

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 24, 2000

or

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

For the transition period from _____ to _____

Commission file number 1-10948

OFFICE DEPOT, INC.

(Exact name of registrant as specified in its charter)

Delaware 59-2663954

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

2200 Old Germantown Road; Delray Beach, Florida 33445

(Address of principal executive offices) (Zip Code)

(561) 438-4800

(Registrant's telephone number, including area code)

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

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

Yes No

The registrant had 305,672,455 shares of common stock outstanding as of July 21, 2000.

ITEM 1

FINANCIAL STATEMENTS

OFFICE DEPOT, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	AS OF JUNE 24, 2000 ----- (UNAUDITED)	AS OF DECEMBER 25, 1999 -----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 213,123	\$ 218,784
Receivables, net	773,089	849,478
Merchandise inventories, net	1,294,401	1,436,879
Deferred income taxes and other current assets	121,786	125,911
	-----	-----
Total current assets	2,402,399	2,631,052
Property and equipment, net	1,178,182	1,145,628
Goodwill and other assets, net	445,084	499,503
	-----	-----
	\$ 4,025,665	\$ 4,276,183
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,079,646	\$ 1,239,301
Accrued expenses and other current liabilities	382,056	414,690
Income taxes payable	71,391	39,588
Current maturities of long-term debt	256,685	250,466
	-----	-----
Total current liabilities	1,789,778	1,944,045
Deferred income taxes and other credits	70,198	103,319
Long-term debt, net of current maturities	341,628	321,099
Commitments and contingencies		
Stockholders' equity:		
Common stock - authorized 800,000,000 shares of \$.01 par value; issued 377,414,345 in 2000 and 376,212,439 in 1999	3,774	3,762
Additional paid-in capital	937,146	926,295
Unamortized value of long-term incentive stock grants	(3,579)	(4,065)
Accumulated other comprehensive income	(45,794)	15,730
Retained earnings	1,634,332	1,467,359
Treasury stock, at cost - 67,082,119 shares in 2000 and 46,770,272 shares in 1999	(701,818)	(501,361)
	-----	-----
	1,824,061	1,907,720
	-----	-----
	\$ 4,025,665	\$ 4,276,183
	=====	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

OFFICE DEPOT, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	13 WEEKS ENDED		26 WEEKS ENDED	
	JUNE 24, 2000	JUNE 26, 1999	JUNE 24, 2000	JUNE 26, 1999
Sales	\$ 2,630,848	\$ 2,343,036	\$ 5,694,101	\$ 4,965,887
Cost of goods sold and occupancy costs	1,881,337	1,664,801	4,109,348	3,558,804
Gross profit	749,511	678,235	1,584,753	1,407,083
Store and warehouse operating and selling expenses	531,953	453,210	1,101,334	924,879
Pre-opening expenses	3,157	5,239	5,807	11,702
General and administrative expenses	115,053	89,707	221,402	179,430
Merger and restructuring costs	3,352	12,718	4,381	15,479
	653,515	560,874	1,332,924	1,131,490
Operating profit	95,996	117,361	251,829	275,593
Other income (expense):				
Interest income	3,521	8,710	6,885	18,422
Interest expense	(7,070)	(6,700)	(14,266)	(13,051)
Miscellaneous (expense) income, net	(483)	(1,807)	20,589	(3,645)
Earnings before income taxes	91,964	117,564	265,037	277,319
Income taxes	34,027	43,448	98,064	102,627
Net earnings	\$ 57,937	\$ 74,116	\$ 166,973	\$ 174,692
Earnings per common share:				
Basic	\$ 0.18	\$ 0.20	\$ 0.52	\$ 0.47
Diluted	0.18	0.19	0.50	0.44

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

OFFICE DEPOT, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)
(UNAUDITED)

	26 WEEKS ENDED	
	JUNE 24, 2000	JUNE 26, 1999
CASH FLOW FROM OPERATING ACTIVITIES:		
Net earnings	\$ 166,973	\$ 174,692
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	96,179	78,460
Provision for losses on inventories and receivables	47,630	44,102
Changes in assets and liabilities	18,585	(133,525)
Other operating activities, net	(10,201)	18,680
	319,166	182,409
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investment securities	(21,612)	(102,452)
Proceeds from maturities or sales of investment securities	18,960	5,045
Capital expenditures, net of proceeds from sales	(126,370)	(186,728)
Other investing activities	--	(21,629)
	(129,022)	(305,764)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of stock options and sale of stock under employee stock purchase plans	7,431	45,752
Acquisition of treasury stock	(200,457)	--
Other financing activities, net	5,100	(2,652)
	(187,926)	43,100
	-----	-----
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	(7,879)	(2,134)
	(5,661)	(82,389)
Net decrease in cash and cash equivalents	218,784	704,541
	-----	-----
Cash and cash equivalents at end of period	\$ 213,123	\$ 622,152
	=====	=====
SUPPLEMENTAL DISCLOSURE OF OTHER CASH FLOW ACTIVITIES:		
Interest received	\$ 6,473	\$ 18,413
Interest paid	4,253	3,307
Income taxes paid	72,669	108,223
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Additional paid-in capital related to income tax benefits on stock options exercised	\$ 539	\$ 8,161
Assets acquired under capital leases	12,569	36,293
Decline in fair value of investment securities, net of income taxes	45,681	--
Common stock issued upon conversion of debt	--	287

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

OFFICE DEPOT, INC. AND SUBSIDIARIES
NOTES TO OUR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts in thousands)

NOTE A - BASIS OF PRESENTATION

Office Depot, Inc., together with our subsidiaries, is the world's largest supplier of office products and services in terms of sales volume. We operate on a 52- or 53-week fiscal year ending on the last Saturday of December. Our condensed interim financial statements as of June 24, 2000 and for the 13- and 26-week periods ending June 24, 2000 (also referred to as "the second quarter of 2000" and "the first half of 2000," respectively) and June 26, 1999 (also referred to as "the second quarter of 1999" and "the first half of 1999," respectively) are unaudited. However, in our opinion, these financial statements reflect all adjustments (consisting only of normal, recurring items) necessary to provide you with a fair presentation of our financial position, results of operations and cash flows for the periods presented. Also, we have made certain reclassifications to our historical financial statements to conform them to the presentation we used in the current year. These interim results are not necessarily indicative of the results you should expect for the full year. For a better understanding of our company and our financial statements, we recommend that you read these condensed interim financial statements in conjunction with our audited financial statements for the year ended December 25, 1999, which are included in our 1999 Annual Report on Form 10-K, filed on March 22, 2000.

NOTE B - MERGER AND RESTRUCTURING TRANSACTIONS

For information on our merger and restructuring transactions and plans, see the disclosures in our 1999 Annual Report on Form 10-K. We have not made any significant changes to our plans since the end of 1999. We incurred \$4 million of merger and restructuring costs during the first half of 2000. These charges were primarily personnel-related costs attributable to our 1998 merger with Office Products, Inc. ("Viking"). During the first half of 1999, we incurred \$15 million of merger and restructuring costs, including \$9 million attributable to the acquisition of our remaining joint venture interests in France and Japan, \$3 million associated with the closure of our Furniture at Work(TM) and Images(TM) stores, and \$3 million in facility- and personnel-related costs arising from our merger with Viking. As of June 24, 2000, we had remaining accruals of approximately \$17 million for merger and restructuring costs. These accruals consist of approximately \$9 million for personnel-related costs, approximately \$7 million for facility-related costs, and approximately \$2 million for merger transaction costs. Amounts expensed for asset write-offs are recorded as a reduction of our fixed assets, while all other amounts are recorded as accrued expenses.

NOTE C - COMPREHENSIVE INCOME

Comprehensive income represents all non-owner changes in stockholders' equity and consists of the following:

	SECOND QUARTER		FIRST HALF	
	2000	1999	2000	1999
Net earnings	\$ 57,937	\$ 74,116	\$ 166,973	\$ 174,692
Foreign currency translation adjustments	(23,331)	(3,888)	(15,842)	(17,586)
Decline in fair value of investment securities	(58,607)	--	(75,387)	--
Tax on decline in fair value of investment securities	22,594	--	29,705	--
Total comprehensive income	\$ (1,407)	\$ 70,228	\$ 105,449	\$ 157,106

NOTE D - STOCK REPURCHASE

During the second quarter of 2000, we completed our previously announced \$700 million stock repurchase programs by acquiring an additional 7 million shares of our common stock. As of the end of the second quarter, under the repurchase programs authorized by our Board of Directors, we had repurchased a total of 67 million shares of our common stock.

In July 2000, our Board authorized the repurchase of an additional \$100 million of our common stock. This authorization does not have an expiration date.

NOTE E - LONG-TERM DEBT

In May 2000, we entered into a credit agreement with a syndicate of banks. This agreement has a one-year term and provides us with a working capital line of credit of \$300 million. Furthermore, this agreement has various borrowing rate options, including a rate based on our credit rating, which would currently result in an interest rate of 0.4% over LIBOR. Together with our existing five-year credit agreement, we now have a total of \$600 million in available funds. You can read about the five-year credit agreement, entered into in February 1998, in our 1999 Annual Report on Form 10-K. Both credit agreements contain similar restrictive covenants. As of June 24, 2000, we had no outstanding borrowings under our domestic lines of credit, but we had outstanding letters of credit totaling \$33 million.

In July 1999, we entered into term loan and revolving credit agreements with several Japanese banks (the "yen facilities") to provide financing for our operating and expansion activities in Japan. As of June 24, 2000, the equivalent of \$55 million was outstanding under these yen facilities. We entered into a yen interest rate swap (for a principal amount equivalent to \$23 million as of June 24, 2000) in order to hedge against the volatility of the interest payments on a portion of our yen borrowings. The swap will mature in July 2002. You can read more about our yen facilities and interest rate swap in our 1999 Annual Report on Form 10-K.

NOTE F - INVESTMENTS

In September 1999, we adopted a strategy to invest in companies that provide business-to-business electronic commerce solutions for small- and medium-sized businesses. We invested \$22 million in such companies during the first half of 2000, bringing our investments since September 1999 to \$72 million. The carrying value of our investments at June 24, 2000 was \$98 million. The carrying value of investments we held at December 25, 1999 has decreased by \$75 million from \$152 million. This decline in fair value has been included in other comprehensive income, net of applicable income taxes (see Note C). The majority of these investments are in closely held corporations, and quoted market prices are not available. Because a reasonable estimate of fair value could not be made without incurring excessive costs, our investments in closely held corporations are carried at cost.

In February 2000, we exercised 250,000 warrants and simultaneously sold the underlying shares of one of our investments on the open market for \$19 million, net of commissions. We paid the exercise price of the warrants through the exercise of an additional 27,777 warrants, realizing a gain of \$19 million on the transaction. This gain was included in miscellaneous income in the first half of 2000.

NOTE G - EARNINGS PER SHARE ("EPS")

The information required to compute basic and diluted EPS is as follows:

	SECOND QUARTER		FIRST HALF	
	2000	1999	2000	1999
Basic:				
Weighted average number of common shares outstanding	313,696	374,285	318,651	373,545
Diluted:				
Net earnings	\$ 57,937	\$ 74,116	\$166,973	\$174,692
Interest expense related to convertible notes, net of income taxes	3,190	2,978	6,357	5,912
Adjusted net earnings	\$ 61,127	\$ 77,094	\$173,330	\$180,604
Weighted average number of common shares outstanding	313,696	374,285	318,651	373,545
Shares issued upon assumed conversion of convertible notes	24,741	24,740	24,741	24,747
Shares issued upon assumed exercise of dilutive stock options	2,130	9,865	2,564	10,790
Shares used in computing diluted EPS	340,567	408,890	345,956	409,082

Options to purchase 30,442,360 shares of common stock at an average exercise price of \$16.27 per share were not included in our computation of diluted earnings per share for the second quarter of 2000, because their effect would be anti-dilutive.

NOTE H - NEW ACCOUNTING PRONOUNCEMENTS

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

In July 1999, the FASB issued SFAS No. 137, which defers the effective date of SFAS No. 133 until the start of fiscal years beginning after June 15, 2000. In June 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities - an Amendment of FASB Statement No. 133," which addresses implementation issues experienced by those companies that adopted SFAS No. 133 early. We will adopt SFAS No. 133, as well as its amendments and interpretations, in fiscal year 2001. We do not expect the adoption of these statements to have a material impact on our financial position or the results of our operations.

In March 2000, the Emerging Issues Task Force ("EITF") reached a consensus in EITF Issue 00-02, "Accounting for Web Site Development Costs," agreeing that the costs incurred to develop software to operate a Web site for internal use should be accounted for in accordance with Statement of Position ("SOP") 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." Under this SOP, costs incurred in the preliminary project stage should be expensed as incurred, as should most training and data conversion costs. External direct costs of materials and services and internal direct payroll-related costs should be capitalized when certain criteria are met. This consensus is effective for the first quarter beginning after June 30, 2000. We will adopt EITF Issue 00-02 in the fourth quarter of 2000. The adoption of EITF 00-02 will not have a material impact on our financial position or the results of our operations.

NOTE I - SEGMENT INFORMATION

During the first quarter of 2000, we redefined our operating and reporting segments to more closely match management responsibility. Accordingly, all of our historical segment information has been restated to reflect this change. The following is a summary of our significant accounts and balances by segment for the 13- and 26-week periods ended June 24, 2000 and June 26, 1999, reconciled to our consolidated totals.

