OFFICE DEPOT INC
Form PRRN14A
May 30, 2013
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN CONSENT STATEMENT
SCHEDULE 14A INFORMATION

Consent Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

(Amendment No. 2)

Filed by the Registrant o

Filed by a Party other than the Registrant x

Check the appropriate box:

xPreliminary Proxy Statement

oConfidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

oDefinitive Proxy Statement

oDefinitive Additional Materials

oSoliciting Material Under Rule 14a-12

OFFICE DEPOT, INC.
(Name of Registrant as Specified in Its Charter)

STARBOARD VALUE AND OPPORTUNITY MASTER FUND LTD
STARBOARD VALUE AND OPPORTUNITY S LLC
STARBOARD VALUE LP
STARBOARD VALUE GP LLC
STARBOARD PRINCIPAL CO LP
STARBOARD PRINCIPAL CO GP LLC
JEFFREY C. SMITH
MARK R. MITCHELL
PETER A. FELD
T-S CAPITAL PARTNERS, LLC
ROBERT TELLES
JAMES P. FOGARTY
CYNTHIA T. JAMISON

ROBERT L. NARDELLI
DAVID N. SIEGEL
JOSEPH S. VASSALLUZZO
(Name of Persons(s) Filing Consent Statement, if Other Than the Registrant)

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Payment of Filing Fee (Check the appropriate box):

x No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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PRELIMINARY COPY SUBJECT TO COMPLETION
DATED MAY 30, 2013

STARBOARD VALUE AND OPPORTUNITY MASTER FUND LTD

___________________, 2013

Dear Fellow Office Depot Stockholder:

Starboard Value and Opportunity Master Fund Ltd ("Starboard V&O Fund") and the other participants in this solicitation (collectively, "Starboard" or "we") are the beneficial owners of an aggregate of 42,284,089 shares of common stock, $0.01 par value per share (the "Common Stock"), of Office Depot, Inc., a Delaware corporation ("Office Depot" or the "Company"), representing approximately 14.8% of the outstanding shares of Common Stock of the Company. Through the enclosed Consent Statement, we are soliciting your consent for a number of proposals, the ultimate effect of which would be, if we are successful, to remove three current members of the Board of Directors of Office Depot (the "Board") and to elect to the Board four highly qualified director nominees that we have identified. By providing your consent, you will help to enable the proposals we have made to reconstitute the Board succeed. We urge all stockholders to support this effort.

We believe the Board must be reconstituted at this critical time for Office Depot to help ensure that the Board is composed of the individuals who are in the best position to protect the interests of stockholders. The individuals we have nominated are highly qualified, capable and ready to serve stockholders to help Office Depot address the challenges ahead and evaluate open-mindedly all alternative strategies to make Office Depot a stronger, more profitable, and ultimately more valuable company.

We understand that undertaking a consent solicitation is a rather extraordinary action for seeking board representation. Unfortunately, since the Board has been unwilling to work constructively with us to add any of our highly qualified director candidates to the Board and has informed us that it has no plans to hold its 2013 annual meeting of stockholders (the "2013 Annual Meeting") prior to the vote later this year on the proposed merger with OfficeMax Incorporated ("OfficeMax" and the proposed merger, the "OfficeMax Merger"), the consent solicitation is the only alternative available to us at this time for providing stockholders the opportunity to elect directors whom they believe will serve and protect their best interests in the boardroom.

Starboard is an investment management firm that seeks to invest in undervalued and underperforming public companies. Our approach to such investments is to actively engage and work closely with management teams and boards of directors in a constructive manner to identify and execute on opportunities to unlock value for the benefit of all stockholders. Starboard believes it has established a strong track record of creating stockholder value at many public companies over the past ten years.

Since our initial investment in Office Depot, we have conducted extensive due diligence on the Company and each of its business units; we have carefully analyzed the Company's operating and financial performance; and we have reviewed the competitive landscape in the office supply superstore (OSS) sector in which the Company operates. We have strong views regarding the current state and future direction of Office Depot and how to create substantial value for stockholders. Through four public letters and numerous private communications, we have demonstrated the causes for our concerns with Office Depot and have clearly articulated our views on the challenges Office Depot faces, and the future opportunities it can hope to capture. Unfortunately, there has been little progress in addressing the issues we have identified, and instead the Board has adopted a 15% "poison pill" plan and failed to monetize the Company's valuable joint venture interest in Office Depot de Mexico. Starboard has repeatedly set forth in letters to the Board and other communications its strong belief that Office Depot's joint venture interest in Office Depot de

Mexico has substantial hidden value and it is incumbent upon the Board to monetize the asset’s value for the benefit of stockholders. To date, the Board has not reached a definitive agreement for the sale of the asset.

The period between now and the vote to approve the OfficeMax Merger is a critical time for the future of the Company. Now more than ever, Office Depot needs a well-qualified, committed Board to protect the interests of Office Depot's stockholders. We strongly believe that any benefits contemplated by the OfficeMax Merger, if approved, will be most fully realized through the effective guidance of a significantly reconfigured Board. In our view, a newly reconstituted Board that possesses the appropriate skill sets to oversee a turnaround of Office Depot with a goal of substantially improving operating performance is necessary, whether as a stand-alone company or as a merged company.

Stockholders cannot afford to simply continue with the status quo and hope for improved results down the road if the Company is merged. Instead, now is the time to act to immediately improve the current operating performance of the business on a stand-alone basis and to be in position to maximize the longer term synergies with OfficeMax if the OfficeMax Merger is approved.

While we are in favor of the OfficeMax Merger, we have made it clear to the Board over the past several months that in light of, among other things, Office Depot's consistent underperformance, the Board's failure to monetize the JV Interest and the incumbent directors' lack of meaningful retail operating experience, we are uncomfortable with the execution and experience of the Board as currently composed. We believe it is critically important to substantially improve the Board as soon as possible. There is always a chance that the OfficeMax Merger may not be consummated, and Office Depot should not wait to plan and build a strategy for a far improved company. To that end, we have made every effort to work constructively with the Board to reconstitute, or even just add to, the Board with a group of highly qualified director candidates. Despite the Board's continued indications that it wishes to work with us to address our concerns, there has been little-to-no progress in our discussions to date.

It has also become clear to us that the Board intends to continue to delay holding the Company's 2013 Annual Meeting. We note that the Company held its 2012 annual meeting on April 26, 2012 and has held its annual meeting during the latter half of April for at least the past six years. We also note that in contrast to Office Depot, OfficeMax has set an annual meeting date of April 29, 2013, consistent with its previous years' annual meetings, and has already filed its proxy materials. Office Depot's stockholders deserve the opportunity now, without further delay, to elect the directors they want to represent their best interests (i) during the pendency of the OfficeMax Merger, (ii) in selecting the future CEO of the Company and (iii) in selecting the directors who would be eligible to serve on the pro forma board should the OfficeMax Merger be approved.

This consent solicitation is, therefore, a last resort means to allow stockholders to elect their representation on the Board without further delay. We are seeking your support for the removal of four current directors of Office Depot, [___________],[___________],[___________] and [___________], and the election of our four nominees, [___________],[___________],[___________] and [___________]. We hope it is clear to you that the extraordinary action of launching this consent solicitation in this situation is frustrating for us and was not at all our preference, but represents the only way to effect the much-needed change in the Office Depot boardroom.

