndication Agent

231 South LaSalle Street
Chicago, IL 60697
Attn: Jody A. Pritchard
Vice President

By: /s/ Jody A. Pritchard

Jody A. Pritchard
Vice President

Telecopy No. (312) 828-6269
Telephone No. (312) 828-5258

Payment Office:

Bank of America National Trust
and Savings Association
1850 Gateway Boulevard
Concord, CA 94520
Attn: Gigi Juarez

Telecopy No. (510) 603-7252
Telephone No. (510) 675-7739

Revolving Loan Commitment: \$42,500,000

Pro Rata Share of Revolving Loan Commitment: 15.4546%

Line of Credit Commitment: -0-

Pro Rata Share of Line of Credit Commitment: 0%

[SIGNATURE PAGE TO REVOLVING CREDIT
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BETWEEN SUNTRUST, AS ADMINISTRATIVE AGENT,
AND OFFICE DEPOT, INC.]

Address for Notices:

CITIBANK, N.A., individually
and as Co-Agent

399 Park Avenue
12th Floor, Zone 15
New York, New York 10043
Attn: Marc Merlino,
Vice President

By: /s/ John Heuss

Name: John Heuss

Title: Vice President

Telecopy No. (212) 793-7585
Telephone No. (212) 559-1875

Payment Office:

CitiBank, N.A.
399 Park Avenue
New York, New York 10043

Revolving Loan Commitment: \$30,000,000

Pro Rata Share of Revolving Loan Commitment: 10.9091%

Line of Credit Commitment: - 0 -

Pro Rata Share of Line of Credit Commitment: 0%

[SIGNATURE PAGE TO REVOLVING CREDIT
AND LINE OF CREDIT AGREEMENT
BETWEEN SUNTRUST, AS ADMINISTRATIVE AGENT,
AND OFFICE DEPOT, INC.]

Address for Notices:

THE FIRST NATIONAL BANK OF
CHICAGO, individually and as
Co-Agent

One First National Plaza
Suite 0086
Chicago, Illinois 60670
Attn: Paul E. Rigby,
Managing Director

By: /s/ Paul E. Rigby

Name: Paul E. Rigby

Title: Managing Director

Telecopy No. (312) 336-4380
Telephone No. (312) 732-6132

Payment Office:

The First National Bank of Chicago
One First National Plaza
Chicago, Illinois 60670
Attn: Rosario Guzman

Telecopy No. (312) 732-7874
Telephone No. (312) 732-2715

Revolving Loan Commitment: \$30,000,000

Pro Rata Share of Revolving Loan Commitment: 10.9091%

Line of Credit Commitment: - 0 -

Pro Rata Share of Line of Credit Commitment: 0%

[SIGNATURE PAGE TO REVOLVING CREDIT
AND LINE OF CREDIT AGREEMENT
BETWEEN SUNTRUST, AS ADMINISTRATIVE AGENT,
AND OFFICE DEPOT, INC.]

Address for Notices:

CORESTATES BANK, N.A.

1345 Chestnut Street
Philadelphia, PA 19101
Attn: James P. Richards,
Vice President

By: /s/ James P. Richards

James P. Richards,
Vice President

Telecopy No. (215) 973-7671
Telephone No. (215) 973-7397

Payment Office:

CoreStates Bank, N.A.
1345 Chestnut Street
Philadelphia, PA 19101
Attn: Joy Ditre

Telecopy No. (215) 973-2045
Telephone No. (215) 973-5905

Revolving Loan Commitment: \$22,500,000

Pro Rata Share of Revolving Loan Commitment: 8.1818%

Line of Credit Commitment: - 0 -

Pro Rata Share of Line of Credit Commitment: 0%

[SIGNATURE PAGE TO REVOLVING CREDIT
AND LINE OF CREDIT AGREEMENT
BETWEEN SUNTRUST, AS ADMINISTRATIVE AGENT,
AND OFFICE DEPOT, INC.]

Address for Notices:

FIFTH THIRD BANK

38 Fountain Square Plaza
ND #109054
Cincinnati, OH 45263
Attn: Kevin C. M. Jones,
Assistant Vice President

By: /s/ Kevin C. M. Jones

Kevin C. M. Jones,
Assistant Vice President

Telecopy No. (513) 579-5226
Telephone No. (513) 744-8662

Payment Office:

Fifth Third Bank
38 Fountain Square Plaza
Cincinnati, OH 45263

Revolving Loan Commitment: \$22,500,000

Pro Rata Share of Revolving Loan Commitment: 8.1818%

Line of Credit Commitment: - 0 -

Pro Rata Share of Line of Credit Commitment: 0%

[SIGNATURE PAGE TO REVOLVING CREDIT
AND LINE OF CREDIT AGREEMENT
BETWEEN SUNTRUST, AS ADMINISTRATIVE AGENT,
AND OFFICE DEPOT, INC.]

Address for Notices: HIBERNIA NATIONAL BANK

313 Carondelet Street
New Orleans, LA 70130
Attn: Stephanie M. Freeman
Banking Officer

By: /s/ Stephanie M. Freeman

Stephanie M. Freeman,
Banking Officer

Telecopy No. (504) 533-5344
Telephone No. (504) 533-3345

Payment Office:

Hibernia National Bank
313 Carondelet Street
New Orleans, LA 70130

Revolving Loan Commitment: \$15,000,000

Pro Rata Share of Revolving Loan Commitment: 5.4545%

Line of Credit Commitment: - 0 -

Pro Rata Share of Line of Credit Commitment: 0%

CLOSING CERTIFICATE

Pursuant to Section 5.1 of the Revolving Credit and Line of Credit Agreement dated as of February 20, 1998 (the "Credit Agreement") by and among OFFICE DEPOT, INC., a Delaware corporation ("Office Depot"), SUNTRUST BANK, CENTRAL FLORIDA, NATIONAL ASSOCIATION, as Administrative Agent, BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, as Syndication Agent, NATIONS BANK, NATIONAL ASSOCIATION, as Documentation Agent, the Co-Agents party thereto and the other banks and lending institutions listed on the signature pages thereto, the undersigned in their respective capacities as officers, directors, or authorized signatories of Office Depot hereby certify to the Lenders and the Agent as follows (capitalized terms used herein having the same meanings as assigned to such terms in the Credit Agreement):

1. All representations and warranties contained in the Credit Agreement are true and correct in all material respects on and as of the date hereof.

2. After giving effect to the Extensions of Credit to be made to Office Depot pursuant to the Credit Agreement on the date hereof, no Default or Event of Default has occurred and is continuing.

3. Since the date of the audited and interim financial statements of the Consolidated Companies described in Section 6.3 of the Credit Agreement, there has been no change which has had or could reasonably be expected to have a Materially Adverse Effect.

4. Except as may be described on Schedule 6.5 of the Credit Agreement, no action or proceeding has been instituted or is pending before any court or other governmental authority, or, to the knowledge of Office Depot, threatened (i) which reasonably could be expected to have a Materially Adverse Effect, or (ii) seeking to prohibit or restrict one or more Credit Party's ownership or operation of any portion of its businesses or assets, where such portion or portions of such businesses or assets, as the case may be, constitute a material portion of the total businesses or assets of the Consolidated Companies.

5. The Extensions of Credit to be made on the date hereof are being used solely for the purposes provided in the Credit Agreement, and such Extensions of Credit and use of proceeds thereof will not contravene, violate or conflict with, or involve the Administrative Agent, Syndication Agent, Documentation Agent or any Lender in a violation of, any law, rule, injunction, or regulation, or determination of any court of law or other governmental authority, applicable to Office Depot.

6. The conditions precedent set forth in Sections 5.1 and 5.2 of the Credit Agreement have been or will be satisfied (or have been waived pursuant to the terms of the Credit Agreement) prior to or concurrently with the making of the Extensions of Credit under the Credit Agreement on the date hereof.

7. The execution, delivery and performance by the Credit Parties of the Credit Documents will not violate any Requirement of Law or cause a breach or default under any of their respective Contractual Obligations.

8. Each of the Credit Parties has the corporate power and authority to make, deliver and perform the Credit Documents to which it is a party and has taken all necessary corporate action to authorize the execution, delivery and performance of such Credit Documents. No consent or authorization of, or filing with, any Person (including, without limitation, any governmental authority) is required in connection with the execution, delivery or performance by any Credit Party, or the validity or enforceability against any Credit Party, of the Credit Documents, other than such consents, authorizations or filings which have been made or obtained.

This Certificate executed and delivered on behalf of Office Depot this 20th day of February, 1998.