	SALES			
	SECOND QUARTER		FIRST HALF	
	2000	1999	2000	1999
Stores	\$ 1,416,003	\$ 1,309,422	\$ 3,211,650	\$ 2,858,148
Business Services Group	869,730	730,729	1,752,477	1,478,479
International	346,121	303,879	731,932	631,437
Total reportable segments	2,631,854	2,344,030	5,696,059	4,968,064
Eliminations	(1,006)	(994)	(1,958)	(2,177)
Total	\$ 2,630,848	\$ 2,343,036	\$ 5,694,101	\$ 4,965,887

EARNINGS BEFORE INCOME TAXES

	SECOND QUARTER		FIRST HALF	
	2000	1999	2000	1999
Stores	\$ 100,012	\$ 122,024	\$ 254,239	\$ 264,527
Business Services Group	70,207	61,767	128,064	120,442
International	43,722	34,259	96,988	81,982
Total reportable segments	213,941	218,050	479,291	466,951
Eliminations and other	(121,977)	(100,486)	(214,254)	(189,632)
Total	\$ 91,964	\$ 117,564	\$ 265,037	\$ 277,319

ASSETS

	JUNE 24, 2000	DECEMBER 25, 1999
Stores	\$2,024,659	\$2,170,928
Business Services Group	1,058,202	1,097,232
International	688,685	683,322
Total reportable segments	3,771,546	3,951,482
Other	254,119	324,701
Total	\$4,025,665	\$4,276,183

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

	SECOND QUARTER		FIRST HALF	
	2000	1999	2000	1999
Total from reportable segments	\$ 213,941	\$ 218,050	\$ 479,291	\$ 466,951
General and administrative expenses	(115,053)	(89,707)	(221,402)	(179,430)
Gain on sales of investment securities	33	--	18,993	--
Interest (expense) income, net	(3,549)	2,010	(7,381)	5,371
Merger and restructuring costs	(3,352)	(12,718)	(4,381)	(15,479)
Inter-segment transactions	(56)	(71)	(83)	(94)
Total	\$ 91,964	\$ 117,564	\$ 265,037	\$ 277,319

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

(Tabular amounts in thousands)

GENERAL

Office Depot, Inc., together with our subsidiaries, is the largest supplier of office products and services in the world in terms of sales volume. We sell to consumers and businesses of all sizes through our three business segments: Stores, Business Services Group ("BSG") and International. During the first quarter of 2000, we redefined our operating and reporting segments to more closely match management responsibility. All historical financial information for our segments has been restated to reflect this change.

Management's Discussion and Analysis ("MD&A") is intended to provide information to assist you in better understanding and evaluating our financial condition and results of operations. We recommend that you read this MD&A in conjunction with our condensed consolidated financial statements in Item 1 of this Quarterly Report on Form 10-Q, as well as our 1999 Annual Report on Form 10-K. This MD&A contains significant amounts of forward-looking information. Without limitation, when we use the words "believe," "estimate," "plan," "expect," "intend," "anticipate," "continue," "project," "probably," "should" and similar expressions in this Quarterly Report on Form 10-Q, we are identifying forward-looking statements. Our Cautionary Statements, which you will find immediately following this MD&A and the MD&A in our 1999 Annual Report on Form 10-K, apply to these forward-looking statements.

RESULTS OF OPERATIONS

OVERALL

Our overall sales increased by 12% for the second quarter and 15% for the first half of 2000. The most significant sales increases were realized in our BSG segment. We achieved greater penetration in the contract market by expanding our contract sales force and modifying our sales support infrastructure to better serve our sales force. Our continued worldwide store expansion has also contributed greatly to our overall sales increases. We have increased our domestic and international store base by 98 and 12 stores, respectively, since the end of the second quarter of 1999.

For the second quarter and first half of 2000, our overall gross profit percentage was negatively impacted primarily by increased paper costs without corresponding increases in selling prices. In our BSG, our selling prices cannot be adjusted to changing costs as quickly as in our stores, because they are either determined by contractual arrangements (with respect to our contract customers) or are generally fixed for the life of a catalog (with respect to our commercial customers). In addition, competitive pressures in our stores can hinder the speed at which we adjust selling prices in response to rising costs.

Occupancy costs have also risen significantly as a percentage of sales, driven largely by the number of new stores opened in the last year and the consolidation of our Japanese retail operations in our 2000 results. Our stores typically need about four years to reach sales maturity. Until a store reaches maturity, its fixed occupancy costs as a percentage of its sales are typically higher than in more mature stores. Furthermore, our retail operations generally require higher occupancy costs as a percentage of sales than our catalog operations.

Our gross profit margins in future periods are likely to be negatively impacted by our revised pricing strategy for paper, ink and toner cartridges. In an effort to improve our ability to compete with non-traditional office supply retailers, we recently lowered our prices, changed packaging and strengthened the promotion of these high-visibility product groups that are essential to every business. As a result, we expect to gain market share and customer loyalty across all of our domestic sales channels, and anticipate that increased sales volume will offset the impact of any reduced margins.

There were several factors that impacted the increase in our operating and selling expenses as a percentage of sales during the second quarter and first half of 2000. With comparable store sales declining 1% for the quarter and increasing only 2% for the first half of 2000, the fixed portion of our store expenses increased relative to sales. Also this year, we incurred higher advertising expenses in our domestic segments for our "Taking Care of Business" campaign, which we began during the latter half of 1999. We increased our catalog mailings to further penetrate our commercial markets. Furthermore, we experienced higher delivery costs in our warehouse operations as third-party carriers increased their rates.

STORES

	SECOND QUARTER				FIRST HALF			
	2000		1999		2000		1999	
Sales	\$1,416,003	100.0%	1,309,422	100.0%	\$3,211,650	100.0%	\$2,858,148	100.0%
Cost of goods sold and occupancy costs	1,085,043	76.6%	987,966	75.5%	2,472,018	77.0%	2,180,453	76.3%
Gross profit	330,960	23.4%	321,456	24.5%	739,632	23.0%	677,695	23.7%
Store operating and selling expenses	227,955	16.1%	194,394	14.8%	479,779	14.9%	402,418	14.1%
Store operating profit	\$ 103,005	7.3%	\$ 127,062	9.7%	\$ 259,853	8.1%	\$ 275,277	9.6%

In our Stores Division, sales increased 8% for the second quarter and 12% for the first half of 2000 primarily through our store expansion program, with sales generated by non-comparable stores (those open for less than one year) representing all of the sales increase in the second quarter and approximately 82% of the sales increase in the first half of 2000. The remaining increase for the first half of 2000 is attributable to comparable sales growth of 2% in the 751 domestic stores that have been open for more than one year, while comparable sales for the second quarter of 2000 declined 1% in comparison to the second quarter of 1999. We saw a decline in our software sales for both the second quarter and first half of 2000 as sales in the comparable 1999 periods were higher, reflecting the introduction of the popular Microsoft Office 2000(R) software suite and the associated increase in sales volume.

For the second quarter and first half of 2000, our gross profit rate decreased as a result of increased occupancy costs and paper costs, as discussed in the OVERALL section above. Furthermore, gross profit for the second quarter of 1999 reflected a change in the rates at which we recognize volume rebates. This adjustment, which resulted in the earlier recognition of rebates within the year, was made possible by improvements in the underlying vendor program tracking systems. This resulted in a higher gross profit margin for the second quarter of 1999 and a more comparable gross profit margin for the first half of 1999.

Store operating and selling expenses for the second quarter and first half of 2000 increased as a percentage of sales largely because of increased advertising expenses to promote our "Taking Care of Business" campaign. In addition, delivery expenses allocated to our stores for retail customer deliveries increased as a result of rising costs in our customer service centers ("CSCs"), as more fully discussed in the BSG section below. Delivery expenses also increased because of an increase in the number of delivered orders in our stores. The rise in our store operating and selling expenses is greater for the second quarter than for the first half of 2000, primarily because of the decline in comparable sales during the second quarter of 2000 relative to the level of fixed store costs.

BSG

	SECOND QUARTER				FIRST HALF			
	2000		1999		2000		1999	
Sales	\$869,730	100.0%	\$730,729	100.0%	\$1,752,477	100.0%	\$1,478,479	100.0%
Cost of goods sold and occupancy costs	587,938	67.6%	495,024	67.7%	1,196,161	68.3%	1,006,874	68.1%
Gross profit	281,792	32.4%	235,705	32.3%	556,316	31.7%	471,605	31.9%
Warehouse operating and selling expenses	210,287	24.2%	172,146	23.6%	425,656	24.3%	348,073	23.5%
Warehouse operating profit	\$ 71,505	8.2%	\$ 63,559	8.7%	\$ 130,660	7.4%	\$ 123,532	8.4%

BSG's sales increased 19% for both the second quarter and first half of 2000, largely as a result of expanding our contract sales force, along with modification of our sales support infrastructure to better serve our sales force. Sales generated from our public and contract Web sites in the United States increased to \$184 million in the second quarter of 2000, as compared to \$70 million in the second quarter of 1999. For the first half of 2000, domestic Web site sales rose 195% to \$355 million from \$120 million in the comparable 1999 period. We believe that our Internet services attract new customers as well as strengthen existing customer relationships. Sales of paper and furniture increased in proportion to other items in BSG's product mix during the second quarter and the first half of 2000. The growth in paper sales has been primarily the result of higher average selling prices. Furniture sales increased in response to an emphasis on promoting these items, including sales force training and enhanced assortment offerings.

BSG's gross profit percentage increased slightly for the second quarter of 2000, but we experienced a decrease for the first half of the year. Increased paper costs, coupled with an increase in the volume of paper sold, put downward pressure on our gross profit in both the first and second quarters of 2000. Although the average selling price of paper increased, as mentioned above, we

were not able to adjust those prices at the same rate at which our costs increased. Also, our selling prices cannot be adjusted quickly because they are either determined by contractual arrangements or are generally fixed for the life of a catalog. As a result, the impact of higher paper costs was more significant in the first quarter than in the second quarter. The impact of rising paper costs on our gross profit margins in the second quarter was offset considerably by an increase in volume rebates earned from our vendors.

The increase in warehouse operating and selling expenses in the second quarter of 2000 was primarily the result of higher delivery costs, arising from increased rates charged by third-party carriers. During the first half of 2000, the increase in warehouse operating and selling expenses was further driven by personnel-related expenses associated with expanding our contract sales force and our warehouse staff. We expanded our sales force in order to further penetrate the contract market. The increase in our warehouse workforce was required to handle our transition into fully integrated Office Depot/Viking warehouses. During the latter half of 1999, we began processing both Office Depot and Viking brand orders in certain facilities, and we expect to fully integrate all warehouses by early 2001. At the end of June 2000, two facilities have been integrated. During the transition into these integrated facilities, we incurred additional expenses related to preparing for the increased volume of deliveries in the newly integrated facility without a corresponding decrease in the expenses of the closing facility. Three other warehouses were in the transition phase during the first half of 2000, and were not completed by the end of the second quarter. We currently deliver merchandise out of 30 CSCs, including our two combined Office Depot/Viking facilities. As we progress in the integration process, we plan to significantly reduce the total number of warehouse facilities we operate, which should positively impact our BSG's overall operating expenses relative to sales. See additional discussion of the planned integration in our 1999 Annual Report on Form 10-K.

INTERNATIONAL

	SECOND QUARTER				FIRST HALF			
	2000		1999		2000		1999	
	-----	-----	-----	-----	-----	-----	-----	-----
Sales	\$346,121	100.0%	\$303,879	100.0%	\$731,932	100.0%	\$631,437	100.0%
Cost of goods sold and occupancy costs	208,958	60.4%	182,414	60.0%	442,394	60.4%	372,790	59.0%
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Gross profit	137,163	39.6%	121,465	40.0%	289,538	39.6%	258,647	41.0%
Store and warehouse operating and selling expenses	94,059	27.2%	86,990	28.6%	196,549	26.9%	175,158	27.7%
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Store and warehouse operating profit	\$ 43,104	12.5%	\$ 34,475	11.3%	\$ 92,989	12.7%	\$ 83,489	13.2%
	=====		=====		=====		=====	

Sales in our International Division increased by 14% for the second quarter and 16% for the first half of 2000 over the comparable 1999 periods. Our international sales, reported in U.S. dollars, were negatively impacted by unfavorable exchange rate changes. In local currencies, the increases were 22% and 24% for the second quarter and first half of 2000, respectively, and our comparable sales increased 23% for the second quarter and 19% for the first half of the year. Sales increased in our International Division as a result of maturing catalog operations in Japan, expansion of our store base, introduction of several public Internet sites and significant comparable sales increases in most countries in which we operate. Our Japanese operations accounted for a

significant portion of the increase for the second quarter and first half of 2000. We first began consolidating the results of our Japanese retail operations in April 1999 when we purchased the remaining 50% ownership interest from our joint venture partner. Additionally, our Japanese catalog operations began generating revenue for the first time during the second quarter of 1999. We added 12 stores in France and Japan since the end of June 1999, an increase in our wholly-owned international store base of more than 50%. We also launched four public Internet sites since the second quarter of 1999.

Gross profit percentages earned on our international retail stores are lower than the percentages in our international catalog business, primarily as a result of pricing and product mix differences and increased occupancy costs as a percentage of sales. Gross profit margin in our International Division decreased for the second quarter and first half of 2000 largely because of increased retail sales and decreased commercial sales as a percentage of our total international sales. This was primarily attributable to the growth of our French and Japanese retail operations. Gross profit was also negatively impacted by higher costs for our more popular products such as paper and laser cartridges. Even so, gross profit margins in our Japanese retail operations have improved over last year, since we have opened five smaller Office Depot "Express" stores in that country. These "Express" stores enjoy higher gross profits than our traditional retail stores because of their different sales mix. Furthermore, the first half of 2000 includes the results of six months of our Japanese retail operations, whereas the first half of 1999 only includes the results of three months' beginning in April 1999 when our Japanese retail operations were consolidated.