Also, while it appears that we are seeking the removal of four current directors, we note that one of the directors we are seeking to remove is a BC Partners Designee (as defined below) and pursuant to the terms of the Investor Rights Agreement, dated as of June 23, 2009, among the Company, BC Partners, Inc. (together with its affiliates, “BC Partners”) and certain funds advised by BC Partners (the “Investor Rights Agreement”), the Board is required to promptly elect to the Board a replacement director designated by BC Partners in the event of the death, disability, resignation or removal of any BC Partners Designee. Therefore, the net effect of our proposals, if approved by stockholders, will be to remove three current members of the Board and to elect our four highly qualified director nominees to the Board.

The Board is currently composed of ten directors, all of whom are elected annually and three of whom are designated by BC Partners pursuant to the terms of the Investor Rights Agreement and the Certificates of Designations of the Company’s Preferred Stock held by BC Partners (the “Preferred Stock”). Under the terms of the Investor Rights Agreement, for so long as BC Partners’ ownership percentage is at 5%, 10% and 15% of the outstanding voting securities of the Company, BC Partners has the right to nominate for election to the Board one, two and three directors, respectively, (the “BC Partners Designees” and each, a “BC Partners Designee”). According to publicly disclosed information, BC Partners is currently entitled to nominate three BC Partners Designees. Furthermore, pursuant to the Investor Rights Agreement and the Certificates of Designations of the Preferred Stock, in the event of the removal of a BC Partners Designee, BC Partners has the sole ability to fill the resulting vacancy. We are seeking to remove one of the BC Partners Designees on the Board, [__________]. Accordingly, we believe that if Starboard is successful in removing [___________], then BC Partners will have the right to designate a replacement director to serve as the BC Partners Designee on the Board. If stockholders approve all the other proposals, the Board size will be increased to eleven members and our four nominees will be elected to the Board.

We do not believe that the current Board has served the best interests of the Company’s stockholders, and we do not have confidence in the ability of the current Board to improve the Company’s operating performance and enhance stockholder value. Without change to the current Board, we also fear that the Company’s intrinsic value may continue to sharply deteriorate under the continued stewardship of the current Board. From 2007 to 2012, Office Depot’s revenue has declined from $15.5 billion to $10.7 billion. Over that same time, general and administrative expenses have increased from $646 million to $673 million. This has caused adjusted operating income to decline from $522 million to $97 million in 2012. With the right Board leadership and improved oversight, we believe significant opportunities exist to greatly improve operating performance and enhance stockholder value.

If elected to the Board, our nominees, subject to their fiduciary duties as directors, will work with the other members of the Board to explore more vigorously all opportunities to enhance stockholder value, including, but not limited to, adjusting operating expenses to appropriately reflect current business prospects, applying more stringent methods for allocating capital to growth initiatives, fully evaluating each of the Company’s business segments to identify financial and strategic opportunities for value creation, and any other opportunities to unlock value that the nominees may identify.

We urge you to carefully consider the information contained in the attached Consent Statement and then support our efforts by signing, dating and returning the enclosed WHITE consent card today. The attached Consent Statement and the enclosed WHITE consent card are first being furnished to the stockholders on or about _________ __, 2013. We urge you not to sign any revocation of consent card that may be sent to you by Office Depot. If you have done so, you may revoke that revocation of consent by delivering a later dated WHITE consent card to Starboard Value LP, in care of Okapi Partners, which is assisting us, at their address listed on the following page, or to the principal executive offices of Office Depot.

If you have any questions or require any assistance with your consent, please contact Okapi Partners LLC, which is assisting us, at its address and toll-free numbers listed below.

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Thank you for your support.

Jeffrey C. Smith
Starboard Value and Opportunity Master Fund Ltd

If you have any questions, require assistance in voting your WHITE consent card,
or need additional copies of Starboard's consent materials,
please contact Okapi Partners at the phone numbers or email listed below.

OKAPI PARTNERS LLC
437 Madison Avenue, 28th Floor
New York, N.Y. 10022
(212) 297-0720
Stockholders Call Toll-Free at: 877-869-0171
E-mail: info@okapipartners.com

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PRELIMINARY COPY SUBJECT TO COMPLETION
DATED MAY 30, 2013

OFFICE DEPOT, INC.

CONSENT STATEMENT
OF
STARBOARD VALUE AND OPPORTUNITY MASTER FUND LTD

PLEASE SIGN, DATE AND MAIL THE ENCLOSED WHITE CONSENT CARD TODAY

Starboard Value and Opportunity Master Fund Ltd ("Starboard V&O Fund"), Starboard Value and Opportunity S LLC ("Starboard LLC"), Starboard Value LP ("Starboard Value LP"), Starboard Value GP LLC ("Starboard Value GP"), Starboard Principal Co LP ("Principal Co"), Starboard Principal Co GP LLC ("Principal GP"), Jeffrey C. Smith, Mark R. Mitchell, and Peter A. Feld (collectively, "Starboard" or "we") are significant stockholders of Office Depot, Inc., a Delaware corporation ("Office Depot" or the "Company"), owning approximately 14.8% of the outstanding shares of common stock, $0.01 par value per share (the "Common Stock"), of the Company. We are seeking to change a meaningful minority of the Board of Directors of the Company (the "Board") because we believe that the Board must be significantly and immediately reconstituted so that the interests of the stockholders, the true owners of Office Depot, are more appropriately represented in the boardroom.

A solicitation of written consents is a process that allows a company's stockholders to act by submitting written consents to any proposed stockholder actions in lieu of voting in person or by proxy at an annual or special meeting of stockholders. We are soliciting written consents from the holders of shares of the Common Stock to take the following actions (each, as more fully described in this Consent Statement, a "Proposal" and together, the "Proposals"), in the following order, without a stockholders' meeting, as authorized by Delaware law:

Proposal No. 1 – Repeal any provision of the Amended and Restated Bylaws of Office Depot ("the Bylaws") in effect at the time this proposal becomes effective, including any amendments thereto, which were not included in the Bylaws that became effective on February 22, 2013 and were filed with the Securities and Exchange Commission (the "SEC") on that date (the "Bylaw Restoration Proposal");

Proposal No. 2 – Remove without cause four members of the Board, __________, _________, __________ and _________, a designee of BC Partners, Inc., including any person (other than those elected by this consent solicitation) elected or appointed to the Board to fill any vacancy on the Board or any newly-created directorships after ________ __, 2013 and prior to the effectiveness of the Proposals (the "Removal Proposal");

Proposal No. 3 – Amend Article III, Section 4 of the Bylaws, as set forth on Schedule III to this Consent Statement, to provide that any vacancies on the Board resulting from the removal of directors by the stockholders of Office Depot may be filled by the stockholders of the Company (the "Vacancy Proposal");

Proposal No. 4 – Amend Article III, Section 2 of the Bylaws, as set forth on Schedule IV to this Consent Statement, to provide that the number of directors which shall constitute the Board may be established by the stockholders of the Company (the "Board Size Bylaw Proposal");

Proposal No. 5 – In the event that the BC Partners director is removed pursuant to Proposal No. 2, increase the size of the Board to eleven members (the "Board Size Proposal"); and

Proposal No. 6 –Elect Starboard's four nominees, __________, _________, __________ and _________, to serve as directors of Office Depot (or, if any such nominee is unable or unwilling to serve as a director of the Company, any other person designated as a nominee by the remaining nominee or nominees) (the "Starboard Nominees" or the "Nominees") (the "Election Proposal").

