

OFFICE DEPOT INC
Form 10-Q
October 27, 2010
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15 (d) of the
Securities Exchange Act of 1934
For the quarterly period ended September 25, 2010

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
(State or other jurisdiction of
incorporation or organization)

59-2663954
(I.R.S. Employer
Identification No.)

6600 North Military Trail; Boca Raton, Florida
(Address of principal executive offices)

33496
(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)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

| | | | |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| Large accelerated filer | <input checked="" type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> | Smaller reporting company | <input type="checkbox"/> |

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of the registrant's common stock, as of the latest practicable date: At September 25, 2010 there were 277,066,855 outstanding shares of Office Depot, Inc. Common Stock, \$0.01 par value.

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements.****OFFICE DEPOT, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(In thousands, except share and per share amounts)****(Unaudited)**

| | September 25, 2010 | December 26, 2009 | September 26, 2009 |
|--|-------------------------------|------------------------------|-------------------------------|
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 678,717 | \$ 659,898 | \$ 692,886 |
| Receivables, net | 998,792 | 1,121,160 | 1,165,003 |
| Inventories | 1,183,854 | 1,252,929 | 1,176,659 |
| Deferred income taxes | 9,146 | 16,637 | 19,502 |
| Prepaid expenses and other current assets | 153,973 | 155,705 | 170,454 |
| Total current assets | 3,024,482 | 3,206,329 | 3,224,504 |
| Property and equipment, net | 1,219,151 | 1,277,655 | 1,281,066 |
| Goodwill | 19,431 | 19,431 | 19,431 |
| Other intangible assets | 22,634 | 25,333 | 26,360 |
| Deferred income taxes | 81,395 | 81,706 | 96,312 |
| Other assets | 333,844 | 279,892 | 257,563 |
| Total assets | \$ 4,700,937 | \$ 4,890,346 | \$ 4,905,236 |
| Liabilities and stockholders equity | | | |
| Current liabilities: | | | |
| Trade accounts payable | \$ 1,045,121 | \$ 1,081,381 | \$ 1,061,345 |
| Accrued expenses and other current liabilities | 1,170,788 | 1,280,296 | 1,249,575 |
| Income taxes payable | 6,653 | 6,683 | 4,854 |
| Short-term borrowings and current maturities of long-term debt | 73,475 | 59,845 | 60,265 |
| Total current liabilities | 2,296,037 | 2,428,205 | 2,376,039 |
| Deferred income taxes and other long-term liabilities | 582,081 | 654,851 | 665,758 |
| Long-term debt, net of current maturities | 657,164 | 662,740 | 667,025 |
| Total liabilities | 3,535,282 | 3,745,796 | 3,708,822 |
| Commitments and contingencies | | | |
| Redeemable preferred stock, net (liquidation preference \$368,516 in September 2010, \$368,116 in December 2009 and \$359,138 in September 2009) | 355,979 | 355,308 | 340,218 |

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| | | | |
|--|--------------|--------------|--------------|
| Stockholders' equity: | | | |
| Office Depot, Inc. stockholders' equity: | | | |
| Common stock - authorized 800,000,000 shares of \$.01 par value; issued and outstanding shares 282,982,123 in 2010, 280,652,278 in December 2009 and 280,634,590 in September 2009 | 2,830 | 2,807 | 2,806 |
| Additional paid-in capital | 1,167,828 | 1,193,157 | 1,195,005 |
| Accumulated other comprehensive income | 205,761 | 238,379 | 241,619 |
| Accumulated deficit | (506,715) | (590,195) | (528,575) |
| Treasury stock, at cost 5,915,268 shares in 2010, December 2009, and September 2009 | (57,733) | (57,733) | (57,733) |
| Total Office Depot, Inc. stockholders' equity | 811,971 | 786,415 | 853,122 |
| Noncontrolling interest | (2,295) | 2,827 | 3,074 |
| Total stockholders' equity | 809,676 | 789,242 | 856,196 |
| Total liabilities and stockholders' equity | \$ 4,700,937 | \$ 4,890,346 | \$ 4,905,236 |

This report should be read in conjunction with the Notes to Condensed Consolidated Financial Statements (Notes) herein and the Notes to Consolidated Financial Statements in the Office Depot, Inc. Form 10-K filed February 23, 2010 (the 2009 Form 10-K).