/s/ Jeffrey H. Aiken

Jeffrey H. Aiken
Vice President

1997-2001 OFFICE DEPOT, INC. DESIGNATED EXECUTIVE INCENTIVE PLAN
[conformed to include 1997 amendment]

SECTION 1. PURPOSE. The purpose of the Plan is to advance the interests of the Company and its stockholders by providing incentives to certain designated key employees of the Company in order to attract, retain and reward such key employees and to strengthen the existing mutuality of interests between such designated key employees and the Company's stockholders.

SECTION 2. DEFINITIONS.

(a) "Board" means the Board of Directors of the Company.

(b) "Code" means the Internal Revenue Code of 1986, as amended, and any successor thereto.

(c) "Committee" means a committee of the Board consisting of two or more outside directors within the meaning of Section 162(m) of the Code.

(d) "Company" means Office Depot, Inc., a Delaware corporation, or any successor corporation.

(e) "Incentive Award" means an award under Section 5 that is based on achievement of annual performance objectives.

(f) "Participant" means the designated key employees of the Company selected by the Committee each year to participate in the Plan.

(g) "Plan" means this 1997-2001 Office Depot, Inc. Designated Executive Incentive Plan.

SECTION 3. ADMINISTRATION. The Plan shall be administered by the Committee. The Committee shall determine the annual performance objectives for the Incentive Awards for each Participant. The Committee shall have the authority to adopt, amend and repeal such rules, guidelines and practices governing the Plan as it shall, from time to time, deem advisable; to interpret the terms and provisions of the Plan and any Incentive Award issued under the Plan; and to otherwise supervise the administration of the Plan. All decisions made by the Committee pursuant to the provisions of the Plan shall be made in the Committee's sole discretion and shall be final and binding on all persons. The Committee shall have the power to decrease or eliminate an Incentive Award.

SECTION 4. ELIGIBILITY. Key employees of the Company are eligible to be granted Incentive Awards under the Plan.

SECTION 5. INCENTIVE AWARDS. The Committee may grant Incentive Awards based on achievement of annual performance objectives. These performance objectives shall be based on one or more of the following criteria, as adjusted for merger costs as presented on the Company's audited financial

statements: pre-tax earnings, net earnings, earnings per share, return on assets and return on equity. The Committee shall determine the annual performance objectives and the corresponding award levels for each Participant each year within the first 90 days of such year. An Incentive Award shall be paid out in cash and may be paid only after the Committee has certified in writing that the corresponding annual performance objective was achieved.

SECTION 6. MAXIMUM COMPENSATION. The maximum dollar amount that any Participant may be paid in any single year under the Plan may not exceed \$2,000,000.

SECTION 7. TERMINATION. The Board may terminate the Plan at any time.

SECTION 8. EFFECTIVE DATE OF THE PLAN. The Plan shall be effective as of January 1, 1994, subject to approval of the Plan by the Company's stockholders. Any Incentive Awards made under the Plan prior to such approval shall be effective when made, but shall be conditioned on, and subject to, such approval of the Plan by such stockholders.

SECTION 9. TERM OF THE PLAN. No Incentive Award may be granted under the Plan after 2001.

FORM OF EXECUTIVE EMPLOYMENT AGREEMENT

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

THIS AGREEMENT is made as of October 21, 1997 between Office Depot, Inc., a Delaware corporation (the "COMPANY"), and [NAME] ("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 [TITLE] 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 CEO, and Executive shall devote Executive's best efforts and Executive's full business time and attention (except for permitted vacation periods and reasonable periods of illness or other incapacity) to the business and affairs of the Company and its Subsidiaries; PROVIDED THAT Executive shall, with the prior written approval of the CEO, be allowed to serve as (i) a director or officer of any non-profit organization including trade, civic, educational or charitable organizations, or (ii) a director of any corporation which is not competing with the Company or any of its Subsidiaries in the office product and office supply industry so long as such duties do not materially interfere with the performance of Executive's duties or responsibilities under this Agreement. Executive shall perform Executive's duties and

responsibilities under this Agreement to the best of Executive's abilities in a diligent, trustworthy, businesslike and efficient manner.

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

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

3. BASE SALARY AND BENEFITS.

(a) Initially, Executive's base salary shall be \$ [BASE SALARY] 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 [TERM] 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 [SALARY CONTINUATION PERIOD] 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 [SALARY CONTINUATION PERIOD] 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: -----
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 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: _____
Name:
Its:

EXECUTIVE

Name:

EXECUTIVE EMPLOYMENT AGREEMENT PROVISIONS

Executive	Title	Base Salary	Term	Salary Continuation Period
Richard M. Bennington	President-- Business Services Division	\$486,000	3 years	2 years
Barry J. Goldstein	Executive Vice President Finance, Chief Financial Officer and Secretary	\$440,000	3 years	2 years
John C. Macatee	President and Chief Operating Officer	\$575,000	3 years	2 years
William Seltzer	Executive Vice President Management Information Systems	\$350,000	2 years	18 months

OFFICE DEPOT, INC. AND SUBSIDIARIES
FINANCIAL HIGHLIGHTS

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

	52 WEEKS ENDED DECEMBER 27, 1997	52 WEEKS ENDED DECEMBER 28, 1996	52 WEEKS ENDED DECEMBER 30, 1995	53 WEEKS ENDED DECEMBER 31, 1994	52 WEEKS ENDED DECEMBER 25, 1993
STATEMENTS OF EARNINGS DATA:					
Sales	\$ 6,717,514	\$ 6,068,598	\$ 5,313,192	\$ 4,266,199	\$ 2,836,787
Cost of goods sold and occupancy costs	5,143,311	4,700,910	4,110,334	3,283,498	2,185,145
Gross profit	1,574,203	1,367,688	1,202,858	982,701	651,642
Store and warehouse operating and selling expenses	1,062,877	951,084	782,478	642,572	423,272
Pre-opening expenses	6,609	9,827	17,746	11,990	9,073
General and administrative expenses	196,503	162,149	153,344	130,022	95,142
Amortization of goodwill	5,246	5,247	5,213	5,288	1,617
Operating profit	302,968	239,381	244,077	192,829	122,538
Interest income	5,157	1,593	1,357	4,000	4,626
Interest expense	(21,583)	(26,078)	(22,551)	(18,096)	(11,322)
Equity in (losses) earnings of investees, net	(7,034)	(2,178)	(962)	197	108
Merger costs	(16,094)	--	--	--	--
Earnings before income taxes	263,414	212,718	221,921	178,930	115,950
Income taxes	103,738	83,676	89,522	73,973	45,118
Net earnings	\$ 159,676	\$ 129,042	\$ 132,399	\$ 104,957	\$ 70,832
Earnings per common share:					
Basic	\$ 1.01	\$.82	\$.87	\$.71	\$.50
Diluted .....	.97	.80	.83	.68	.48
Dividends	--	--	--	--	--
	DECEMBER 27, 1997	DECEMBER 28, 1996	DECEMBER 30, 1995	DECEMBER 31, 1994	DECEMBER 25, 1993
STATISTICAL DATA:					
Facilities open at end of period:					
Office supply stores	602	561	501	420	351
Contract stationer/delivery warehouses	23	23	23	24	23
Other retail locations	10	9	3	--	--
BALANCE SHEET DATA:					
Working capital	\$ 882,805	\$ 693,795	\$ 708,984	\$ 487,333	\$ 471,114
Total assets	2,981,089	2,740,317	2,531,217	1,903,983	1,531,092
Long-term debt(1)	447,020	416,757	494,910	393,800	367,602
Common stockholders' equity	1,328,905	1,155,945	1,002,995	715,271	590,284

(1) Excludes current maturities.

Office Depot, Inc. and Subsidiaries
 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
 AND RESULTS OF OPERATIONS

 GENERAL

Office Depot began operations by opening its first office supply store in Florida in October 1986. The Company implemented an expansion program to establish itself as a leader in targeted market areas with high concentrations of small- and medium-sized businesses. This program included opening new stores and acquiring stores in strategic markets. At the end of 1997, the Company operated 612 office products stores in 38 states, the District of Columbia and Canada. Store opening activity for the last five years is summarized as follows:

	OFFICE PRODUCTS STORES				
	OPEN BEGINNING OF PERIOD	OFFICE SUPPLY STORES		OTHER RETAIL STORES OPENED	OPEN END OF PERIOD
		OPENED	CLOSED		
1993	284	68	1	---	351
1994	351	71	2	---	420
1995	420	82	1	3	504
1996	504	60	---	6	570
1997	570	42	1	1	612

The Company currently plans to open approximately 80 to 100 stores during 1998. Uncertainty and the loss of certain real estate personnel, both resulting from the terminated merger with Staples, Inc. ("Staples"), negatively affected the Company's store openings during 1997.

