

OFFICEMAX INC  
Form DEF 14A  
March 04, 2010

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

**SCHEDULE 14A**

(Rule 14a-101)  
Schedule 14A Information

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**OfficeMax Incorporated**

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(Name of Registrant as Specified in its Charter)

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(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- 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:

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    - (1) Amount Previously Paid:
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-

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# **Notice and Proxy Statement**

## **OfficeMax Incorporated Annual Meeting of Stockholders**

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Itasca, Illinois

Wednesday, April 14, 2010

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## OFFICEMAX INCORPORATED

### NOTICE OF ANNUAL MEETING

Wednesday, April 14, 2010  
2:00 p.m., Central Daylight Time

The Westin Chicago Northwest  
400 Park Boulevard  
Itasca, IL 60143

March 4, 2010

Dear Stockholder:

On behalf of the board of directors, it is my pleasure to invite you to our 2010 annual meeting of stockholders to:

elect eight directors;

approve the appointment of KPMG LLP as our independent registered public accounting firm for 2010;

approve an amendment to our 2003 OfficeMax Incentive and Performance Plan to increase the number of shares of stock authorized for issuance under the plan and to make certain other changes to the plan and re-approve the material terms of the performance goals under the plan; and

conduct other business properly brought before the meeting.

Stockholders who owned stock at the close of business on February 22, 2010 can vote at the meeting.

Your vote is important regardless of the number of shares of stock you own. Please note that beginning this year, if you hold your shares through a broker, bank, or other institution, the holder will not be able to vote your shares on the election of directors unless you have provided voting instructions. Whether you plan to attend or not, please review our proxy materials and request a proxy card to sign, date and return or submit your voting instructions by telephone or through the Internet. If you hold your shares through a broker, bank, or other institution, please be sure to follow the voting instructions that you receive from the holder. Instructions for each type of voting are included in the Notice of Internet Availability of Proxy Materials that you received and in this proxy statement. If you plan to attend the meeting and prefer to vote at that time, you may do so.

Thank you for your ongoing support of and continued interest in OfficeMax.

Sincerely yours,

Sam K. Duncan  
Chairman of the Board and



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**OfficeMax Incorporated**

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OfficeMax Incorporated ("OfficeMax," the "company," or "we") is a leader in both business-to-business and retail office products distribution. We provide office supplies and paper, print and document services, technology products and solutions and furniture to large, medium and small businesses, government offices and consumers. Our customers are served by approximately 31,000 associates through direct sales, catalogs, the Internet and a network of retail stores located throughout the United States, Canada, Australia, New Zealand and Mexico. Our common stock is traded on the New York Stock Exchange ("NYSE") under the ticker symbol 'OMX'. Our corporate headquarters is located at 263 Shuman Boulevard, Naperville, Illinois 60563, and our website address is [www.officemax.com](http://www.officemax.com).

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**Annual Meeting Information**

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***Proxy Statement***

This proxy statement contains information we must provide to you under the rules of the Securities and Exchange Commission ("SEC") and the New York Stock Exchange. It is designed to assist you in voting your shares of our stock. We have provided this proxy statement in connection with the solicitation of proxies by our board of directors for the 2010 annual meeting of stockholders. We will begin mailing notice of the availability of these proxy materials on or about March 4, 2010.

***Voting***

You can vote your shares of stock in advance of our annual meeting by requesting a proxy card to sign, date and return or by submitting your voting instructions by telephone or through the Internet. Please see the Notice of Internet Availability of Proxy Materials you received or this proxy statement for specific instructions on how to cast your vote by any of these methods.

If your shares of stock are registered directly in your name, you are considered a stockholder of record and will receive your Notice of Internet Availability of Proxy Materials directly from us. If you hold your shares of stock through a broker, bank, or other institution, you are considered the beneficial owner of stock held in street name and will receive your notice from your broker, bank or other institution.

***Stockholders of Record***

For stockholders of record, voting instructions submitted via mail, telephone or the Internet must be received by Broadridge, our independent tabulator, by 11:59 p.m. Eastern Time on April 13, 2010. Submitting your voting instructions prior to the annual meeting will not affect your right to vote in person should you decide to attend the meeting.

The Internet and telephone voting procedures available to you are designed to authenticate stockholders' identities, to allow stockholders to submit voting instructions and to confirm that stockholders' voting instructions have been recorded properly. We have been advised that the Internet and telephone voting procedures that have been made available to you are consistent with the requirements of applicable law. Stockholders voting via the Internet or telephone should understand that there may be costs associated with voting in this manner, such as usage charges from Internet access providers and telephone companies, which must be borne by the stockholder.

Stockholders of record can vote by:

requesting and returning a completed proxy card by mail to our independent tabulator, Broadridge, by 11:59 p.m. Eastern Time on April 13, 2010;

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submitting voting instructions via the Internet or telephone by 11:59 p.m. Eastern Time on April 13, 2010; or

completing a ballot and returning it to the inspector of election during the annual meeting.

Instructions and contact information for each of these voting options can be found in our Notice of Internet Availability of Proxy Materials.

***Stock Held in Street Name***

If you hold your stock in street name, you can vote by submitting a voting instruction card to your broker or other institution that sent your Notice of Internet Availability of Proxy Materials to you in accordance with their procedures. Please note that beginning this year, if you hold your shares in street name, the broker or other institution that holds the stock will not be able to vote your shares on the election of directors unless you have provided voting instructions.

***Employees***

Please see the section "Employees Who Are Stockholders" below for additional information regarding voting shares of stock held in our Employee Stock Ownership Plan fund or the OfficeMax common stock fund in the OfficeMax Savings Plan.

***Voting Authority***

If you submit a valid proxy card or validly submit voting instructions via the telephone or Internet, and you do not subsequently revoke your proxy or vote, the individuals named on the card, as your proxies, will vote your shares of stock in accordance with your instructions. If you submit a valid proxy card, or validly submit voting instructions via the telephone or Internet, but you do not provide voting instructions, your shares of stock will be voted *for* the:

election of the eight nominees to serve on our board of directors;

appointment of KPMG LLP as our independent registered public accounting firm for 2010; and

approval of an amendment to our 2003 OfficeMax Incentive and Performance Plan to increase the number of shares of stock authorized for issuance under the plan and to make certain other changes to the plan and re-approve the material terms of the performance goals under the plan.

You also give the proxies discretionary authority to vote on any other matters that may properly be presented at the meeting.

Each share of OfficeMax stock is entitled to one vote. As of February 22, 2010 (the record date for determining stockholders entitled to vote at the meeting), we had the following shares of stock outstanding and entitled to vote:

<b>Type/Series of Stock</b>	<b>Number of Shares Outstanding</b>
Common stock	84,638,284
Convertible preferred stock, Series D (ESOP)	796,190

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***Revoking or Changing Your Vote***

If you are a stockholder of record, you may revoke or change your proxy and voting instructions at any time prior to the vote at the annual meeting. To do so:

submit a new proxy card or voting instructions to the independent tabulator by mail, telephone or through the Internet by 11:59 p.m. Eastern Time on April 13, 2010; or

attend the annual meeting and vote in person by ballot.

If you hold your stock in street name, you may revoke or change your proxy instructions prior to the vote at the annual meeting by submitting new voting instructions to your broker or other institution in accordance with their procedures.

***Employees Who Are Stockholders; Voting Shares in Certain Benefit Plans***

If you are a current or former employee of OfficeMax or one of its subsidiaries and you own shares of OfficeMax's Series D Convertible Preferred Stock in the Employee Stock Ownership Plan ("ESOP") fund or allocate funds to the OfficeMax common stock fund in the OfficeMax Savings Plan ("Savings Plan"), you may instruct Vanguard Fiduciary Trust Company, the plans' trustee, how to vote the shares of stock allocated to you under these plans by requesting a proxy card to sign, date and return or by submitting your voting instructions by telephone or through the Internet. Please see the Notice of Internet Availability of Proxy Materials we sent to you for specific instructions on how to provide voting instructions by any of these methods. Please note that your voting instructions for stock you hold in the ESOP fund or the Savings Plan must be received by 11:59 p.m. Eastern Time on April 8, 2010.

The plans' trustee will vote any shares in the plans for which instructions are not received, or that are not allocated to an account, in the same proportion as shares of stock voted by the plan participants generally, subject to the trustee's fiduciary obligations under applicable law.

***Proxies***

When you vote in advance of the annual meeting, you appoint Mr. Matthew R. Broad, our executive vice president and general counsel, Ms. Susan Wagner-Fleming, our corporate secretary and senior vice president and Mr. Tony Giuliano, our treasurer and vice president, investor relations as proxies, each with the power to appoint a substitute. You direct them to vote all of the shares of stock you held on the record date at the annual meeting and at any adjournment or postponement of that meeting. You also give the proxies discretionary authority to vote on any other matters that may properly be presented at the meeting.

***Confidential Voting Policy***

We have a confidential voting policy. Stockholders' votes will not be disclosed to us other than in limited situations. The tabulator will collect, tabulate and retain all proxies and will forward any comments written on the proxy cards or otherwise received by the tabulator to management. Our confidential voting policy will not apply in the event of a contested solicitation.

***Votes Necessary for Action to be Taken***

A quorum is necessary to hold a valid meeting. A quorum will exist if stockholders holding a majority of the shares of stock issued and outstanding and entitled to vote at the meeting are present in person or by proxy. The election inspector will treat abstentions, withholds and "broker non-votes" as shares of stock that are present and entitled to vote for purposes of determining the presence of a quorum. A "broker non-vote" occurs when a broker holding stock for a beneficial

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owner does not vote on a particular proposal because the broker does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner. Brokers will have discretionary voting power with respect to proposal two, but not with respect to proposals one and three. Abstentions and broker non-votes do not count as votes cast either for or against any of the proposals. A "withhold" vote with respect to any director nominee will have the effect of a vote against such nominee.

**Proposal One:** A nominee will be elected to the board if the number of votes cast "for" his or her election exceed the number of votes "withheld" from or cast "against" his or her election.

**Proposal Two:** The proposal for the appointment of KPMG LLP as our independent registered public accounting firm for 2010 will be approved if holders of a majority of the stock present in person at the meeting or represented by proxy (excluding any shares where the holder has expressly indicated that the holder is abstaining from voting) vote in favor of the appointment.

**Proposal Three:** The proposal for approval of an amendment to our 2003 OfficeMax Incentive and Performance Plan to increase the number of shares of stock authorized for issuance under the plan and to make certain other changes to the plan and re-approve the material terms of the performance goals under the plan will be approved if holders of a majority of the stock present in person at the meeting or represented by proxy (excluding any shares where the holder has expressly indicated that the holder is abstaining from voting) vote in favor of the amendment, provided that the total votes cast on the proposal represents over 50% in interest of all securities entitled to vote on the proposal.

***Proxy Solicitation***

We pay the expenses of soliciting proxies. OfficeMax has retained D.F. King & Company ("D.F. King") to assist in the solicitation of proxies. D.F. King will receive an aggregate fee of \$21,500, plus out-of-pocket expenses. OfficeMax has agreed to indemnify D.F. King against certain liabilities arising out of or in connection with this engagement. In addition to the solicitation of proxies by use of the mail, employees of D.F. King and our directors, officers and regular employees, may solicit the return of proxies by personal interview, mail, electronic mail, facsimile, telecopy, telegram, telephone and Internet. Our directors, officers and employees will not receive additional compensation for these activities. Brokerage houses and other custodians, nominees and fiduciaries will be requested to forward solicitation material to the beneficial owners of stock.

***Householding of Annual Meeting Materials***

Some banks, brokers and other record holders may be participating in the practice of "householding" proxy statements, annual reports and Notices of Internet Availability of Proxy Materials. If you have requested paper copies of the proxy materials, this means that only one copy of our proxy statement, annual report or Notice of Internet Availability of Proxy Materials may have been sent to multiple stockholders in your household. We will promptly deliver a separate copy of these documents to you if you write to the Broadridge Householding Department, 51 Mercedes Way, Edgewood, New York 11717 or call Broadridge toll free: 1-800-542-1061. If you are receiving multiple copies and would like to receive only one copy for your household, you should contact your bank, broker, or other record holder, or you may contact Broadridge at the address and phone number above.

## **Items You May Vote On**

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### ***1. Election of Directors***

The members of our board of directors are elected for a term of office to expire at our next annual meeting (subject to the election and qualification of their successors or the earlier of their death, resignation or removal). If you submit valid voting instructions, the proxies will vote your shares of stock for the election of each of the eight nominees, unless you indicate that you wish to vote against a nominee or withhold your vote on a nominee.

Our board of directors has proposed eight nominees for election as directors: Dorrit J. Bern, Warren F. Bryant, Joseph M. DePinto, Sam K. Duncan, Rakesh Gangwal, Francesca Ruiz de Luzuriaga, William J. Montgoris and David M. Szymanski. Detailed information on all the nominees is provided beginning on page 22. We expect that all nominees will be able to serve if elected. If any nominee is not able to serve, we will either vote the proxies for another nominee recommended by our Governance and Nominating Committee and nominated by the board of directors or the board may reduce the number of directors to be elected at the meeting.

Under our by-laws, in uncontested elections, a director is elected if the votes cast "for" the director's election exceed the votes "withheld" or cast "against" the director's election. The company has a director resignation policy which states that the board will only nominate candidates who agree to tender, promptly following the annual meeting at which they are first elected, a resignation that will be effective upon (i) the failure of the director to receive the required vote at any annual meeting at which he or she is nominated for re-election and (ii) acceptance by the board of such resignation. If a director fails to receive a majority vote in favor of his or her election, the Governance and Nominating Committee of our board, excluding the director whose resignation is under consideration, will promptly consider the resignation and make a recommendation to the board regarding whether to accept or reject the tendered resignation or whether other action should be taken. The board, excluding the director whose resignation is under consideration, will act on the Governance and Nominating Committee's recommendation within ninety days from the date of the certification of the election results. The board will publicly disclose its decision regarding the tendered resignation. If an incumbent director's resignation is not accepted by the board, the director will continue to serve until the next annual meeting and until his or her successor is duly elected, or until his or her earlier resignation or removal. If a director's resignation is accepted by the board of directors, the board, in its sole discretion, may decide whether to fill such vacancy or reduce the size of the board.

***Our board of directors unanimously recommends  
a vote "FOR" each of these nominees.***

### ***2. Appointment of Independent Registered Public Accounting Firm***

Our Audit Committee appointed KPMG LLP to serve as our independent registered public accounting firm for 2010, subject to stockholder approval. Representatives of KPMG LLP will be present at the annual meeting to answer questions. They will also have the opportunity to make a statement if they desire to do so.