Table of Contents**OFFICE DEPOT, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(In thousands, except per share amounts)****(Unaudited)**

| | 13 Weeks Ended | | 39 Weeks Ended | |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | September 25, 2010 | September 26, 2009 | September 25, 2010 | September 26, 2009 |
| Sales | \$ 2,899,717 | \$ 3,029,207 | \$ 8,671,162 | \$ 9,078,612 |
| Cost of goods sold and occupancy costs | 2,070,534 | 2,169,084 | 6,161,560 | 6,544,179 |
| Gross profit | 829,183 | 860,123 | 2,509,602 | 2,534,433 |
| Store and warehouse operating and selling expenses | 665,905 | 715,439 | 1,998,339 | 2,201,342 |
| General and administrative expenses | 154,965 | 177,480 | 475,043 | 524,273 |
| Operating profit (loss) | 8,313 | (32,796) | 36,220 | (191,182) |
| Other income (expense): | | | | |
| Interest income | 2,513 | 24 | 3,493 | 1,936 |
| Interest expense | (6,093) | (17,242) | (40,456) | (51,905) |
| Miscellaneous income (expense), net | 11,189 | 9,369 | 21,969 | 6,222 |
| Earnings (loss) before income taxes | 15,922 | (40,645) | 21,226 | (234,929) |
| Income tax expense (benefit) | (46,943) | 358,400 | (61,188) | 302,312 |
| Net earnings (loss) | 62,865 | (399,045) | 82,414 | (537,241) |
| Less: Net loss attributable to the noncontrolling interest | (632) | (1,011) | (1,066) | (2,396) |
| Net earnings (loss) attributable to Office Depot, Inc. | 63,497 | (398,034) | 83,480 | (534,845) |
| Preferred stock dividends | 9,210 | 14,931 | 27,898 | 15,417 |
| Income (loss) available to common shareholders | \$ 54,287 | \$ (412,965) | \$ 55,582 | \$ (550,262) |

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Earnings (loss) per share:

| | | | | | | | | |
|---------|----|------|----|--------|----|------|----|--------|
| Basic | \$ | 0.18 | \$ | (1.51) | \$ | 0.20 | \$ | (2.02) |
| Diluted | | 0.18 | | (1.51) | | 0.20 | | (2.02) |

Weighted average number of common shares outstanding:

| | | | | |
|---------|---------|---------|---------|---------|
| Basic | 275,956 | 274,194 | 275,170 | 272,554 |
| Diluted | 354,380 | 274,194 | 275,170 | 272,554 |

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements in the 2009 Form 10-K.

Table of Contents**OFFICE DEPOT, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands)****(Unaudited)**

| | 39 Weeks Ended | |
|--|-------------------------------|-------------------------------|
| | September 25, 2010 | September 26, 2009 |
| Cash flows from operating activities: | | |
| Net earnings (loss) | \$ 82,414 | \$ (537,241) |
| Adjustments to reconcile net earnings (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 155,681 | 161,765 |
| Charges for losses on inventories and receivables | 42,784 | 57,390 |
| Valuation allowance and non-cash tax settlements | (45,945) | 321,566 |
| Changes in working capital and other | (56,351) | 263,678 |
| Net cash provided by operating activities | 178,583 | 267,158 |
| Cash flows from investing activities: | | |
| Capital expenditures | (120,469) | (74,057) |
| Acquisition related payments | (32,738) | |
| Release of restricted cash | | 6,037 |
| Proceeds from assets sold | 24,718 | 147,731 |
| Other | 1,106 | 1,213 |
| Net cash provided by (used in) investing activities | (127,383) | 80,924 |
| Cash flows from financing activities: | | |
| Proceeds from exercise of stock options and sale of stock | | |
| under employee stock purchase plans | 2,226 | 33 |
| Tax benefits from employee share-based payments | 3,303 | |
| Share transactions under employee related plans | (1,281) | |
| Proceeds from issuance of redeemable preferred stock, net | | 324,801 |
| Preferred stock dividends | (18,688) | |
| Debt related fees | (4,688) | |
| Payments of debt under asset based credit facility | | (139,098) |
| Net payments on long- and short-term borrowings | (2,669) | (8,483) |
| Net cash provided by (used in) financing activities | (21,797) | 177,253 |
| Effect of exchange rate changes on cash and cash equivalents | (10,584) | 11,806 |