In 1993 and 1994, the Company expanded into the full service contract stationer portion of the office supply industry by acquiring contract stationers with 18 delivery warehouses throughout the United States. The Company, through its Business Services Division, operated 23 delivery warehouses (also referred to as customer service centers) throughout the United States at the end of 1997. Since acquiring these contract stationers, the Company's focus in expanding this portion of its business has been on replacing outdated, inefficient acquired facilities with new warehouses and on increasing market share, primarily through marketing programs and the integration and improvement of systems and processes. During the past three years, the Company has converted substantially all of the acquired companies' warehouse and order entry systems to new standardized systems. In late 1997, the Company began converting the largest of its customer service centers in California to its standardized warehouse and order entry systems. Once this conversion is completed, which is expected to be in the second half of 1998, the integration of this business will be substantially finished.

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

The Company operates on a 52 or 53 week fiscal year ending on the last Saturday in December.

RESULTS OF OPERATIONS FOR THE YEARS 1997, 1996 AND 1995

SALES. Sales increased to \$6,717,514,000 in 1997 from \$6,068,598,000 in 1996 and \$5,313,192,000 in 1995, or 11% in 1997 and 14% in 1996. The increases in sales were due primarily to the 41 additional office supply stores in 1997 and the 60 additional office supply stores in 1996. The increases also were attributable to same store sales growth. Comparable sales in 1997 for the 560 office supply stores and 23 warehouses open for more than one year at December 27, 1997 increased 6% from 1996. Comparable sales in 1996 for the 501 office supply stores and 23 warehouses open for more than one year at December 28, 1996 increased 5% from 1995. Comparable in-store sales increases were 1% and 2% in 1997 and 1996, respectively, while comparable sales increases were 18% in 1997 and 13% in 1996 in the Business Services Division. Comparable sales in the future may be affected by competition from other stores, the opening of additional stores in existing markets and economic conditions. Sales of computers, business machines and related supplies in 1997 have risen as a percentage of total sales over 1996 and 1995 sales in this category.

Office Depot, Inc. and Subsidiaries
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (CONTINUED)

GROSS PROFIT. Gross profit as a percentage of sales was 23.4% in 1997, 22.5% in 1996 and 22.6% in 1995. In 1997 and 1996, gross profit as a percentage of sales was positively impacted by purchasing efficiencies gained from vendor discount and rebate programs. In 1996, increased occupancy costs as a result of the Company's continued expansion into densely populated markets, which have higher average rents, negatively impacted gross profit as a percentage of sales. While revenue from the sale of business machines and computers, which yield lower gross profits than other product categories, has continued to increase as a percentage of total sales, the downward pressure on overall gross profit has declined in 1997 since sales of computers, which have the lowest gross profits in that product category, have decreased as a percentage of sales and business machines and consumable machine supplies have increased.

STORE AND WAREHOUSE OPERATING AND SELLING EXPENSES. Store and warehouse operating and selling expenses as a percentage of sales were 15.8% in 1997, 15.7% in 1996 and 14.7% in 1995. Store and warehouse operating and selling expenses, the largest component of which is personnel costs, have increased in the aggregate primarily due to the Company's expansion program. The Company, in 1995 through 1997, invested in larger delivery warehouses in its Business Services Division to accommodate future growth as part of the integration of its contract stationer delivery business. These investments and operating system conversions, as part of the Company's integration efforts, have increased current operating expenses as a percentage of sales but should become leveraged as additional sales are generated in these facilities. In addition to the expansion of its contract stationer business, the Company has continued its retail business expansion.

PRE-OPENING EXPENSES. As a result of continued store and delivery warehouse openings and replacements, pre-opening expenses incurred were \$6,609,000 in 1997, \$9,827,000 in 1996 and \$17,746,000 in 1995. Pre-opening expenses, which are currently approximately \$150,000 per office supply prototype store, are predominately incurred during a six-week period prior to the store opening. New standard-sized warehouse pre-opening expenses approximate \$500,000; however, due to the larger size of the new California facilities, costs incurred may be substantially higher. These expenses consist principally of amounts paid for salaries and property expenses. Since the Company's policy is to expense these items during the period in which they occur, the amount of pre-opening expenses each year is generally proportional to the number of new stores and delivery centers opening.

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses as a percentage of sales were 2.9% in 1997, 2.7% in 1996 and 2.9% in 1995. General and administrative expenses include, among other costs, site selection expenses and store management training expenses and, therefore, vary somewhat with the number of new store openings. During 1995 through 1997, the Company has increased its commitment to improving the efficiency of its management information systems and has significantly expanded its information systems programming staff. While this systems investment has increased general and administrative expenses in the short term, the Company believes it will provide benefits in the future. These increases have been offset by a decrease in other general and administrative expenses as a percentage of sales, primarily as a result of the Company's ability to increase sales without a proportionate increase in corporate expenditures. The increase in general and administrative expenses as a percentage of sales from 1996 to 1997 was partially attributable to bonus accruals under the Company's incentive pay programs in 1997. In 1996, the Company did not meet its performance goals under its incentive pay programs.

OTHER INCOME AND EXPENSES. During 1997, 1996 and 1995, interest expense was \$21,583,000, \$26,078,000 and \$22,551,000, respectively. The changes in interest expense are primarily due to changes in the amounts drawn on the Company's working capital line of credit. Interest income during 1997, 1996 and 1995 was \$5,157,000, \$1,593,000 and \$1,357,000, respectively. The increase in interest income from 1996 to 1997 is due primarily to cash generated from improved inventory and other asset management and lower cash expenditures resulting from reduced store openings.

EQUITY IN (LOSSES) EARNINGS OF INVESTEEES, NET. The Company's equity in the losses of its affiliates, net of franchise income, was \$7,034,000 in 1997, \$2,178,000 in 1996 and \$962,000 in 1995. The increase in 1996 was substantially attributable to losses in connection with the Company's joint venture in France, while the increase in 1997 was primarily attributable to increased losses in France and to losses in connection with the Company's new joint venture in Japan. The Company anticipates that these losses will continue to increase in 1998 as the Company expands its operations in France and Japan with the opening of new stores.

MERGER COSTS. In September 1996, the Company 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, the Company and Staples announced that the merger agreement had been terminated. The Company expensed costs of \$16,094,000 in 1997 directly related to the terminated merger. These costs, consisting primarily of legal fees, investment banker fees and personnel retention costs, represent all costs incurred in connection with the merger.

Office Depot, Inc. and Subsidiaries
 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
 AND RESULTS OF OPERATIONS (CONTINUED)

INCOME TAXES. The effective income tax rate, in comparison to statutory rates, for 1997, 1996 and 1995 was negatively impacted by nondeductible goodwill amortization. The changes in the effective income tax rates from 1995 to 1996 and 1996 to 1997 were primarily due to changes in the effective state income tax rates.

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

The Company added (net of closures) 42 office products stores in 1997, 66 office products stores in 1996 and 84 office products stores in 1995. Net cash provided by operating activities was \$386,364,000, \$112,963,000 and \$25,974,000 for 1997, 1996 and 1995, respectively. The increase in cash provided by operating activities from 1996 to 1997 is primarily the result of improved inventory and other asset management. As stores mature and become more profitable, and as the number of new stores opened in a year becomes a smaller percentage of the existing store base, cash generated from operations will provide a greater portion of funds required for new store inventories and other working capital requirements. Increases in Business Services Division sales from existing warehouses also leverages assets employed and generates working capital. Cash generated from operations will continue to be affected by increases in receivables carried and increases in inventory as the Company adds additional stores and utilizes additional capacity in its warehouses as part of its expansion plans. Capital expenditures are also affected by the number of stores and warehouses opened or replaced each year and the increase in computer and other equipment at the corporate office required to support such expansion. Cash utilized for capital expenditures was \$94,235,000 in 1997, \$176,888,000 in 1996 and \$219,892,000 in 1995. The decrease in cash utilized for capital expenditures is due primarily to the reduction of store openings in 1997. During 1997, the Company's cash balance increased by \$148,239,000 and long- and short-term debt decreased by \$109,603,000.