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The following table sets out the various fees for services provided by KPMG LLP in 2008 and 2009. The Audit Committee pre-approved all of these services.

**Annual Fees for 2008 and 2009**

Description	Amounts	
	2009	2008
Audit Fees (1)	\$ 3,493,000	\$ 3,581,000
Audit-Related Fees (2)	\$ 198,000	\$ 212,590
Tax Fees (3)	\$ 116,500	\$ 122,560

- (1) Audit fees relate to professional services rendered in conjunction with the audit of our annual financial statements, the review of our quarterly financial statements, and the audit of our internal controls over financial reporting, statutory filings and other services pertaining to SEC matters.
- (2) Audit-related fees relate to attestation and other services traditionally performed by companies' independent accountants, such as audits of our employee benefit plans, special procedures required to meet certain regulatory requirements and other miscellaneous assurance services.
- (3) Tax fees relate to tax compliance services surrounding transactions that have already occurred. We use these services to document, compute and obtain government approval for amounts to be included in tax filings.

KPMG LLP's full-time, permanent employees conducted the services described in the chart above. Leased personnel were not employed with respect to the domestic audit engagement.

The Audit Committee is responsible for recommending, for stockholder approval, our independent registered public accounting firm. Should stockholders fail to approve the appointment of KPMG LLP, the Audit Committee would undertake the task of reviewing the appointment. Nevertheless, given the difficulty and expense of changing independent accountants mid-way through the year, there is no assurance that a firm other than KPMG LLP could be secured to deliver any or all of the company's independent auditing services required in 2010. The Audit Committee, however, would take the lack of stockholder approval into account when recommending an independent registered public accounting firm for 2011.

***Our board of directors unanimously recommends a vote "FOR" the approval of KPMG LLP as our independent registered public accounting firm for 2010.***

***3. Approval of an Amendment to Our 2003 OfficeMax Incentive and Performance Plan to Increase the Number of Shares of Stock Authorized for Issuance under the Plan and to Make Certain Other Changes to the Plan and Re-Approve the Material Terms of the Performance Goals under the Plan***

The board has adopted, and proposes that our stockholders approve, the amendment and restatement of our 2003 OfficeMax Incentive and Performance Plan ("OMIPP"), which was previously approved by our stockholders. The board, the Executive Compensation Committee and company management all believe that the effective use of stock-based long-term incentive compensation is essential to maintain a balanced and competitive compensation program, has been integral to the company's success in the past and is vital to its ability to achieve strong performance in the future.

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A total of 12,800,000 shares of our common stock, par value \$2.50 per share, have previously been reserved for issuance under the OMIPP. On February 11, 2010, the board amended and restated the OMIPP, subject to stockholder approval, effective as of April 14, 2010 (the "Effective Date"), (i) to increase the number of shares of our common stock authorized for issuance under the OMIPP by 2,451,000 shares (from 12,800,000 to 15,251,000), (ii) to extend the term of the OMIPP to April 14, 2020 and (iii) to make certain other amendments to the OMIPP described below.

As of February 25, 2010, 6,147,130 shares were reserved for issuance under the OMIPP in connection with 4,352,292 outstanding stock options (with a weighted average exercise price of \$14.98 and a weighted average remaining term of 5.3 years) and 1,794,838 outstanding shares to be issued pursuant to other awards made pursuant to the OMIPP (for example, restricted stock units). As of February 25, 2010, 4,402,787 shares remained available for future issuance under the OMIPP.

***Purpose of the Amendments***

The board of directors believes that an increase in the number of shares of our common stock authorized under the OMIPP is advisable to enable the company to continue to grant equity-based awards. The board further believes that the increase and the other amendments to the OMIPP are consistent with emerging market practices and are important to allow us to attract, motivate, reward and retain the broad-based talent critical to achieving our business goals.

Stockholder approval of the amended and restated OMIPP is sought to satisfy the New York Stock Exchange's requirements with respect to material revisions of equity compensation plans. In addition, Section 19 of the OMIPP provides that certain amendments to the OMIPP, including an increase in the number of shares authorized for issuance under the OMIPP, may not be made without the approval of our stockholders.

Approval of the amended and restated OMIPP will also serve to re-approve the material terms of the performance goals under the OMIPP for purposes of Section 162(m) of the Internal Revenue Code (the "Code"). The material terms of the performance goals include the eligible class of employees, the business criteria (including new criteria) on which performance objectives may be based and the maximum amounts payable for the various types of awards under the OMIPP, each as further described below. The effectiveness of the 2008 stockholder approval of the material terms of the OMIPP's performance goals would otherwise expire in 2013 for Section 162(m) purposes. If the amended and restated OMIPP (including the performance goals) is approved, the effectiveness of the approval will last until 2015 for Section 162(m) purposes. If the approval expires without being renewed, some of the compensation paid to the company's senior executives may not be deductible to the company, resulting in additional taxable income for the company.

The amended and restated OMIPP will be effective on the date of stockholder approval and after that date will apply to all awards made under the OMIPP before, on or after that date. We intend to register the additional shares authorized under the amended and restated OMIPP under the Securities Act of 1933. If our stockholders do not approve the amended and restated OMIPP, the present version of the OMIPP will continue as currently in effect.

***Proposed Plan Amendments***

At our 2010 annual stockholders' meeting, stockholders will be requested to consider and approve the proposed amendment to the OMIPP (i) to increase the number of shares of our common stock authorized for issuance as of the Effective Date under the OMIPP from 12,800,000 to



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15,251,000, (ii) to extend the term of the OMIPP to April 14, 2020 and (iii) to make certain other amendments to the OMIPP, including the following:

amendment to decrease from 2.25 to 1.55 the number of shares by which each share granted as an award (other than a stock option or stock appreciation right) after February 25, 2010 reduces the aggregate number of shares available under the OMIPP;

amendment to decrease from 2.25 to 1.55 the number of shares by which each share granted as an award (other than a stock option or stock appreciation right), which after February 25, 2010 is cancelled, expired, terminated, forfeited, surrendered, or otherwise settled without the issuance of stock, increases the aggregate number of shares available under the OMIPP;

amendment (i) to add earnings before taxes, net income from continuing operations available to common stockholders excluding special items, return on sales, return on assets and return on invested capital as business criteria on which performance objectives may be based for awards intended to comply with the exception to the tax deductibility limit under Section 162(m) of the Code for performance-based compensation and (ii) to permit the inclusion or exclusion of special items and tax or accounting changes from such performance objectives to be done on a GAAP or non-GAAP basis;

amendment to permit the shares authorized for issuance under acquired companies' equity compensation plans (as adjusted) to be used for awards under the OMIPP in some circumstances, which use will not reduce the aggregate number of shares available under the OMIPP;

amendment to extend, generally for a period of 30 days, the expiration date of nonqualified stock options and stock appreciation rights that because of a black-out period would otherwise not be exercisable within three business days prior to their normal expiration dates;

amendment to allow the Executive Compensation Committee to provide for the automatic exercise of stock options and stock appreciation rights upon their expiration dates if the fair market value of a share of our common stock on the expiration date exceeds the per-share exercise price of the respective stock options or stock appreciation rights;

amendment to allow the Executive Compensation Committee, after receiving stockholder approval, to cancel an outstanding stock option or stock appreciation right for the purpose of (i) providing a replacement award under the OMIPP or another OfficeMax plan, or (ii) cashing out the stock option or stock appreciation right (i.e., cancellation in exchange for a cash payment), unless such cash-out occurs in conjunction with a change in control;

amendment to clarify that the normal expiration date of a stock appreciation right may not exceed seven years after its grant date;

amendment to allow the restriction periods applicable to restricted stock and restricted stock units to lapse in the events of death, disability, retirement and change in control;

amendment to require that dividends paid on performance-based restricted stock be held in escrow until all applicable restrictions lapse, to the extent such restricted stock vests only on attainment of performance objectives;

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amendment to require that dividend equivalents credited with respect to performance-based restricted stock units that vest only on attainment of the performance objectives and with respect to performance shares be held in escrow until the applicable restrictions lapse or applicable performance objectives are satisfied;

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amendment to provide that the minimum one-year performance period for performance shares applies to awards of performance shares in excess of 5% of the aggregate number of shares authorized for issuance under the OMIPP; and

amendment to allow the accelerated payment of performance shares in the events of death, disability, retirement and change in control.

***History and Operation of the OMIPP***

In 2003, our board of directors adopted and our stockholders approved the 2003 OfficeMax Incentive and Performance Plan. At our 2008 annual stockholder meeting our stockholders approved the amendment and restatement of the OMIPP to increase the number of shares authorized for issuance under the OMIPP and to make certain other changes to the OMIPP. In December 2008, the board amended the OMIPP to provide for annual incentive award performance periods of less than one year.

The OMIPP is intended to:

attract, motivate, reward and retain the management talent critical to achieving our business goals;

link a portion of each participant's compensation to our performance; and

encourage ownership of our common stock by participants.

The OMIPP provides flexibility to shape incentive awards that align stockholder interests with those of our employees and non-employee directors. A summary description of the material features of the OMIPP (as it is proposed to be amended) follows. This summary is qualified in its entirety by reference to the terms and conditions of the OMIPP, a copy of which (as it is proposed to be amended) is attached to this Proxy Statement as *Appendix A*.

***General Description of Awards***

There are eight general types of awards that may be granted under the OMIPP:

stock options (including both incentive stock options within the meaning of Section 422 of the Code and nonqualified stock options, which are stock options that do not qualify as incentive stock options);

stock appreciation rights ("SARs");

restricted stock;

restricted stock units;

performance units;

performance shares;

annual incentive awards; and

stock bonus awards.

***Administration***

The OMIPP is administered by the Executive Compensation Committee of our board of directors, each of whom is a "non-employee director" under Rule 16b-3 under the Securities Exchange Act of 1934, an "outside director" under Section 162(m) of the Code and an "independent director" under the rules of the New York Stock Exchange. The Executive

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Compensation Committee has the authority to determine the terms and conditions of awards, and to interpret and administer the OMIPP. The Executive Compensation Committee also has the authority to modify the OMIPP or adopt sub-plans as desirable or necessary to comply with laws of foreign countries in which the OMIPP is offered. The Executive Compensation Committee may delegate the right to make awards and otherwise take action on its behalf under the OMIPP to our employees and, to the extent permitted by law, the Executive Compensation Committee may give authority to executive officers to make awards to employees who are not directors or executive officers.

***Participants***

The individuals eligible to receive awards under the OMIPP (the "participants") consist of non-employee directors of the company and executive officers (including named executive officers) and other employees of the company and its subsidiaries. As of February 25, 2010, approximately four of our executive officers, 96 other employees and seven non-employee directors are eligible to receive awards under the OMIPP. The company grants awards to participants at the discretion of the Executive Compensation Committee.

***Authorized Shares under the OMIPP***

Subject to stockholder approval, a total of 15,251,000 shares of our common stock are reserved for issuance under the amended and restated OMIPP. These shares of stock are subject to adjustment upon the occurrence of any stock dividend or other distribution, recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, spin-off, combination, share repurchase, share exchange, reclassification or other similar corporate transaction or event. Any shares of stock that may be granted under the OMIPP to any person pursuant to a stock option or SAR will be counted against this limit as one share for every one share granted. Shares of our common stock with respect to all other awards granted under the OMIPP will be counted against this limit as one and fifty-five one hundredths (1.55) shares for every one such share granted after February 25, 2010. Shares of our common stock that are subject to an award that is cancelled, expired, terminated, forfeited, surrendered, or otherwise settled without the issuance of shares of our common stock (including awards granted prior to the Effective Date and awards granted under the 1984 Key Executive Stock Option Plan, a predecessor plan to the OMIPP) will be available for issuance under the OMIPP. Shares of our common stock reserved for issuance upon grant of a stock option or SAR will be added back to the reserve as one share for every one share cancelled or forfeited after February 25, 2010. Shares of our common stock with respect to all other awards will be added back to the reserve as one and fifty-five one hundredths (1.55) shares for every one such share cancelled or forfeited. Any shares of our common stock not issued on the stock settlement of stock appreciation rights and any shares of our common stock purchased on the open market with cash proceeds from the exercise of a stock option will not again be available for issuance under the OMIPP.

Substitute awards for grants made under a plan of an acquired entity will not reduce the number of shares of our common stock authorized for issuance under the OMIPP. Additionally, in the event that we acquire or combine with a company that has shares available under a pre-existing plan approved by its stockholders and not adopted in contemplation of such acquisition or combination, the shares available for grant pursuant to the terms of the other company's plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used to determine the consideration payable in the acquisition or combination) may be used for awards under the OMIPP and will not reduce the number of shares authorized for grant under the OMIPP; provided that awards using the shares available under the other company's pre-existing plan may not be made after the date awards or grants could have been made under

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the terms of the pre-existing plan, absent the acquisition or combination, and may only be made to individuals who were not our employees or directors prior to the acquisition or combination.

***Qualification of Performance-Based Compensation***

Certain compensation under the OMIPP is intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code. In general, Section 162(m) prohibits a deduction by a publicly held corporation for compensation paid to a "covered employee" (i.e., the chief executive officer and the next three highest paid executive officers employed at the end of the fiscal year, other than the chief financial officer) to the extent that the compensation to the covered employee for a taxable year exceeds \$1 million. However, compensation that qualifies as "performance-based" is excluded for purposes of calculating the amount of compensation subject to the \$1 million limit. In general, one of the requirements of "performance-based" compensation for purposes of Section 162(m) is that the material terms of the performance goals under which the compensation may be paid must be disclosed to and approved by company stockholders. By approving the amended and restated OMIPP, our stockholders will also be re-approving the material terms of the performance goals (including adding new business criteria) under the OMIPP for Section 162(m) purposes, which material terms were last approved by our stockholders in 2008. If our stockholders approve the amended and restated OMIPP and other Section 162(m) conditions relating to performance-based compensation are satisfied, compensation of covered employees pursuant to awards under the OMIPP will continue to be unaffected by the Section 162(m) limitations, other than (i) restricted stock and restricted stock units that vest solely on continued employment and (ii) stock bonuses. However, if our stockholders do not approve the amended and restated OMIPP, including the material terms of the performance goals, some of the compensation paid to the company's senior executives may not be deductible, resulting in additional taxable income for the company.