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| | | |
|--|------------|------------|
| Net increase in cash and cash equivalents | 18,819 | 537,141 |
| Cash and cash equivalents at beginning of period | 659,898 | 155,745 |
| Cash and cash equivalents at end of period | \$ 678,717 | \$ 692,886 |

This report should be read in conjunction with the Notes herein and the Notes to Consolidated Financial Statements in the 2009 Form 10-K.

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OFFICE DEPOT, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note A Summary of Significant Accounting Policies

Basis of Presentation: Office Depot, Inc., including consolidated subsidiaries, (Office Depot) is a global supplier of office products and services. Fiscal years are based on a 52- or 53-week period ending on the last Saturday in December. The Condensed Consolidated Balance Sheet at December 26, 2009 has been derived from audited financial statements at that date. The condensed consolidated interim financial statements as of September 25, 2010 and September 26, 2009, and for the 13-week and 39-week periods ended September 25, 2010 (also referred to as the third quarter of 2010 and the year-to-date 2010) and September 26, 2009 (also referred to as the third quarter of 2009 and the year-to-date 2009) are unaudited. However, in our opinion, these financial statements reflect adjustments (consisting only of normal, recurring items) necessary to provide a fair presentation of our financial position, results of operations and cash flows for the periods presented. We have included the balance sheet from September 26, 2009 to assist in analyzing our company. The September 26, 2009 balance sheet includes a line for Deferred income taxes, separate from Other assets, to conform to the September 25, 2010 and December 26, 2009 presentation. Additionally, the Deferred income taxes and Changes in working capital and other line items have been combined in the condensed consolidated statement of cash flows for the 39-week period ended September 26, 2009 to conform to the year-to-date 2010 presentation.

These interim results are not necessarily indicative of the results that should be expected for the full year. For a better understanding of Office Depot and its condensed consolidated financial statements, we recommend reading these condensed interim financial statements in conjunction with the audited financial statements for the year ended December 26, 2009, which are included in our 2009 Annual Report on Form 10-K (the 2009 Form 10-K), filed with the U.S. Securities and Exchange Commission (SEC).

Cash Management: Our cash management process generally utilizes zero balance accounts which provide for the reimbursement of the related disbursement accounts on a daily basis. Accounts payable and accrued expenses as of September 25, 2010, December 26, 2009 and September 26, 2009 included \$54 million, \$77 million and \$70 million, respectively, of disbursements not yet presented for payment drawn in excess of our book deposit balances where offset provisions exist. We may borrow to meet working capital and other needs throughout any given quarter, which may result in higher levels of borrowings and invested cash within the period. At the end of the quarter, excess cash may be used to minimize borrowings outstanding at the balance sheet date.

New Accounting Pronouncements: There are no recently issued accounting standards that are expected to have a material effect on our financial condition, results of operations or cash flows.