For the second quarter and first half of 2000, the decrease in operating and selling expenses as a percentage of sales was achieved mainly through efficiencies gained by growing sales. Advertising costs, in particular, grew at a slower pace than our sales, because we have implemented more productive advertising campaigns in certain European markets. This increased productivity was accomplished through our improved data warehouse.

CORPORATE AND OTHER

Income and expenses not allocated to the store and warehouse operating profit of our segments consist of pre-opening expenses, general and administrative expenses, merger and restructuring costs, gains (losses) on sales of investment securities, our share of the earnings (losses) of our joint ventures, interest income and expense, income taxes, and inter-segment transactions. Our pre-opening expenses consist principally of personnel, property and advertising expenses incurred in opening or relocating stores in our Stores Division. They also include, to a lesser extent, expenses incurred to open and relocate facilities in our BSG and our International Division. We typically incur these expenses during a six-week period prior to the store opening. Pre-opening expenses have declined in the first half of 2000 as compared to 1999 as a result of fewer new store openings. We opened 22 stores during the second quarter and 33 stores during the first half of 2000, as compared to 39 and 68 for the respective comparable periods in 1999. We have made a conscious decision to implement a more conservative approach to our retail real estate strategy this year, and have reduced our planned store openings for the year to approximately 80 stores.

General and administrative expenses increased for both the second quarter and first half of 2000, primarily from increased spending to support our e-commerce and data warehouse initiatives and our international expansion. We added four international public Web sites and have plans to launch an additional seven sites during the second half of 2000.

For information on our merger and restructuring plans, see our 1999 Annual Report on Form 10-K. We have not made any significant changes to our plans since that time. We incurred \$4 million of merger and restructuring costs during the first half of 2000. These charges were primarily personnel-related costs attributable to our 1998 merger with Viking. During the first half of 1999, we incurred \$15 million of merger and restructuring costs, including \$9 million attributable to the acquisition of our remaining joint venture interests in France and Japan, \$3 million associated with the closure of our Furniture at Work(TM) and Images(TM) stores, and \$3 million in facility- and personnel-related costs arising from our merger with Viking. As of June 24, 2000, we had remaining accruals of approximately \$17 million for merger and restructuring costs. These accruals consist of approximately \$9 million for personnel-related costs, approximately \$7 million for facility-related costs, and approximately \$2 million for merger transaction costs. Amounts expensed for asset write-offs are recorded as a reduction of our fixed assets, while all other amounts are recorded as accrued expenses.

In February 2000, we exercised 250,000 warrants and simultaneously sold the underlying shares of one of our investments on the open market for \$19 million, net of commissions. We paid the exercise price of the warrants through the exercise of an additional 27,777 warrants, realizing a gain of \$19 million on the transaction. This gain was recognized in miscellaneous income in the first half of 2000.

The decrease in interest income was attributable to our lower average cash balances following the repurchase of 67 million shares of our stock at a total cost of \$700 million, plus commissions, during the last half of 1999 and first half of 2000 pursuant to a Board-approved stock repurchase plan. We expect a proportional impact on our interest income in future periods.

LIQUIDITY AND CAPITAL RESOURCES

The increase in our operating cash flows is primarily attributable to decreased store openings. On a worldwide basis in the first half of 2000, excluding joint venture operations and licensing arrangements, we opened 33 stores, including relocations, as compared to 68 stores during the first half of 1999. Opening a new domestic store requires that we outlay approximately \$500 thousand for the portion of our inventories that is not financed by our vendors, as well as approximately \$155 thousand for pre-opening expenses. In the first half of 2000, we also reduced our inventory balances by \$142 million, as we sold merchandise purchased in late 1999 to support our Y2K preparedness efforts. Furthermore, our ongoing supply chain management efforts have decreased our average store inventory by 9% since the end of the second quarter of 1999. Also contributing to our increase in operating cash flows was a \$76 million decrease in our receivables. This decrease was primarily in our vendor program receivables, resulting from improved billing and collection processes.

Our primary investing activity is the acquisition of capital assets. The number of stores and CSCs we open or remodel each period generally drives the volume of our capital investments. As mentioned earlier, our store openings for the first half of 2000 have decreased as compared to the first half of 1999. This decrease was a significant contributor to the overall reduction in our investing cash outflows. We have reduced our planned store openings for the year from 100 to approximately 80 stores.

We have expanded our presence in the electronic commerce marketplace by entering into strategic business relationships with several Web-based providers of business-to-business ("B2B") electronic commerce solutions. We made equity

investments in these and other companies in late 1999 (\$51 million) and in the first half of 2000 (\$22 million). In February 2000, we exercised 250,000 warrants and simultaneously sold the underlying shares of one of these investments on the open market for \$19 million, net of commissions. We paid the exercise price of the warrants through the exercise of an additional 27,777 warrants. We realized a gain of \$19 million on this transaction in the first half of 2000. Although certain of our investments have increased in value since our initial purchase, these and our other investments will not necessarily generate similar appreciation in the future. Because most of these investments are in start-up companies operating in a relatively new and volatile industry, we consider there to be a high degree of risk associated with these investments. They may permanently depreciate in value from the amount we originally paid. Furthermore, the net unrealized gain we have already recorded in stockholders' equity will not be realized until our investments are sold, and the value of all of our appreciated investments could decrease before that gain is realized. We plan to continue to consider opportunities to invest in companies that provide B2B electronic commerce solutions for small- and medium-sized businesses, primarily when we enter into strategic relationships with the companies in which we invest.

The decline in our cash flows from financing activities during the first half of 2000, as compared to the first half of 1999, was driven primarily by our stock repurchase program. During the first half of 2000, we purchased 21 million shares of our stock at a total cost of \$200 million plus commissions. In July 2000, our Board of Directors approved another \$100 million in stock repurchases. Although there is no expiration date for this most recent authorization, we expect to complete it by the end of the third quarter of 2000.

On November 1, 2000, it is likely that we will be required to purchase our 1993 Liquid Yield Option Notes (LYONS(R)) from the holders of those LYONS(R). We have the choice of paying the holders in cash, common stock or a combination of the two. You can read more about our LYONS(R) in our 1999 Annual Report on Form 10-K.

Please see "Note E - Long-term Debt" of our condensed consolidated financial statements in Item 1 of this Quarterly Report on Form 10-Q for information about our credit agreements, yen facilities and interest rate swap.

NEW ACCOUNTING PRONOUNCEMENTS

For information regarding new accounting pronouncements, see "Note H - New Accounting Pronouncements" of our condensed consolidated financial statements in Item 1 of this Form 10-Q.

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

This Quarterly Report on Form 10-Q contains both historical information and other information that you may use to infer future performance. Examples of historical information include our quarterly financial statements and the commentary on past performance contained in our MD&A. While we have specifically identified certain information as being forward-looking in the context of its presentation, we caution you that, with the exception of information that is clearly historical, all the information contained in this Quarterly Report on Form 10-Q should be considered to be "forward-looking statements" as referred to in the Act. Without limitation, when we use the words "believe," "estimate," "plan," "expect," "intend," "anticipate," "continue," "project," "probably," "should" and similar expressions, we intend to clearly express that the information deals with possible future events and is forward-looking in nature.

Forward-looking information involves risks and uncertainties, including certain matters that we discussed in more detail in the Cautionary Statements contained in our 1999 Annual Report on Form 10-K. This information is based on various factors and assumptions about future events that may or may not actually come true. As a result, our operations and financial results in the future could differ substantially from those we have discussed in the forward-looking statements in this Quarterly Report. In particular, the factors we discussed in the Cautionary Statements of our 1999 Annual Report on Form 10-K could affect our actual results and could cause our actual results during the remainder of 2000 and in future years to differ materially from those expressed in any forward-looking statement made by us or on our behalf in this Quarterly Report on Form 10-Q. Those Cautionary Statements are incorporated herein by this reference to them.

ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTEREST RATE RISKS

See the disclosure in our 1999 Annual Report on Form 10-K. We do not believe that the risk we face related to interest rate changes is materially different than it was at the date of such Report.

FOREIGN EXCHANGE RATE RISKS

See the disclosure in our 1999 Annual Report on Form 10-K. We do not believe that the risk we face related to foreign currencies is materially different than it was at the date of such Report.

PART II. OTHER INFORMATION

ITEM 1 LEGAL PROCEEDINGS

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

ITEM 6 EXHIBITS AND REPORTS ON FORM 8-K

- a. 27.1 Financial Data Schedule (for SEC use only).

- b. Current Report on Form 8-K was filed on May 26, 2000 regarding our comments in a press release as to our earnings outlook for the second quarter of 2000.
- c. A Current Report on Form 8-K was filed on July 13, 2000 regarding an announcement of our results for the second quarter of 2000, along with our projected results for the balance of 2000 and certain other matters.
- d. A Current Report on Form 8-K was filed on July 18, 2000 regarding certain management changes.
- e. A Current Report on Form 8-K was filed on July 27, 2000 regarding certain further management changes.

SIGNATURES

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

OFFICE DEPOT, INC.
(Registrant)

Date: August 4, 2000

By: /s/ BARRY J. GOLDSTEIN

Barry J. Goldstein
Executive Vice President-Finance
and Chief Financial Officer

Date: August 4, 2000

By: /s/ CHARLES E. BROWN

Charles E. Brown
Senior Vice President-Finance
and Controller
(Principal Accounting Officer)

INDEX TO EXHIBITS

EXHIBIT NO. -----	DESCRIPTION -----
10.1	Executive Employment Agreement, dated as of January 1, 2000, by and between Office Depot, Inc. and Bruce Nelson
10.2	Revolving Credit Agreement dated as of June 2, 2000 by and among Office Depot, Inc. and Suntrust Bank, individually and as Administrative Agent; Bank of America, N.A., individually and as Syndication Agent; Bank One, NA, individually and as Documentation Agent; and Citibank, N.A., individually and as Managing Agent. (Exhibits to the Revolving Credit Agreement have been omitted, but a copy may be obtained free of charge upon request to the Company)
27.1	Financial Data Schedule (for SEC use only)

AGREEMENT

THIS AGREEMENT is made and entered into, effective as of January 1, 2000, between Office Depot, Inc., a Delaware corporation (the "COMPANY"), and Bruce Nelson ("EXECUTIVE").

RECITALS

- A. The Company and Executive are parties to certain existing agreements pertaining to Executive's employment, non-competition, change-in-control and other matters (collectively the "Former Agreements"), including certain agreements between the Company's predecessor company, Viking Office Products, Inc. ("Viking") and Executive, to which the Company succeeded at the time of the Company's merger with Viking;
- B. The Company and Executive desire to supersede and replace the Former Agreements with this Agreement, so that the terms and provisions of this Agreement set forth the complete statement of the relationships between the parties;
- C. The parties enter into this Agreement in consideration of the various promises, undertakings and understandings between them, as set forth below.

Now therefore, in consideration of the foregoing recitals, which are incorporated by reference herein, and the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. EMPLOYMENT

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

2. POSITIONS AND DUTIES (a) POSITIONS. During the Employment Term, Executive shall serve as the President, International of the Company, reporting directly to the Company's Chief Executive Officer ("CEO"), and he shall have all the normal duties, responsibilities and authority of the President of the Company's international operations. Executive also shall serve as CEO and President of Viking Office Products, Inc., reporting directly to the CEO, and shall have the

normal duties, responsibilities and authority of an Executive Officer of the Company, subject to the power of the Company's CEO to expand or limit such duties, responsibilities and authority; provided, however, that any such expanded or limited duties, responsibilities and authority are consistent with normal duties, responsibilities and authority of an executive officer in such positions.

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

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

3. BASE SALARY AND BENEFITS

(a) INITIAL BASE SALARY; ADJUSTMENTS. Initially, Executive's base salary shall be \$900,000 per annum (the "BASE SALARY"), which Base Salary shall be payable in regular installments in accordance with the Company's general payroll practices and shall be subject to customary withholding. Executive's Base Salary shall be reviewed at least annually by the CEO and the Board of Directors and its Compensation Committee and shall be subject to adjustment, but not reduction, as the CEO, the Compensation Committee and the Board shall determine, based on among other things, market practice and performance.

(b) INCENTIVE & OTHER PLANS. In addition to the Base Salary, during the Employment Term, Executive shall be entitled to participate in 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 or other long-term incentive plans); provided, however, that Executive shall be entitled to receive total incentive benefits that are comparable to the incentive benefits provided to other executive officers at his level in the Company, as determined by the Compensation Committee of the Board, in its discretion.

(c) BONUS PLAN. In addition to the Base Salary, Executive shall be entitled to participate in the Company's Designated Executive Incentive Plan (the "Bonus Plan") as administered by the Compensation Committee of the Board. If the Compensation Committee (or the Company's Board of Directors (the "Board")) modifies such Bonus Plan during the Employment Term, Executive shall continue to participate at a level no lower than the highest established for any officer of the Company then at Executive's level. In any event, Executive's opportunity to earn total compensation, consisting of Base Salary and regular bonus under the Bonus Plan (but not the matching bonus program, which expires for Executive at the end of the year 2000), shall not be less than such total compensation opportunity during the year 2000.