Awards that are designed to comply with the performance-based exception from the tax deductibility limitation of Section 162(m) are also subject to annual per-participant limitations. No participant may receive in any fiscal year (i) stock options for more than 1,500,000 shares, (ii) stock appreciation rights with respect to more than 1,500,000 shares, (iii) more than 1,500,000 shares of restricted stock, (iv) more than 1,500,000 restricted stock units, (v) more than 1,500,000 performance shares, (vi) performance units in an amount greater than \$4,000,000, or (vii) annual incentive awards in an amount greater than \$5,000,000.

***Types of Awards***

The Executive Compensation Committee will determine the amounts, terms and conditions of all awards in accordance with the OMIPP. Awards will become exercisable or otherwise vest at the times and upon the conditions that the Executive Compensation Committee may determine, as reflected in the applicable award agreement, except that the OMIPP provides for minimum vesting or performance periods for certain awards as described below. The Executive Compensation Committee may also make any or all awards performance-based, which means such awards will be paid based on the attainment of specified performance objectives, in addition to any other conditions the committee may establish.

The following is a summary of the types of awards that may be granted under the OMIPP.

***Stock Options***

Stock options entitle the holder to purchase shares of our common stock during a specified period at a purchase price set by the Executive Compensation Committee (the "exercise price"). Except for substitute awards for grants made under a plan of an acquired entity, the purchase price may not be less than 100% of the fair market value of the common stock on the grant date (with

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respect to incentive stock options, 110% of the fair market value on the grant date for any participant who owns, within the meaning of Section 424(d) of the Code, stock of the company possessing more than 10% of the total combined voting power of all classes of stock of the company, any subsidiary or any affiliate). Each stock option granted under the OMIPP generally will be exercisable for a period of seven years from the grant date or for a lesser period if the Executive Compensation Committee so determines. However, if due to a black-out period (which is defined as a period of time when company policies do not allow the trading of our securities by certain persons) a nonqualified stock option may not be exercised during the three business days prior to the normal expiration date of the stock option, then the expiration date of the stock option will be extended for a period of 30 days following the end of the black-out period or such longer period as permitted by the Executive Compensation Committee. Participants exercising a stock option may pay the exercise price by any lawful method permitted by the Executive Compensation Committee. The Executive Compensation Committee may provide for the automatic exercise of unexercised stock options upon their expiration date if the fair market value of a share of our common stock on that date exceeds the per-share exercise price of the stock option. The vesting period for stock options may be no less than one year, except with respect to substitute awards for grants made under a plan of an acquired business entity. Incentive stock options may not be granted under the OMIPP on or after April 14, 2020. Without stockholder approval, the exercise price of issued stock options may not be reduced, stock options may not be cancelled and replaced with either other stock options with a lower exercise price or another award under the OMIPP or another company plan and, except in the event of a change in control, stock options may not be cancelled for a cash payment.

***Stock Appreciation Rights***

A stock appreciation right is the right, denominated in shares of our common stock, to receive upon exercise, without payment to us, an amount equal to the excess of the fair market value of our common stock on the exercise date over the fair market value of our common stock on the grant date, except for substitute awards complying with Section 424 of the Code (the "exercise price"). Payment may be made in cash, our common stock or a combination of cash and our common stock. The Executive Compensation Committee may grant stock appreciation rights to participants as either freestanding awards or as awards related to stock options. For stock appreciation rights related to a stock option, the terms and conditions of the grant will be substantially the same as the terms and conditions applicable to the related stock option, and exercise of either the stock appreciation right or the stock option will cause the cancellation of the other to the extent exercised, unless otherwise determined by the Executive Compensation Committee. The Executive Compensation Committee will determine the terms and conditions applicable to awards of freestanding stock appreciation rights, except that the term of a stock appreciation right generally may not exceed seven years from the grant date. However, if due to a black-out period a stock appreciation right may not be exercised during the three business days prior to the normal expiration date of the stock appreciation right, then the expiration date of the stock appreciation right will be extended for a period of 30 days following the end of the black-out period or such longer period as permitted by the Executive Compensation Committee. The Executive Compensation Committee may provide for the automatic exercise of unexercised stock appreciation rights upon their expiration date if the fair market value of a share of our common stock on that date exceeds the exercise price of the stock appreciation right. The vesting period for stock appreciation rights may be no less than one year, except with respect to substitute awards for grants made under a plan of an acquired business entity. Without stockholder approval, the exercise price of stock appreciation rights may not be reduced, stock appreciation rights may not be cancelled and replaced with either other stock appreciation rights with a lower exercise price or another award under the OMIPP or another company plan, and, except in the event of a change in control, stock appreciation rights may not be cancelled for a cash payment.

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***Restricted Stock***

Restricted stock is our common stock that is transferred or sold by us to a participant and that is subject to a substantial risk of forfeiture and to restrictions on sale or transfer for a period of time. The Executive Compensation Committee will determine the amounts, terms and conditions (including the attainment of performance objectives) of any grant of restricted stock. Except for substitute awards for grants made under a plan of an acquired entity, the restriction period for time-based awards in excess of 5% of the total number of shares of our common stock authorized for issuance for awards under the OMIPP shall not be less than three years (with restrictions lapsing on a pro-rata basis) and for performance-based awards the performance period may not be less than one year; provided that the Executive Compensation Committee may provide that the restrictions will lapse in the events of death, disability, retirement and change in control. Except for restrictions on transfer and the requirement that any dividends paid on performance-based restricted stock be held in escrow until all applicable restrictions lapse (and any other restrictions that the Executive Compensation Committee may impose), participants will have all the rights of a stockholder with respect to their restricted stock. Unless the Executive Compensation Committee determines otherwise, a participant's termination of employment during the restricted period generally will result in forfeiture of all shares of our common stock subject to restrictions.

***Restricted Stock Units***

Restricted stock units are similar to restricted stock, except that the shares of our common stock are not issued to the participant until after the end of the restriction period or the attainment of specified performance objectives and upon satisfaction of any other applicable conditions. Accordingly, holders of restricted stock units have no voting rights with respect to the restricted stock units. The Executive Compensation Committee may provide that the dividend equivalents will be credited with respect to the restricted stock units, provided that dividend equivalents credited with respect to performance-based restricted stock units that vest only upon attainment of the performance objectives shall be held in escrow until the applicable restrictions lapse. Except for substitute awards for grants made under a plan of an acquired entity, the restriction period for time-based awards in excess of 5% of the total number of shares of our common stock authorized for issuance for awards under the plan shall not be less than three years (with restrictions lapsing on a pro-rata basis) and for performance-based awards the performance period may not be less than one year; provided that the Executive Compensation Committee may provide that the restrictions will lapse in the events of death, disability, retirement and change in control. Restricted stock units may also be paid in cash rather than our common stock or in a combination of cash and our common stock, at the Executive Compensation Committee's discretion.

***Performance Units***

Performance units, which are cash denominated awards that confer the right to receive a payment upon the attainment of specified performance objectives, may also be awarded by the Executive Compensation Committee. The Executive Compensation Committee will establish the applicable performance objectives at the time the units are awarded. The performance period for award of performance units shall be not less than one year. Payment may be made in cash, our common stock or a combination of cash and our common stock, at the Executive Compensation Committee's discretion.

***Performance Shares***

Performance shares represent the right to receive a payment at a future date based on the value of our common stock in accordance with the terms of the grant and upon the attainment of specified performance objectives. The Executive Compensation Committee will establish the



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performance objectives and all other terms applicable to the grant. It may provide that the dividend equivalents will be credited with respect to the performance shares, provided that such dividend equivalents be held in escrow and paid only to the extent the performance objectives are satisfied. The performance period for awards of performance shares in excess of 5% of the aggregate number of shares authorized for issuance under the OMIPP shall not be less than one year, although payment of performance shares may be accelerated in the events of death, disability, retirement and change in control. Payment may be made in cash, our common stock or a combination of cash and our common stock, at the Executive Compensation Committee's discretion.

***Annual Incentive Awards***

Annual incentive awards are payments based on the attainment of performance objectives specified by the Executive Compensation Committee. The performance period for annual incentive awards is determined by the Executive Compensation Committee. Awards are calculated as a percentage of salary, based on the extent to which the performance objectives are attained during the year, as determined by the Executive Compensation Committee. Awards may be made in cash, our common stock or a combination of cash and our common stock, at the Executive Compensation Committee's discretion.

***Stock Bonuses***

Stock bonus awards, consisting of our common stock, in payment of earned incentive compensation, may be made at the discretion of the Executive Compensation Committee upon the terms and conditions, if any, determined by the committee.

***Section 162(m) Performance Objectives***

Awards of restricted stock, restricted stock units, performance units, performance shares, annual incentive awards and other awards under the OMIPP may be subject to the attainment of performance objectives relating to one or more business criteria within the meaning of Section 162(m) of the Code. These performance objectives may include or be based upon, without limitation: sales; gross revenue; gross margins; internal rate of return; cost; ratio of debt to debt plus equity; profit before tax; earnings before taxes; earnings before interest and taxes; earnings before interest, taxes, depreciation and amortization; earnings per share; operating earnings; economic value added; ratio of operating earnings to capital spending; cash flow; free cash flow; net operating profit; net income; net income available from continuing operations to common stockholders excluding special items; net earnings; net sales or net sales growth; price of our common stock; return on any of the following metrics: capital, sales, assets, net assets, invested capital, equity, or stockholders' equity; segment income; market share; productivity ratios; expense targets; working capital targets; or total return to stockholders. Performance objectives (i) may be used to measure our performance as a whole or the performance of any "subsidiary" (as defined in the OMIPP), business unit, division or segment, (ii) may include or exclude (or be adjusted to include or exclude) extraordinary items, the impact of charges for restructurings, discontinued operations and other unusual and non-recurring items, and the cumulative effects of tax or accounting changes, each determined on a GAAP or non-GAAP basis, and/or (iii) may reflect absolute entity performance or a relative comparison of entity performance to the performance of a peer group, index or other external measure, in each case determined at the Executive Compensation Committee's discretion.

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***Amendment and Termination***

The board of directors may amend or terminate the OMIPP at any time. The Executive Compensation Committee may amend or modify the OMIPP or any award agreements necessary to comply with applicable laws. In addition, the OMIPP and outstanding awards may be equitably adjusted, without stockholder approval, in the event of any recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, spin-off, combination, share repurchase, share exchange, reclassification or other similar corporate transaction or event. However, our stockholders must approve amendments that:

increase the number of shares of our common stock authorized for issuance under the OMIPP;

materially increase the cost of the OMIPP to the company or the benefits to participants;

allow for (i) the exercise price of outstanding stock options or stock appreciation rights to be reduced, (ii) stock options or stock appreciation rights to be cancelled and replaced either with a new award of stock options or stock appreciation rights with a lower exercise price or with another award under the OMIPP or another company plan, or (iii) stock options or stock appreciation rights to be cancelled in exchange for a cash payment (other than in connection with a change in control); or

are required by applicable law to be approved by our stockholders.

The board of directors may terminate the OMIPP at any time. However, awards outstanding at the termination of the OMIPP will remain in effect according to their terms and the provisions of the OMIPP.

***Change in Control***

Except as otherwise provided in an employment agreement, award agreement or change in control agreement, upon both a "change in control" and a "qualifying termination" (as such terms are defined in the OMIPP or applicable agreement) the vesting of all outstanding awards (other than annual incentive awards) will be accelerated, except in cases where an acquiring entity does not assume the awards, in which case only a change in control, but not a qualifying termination, is required to cause acceleration. This means that, in general, upon a change in control and a qualifying termination with respect to a participant in the OMIPP, all outstanding stock options and stock appreciation rights held by that participant will vest and become fully exercisable; all restrictions applicable to outstanding shares of restricted stock and restricted stock units will lapse; and all performance objectives will be deemed attained at target levels and award payouts with respect to the performance objectives will be prorated for the portion of the performance period completed prior to the change in control or qualifying termination, as applicable. Upon an acceleration due only to a change in control, each annual incentive award will be payable at either the target award amount or the actual award amount determined by year-to-date performance, in either case prorated for the portion of the performance period completed prior to the change in control.

***Limited Transferability***

A participant's rights in an award granted under the OMIPP may be assigned or transferred in the event of death, subject to certain conditions. In addition, subject to applicable law, the Executive Compensation Committee's approval and any specified conditions, a participant may elect to transfer an award under the OMIPP to immediate family members (including a trust for the benefit of immediate family members or a partnership in which immediate family members are the only

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partners) or a qualified tax-exempt charitable organization, provided that no transfer may be made in exchange for consideration.

***Anti-Dilution Adjustment***

If our outstanding shares of common stock are changed by reason of any recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, spin-off, combination, share repurchase, share exchange, reclassification, or other similar corporate transaction or event, appropriate adjustments will be made to (i) the number or kind of securities that may be issued under the OMIPP, (ii) the maximum number of shares subject to awards that may be awarded to any participant during any fiscal year and (iii) the terms of outstanding awards, including the number and kind of securities or other property issued or issuable in respect of awards and the exercise prices, other stock prices and share-related provisions of awards, provided that, with respect to incentive stock options, adjustments shall be made in accordance with Section 424 of the Code.

***Tax Withholding***

When cash is to be paid pursuant to an award under the OMIPP, the company may deduct an amount sufficient to satisfy any federal, state or other taxes required by law to be withheld. When shares of our common stock are to be delivered pursuant to an award under the OMIPP, the company may require the participant to remit to the company in cash an amount sufficient to satisfy any federal, state or other taxes required by law to be withheld. With Executive Compensation Committee's approval, a participant may satisfy the foregoing requirement by electing to have the company withhold from delivery shares of our common stock having a value equal to the minimum amount of required tax to be withheld.

***Federal Income Tax Consequences***

The following discussion covers the principal United States federal income tax consequences with respect to awards that may be granted under the OMIPP. It is a brief summary only. The discussion is limited to the federal income tax consequences for individuals who are U.S. citizens or residents for U.S. federal income tax purposes and does not describe state, local or foreign tax consequences of an individual's participation in the OMIPP. The summary does not purport to address all tax considerations that may be relevant.

***Stock Options***

A participant will not realize taxable income upon the receipt of a nonqualified stock option. Upon the exercise of a nonqualified stock option, a participant will realize ordinary taxable income equal to the difference between the fair market value of the common stock being purchased and the exercise price. The company will generally be entitled to take a federal income tax deduction in the same amount and same year in which the participant recognizes ordinary income from the exercise of the nonqualified stock option.