This Consent Statement and the enclosed WHITE consent card are first being sent or given to the stockholders of Office Depot on or about _________ __, 2013.

We are soliciting your consent in favor of the adoption of the Removal Proposal, the Vacancy Proposal, the Board Size Bylaw Proposal, the Board Size Proposal and the Election Proposal because we believe Office Depot stockholders will be best served by directors who are committed to safeguarding and promoting the best interests of all Office Depot stockholders. In addition, we are also soliciting your consent in favor of the adoption of the Bylaw Restoration Proposal to ensure that the incumbent Board does not limit the effect of your consent to the removal of the incumbent members of the Board and the election of the Nominees through changes to the Bylaws not filed with the SEC on or before February 22, 2013.

The effectiveness of each of the Proposals, except the election of directors in Proposal 6, requires the affirmative consent of the holders of record of a majority of the shares of outstanding voting securities as of the close of business on the Record Date. Each Proposal will be effective without further action when we deliver to Office Depot such requisite number of consents. The Bylaw Restoration Proposal, the Removal Proposal, the Vacancy Proposal and the Board Size Bylaw Proposal are not subject to, or conditioned upon, the effectiveness of the other Proposals. Proposal No. 5, referred to as the Board Size Proposal, is conditioned upon the BC Partners director being removed pursuant to the Removal Proposal and the approval of the Board Size Bylaw Proposal. Proposal No. 6 to elect the Starboard Nominees is conditioned, in part, upon the effectiveness of the Removal Proposal. If none of the members of (or appointees to) the Board is removed pursuant to the Removal Proposal, and there are no vacancies to fill, none of the Starboard Nominees can be elected pursuant to Proposal No. 6. If fewer than four directors are removed pursuant to the Removal Proposal and there are more Starboard Nominees receiving a plurality of consents than there are vacancies existing after the Removal Proposal, then Starboard intends to fill the vacancies in the following order; __________, __________, _________, and _________. Furthermore, if all of the directors are removed pursuant to the Removal Proposal, but either of the Board Size Bylaw Proposal or the Board Size Proposal are not approved, then stockholders will only be able to elect three Nominees pursuant to the Election Proposal.

On ________ __, 2013, Starboard delivered to the Secretary of Office Depot a written request for the Board to fix a record date in accordance with the Bylaws for determining stockholders entitled to give their written consent to the Proposals (the "Record Date"). According to the Company, as of the Record Date, there were ________ shares of Common Stock outstanding, each of which is entitled to one consent on each Proposal. In addition, according to the Company, as of the Record Date, there were ________ shares of 10% Series A Redeemable Convertible Participating Perpetual Preferred Stock, par value $0.01 per share and _______ shares of 10% Series B Redeemable Conditional Convertible Participating Perpetual Preferred Stock, par value $0.01 per share (together, the "Preferred Stock"), outstanding which in the aggregate are entitled to __________ consents. Starboard believes that its 14.8% economic interest represents approximately 11.7% of the voting authority of Office Depot's securities entitled to consent on an as converted basis.

In addition, none of the Proposals will be effective unless the delivery of the written consents complies with Section 228(c) of the Delaware General Corporation Law ("DGCL"). For the Proposals to be effective, properly completed and unrevoked written consents must be delivered to Office Depot within 60 days of the earliest dated written consent delivered to Office Depot. Starboard delivered a written consent to Office Depot on ________ __, 2013. Consequently, by ________ __, 2013, Starboard will need to deliver properly completed and unrevoked written consents to the Proposals from the holders of record of a majority of the outstanding voting securities as of the close of business on the Record Date. We intend to set ________ __, 2013 as the goal for submission of written consents.

WE URGE YOU TO ACT TODAY TO ENSURE THAT YOUR CONSENT WILL COUNT.

Starboard reserves the right to submit to Office Depot consents at any time within 60 days of the earliest dated written consent delivered to Office Depot. See "Consent Procedures" for additional information regarding such procedures.

As of _________ __, 2013, Starboard, together with the Nominees and certain other members of its Section 13(d) group, is the beneficial owner of an aggregate of [42,284,089] shares of Common Stock, representing approximately [14.8%] of the outstanding shares of Common Stock of the Company. Starboard intends to express consent in favor of the Proposals with respect to all of such shares of Common Stock. Starboard believes that its 14.8% economic interest represents approximately 11.7% of the voting authority of Office Depot's securities entitled to consent on an as converted basis.

As of the Record Date, there were ______ shares of Common Stock outstanding and ______ shares of Preferred Stock outstanding, as reported in _______________, filed with the SEC on _______________. The mailing address of the principal executive offices of Office Depot is 6600 North Military Trail, Boca Raton, Florida 33496.

The failure to sign and return a consent will have the same effect as voting against the Proposals. Please note that in addition to signing the enclosed WHITE consent card, you must also date it to ensure its validity.

THIS CONSENT SOLICITATION IS BEING MADE BY STARBOARD AND NOT BY OR ON BEHALF OF THE COMPANY.STARBOARD URGES YOU TO SIGN, DATE AND RETURN THE WHITE CONSENT CARD IN FAVOR OF THE PROPOSALS DESCRIBED HEREIN

Important Notice Regarding the Availability of Consent Materials for this Consent Solicitation

This Consent Statement is available at ________________

IMPORTANT

PLEASE READ THIS CAREFULLY

If your shares of Common Stock are registered in your own name, please submit your consent to us today by signing, dating and returning the enclosed WHITE consent card in the postage-paid envelope provided.

If you hold your shares in “street” name with a bank, broker firm, dealer, trust company or other nominee, only they can exercise your right to consent with respect to your shares of Common Stock and only upon receipt of your specific instructions. Accordingly, it is critical that you promptly give instructions to consent to the Proposals to your bank, broker firm, dealer, trust company or other nominee. Please follow the instructions to consent provided on the enclosed WHITE consent card. If your bank, broker firm, dealer, trust company or other nominee provides for consent instructions to be delivered to them by telephone or Internet, instructions will be included on the enclosed WHITE consent card. Starboard urges you to confirm in writing your instructions to the person responsible for your account and provide a copy of those instructions to Starboard Value LP, c/o Okapi Partners LLC, 437 Madison Avenue, 28th Floor, New York, NY 10022 so that we will be aware of all instructions given and can attempt to ensure that such instructions are followed.

Execution and delivery of a consent by a record holder of shares of Common Stock will be presumed to be a consent with respect to all shares held by such record holder unless the consent specifies otherwise.

Only holders of record of voting securities of the Company as of the close of business on the Record Date will be entitled to consent to the Proposals. If you are a stockholder of record as of the close of business on the Record Date, you will retain your right to consent even if you sell your shares of Common Stock after the Record Date.

IF YOU TAKE NO ACTION, YOU WILL IN EFFECT BE REJECTING THE PROPOSALS. ABSTENTIONS, FAILURES TO CONSENT AND BROKER NON-VOTES WILL HAVE THE SAME EFFECT AS WITHHOLDING CONSENT.

If you have any questions regarding your WHITE consent card,

or need assistance in voting your Shares, please call:

OKAPI PARTNERS LLC
437 Madison Avenue, 28th Floor
New York, N.Y. 10022
(212) 297-0720
Stockholders Call Toll-Free at: 877-869-0171

E-mail: info@okapipartners.com

BACKGROUND TO THE SOLICITATION

The following is a chronology of material events leading up to this proxy solicitation.