The Company entered into a new credit agreement in February 1998 with a syndicate of banks which provides for a working capital line and letters of credit totaling \$300,000,000. The credit agreement provides that funds borrowed bear interest, at the Company's option: at a rate based on a grid incorporating credit rating and fixed charge coverage ratio factors that currently would result in .21 % over LIBOR, at the higher of .5% over the Federal Funds rate and a base rate linked to the prime rate, or at a rate determined under a competitive bid facility. The Company must also pay a facility fee at a rate based on a grid incorporating credit rating and fixed charge coverage ratio factors that currently would result in a .115% per annum charge on the credit facility. The credit facility expires in February 2003. The credit agreement contains certain restrictive covenants relating to various financial statement ratios. As of December 27, 1997, the Company had no outstanding borrowings and had outstanding letters of credit totaling \$9,768,000 under its previous credit facility. In the first quarter of 1997, the Company repaid in full all borrowings outstanding at December 28, 1996 under its previous credit agreement. Accordingly, the outstanding balance was reflected as a current liability at December 28, 1996. In June 1995, the Company entered into a lease facility, under which the bank agreed to purchase up to \$25,000,000 of equipment on behalf of the Company and lease such equipment to the Company. As of December 27, 1997, the Company had utilized approximately \$21,556,000 of this lease facility.

The Company currently plans to open approximately 80 to 100 stores and significantly expand at least two delivery warehouses during 1998. Uncertainty and the loss of certain real estate personnel, both resulting from the terminated merger with Staples, has negatively affected, on a short-term basis, the Company's store openings through early 1998. Management estimates that the Company's cash requirements, exclusive of pre-opening expenses, will be approximately \$1,900,000 for each additional office supply store, which includes an average of approximately \$1,100,000 for leasehold improvements, fixtures, point-of-sale terminals and other equipment in the stores, as well as approximately \$800,000 for the portion of the store inventory that is not financed by vendors. The cash requirements, exclusive of pre-opening expenses, for a standard 150,000 square foot delivery warehouse is

Office Depot, Inc. and Subsidiaries
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (CONTINUED)

expected to be approximately \$5,300,000, which includes an average of \$3,100,000 for leasehold improvements, fixtures and other equipment and \$2,200,000 for the portion of inventory not financed by vendors. In addition, management estimates that each new store and standard-sized warehouse requires pre-opening expenses of approximately \$150,000 and \$500,000, respectively. The new 375,000 square foot warehouse being completed in Northern California will require larger investments and pre-opening costs.

In 1992 and 1993, the Company issued Liquid Yield Option Notes ("LYONs") which are zero coupon, convertible subordinated notes maturing in 2007 and 2008, respectively. Each LYON is convertible at the option of the holder at any time on or prior to maturity, unless previously redeemed or otherwise purchased by the Company, into common stock of the Company at conversion rates of 29.263 and 21.234 shares per 1992 and 1993 LYON, respectively. The Company, at its option, may elect to pay the purchase price on any particular purchase date in cash or common stock, or any combination thereof.

The Company's management continually reviews its financing options and, although it is currently anticipated that the 1998 expansion will be financed through cash on hand, funds generated from operations, equipment leased under the Company's lease facilities and funds available under the Company's revolving credit facility, alternative financing will be considered if market conditions make it financially attractive. The Company's financing requirements beyond 1998 will be affected by the number of new stores or warehouses opened or acquired.

IMPACT OF THE YEAR 2000 ISSUE

The Company is undertaking a comprehensive review of all of its computer software, computer hardware, and other operating equipment and systems to mitigate disruption of its business related to the Year 2000 issue. The Company has retained outside consultants and suppliers to aid in this review. Most of the Company's computer systems have been developed over the past four years and management believes that they are already Year 2000 compliant. The Company does not expect the costs associated with its Year 2000 compliance program to have a material effect on its financial position or results of its operations. Additionally, the Company is reviewing the Year 2000 issue with its suppliers, shippers, customers and other external business partners. There can be no assurance until 2000, however, that all of the Company's systems, and the systems of its suppliers, shippers, customers and other external business partners will function adequately. If the systems of the Company's suppliers, shippers, customers and other external business partners are not Year 2000 compliant, it could have a material adverse effect on the Company.

NEW ACCOUNTING PRONOUNCEMENTS

The Company will adopt the following Statements of Financial Accounting Standards ("SFAS") in the year ending December 26, 1998.

SFAS No. 130, "Reporting Comprehensive Income," establishes reporting and display of comprehensive income and its components. This Statement requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. This Statement requires that an enterprise (a) classify items of other comprehensive income by their nature in a financial statement and (b) display the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in capital in the equity section of the Balance Sheet. This Statement is effective for fiscal years beginning after December 15, 1997 and will require reclassification of financial statements for prior periods for comparative purposes. The Company has not yet determined the impact of adopting this pronouncement on its financial statements.

SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information," establishes standards for reporting certain information about the Company's operating segments. These disclosures are to include the reported segments' sales, operating profit, identifiable assets and other certain information. This Statement is effective for fiscal years beginning after December 15, 1997 and will require disclosure of prior period information, if practicable. The Company has not yet determined the impact of adopting this pronouncement on its financial statements.

INFLATION AND SEASONALITY

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

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

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

The Company wishes to caution readers that, with the exception of historical matters, the matters discussed in this Annual Report are forward-looking statements that involve risks and uncertainties, including those discussed below. The factors discussed below could affect the Company's actual results and could cause the Company's actual results during 1998 and beyond to differ materially from those expressed in any forward-looking statement made by or on behalf of the Company.

The Company competes with a variety of retailers, dealers and distributors in a highly competitive marketplace. High-volume office supply chains, mass merchandisers, warehouse clubs, computer stores and contract stationers that compete directly with the Company operate in most of its geographic markets. This competition will increase in the future as both the Company and these and other companies continue to expand their operations. In the future, the Company may also face competition from internet-based merchandisers. There can be no assurance that such competition will not have an adverse effect on the Company's business in the future. The opening of additional Office Depot stores; the expansion of the Company's contract stationer business in new and existing markets; competition from other office supply chains, mass merchandisers, warehouse clubs, computer stores and contract stationers; and regional and national economic conditions will all affect the Company's comparable sales results. In addition, the Company's gross margin and profitability would be adversely affected if its competitors were to attempt to capture market share by reducing prices.

The Company's strategy of aggressive store growth has been negatively affected in the short-term by the terminated merger with Staples. The Company plans to open approximately 80 to 100 stores in 1998. There can be no assurance that the Company will be able to find favorable store locations, negotiate favorable leases, hire and train employees and store managers, and integrate the new stores in a manner that will allow it to meet its expansion schedule. The failure to be able to expand by opening new stores on plan could have a material adverse effect on the Company's future sales growth and profitability.

In addition, as the Company expands the number of its stores in existing markets, sales of existing stores can suffer. New stores typically take time to reach the levels of sales and profitability of the Company's existing stores, and there can be no assurance that new stores will ever be as profitable as existing stores because of competition from other store chains and the tendency of existing stores to share sales as the Company opens new stores in its more mature markets.

Fluctuations in the Company's quarterly operating results have occurred in the past and may occur in the future. A variety of factors such as new store openings with their concurrent pre-opening expenses, the extent to which new stores are less profitable as they commence operations, the effect new stores have on the sales of existing stores in more mature markets, the pricing activity of competitors in the Company's markets, changes in the Company's product mix, increases and decreases in advertising and promotional expenses, the effects of seasonality, acquisitions of contract stationers and stores of competitors, or other events could contribute to this quarter to quarter variability.

The Company has grown dramatically over the past several years and has shown significant increases in its sales, stores in operation, employees and warehouse and delivery operations. In addition, the Company has acquired a number of contract stationer operations, and the expenses incurred in the integration of acquired facilities in its delivery business have contributed to increased warehouse expenses. The Company is in the process of completing the integration of the last, and the largest, of these acquired facilities. These integration costs are expected to continue to impact store and warehouse expenses at decreasing levels through 1998. The failure to achieve the projected decrease in integration costs by the end of 1998 could result in a significant impact on the Company's net income in the future. The Company's growth, through both store openings and acquisitions, will continue to require

Office Depot, Inc. and Subsidiaries
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (CONTINUED)

the expansion and upgrading of the Company's operational and financial systems, as well as necessitate the hiring of new managers at the store and supervisory level.

The Company has entered a number of international markets using licensing agreements and joint venture arrangements. The Company intends to enter other international markets as attractive opportunities arise. In addition to the risks described above arising from the Company's domestic store and delivery operations, internationally the Company also faces the risk of foreign currency fluctuations, political and social conditions, obtaining adequate and appropriate inventory and, since its foreign operations are not wholly-owned, a lack of operating control in certain countries. The Company's foreign operations are currently unprofitable and are expected to remain unprofitable through 1998. There can be no assurance that they will become profitable in the future.