If a participant exercises a nonqualified stock option and subsequently sells the shares of our common stock received on exercise, any appreciation or depreciation will be taxed as capital gain or loss, respectively, in an amount equal to the difference of the sale proceeds for the shares of stock and the participant's tax basis in the shares. The participant's tax basis in the shares of stock will generally be the amount paid for the stock plus the amount included in the participant's ordinary income upon exercise.

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A participant generally will not realize taxable income upon the grant or vesting of an incentive stock option. If a participant exercises an incentive stock option during employment or within three months after his or her employment ends other than as a result of death (12 months in the case of disability), the participant will not recognize taxable income at the time of exercise for regular U.S. federal income tax purposes (although the participant generally will have taxable income for alternative minimum tax purposes at that time as if the option were a nonqualified stock option). If a participant sells or otherwise disposes of the acquired shares after the later of (i) one year from the date the participant exercised the option and (ii) two years from the grant date of the option, the participant will recognize capital gain or loss equal to the difference between the amount the participant received in the sale or exchange and the option exercise price. If a participant disposes of the shares before these holding period requirements are satisfied, the disposition will constitute a disqualifying disposition, and the participant generally will recognize taxable ordinary income in the year of disposition equal to the excess, as of the date of exercise of the option, of the fair market value of the shares received over the option exercise price (or, if less, the excess of the amount realized on the sale of the shares over the option exercise price). Additionally, the participant will have long-term or short-term capital gain or loss equal to the difference between the amount the participant received upon disposition of the shares and the option exercise price increased by the amount of ordinary income, if any, the participant recognized.

The company generally will also be entitled to a deduction in the amount of ordinary income, if any, recognized by the participant with respect to the incentive stock options.

With respect to both nonqualified stock options and incentive stock options, special rules apply if a participant uses shares already held by the participant to pay the exercise price or if the shares received upon exercise of the option are subject to a substantial risk of forfeiture by the participant.

***Stock Appreciation Rights***

The tax treatment of a stock appreciation right is essentially the same as for a nonqualified stock option. Thus, a participant will realize no income upon the grant of a stock appreciation right. Upon the exercise of a stock appreciation right, a participant will realize ordinary income equal to the amount of cash and/or the fair market value of the common stock received. The company will generally be entitled to take a federal income tax deduction in the same amount and same year in which the participant recognizes ordinary income from the exercise of the stock appreciation right.

***Restricted Stock***

A participant will not recognize any income upon the receipt of restricted stock unless the participant elects under Section 83(b) of the Code, within 30 days of receipt, to recognize ordinary income equal to the fair market value of the restricted stock at the time of receipt, less any amount paid for the stock. If the election is made, the holder will not be allowed a deduction for amounts subsequently required to be returned to the company. If the election is not made, then on the date that the restrictions to which the restricted stock are subject terminate, the holder will generally recognize ordinary income in an amount equal to the fair market value of the stock on that date, less any amount paid for the stock.

Generally, upon a sale or other disposition of restricted stock with respect to which the holder has previously made a Section 83(b) election or with respect to which the restrictions were previously terminated, and the holder has, therefore, recognized ordinary income, the holder will recognize capital gain or loss in an amount equal to the difference between the amount realized on the sale or other disposition and the holder's basis in the stock. The holder's basis will equal the fair market value of the stock at the time the restrictions were removed or, in the case of a Section 83(b) election, the fair market value of the stock on the grant date.

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The company will generally be entitled to take a federal income tax deduction in the same amount and same year in which the participant recognizes ordinary income with respect to the grant or vesting of the restricted stock.

***Stock Bonuses***

Generally, a participant receiving a stock bonus award (unrestricted stock) will recognize taxable income at the time of grant of the award of unrestricted stock. The taxable income will equal the excess of the fair market value of the unrestricted stock on the grant date over any amount the participant pays for the unrestricted stock

The company will generally be entitled to take a federal income tax deduction in the same amount and same year in which the participant recognizes ordinary income with respect to the grant of the unrestricted stock.

***Other Awards***

In the case of an award of restricted stock units, performance shares, performance units, annual incentive awards or other stock or cash awards, a participant will generally recognize ordinary income in an amount equal to any cash received and the fair market value of any shares received on the date of payment or delivery. The company generally will be entitled to a federal income tax deduction in the same amount and same year in which the participant recognizes ordinary income with respect to the award.

***Section 409A***

Section 409A of the Code addresses federal income tax treatment of all amounts that are nonqualified deferred compensation. The company intends that awards granted under the OMIPP comply with, or otherwise are exempt from, Section 409A of the Code, but makes no representation or warranty to that effect. If the OMIPP or the terms of an award fail to meet the requirements of Section 409A with respect to such award, then such award shall remain in effect and be subject to taxation in accordance with Section 409A.

***Section 162(m)***

Section 162(m) of the Code provides that any compensation paid to a "covered employee" within the meaning of Section 162(m) that exceeds \$1,000,000 cannot be deducted by the company for federal income tax purposes unless, in general, (i) such compensation constitutes "qualified performance-based compensation" satisfying the requirements of Section 162(m) and (ii) certain components of the plan or agreement providing for such performance-based compensation have been approved by the stockholders. We intend that stock options, stock appreciation rights, performance-based restricted stock, performance-based restricted stock units, annual incentive awards, performance shares and performance units that are granted under the OMIPP to persons expected to be "covered employees" will constitute "qualified performance-based compensation" and, accordingly will not be subject to the \$1,000,000 Section 162(m) deductibility limit. However, the Executive Compensation Committee reserves the right to grant compensation that does not qualify as performance-based compensation under Section 162(m) or that is otherwise not deductible by the company.

***Parachute Payments***

In the event any payments or rights accruing to a participant upon a change in control, including any payments or vesting under OMIPP triggered by a change in control, constitute "parachute payments" under Section 280G of the Code, depending upon the amount of such

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payments and the other income of the participant, the participant may be subject to an excise tax (in addition to ordinary income tax) and we may be disallowed a deduction for the amount of the actual payment.

***Additional Information***

As of February 25, 2010, the aggregate numbers of shares of our common stock subject to stock options previously granted to the following persons under the OMIPP were as follows: (i) Sam K. Duncan, chairman of the board and chief executive officer, 602,900 shares; (ii) Bruce Besanko, executive vice president, chief financial officer and chief administrative officer, 248,914 shares; (iii) Sam Martin, executive vice president and chief operating officer, 230,836 shares; (iv) Ryan T. Vero, executive vice president and chief merchandising officer, 123,414 shares; (v) Deborah A. O'Connor, senior vice president, finance and chief accounting officer, 42,690 shares; (vi) all current executive officers as a group, 1,248,754 shares; (vii) all current directors (who are not executive officers) as a group, 6,000 shares; and (viii) all employees (including all current officers who are not executive officers) as a group, 2,125,225 shares.

Since awards under the OMIPP are determined by the Executive Compensation Committee in its sole discretion, the benefits or amounts that will be received by or allocated to participants in the future under the OMIPP are not currently determinable. The closing sale price per share of our common stock on the New York Stock Exchange on February 25, 2010 was \$15.98.

***Our board of directors therefore unanimously recommends a vote "FOR" the approval of the amendment to our 2003 OfficeMax Incentive and Performance Plan to increase the number of shares of stock authorized for issuance under the plan and to make certain other changes to the plan and re-approve the material terms of the performance goals under the plan.***

Table of Contents**Equity Compensation Plan Information**

Our stockholders have approved all of the company's equity compensation plans, including the Director Stock Compensation Plan and the OMIPP. The following table summarizes the number of shares of our common stock that may be issued under our equity compensation plans as of December 26, 2009.

**Equity Compensation Plan Information**

<b>Plan Category</b>	<b>Number of Securities to Be Issued Upon Exercise of Outstanding Options, Warrants and Rights (#)</b>	<b>Weighted-Average Price of Outstanding Options, Warrants and Rights (\$)</b>	<b>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the First Column) (#)</b>
Equity compensation plans approved by security holders	5,179,718 (1)	\$ 9.50	4,452,947 (2)
Equity compensation plans not approved by security holders			
<b>Total</b>	<b>5,179,718</b>	<b>\$ 9.50</b>	<b>4,452,947</b>

(1)

Includes 11,171 shares issuable under our Director Stock Compensation Plan, 13,000 shares issuable under our Director Stock Option Plan, 948,142 shares issuable under our Key Executive Stock Option Plan and 4,207,405 shares issuable under the OMIPP. The Director Stock Option Plan and Key Executive Stock Option Plan have been replaced by the OMIPP. No further awards may be made under the Director Stock Compensation Plan, the Director Stock Option Plan or the Key Executive Stock Option Plan. None of the following are included in this chart: (a) interests in shares of common stock in the OfficeMax Common Stock Fund held by the trustee of the Savings Plan, (b) Series D Preferred Stock in the Employee Stock Ownership Plan (ESOP) fund, (c) the deferred stock unit components of the company's 2001 Key Executive Deferred Compensation Plan or (d) interests in the company stock fund of the ESDP.

(2)

As of December 26, 2009, 53,491 shares were issuable under the Director Stock Compensation Plan and 4,399,456 shares were issuable under the OMIPP.

The following table sets forth the number of stock options and time-based RSUs granted by the company in the years indicated. In addition, the table provides the number of shares of common stock issued following vesting of performance-based RSUs and the weighted average number of shares of common stock outstanding in the year indicated.

<b>Year</b>	<b>Number of Options Granted</b>	<b>Number of Time-Based RSUs Granted</b>	<b>Number of Shares of Common Stock Issued Following</b>	<b>Weighted Average Number of Shares of Common</b>
-------------	----------------------------------	--	--	--

**Vesting of  
Performance-Based Stock  
RSUs Outstanding**

2009	2,071,360	74,676 (1)	487,352 (4)	77,482,661
2008		697,993 (2)	800,900 (4)	75,861,965
2007	35,000	49,867 (3)		75,274,171

(1)

RSUs granted to our non-employee directors.

(2)

61,633 RSUs granted to our non-employee directors and 636,360 RSUs granted to our associates under the 2008 long-term incentive program.



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- (3) 38,717 RSUs granted to our non-employee directors and 11,150 RSUs granted to Mr. Martin. For more information on this grant, see "Outstanding Equity Awards Mr. Martin's Outstanding Awards."
- (4) Shares of common stock issued following the vesting of the performance-based 2006 long-term incentive awards earned upon attainment of EBIT dollar, return on net assets and return on sales targets which resulted in a payout at 150% of target.

**4. Other Matters to Be Presented at the Meeting**

We do not know of any other matters to be voted on at the meeting. If, however, other matters are presented for a vote at the meeting, the persons named as proxies will vote your properly submitted proxy according to their judgment on those matters.

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## Board of Directors

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### *Structure*

Upon the Governance and Nominating Committee's recommendation, the board has nominated eight directors for election in 2010, each to hold office until the annual meeting of stockholders in 2011 (subject to the election and qualification of their successors or the earlier of their death, resignation or removal). Stockholders have previously elected all of these nominees to the board. We prepared the following director summaries using information furnished to us by the nominees:

**Dorrit J. Bern**, 59, joined our board of directors in 2006. From 1997 through 2008, Ms. Bern served as chairman, president and chief executive officer of Charming Shoppes, Inc., a multichannel specialty women's apparel retailer. Ms. Bern previously served as a director of Charming Shoppes, Inc. (1995-2008), The Southern Company (1999-2008) and Brunswick Corporation (2000-2005). Since 2009, she has been a trustee of the Pennsylvania Real Estate Investment Trust. The retail leadership experience reflected in Ms. Bern's summary, as well as her participation on our board and her experience as a board member (including as chairman) for several other public companies, led the board to conclude that she should again be nominated as a director.

**Warren F. Bryant**, 64, joined our board of directors in 2004. From 2002 to 2008, Mr. Bryant served as a director and the president and chief executive officer of Longs Drug Stores Corporation, a retail drug store chain on the West Coast and in Hawaii. From 2003 to 2008 he served as the chairman of the board of Longs Drug Stores. Mr. Bryant served as senior vice president of The Kroger Co., a retail grocery chain, from 1999 to 2002. From 1996 to 1999, he served as president and chief executive officer of Dillon Companies, Inc., a retail grocery chain and subsidiary of The Kroger Co. Mr. Bryant also served as a director of The National Association of Chain Drug Stores from 2003 to 2008 and as Chairman of the Association during 2008. Mr. Bryant previously served as a director of Longs Drug Stores Corporation (2002-2008) and Pathmark Stores, Inc. (2004-2005). Since 2009, Mr. Bryant has served as a director of Dollar General Corporation. The retail leadership experience reflected in Mr. Bryant's summary, as well as his participation on our board and his experience as a board member (including as chairman) for several other public companies, led the board to conclude that he should again be nominated as a director.

**Joseph M. DePinto**, 47, joined our board of directors in 2006. Mr. DePinto has been the president and chief executive officer of 7-Eleven, Inc., a convenience retailer, since December 2005. Prior to joining 7-Eleven, Inc., Mr. DePinto served as the president of GameStop Corp., a video game and entertainment software retailer, beginning in March 2005. Mr. DePinto was the vice president of operations of 7-Eleven from March 2002 until he joined GameStop Corp. in March 2005. Prior to March 2002, Mr. DePinto was senior vice president and chief operating officer of Thornton Quick Café & Market. Since 2008, he has also been a director of Jo-Ann Stores, Inc. The retail leadership experience reflected in Mr. DePinto's summary, as well as his participation on our board and his experience as a board member for other large and/or public companies, led the board to conclude that he should again be nominated as a director.

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**Sam K. Duncan**, 58, joined our board of directors in 2005. Mr. Duncan became the chairman and chief executive officer of the company in 2005. Prior to his election as chief executive officer of the company, Mr. Duncan was president and chief executive officer of ShopKo Stores, Inc., a multi-department retailer, from October 2002 to April 2005. From 1992 to 2002, Mr. Duncan held various merchandising and executive positions with Fred Meyer, Inc. (a division of The Kroger Co.) a grocery retailer, including: president of Fred Meyer from February 2001 to October 2002 and president of Ralph's Supermarkets from 1998 to 2001. Mr. Duncan began his retail career in the supermarket industry in 1969 with Albertson's, Inc., where he held various merchandising positions until 1992. Mr. Duncan has been a director of Nash-Finch Company since 2007 and was a director of ShopKo Stores, Inc. from 2002-2005. The retail leadership experience reflected in Mr. Duncan's summary, as well as his performance as our chief executive officer and chairman of our board and his experience as a board member for other large and/or public companies, led the board to conclude that he should again be nominated as a director.