Note B Debt

On March 26, 2010, the company executed a second amendment to its asset based credit facility. This second amendment amends the facility by, among other things, allowing the company to make certain restricted payments, including the payment of cash dividends on preferred stock and make share repurchases, in an aggregate amount of \$50 million per fiscal year, subject to the maintenance of certain minimum liquidity conditions, removing the ability of the company to elect one- or two-month interest periods with respect to its LIBOR borrowings, making certain technical amendments to permit the company to issue unsecured or subordinated convertible debt securities, allowing the company and its subsidiaries to enter into certain internal tax restructuring transactions subject in certain circumstances to various conditions, and waiving certain technical events of default, including written notice of certain events to the U.S. Agent and European Agent under the asset based credit facility and certain related security agreements. The company was in compliance with all applicable financial covenants at September 25, 2010.

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Note C Redeemable Preferred Stock

In June 2009, the company issued \$350 million of Redeemable Convertible Preferred Stock with a 10% stated dividend rate. Dividends are payable quarterly and are paid in-kind or, in cash at the discretion of the board of directors, to the extent that the company has funds legally available for such payment. If not paid in cash, an amount equal to the cash dividend due will be added to the liquidation preference and measured for accounting purposes at fair value. Dividends accrued through January 1, 2010, were settled in-kind. Subsequent quarterly dividends of \$9.2 million were paid in cash on April 1, 2010, July 1, 2010 and October 1, 2010.

Note D Asset Impairments, Exit Costs and Other Charges

In prior years, we performed strategic reviews of assets and processes with the goal of positioning the company to deal with the degradation in the global economy and to benefit from its eventual improvement. The results of those internal reviews led to decisions to close stores, exit certain businesses and write off certain assets that were not seen as providing future benefit. These decisions resulted in material charges (the Charges) that were recognized during the fourth quarter of 2008 and fiscal year 2009. Our measurement of operating profit for each of our segments excludes the Charges because they are evaluated internally at the corporate level.

As of the end of 2009, we had substantially completed all activities falling under our strategic reviews. Although we did not recognize new Charges under these programs during the year-to-date 2010 period, positive and negative adjustments to previously accrued amounts as well as accretion on discounted long-term accruals such as lease obligations impacted our results in the periods. Amortizations, settlements and adjustments related to existing accruals are included in store and warehouse operating and selling expenses and recognized at the corporate level.

During the third quarter of 2009, we recognized approximately \$40 million of Charges associated with these activities as the previously-identified plans were implemented and the related accounting recognition criteria were met. Approximately \$34 million is included in store and warehouse operating and selling expenses, \$5 million is included in general and administrative expenses and \$1 million is included in cost of goods sold and occupancy costs on our Condensed Consolidated Statement of Operations. Implementation of these activities during the quarter resulted in charges primarily for lease accruals and severance expenses. Additionally, we recognized a non-cash loss of approximately \$6 million in conjunction with the disposition of other assets during the third quarter of 2009.

During the year-to-date 2009 period, we recognized Charges of approximately \$195 million, of which, \$160 million is included in store and warehouse operating and selling expenses, \$24 million is included in general and administrative expenses and \$11 million is included in cost of goods sold and occupancy costs.

During the year-to-date 2009 period, we also entered into multiple sale and sale-leaseback transactions related to the strategic review and to enhance liquidity. Total proceeds from these transactions were approximately \$148 million and are included in the investing section on our Condensed Consolidated Statement of Cash Flows. One transaction was the sale of an asset previously classified as a capital lease. Payments to satisfy the existing capital lease obligation are included in the financing section of the Condensed Consolidated Statement of Cash Flows. Losses on these transactions are included in the Charges above. Gains have been deferred and will reduce rent expense over the related leaseback periods. An additional sale and leaseback arrangement associated with operating properties included provisions that resulted in the transaction being accounted for as a financing. Accordingly, approximately \$19 million has been included in long-term debt on the Condensed Consolidated Balance Sheets at September 26, 2009, December 26, 2009 and September 25, 2010.