(d) VACATIONS. 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, but in no event less than four (4) weeks per year.

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

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

4. TERM; RENEWALS. Subject to earlier termination pursuant to section 5 below, the Employment Term shall end on December 31, 2004, and shall continue automatically thereafter from year to year on an "evergreen" basis, unless and until either the Company or Executive shall provide written notice to the other, not less than six (6) months prior to the end of the then-current Term that this Agreement shall not be continued.

5. TERMINATION DUE TO DEATH, DISABILITY, INCAPACITY. The Employment Term also shall terminate prior to the date set forth in section 4 above:

- (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.

6. TERMINATION OF THE EMPLOYMENT WITHOUT CAUSE; FOR GOOD REASON. If the Employment Term is terminated by the Company without Cause or is terminated by Executive for Good Reason, Executive (and Executive's family with respect to clause (iii) below) shall be entitled to receive the following:

- (i) An amount equal to the sum of (A) Executive's Base Salary which would be payable through the second anniversary of such termination and (B) Executive's Pro Rata Bonus, if and only if Executive has not breached the provisions of section 13, 14 and 15 hereof,
- (ii) vested and earned (in accordance with the Company's applicable plan or program) but unpaid amounts under incentive plans, health and welfare plans, deferred compensation plans, and other employer programs of the Company which Executive participates (other than the Pro Rata Bonus) and

- (iii) Insurance Benefits through the second anniversary of such termination pursuant to the Company's insurance programs to the extent Executive participated immediately prior to the date of such termination; PROVIDED THAT the insurance to which Executive or Executive's family is entitled pursuant to this clause (iii) shall be reduced by the amount of any such insurance Executive or Executive's family is entitled to receive as a result of any other employment.
- (iv) All grants and awards, including stock options and restricted stock shall continue to vest through the second anniversary of such termination All stock options shall remain exercisable through and including the ninetieth (90th) day following the second anniversary of such termination (but not later than the expiration of the original term of the option). Any long-term incentive plan amount that has been earned but that is not yet fully vested, shall become fully vested not later than the second anniversary of such termination; and
- (v) The amount payable pursuant to section 6(i) shall be payable as follows: (a) \$100,000 in the form of salary continuation of \$50,000 per annum and (b) the balance in one lump sum payment within 30 days following termination of the Employment Term, and the amounts payable pursuant to section 6 (ii) shall be paid in accordance with the particular plan or program.

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

8. CONSEQUENCES OF TERMINATION FOR DEATH, DISABILITY OR INCAPACITY. If the Employment Term is terminated upon Executive's death or permanent disability or incapacity (as determined by the Board in its good faith judgment), Executive, or Executive's estate if applicable, shall be entitled to receive the sum of (i) Executive's Base Salary through the date of such termination

and (ii) vested and earned (in accordance with the Company's applicable plan or program) but unpaid amounts under incentive plans, health and welfare plans, deferred compensation plans, and other employer programs of the Company which Executive participates. The amount payable pursuant to this section 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.

9. EFFECT OF TERMINATION ON FRINGE BENEFITS. Except as otherwise provided herein, fringe benefits and bonuses hereunder (if any) which accrue or become payable after the termination of the Employment Term shall cease upon such termination.

10. CERTAIN DEFINITIONS.

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

(i) the willful and continued failure of Executive to perform substantially 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 Executive by the Board or the CEO which specifically identifies the manner in which the Board or the CEO believes that Executive has not substantially performed Executive's Duties, or

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

For purposes of this Subsection 10(a), no act or failure to act, on the part of Executive, shall be considered "willful" unless it is done, or omitted to be done, by Executive in bad faith or without reasonable belief that Executive's action or omission was in the best interest of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of the CEO or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by Executive in good faith and in the best interest of the Company. The cessation of employment of Executive shall not be deemed to be for Cause unless

and until there shall have been delivered to 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 Executive and Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, Executive is guilty of the conduct described in subparagraph (i) or (ii) above, and specifying the particulars thereof in detail.

(b) For purposes of this Agreement, "GOOD REASON" shall mean (i) a material breach by the Company of a material provision of this Agreement which has not been cured by the Company within thirty (30) days after written notice of noncompliance has been given by Executive to the Company or (ii) the delivery by the Company of a notice of non-continuation pursuant to section 4 of this Agreement or non-continuation of the Change in Control Agreement attached hereto as Schedule 3, pursuant to section 1(b) thereof..

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

(d) For purposes of this Agreement, the term "DATE OF TERMINATION" shall mean thirty (30) days following written notice by one party to the other, as notices are prescribed to be provided in the Agreement, of a termination of Executive's Employment under the Agreement, and specifying the reason(s) therefor; provided, however that if Executive's employment is terminated by reason of death or disability, the Date of Termination shall be the date of death of Executive or the date on which Executive is determined to be disabled.

11. CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY; GROSS-UP PROVISIONS. (a) Anything in this Agreement to the contrary notwithstanding and except as set forth below, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement, any schedule to this Agreement, or otherwise, but determined without regard to any additional payments required under this Section 11) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments. Notwithstanding the foregoing provisions of this Section 11, if it shall be determined that Executive is entitled to a Gross-Up Payment, but that Executive, after taking into account the Payments and the Gross-Up Payment, would not receive a net after-tax benefit of at least \$50,000 (taking into account both income taxes and any Excise Tax) as compared to the net after-tax proceeds to Executive resulting from an elimination of the Gross-Up Payment and a reduction of the Payments, in the aggregate, to an amount (the "Reduced Amount") such that the receipt of Payments would not give rise to any Excise Tax, then no Gross-Up Payment shall be made to Executive and the Payments, in the aggregate, shall be reduced to the Reduced Amount.

(b) Subject to the provisions of Section 11(c), all determinations required to be made under this Section 11, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by Deloitte & Touche or such other certified public accounting firm as may be designated by Executive (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and Executive within 15 business days of the receipt of notice from Executive that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting a change in control or "CIC" as defined in

Schedule 3 to this Agreement, Executive shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 11(b), shall be paid by the Company to Executive within five days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 11(c) and Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of Executive.

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

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

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

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

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

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses.

Without limitation on the foregoing provisions of this Section 11, the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct Executive to pay the tax claimed and sue for a refund or to contest the claim in any permissible manner, and Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to Executive, on an interest-free basis and shall indemnify and hold Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by Executive of an amount advanced by the Company pursuant to Section 11(c) above, Executive becomes entitled to receive any refund with respect

to such claim, Executive shall (subject to the Company's complying with the requirements of Section 11(c) above) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by Executive of an amount advanced by the Company pursuant to Section 11(c), a determination is made that Executive shall not be entitled to any refund with respect to such claim and the Company does not notify Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

12. NOTICE OF TERMINATION; HOW GIVEN. Any termination by the Company for Cause or by Executive for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 18 of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated and (iii) if the Date of Termination (as defined in Section 10(d) below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than thirty days after the giving of such notice). The failure by Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of Executive or the Company, respectively, hereunder or preclude Executive or the Company, respectively, from asserting such fact or circumstance in enforcing Executive's or the Company's rights hereunder.

13. 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. Therefore, Executive agrees that Executive shall not disclose to any unauthorized person or use for Executive's own purposes any Confidential Information without the prior written consent of the Board or the CEO, unless and to the extent that the aforementioned matters become generally known to and available for use by the public other than as a result of Executive's acts or omissions. Executive shall deliver to the

Company at termination of the Employment Term, or at any other time the Company may request, all memoranda, notes, plans, record, reports, computer tapes, printouts and software and other documents and data (and copies therein) in any form or medium relating to the Confidential Information, Work Product (as defined below) of the business of the Company or any Subsidiary that Executive may then possess or have under Executive's control.

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

15. NON-COMPETE, NON-SOLICITATION. In consideration of this Agreement, Executive and the Company are entering into the "NON-COMPETITION, NON-SOLICITATION AND NO-HIRE AGREEMENT," attached hereto as SCHEDULE 2 and incorporated by reference herein.

16. 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.

17. SURVIVAL. Sections 5, 6 and 7 and sections 9 through 24 shall survive and continue in full force in accordance with their terms notwithstanding any termination of the Employment Term.

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

NOTICE TO EXECUTIVE:
NAME: BRUCE NELSON
ADDRESS: 7905 TRIESTE PLACE
DELRAY BEACH, FL 33446

NOTICE 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.

19. MISCELLANEOUS PROVISIONS.

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

- (B) COMPLETE AGREEMENT. This Agreement and those documents expressly referred to herein and the Schedules attached to this Agreement 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. Anything in this Agreement to the contrary notwithstanding, the agreement between Executive and Viking relating to Viking's ownership interest in Executive's California residential real estate (the "Residence Agreement"), a copy of which is attached hereto, shall remain in full force and effect.
- (C) NO STRICT CONSTRUCTION; NO WAIVER. 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. Executive's or the Company's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right Executive or the Company may have hereunder, including, without limitations the right of Executive to terminate employment for Good Reason pursuant to this Agreement or any Schedule to this Agreement, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.
- (D) 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.
- (E) 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. This Agreement is personal to Executive and without the prior written consent of the Company shall not be assignable by Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by Executive's legal representatives. This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in

the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

- (F) 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.
- (G) 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.

20. NO SET-OFF OR MITIGATION. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against Executive or others. In no event shall Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to Executive under any of the provisions of this Agreement, and such amounts shall not be reduced whether or not Executive obtains other employment.

21. PAYMENT OF CERTAIN EXPENSES. If, and to the extent, Executive is successful in any action against the Company to enforce any of his rights under this Agreement, the Company shall reimburse Executive for his reasonable attorneys' fees and expenses incurred in pursuing such action.

22. ARBITRATION. Except as to any controversy or claim which Executive elects by written notice to the Company, to have adjudicated by a court of competent jurisdiction, any dispute or controversy between the Company and Executive arising out of or relating to this Agreement or the breach of this Agreement shall be settled by arbitration administered by the American

Arbitration Association ("AAA") in accordance with its Commercial Arbitration Rules then in effect, and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Any arbitration shall be held before a single arbitrator who shall be selected by the mutual agreement of the Company and Executive, unless the parties are unable to agree to an arbitrator, in which case the arbitrator will be selected under the procedures of the AAA. The arbitrator shall have the authority to award any remedy or relief that a court of competent jurisdiction could order or grant, including, without limitation, the issuance of an injunction. However, either party may, without inconsistency with this arbitration provision, apply to any court otherwise having jurisdiction over such dispute or controversy and seek interim provisional, injunctive or other equitable relief until the arbitration award is rendered or the controversy is otherwise resolved. Except as necessary in court proceedings to enforce this arbitration provision or an award rendered hereunder, or to obtain interim relief, or as may otherwise be required by law, neither a party nor an arbitrator may disclose the existence, content or results of any arbitration hereunder without the prior written consent of the Company and Executive. The Company and Executive acknowledge that this Agreement evidences a transaction involving interstate commerce. Notwithstanding any choice of law provision included in this Agreement, the United States Federal Arbitration Act shall govern the interpretation and enforcement of this arbitration provision. The arbitration proceeding shall be conducted in Palm Beach County, Florida or such other location to which the parties may agree. The Company shall pay the costs of any arbitrator appointed hereunder

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

24. SCHEDULES. The Schedules attached hereto are incorporated by reference herein and made a part hereof. The following Schedules are attached:

- (1 Retention Agreement
- (2 Agreement of Non-Competition, Non-Solicitation, and No-Hire
- (3 Change in Control Agreement

* * * *

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the 7th day of June, 2000, and effective as of the date first written above.

OFFICE DEPOT, INC.

By

NAME: THOMAS KROEGER
ITS: EXECUTIVE VICE PRESIDENT
HUMAN RESOURCES

EXECUTIVE

NAME: BRUCE NELSON

SCHEDULE 1

RETENTION AGREEMENT

This Retention Agreement ("Agreement") is entered into by Executive and the Company, contemporaneously with the Employment Agreement to which this Agreement is attached as Schedule 1.

- A. Under the terms of the Employment Agreement, the Company is employing Executive. In addition to the provisions thereof, the Company wishes to enter into this Agreement to provide further assurance that Executive will remain with the Company and provide to it his experience and expertise in the areas of domestic catalog marketing and in international business.
- B. The terms of this Agreement are provided for the purpose of further inducing Executive to remain with the Company, and Executive is ready and willing to enter into this Agreement.

Now therefore, in consideration of the foregoing Recitals, which are incorporated by this reference and other good and valuable consideration, the parties hereby agree as follows:

1. RETENTION PAYMENTS TO EXECUTIVE. The Company hereby agrees to make the following payments to Executive and to grant the stock options referred to in Section 2 hereof:

Contemporaneously herewith and to ensure the retention of Executive through at least the end of December 2002, the sum of Three Million, Eight Hundred Thousand Dollars (\$3,800,000) is being deposited into a deferred compensation account with Merrill Lynch for the benefit of Executive, to be invested as directed by Executive in accordance with the terms and conditions of the Merrill Lynch deferred compensation agreement with the Company. This amount (the "Deferred Payment"), together with any and all income and appreciation on the Deferred Payment while in the deferred compensation account and unvested, shall vest 100% on December 31, 2002, provided that Executive remains an employee of the Company through and including December 31, 2002. It is further agreed, however, that the Deferred Payment shall also vest 100% upon the occurrence of any of the following events PRIOR to December 31, 2002:

- (i) There is a change in control of the Company, as set forth in the Change in Control Agreement attached to the Main Agreement (defined below) as SCHEDULE 3.
- (ii) Executive dies, becomes disabled or incapacitated as set forth in the Agreement to which this Schedule is attached (the "Main Agreement").
- (iii) Executive's employment is terminated by the Company without Cause or is terminated by Executive for Good Reason, as defined and set forth in the Main Agreement; provided, however that for purposes of this Schedule 1 only, and only for the benefits provided in this Schedule 1, "Good Reason" shall also be deemed to exist in the event that the Company shall notify Executive, announce or take any other action, at any time, to the effect that Executive is not, and will not be, a candidate to succeed David I. Fuente as the CEO of the Company.