**Rakesh Gangwal**, 56, joined our board of directors in 1998. From June 2003 to August 2007, Mr. Gangwal was the chairman, president and chief executive officer of Worldspan Technologies, Inc., a provider of travel technology and information services to the travel and transportation industry. From 2002 to 2003, Mr. Gangwal was involved in various personal business endeavors, including private equity projects and consulting projects. He was the president and chief executive officer of US Airways Group, Inc., the parent corporation for US Airways' mainline jet and express divisions as well as several related companies, from 1998 until his resignation in 2001. Mr. Gangwal was also the president and chief executive officer of US Airways, Inc., the main operating arm of US Airways Group, from 1998 until his resignation. He was the president and chief operating officer of US Airways Group, Inc., and US Airways, Inc., from 1996 to 1998. On August 11, 2002, US Airways Group, Inc., and its seven domestic subsidiaries, including its principal operating subsidiary, US Airways, Inc., filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Virginia. US Airways Group, Inc., and its subsidiaries emerged from bankruptcy protection under the First Amended Joint Plan of Reorganization of US Airways Group, Inc., and Affiliated Debtors and Debtors-in-Possession, as Modified, which became effective on March 31, 2003. Mr. Gangwal has been a director of PetSmart, Inc since 2005. Mr. Gangwal's prior leadership experience in commerce between businesses, reflected in his summary, as well as his experience in corporate finance, his participation on our board and his experience as a board member (including as chairman) for other public companies, led the board to conclude that he should again be nominated as a director.

**William J. Montgoris**, 63, joined our board of directors in July 2007. Mr. Montgoris was the chief operating officer of The Bear Stearns Companies Inc., a leading global investment banking, securities trading and brokerage firm, from 1993 until his retirement in 1999. Prior to holding this position, he served Bear Stearns as its chief financial officer from 1987 to 1993 and as a senior managing director from 1985 to 1987. Mr. Montgoris currently serves on the Board of Trustees of Hackensack Medical Center and Colby College. In addition, he has been a director of Carters, Inc. since 2007 and Stage Stores, Inc. since 2004. Mr. Montgoris served on the Board of Trustees of The Reserve Funds, a family of money market mutual funds, from 2007 to 2009, and since 2009, has served as a consultant to the independent trustees of The Reserve Funds. Mr. Montgoris' prior leadership experience in commerce between businesses, reflected in his summary, as well as his financial expertise and experience in corporate

finance, his participation on our board and his experience as a board member for several other public companies, led the board to conclude that he should again be nominated as a director.

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**Francesca Ruiz de Luzuriaga**, 55, joined our board of directors in 1998. From 1999 to 2000, Ms. Luzuriaga served as the chief operating officer of Mattel Interactive, a business unit of Mattel, Inc., one of the major toy manufacturers in the world. Prior to holding this position, she served Mattel as its executive vice president, worldwide business planning and resources, from 1997 to 1999 and as its chief financial officer from 1995 to 1997. Since leaving Mattel in 2000, Ms. Luzuriaga has been working as an independent business development consultant. From 2002 until 2005, she was also a director of Providian Financial Corporation. Ms. Luzuriaga's prior leadership experience in commerce between businesses, reflected in her summary, as well as her financial expertise and experience in corporate finance, her participation on our board and her experience as a board member for other public companies, led the board to conclude that she should again be nominated as a director.

**David M. Szymanski**, 53, joined our board of directors in 2004. Dr. Szymanski is a Professor of Marketing at Texas A&M University, where he has served since 1987. Dr. Szymanski served as the Director of the Center for Retailing Studies at Texas A&M University from 2000 to 2006. He has held senior positions at the University since 1987. Dr. Szymanski has also been a director of Zale Corporation since 2004. Dr. Szymanski's knowledge of the retail industry arising from his academic focus, as well as his participation on our board and his experience as a board member for another public company, led the board to conclude that he should again be nominated as a director.

None of the companies named in these biographies as current or previous employers of the nominees are affiliated with the company.

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***Director Independence***

The board has determined that, except for Mr. Duncan, the nominees for election as directors are, and all members of the board in 2009 were, independent within the meaning of the rules of the NYSE.

For a director to be considered independent under the NYSE rules, our board must determine that he or she does not have any material relationship with OfficeMax. To assist in making this determination, our board adopted the NYSE's independence standards. For purposes of these standards, an "immediate family member" includes a spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares the director's home.

The board will presume a director is independent if, during the last three years, he or she has **not**:

been an OfficeMax employee or an immediate family member of an executive officer of OfficeMax, other than in the capacity as a former interim chairman, chief executive officer or other executive officer;

been a partner or employee of a firm that is OfficeMax's internal or external auditor; had an immediate family member who was a partner of such a firm; or had an immediate family member who was an employee of such a firm and personally worked on the listed company's audit;

been employed (or had an immediate family member employed) as an executive officer by another company whose compensation committee included one or more current executives of OfficeMax;

received (or had an immediate family member who has received) more than \$120,000 per year in direct compensation from OfficeMax other than director and committee fees or pension or other deferred compensation for prior services; and

been an employee of, or had an immediate family member who was an executive officer of, a company that made payments to or received payments from OfficeMax for property or services, which, in any fiscal year, exceeded the greater of \$1 million or 2% of the other company's consolidated gross revenues.

In addition, our board will consider a director independent for purposes of serving on our Audit Committee only if he or she:

has not accepted, directly or indirectly, any consulting, advisory, or other compensatory fees from OfficeMax, other than compensation for service as a director; and

is not an "affiliated person" of OfficeMax or any of its subsidiaries, as that term is defined by the SEC.

Our board will determine the independence of any director who has any other relationship with OfficeMax that is not covered by these standards. In particular, the board has considered the following relationships:

In 2009, a number of companies for which our directors also serve as officers or directors purchased office supplies from OfficeMax in the ordinary course of business. None of these sales accounted individually for more than the greater of \$1 million or 2% of our revenues or the purchasing entity's revenues in 2009, and none of these sales were material to our business. All of the transactions were entered into in the ordinary course of business and involved the purchase or provision of goods or services on a non-exclusive basis and at arms-length negotiated rates. Our

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board has determined that these transactions are not material relationships under the NYSE's Corporate Governance Listing Standards and do not otherwise impair the independence of our directors.

***Related Transactions***

Our Governance and Nominating Committee is required by its charter to review all related person transactions required to be disclosed by SEC rules on an ongoing basis, and all such transactions must be approved or ratified by the committee. In conducting its review, the Governance and Nominating Committee's charter states that the committee will consider the following factors: the nature of the related person's interest in the transaction; whether the transaction involves standard prices, rates or charges or is otherwise on terms consistent with arms-length dealings with unrelated third parties; the materiality of the transaction to each party; the reasons for the company entering into the transaction with the related person (such as the absence of a similarly qualified unrelated party); whether the transaction might affect the status of a director as independent under the independence standards of the NYSE; and any other factors the committee may deem relevant with respect to the particular transaction. Any member of the Governance and Nominating Committee who is a related person with respect to a transaction is recused from the review of the transaction.

***Our board of directors unanimously recommends a vote "FOR" the election of the board's nominees identified above.***

Table of Contents**Director Compensation**

The following table presents compensation information for the current independent members of our board of directors: Ms. Dorrit J. Bern and Ms. Francesca Ruiz de Luzuriaga and Messrs. Warren F. Bryant, Joseph M. DePinto, Rakesh Gangwal, William J. Montgoris and David M. Szymanski. Compensation for Mr. Sam K. Duncan, our chief executive officer, is set forth in the "Summary Compensation Table" on page 61. Mr. Duncan does not receive additional compensation for his service as chairman of the board.

**DIRECTOR COMPENSATION  
FOR FISCAL YEAR ENDED DECEMBER 26, 2009**

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$ (2))	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$ (3))	Total (\$)
(a)	(b)	(c)	(f)	(h)
Dorrit J. Bern	\$ 95,000	\$ 74,996		\$ 169,996
Warren F. Bryant	\$ 103,000	\$ 74,996	\$ 3,234	\$ 181,230
Joseph M. DePinto	\$ 94,000 (1)	\$ 74,996		\$ 168,996
Rakesh Gangwal	\$ 113,000 (1)	\$ 74,996		\$ 187,996
William J. Montgoris	\$ 95,000	\$ 74,996		\$ 169,996
Francesca Ruiz de Luzuriaga	\$ 128,000	\$ 74,996	\$ 4,696	\$ 207,692
David M. Szymanski	\$ 111,000	\$ 74,996		\$ 185,996

(1) Messrs. DePinto and Gangwal elected to receive a percentage of their cash fees in the form of restricted stock units ("RSUs") pursuant to the 2003 OfficeMax Incentive and Performance Plan ("OMIPP"). For each director, the number of RSUs issued in lieu of fees was determined by dividing the amount of cash fees foregone by \$12.69, the closing price of our common stock as reported on the consolidated tape of the NYSE on the last trading day of the calendar year. On December 31, 2009, Mr. DePinto was issued 3,703 RSUs in lieu of \$46,991 in fees and Mr. Gangwal was issued 8,904 RSUs in lieu of \$112,992 in fees. The difference between the fees foregone and the value of the RSUs issued was paid in cash in lieu of issuing fractional RSUs.

(2) The figures in this column represent the aggregate grant date fair value of RSUs awarded to our directors. Each non-employee director was granted 10,668 RSUs under the OMIPP on July 22, 2009. These RSUs vested on January 22, 2010 and are payable in common stock six months following a director's date of termination of board service for any reason. See Note 13 "Shareholders' Equity Share-Based Payments" to Notes to Consolidated Financial Statements in the company's Annual Report on Form 10-K for the year ended December 26, 2009 for a discussion of the assumptions used by the company to calculate grant date fair value. As of December 26, 2009, the directors had the following outstanding option and stock awards. As of





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January 22, 2010, all vesting requirements were met with respect to these outstanding securities:

<b>Name</b>	<b>Outstanding Option Awards (a)</b>	<b>Outstanding Stock Awards (b)</b>
Dorrit J. Bern		19,360
Warren F. Bryant		21,961
Joseph M. DePinto		19,360
Rakesh Gangwal	9,500	21,961
William J. Montgoris		18,009
Francesca Ruiz de Luzuriaga	9,500	21,961
David M. Szymanski		22,291

- (a) This column does not include options elected to be received by a director in lieu of cash fees.
- (b) This column does not include RSUs elected to be received by a director in lieu of cash fees.
- (3) The figures in this column represent above market interest earned by directors who had balances in the Director Deferred Compensation Plan.

***Description of Director Compensation***

Our current board members, except Mr. Duncan, receive compensation for board service. In 2009, that compensation included:

<b>Annual Retainer:</b>	\$51,000
<b>Attendance Fees:</b>	\$2,000 for each board meeting \$1,000 for each committee meeting Expenses related to attendance
<b>Equity Based Compensation Award:</b>	\$75,000 annually

In addition to the compensation described above, the chair of each committee of the board receives an additional retainer as compensation for his or her role as chair. In 2009, retainers for service as committee chairs were paid as follows:

<b>Committee</b>	<b>Committee Chair Retainer</b>	<b>Chairman</b>
Audit	\$ 30,000	Ms. Ruiz de Luzuriaga
Executive Compensation	\$ 20,000	Dr. Szymanski
Governance and Nominating	\$ 10,000	Mr. Bryant
Outside Directors	\$ 20,000	Mr. Gangwal

For 2010, the Governance and Nominating Committee of the board reviewed the compensation received by our directors against the compensation received by directors of the same peer group companies listed herein under "Compensation Discussion and Analysis Peer Group"

on page 42 and determined that the annual retainer for the Chairman of the Committee of Outside Directors

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(our lead director) should be increased to \$30,000. No other changes in the compensation of board members were recommended for board approval for 2010.

***2003 OfficeMax Incentive and Performance Plan***

Through our stockholder-approved 2003 OfficeMax Incentive and Performance Plan ("OMIPP"), each non-employee director annually receives a form of long-term equity compensation approved by our Governance and Nominating Committee. As referenced above for 2009, each non-employee director was to receive a grant of RSUs with a target fair market value of \$75,000. On July 22, 2009, the grant date, the company's closing stock price was \$7.03, which resulted in an actual grant of RSUs with a fair market value of \$74,996 because fractional RSUs are not issued. The RSUs vested six months after the date of grant and are payable six months following the date of termination of board service for any reason (or immediately upon death or disability). RSUs are paid in shares of our common stock. Directors holding RSUs are not entitled to any voting rights with respect to the RSUs, but are entitled to receive notional dividends on the RSUs, if dividends are declared. These notional dividends are accumulated and paid in cash at the time the RSUs are paid.

***Additional Director Compensation Plans***

Our non-employee directors may choose to receive their cash compensation (meeting and retainer fees) in one of the following three ways:

in cash;

in cash deposited in the Director Deferred Compensation Plan; or

in RSUs (awarded through the OMIPP).

Non-employee directors must specify by December 31 of each year how much of their cash compensation for the following year they wish to receive in each available payment form.

***Director Deferred Compensation Plan***

Our Director Deferred Compensation Plan allows each non-employee director to defer all or a portion of the cash compensation he or she receives for services as a director. Non-employee directors may defer from a minimum of \$5,000 to a maximum of 100% of their cash compensation in a calendar year. Amounts deferred under this plan are credited with interest at a rate equal to 130% of Moody's Composite Average of Yields on Corporate Bonds. Participants elect the form and timing of distributions of their deferred compensation balances under this plan at the time the decision to defer compensation under the plan is made. Participants will receive payment in cash, in a lump sum or in annual installments, following the termination of their service on the board. In the event of a change in control of the company, as defined in the plan, a trust may pay our obligations under the Director Deferred Compensation Plan. For more information on this trust, see "Other Compensation and Benefit Plans Deferred Compensation Deferred Compensation and Benefits Trust" beginning on page 69. None of the seven eligible non-employee directors participated in the plan in 2009 and none of the seven eligible non-employee directors have elected to participate in the plan in 2010.