- Between June 2012 and September 2012, representatives of Starboard had conversations with the investor relations personnel of Office Depot to discuss the business fundamentals.

- On September 5, 2012, representatives of Starboard met with Office Depot's Chairman of the Board and CEO, Neil Austrian, and other members of Office Depot's management team at a Goldman Sachs conference to discuss the business fundamentals.

- On September 17, 2012, Starboard disclosed a 13.3% interest in Office Depot and delivered a letter to Office Depot's Chairman and CEO, Neil Austrian, and the Board (the "September 17 Letter"). Starboard's comprehensive letter demonstrated that based on its detailed research and analysis, Office Depot is deeply undervalued and a substantial opportunity exists to improve its performance and valuation based on actions that are within the control of the Board and management team. Starboard outlined a number of opportunities to meaningfully improve operating performance and dramatically increase EBITDA. The letter stated that the Company could achieve substantial margin improvement by, among other things: (i) meaningfully reducing general and administrative ("G&A") expenses to historical G&A expense-to-sales and G&A expense per store ratios; (ii) significantly lowering advertising expenses, which are substantially higher than peer levels and do not appear to be generating an adequate return on advertising dollars invested; (iii) increasing the mix of higher-margin services in its North American Retail Division, which carry gross margins two times greater than its average store gross margin; (iv) increasing private label direct sourced penetration of stock-keeping units (SKUs), which carries significantly higher gross margins than sourcing through an agent; (v) reducing the number of SKUs in order to lower procurement expense; (vi) downsizing to smaller store formats to drive substantially higher operating margins; and (vii) increasing the mix of significantly higher-margin small-to medium-sized business customers in the Company's North American Business Solutions Division. Starboard further estimated that Office Depot de Mexico, a non-core and highly profitable 50/50 joint venture (the "JV Interest") between the Company and Gigante S.A.B. de C.V. ("Gigante"), which is not consolidated in the Company's financial statements, could be worth more than 50% of Office Depot's entire enterprise value. Starboard stressed that management must act with a sense of urgency and discipline to reduce expenses and execute on strategic initiatives and expressed its hope for constructive dialogue with the Board and senior management to address the challenges and opportunities facing Office Depot, and to help ensure that it is run with the best interests of all stockholders as the primary objective.

- On October 2, 2012, Jeff Smith, CEO of Starboard Value, had a conversation with Neil Austrian, in the course of which Mr. Smith expressed Starboard's desire to constructively work with the Company and help it unlock value for stockholders.

- On October 12, 2012, in an amendment to its Schedule 13D, Starboard disclosed aggregate ownership of 42,100,000 shares of Common Stock, or 14.8% of the outstanding shares of Common Stock.

- On October 30, 2012, the Company announced that effective October 24, 2012, the Board had adopted a "poison pill" rights plan (the "Poison Pill") with a 15% ownership limitation.

- On November 7, 2012, representatives of Starboard met with members of the Board at the Company's executive headquarters in Boca Raton, Florida. During the meeting, Starboard discussed with the Board the challenges facing the Company and its views on how to improve profitability and unlock value for stockholders.

- On November 16, 2012, Starboard delivered a letter to the independent members of the Board (the "November 16 Letter"). In the letter, Starboard denounced the adoption by the Board of the Poison Pill. Starboard outlined in the letter its belief that the effect of the Poison Pill is to preserve and entrench the Board by limiting the influence of stockholders over Board composition and other matters, while allowing the Board to maintain and increase its effective voting control over the Company. Specifically, Starboard explained how the Poison Pill, when taken together with the voting agreement provisions under the Investor Rights Agreement, dated as of June 23, 2009 (the "Investor Rights Agreement") with BC Partners, Inc. (together with its affiliates, "BC Partners"), effectively provides the Board with current voting authority over securities representing in excess of 22% of the securities eligible to vote while limiting common stockholders to economic ownership of only 15% and maximum voting authority of only 11.7% in the third quarter of 2012. Further, Starboard highlighted specific exemptions under the Poison Pill that allow the Board to further increase its effective voting authority while at the same time diluting common stockholders' voting authority. One such exemption paves the way for the Board to continue to pay in-kind quarterly dividends to BC Partners on its Preferred Stock. Another exemption permits BC Partners to acquire another 2% of common shares. Starboard found these exemptions particularly egregious since BC Partners is required by the Investor Rights Agreement to vote with the Board on the election of directors and other matters that are up for stockholder vote. Starboard called on the Board to immediately: (i) take any actions necessary to ensure that BC Partners' preferred stock votes on a pro-rata basis in accordance with all stockholders, not solely in accordance with the recommendation of the Board; and (ii) revoke the ill-advised Poison Pill.

- On December 4, 2012, representatives of Starboard met with members of the management team of Office Depot at the Company's executive headquarters. During the meeting, Starboard discussed the challenges facing the Company and its views on how to improve profitability and unlock value for stockholders. Starboard also expressed its continued desire to work constructively with the Company for the benefit of all stockholders.

- During the months of December 2012 through February 2013, Mr. Smith had several discussions with members of the Board. During those discussions, Mr. Smith stated his views on how to unlock value for stockholders. Mr. Smith also expressed his willingness to join the Board alone because Starboard believed his experience and interest in Office Depot could be valuable in the event that the Board were to undertake any potential negotiations with either OfficeMax Incorporated ("OfficeMax") or relating to the JV Interest.

- On January 24, 2013, the Company announced that following discussions with Starboard the Board has amended and restated the Company's Bylaws to extend the deadline for stockholders to nominate candidates for election to the Board at the 2013 Annual Meeting to the close of business on February 25, 2013.

- On February 20, 2013, Office Depot announced its entry, together with its wholly owned direct subsidiaries Dogwood Merger Sub Inc. and Dogwood Merger Sub LLC, into an Agreement and Plan of Merger (the "Merger Agreement") with OfficeMax and its subsidiaries, Mapleby Holdings Merger Corporation and Mapleby Merger Corporation, pursuant to which the companies would combine in an all-stock merger of equals transaction intended to qualify as a tax-free reorganization (the "OfficeMax Merger"). Under the Merger Agreement, each share of OfficeMax common stock would be converted into the right to receive 2.69 shares of Office Depot Common Stock.

- Between February 20, 2013 and February 22, 2013, Mr. Smith had conversations with certain members of the Board. Mr. Smith discussed Starboard's continued desire to work constructively with the Company to improve the Board through the addition of directors with significant retail operating experience. Mr. Smith also stated that while Starboard was highly encouraged by the announcement of the OfficeMax Merger, there was still uncertainty as to whether the OfficeMax Merger would be approved by stockholders and that the work of Office Depot's directors was not finished. Mr. Smith also noted Office Depot's poor quarterly results announced on February 20, 2013. Mr. Smith reiterated that Office Depot needed the best Board and management team possible to improve the operating performance of the Company to help the chances of the OfficeMax Merger's success and put Office Depot in a stronger position as a stand-alone entity if the OfficeMax Merger was not approved.

- On February 22, 2013, Office Depot announced that on February 15, 2013 the Board received an offer from the Company's joint venture partner, Gigante, to purchase its JV Interest for $690.5 million. Gigante's offer was initially set to expire on February 28, 2013.

- Also on February 22, 2013, the Company announced that after further discussions with Starboard, the Board has amended and restated the Company's Bylaws to amend the deadline for stockholder nominations of candidates for election to the Board at the 2013 Annual Meeting to no later than the tenth day following the day on which public announcement of the date of the 2013 Annual Meeting is made.