The Company believes that its current cash and cash equivalents, equipment leased under the Company's existing or new lease financing arrangements and funds available under its revolving credit facility should be sufficient to fund its planned store and delivery center openings and other operating cash needs, including investments in international joint ventures, for at least the next twelve months. However, there can be no assurance that additional sources of financing will not be required during the next twelve months as a result of unanticipated cash demands or opportunities for expansion or acquisition, changes in growth strategy or adverse operating results. Also, alternative financing will be considered if market conditions make it financially attractive. There also can be no assurance that any additional funds required by the Company, whether within the next twelve months or thereafter, will be available to the Company on satisfactory terms.

Office Depot, Inc. and Subsidiaries
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 27, 1997 and December 28, 1996, and the related consolidated statements of earnings, stockholders' equity and cash flows for each of the three years in the period ended December 27, 1997. 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 27, 1997 and December 28, 1996 and the results of their operations and their cash flows for each of the three years in the period ended December 27, 1997 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP
Certified Public Accountants

Fort Lauderdale, Florida
February 12, 1998

Office Depot, Inc. and Subsidiaries
 CONSOLIDATED STATEMENTS OF EARNINGS
 (In thousands, except per share amounts)

	52 WEEKS ENDED DECEMBER 27, 1997	52 Weeks Ended December 28, 1996	52 Weeks Ended December 30, 1995
Sales	\$ 6,717,514	\$ 6,068,598	\$ 5,313,192
Cost of goods sold and occupancy costs	5,143,311	4,700,910	4,110,334
Gross profit	1,574,203	1,367,688	1,202,858
Store and warehouse operating and selling expenses	1,062,877	951,084	782,478
Pre-opening expenses	6,609	9,827	17,746
General and administrative expenses	196,503	162,149	153,344
Amortization of goodwill	5,246	5,247	5,213
	1,271,235	1,128,307	958,781
Operating profit	302,968	239,381	244,077
Other income (expense)			
Interest income	5,157	1,593	1,357
Interest expense	(21,583)	(26,078)	(22,551)
Equity in (losses) earnings of investees, net	(7,034)	(2,178)	(962)
Merger costs	(16,094)	--	--
Earnings before income taxes	263,414	212,718	221,921
Income taxes	103,738	83,676	89,522
Net earnings	\$ 159,676	\$ 129,042	\$ 132,399
Earnings per common share:			
Basic	\$ 1.01	\$.82	\$.87
Diluted .....	.97	.80	.83

The accompanying notes are an integral part of these statements.

Office Depot, Inc. and Subsidiaries
 CONSOLIDATED BALANCE SHEETS
 (In thousands, except share and per share amounts)

	DECEMBER 27, 1997	December 28, 1996
	-----	-----
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 199,637	\$ 51,398
Receivables, net of allowances of \$19,504 in 1997 and \$11,538 in 1996	494,942	401,900
Merchandise inventories	1,273,753	1,324,506
Deferred income taxes	35,846	29,583
Prepaid expenses	16,409	14,209
	-----	-----
Total current assets	2,020,587	1,821,596
Property and Equipment, net	700,663	671,648
Goodwill, net of Amortization	184,711	190,052
Other Assets	75,128	57,021
	-----	-----
	\$ 2,981,089	\$ 2,740,317
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 868,725	\$ 781,963
Accrued expenses	245,915	177,680
Income taxes	20,669	25,819
Short-term borrowings and current maturities of long-term debt	2,473	142,339
	-----	-----
Total current liabilities	1,137,782	1,127,801
Long-Term Debt, less Current Maturities	29,406	17,128
Deferred Taxes and Other Credits	67,382	39,814
Zero Coupon, Convertible Subordinated Notes	417,614	399,629
Commitments and Contingencies	--	--
Common Stockholders' Equity:		
Common stock - authorized 400,000,000 shares of \$.01 par value; issued 160,466,708 in 1997 and 159,417,089 in 1996	1,605	1,594
Additional paid-in capital	647,752	630,049
Foreign currency translation adjustment	(5,503)	(1,073)
Retained earnings	686,801	527,125
Less: 2,163,447 shares of treasury stock, at cost	(1,750)	(1,750)
	-----	-----
	1,328,905	1,155,945
	-----	-----
	\$ 2,981,089	\$ 2,740,317
	=====	=====

The accompanying notes are an integral part of these statements.

Office Depot, Inc. and Subsidiaries
 CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
 Period from January 1, 1995 to December 27, 1997
 (In thousands, except for number of shares)

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	FOREIGN CURRENCY TRANSLATION ADJUSTMENT	RETAINED EARNINGS	TREASURY STOCK
BALANCE AT JANUARY 1, 1995	151,536,781	\$ 1,515	\$ 453,117	\$ (3,295)	\$ 265,684	\$ (1,750)
Issuance of common stock	4,325,000	43	121,756	--	--	--
Exercise of stock options (including tax benefits)	1,751,620	17	22,146	--	--	--
Issuance of stock under employee purchase plan	274,161	3	7,019	--	--	--
401(k) plan matching contributions	59,438	1	1,564	--	--	--
Conversion of LYONS to common stock	14,801	1	274	--	--	--
Foreign currency translation adjustment .	--	--	--	2,501	--	--
Net earnings for the period	--	--	--	--	132,399	--
BALANCE AT DECEMBER 30, 1995	157,961,801	1,580	605,876	(794)	398,083	(1,750)
Exercise of stock options (including tax benefits)	947,402	10	14,347	--	--	--
Issuance of stock under employee purchase plan and restricted award plan	398,913	3	7,750	--	--	--
401(k) plan matching contributions	108,681	1	2,070	--	--	--
Conversion of LYONS to common stock	292	--	6	--	--	--
Foreign currency translation adjustment .	--	--	--	(279)	--	--
Net earnings for the period	--	--	--	--	129,042	--
BALANCE AT DECEMBER 28, 1996	159,417,089	1,594	630,049	(1,073)	527,125	(1,750)
Exercise of stock options (including tax benefits)	611,084	6	9,598	--	--	--
Issuance of stock under employee purchase plan	286,410	3	5,286	--	--	--
401(k) plan matching contributions	151,190	2	2,800	--	--	--
Conversion of LYONS to common stock	935	0	19	--	--	--
Foreign currency translation adjustment .	--	--	--	(4,430)	--	--
Net earnings for the period	--	--	--	--	159,676	--
BALANCE AT DECEMBER 27, 1997	160,466,708	\$ 1,605	\$ 647,752	\$ (5,503)	\$ 686,801	\$ (1,750)

The accompanying notes are an integral part of these statements.

Office Depot, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
Change in Cash and Cash Equivalents
(In thousands)

	52 WEEKS ENDED DECEMBER 27, 1997	52 Weeks Ended December 28, 1996	52 Weeks Ended December 30, 1995
Cash flows from operating activities			
Cash received from customers	\$ 6,670,091	\$ 6,039,729	\$ 5,243,724
Cash paid for inventories	(4,836,681)	(4,632,221)	(4,090,129)
Cash paid for store and warehouse operating, selling and general and administrative expenses	(1,351,918)	(1,231,412)	(1,045,448)
Interest received	4,592	1,624	1,357
Interest paid	(4,085)	(8,898)	(5,665)
Income taxes paid	(95,635)	(55,859)	(77,865)
Net cash provided by operating activities	386,364	112,963	25,974
Cash flows from investing activities			
Capital expenditures, net	(94,235)	(176,888)	(219,892)
Net cash used in investing activities	(94,235)	(176,888)	(219,892)
Cash flows from financing activities			
Proceeds from exercise of stock options and sales of stock under employee stock purchase plan	12,428	14,596	20,883
Proceeds from stock offering	--	--	121,799
Foreign currency translation adjustment	(4,430)	(279)	2,501
Proceeds from long- and short-term borrowings	--	146,652	178,410
Payments on long- and short-term borrowings	(151,888)	(107,639)	(100,088)
Net cash (used in) provided by financing activities .	(143,890)	53,330	223,505
Net increase (decrease) in cash and cash equivalents	148,239	(10,595)	29,587
Cash and cash equivalents at beginning of period	51,398	61,993	32,406
Cash and cash equivalents at end of period	\$ 199,637	\$ 51,398	\$ 61,993
Reconciliation of net earnings to net cash provided by operating activities			
Net earnings	\$ 159,676	\$ 129,042	\$ 132,399
Adjustments to reconcile net earnings to net cash provided by operating activities			
Depreciation and amortization	97,030	82,525	64,830
Provision for losses on inventory and accounts receivable	54,997	38,597	20,297
Accreted interest on zero coupon, convertible subordinated notes	18,005	17,064	16,505
Contributions of common stock to employee benefit and stock purchase plans	3,373	2,780	2,271
Changes in assets and liabilities			
Increase in receivables	(104,708)	(30,054)	(116,092)
Decrease (increase) in merchandise inventories	7,422	(96,105)	(340,372)
Increase in prepaid expenses, deferred income taxes and other assets	(28,739)	(32,965)	(583)
Increase in accounts payable, accrued expenses and deferred credits	179,308	2,079	246,719
Total adjustments	226,688	(16,079)	(106,425)
Net cash provided by operating activities	\$ 386,364	\$ 112,963	\$ 25,974

The accompanying notes are an integral part of these statements.