The vested Deferred Payment, together with any income and appreciation, shall be payable to Executive (or Executive's beneficiaries) in accordance with the provisions of the Merrill Lynch deferred compensation agreement with the Company and Executive, and Executive's (or such beneficiaries') election thereunder.

2. GRANT OF STOCK OPTIONS. As consideration for the cancellation of the Prior Agreements, the Company has granted to Executive on June 6, 2000, certain options to acquire stock in the Company (which option shall be evidenced by the option agreement attached to this Schedule 1) as follows:

- a) A ten-year option (the "Retention Option") to acquire up to 400,000 shares of the Company's stock. Such Retention Option shall provide, among other provisions, that it shall remain exercisable through and including 90 days following the second anniversary of any termination of Executive by the Company without Cause, or any termination by Executive with Good Reason, as such terms are defined in the Main Agreement and in Section 1(iii) of this Schedule 1.

- b) The Retention Option shall vest in full (100%) on December 31, 2002; provided that Executive remains continuously employed by the Company on such date.
- c) The Retention Option shall have an early vesting provision, which provides that the Retention Option shall vest in full (100%) upon the occurrence of any of the events set forth in Section 1 (i) through (iii) above and, in the case of Section 1(i) above, shall have an exercise period through the balance of the full ten-year term of the Retention Option.

3. INCORPORATION FROM EMPLOYMENT AGREEMENT. The following provisions from the Employment Agreement are incorporated herein by reference: 11 through 23.

In testimony whereof, this SCHEDULE 1 is separately signed by the parties this 7th day of June, 2000.

EXECUTIVE

OFFICE DEPOT, INC.

M. BRUCE NELSON

By -----
Name: THOMAS KROEGER
Title: EXECUTIVE VICE PRESIDENT
HUMAN RESOURCES

SCHEDULE 2

AGREEMENT OF NON-COMPETITION, NON-SOLICITATION AND NO-HIRE

This Agreement of Non-Competition, Non-Solicitation and No-Hire (this "Noncompete Agreement") is made and entered into this 7th day of June, 2000 by and between Office Depot, Inc., a Delaware corporation (the "Company") and M. Bruce Nelson (the "Executive").

RECITALS

- A. The Company and Executive are on this date entering into certain agreements pertaining to the continued employment of Executive by the Company; and
- B. Executive acknowledges that he is being employed as a very senior executive officer of the Company and as such is fully familiar with the most sensitive, confidential and proprietary information of the Company ("Confidential Information"); and
- C. Executive has been requested by the Company to enter into this Noncompete Agreement as a condition to the Company's being willing to enter into the other Agreements being entered into contemporaneously herewith; and
- D. The parties are willing to abide by the terms and provisions of this Noncompete Agreement;

AGREEMENT

NOW THEREFORE, in consideration of the foregoing recitals, which are incorporated by reference and made a part hereof, the payment to Executive referred to in Section 1 below, and other good and valuable consideration, the parties hereby agree as follows:

1. PAYMENT TO EXECUTIVE; AGREEMENT OF NON-COMPETITION. For and in consideration of the payment to Executive in one lump sum, in cash, on the date hereof of the sum of One Million Five Hundred Thousand Dollars (\$1,500,000), receipt and sufficiency of which are hereby acknowledged, 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, and in consideration of the payment(s) being made to Executive hereunder, Executive agrees that, during the Employment Term and for a period of one year thereafter, unless

Executive is named CEO of the Company, in which event, the Non-Compete Period is for three years after leaving the Company instead of one year, (in either such event, as used herein, 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 with the Company, within any geographical area in which the Company or its Subsidiaries engage in such businesses on the date of termination of Executive's employment with the Company. 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.

2. **NON-SOLICITATION; NO-HIRE; NON-INTERFERENCE.** 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 the time of termination of the Employment Term or (iii) induce or attempt to induce any customer, supplier, licensee, licensor, franchisee or other business relation of the Company or any Subsidiary to cease doing business with the Company or such Subsidiary, or in any way interfere with the relationship between any such customer, supplier, licensee or business relation and the Company or any Subsidiary (including, without limitation, making any negative statements or communications about the Company or its Subsidiaries).
3. **REFORMATION OF THIS AGREEMENT.** If, at the time of enforcement of this Noncompete Agreement, any court shall hold that the duration, scope or geographical restrictions stated herein are unreasonable under the circumstances then existing, the parties agree that it is their mutual desire and intent that the Company shall be afforded the maximum duration, scope or area reasonable under such circumstances, and each of them hereby requests such court to reform this Agreement so that the maximum duration, scope and geographical restrictions available under applicable law at the time of enforcement of this

Agreement shall be substituted by such court for the stated duration, scope or geographical area stated herein and that the court shall be allowed to revise the restrictions contained in this Noncompete Agreement to such provisions as are deemed reasonable by the court at the time such enforcement is requested.

- 4. INJUNCTIVE RELIEF. In the event of the breach or any threatened breach by Executive of any of the provisions of this Noncompete Agreement, the Company, in addition and supplementary to any and all 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 this Noncompete Agreement or to prevent any violations or threatened violations of the provisions hereof (without being required to post any bond or other security to secure such relief). In addition, in the event of any alleged breach or violation by Executive of this Noncompete Agreement, the Noncompete Period shall be tolled until such breach or violation has been duly cured and thereafter the Noncompete Period shall be extended for an additional period of time equivalent to the time during which Executive was in breach of this Noncompete Agreement.
- 5. INCORPORATION OF TERMS BY REFERENCE. The provisions of the following number sections of the Agreement being entered into contemporaneously herewith between the Company and Executive (to which this Noncompete Agreement is attached as a Schedule) are incorporated by reference as if set forth at length herein and shall be deemed to constitute a part hereof notwithstanding the earlier termination of such Agreement: sections 11 through 23 of the Agreement are incorporated by this reference.

IN TESTIMONY WHEREOF, the parties have signed this NONCOMPETE AGREEMENT this 7th day of June, 2000.

EXECUTIVE

OFFICE DEPOT, INC.

M. BRUCE NELSON

By -----
Name: THOMAS KROEGER
Title: EXECUTIVE VICE PRESIDENT
HUMAN RESOURCES

SCHEDULE 3

CHANGE IN CONTROL AGREEMENT

This Change in Control ("CIC") Agreement is entered into by Executive and the Company, contemporaneously with the Employment Agreement to which this CIC Agreement is attached as SCHEDULE 3.

- a. Executive and the Company (as successor by merger to Viking Office Products, Inc.) are parties to a certain Agreement, originally dated May 12, 1997, as amended on November 13, 1997; and may also be parties to certain other agreements between Executive and Viking (including a certain Agreement dated as of April 12, 1995 and a bonus compensation arrangement dated as of August 25, 1997) (whether one or more, herein collectively referred to as the "Prior Agreements").
- b. Executive and the Company desire to resolve and settle any and all issues pertaining to the Prior Agreements, which are hereby superseded and replaced in their entirety by this Agreement, including this SCHEDULE 3, and to enter into this Agreement.
- c. The Board of Directors of the Company (the "Board") has determined that it is in the best interests of the Company and its shareholders to assure that the Company will have the continued dedication of Executive, notwithstanding the possibility, threat or occurrence of a Change in Control (as defined below) of the Company.
- d. The Board believes it is imperative to diminish the inevitable distraction of Executive by virtue of the personal uncertainties and risks created by a pending or threatened Change in

Control and to encourage Executive's full attention and dedication to the Company currently and in the event of any threatened or pending Change in Control, and to provide Executive with compensation and benefits arrangements upon a Change in Control which ensure that the compensation and benefits expectations of Executive will be satisfied and which are competitive with those of other corporations.

Therefore, in order to accomplish these objectives, the Board has caused the Company to enter into this CIC Agreement, supplemental to the Agreement of Employment to which this SCHEDULE 3 is attached (such Agreement, together with the Schedules thereto, herein referred to as the "Main Agreement").

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

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

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

(c) A "Change in Control" or "CIC" shall mean:

- (i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (i) the then-outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (ii) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a CIC: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (iv) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c) of this Section 2; OR
- (ii) Individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; OR
- (iii) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then-outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business

Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (ii) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then-outstanding shares of common stock of the corporation resulting from such Business Combination, or the combined voting power of the then-outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; OR

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

(d) "Employment" shall mean the employment of Executive pursuant to the Main Agreement to which this Schedule 3 is attached.

Other terms shall have the meanings ascribed to them in various sections of this CIC Agreement or otherwise shall have the meanings ascribed to them in the Main Agreement.

2. TERMINATION OF EMPLOYMENT. In addition to the other termination provisions contained in Sections 5 through 9 of the Main Agreement to which this SCHEDULE 3 is attached, Executive's employment shall be subject to the following provisions, immediately following the Effective Date of a CIC:

(a) GOOD REASON. Executive's employment may be terminated by Executive for Good Reason. For purposes of this Agreement, following a CIC, "Good Reason" shall not have the meaning ascribed to it in Section 10(b) of the Main Agreement, but instead shall mean:

(i) the assignment to Executive of any duties inconsistent in any respect with Executive's Position(s) (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 2 of the Main Agreement, or any other action by the Company which results in a diminution in such Position(s), 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 Executive;

(ii) any failure by the Company to comply with any of the provisions of Section 3 of the Main 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 Executive;

(iii) the Company's requiring Executive to be based at any office or location other than in Delray Beach, Florida or in Torrance, California or the Company's requiring Executive to travel on Company business to a substantially greater extent than required immediately prior to the Effective Date;

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

(v) any failure by the Company to comply with and satisfy any other material provision of the Main Agreement.

(b) For purposes of this Section, any good faith determination of "Good Reason" made by Executive shall be conclusive and irrefutable by the Company. Anything in this Agreement to the contrary notwithstanding, a termination by Executive for any reason during the thirty (30) day period immediately preceding the first anniversary of the

Effective Date of a CIC shall be deemed to be a termination for Good Reason for all purposes of this Agreement.

3. OBLIGATIONS OF THE COMPANY UPON TERMINATION. The Company shall have the following obligations to Executive upon a termination of Executive's employment following a CIC:

(a) If the termination is for death, disability or incapacity, then for purposes of this CIC Agreement, the Company shall pay to Executive or his estate, in a lump sum not more than 30 days after the Date of Termination, the sums due under Section 3(c) hereof, as if Executive had notified the Company of his election to terminate the Agreement for Good Reason and not the sums due under Section 5 of the Main Agreement.

(b) If the termination is for Cause, then the rights and obligations of the parties shall be governed by the provisions of Section 7 of the Main Agreement.

(c) If the termination is by the Company without Cause or by Executive for Good Reason:

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

A. the sum of (1) Executive's annual Base Salary through the Date of Termination to the extent not theretofore paid, (2) the product of (x) the higher of (I) the annual Bonus most recently paid to Executive pursuant to Section 3(c) of the Main Agreement and (II) the Bonus paid or payable pursuant to such Section 3(c), including any bonus or portion thereof which has been earned but deferred (and annualized for any fiscal year consisting of less than twelve full months or during which Executive was employed for less than twelve full months), for the most recently completed fiscal year during the Employment Period, if any (such higher amount being referred to as the "Highest Annual Bonus") and (y) a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination, and the denominator of which is 365 and (3) any compensation previously deferred by Executive (together with

any accrued interest or earnings thereon) and any accrued vacation pay, in each case to the extent not theretofore paid (the sum of the amounts described in clauses (1), (2), and (3) shall be hereinafter referred to as the "Accrued Obligations"); and

B. the amount equal to the product of (a) three (3) and (b) the sum of (x) Executive's annual Base Salary and (y) the Highest Annual Bonus.

(ii) for three (3) years after Executive's Date of Termination, or such longer period as may be provided by the terms of the appropriate plan, program, practice or policy, the Company shall continue benefits to Executive and/or Executive's family at least equal to those which would have been provided to them in accordance with the plans, programs, practices and policies described in Section 3(f) of the Main Agreement if Executive's employment had not been terminated or, if more favorable to Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies and their families, provided, however, that if Executive becomes re-employed with another employer and is eligible to receive medical or other welfare benefits under another employer-provided plan, the medical and other welfare benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility. Notwithstanding the foregoing, the Company shall continue to make all scheduled premium payments under any split-dollar life insurance policy in effect on the Date of Termination on behalf of Executive for so long as such payments are scheduled (without giving effect to Executive's termination). For purposes of determining eligibility (but not the time of commencement of benefits) of Executive for retiree benefits pursuant to such plans, practices, programs and policies, Executive shall be considered to have remained employed until three years after the Date of Termination and to have retired on the last day of such period;

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

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

C. Following termination for any reason, Executive's obligation to "buy out" Viking's interest in Executive's California residential real estate (as defined in the Main Agreement and described in Section 19(b) of the Main Agreement) shall be extended from one year to two years following such termination of employment.