- On February 27, 2013, Starboard delivered another letter to the Board (the "February 27 Letter"). In the letter, Starboard restated its belief that the significant value of the JV Interest is not fully reflected in the stock price of the Company. Starboard noted that since Gigante's offer to purchase the JV Interest for $690.5 million is set to expire on February 28, 2013, Starboard believes the Board should promptly obtain consent from OfficeMax under the Merger Agreement with OfficeMax to immediately explore a sale of the JV Interest to maximize value for stockholders. Starboard stated in the letter it believes it is the Board's fiduciary duty to monetize the Company's interest in the joint venture given the clear benefit to both Office Depot and OfficeMax as a combined company and to Office Depot as a stand-alone company. Starboard stated further that it recognizes OfficeMax is potentially conflicted as a sale of the JV Interest, while beneficial to the combined company, would also be beneficial to Office Depot as a stand-alone business and, therefore, may strengthen a competitor should the OfficeMax Merger not be completed. Starboard noted in the February 27 Letter that if OfficeMax did not consent to Office Depot's negotiations with Gigante or any other potential buyer regarding the sale of the JV Interest, Starboard would view this as both unreasonable and potentially anti-competitive.

- On March 6, 2013, representatives of Starboard met with members of the Board. During the meeting, Starboard discussed its continued desire to work constructively with the Company to improve the Board with directors that have significant retail operating experience and can assist to unlock value for stockholders.

- On March 11, 2013, Mr. Smith spoke to a member of the Board to reiterate the importance of unlocking value for Office Depot stockholders by exploring alternatives for the JV Interest.

- On March 12, 2013, Starboard delivered a private letter to the Board reiterating its strong belief that it is incumbent upon the Board to immediately seek to monetize the JV Interest by exploring a sale of the JV Interest to Gigante, whose offer was then set to expire on March 15, 2013. Starboard noted it expects the Board to send a formal written request to OfficeMax to seek consent to pursue such a sale and set forth the Board's view that a sale of the JV Interest at a full and fair price is clearly in the best interest of Office Depot stockholders on a stand-alone basis as well as in the best interest of Office Depot / OfficeMax stockholders in a business combination and that the Board expects OfficeMax's consent to be given and not unreasonably withheld.

- On March 18, 2013, Starboard delivered a fourth letter to the Board (the "March 18 Letter") stating its belief that the Board must be significantly reconstituted immediately, whether Office Depot continues as a stand-alone company or as a merged company with OfficeMax. Starboard explained in the letter that a new and improved Board is needed to: (1) act to immediately improve the current operating performance of the business on a stand-alone basis and to be in position to maximize the longer term synergies with OfficeMax, if the OfficeMax Merger is approved, (2) select a committee of the Company's directors to work with a committee of OfficeMax directors to conduct a process to select a Chief Executive Officer of the combined company, and (3) contribute the most highly-qualified directors possible to the combined company's board. In the letter, Starboard also urged the Company to schedule its 2013 Annual Meeting for a date prior to the potential consummation of the OfficeMax Merger so that the Company's stockholders can choose who they want to represent them on the Board at this critical time.

- Also on March 18, 2013, Starboard V&O Fund delivered a letter to the Corporate Secretary of the Company nominating six highly-qualified candidates for election to the Board who have the well-balanced mix of skill sets to help ensure that the Company openly evaluates all strategic alternatives and successfully addresses the challenges ahead. Starboard cautioned that waiting for a stockholder meeting to add these highly-qualified candidates on the Board is a mistake and the Board should immediately engage with Starboard to reconstitute the Board.

- On April 9, 2013, Office Depot and OfficeMax filed a joint proxy statement/prospectus in connection with, among other things, the holding of a special meeting of Office Depot stockholders at which the Office Depot stockholders will be asked to vote on certain matters related to the OfficeMax Merger.

- On April 17, 2013, representatives of Starboard met with members of the Board at Starboard's offices. The purpose of the meeting was to discuss Board representation and related matters. During the meeting, Mr. Smith asked the Board members whether the Company planned on holding the 2013 Annual Meeting in a timely manner under Delaware law. The Board members asserted that, given the announced OfficeMax Merger, the Company had to delay the 2013 Annual Meeting. Mr. Smith responded that that he did not believe there was such a requirement and that the Company's merger partner, OfficeMax, had already set its annual meeting date consistent with its previous years' annual meetings. With respect to Board representation, the members of the Board stated that no incumbent director was willing to leave the Board at this time. They also stated that they would be willing to expand the Board from ten directors to twelve directors and offer Starboard the opportunity to designate one independent candidate to join the Board immediately and that such candidate would be offered one of the five directorships on any pro forma Office Depot / Office Max Board. The other newly created directorship would be filled at the recommendation of the Nominating and Governance Committee of the Board and would not be filled by a candidate recommended by Starboard. The Board members also made clear that under no circumstance would Mr. Smith be invited to join the Board because the Board did not believe it was appropriate to have a stockholder representative on the Board, even if that stockholder was the largest common stockholder of the Company. Mr. Smith stressed that it was critically important that the Board should be improved right away with the addition of a number of highly-qualified individuals that could help the Company improve its operations and develop a plan for future success in the event that the OfficeMax Merger is not consummated. Mr. Smith emphasized his belief that even if the Board felt there is a high likelihood that the OfficeMax Merger would be consummated, the Company could not afford to run on autopilot with the hope that everything turns out for the best. Mr. Smith expressed Starboard's concern, as the largest stockholder of the Company, that the stockholders could not afford to wait for months to find out whether the OfficeMax Merger will close and only then start developing a future plan, if needed. Mr. Smith reiterated that Office Depot needs the best Board and management team possible at this critical juncture to improve the operating performance of the Company now. Improved operating performance will increase the chances of the OfficeMax Merger being successful and will place Office Depot in a strong position as a stand-alone entity if the OfficeMax Merger is not consummated for any reason. Since no incumbent director was willing to step down from the Board, in an effort to work constructively with the Company, Mr. Smith offered that the Board be expanded from ten to fourteen members and four Starboard designees be invited to serve in the newly created directorships, with only two of those four candidates being among the five directors to be contributed to any combined Office Depot / Office Max Board.

- On April 22, 2013, Starboard filed a Preliminary Consent Statement with the SEC.

- Also on April 22, 2013, Starboard delivered a letter to the Board expressing strong disappointment at the Board's failure to work constructively with Starboard to reconstitute the Board and informing them of its filing of a preliminary consent statement with the SEC seeking to remove and replace a minority of the current Board. Starboard reiterated its deep frustration with the Board's lack of action regarding the sale of the JV Interest. Starboard also expressed disappointment at the lack of progress in its discussions with the Board regarding Board representation and pointed out that it has become clear that the Company has no intention of holding the 2013 annual meeting of stockholders in a timely manner. Accordingly, Starboard's only available alternative for providing stockholders with an opportunity to elect directors at the time is by conducting a consent solicitation. Starboard concluded that it would consider possibly foregoing its consent solicitation if the Board immediately committed to a framework that would provide for the addition of its highly-qualified candidates to the Board.

- On May 10, 2013, Office Depot filed a Consent Revocation Statement with the SEC.