***Restricted Stock Units In Lieu Of Cash Compensation (Awarded Through the OMIPP)***

Through our stockholder approved OMIPP, non-employee directors can elect to receive RSUs in lieu of part or all of their cash compensation. Under this plan, RSUs are granted to participating directors on the last trading day of each calendar year. The number of RSUs granted to a participating director is determined by dividing the amount of cash compensation he or she elected to receive in RSUs by the closing price of our common stock as reported on the consolidated tape

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of the NYSE on the last trading day of the calendar year. The RSUs are payable immediately after termination of a participating director's service on the board. RSUs are paid in shares of our common stock. Directors holding RSUs are not entitled to any voting rights with respect to the RSUs, but are entitled to receive notional dividends on the RSUs, if dividends are declared. The notional dividends are accumulated and paid in cash when the RSUs are paid. Two of the seven eligible directors, Messrs. DePinto and Gangwal, elected to receive RSUs in lieu of all or a portion of their cash compensation in 2009 and two of the seven eligible directors, Messrs. DePinto and Gangwal, have elected to receive RSUs in lieu of all or a portion of their cash compensation in 2010.

***Director Stock Ownership Guidelines***

In 2005, the Governance and Nominating Committee established stock ownership guidelines for directors. These guidelines are intended to increase the directors' stake in the company and more closely align their interests with those of the OfficeMax stockholders. These guidelines provide that over a four-year period (beginning at inception of the guidelines or upon election to the board) directors should acquire and maintain stock ownership equal to three times the annual cash retainer amount. The amount of stock required to be held will adjust whenever the retainer for directors is adjusted. All shares of stock owned outright by a director, unvested restricted stock and stock options with an exercise price of \$2.50 per share issued under former director stock plans are taken into consideration in determining whether a director has met these guidelines. In April each year, the Governance and Nominating Committee of the board of directors reviews the progress of each director towards achievement of the guidelines. The committee will apply OfficeMax's stock price on March 31st to each director's securities on that date to determine each director's level of compliance with the guidelines. Stock options will be valued at the excess of the market price of the underlying stock over the exercise price. Once a director has met these guidelines, he or she shall be deemed to continue to meet the guidelines and shall be exempt from review in future periods until such director reduces the number of securities he or she holds. Once a director reduces his or her holdings, such director will be subject to review each successive April for compliance with the guidelines. In addition to the stock ownership guidelines, OfficeMax requires that directors hold all of the RSUs received under the directors' compensation program until six months following termination of board service (except in the event of death or disability). This mandatory hold policy, which is discussed earlier, serves to reinforce the Stock Ownership Guidelines and ensure that director ownership of OfficeMax common stock increases over time.

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**Meetings of the Board**

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During 2009, our board of directors met 14 times. In addition to meetings of the full board, directors also attended meetings of board committees. Overall, our directors had an attendance rate of 95%. All of the directors attended at least 88% of the meetings of the board and the committees on which they served.

While we do not have a formal policy requiring them to do so, we encourage our directors to attend our annual meeting and all of our directors attended our 2009 annual meeting of stockholders.

The standing committees of the board of directors, with the membership indicated, are set forth in the table below. Mr. Duncan, as the only director who is not independent, does not serve on any committee of the board other than the Executive Committee.

**The Board of Directors and Committee Membership**

<b>Director</b>	<b>Committee of Outside Directors</b>	<b>Executive Compensation Committee</b>	<b>Audit Committee</b>	<b>Governance and Nominating Committee</b>
Dorrit J. Bern *	X	X	X	
Warren F. Bryant *	X		X	X (C)
Joseph M. DePinto *	X	X	X	
Rakesh Gangwal *	X (C)	X		X
William J. Montgoris *	X	X	X	
Francesca Ruiz de Luzuriaga *	X		X (C)	X
David M. Szymanski *	X	X (C)		X
2009 Meetings	2	7	10	5

(\*) Independent director within the definition used by the NYSE.

(C) Committee Chair.

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**Committee of Outside Directors**

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The Committee of Outside Directors is comprised solely of our independent directors and meets outside the presence of Mr. Duncan (our only management director). The Committee of Outside Directors reviews and evaluates our chief executive officer's performance against his goals and strategies. The Committee of Outside Directors meets at least twice each year on a formal basis. The Committee of Outside Directors also meets on an ad hoc basis in conjunction with regularly scheduled board meetings.

The chair of our Committee of Outside Directors acts as the lead independent director for our board. Our lead independent director is responsible for:

convening and presiding at all meetings of the board at which the chairman is not present, including executive sessions of the independent directors;

coordinating the activities of our independent directors;

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facilitating communications between the chairman of the board and chief executive officer and other board members;

reviewing meeting agendas and schedules, as well as board materials, prior to board meetings;

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consulting with the chairman of the board to assure that appropriate topics are being discussed with sufficient time allocated for each; and

reviewing the results of the chief executive officer's performance evaluation with the chief executive officer and with the chair of the Executive Compensation Committee.

When performing these duties, our lead independent director consults with the chairs of our other board committees, as needed, to avoid any dilution of their authority or responsibility.

You may contact our independent directors in the manner set forth under "Governance and Nominating Committee Communications with Directors" on page 34.

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**Executive Committee**

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In accordance with our Bylaws, the Executive Committee has and may exercise all powers the board may legally delegate. The committee is convened when circumstances do not allow the time, or when it is otherwise not practicable, for the entire board to meet. The committee consists of the chairman of the board and the chairs of the Audit Committee, Executive Compensation Committee, Governance and Nominating Committee and the Committee of Outside Directors. In 2009, the Executive Committee did not meet.

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**Governance and Nominating Committee**

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The Governance and Nominating Committee, comprised entirely of directors meeting the independence requirements of the NYSE, is responsible for:

assisting the board in identifying and recommending qualified individuals for board membership;

recommending nominees for election at the annual meeting of stockholders;

reviewing the continued appropriateness of a director's board membership upon a change in the circumstances of a director;

reviewing the structure of each board committee and recommending the composition of each committee;

developing our corporate governance guidelines;

reviewing director compensation and benefits;

recommending responses to stockholder proposals;

overseeing the process of evaluation of our senior management, except our chief executive officer;

reviewing related person transactions; and

developing and recommending to the board an annual self-evaluation process of the board and its committees.



*Qualifications for Directors*

The Governance and Nominating Committee and the board have established qualifications for directors, including the ability to apply good and independent judgment in a business situation and the ability to represent the interests of all our stockholders and constituencies. A director also must be free from any conflicts of interest that would interfere with his or her loyalty to our stockholders

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and us. In evaluating board candidates, the Governance and Nominating Committee considers these qualifications as well as several other factors, including but not limited to:

demonstrated maturity and experience;

geographic balance;

expertise in business areas relevant to OfficeMax;

background as an educator in business, economics, or the sciences; and

diversity.

The Governance and Nominating Committee believes that board diversity is an expansive attribute that includes differing points of view, professional experience and expertise and education, as well as more traditional diversity concepts. The board annually reviews its own composition during its evaluation by asking its members to indicate whether the board has the right mix of competencies, skills, experience and backgrounds.

The Governance and Nominating Committee identifies nominees by first evaluating the current members of the board willing to continue in service. Current members of the board with skills and experience relevant to our business and who are willing to continue in service are considered for re-nomination. If any member of the board does not wish to continue in service or if the Governance and Nominating Committee decides not to nominate a member for reelection, the committee will review the desired skills and experience of a new nominee in light of the criteria set forth above or may choose to recommend a reduction in the number of board members. Given the significant time demands and responsibilities of serving on a public company board, our directors may not serve on more than four public-company boards in addition to our board.

The Governance and Nominating Committee relies on management and director recommendations and the use of independent search firms when identifying potential board candidates. We also consider director candidates recommended by our stockholders.

The Governance and Nominating Committee does not have a written policy regarding stockholder nominations for directors. In accordance with our Bylaws, however, the committee will consider stockholder nominations for directors (see "Other Information Stockholder Nominations for Directors" beginning on page 84). OfficeMax has not received any stockholder nominations or recommendations for director in connection with our 2010 annual meeting.

### ***Governance Guidelines and Committee Charters***

We maintain a corporate governance page on our website that includes key information about our corporate governance. That information includes our Corporate Governance Guidelines, Code of Ethics and charters for our Audit, Executive Compensation and Governance and Nominating Committees, as well as our Committee of Outside Directors. The corporate governance page can be found at [www.investor.officemax.com](http://www.investor.officemax.com) by clicking on "Corporate Governance." You also may obtain copies of these materials by contacting our Investor Relations Department, 263 Shuman Boulevard, Naperville, Illinois 60563, or by calling 630/864-6800.

Our policies and practices reflect corporate governance standards that comply with the NYSE listing requirements and the corporate governance requirements of the Sarbanes-Oxley Act, including:

our board of directors adopted clear corporate governance policies, including standards for determining director independence;



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with the exception of Mr. Duncan, our chairman of the board and chief executive officer, OfficeMax's board has determined that all of our directors meet the independence requirements of the NYSE;

all members of our Audit, Executive Compensation and Governance and Nominating Committees are independent;

our board committee charters clearly establish their respective roles and responsibilities;

our non-management directors meet at least twice a year without management present, under the direction of our lead independent director;

we have a Code of Ethics that applies to all OfficeMax directors, officers and associates and to any company that we own or manage;

our internal audit function maintains critical oversight over the key areas of our business, financial processes, and controls, and reports regularly to the Audit Committee;

we have a toll-free reporting service available that permits employees to report violations of our Code of Ethics or other issues of significant concern on a confidential basis; and

callers on our toll-free reporting service may request that an issue be reported to the Audit Committee.

### ***Communications with Directors***

Stockholders and other interested parties may send correspondence to our board of directors or to any individual director through the following address: OfficeMax Incorporated, *Attention* Corporate Secretary, 263 Shuman Boulevard, Naperville, Illinois 60563. You also may correspond with our directors by email at [boardofdirectors@officemax.com](mailto:boardofdirectors@officemax.com). We will forward all communications to the person(s) to whom they are addressed. All correspondence will also be referred to our lead director. While we do not screen these communications, copies also will be forwarded to our general counsel and our corporate secretary. You can direct concerns about accounting controls or auditing matters to the chair of the Audit Committee at the same address. We also have a tipline staffed by a live operator from an independent third party company 24 hours a day, seven days a week. Calls are free and confidential and may be made anonymously. You may request that your concern or issue be forwarded to the Audit Committee. The tipline number is 1-800-241-5689.

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## **Board Leadership Structure and Oversight of Risk**

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### ***Board Leadership Structure***

Like a majority of publicly traded American companies, we have chosen to combine the principal executive officer and board chairman positions. We chose this structure because we believe it results in the most effective leadership for our board to help it discharge its duties. Our business model consists of clearly defined lines of business with minimal conflicting interests. Given this model, we believe our chief executive officer, as the individual with primary responsibility for managing our day-to-day operations, is also best positioned to provide board leadership that is aligned to our stockholders' interests as well as the company's needs, business model and industry. The chief executive officer is well situated to identify the key risks facing the organization and ensure that these are brought to the attention of the board. Finally, the chief executive officer is able to act as a conduit between the board and management to plan and execute board meetings, to provide updates between meetings when necessary and to efficiently implement board directives. We believe that this structure reduces the likelihood of confusion about leadership roles and duplication of efforts. In order to provide independent oversight and input, all of the other directors



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on our board are independent. Our chief executive officer is not a member of any committee of the board, and the independent directors frequently meet outside the presence of management and under the leadership of our lead independent director. The role and responsibilities afforded the lead independent director of the board further enhance the board's ability to evaluate management performance and otherwise fulfill its oversight responsibilities. The chief executive officer consults with the lead director on the proposed agendas for board and committee meetings, in order to make sure that key issues and concerns of the board are addressed. The role of the lead independent director is described in detail above under "Committee of Outside Directors".

***Board Oversight of Risk***

The Audit Committee of the board administers its risk oversight function. The committee's charter states that one of its duties is to "discuss... with management and the independent registered public accounting firm, as appropriate ... OfficeMax's risk assessment and risk management policies, including OfficeMax's major financial risk exposure and steps taken by management to monitor and mitigate such exposure." Under the direction of the Audit Committee, the company's general counsel (who also serves as the company's chief compliance officer) oversees corporate compliance activities. Such activities include training, maintenance of a tipline and participation in investigations. In addition, the office of corporate compliance maintains a list of enterprise risks that it believes are material to the company and a plan and person responsible for monitoring and mitigation of each such risk. The Audit Committee receives an annual report from the general counsel ranking the enterprise risks and describing the status of mitigation activities. The board also receives a report at each meeting that describes compliance risks. The company's internal audit services group and loss prevention group are also involved in the management of risk. Under its charter, one mission of the audit services group is to determine whether the company's network of risk management, control and governance processes is adequate and functioning in a manner to ensure risks are appropriately identified and managed. The loss prevention group is tasked with managing various security risks to the company including facility access and security and product shrinkage and theft. To provide for the independence of internal audit services, its personnel report to the vice-president of internal audit services, who reports functionally to the Audit Committee of the board and has unrestricted access to the board. The vice-president of internal audit services reports administratively to the chief financial officer and chief administrative officer. The loss prevention personnel report to the vice-president of loss prevention, who reports administratively to the executive vice-president of store operations and has unrestricted access to the Audit Committee of the board. The vice-president of internal audit services will include, as part of his or her reports to the Audit Committee, a regular report on the findings of internal audit services and the status of its review. The vice-president of loss prevention will include, as part of his or her reports to the Audit Committee, a regular report on the activities of loss prevention.

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**Audit Committee Report**

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The Audit Committee of the board of directors oversees our accounting and financial reporting processes, audits of OfficeMax's financial statements, the system of internal controls established by management related to accounting, financial reporting, disclosure and ethics and the integrity of OfficeMax's financial statements. The Audit Committee also assists the board in the oversight of OfficeMax's compliance with legal and regulatory requirements; the evaluation of the independence, performance and qualifications of the independent public accounting firm; and the performance of OfficeMax's internal audit function. It is comprised entirely of independent directors as required by the NYSE listing standards and by its own written charter. All of the Audit Committee members are

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"financially literate," and are "audit committee financial experts" as defined by the SEC. See "Board of Directors" for a description of the experience of each Audit Committee member.

The Audit Committee, formed in 1969, has had a charter since 1973. The Audit Committee periodically reviews and updates that charter based on changes in its responsibilities and changes in SEC regulations or NYSE listing standards.