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Exit cost accruals related to the activities described above are as follows:

| <i>(In millions)</i> | Balance at December 26, 2009 | Cash payments | Accretion on lease obligations | Currency and other adjustments | Balance at September 25, 2010 |
|--------------------------------|---|--------------------------|---|---|--|
| One-time termination benefits | \$ 13 | \$ (10) | \$ | \$ (2) | \$ 1 |
| Lease and contract obligations | 162 | (52) | 11 | (3) | 118 |
| Total | \$ 175 | \$ (62) | \$ 11 | \$ (5) | \$ 119 |

Note E Stockholders Equity and Comprehensive Income

The following table reflects the changes in stockholders' equity attributable to both Office Depot and the noncontrolling interests of our subsidiaries in India, Sweden and South Korea. During the third quarter of 2010, the company obtained all remaining shares of the entity in Sweden through the exercise of a put/call arrangement.

| <i>(In thousands)</i> | Attributable to Office Depot, Inc. | Attributable to noncontrolling interest | Total |
|--|---|--|--------------|
| Stockholders' equity at December 26, 2009 | \$ 786,415 | \$ 2,827 | \$ 789,242 |
| Comprehensive income: | | | |
| Net earnings (loss) | 83,480 | (1,066) | 82,414 |
| Other comprehensive income (loss): | (32,619) | 337 | (32,282) |
| Comprehensive income (loss) | 50,861 | (729) | 50,132 |
| Capital transactions with noncontrolling interests | (16,066) | (4,393) | (20,459) |
| Preferred stock dividends | (27,898) | | (27,898) |
| Share transactions under employee related plans | 4,248 | | 4,248 |
| Amortization of long-term incentive stock grants | 14,411 | | 14,411 |
| Stockholders' equity at September 25, 2010 | \$ 811,971 | \$ (2,295) | \$ 809,676 |
| Stockholders' equity at December 27, 2008 | \$ 1,362,950 | \$ 4,883 | \$ 1,367,833 |
| Comprehensive income: | | | |
| Net earnings (loss) | (534,845) | (2,396) | (537,241) |
| Other comprehensive income (loss): | 24,421 | 587 | 25,008 |
| Comprehensive income (loss) | (510,424) | (1,809) | (512,233) |
| Preferred stock dividends | (15,417) | | (15,417) |
| Share transactions under employee and direct stock purchase plans | (16) | | (16) |
| Share-based payments (including income tax benefits and withholding) | (3,948) | | (3,948) |
| Amortization of long-term incentive stock grants | 19,977 | | 19,977 |
| Stockholders' equity at September 26, 2009 | \$ 853,122 | \$ 3,074 | \$ 856,196 |

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

| <i>(In thousands)</i> | Third Quarter | | Year-to-Date | |
|---|---------------|--------------|--------------|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| Net earnings (loss) | \$ 62,865 | \$ (399,045) | \$ 82,414 | \$ (537,241) |
| Other comprehensive income (loss), net of tax where applicable: | | | | |
| Foreign currency translation adjustments | 51,323 | 19,053 | (34,746) | 24,061 |
| Amortization of gain on cash flow hedge | (415) | (415) | (1,244) | (1,244) |
| Change in deferred pension | (644) | 340 | 3,970 | (2,466) |
| Change in deferred cash flow hedge | 1,293 | 1,921 | (16) | 4,657 |
| Other | (249) | | (246) | |
| Total other comprehensive income (loss), net of tax, where applicable | 51,308 | 20,899 | (32,282) | 25,008 |
| Comprehensive income (loss) | 114,173 | (378,146) | 50,132 | (512,233) |
| Less: comprehensive income (loss) attributable to the noncontrolling interest | 64 | (514) | (729) | (1,809) |
| Comprehensive income (loss) attributable to Office Depot, Inc. | \$ 114,109 | \$ (377,632) | \$ 50,861 | \$ (510,424) |