QUESTIONS AND ANSWERS ABOUT THIS CONSENT SOLICITATION

The following are some of the questions you, as a stockholder, may have and answers to those questions. The following is not meant to be a substitute for the information contained in the remainder of this Consent Statement, and the information contained below is qualified by the more detailed descriptions and explanations contained elsewhere in this Consent Statement. We urge you to carefully read this entire Consent Statement prior to making any decision on whether to grant any consent hereunder.

WHO IS MAKING THE SOLICITATION?

Starboard is making this solicitation. See "Additional Participant Information" for additional information regarding Starboard and the participants in this consent solicitation.

WHAT ARE THE PROPOSALS FOR WHICH CONSENTS ARE BEING SOLICITED?

We are asking you to consent to six corporate actions: (1) the Bylaw Restoration Proposal, (2) the Removal Proposal, (3) the Vacancy Proposal, (4) the Board Size Bylaw Proposal, (5) the Board Size Proposal and (6) the Election Proposal.

Starboard is asking you to consent to the Removal Proposal, the Vacancy Proposal, the Board Size Bylaw Proposal, the Board Size Proposal and the Election Proposal to remove four of Office Depot's current directors, including any appointees to the Board prior to the effectiveness of the Election Proposal, and to elect the Starboard Nominees. In addition, in order to ensure that your consent to elect the Starboard Nominees will not be modified or diminished by actions taken by the incumbent Board, Starboard is asking you to consent to the Bylaw Restoration Proposal.

WHY ARE WE SOLICITING YOUR CONSENT?

We are soliciting your consent because we do not believe that the current Board has served the best interests of the Company's stockholders, and we do not have confidence in the ability of the current Board to improve the Company's operating performance and enhance stockholder value. In our view, the Board's decision to pursue the OfficeMax Merger places the Company at a critical juncture. Now more than ever Office Depot needs a well-qualified, committed and capable Board to protect the interests of Office Depot's stockholders. We strongly believe that the Board must be significantly reconfigured so that a qualified and open-minded group of directors would oversee either a turnaround of the Company as a stand-alone business or seek to maximize the longer term synergies with OfficeMax if the OfficeMax Merger is approved.

Accordingly, we have identified four highly qualified, independent directors with valuable and relevant business and financial experience who we believe will bring a fresh perspective into the boardroom and would be extremely helpful in evaluating and executing on initiatives to unlock value at the Company. Further, we believe that Office Depot's continued underperformance at this critical time for the future of the Company warrants the addition of a direct common stockholder representative on the Board who will work constructively with the other members of the Board to protect the best interests of all stockholders.

WHO ARE THE STARBOARD NOMINEES?

Starboard is asking you to elect each of __________, _________, __________ and _________, as a director of Office Depot. The business experience of these highly qualified individuals is set forth in this Consent Statement under the section entitled "The Nominees," which we urge you to read.

WHO IS ELIGIBLE TO GRANT WRITTEN CONSENTS IN FAVOR OF THE PROPOSALS?

Stockholders of record of voting securities at the close of business on the Record Date have the right to consent to the Proposals. Starboard made a request on ________ __, 2013 that the Board fix a record date for this consent solicitation. According to the Company, as of the Record Date, there were ________ shares of Common Stock outstanding, each of which is entitled to one consent on each Proposal. In addition, according to the Company, as of the Record Date, there were ________ shares of Preferred Stock outstanding which in the aggregate are entitled to __________ consents.

WHAT EFFECT WILL THIS CONSENT SOLICITATION, IF SUCCESSFUL, HAVE ON THE OFFICEMAX MERGER?

We are in favor of the proposed OfficeMax Merger. Our consent solicitation is not intended to disrupt the outcome of the OfficeMax Merger in any way. We would expect any of our Nominees who may be elected as a director(s) pursuant to our consent solicitation to also be supportive of the OfficeMax Merger. However, we feel it is critically important to substantially improve the Board as soon as possible. Office Depot must begin to plan and build a strategy for a far improved company immediately. We further note that the OfficeMax Merger is not certain to close. We therefore believe the Board and management need to plan and prepare now to make Office Depot as strong as possible. Improving the Board today is in the best interests of the Company, the employees, and the stockholders of both Office Depot and OfficeMax.

WHEN IS THE DEADLINE FOR SUBMITTING CONSENTS?

We urge you to submit your consent as soon as possible. In order for our Proposals to be adopted, the Company must receive written unrevoked consents signed by a sufficient number of stockholders to adopt the Proposals within 60 calendar days of the date of the earliest dated consent delivered to the Company. Starboard delivered its written consent to the Company on ________ __, 2013. Consequently, Starboard will need to deliver properly completed and unrevoked written consents to the Proposals from the holders of record of a majority of the outstanding voting securities as of the close of business on the Record Date no later than ________ __, 2013. Nevertheless, we intend to set _________, 2013 as the goal for submission of written consents. Effectively, this means that you have until _________, 2013 to consent to the Proposals. WE URGE YOU TO ACT AS SOON AS POSSIBLE TO ENSURE THAT YOUR CONSENT WILL COUNT.

HOW MANY CONSENTS MUST BE RECEIVED IN ORDER TO ADOPT THE PROPOSALS?

The Proposals will be adopted and become effective when properly completed, unrevoked consents are signed by the holders of a majority of the outstanding voting securities as of the close of business on the Record Date, provided that such consents are delivered to the Company within 60 calendar days of the date of the earliest dated consent delivered to the Company. According to the Company, as of the Record Date, there were ________ shares of Common Stock outstanding, each of which is entitled to one consent on each Proposal. In addition, according to the Company, as of the Record Date, there were ________ shares of Preferred Stock outstanding which in the aggregate are entitled to __________ consents.

This means that the consent of the holders of at least __________ shares of outstanding voting securities would be necessary to effect these Proposals.

As of the Record Date, Starboard and the other participants in this consent solicitation beneficially owned in the aggregate [42,284,089] shares of Common Stock, representing approximately [14.8]% of the outstanding shares of Common Stock of the Company. Starboard believes that its 14.8% economic interest represents approximately 11.7% of the voting authority of Office Depot's securities entitled to consent on an as converted basis.

WHAT SHOULD YOU DO TO SUPPORT OUR PROPOSALS?

If your shares of Common Stock are registered in your own name, please submit your consent to us by signing, dating and returning the enclosed WHITE consent card in the postage-paid envelope provided.

If you hold your shares in "street" name with a bank, broker firm, dealer, trust company or other nominee, only they can exercise your right to consent with respect to your shares of Common Stock and only upon receipt of your specific instructions. Accordingly, it is critical that you promptly give instructions to consent to the Proposals to your bank, broker firm, dealer, trust company or other nominee. Please follow the instructions to consent provided on the enclosed WHITE consent card. If your bank, broker firm, dealer, trust company or other nominee provides for consent instructions to be delivered to them by telephone or Internet, instructions will be included on the enclosed WHITE consent card. We urge you to confirm in writing your instructions to the person responsible for your account and provide a copy of those instructions to Starboard Value LP, c/o Okapi Partners LLC, 437 Madison Avenue, 28th Floor, New York, NY 10022 so that we will be aware of all instructions given and can attempt to ensure that such instructions are followed.

WHOM SHOULD YOU CALL IF YOU HAVE QUESTIONS ABOUT THE SOLICITATION?

Please call our consent solicitor Okapi Partners LLC toll-free at: 877-869-0171 (Stockholders). Banks and Brokers call collect at: (212) 297-0720.