***Audit Committee Responsibilities***

The Audit Committee's responsibilities include:

discussing with management and the independent registered public accounting firm OfficeMax's annual audited financial statements and unaudited quarterly financial statements, including matters required for review under applicable legal, regulatory, or NYSE requirements, and recommending to the board whether the annual audited financial statements should be included in OfficeMax's Annual Report on Form 10-K;

discussing with management and the independent registered public accounting firm, as appropriate, earnings press releases, analyst and rating agency guidance and other financial information provided to the public;

recommending, for stockholder approval, the independent registered public accounting firm to examine OfficeMax's accounts, controls and financial statements. The Audit Committee has the sole authority and responsibility to select, terminate and determine the compensation of the independent registered public accounting firm. The independent registered public accounting firm reports directly to the Audit Committee and the Audit Committee is directly responsible for oversight of the work of the independent registered public accounting firm, including resolution of disagreements between company management and the independent registered public accounting firm regarding financial reporting;

discussing with management and the independent registered public accounting firm, as appropriate, any audit problems or difficulties and management's response, as well as OfficeMax's risk assessment and risk management policies, including OfficeMax's major financial risk exposure and steps taken by management to monitor and mitigate such exposure;

reviewing OfficeMax's financial reporting and accounting standards and principles, significant changes in those standards or principles or in their application and the key accounting decisions affecting OfficeMax's financial statements, including alternatives to, and the rationale for, the decisions made;

reviewing and approving OfficeMax's internal corporate audit staff functions, including (i) purpose, authority and organizational reporting lines and (ii) annual audit plan, budget and staffing;

reviewing, with the chief financial officer, the controller, the director of internal corporate audit functions, or such other persons as the Audit Committee deems appropriate, OfficeMax's internal system of audit, financial and disclosure controls and the results of internal audits;

obtaining and reviewing at least annually a written report from the independent registered public accounting firm delineating: the accounting firm's internal quality control procedures; and any material issues raised within the preceding five years by the accounting firm's internal quality-control review, by peer reviews of the firm, or by any governmental or other inquiry or investigation relating to any audit conducted by the firm. The Audit Committee also reviews steps taken by the accounting firm to address any findings in any of the foregoing reviews;





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assessing the external auditor's independence and the absence of conflicts of interest, by reviewing at least annually all relationships between the independent registered public accounting firm and OfficeMax;

preparing and publishing an annual committee report in OfficeMax's proxy statement;

setting policies for hiring employees or former employees of OfficeMax's independent registered public accounting firm;

reviewing and investigating matters pertaining to the integrity of management, including conflicts of interest or adherence to codes of ethics as required in OfficeMax's policies. In connection with these reviews, the Audit Committee will meet, as deemed appropriate, with the general counsel and other OfficeMax officers and employees; and

establishing procedures concerning the submission, receipt, retention and treatment of complaints and concerns regarding accounting, internal accounting controls, or audit matters.

***Audit, Audit-Related, and Other Nonaudit Services***

Consistent with SEC policies regarding auditor independence, the Audit Committee has responsibility for appointing, setting compensation and overseeing the work of KPMG LLP. In recognition of this responsibility, the Audit Committee has established a policy to pre-approve all audit and permissible non-audit services provided by KPMG LLP.

Prior to engagement of KPMG LLP for the next year's audit, management or KPMG LLP will submit to the Audit Committee for approval a list of services expected to be rendered during that year within each of four categories of services and related fees.

1. ***Audit*** services include audit work performed on the financial statements and internal control over financial reporting, as well as work that generally only KPMG LLP can reasonably be expected to provide, including comfort letters, statutory audits and discussions surrounding the proper application of financial accounting and/or reporting standards.
2. ***Audit-Related*** services are for assurance and related services that are traditionally performed by KPMG LLP, including employee benefit plan audits and special procedures required to meet certain regulatory requirements.
3. ***Tax*** services include all services performed by KPMG LLP's tax personnel except those services specifically related to the audit of the financial statements, including tax analysis, assisting with the coordination of tax-related activities, supporting other tax-related regulatory requirements and tax compliance and reporting.
4. ***All Other*** services are those services not captured in the audit, audit-related or tax categories. OfficeMax generally does not request such services from KPMG LLP.

Prior to engagement, the Audit Committee considers whether proposed services would impair KPMG LLP's independence before approving any services within each category. The fees are budgeted and the Audit Committee requires KPMG LLP and management to report actual fees versus the budget periodically throughout the year by category of service.

During the year, circumstances may arise when it becomes necessary to engage KPMG LLP for additional services not contemplated in the original pre-approval categories. In those instances, the Audit Committee requires specific pre-approval before engaging KPMG LLP. To ensure prompt handling of unexpected matters, the Audit Committee has delegated to its chair the authority to amend or modify the list of approved permissible audit and nonaudit services and fees. For informational purposes only, the chair reports any action taken pursuant to this authority at the next



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Audit Committee meeting. The Audit Committee believes this approach results in an effective procedure to pre-approve services to be performed by KPMG LLP.

OfficeMax did not use KPMG LLP for any of the following nonaudit services in 2009:

bookkeeping or other services related to our accounting records or financial statements;

financial information systems design and implementation;

appraisal or valuation services, fairness opinions, or contribution-in-kind reports;

actuarial services;

internal audit outsourcing services;

management functions or human resources;

broker or dealer, investment adviser, or investment banking services; or

legal services and expert services unrelated to the audit.

Based on its review, the Audit Committee believes that KPMG LLP's provision of nonaudit services is compatible with maintaining its independence.

***Financial Statements Recommendation***

The Audit Committee is responsible for recommending to the board that OfficeMax's audited financial statements be included in its Form 10-K. The Audit Committee took a number of steps in making this recommendation for 2009, including discussing with KPMG LLP the:

conduct of the audit, including information regarding the scope and results of the audit, as required by the Statement on Auditing Standards No. 61, Communication with Audit Committees;

auditors' independence, including receipt of a letter from KPMG LLP regarding its independence, as required under the applicable requirements of the Public Company Accounting Oversight Board; and

management's assessment of the effectiveness of internal control over financial reporting and KPMG LLP's audit of the effectiveness of internal controls over financial reporting.

As the final step in this procedure, the Audit Committee reviewed and discussed with KPMG LLP and management OfficeMax's audited consolidated balance sheet at December 26, 2009 and its audited consolidated statements of operations, cash flows and shareholders' equity for the year ended December 26, 2009.

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Based on the discussions with OfficeMax's management regarding the audited financial statements and with KPMG LLP regarding its audit and independence, the Audit Committee recommended to the board that these financial statements be included in OfficeMax's Form 10-K for the year ended December 26, 2009.

### *Audit Committee of the Board of Directors*

Francesca Ruiz de Luzuriaga, Chair  
Dorrit J. Bern  
Warren F. Bryant  
Joseph M. DePinto  
William J. Montgoris

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**Executive Compensation Committee Interlocks and Insider Participation**

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Ms. Bern and Messrs. Szymanski, DePinto, Gangwal and Montgoris served on our Executive Compensation Committee during the last completed fiscal year. None of the members of our Executive Compensation Committee is now or was previously an officer or employee of the company. None of our executive officers serve as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board of directors or our Executive Compensation Committee.

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**Executive Compensation Committee Report**

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The Executive Compensation Committee of the board of directors (throughout this section, the "committee") operates under a written charter and is comprised entirely of directors meeting the independence requirements of the NYSE. The members of the committee are appointed by the board on the recommendation of the Governance and Nominating Committee and may be removed by the board in its discretion.

The board established the committee to discharge the board's responsibilities relating to compensation of the company's chief executive officer and each of the company's other elected officers. The elected officers of the company consist of all officers with a title of senior vice president and above, which includes all named executive officers. The committee has overall responsibility for decisions relating to all compensation plans, policies and benefit programs as they affect the chief executive officer and other elected officers.

***Committee Authority and Responsibilities***

The committee annually reviews and approves corporate goals and objectives relevant to chief executive officer compensation. Together with the board's Committee of Outside Directors, the committee annually evaluates the chief executive officer's performance in light of those goals and objectives and determines and approves the chief executive officer's overall compensation levels based on this evaluation.

The committee annually reviews and approves the annual base salaries and annual incentive opportunities of the company's elected officers.

Periodically and when appropriate, the committee reviews and approves the following as they affect the chief executive officer and the company's elected officers:

All other incentive awards and opportunities including both cash-based and equity-based awards and opportunities;

Any employment agreements and severance arrangements;

Any change-in-control agreements and change-in-control provisions affecting any elements of compensation and benefits; and

Any special or supplemental compensation and benefits.

The committee receives periodic reports on the company's compensation programs as they affect all employees.

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The committee is responsible for producing a committee report for inclusion in the company's proxy statement.

The committee reviews and discusses the Compensation Discussion and Analysis section of the proxy statement with management. Based on this review and discussion, the committee

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determines whether to recommend to the board that the section be included in the company's annual report on Form 10-K or proxy statement.

The committee periodically reviews executive succession plans for management.

***Committee Procedure***

The committee reviews and reassesses its Charter annually and recommends any proposed changes to the board.

The committee has at least three regularly scheduled meetings annually but will meet as often as necessary to carry out its responsibilities. The meetings may be called by the committee chair, the chairman of the board, or the chief executive officer.

The committee keeps minutes and reports its activities to the board.

The committee annually reviews its own performance.

The committee has the sole authority to retain and terminate any compensation consultant to be used to assist it in the evaluation of chief executive officer or elected officer compensation and has sole authority to approve the consultants' fees and the other terms and conditions of the consultants' retention. The committee also has authority to obtain advice and assistance from internal or external legal, accounting, or other advisors as it deems appropriate.

The committee may form and delegate authority to subcommittees.

The Executive Compensation Committee has reviewed and discussed the information appearing below under the heading "Compensation Discussion and Analysis", beginning on page 40, with management and, based on that review and discussion, has recommended to the board of directors that the "Compensation Discussion and Analysis" section be included in this proxy statement.

***Executive Compensation Committee of the Board of Directors***

David M. Szymanski, Chair  
Dorrit J. Bern  
Joseph M. DePinto  
Rakesh Gangwal  
William J. Montgoris

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**Compensation Discussion and Analysis**

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***Overview***

The Executive Compensation Committee (referred to as the committee in the remainder of this section) and management base their executive compensation policies and decisions with respect to our elected officers on achievement of the following objectives:

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create alignment between executive compensation and business performance by rewarding elected officers for the achievement of strategic and tactical goals that are intended to contribute to long-term stockholder value;

attract, motivate and retain elected officers who are vital to our short-and long-term success, profitability and growth;

provide targeted overall compensation levels that are comparable and competitive to the national marketplace where we compete for talent; and



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allow elected officers to share in our success.

In order to achieve these objectives, the committee and management have implemented a compensation program that consists of the following material components:

base salary;

annual performance-based incentive compensation; and

long-term incentive compensation that is primarily performance-based.

We also provide certain other limited compensation and benefit plans, as well as certain perquisites. In designing compensation programs, management and the committee place a heavy emphasis on performance, and consequently a substantial portion of each elected officer's total annual compensation is "at-risk" and tied to our annual and long-term financial performance, as well as to the enhancement of stockholder value. The committee reviewed the company's policies and practices in 2009 to confirm that they do not create risks that are reasonably likely to have a material adverse effect on the company.

We describe each of these components in more detail below, including their relationship to the objectives outlined above.

***Independent Consultant to the Executive Compensation Committee***

The committee has the authority under its charter to directly retain compensation consultants to assist the committee. In accordance with this authority, the committee engages Frederic W. Cook & Co. (referred to in the rest of this section as Cook) as its independent outside compensation consultant to advise it on matters related to chief executive officer and other executive compensation. The committee has the sole authority to retain and terminate Cook. Cook only interacts with management with the express permission of the committee. In its capacity as advisor to the committee, Cook is available to meet with the committee and management when requested and regularly attends committee meetings. Representatives of Cook attended seven committee meetings in 2009. The services provided to the committee by Cook include, but are not limited to: reviewing proposals prepared by management; advising on the design of incentive plans, including the structure of the plans, the selection of performance metrics and the setting of performance goals; advising on the design of indirect elements of the total compensation program, such as change in control severance benefits, stock ownership policy and perquisites; assisting the committee in making changes to Mr. Duncan's compensation and in determining his annual payout, if any, under the annual incentive plan as well as his annual long-term incentive award; providing periodic updates on emerging trends and best practices with regard to compensation design and policy; assisting with preparation of the annual proxy statement and other matters related to disclosure of executive compensation; and reviewing an annual competitive analysis, if one is prepared for the company, of compensation rates for the company's elected officers. In 2009, Cook was engaged by the committee to assist management in reviewing the company's long-term incentive compensation plan and structuring a proposal to request approval of additional shares for issuance under the OMIPP.

***Management Consultant***

Either the executive vice president of human resources or the chief financial officer and chief administrative officer, together with the senior vice president of compensation, benefits and strategic sourcing, engage consultants as needed in order to provide executive compensation recommendations, market data and calculations to management. Prior to 2009 management engaged a consultant to conduct a survey of compensation paid by a peer group of companies (referred to in the rest of this section as the compensation survey) to provide a market-based

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foundation for executive compensation decisions. In 2009, management decided to forgo a full compensation survey to reduce expenses, because no base salary increases or changes in annual short-term incentive target percentages were planned for elected officers and because short-term affordability was expected to impact compensation decisions in 2009 more than peer comparability. A peer group had already been selected in 2009 when this decision was made. For 2009, management obtained general advice from by the Hay Group (referred to in the rest of this section as Hay) regarding long-term incentives established by companies given the macroeconomic conditions in early 2009.

***Peer Group***

The peer group is reviewed and approved annually by the committee. Management, together with Hay, initially propose a peer group of companies drawn from Hay's Retail Industry Total Remuneration Survey. The peer group is finalized after discussions with the committee chair and the committee. The committee also consults with Cook on the composition of the peer group.

The peer group includes competitors, and leading retailers that have submitted their compensation data to Hay. Because Hay's database is limited in the number of same-sized companies participating in the survey, companies that are smaller or larger than us are included in the peer group so that a reasonable number of companies is available for statistical analysis. The compensation data are then adjusted for company size to control for compensation differences that would arise from company size differences alone. The committee has approved the criteria set forth below to use in evaluating the companies to include in the peer group:

peer competes with OfficeMax for business;

peer has a similar business model to OfficeMax;

peer competes with OfficeMax for talent;

peer recruits talent from OfficeMax;

peer sets compensation trends in OfficeMax's hiring market; and

peer has similar revenues to OfficeMax.