Office Depot Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

BASIS OF PRESENTATION

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

The Company is on a 52 or 53 week fiscal year ending on the last Saturday in December.

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

USE OF ESTIMATES

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

CASH AND CASH EQUIVALENTS

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

RECEIVABLES

Receivables as of December 27, 1997 and December 28, 1996 are comprised of trade receivables not sold through outside programs, totaling approximately \$279,096,000 and \$222,673,000, respectively, as well as amounts due from others. An allowance for doubtful accounts is provided for estimated amounts considered to be uncollectible. The credit risk related to these trade receivables is limited due to the large number of customers comprising the Company's customer base, and their dispersion across many different industries and geographies.

Amounts due from others, totaling approximately \$215,846,000 and \$179,227,000 as of December 27, 1997 and December 28, 1996, respectively, consist primarily of estimated receivables from vendors under various rebate, cooperative advertising and various other marketing programs. Funds received from vendors under rebate and other programs related to the purchase price of merchandise inventories are capitalized and recognized as a reduction of cost of sales as merchandise is sold. Amounts relating to cooperative advertising and marketing programs are recognized as a reduction of advertising expense in the period that the related expenses are incurred.

MERCHANDISE INVENTORIES

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

INCOME TAXES

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY AND EQUIPMENT

Property and equipment is recorded at cost. Depreciation and amortization are provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives on a straight line basis. Estimated useful lives are 30 years for buildings and 3 to 10 years for furniture, fixtures and equipment. Leasehold improvements are amortized over the lesser of the terms of the underlying leases, including probable renewal periods, or the estimated useful lives of the improvements.

GOODWILL

Goodwill represents the excess of purchase price and related costs over the value assigned to the net tangible and identifiable intangible assets of businesses acquired under the purchase method of accounting. Goodwill is amortized on a straight-line basis over 40 years. Accumulated amortization of goodwill was \$22,642,000 and \$17,411,000 as of December 27, 1997 and December 28, 1996, respectively. Management periodically evaluates the recoverability of goodwill, as measured by projected undiscounted future cash flows from the underlying acquired businesses which gave rise to such amount.

LONG-LIVED ASSETS

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," long-lived assets, certain identifiable intangibles, and goodwill related to those assets to be held and used are reviewed 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. Long-lived assets and certain identifiable intangibles to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell.

ADVERTISING

Advertising costs are either charged to expense when incurred or capitalized and amortized in proportion to related revenues. The Company and its vendors participate in cooperative advertising programs in which the vendors reimburse the Company for a portion of certain advertising costs. Advertising expense, net of vendor cooperative advertising allowances, amounted to \$64,670,000 in 1997, \$55,828,000 in 1996 and \$42,878,000 in 1995.

PRE-OPENING EXPENSES

Pre-opening expenses related to new store and warehouse openings and replacements are expensed as incurred.

POSTRETIREMENT BENEFITS

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

INSURANCE RISK RETENTION

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

MERGER COSTS

In September 1996, the Company 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, the Company and Staples announced that the merger agreement had been terminated. The Company expensed costs of \$16,094,000 in 1997 directly related to the terminated merger. These costs, consisting primarily of legal fees, investment banker fees and personnel retention costs, represent all costs incurred in connection with the merger.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

- * the carrying amounts of cash and cash equivalents, receivables and accounts payable approximate fair value due to their short-term nature;
- * discounted cash flows using current interest rates for financial instruments with similar characteristics and maturity were used to determine the fair value of short-term and long-term debt; and
- * quoted market prices were used to determine the fair value of the zero coupon, convertible subordinated notes.

There were no significant differences as of December 27, 1997 and December 28, 1996 in the carrying value and fair value of financial instruments except for the zero coupon, convertible subordinated notes which had a carrying value of \$417,614,000 and \$399,629,000 and a fair value of \$429,411,000 and \$376,033,000 at the end of 1997 and 1996, respectively.

NEW ACCOUNTING PRONOUNCEMENTS

The Company will adopt the following Statements of Financial Accounting Standards ("SFAS") in the year ending December 26, 1998.

SFAS No. 130, "Reporting Comprehensive Income," establishes reporting and display of comprehensive income and its components. This Statement requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. This Statement requires that an enterprise (a) classify items of other comprehensive income by their nature in a financial statement and (b) display the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in capital in the equity section of the Balance Sheet. This Statement is effective for fiscal years beginning after December 15, 1997 and will require reclassification of financial statements for prior periods for comparative purposes. The Company has not yet determined the impact of adopting this pronouncement on its financial statements.

SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information," establishes standards for reporting certain information about the Company's operating segments. These disclosures are to include the reported segments' sales, operating profit, identifiable assets, and other certain information. This Statement is effective for fiscal years beginning after December 15, 1997, and will require disclosure of prior period information, if practicable. The Company has not yet determined the impact of adopting this pronouncement on its financial statements.

Office Depot, Inc. and Subsidiaries
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE B - PROPERTY AND EQUIPMENT

Property and equipment consists of:

	DECEMBER 27, 1997	December 28, 1996
	-----	-----
	(in thousands)	
Land	\$ 72,869	\$ 64,678
Buildings	115,353	103,338
Leasehold improvements	356,855	333,992
Furniture, fixtures and equipment	495,541	423,525
	-----	-----
	1,040,618	925,533
Less accumulated depreciation and amortization ...	339,955	253,885
	-----	-----
	\$ 700,663	\$ 671,648
	=====	=====

Assets held under capital leases included above consist of:

	DECEMBER 27, 1997	December 28, 1996
	-----	-----
	(in thousands)	
Assets, at cost	\$ 40,489	\$ 17,114
Less accumulated depreciation	8,696	6,889
	-----	-----
	\$ 31,793	\$ 10,225
	=====	=====

NOTE C - DEBT

Debt consists of the following:

	DECEMBER 27, 1997		December 28, 1996	
	-----	-----	-----	-----
	SHORT-TERM	LONG-TERM	SHORT-TERM	LONG-TERM
	-----	-----	-----	-----
	(in thousands)			
Capital lease obligations collateralized by certain buildings, equipment and fixtures	\$ --	\$ 31,879	\$ --	\$ 9,816
13% senior subordinated notes, unsecured and due 2002 .	--	--	--	9,651
Bank borrowings	--	--	140,000	--
	-----	-----	-----	-----
	--	31,879	140,000	19,467
Current portion of long-term debt	2,473	(2,473)	2,339	(2,339)
	-----	-----	-----	-----
	\$ 2,473	\$ 29,406	\$ 142,339	\$ 17,128
	=====	=====	=====	=====

In December 1997, the Company retired the 13% senior subordinated notes.

NOTE C - DEBT (CONTINUED)

The Company entered into a new credit agreement in February 1998 with a syndicate of banks which provides for a working capital line and letters of credit totaling \$300,000,000. The credit agreement provides that funds borrowed bear interest, at the Company's option: at a rate based on a grid incorporating credit rating and fixed charge coverage ratio factors that currently would result in .21 % over LIBOR, at the higher of .5% over the Federal Funds rate and a base rate linked to the prime rate, or at a rate determined under a competitive bid facility. The Company must also pay a facility fee at a rate based on a grid incorporating credit rating and fixed charge coverage ratio factors that currently would result in a .115% per annum charge on the credit facility. The credit facility expires in February 2003. The credit agreement contains certain restrictive covenants relating to various financial statement ratios. As of December 27, 1997, the Company had no outstanding borrowings and had outstanding letters of credit totaling \$9,768,000 under its previous credit facility. In the first quarter of 1997, the Company repaid in full all borrowings outstanding at December 28, 1996 under its previous credit agreement. Accordingly, the outstanding balance was reflected as a current liability at December 28, 1996. In June 1995, the Company entered into a lease facility, under which the bank agreed to purchase up to \$25,000,000 of equipment on behalf of the Company and lease such equipment to the Company. As of December 27, 1997, the Company had utilized approximately \$21,556,000 of this lease facility.