REASONS FOR THE SOLICITATION

WE BELIEVE THAT CHANGE IN A SIGNIFICANT PORTION OF OFFICE DEPOT'S BOARD IS NEEDED NOW

Starboard has conducted extensive due diligence on Office Depot and each of its business units, we have carefully analyzed the Company's operating and financial performance and have reviewed the competitive landscape in the office supply superstore (OSS) sector in which it operates. In five public letters and numerous private communications we have demonstrated the causes for our concerns with Office Depot and have clearly articulated our views on the challenges Office Depot faces, and the future opportunities it can hope to capture. We are disappointed by this Board's failure to address the issues we have identified and question whether the Board as currently composed has the commitment and open-mindedness to maximize opportunities for value creation.

Specifically:

- we question whether this Board, which has failed to address Office Depot's persistent operating underperformance, has the qualifications, skills and experience required to oversee a turnaround of Office Depot whether as a stand-alone company or as a merged company;

- we believe that the Board's failure to recognize the significant hidden value of the JV Interest and inability to translate strategic interest into a value maximizing transaction put into question this Board's financial expertise and open-mindedness in pursuing paths to enhance stockholder value;

- we are concerned that this Board's decision to implement the Poison Pill and maintain disproportionate voting control through the voting arrangement with the preferred stockholders at the expense of the common stockholders is indicative of a Board whose primary focus may not be on protecting the best interests of the common stockholders.

In our view, the Board's decision to pursue the OfficeMax Merger places the Company at a critical juncture. Now more than ever, Office Depot needs a well-qualified, committed and capable Board to protect the interests of Office Depot's stockholders. While we are in favor of the OfficeMax Merger, we strongly believe that the Board must be significantly improved with highly-qualified individuals that are capable of substantially improving the operating performance of the Company if the OfficeMax Merger is not consummated for any reason and to maximize the long term synergies with OfficeMax if the OfficeMax Merger is approved.

We Believe a Reconstituted Board is Needed to Improve Operational Performance on a Stand-Alone Basis and Oversee Integration with OfficeMax if the OfficeMax Merger is Approved

We are deeply concerned with the current operating performance of the Company. We believe a new Board that possesses the appropriate skill sets to oversee a turnaround of Office Depot with a goal of substantially improving operating performance is necessary whether as a stand-alone company or as a merged company. Starboard has selected the Nominees after an exhaustive process of review and consideration and is confident that they are better-qualified to oversee Office Depot through this critical time for the Company. Starboard's Nominees have a well-balanced mix of skills and substantial retail operating experience, which is indispensable for a successful turnaround of the Company and which is largely missing in the Board as currently composed. Based on the Company's public filings, only two out of the ten current directors have relevant operating experience. In contrast, Starboard's Nominees have significant operational and turnaround experience, financial and technical expertise, and industry knowledge. Stockholders cannot afford to simply continue with the status quo and hope for improved results down the road if the Company is merged. Instead, now is the time to act to immediately improve the current operating performance of the business on a stand-alone basis and place the Company in a position to maximize the longer term synergies with OfficeMax if the OfficeMax Merger is approved.

Starboard initially set forth in the September 17 Letter its belief that, based on its detailed research and analysis, Office Depot is deeply undervalued and a substantial opportunity exists to improve its performance and valuation based on actions that are within the control of the Board and management team. In the letter, Starboard stated that, compared to its direct peers, Office Depot's operating margins are far lower despite no meaningful structural dissimilarities in the business. As shown in the table below, Office Depot generated operating margins of only 0.9% in 2012, well below the operating margins of Staples at 6.3% and even below the operating margins of OfficeMax at 2.0%, despite Office Depot's significant scale advantage as compared to OfficeMax.

Peer Comparison			($ in millions)
	Staples	Office Depot	OfficeMax
2012 Revenue	$24,381	$ 10,696	$6,920
2012 Operating Income	$1,548	$ 97	$139
2012 Operating Income Margin (1)	6.3 %	0.9 %	2.0 %

(1) Operating income and operating income margin are adjusted to exclude non-recurring items
(2) Non-GAAP numbers are based on disclosure provided in the Company's most recent Form 10-K. for which reconciliation to GAAP results has been provided under the Investor Relations tab on the Company's website.

Starboard stated that while it understands that the Office Supply Sector has been challenged by a confluence of outside factors, it believes that the Company has not adequately adapted to new market realities and has not reduced spending levels sufficiently to offset declines in revenue. Starboard notes that from 2007 to 2012, Office Depot's store count declined from 1,370 to 1,235 and its total revenue declined from $15.5 billion to $10.7 billion, yet total general and administrative ("G&A") expenses actually increased by $27 million from $646 million to $673 million over that same time period. As a percentage of revenue, total G&A expenses increased from 4.2% in 2007 to 6.3% in 2012. G&A expenses per store increased from approximately $471,000 in 2007 to $545,000 in 2012.

G&A Expense Analysis			($ in millions)
	2007	2012	Change
Stores	1,370	1,235	(135)
Revenue	$15,528	$10,696	$(4,832)
Total G&A (1)	$646	$673	$27
Metrics:			
Total G&A / Revenue	4.2 %	6.3 %	2.1 %
Total G&A / Store ($000)	$471	$545	$74

(1) Total G&A for 2007 and 2012 are GAAP numbers and based on Company filings

Starboard also notes that advertising expenses, which are reported separately from G&A expenses, are substantially higher as a percentage of revenue than they are for either Staples or OfficeMax. For example, in 2012, Office Depot spent $402 million, or 3.8% of revenue, on advertising expenses versus Staples, which spent $534 million, or 2.2% of revenue, and OfficeMax, which spent $212 million, or 3.1% of revenue.

Advertising Expense Analysis		($ in millions)	
	ODP	OMX	SPLS
Total Revenue	$ 10,696	$ 6,920	$ 24,381
Total Advertising Expenses	$ 402	$ 212	$ 534
% of Total Revenue	3.8%	3.1%	2.2%

Despite Office Depot's significantly higher advertising spend as a percentage of sales, revenue growth relative to peers has been far worse. In fact, from 2007 to 2012, Office Depot's revenue declined by 31%, as compared to a decline of 24% for OfficeMax and approximately 11% for Staples1.

In Starboard's September 17 Letter to the Board, it outlined a number of opportunities to meaningfully improve operating performance and dramatically increase EBITDA. Specifically, Starboard explained that Office Depot can achieve substantial margin improvement by, among other things: (i) meaningfully reducing G&A expenses to historical G&A expense-to-sales and G&A expense per store ratios; (ii) significantly lowering advertising expenses, which are substantially higher than peer levels and do not appear to be generating an adequate return on advertising dollars invested; (iii) increasing the mix of higher-margin services in its North American Retail Division, which carry gross margins two times greater than its average store gross margin; (iv) increasing private label direct sourced penetration of stock-keeping units (SKUs), which carries significantly higher gross margins than sourcing through an agent; (v) reducing the number of SKUs in order to lower procurement expense; (vi) downsizing to smaller store formats to drive substantially higher operating margins; and (vii) increasing the mix of significantly higher-margin small-to medium-sized business customers in the Office Depot's North American Business Solutions Division.

To date, Office Depot is continuing to significantly underperform and the Company has not made public disclosure that would suggest that the Board has done much to address the issues or to implement our proposed solutions. The Board must therefore be significantly reconfigured with individuals who possess the skills, expertise and commitment to take the necessary steps to restore the Company to profitability. Stockholders cannot afford to wait for improved financial and operating performance as a combined company if the OfficeMax Merger is approved. Further, we believe that the Company needs to address its underperformance in advance of any potential consummation of the OfficeMax Merger in order to be positioned to maximize synergies from the combination if the transaction is approved.