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

5. CANCELLATION OF THE PRIOR AGREEMENTS. The parties agree that upon the execution and delivery of this Agreement by the parties, all of the Prior Agreements are hereby canceled and are of no further force or effect. Executive hereby represents and agrees that he is not entitled to any further payment or other benefits under the Prior Agreements and that the entire agreement between himself and the Company is fully set forth in this Agreement, including the Schedules to this Agreement.

In Testimony whereof, this CIC Agreement is signed by the parties this 7th day of June, 2000.

EXECUTIVE

OFFICE DEPOT, INC.

By

M. BRUCE NELSON

Name: THOMAS KROEGER
Title: EXECUTIVE VICE PRESIDENT
HUMAN RESOURCES

EXECUTION COPY

364 DAY REVOLVING CREDIT AGREEMENT

Dated as of June 2, 2000

By And Among

OFFICE DEPOT, INC.

and

SUNTRUST BANK,
individually and as Administrative Agent,
BANK OF AMERICA, N.A.,
individually and as Syndication Agent,
BANK ONE, NA,
individually and as Documentation Agent,
CITIBANK, N.A.,
individually and as Managing Agent,

BANC OF AMERICA SECURITIES LLC
and
BANC ONE CAPITAL MARKETS, INC.,
as Co-Lead Arrangers

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Exhibit D	Form of Closing Certificate
Exhibit E	Form of Assignment and Acceptance
Exhibit F	Form of Contribution Agreement

364 DAY REVOLVING CREDIT AGREEMENT

THIS 364 DAY REVOLVING CREDIT AGREEMENT, dated as of June 2, 2000 (the "Agreement") by and among OFFICE DEPOT, INC. ("Borrower"), a Delaware corporation, SUNTRUST BANK, ("SunTrust"), a national banking association, BANK OF AMERICA, N.A., a national banking association ("Bank of America"), BANK ONE, NA, a national banking association ("Bank One"), CITIBANK, N.A., a national banking association ("Citibank"), the other financial institutions party hereto (collectively, the "Lenders" and, individually, a "Lender"), SUNTRUST as Administrative Agent, BANK OF AMERICA as Syndication Agent, BANK ONE as Documentation Agent and CITIBANK as Managing Agent.

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 reserve 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, 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, which Advance shall be made or outstanding as a Base Rate Advance or Eurodollar Advance in the case of Syndicate Revolving Loans, and which Advance shall be made as Libor Bid Loans or Fixed Rate Bid Loans in the case of Competitive Bid Revolving 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, the Documentation Agent and the Managing Agent.

"AGREEMENT" shall mean this 364 Day Revolving 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 the rating 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 -----	Facility Fee -----	Eurodollar Margin/ Letter of Credit Fee -----
I	greater than or equal to A-/A3	8.0 bp	29.5 bp
II	BBB+/Baa1	10.0 bp	40.0 bp
III	BBB/Baa2	12.5 bp	50.0 bp
IV	BBB-/Baa3	15.0 bp	72.5 bp
V	less than BBB-/Baa3	20.0 bp	105.0 bp

PROVIDED, HOWEVER, that:

(a) if the Ratings established by S&P and Moody's shall fall within different Levels, the Applicable Margin shall be based upon the higher Level (i.e., higher Rating), 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;

(b) 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;

(c) 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;

(d) 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;

(e) if neither S&P nor Moody's shall have in effect a Rating, and no comparable rating shall be issued by a rating agency proposed by Borrower and approved by the Required Lenders, which approval shall not unreasonably be withheld, the Applicable Margin shall be determined by reference to the lowest Level (i.e. lowest Rating); and

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

"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 E.

"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):

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 sum of 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 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 each case in accordance with GAAP, capitalized on the books of the lessee.

"CERCLA" has the meaning set forth in SECTION 5.15(A) of this Agreement.

"CLOSING DATE" shall mean the date on which the conditions set forth in SECTION 4.1 are satisfied or waived in accordance with SECTION 10.2.

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

"CO-LEAD ARRANGERS" shall mean Banc of America Securities LLC and Banc One Capital Markets, Inc.

"COMMITMENT" OR "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 decreased from time to time as a result of any reduction thereof pursuant to SECTION 2.3, any assignment thereof pursuant to SECTION 10.6, or any amendment thereof pursuant to SECTION 10.2, which amount shall include such Lender's Revolving Loans.

"COMMITMENT LETTER" shall mean that certain engagement letter entered into by and among the Borrower, the Administrative Agent, the Syndication Agent, Banc of America Securities LLC and Banc One Capital Markets, Inc. dated March 10, 2000.

"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 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 Bank One, NA, 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.

"EARLIER TERMINATION DATE" shall have the meaning provided in SECTION 3.20(C).

"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), (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 VIII.

"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.

"EXISTING CREDIT AGREEMENT" shall mean that certain Revolving Credit and Line of Credit Agreement dated as of February 20, 1998 and amended as of the date hereof among the Borrower, the financial institutions party thereto, SunTrust, as administrative agent, and the other agents named therein, as further amended, supplemented, modified, restated or replaced.

"EXISTING JAPANESE LOAN AGREEMENTS" means, collectively, (A) that certain Revolving Loan Agreement, dated as of July, 1, 1999, among Office Depot Japan Limited, the lenders named therein and Union Bank of California, N.A., Tokyo Branch as Agent, (B) that certain Term Loan Agreement, dated as of July, 1, 1999, between Office Depot Japan Limited and The Industrial Bank of Japan, Limited, (C) that certain Term Loan Agreement, dated as of July, 1, 1999, between Office Depot Japan Limited and Union Bank of California, N.A., Tokyo Branch, (D) that certain Term Loan Agreement, dated as of July, 1, 1999, between Office Depot Japan Limited and The Fuji Bank, Limited, and (E) each of the Guarantees executed by the Borrower, each dated as of July 1, 1999, with respect to each of the foregoing loan agreements described in the foregoing clauses (A) through (D), in each case as amended as of the date hereof and as each of the foregoing may be further amended, supplemented, modified, restated or replaced from time to time.

"EXTENDED TERMINATION DATE" shall have the meaning set forth in SECTION 3.20(b).

"EXTENSION OF CREDIT" shall mean the making of a Loan or the conversion of a Loan of one Type into a Loan of another Type.

"EXTENSION CONFIRMATION DATE" shall have the meaning set forth in SECTION 3.20(b).

"EXTENSION CONFIRMATION NOTICE" shall have the meaning set forth in SECTION 3.20(b).

"EXTENSION REQUEST" shall have the meaning set forth in SECTION 3.20(a).

"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 3.5(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.

"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 VIII.

"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) any interest and other continuing program fees (excluding initial closing fees) related to an accounts receivable securitization program (including any such interest or fees for which the Borrower or any Subsidiary is liable arising in connection with any private label credit card 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, Synthetic Lease Obligations, Capitalized Lease Obligations, the aggregate outstanding net investment of a purchaser under an accounts receivable securitization program (and also including 10% of the aggregate recourse liability (net of reserves) of the Borrower and its Subsidiaries arising under any private label credit card

program), conditional sales contracts and similar title retention debt instruments, including any current maturities of such indebtedness. 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 the Borrower and its 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; Viking Office Products, Inc., a California corporation; Office Depot of Texas, L.P., a Delaware limited partnership; ODI of Texas, Inc., a Delaware corporation; ODNV, Inc., a Nevada corporation; and all other Material Subsidiaries, to the extent required under SECTION 6.10, 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 C 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 F 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 executed from time to time to guarantee the Obligations, in each case 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 Capitalized Lease Obligations of such Person; (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; (v) obligations or other liabilities under currency contracts, interest rate hedging contracts, or similar agreements or combinations thereof; and (vi) all Synthetic Lease Obligations of such Person.

"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 5.22 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 with respect to Eurodollar Advances or Competitive Bid Revolving Loans, 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 10.6.

"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.

"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 Business 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.

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

"MARGIN REGULATIONS" shall mean 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.

"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.

"NOTES" OR "REVOLVING CREDIT NOTES" shall mean, collectively, the promissory notes evidencing the Revolving Loans in the form attached hereto as EXHIBIT A and EXHIBIT B, 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 3.1.

"NOTICE OF BORROWING" shall have the meaning provided in SECTION 3.1.

"NOTICE OF CONTINUATION/CONVERSION" shall have the meaning provided in SECTION 3.1.

"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.

"PAYMENT OFFICE" shall mean the office designated by the Administrative Agent and the Lender to receive payments hereunder, as set forth on the signature pages hereto.

"PERMITTED LIENS" shall mean those Liens expressly permitted by SECTION 7.1.

"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 Syndicate Revolving 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 Revolving Loans 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.

"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.

"REPLACEMENT LENDERS" shall have the meaning set forth in Section 3.20(c).

"REQUIRED LENDERS" shall mean, at any time, Lenders holding at least fifty-one percent (51%) of the then aggregate amount of the Revolving Loan 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 Reuters 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 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.

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

"SUBORDINATED DEBT" shall mean Indebtedness of Borrower or any of its Subsidiaries subordinated to all obligations of Borrower, any Subsidiary or any other Credit Party arising under this Agreement, the Notes, and the Guaranty Agreements on terms and conditions reasonably 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.

"SYNTHETIC LEASE OBLIGATIONS" shall mean all obligations under each synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing product, where such transaction is considered borrowed money indebtedness for tax purposes but is classified as an operating lease in accordance with GAAP.

"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 have the meaning set forth in SECTION 3.20.

"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.

"UTILIZATION 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 3.5(b).

"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

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, to make the Revolving Loans as provided in this SECTION 2.1. Borrower shall be entitled to repay and reborrow Revolving Loans in accordance with the provisions hereof.

(b) The aggregate unpaid principal amount of any Lender's Syndicate Revolving Loans outstanding shall not exceed at any time such Lender's Revolving Loan Commitment.

(c) The aggregate unpaid principal amount of all Revolving Loans shall not exceed at any time the total Revolving Loan Commitments for all Lenders.

(d) 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 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 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 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.

(e) 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 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 3.12 hereof.

ARTICLE III
GENERAL LOAN TERMS

SECTION 3.1 FUNDING NOTICES.

(a) (i) Whenever Borrower desires to make a Borrowing consisting of Syndicate Revolving Loans (other than one resulting from a conversion or continuation pursuant to SECTION 3.1(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 (Florida time) 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, and (B) three Business Days prior to the requested date of such Borrowing in the case of Eurodollar Advances. 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 the aggregate principal amount of the Borrowing, the date of Borrowing (which shall be a Business Day), 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 3.1(b)(ii)), it shall give the Administrative Agent prior written notice by facsimile not later than 10:00 A.M. (Florida time) (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 identified by Borrower of not less than seven (7) days nor more than 183 days. The Administrative Agent shall give the Lenders said "Notice of Competitive Bid Borrowing" not later than 11:00 A.M. (Florida time) 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. (Florida time) 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. (Florida time) 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. (Florida time) 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. (Florida time) 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. (Florida time) 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), but in any event in ascending order of the Competitive Bid Rates offered by all of the Lenders responding to such Notice of Competitive Bid Borrowing; 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.

(Florida time on the same day) not later than 12:00 noon (Florida time) 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. (Florida time) 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 3.1(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 3.1 with respect to the Revolving Credit Commitments.

SECTION 3.2 DISBURSEMENT OF FUNDS.

(a) No later than 1:00 P.M. (Florida time) on the date of each Borrowing with respect to Syndicate Revolving Loans (other than one resulting from a conversion or continuation pursuant to SECTION 3.1(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. (Florida time) 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 3.1(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 3.2(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 3.3 INTEREST.

(a) Borrower agrees to pay interest in respect of all unpaid principal amounts of the Syndicate Revolving 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) equal to the applicable rates indicated below:

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

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

(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, 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 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 of 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 Borrower and the Lenders by telephone (confirmed in writing) or in writing. 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 3.4 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; and

(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 3.5 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 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) UTILIZATION FEE. To the extent and for so long as the average daily aggregate outstanding principal amount of Revolving Loans at any time is equal to or exceeds one-half of the aggregate Commitments at such time, the Borrower shall pay to the Administrative Agent, for the account of and distribution to the Lenders which made such Revolving Loans, a Utilization Fee equal to 0.125% times such aggregate outstanding principal amount, such fee being payable quarterly in arrears on the last calendar day of each fiscal quarter of Borrower and on the Termination Date.

(c) 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.

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

SECTION 3.6 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 3.12 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 3.6(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 prior to 11:00 A.M. (Florida time) (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 3.6(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 3.7 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 (Florida time) 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 3.7), 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 W-8BEN or U.S. Internal Revenue Service Form W-8ECI 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 W-8BEN or Form W-8ECI 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 3.4(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 3.8 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 3.9 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 3.9(b).

SECTION 3.10 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 3.7(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 3.10(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 3.11 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 3.7(b), 3.8, 3.9 or 3.10 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 3.11 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 3.7(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 3.7(b) or otherwise result in any liability of such Lender.

SECTION 3.12 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 3.9(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 3.13 ASSUMPTIONS CONCERNING FUNDING OF EURODOLLAR ADVANCES.

Calculation of all amounts payable to a Lender under this ARTICLE III 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 III.

SECTION 3.14 APPORTIONMENT OF PAYMENTS.

Aggregate principal and interest payments in respect of Revolving Loans and payments in respect of Utilization Fees shall be apportioned among all outstanding Revolving Loans to which such payments relate, proportionately to the Lenders' respective pro rata portions of such outstanding Revolving Loans, and payments in respect of Facility Fees shall be apportioned among all outstanding Commitments to which such payments relate, proportionately to the Lenders' respective pro rata portions of such Commitments. 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 3.15 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 3.15 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 3.16 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 3.16 (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 3.17 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 3.18 LIMITATION ON CERTAIN PAYMENT OBLIGATIONS.