Future minimum annual lease payments under capital leases together with the present value of the net minimum lease payments as of December 27, 1997 are as follows:

	DECEMBER 27, 1997 ----- (IN THOUSANDS)
1998	\$ 5,033
1999	4,975
2000	4,582
2001	2,767
2002	2,815
Thereafter	42,199

Total minimum lease payments	62,371
Less amount representing interest at 6.0% to 9.0%	30,492

Present value of net minimum lease payments	31,879
Less current portion	2,473

Non-current portion	\$29,406
	=====

NOTE D - ZERO COUPON, CONVERTIBLE SUBORDINATED NOTES

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

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

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

Each LYON is convertible at the option of the holder at any time on or prior to maturity, unless previously redeemed or otherwise purchased by the Company, into common stock of the Company at a conversion rate of 29.263 shares per 1992 LYON and 21.234 shares per 1993 LYON. The LYONs may be required to be purchased by the Company, at the option of the holder, as of

Office Depot, Inc. and Subsidiaries
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

December 11, 2002 for the 1992 LYONS and as of November 1, 2000 for the 1993 LYONS, at the issue price plus accrued original issue discount. The Company, at its option, may elect to pay the purchase price on any particular purchase date in cash or common stock, or any combination thereof. The total outstanding amounts of the 1992 LYONS and 1993 LYONS as of December 27, 1997, including accrued interest, were approximately \$193,085,000 and \$224,529,000, respectively.

In addition, prior to November 1, 2000, the holders of the 1993 LYONS can require the Company to purchase the 1993 LYONS for cash, in the event of a change in control of the Company. This option is no longer available to holders of the 1992 LYONS. Beginning on December 11, 1996, for the 1992 LYONS and on November 1, 2000 for the 1993 LYONS, the LYONS are redeemable for cash at any time at the option of the Company in whole or in part at the issue price plus accrued original issue discount through the date of redemption.

NOTE E - INCOME TAXES

The income tax provision consists of the following:

	52 WEEKS ENDED DECEMBER 27, 1997	52 Weeks Ended December 28, 1996	52 Weeks Ended December 30, 1995
	----- (in thousands) -----		
Current provision			
Federal	\$ 78,776	\$ 69,291	\$ 65,573
State	14,603	8,649	12,613
Deferred provision	10,359	5,736	11,336

Total provision for income taxes	\$103,738	\$ 83,676	\$ 89,522
	=====		

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

	AS OF DECEMBER 27, 1997	As of December 28, 1996	As of December 30, 1995
	----- (in thousands) -----		
Self-insurance accruals	\$ 13,311	\$ 7,529	\$ 5,839
Inventory costs capitalized for tax purposes	3,561	2,949	2,797
Vacation pay accruals	4,016	3,535	3,264
Reserve for bad debts	5,146	3,606	1,173
Reserve for facility closings	5,467	4,768	5,734
Interest premium on notes redeemed	--	--	2,004
Other items, net	20,867	17,955	14,137

Deferred tax assets	52,368	40,342	34,948

Basis difference in fixed assets	34,728	15,014	7,468
Capitalized leases	3,762	5,123	4,781
Excess of tax over book amortization	2,288	2,775	1,455
Other items, net	13,805	9,286	7,364

Deferred tax liabilities	54,583	32,198	21,068

Net deferred tax assets (liabilities)	\$ (2,215)	\$ 8,144	\$ 13,880
	=====		

Office Depot, Inc. and Subsidiaries
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE E - INCOME TAXES (CONTINUED)

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

	52 WEEKS ENDED DECEMBER 27, 1997	52 Weeks Ended December 28, 1996	52 Weeks Ended December 30, 1995
		(in thousands)	
Federal tax computed at the statutory rate	\$ 92,195	\$ 74,452	\$ 77,672
State taxes, net of federal benefit	9,746	6,382	8,877
Nondeductible goodwill amortization	1,853	1,821	1,843
Other items, net	(56)	1,021	1,130
Provision for income taxes	\$ 103,738	\$ 83,676	\$ 89,522

NOTE F - COMMITMENTS AND CONTINGENCIES

LEASES

The Company conducts its operations in various leased facilities under leases that are classified as operating leases for financial statement purposes. The leases provide for the Company to pay real estate taxes, common area maintenance, and certain other expenses, including, in some instances, contingent rentals based on sales. Lease terms, excluding renewal option periods exercisable by the Company at escalated rents, expire between 1998 and 2020. In addition to the base lease term, the Company has various renewal option periods. Also, certain equipment used in the Company's operations is leased under operating leases. A schedule of fixed operating lease commitments follows:

	DECEMBER 27, 1997 (IN THOUSANDS)
1998	\$ 179,504
1999	166,452
2000	146,784
2001	126,432
2002	110,187
Thereafter	629,593
	\$1,358,952

The above amounts include five stores leased but not yet opened as of December 27, 1997. The Company is in the process of opening new stores and customer service centers in the ordinary course of business, and leases signed subsequent to December 27, 1997 are not included in the above described commitment amount. Rent expense, including equipment rental, was approximately \$203,060,000, \$184,697,000 and \$154,633,000, during 1997, 1996 and 1995, respectively.

NOTE F - COMMITMENTS AND CONTINGENCIES (CONTINUED)

IMPACT OF THE YEAR 2000 ISSUE

The Company is undertaking a comprehensive review of all of its computer software, computer hardware, and other operating equipment and systems to mitigate disruption of its business related to the Year 2000 issue. The Company has retained outside consultants and suppliers to aid in this review. Most of the Company's computer systems have been developed over the past four years and management believes that they are already Year 2000 compliant. The Company does not expect the costs associated with its Year 2000 compliance program to have a material effect on its financial position or results of its operations. Additionally, the Company is reviewing the Year 2000 issue with its suppliers, shippers, customers and other external business partners. There can be no assurance until 2000, however, that all of the Company's systems, and the systems of its suppliers, shippers, customers and other external business partners will function adequately. If the systems of the Company's suppliers, shippers, customers and other external business partners are not Year 2000 compliant, it could have a material adverse effect on the Company.

OTHER

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

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

As of December 27, 1997, the Company has reserved 16,564,275 shares of unissued common stock for conversion of the zero coupon, convertible subordinated notes (see also Note D).

NOTE G - EMPLOYEE BENEFIT PLANS

LONG-TERM EQUITY INCENTIVE PLAN

As of December 27, 1997, the Company had reserved 15,051,895 shares of common stock for issuance to officers and key employees under its Long-Term Equity Incentive Plan. Under this plan, the option price must be equal to or in excess of the market price of the stock on the date of the grant or, in the case of employees who own 10% or more of common stock, the minimum price must be 110% of the market price.

Options granted to date become exercisable from one to three years after the date of grant, provided that the individual is continuously employed by the Company. All options expire no more than ten years after the date of grant.

EMPLOYEE STOCK PURCHASE PLAN

In October 1989, the Board of Directors approved an Employee Stock Purchase Plan, which permits eligible employees to purchase common stock from the Company at 90% of its fair market value through regular payroll deductions. The maximum aggregate number of shares eligible for purchase under the plan is 1,625,000.

RETIREMENT SAVINGS PLAN

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

Office Depot, Inc. and Subsidiaries
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE G - EMPLOYEE BENEFIT PLANS (CONTINUED)

ACCOUNTING FOR STOCK-BASED COMPENSATION

The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations in accounting for its stock-based compensation plans. The compensation cost that has been charged against income for its Employee Stock Purchase Plan and restricted stock awards issued under its Long-Term Equity Incentive Plan approximated \$664,000, \$1,482,000 and \$693,000, in 1997, 1996 and 1995, respectively. No other compensation costs have been recognized under the Company's stock-based compensation plans. Had compensation cost for the Company's stock-based compensation plans been determined using the fair value method described in Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," at the grant dates for awards under these plans, the Company's net earnings and earnings per share would have been reduced to the pro forma amounts presented below:

	1997	1996	1995
	-----	-----	-----
Net earnings (in thousands)			
As reported	\$ 159,676	\$ 129,042	\$ 132,399
Pro forma	146,081	122,072	129,712
Basic earnings per share			
As reported	\$ 1.01	\$.82	\$.87
Pro forma .....	.93	.78	.85
Diluted earnings per share			
As reported	\$.97	\$.80	\$.83
Pro forma .....	.89	.76	.81

The fair value of each option grant is established on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants in 1997, 1996 and 1995: expected volatility of 25% for all three years, risk-free interest rates of 6.10% for 1997, 6.36% for 1996, and 6.28% for 1995, expected lives of approximately six years for 1997 and five years for 1996 and 1995 and a dividend yield of zero for all three years.