We Believe a New and Improved Board Should Help Select Any Future CEO and Be Eligible to Serve on Any Combined Office Depot / OfficeMax Board

If the OfficeMax Merger should be consummated, Office Depot's Board would be charged with two critical tasks:

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1 Estimated Staples revenue decline from 2007 to 2012 adjusts 2007 revenue by $8.0 billion to reflect the Corporate Express acquisition as per Staples transcript dated August 19, 2008.

(i) selecting a committee of Office Depot directors to work with a committee of OfficeMax directors to conduct a formal process to identify and select a CEO of the combined company; and

(ii) contributing the most highly-qualified directors possible to the combined Office Depot / OfficeMax board.

On April 9, 2013, Office Depot announced the formation and composition of the CEO selection committee. We question whether the current members of the Board who have persistently failed to hold management accountable for their failed strategy and the Company's deep underperformance are well suited to select a CEO of any combined company. We are also concerned that the current Board is not in the best position to contribute qualified and committed individuals who can maximize the synergies from any potential combination in their roles as directors of any combined board in light of the current Board's failure to oversee a turnaround of Office Depot as a stand-alone business. Accordingly, we believe that if the Board is reconstituted now, prior to the selection of a future CEO and in advance of any potential consummation of the OfficeMax Merger, then a better qualified set of individuals that includes Starboard's nominees may have the opportunity to weigh in and help make a better decision as to who should serve as the future CEO. Furthermore, the directors to be contributed to any combined Office Depot / OfficeMax board will be selected from this improved Office Depot Board. Starboard firmly believes that if added to the Board, Starboard's nominees will be among the directors with the most retail operating experience and relevant expertise and therefore should be eligible to be among the additions to any combined Office Depot / OfficeMax board with direct opportunity to shape the future of any combined entity.

We Believe this Board Lacks the Commitment and Expertise to Maximize the Substantial Value of the JV Interest

On February 15, 2013, the Board received an offer from its joint venture partner, Gigante, to purchase the JV Interest for $690.5 million. Gigante's offer was set to expire on February 28, 2013. In several conversations with the Company, as well as disclosed in the February 27 Letter, Starboard urged the Board to promptly obtain consent from OfficeMax under the Merger Agreement to immediately explore a sale of the JV Interest to maximize value for stockholders. Starboard stated that a sale of this asset at a full and fair price is in the best interest of both Office Depot and OfficeMax shareholders if the OfficeMax Merger is completed as the Company would have a significantly stronger balance sheet from which to transform the pro-forma company and execute on any and all potential synergies. Similarly, if the OfficeMax Merger is not completed for any reason, then Office Depot shareholders would benefit from the sale because the stand-alone Company would be financially stronger, having previously sold the asset. On March 12, 2013, Starboard sent a private follow-up letter again reiterating that the Board of Office Depot should send a formal written request to the Board of OfficeMax seeking its consent to explore alternatives for the JV interest and setting forth our view that, consistent with the Merger Agreement, OfficeMax's approval could not be unreasonably withheld given the clear benefits to stockholders of such a potential sale.

We are encouraged by the Company's recent disclosure on May 10, 2013, that the Board is "pursuing this sale strategy and seeking to negotiate definitive terms with Gigante as to which OfficeMax would provide its consent." We hope the Board will act with a sense of urgency and commitment to negotiate and complete a value-maximizing transaction for the sale of the JV Interest.

Given the substantial value of this asset and the fact that whether on a stand-alone basis or as a merged company the sale of the JV Interest would strengthen the Company's balance sheet and provide clear benefit to Office Depot stockholders, the Board's continued failure to monetize the JV Interest in the face of a bona fide offer for its purchase raises concerns about the Board's commitment to make difficult but necessary choices to enhance stockholder value.

As initially outlined in Starboard's comprehensive September 17 Letter, we believe this highly profitable joint venture is unrecognized in Office Depot's enterprise value given that Office Depot de Mexico is not consolidated in the Company's financial statements and analysts value Office Depot primarily based on consolidated EBITDA (which does not include Office Depot de Mexico).

Office Depot de Mexico is a market leader in the attractive Mexican, Central American, and South American markets, which are characterized by faster growth, less competition, and far better profit margins than Office Depot's core US market. In fact, Office Depot de Mexico grew revenue at a 11.5% compounded annual rate from $826 million in 2009 to $1.14 billion in 2012, and EBITDA from approximately $102 million in 2009 to $130 million in 2012. Office Depot's share of this EBITDA was approximately $65 million in 2012, versus consolidated EBITDA for Office Depot, excluding contribution from Office Depot de Mexico, of approximately $300 million.

Mexico JV Financials				($ in millions)
FYE Dec	2009	2010	2011	2012
Total Revenue	$826	$962	$1,114	$1,144
Revenue Growth	-13.3 %	16.5 %	15.9 %	2.7 %
Total EBITDA	$102	$116	$124	$130
EBITDA Margin	12.4 %	12.0 %	11.1 %	11.4 %
ODP 50% Share of EBITDA	$51	$58	$62	$65

Source: Office Depot 2012 10-K filings. Non-GAAP numbers are based on disclosure provided in the Company's most recent Form 10-K. for which reconciliation to GAAP results has been provided under the Investor Relations tab on the Company's website.

We believe Office Depot's 50% stake in the Office Depot de Mexico joint venture is extremely valuable and continue to believe that a sale of this asset at a full and fair price is in the best interest of both Office Depot and OfficeMax shareholders. In our view, the current Board's failure to monetize the JV Interest is deeply concerning given the clear benefit to both Office Depot and OfficeMax as a combined company and Office Depot as a stand-alone company.

We Question the Commitment of the Current Board Members to Act in the Best Interests of Stockholders in Light of Their Past Manipulation of the Corporate Machinery to Insulate Themselves and Usurp Voting Control

In our view, it is imperative at this critical juncture for the Company that it is overseen by a group of individuals who are well positioned to serve the best interests of stockholders. Past practices show that the Board has long engaged in activities that, in our view, have the effect of preserving and entrenching the Board at the expense of the stockholders. We were disappointed and concerned when the current Board adopted the Poison Pill with a 15% ownership limitation, on October 24, 2012, and just days after we disclosed an ownership position in Office Depot of 14.8%. As described in more detail in our November 16 open letter to the Board, in combination with the Investor Rights Agreement with BC Partners, Starboard believes the Board's actions have the effect of preserving and entrenching the Board by limiting the influence of stockholders over Board composition and other matters, while allowing the Board to maintain and increase its effective voting control over the Company.

The Poison Pill, when taken together with the voting agreement provisions under the Investor Rights Agreement, effectively provides the Board with current voting authority over securities representing in excess of 22% of the securities eligible to vote while limiting common stockholders to economic ownership of only 15% and maximum voting authority of only 11.7%. Further, certain specific exemptions under the Poison Pill allow the Board to further increase its effective voting authority while at the same time diluting common stockholders' voting authority. One such exemption paves the way for the Board to pay in-kind quarterly dividends to BC Partners on its Preferred Stock. Another exemption permits BC Partners to acquire another 2% of common shares. These exemptions are particularly troubling since BC Partners is required to vote with the Board on the election of directors and other matters that are up for stockholder vote.

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