(a) Each Lender or Administrative Agent shall make written demand on Borrower for indemnification or compensation pursuant to SECTION 3.7 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 3.10 or 3.12 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 3.9 or 3.16 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 3.19 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.

SECTION 3.20 EXTENSION OF THE COMMITMENTS.

(a) "Termination Date" shall initially mean June 1, 2001. On any Business Day that is not less than 30 days nor more than 59 days prior to the Termination Date then in effect, Borrower may, by written notice (an "Extension Request") given to the Administrative Agent, request that the Termination Date be extended. Each such Extension Request shall contemplate an extension of the Termination Date to a date that is 364 days after the Termination Date then in effect.

(b) The Administrative Agent shall promptly advise each Lender of its receipt of any Extension Request. Each Lender may, in its sole discretion, consent to a requested extension by giving written notice thereof to the Administrative Agent by not later than the Business Day (the "Extension Confirmation Date") immediately preceding the date that is 15 days after the date of the Extension Request; PROVIDED, that no Lender shall reply prior to the 30th day prior to the Termination Date and if such 30th day is later than the 15th day after the Extension Confirmation Date, then the Extension Confirmation Date shall automatically be moved to the third Business Day after such 30th day. Failure on the part of any Lender to respond to an Extension Request by the applicable Extension Confirmation Date shall be deemed to be a denial of such request by such Lender. If any Lenders shall consent in writing to the requested extension, such request shall be granted in respect of the Commitments of such consenting Lenders. Promptly following the opening of business on the first Business Day following the applicable Extension Confirmation Date, the Administrative Agent shall notify Borrower in writing as to whether the Extension Request has been granted (such written notice being an "Extension Confirmation Notice") and, if granted, such extension shall be confirmed upon the issuance of such Extension Confirmation Notice. The Administrative Agent shall promptly thereafter provide a copy of such Extension Confirmation Notice to each Lender. Each Extension Confirmation Notice shall, if applicable, specify therein the Lenders and the percentage of the Commitments consenting to the extension, and the date to which the Termination Date is to be extended (such date being referred to herein as the "Extended Termination Date"), which shall be the 364th day following the Termination Date then in effect.

(c) A nonconsenting Lender shall be obligated, at the request of Borrower and subject to the nonconsenting Lender receiving payment in full of (i) the principal amount of all Advances owing to such nonconsenting Lender, and (ii) all accrued interest and fees owing to such nonconsenting Lender and all other amounts owing to such nonconsenting Lender hereunder, to assign without representation, warranty (other than good title to its Advances) or expense to such nonconsenting Lender, at any time prior to the Termination Date applicable to such nonconsenting Lender, all of its rights (other than rights that would survive the termination of this Agreement pursuant to SECTION 10.4) and obligations hereunder to one or more banks or other entities (the "Replacement Lenders") nominated by Borrower and willing to take the place of such nonconsenting Lender; PROVIDED, that each such Replacement Lender satisfies all the requirements of this Agreement and the Administrative Agent shall have consented to such assignment, which consent shall not be unreasonably withheld. Each such Replacement Lender shall be deemed to be a consenting Lender hereunder in replacement of the nonconsenting Lender.

(d) The Termination Date, in the event that no Lenders shall consent in writing to such Extension Request, shall continue to be the then existing Termination Date (the "Earlier Termination Date"). The Termination Date, in the event that any Lenders shall consent in writing to such Extension Request, shall continue to be the Earlier Termination Date until the end of the day immediately preceding the Termination Date then in effect, at which time, (i) in respect of the consenting Lenders, the Termination Date then in effect shall become the Extended Termination Date provided for in such Extension Confirmation Notice and (ii) in respect of the non-consenting Lenders, the Commitments held by them shall terminate and all outstanding Obligations owing thereto shall be paid by Borrower, subject to SECTION 3.12.

SECTION 3.21 SUBSTITUTION OF LENDERS. Upon the receipt by Borrower from any Lender (an "Affected Lender") of a claim for compensation under SECTION 3.7(b), 3.10 or 3.16 or of a notice that it cannot make Eurodollar Advances under SECTION 3.8 or 3.9, then the Administrative Agent, at Borrower's direction, shall: (i) request one more of the other Lenders to acquire and assume all or part of such Affected Lender's Loans and Commitments; or (ii) designate a replacement bank or financial institution satisfactory to Borrower to acquire and assume all or a ratable part of all of such Affected Lender's Advances and Commitments at the face amount thereof (a "Substitute Lender"). Any such designation of a Substitute Lender under clause (ii) shall be subject to the prior written consent of the Administrative Agent (which consent shall not be unreasonably withheld). Any transfer of Advances and Commitments shall be accompanied by the payment of any amounts due to the Affected Lender under SECTIONS 3.7(b), 3.10, 3.12 (calculated as if the assigned Loans were prepaid on the date of assignment) and 3.16 and shall be made in accordance with SECTION 10.6(b); PROVIDED, that the processing fee referenced in SECTION 10.6(b) shall not be required to be paid.

ARTICLE IV

CONDITIONS TO EXTENSIONS OF CREDIT

The obligations of each Lender to make Advances to Borrower hereunder is subject to the satisfaction of the following conditions:

SECTION 4.1 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;
- (c) the Guaranty Agreements;
- (d) certificate of Borrower in substantially the form of EXHIBIT D 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) certified copies of indentures, credit agreements, leases, capital leases, instruments, and other documents evidencing or securing Indebtedness of any Consolidated Company, described on SCHEDULE 5.13(a), in any single case in an amount not less than \$25,000,000;

(k) 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;

(l) 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;

(m) 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

(n) 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:

(a) 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 indebtedness outstanding under the Existing Credit Agreement; (ii) all Capitalized Lease Obligations described on SCHEDULE 5.7; (iii) installment notes and other Indebtedness described on SCHEDULE 5.13(a); and (iv) the Intercompany Loans described on SCHEDULE 5.22;

(b) 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;

(c) 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

(d) the status of all pending and threatened litigation (including products liability and patent claims) described on SCHEDULE 5.5, 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 4.2 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 December 25, 1999 (the last day of Borrower's 1999 fiscal year), 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 Parties' ownership or operation of any portion of its business or assets, or to compel one or more Credit Parties 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 4.1 and 4.2 have been satisfied without any further action by the Borrower.

ARTICLE V REPRESENTATIONS AND WARRANTIES

Borrower represents, warrants and covenants to Lenders that:

SECTION 5.1 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 or limited partnership duly organized and existing under the laws of the jurisdiction of its incorporation or organization. Borrower and each of its Material Subsidiaries are duly qualified to do business as a foreign corporation or limited partnership, as applicable, 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 or partnership 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 or other equity interests, for each Material Subsidiary as of the date of this Agreement is accurately described on SCHEDULE 5.1. SCHEDULE 5.1 also designates the Material Subsidiaries as of the Closing Date.

SECTION 5.2 CORPORATE AND PARTNERSHIP 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 or partnership action and all requisite shareholder or partner 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 charter, bylaws or partnership agreement, as applicable, of Borrower or the Guarantors, or any material 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 5.3 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 year ended on the last Saturday in December 1999, certified by Deloitte & Touche, and quarterly, publicly filed financial statements for the periods ended on the last Saturday of March, June and September 1999 and of March 2000. 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 December 25, 1999.

SECTION 5.4 TAX RETURNS. Except as set forth on SCHEDULE 5.4, 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 5.5 ACTIONS PENDING. Except as disclosed on SCHEDULE 5.5 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 reasonably be expected to result in any Materially Adverse Effect.

SECTION 5.6 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 5.7 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 25, 1999 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 7.1 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 25, 1999 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 7.1. 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 5.7 hereto.

SECTION 5.8 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 5.9 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 5.10 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 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 5.11 ERISA.

(a) IDENTIFICATION OF CERTAIN PLANS. SCHEDULE 5.11 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.

(d) FUNDING. The Borrower and each ERISA Affiliate have 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 5.11. 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 5.12 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 5.1, 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 5.13 OUTSTANDING DEBT.

(a) Except for the Capitalized Lease Obligations set forth on SCHEDULE 5.7, the Intercompany Loans set forth on SCHEDULE 5.22, and as set forth on SCHEDULE 5.13(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 5.13(b).

SECTION 5.14 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 5.14 attached hereto.

SECTION 5.15 ENVIRONMENTAL MATTERS.

(a) Except as set forth on SCHEDULE 5.15(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 5.15(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 5.15(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 5.15(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 5.16 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 5.17 PATENTS, ETC. Except as set forth on SCHEDULE 5.17, 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 is 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 5.18 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 5.19 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 could (so far as Borrower can now reasonably 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 5.20 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 5.21 LABOR MATTERS. Except as set forth on SCHEDULE 5.21, 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 5.22 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 5.22.

SECTION 5.23 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 5.24 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 5.25 REGULATION T, 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 T, U 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.

SECTION 5.26 YEAR 2000 COMPLIANCE. The Borrower and its Subsidiaries have conducted a comprehensive review and assessment of their computer applications, and have made inquiry of their material suppliers, vendors and customers, with respect to any defect in computer software, data bases, hardware, controls and peripherals related to the occurrence of the year 2000 or the "Year 2000 Problem" (I.E., the inability of certain computer applications to recognize correctly and perform date-sensitive functions involving certain dates prior to and after December 31, 1999) in connection therewith. Based on the foregoing review, assessment and inquiry, the Borrower believes that no such defect has had or could reasonably be expected to have a Materially Adverse Effect.

ARTICLE VI

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 6.1 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 6.2 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 6.7(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 6.3 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 6.4 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 6.5 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 6.6 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 or any Consolidated Company 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 6.7 REPORTING COVENANTS. Furnish to each Lender the information described below:

(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 6.8 and SECTIONS 7.1 through 7.3;

(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 or 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; and

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 7.1;

(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 5.21;

(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 6.8 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 6.9 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 6.10 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 5.1, (ii) the transfer of assets to any Consolidated Company if notice thereof is required to be given pursuant to SECTION 6.7(n) and as a result thereof the recipient of such assets becomes a Material Subsidiary, or (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 4.1, 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 6.11 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 6.12 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 VII

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 7.1 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 7.1;

(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 aggregate 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 7.2 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 or other equity interests of Subsidiaries), or, except as permitted by subsection (c) in SECTION 7.3, below, purchase, lease or otherwise acquire all or any substantial portion of the property or assets (including capital stock or other equity interests) 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 or other equity interests 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 7.3(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 7.2; provided, however, that no transaction pursuant to clauses (i), (ii), and (iv) of the 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 7.3 INVESTMENTS, LOANS, ETC. Make, permit or hold any Investments in any Person, or otherwise acquire or hold any Subsidiaries, other than:

(a) Investments in Wholly Owned Subsidiaries that are Guarantors under this Agreement at the time of such Investment, whether such Wholly Owned Subsidiaries are Guarantors on the Closing Date or become Guarantors in accordance with SECTION 6.10 after the Closing Date;

(b) (i) Investments in Subsidiaries, other than those Subsidiaries that are Guarantors under this Agreement at the time of such Investment, and (ii) strategic business Investments consisting of the purchase of equity interests in other Persons, but only to the extent that all such Investments made pursuant to clause (i) or (ii) above are made with cash consideration in an amount not to exceed \$125,000,000 in the aggregate after the date of this Agreement for all such Investments or using common stock of the Borrower; PROVIDED, that any cash consideration paid in connection with Investments made pursuant to clause (ii) above shall not exceed \$75,000,000 in the aggregate after the date of this Agreement; PROVIDED, FURTHER, that upon any sale of any Investment made in cash pursuant to this SECTION 7.3(b), the amount of cash available to be invested hereunder pursuant to clause (i) or clause (ii) above, as applicable, shall be increased by the lesser of (x) the net cash proceeds of such sale and (y) the amount of cash originally applied to such Investment by the Borrower or the applicable Subsidiary pursuant to this SECTION 7.3(b);

(c) the acquisition by the Borrower or any Wholly Owned Subsidiary of (i) (A) all of the outstanding capital stock or other equity interests of another Person (other than directors' qualifying shares) or (B) all or any substantial portion of the assets of another Person or (ii) the remaining equity interests of any Person (other than directors' qualifying shares), if immediately prior to such acquisition, the Borrower and/or one or

more Wholly Owned Subsidiaries collectively own a portion (but less than 100%) of the equity interests of such Person, so long as (x) no Default or Event of Default has occurred and is continuing or would occur after giving effect thereto (determined, in respect of SECTION 6.8, on a pro forma basis as of the last day of the most recent fiscal quarter for which financial statements are available) and (y) the Borrower has delivered pro forma consolidated financial statements to the Agent and each Lender at least three Business Days prior to making such Investment which evidence such compliance;

(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 of 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 aggregate amount not to exceed \$300,000,000 through an accounts receivable securitization program;

(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 in the aggregate at any one time;

(k) Investments by foreign Subsidiaries in other foreign Subsidiaries;

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

(m) mutual funds consisting of investments described in subsections (d), (e) and (f) of this SECTION 7.3 except that such funds may invest in instruments rated A-2 by S&P or P-2 by Moody's or the equivalent with an average maturity of less than one year and/or money market funds; and

(n) the Investments existing on the date hereof and disclosed on SCHEDULE 7.3.