A summary of the status of the option plan as of and for the changes during each of the three years in the period ended December 27, 1997 is presented below:

	1997		1996		1995	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
	-----	-----	-----	-----	-----	-----
Outstanding at beginning of year ..	8,573,633	\$ 17.30	8,325,801	\$ 16.89	8,369,379	\$ 12.95
Granted	5,380,250	16.32	2,036,276	16.50	1,983,750	27.00
Canceled	1,241,171	21.03	841,942	22.33	291,487	20.21
Exercised	616,313	12.66	946,502	7.98	1,735,841	8.49
Outstanding at end of year	<u>12,096,399</u>	<u>\$ 16.72</u>	<u>8,573,633</u>	<u>\$ 17.30</u>	<u>8,325,801</u>	<u>\$ 16.89</u>

The weighted average fair values of options granted during 1997, 1996 and 1995 were \$6.13, \$5.83 and \$9.60, respectively.

Office Depot, Inc. and Subsidiaries
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE G - EMPLOYEE BENEFIT PLANS (CONTINUED)

The following table summarizes information about options outstanding at December 27, 1997:

OPTIONS OUTSTANDING				OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (IN YEARS)	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
\$ 2.28 - 3.42	96,778	2.4	\$ 3.19	96,778	\$ 3.19
3.43 - 5.15	154,379	2.3	4.19	154,379	4.19
5.16 - 7.70	902,278	3.5	5.99	902,278	5.99
7.71 - 11.50	299,783	4.5	10.89	299,783	10.89
11.51 - 17.30	6,453,970	8.7	15.17	1,227,832	13.57
17.31 - 23.00	2,558,557	7.4	20.09	1,620,285	20.22
23.01 - 31.94	1,630,654	7.5	26.59	1,121,356	26.63
<u>\$ 2.28 - 31.94</u>	<u>12,096,399</u>	<u>7.6</u>	<u>\$16.72</u>	<u>5,422,691</u>	<u>\$16.40</u>

NOTE H - CAPITAL STOCK

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

As of December 27, 1997, there were 1,000,000 shares of \$.01 par value preferred stock authorized of which none are issued or outstanding.

STOCKHOLDER RIGHTS PLAN

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

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

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

NOTE I - NET EARNINGS PER SHARE

In 1997, the Company adopted Statement of Financial Accounting Standard ("SFAS") No. 128, "Earnings Per Share." SFAS No. 128 requires the dual presentation of basic and diluted earnings per share, replacing the presentation of primary and fully diluted earnings per share. Restatement of all prior period earnings per share data is required. Primary earnings per share as previously reported was \$.81 and \$.85 for 1996 and 1995, respectively. Fully diluted earnings per share as previously reported is the same as diluted earnings per share for both 1996 and 1995.

Office Depot, Inc. and Subsidiaries
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE I - NET EARNINGS PER SHARE (CONTINUED)

Basic earnings per common share is based upon the weighted average number of shares outstanding during each period. Diluted earnings per common share is determined on the assumption that the zero coupon, convertible subordinated notes were converted as of the beginning of the period and that dilutive stock options were exercised. Net earnings under this assumption are adjusted for interest on the notes, net of its income tax effect.

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

	52 WEEKS ENDED DECEMBER 27, 1997	52 WEEKS ENDED DECEMBER 28, 1996	53 WEEKS ENDED DECEMBER 30, 1995
	(in thousands)		
Basic:			
Weighted average number of common shares outstanding	157,755 =====	156,828 =====	151,867 =====
Diluted:			
Net earnings	\$159,676	\$129,042	\$132,399
Interest expense related to convertible notes, net of tax	11,037 -----	10,580 -----	10,068 -----
Adjusted net earnings	\$170,713 =====	\$139,622 =====	\$142,467 =====
Weighted average number of common shares outstanding	157,755	156,828	151,867
Shares issued upon assumed conversion of convertible notes	16,565	16,565	16,568
Shares issued upon assumed exercise of stock options	2,066 -----	1,827 -----	3,689 -----
Shares used in computing diluted net earnings per common share	176,386 =====	175,220 =====	172,124 =====

Options to purchase 3,132,520 shares of common stock at an average exercise price of approximately \$24.05 per share were not included in the computation of diluted earnings per share as of December 27, 1997 because their effect would be anti-dilutive.

NOTE J - RECEIVABLES SOLD WITH RECOURSE

The Company has two private label credit card programs which are managed by financial services companies. All credit card receivables related to one of these programs were sold on a recourse basis during 1997, 1996 and 1995. Proceeds to the Company for such receivables sold with recourse were approximately \$33,837,000, \$331,000,000 and \$313,000,000 in 1997, 1996 and 1995, respectively. The decrease in proceeds from 1996 to 1997 was the result of the Company selling a substantial part of its credit card portfolio, which was previously sold on a recourse basis, to a financial services company on a non-recourse basis. The Company's maximum exposure to off-balance sheet credit risk is represented by the outstanding balance of private label credit card receivables with recourse, which totaled approximately \$5,673,000 as of December 27, 1997. One of the financial services companies periodically estimates the percentage to be withheld from proceeds for receivables sold to achieve the necessary reserve for potential uncollectible amounts. The Company expenses such withheld amounts at the time of the sale to the financial services company.

Office Depot, Inc. and Subsidiaries
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE K- SUPPLEMENTAL INFORMATION ON NONCASH INVESTING AND FINANCING ACTIVITIES

The Consolidated Statements of Cash Flows for 1997, 1996 and 1995 do not include the following noncash investing and financing transactions:

	52 WEEKS ENDED DECEMBER 27, 1997	52 WEEKS ENDED DECEMBER 28, 1996	53 WEEKS ENDED DECEMBER 30, 1995
	(in thousands)		
Building and equipment purchased under capital leases .	\$24,300	\$ 4,805	\$ 5,836
Conversion of convertible, subordinated debt to common stock	20	6	275
Additional paid-in capital related to tax benefit on stock options exercised	1,894	6,804	7,598

NOTE L - QUARTERLY FINANCIAL DATA (UNAUDITED)

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
	(IN THOUSANDS, EXCEPT PER SHARE DATA)			
FISCAL YEAR ENDED DECEMBER 27, 1997				
Net sales	\$1,772,444	\$1,531,825	\$1,690,275	\$1,722,970
Gross profit (a)	399,541	360,534	399,088	415,040
Net earnings	38,787	30,474	43,732	46,683
Net earnings per common share:				
Basic	\$.25	\$.19	\$.28	\$.30
Diluted .....	.24	.19	.26	.28
Fiscal Year Ended December 28, 1996				
Net sales	\$1,632,995	\$1,381,365	\$1,509,650	\$1,544,588
Gross profit (a)	355,378	324,704	333,686	353,920
Net earnings	33,483	28,237	31,858	35,464
Net earnings per common share:				
Basic	\$.21	\$.18	\$.20	\$.23
Diluted .....	.21	.18	.20	.22

(a) Gross profit is net of occupancy costs.

EXHIBIT 21.1

LIST OF THE COMPANY'S SUBSIDIARIES

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

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 and No. 333-45591 of Office Depot, Inc. on Forms S-8 of our reports dated February 12, 1998 included and incorporated by reference in the Annual Report on Form 10-K of Office Depot, Inc. for the year ended December 27, 1997.

DELOITTE & TOUCHE LLP

Certified Public Accountants

Fort Lauderdale, Florida
March 24, 1998

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF OFFICE DEPOT, INC. FOR THE YEAR ENDED DECEMBER 27, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

YEAR		
	DEC-27-1997	
	DEC-29-1996	
	DEC-27-1997	
		199,637
		0
		298,600
		19,504
		1,273,753
		2,020,587
		1,040,618
		339,955
		2,981,089
1,137,782		
		449,493
		0
		0
		1,605
		1,327,300
2,981,089		
		6,717,514
		6,717,514
		5,143,311
		6,212,797
		201,749
		11,931
		21,583
		263,414
		103,738
159,676		
		0
		0
		0
		159,676
		1.01
		0.97