Note F Earnings Per Share

The following table represents the calculation of net earnings (loss) per common share:

| <i>(In thousands, except per share amounts)</i> | Third Quarter | | Year-to-Date | |
|---|---------------|--------------|--------------|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| Basic Earnings Per Share | | | | |
| Numerator: | | | | |
| Income (loss) available to common shareholders | \$ 54,287 | \$ (412,965) | \$ 55,582 | \$ (550,262) |
| Assumed allocation to participating securities | (4,174) | | | |
| Income (loss) for calculation | \$ 50,113 | \$ (412,965) | \$ 55,582 | \$ (550,262) |
| Denominator: | | | | |
| Weighted-average shares outstanding | 275,956 | 274,194 | 275,170 | 272,554 |
| Basic earnings (loss) per share | \$ 0.18 | \$ (1.51) | \$ 0.20 | \$ (2.02) |
| Diluted Earnings Per Share | | | | |
| Numerator: | | | | |
| Income (loss) available to common shareholders | \$ 54,287 | \$ (412,965) | \$ 55,582 | \$ (550,262) |
| Preferred stock dividends | 9,210 | 14,931 | 27,898 | 15,417 |
| Net earnings (loss) for calculation | 63,497 | (398,034) | 83,480 | (534,845) |

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Denominator:

| | | | | |
|---|---------|---------|---------|---------|
| Weighted-average shares outstanding | 275,956 | 274,194 | 275,170 | 272,554 |
| Effect of dilutive securities: | | | | |
| Stock options and restricted stock | 4,721 | 5,475 | 5,553 | 2,985 |
| Redeemable preferred stock | 73,703 | 70,000 | 73,667 | 24,616 |
| Diluted weighted-average shares outstanding | 354,380 | 349,669 | 354,390 | 300,155 |
| Diluted earnings (loss) per share | \$ 0.18 | N/A | N/A | N/A |

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Following the company's issuance of the redeemable preferred stock in 2009, basic earnings per share is computed after consideration of preferred stock dividends. The preferred stock has certain participation rights with common stock resulting in application of the two-class method for computing earnings per share. In periods of sufficient earnings, this method assumes an allocation of undistributed earnings to both participating stock classes. For the third quarter of 2010, the two-class method results in earnings per share attributable to the preferred share holders totaling \$0.18 per share, comprised of \$0.13 per share distributed and \$0.05 per share undistributed. The portion attributable to common shares is an undistributed amount of \$0.18 per share. The calculation was not applicable in earlier periods.

Diluted earnings per share is based on earnings before preferred stock dividends, but after assumed conversion into common stock unless such computation results in a number that is less dilutive. For the year-to-date 2010, and quarter-to-date and year-to-date 2009, the diluted share amounts are provided for informational purposes, as basic earnings (loss) per share is the most dilutive for the periods presented.

The preferred stock dividends payable on April 1, 2010, July 1, 2010 and October 1, 2010 were paid in cash. Prior dividends were paid in-kind and a separate determination of fair value above the stated dividend rate was required for those periods. The valuation reduced basic earnings per share in the respective periods, but because the company reported losses, it was antidilutive in the diluted earnings per share calculation and therefore not applicable. Should the company pay dividends on preferred shares in-kind during future periods, the reported earnings per share attributable to preferred and common shareholders may be different.

Awards of options and nonvested shares representing approximately 13.2 million and 13.5 million additional shares of common stock were outstanding for the third quarter 2010 and year-to-date 2010, respectively, but were not included in the computation of diluted earnings per share because their effect would have been antidilutive. Also, the calculated effect of dilutive securities under relevant accounting rules includes a tax benefit from assumed employee share-based awards. That assumed benefit may be limited in future periods, depending on available carryback and carryforward deductions by tax jurisdiction. If all assumed tax benefits were removed from the calculation, the diluted weighted-average share amount would increase by approximately 1.6 million shares at September 25, 2010.

Note G Division Information

Office Depot operates in three segments: North American Retail Division, North American Business Solutions Division, and International Division. The following is a summary of our significant accounts and balances by segment (or Division), reconciled to consolidated totals.

| <i>(In thousands)</i> | Third Quarter | | Sales | Year-to-Date |
|--------------------------------|---------------|------|-------|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| North American Retail Division | \$ | | | |