SECTION 7.4 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 7.5 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 under the Existing Credit Agreement, under the Existing Japanese Loan Agreements or pursuant to revolving credit, overdraft and line of credit facilities set forth in SCHEDULE 5.13(a) (as the same may be amended, modified, supplemented, restated or replaced from time to time), (iii) Intercompany Loans set forth in SCHEDULE 5.22, and/or outstanding pursuant to SECTION 7.3, (iv) existing subordinated debt which is prepaid with the proceeds of newly issued Subordinated Debt, in form and substance acceptable to the Administrative Agent and the Required Lenders, as evidenced by their written consent, (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 7.6 CHANGES IN BUSINESS. Enter into any business which is substantially different from that presently conducted by the Consolidated Companies taken as a whole.

SECTION 7.7 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 7.8 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 7.1(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, (ii) the Existing Credit Agreement, (iii) the Existing Japanese Loan Agreements and (iv) any requirement of applicable law or any regulatory authority having jurisdiction over any of the Consolidated Companies.

SECTION 7.9 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 Existing Credit Agreement, the Existing Japanese Loan Agreements or the Credit Documents.

SECTION 7.10 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; provided, that any of the following may be modified or amended without such consent: (i) the Existing Credit Agreement and the other documents and instruments entered into in connection therewith, (ii) the Existing Japanese Loan Agreements and the other documents and instruments entered into in connection therewith and (iii) Intercompany Loan Documents in respect of a loan between Consolidated Companies.

ARTICLE VIII

EVENTS OF DEFAULT

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

SECTION 8.1 PAYMENTS. Borrower shall fail to make promptly when due (including, without limitation, by mandatory prepayment) any principal payment with respect to the Revolving Loans, 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 8.2 COVENANTS WITHOUT NOTICE. Borrower shall fail to observe or perform any covenant or agreement contained in SECTIONS 6.7(h), 6.8, 6.11, and 7.1 through 7.10;

SECTION 8.3 OTHER COVENANTS. Borrower shall fail to observe or perform any covenant or agreement contained in this Agreement, other than those referred to in SECTIONS 8.1 and 8.2, 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 8.4 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 8.5 NON-PAYMENTS OF OTHER INDEBTEDNESS. one or more of the Consolidated Companies 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 in the aggregate for all such Persons;

SECTION 8.6 DEFAULTS UNDER OTHER AGREEMENTS. one or more of the Consolidated Companies shall fail to observe or perform within any applicable grace period any covenants or agreements (other than those referenced in SECTION 8.5) contained in any agreements or instruments relating to any of its Indebtedness exceeding \$25,000,000 in the aggregate for all such Persons, 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 8.7 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 undischarged 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 8.8 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 8.9 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 8.10 OWNERSHIP OF CREDIT PARTIES. Borrower shall at any time fail to own and control at least a majority of the voting stock or other equity interests of any Guarantor, either directly or indirectly through a Wholly Owned Subsidiary of Borrower;

SECTION 8.11 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 8.12 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; or

SECTION 8.13 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 and Utilization 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 8.7 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 IX

THE AGENTS

SECTION 9.1 APPOINTMENT OF AGENTS. Each Lender hereby designates SunTrust as Administrative Agent, Bank of America as Syndication Agent, Bank One as Documentation Agent and Citibank as Managing Agent (collectively, the "Agents") to administer all matters concerning the Loans 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 9.1 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 9.2 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 9.3 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 6.7, such Agent shall deliver or cause to be delivered such information to such Lender.

SECTION 9.4 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 9.5 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 9.6 INDEMNIFICATION OF AGENTS. To the extent the Agents are not reimbursed and indemnified by the Credit Parties, each Lender will reimburse and indemnify each Agent, ratably according to the respective amounts of the Loans outstanding (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 such 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 any Agent for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from such Agent's gross negligence or willful misconduct.

SECTION 9.7 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 9.8 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 9.9 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, Documentation Agent or Managing 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, Documentation Agent or Managing 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, Documentation Agent or Managing 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, the Documentation Agent or the Managing Agent, as the case may be, hereunder by a successor Agent, such successor Administrative Agent, Syndication Agent, Documentation Agent or Managing 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, Documentation Agent or Managing 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, Documentation Agent or Managing Agent, as the case may be, the provisions of this ARTICLE IX shall inure to its benefit as to any actions taken or omitted to be taken by it while it was the Administrative Agent, Syndication Agent, Documentation Agent or Managing Agent, as the case may be, under this Agreement.

ARTICLE X

MISCELLANEOUS

SECTION 10.1 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 10.2 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 4.1 or SECTION 4.2, (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 (except upon an extension pursuant to SECTION 3.20), (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 10.2. 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 10.3 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 10.4 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 Co-Lead Arrangers, the Administrative Agent, the Documentation Agent, the Syndication Agent and the

Managing 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, the Syndication Agent and the Managing 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 Co-Lead Arrangers, the Administrative Agent, the Documentation Agent, the Syndication Agent and the Managing Agent), subject, to the extent applicable, to the terms of the fee letter delivered in connection with the Commitment Letter, 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 3.7(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 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;

(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; and

(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 10.4 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 10.5 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 10.6 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, unless an Event of Default has occurred and is continuing, 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, 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; PROVIDED, FURTHER, that no consent of the Administrative Agent or the Borrower shall be required in connection with an assignment by a Lender to any Affiliate thereof. 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 be entitled to the benefits of SECTIONS 3.7(b), 3.10, 3.12 and 3.16 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to this SECTION 10.6; provided, that in no event shall the Borrower be obligated to make any payment with respect to such Sections which is greater than the amount that the Borrower would have paid to the Lender had no such participation been sold, 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 other than any amendment, modification or waiver which shall (A) reduce the principal amount of any Advance or reduce the rate of interest thereon, or reduce any fees payable hereunder, or (B) postpone the scheduled date of payment of the principal amount of any Advance, or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, and (v) to the extent permitted by law, in the event that any amounts outstanding under this Agreement are due and unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each participant shall be deemed to have the right of set-off in respect of its participating interest in accordance with SECTION 10.5. 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 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 10.6(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 10.7 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 INTERNAL LAWS (WITHOUT GIVING EFFECT TO THE CONFLICT OF LAW PRINCIPLES THEREOF) OF THE STATE OF ILLINOIS.

(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 COOK COUNTY, ILLINOIS OR THE CIRCUIT COURT OF ORANGE COUNTY, FLORIDA, OR ANY OTHER COURT OF THE STATE OF ILLINOIS OR THE STATE OF FLORIDA OR OF THE UNITED STATES OF AMERICA FOR THE NORTHERN DISTRICT OF ILLINOIS OR 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) NOTHING HEREIN SHALL AFFECT THE RIGHT OF THE ADMINISTRATIVE AGENT, THE SYNDICATION AGENT, THE DOCUMENTATION AGENT, THE MANAGING 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 10.8 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 10.9 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 10.10 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 4.1 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 3.7(b), 3.9, 3.10, 3.12, 3.16, and 10.4 hereof shall survive for one hundred twenty (120) days after the payment in full of the Notes after the Final Maturity Date. 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 10.11 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 10.12 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 10.13 CHANGE IN ACCOUNTING PRINCIPLES, FISCAL YEAR OR TAX LAWS. If (i) any preparation of the financial statements referred to in SECTION 6.7 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, applying GAAP as in effect as of the date of this Agreement, shall govern.

SECTION 10.14 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 10.15 TIME IS OF THE ESSENCE. Time is of the essence in interpreting and performing this Agreement and all other Credit Documents.

SECTION 10.16 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 10.17 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 10.18 CONFIDENTIALITY. None of the Administrative Agent, the Syndication Agent, the Documentation Agent, the Managing 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 10.6(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
AGREEMENT BETWEEN SUNTRUST, AS ADMINISTRATIVE AGENT,
AND OFFICE DEPOT, INC.

BORROWER:

OFFICE DEPOT, INC.

By: _____

Title: _____

ADDRESS FOR NOTICES:

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

Telecopy No. (561) 438-4237
Telephone No. (561) 438-8956

WITH COPY TO:

Office of the General Counsel
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 AGREEMENT
BETWEEN SUNTRUST, AS ADMINISTRATIVE AGENT,
AND OFFICE DEPOT, INC.

Address for Notices:

SUNTRUST BANK,
individually and as
Administrative Agent

303 Peachtree Street N.E.
Third Floor/MC: 1930
Atlanta, Georgia 30308
Attn: Frank Coe

By: -----
Title: -----

Telecopy No. (404) 658-4905
Telephone No. (404) 658-4910

Payment Office:

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

Revolving Loan Commitment: \$38,750,000

Pro Rata Share of Revolving Loan Commitment: 12.92%

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

Address for Notices: BANK OF AMERICA, N.A., individually
and as Syndication Agent

Bank of America Corporate Center
100 North Tryon Street
Charlotte, North Carolina 28255-0001
Attn: Timothy H. Spanos
Retail Credit Products

By: -----
Title: -----

Telecopy No. (704) 388-8268
Telephone No. (704) 386-4507

Payment Office:

Bank of America, N.A.
100 North Tryon Street
Charlotte, North Carolina 28255-0001

Revolving Loan Commitment: \$38,750,000

Pro Rata Share of Revolving Loan Commitment: 12.92%

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

Address for Notices:

BANK ONE, NA, individually and as
Documentation Agent

1 Bank One Plaza
Suite IL1-0086
Chicago, Illinois 60670
Attn: Dianne Stark,
Vice President

By: _____
Title: _____

Telecopy No. (312) 732-1117
Telephone No. (312) 732-8251

Payment Office:

Bank One, NA
1 Bank One Plaza
Chicago, Illinois 60670

Revolving Loan Commitment: \$38,750,000

Pro Rata Share of Revolving Loan Commitment: 12.92%

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

Address for Notices:

CITIBANK, N.A., individually and as
Managing Agent

399 Park Avenue
54th Floor, Zone 17
New York, New York 10043
Attn: Marc Merlino,
Vice President

By: _____
Title: _____

Telecopy No. (212) 793-1585
Telephone No. (212) 559-1875

Payment Office:

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

Revolving Loan Commitment: \$33,750,000

Pro Rata Share of Revolving Loan Commitment: 11.25%

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

Address for Notices:

FIRST UNION NATIONAL BANK

One South Penn Square
Widener Building, 12th Floor
Philadelphia, Pennsylvania 19107
Attn: Joan Anderson,
Vice President

By: _____
Title: _____

Telecopy No. (215) 786-2877
Telephone No. (215) 973-8376

Payment Office:

First Union National Bank
1339 Chestnut Street
Philadelphia, Pennsylvania 19107

Revolving Loan Commitment: \$25,000,000

Pro Rata Share of Revolving Loan Commitment: 8.33%

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

Address for Notices: CIBC INC.

425 Lexington Avenue
New York, New York 10017
Attn: Dominic Sorresso,
Executive Director

By: _____
Title: _____

Telecopy No. (212) 856-3991
Telephone No. (212) 856-4133

Payment Office:

CIBC Inc.
Two Paces West
2727 Paces Ferry Road, Suite 1200
Atlanta, Georgia 30339

Revolving Loan Commitment: \$25,000,000

Pro Rata Share of Revolving Loan Commitment: 8.33%

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

Address for Notices:

BANCA DI ROMA - NEW YORK BRANCH

34 East 51st Street
New York, New York 10022
Attn: Steven F. Paley,
First Vice President

By: -----

Title: -----

Telecopy No. (212) 407-1778
Telephone No. (212) 407-1791

By: -----

Title: -----

Payment Office:

Banca di Roma - New York Branch
34 East 51st Street
New York, New York 10222

Revolving Loan Commitment: \$25,000,000

Pro Rata Share of Revolving Loan Commitment: 8.33%

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

Address for Notices:

HSBC BANK USA

140 Broadway
7th Floor
New York, New York 10005
Attn: Christopher Casey,
Vice President

By: _____
Title: _____

Telecopy No. (212) 658-5109
Telephone No. (212) 658-2209

Payment Office:

HSBC Bank USA
140 Broadway
New York, New York 10005

Revolving Loan Commitment: \$25,000,000

Pro Rata Share of Revolving Loan Commitment: 8.33%

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

Address for Notices:

THE INDUSTRIAL BANK OF JAPAN,
LIMITED

350 South Grand Avenue
Suite 1500
Los Angeles, California 90071
Attn: Bernardo Correa-Henshcke,
Vice President

By: _____
Title: _____

Telecopy No. (213) 488-9840
Telephone No. (213) 893-6427

Payment Office:

The Industrial Bank of Japan, Limited
1251 Avenue of the Americas
New York, New York 10020

Revolving Loan Commitment: \$25,000,000

Pro Rata Share of Revolving Loan Commitment: 8.33%

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

Address for Notices: WELLS FARGO BANK, N.A.

1445 Ross Avenue
4th Floor
MAC T5303-046
Dallas, Texas 75202
Attn: Scott Bjelde,

Senior Banker/Relationship Manager

By: _____
Title: _____

Telecopy No. (512) 336-9154
Telephone No. (512) 336-9153

Payment Office:

Wells Fargo Bank, N.A.
707 Wilshire Boulevard
MACE 2818-165
Los Angeles, California 90017

Revolving Loan Commitment: \$25,000,000

Pro Rata Share of Revolving Loan Commitment: 8.33%

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF OFFICE DEPOT, INC. FOR THE QUARTER ENDED JUNE 24, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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6-MOS		
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	DEC-26-2000	
	JUN-24-2000	
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	5,694,101	
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		0.50