The 2009 peer group included the following 22 companies:

- |  |                        |
|--|------------------------|
| Ace Hardware Corporation               | Gap Inc.               |
| Advance Auto Parts, Inc.               | Kohl's Corporation     |
| AutoZone, Inc.                         | Limited Brands, Inc.   |
| Blockbuster Inc.                       | Meijer, Inc.           |
| The Bon-Ton Stores, Inc.               | Office Depot, Inc.     |
| Collective Brands (Payless ShoeSource) | PetSmart, Inc.         |
| Crate & Barrel                         | RadioShack Corporation |
| Dollar General Corporation             | Shopko Stores, Inc.    |
| Dollar Tree Stores Inc.                | Staples, Inc.          |
| Family Dollar Stores, Inc.             | TJX Companies, Inc.    |
| FedEx Office                           | Williams Sonoma        |

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The committee approved the following peer group for 2010:

Ace Hardware Corporation	Gap Inc.
Advance Auto Parts, Inc.	Kohl's Corporation
AutoZone, Inc.	Limited Brands, Inc.
Big Lots, Inc.	Meijer, Inc.
The Bon-Ton Stores, Inc.	Michaels Stores, Inc.
Collective Brands (Payless ShoeSource)	Office Depot, Inc.
Dick's Sporting Goods, Inc.	PetSmart, Inc.
Dollar General Corporation	Ross Stores, Inc.
Dollar Tree Stores Inc.	Shopko Stores, Inc.
Family Dollar Stores, Inc.	Staples, Inc.
FedEx Office	TJX Companies, Inc.
Foot Locker, Inc.	Toys 'R' Us, Inc.
	Williams Sonoma

Blockbuster Inc., Crate & Barrel and RadioShack Corporation, each included in the 2009 peer group, did not participate in the compensation survey in 2010. Big Lots, Inc., Dick's Sporting Goods, Inc., Foot Locker, Inc., Michaels Stores, Inc., Ross Stores, Inc. and Toys 'R' Us, Inc. were added to the peer group in 2010.

***Relationship Among the Different Components of Compensation***

In order to ensure that elected officers are held most accountable for our performance and changes in stockholder value, management and the committee generally allocate total compensation such that the portion of compensation attributable to fixed elements, such as salary and benefits, decreases with increasingly higher levels of responsibility, and the portion attributable to variable, performance-based elements increases with increasingly higher levels of responsibility.

As described above, the compensation survey generally provides data on the annual targeted total cash compensation and the annual targeted total direct compensation paid by the companies in the compensation survey (in years in which one is completed). Management and the committee generally allocate annual compensation for each elected officer among the components of compensation on a basis consistent with the results of the compensation survey, although the total compensation paid to any individual elected officer may be above or below the median shown in the survey for that individual's position based on his or her original terms of hire, level of responsibility, performance against annual performance goals, years and type of professional experience, length of employment and considerations of fairness and comparability within the company.

In 2009, when no compensation survey was completed, the committee focused less on the comparability of compensation levels and more on the overall cost of compensation in the short-term. Compensation in 2009 largely represented a departure from the historical philosophies applied by the committee because of unprecedented macroeconomic turmoil. Considerations of liquidity and maintaining a solid balance sheet overcame traditional concerns about the competitive level of compensation for the elected officers. The committee chose to freeze salaries, created an annual incentive program and a long-term incentive program with extremely challenging performance targets based on the company's internal budget, significantly decreased the aggregate size of the long-term incentive award value, and suspended the company's matching contributions under the Savings Plan and the Executive Savings Deferral Plan. Based upon the compensation survey conducted in early 2010, on average the cash compensation we paid to named executive officers in 2009 was at the 25<sup>th</sup> percentile of the peer group for cash compensation (with the exception of Mr. Duncan, who was at the 50<sup>th</sup> percentile) and the total compensation we paid was

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between the 25<sup>th</sup> percentile and the median of the peer group. In 2010, the committee increased the value of the aggregate long-term incentive award, which began to return total compensation to the median, although most named-executive officers are still below the median and Mr. Duncan did not receive a 2010 long-term incentive award. With respect to cash compensation, the named executive officers will remain below the median in 2010 due to the fact that salary increases for elected officers of the company are established within the company's budgeted salary increase percentage. In addition, for 2010, the percentage target bonus for each named executive officer under the short-term incentive program remained the same as in 2009.

The committee annually consults with Cook to ensure the resulting compensation outcome supports strategic objectives related to attraction and retention of critical talent, alignment of management interests with those of stockholders, and overall affordability from cost and share dilution perspectives. In addition to the considerations described in the description of each component below, management and the committee are also guided by the compensation survey, in years in which one is completed, in deciding between the types of awards available in our annual and long-term incentive compensation programs. We believe that each component of our compensation program serves an important role, and that together these components combine to enable us to attract and retain talented management, provide management with appropriate incentives to continuously improve the company's performance, and reward improvement when it occurs.

We believe our base salaries are appropriate given the challenging macroeconomy and business environment and our bonus plans emphasize performance-based compensation. We provide our elected officers the opportunity to significantly increase their annual cash compensation through our bonus program by improving the company's performance in each of the financial areas relevant to the company on an annual basis. We also expect that as those improvements are maintained and built upon, the company's stock price will reflect these improvements, and we therefore use equity awards to reward the long-term efforts of management. These equity awards serve the additional purpose of increasing the ownership stake of our management in the company, further aligning their interests with those of our other stockholders.

## ***Base Salary***

### ***Overview***

In 2009, the committee made the decision not to provide salary increases to any of the company's elected officers as a result of the company's 2008 financial performance, then current and forecasted macroeconomic conditions and the status of the office products industry. Based on the compensation survey conducted in early 2010, the salaries paid to named executive officers in 2009 were at the 25<sup>th</sup> percentile of the peer group (except for Mr. Duncan, whose salary was at the 50<sup>th</sup> percentile). Mr. Besanko did receive a salary increase of \$25,000 in October 2009 when he was appointed chief administrative officer of the company with additional responsibility for certain human resources and procurement functions. The paragraphs that follow provide an overview of the philosophy and process followed when changes in base salary are considered.

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*Overview of Annual Process When Base Salary Increases are Considered*

The committee and management annually review the salary range and salary grades for all elected officer positions, referring to the compensation survey (in years in which one is completed) to provide insight into appropriate levels. Cook reviews this analysis on behalf of the committee and provides independent data as requested by the committee. The midpoint of a salary range represents the approximate median salary for equivalent positions at the peer group companies after adjusting for differences in job content, including company size, business complexity and responsibilities of the roles compared to similar jobs in the market. When initially establishing an elected officer's salary, the committee generally chooses an amount that is at or above the midpoint of the salary range for the officer's salary grade. The midpoint, or median, is a useful reference because it enables the company to attract high quality talent without creating an above-market fixed cost structure. Similarly, establishing salaries below the median might place the company's strategic business plan at risk because the resulting salaries would not enable a comparable standard of living relative to that offered by our competitors and could create turnover among key executives necessary to the effective execution of the business plan. The committee and management also make comparisons to similar OfficeMax positions in circumstances where the executive position does not exist in the peer group or when no data is gathered on the job in the peer group.

Annually, either the executive vice president of human resources or the chief financial officer and chief administrative officer, together with the senior vice president of compensation, benefits and strategic sourcing recommend a salary for each elected officer (except for the chief executive officer). With respect to elected officers reporting directly to the chief executive officer, the compensation survey information (in years in which one is completed) and recommended salaries are presented to the chief executive officer. With respect to elected officers not reporting directly to the chief executive officer the process is the same, except the supervising elected officer reviews and provides input to the senior vice president of compensation, benefits and strategic sourcing prior to presenting the recommended salaries to the chief executive officer. After reviewing this information, the chief executive officer may make modifications based on his own assessment of individual performance and then makes salary recommendations to the committee. Cook is present at the committee meeting to provide input on the recommendations. The committee approves the base salary for each of the named executive officers and all other elected officers.

In establishing base salaries, the committee may consider some or all of the following: the company's aggregate budget for salary increases, the penetration of an elected officer's salary into his or her salary range, compensation survey data, the elected officer's original terms of hire, level of responsibility, performance against annual performance goals, years and type of professional experience, length of employment and considerations of fairness and comparability within the company. The committee also reviews and may adjust salaries at the time of promotions or other significant increases in executive responsibilities based on the considerations described above.

Mr. Duncan's target base salary is established in the same way as it is for other elected officers, except that no recommendation is made by management with respect to his compensation. Mr. Duncan annually provides the committee and the Committee of Outside Directors with his goals and priorities or strategies for the upcoming fiscal year. The Committee of Outside Directors provides Mr. Duncan with a performance review each year, which includes consideration of the financial performance of the company for the year as well as Mr. Duncan's performance. The committee joins the Committee of Outside Directors when it conducts this review so that it can take the results into consideration when it sets Mr. Duncan's compensation for the year.

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*NEO Salaries*

The base salaries for all named executive officers are set forth in the "Summary Compensation Table" on page 61.

In 2010, the committee took the company's overall budget for salary increases into account, in addition to the other data and considerations described above when it established 2010 salaries for named executive officers. Mr. Martin received a 3% salary increase to \$659,200; Mr. Besanko received a 3% salary increase to \$592,300; Ms. O'Connor received a 4% salary increase to \$312,000; and Mr. Vero received a 3% salary increase to \$549,546. Mr. Duncan agreed not to receive a salary increase in 2010 due to his planned retirement early in 2011. For more information on Mr. Duncan's planned retirement, see the description of his Transition and Retirement Agreement, included under "Estimated Termination Benefits Mr. Duncan".

***Annual Incentive Compensation (Bonus)***

*Overview*

The committee establishes annual incentive compensation in the form of cash bonuses in order to tie a significant portion of annual compensation to our annual financial performance. Each year the committee establishes objective performance criteria that must be met by the company in order for bonuses to be paid (establishing minimum, target and maximum payout levels for each type of performance criteria), a bonus target for each elected officer that is expressed as a percentage of salary and other terms and conditions of awards under the bonus program. Each of these components is described below. The committee typically approves annual incentive bonus criteria in February of each year, in order to comply with the provisions of Section 162(m) of the Code (referred to in the rest of this section as Section 162(m)), which requires that performance metrics be set within 90 days of the commencement of the performance period. Compliance with Section 162(m) enables the awards to qualify as "performance-based" compensation and allows the awards granted to our chief executive officer and other named executive officers employed at the end of our fiscal year (other than our chief financial officer and chief administrative officer whose compensation is not subject to the deduction limitations of Section 162(m)) to be tax deductible by us if the compensation to any named executive officer exceeds \$1 million for any fiscal year. To receive an award, participants must have been employed by the company for a minimum of 90 days in 2009, must have been employed by the company at the time of award payment, subject to certain exceptions, and must not have been performing at an unsatisfactory performance level. In addition to the performance criteria described below, payment of the award is also conditioned on the company having positive net income applicable to common shareholders.

***Performance Criteria That Must Be Met Before Bonuses Are Paid***

In February 2009, the committee chose to use company 2009 pre-tax, pre-interest earnings from operations, adjusted for 2009 short-term and long-term incentive expenses ("Adjusted EBIT") as the sole performance criteria for the annual incentive plan. No named executive officer's annual incentive required accomplishment of individual performance measures. Payment of the award was conditioned on the company having positive net income applicable to common shareholders. In order to achieve a payment at target, the company had to achieve Adjusted EBIT of \$93.6 million. Adjusted EBIT was selected because it reinforced the objective of increasing our overall profitability and the committee considered it highly indicative of our success in executing our strategic and tactical plans. Although attaining the Adjusted EBIT target depended on sales, it was considered more motivating to our associates and more aligned with stockholders' interests than a sales given the unprecedented uncertainty in macroeconomic conditions and the uncontrollable nature of sales in such an environment. The performance criteria and target was intended to motivate and reward

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elected officers to strive for continued financial improvement for the company, consistent with increasing stockholder value. The level of difficulty of attaining the Adjusted EBIT target was significantly higher than in previous years in order to ensure that the financial performance required to reach the threshold payout would also fund the payout. Achievement of the 2009 performance criteria at target was dependent on the successful completion of numerous initiatives designed to increase efficiency, reduce costs and offset the effect of economic conditions. It was accepted at the time the target was established that the company's actual results might vary based on a number of factors, including the impact of domestic and foreign economic conditions. The committee has the authority to determine whether to include special one-time or extraordinary gains or losses in the calculation of the performance criteria when determining whether the criteria have been met.

***Target Bonus Opportunities***

The committee annually establishes a target bonus for each elected officer. Target bonus amounts are specified as a percentage of the elected officer's base salary. In 2009, target bonus amounts for our named executive officers were either identical to the 2008 target bonus amounts or the target bonus amounts were instituted in 2009 upon hiring and ranged from 45% to 100% of base salary, depending on position. The target bonus amounts were: Sam Duncan, 100%; Bruce Besanko, 55%; Sam Martin, 70%; Deborah O'Connor, 45%; and Ryan Vero, 55%. These percentages were in line with and in some instances below the median rate for equivalent positions at peer group companies. In establishing target bonuses, the committee may consider some or all of the following: compensation survey data, the company's aggregate budget for annual incentive compensation, the elected officer's original terms of hire, level of responsibility, performance against annual performance goals, years and type of professional experience, length of employment and considerations of fairness and comparability within the company.

Depending on the achievement of the objective performance criteria, an elected officer's actual payout is typically either above or below the targeted amount. The maximum potential award for any participant, including the named executive officers, was 225% of target award opportunity. See the table "Grants of Plan-Based Awards for Fiscal Year Ended December 26, 2009" on page 64 for the threshold, target and maximum awards for each of our named executive officers under the program. The committee also has the discretion to reduce or eliminate an award regardless of whether the performance goals applicable to the elected officer's bonus have been achieved. The committee did not exercise this discretion for 2009.

Mr. Duncan's annual incentive compensation is determined in the same manner as all other named executive officers, except that under his employment agreement his annual bonus target must be at least 100% of his annual base salary in effect at the beginning of the applicable fiscal year.

Mr. Besanko's annual bonus target is required to equal at least 55% of his annual base salary in effect at the beginning of the applicable fiscal year pursuant to the terms of his initial offer letter. In addition, Mr. Besanko was guaranteed a 2009 annual bonus at not less than 50% of his target bonus percentage, pro-rated based on his start date. The guaranteed minimum bonus was a one-time incentive provided to encourage Mr. Besanko to accept the company's offer of employment. The bonus received by Mr. Besanko was based on actual performance under the plan, which exceeded the amount of the guaranteed bonus.

Mr. Martin's annual bonus target is required to equal at least 70% of his annual base salary in effect at the beginning of the applicable fiscal year pursuant to the terms of his initial offer letter.

Ms. O'Connor's annual bonus target is required to equal at least 45% of her annual base salary in effect at the beginning of the applicable fiscal year pursuant to the terms of her initial offer letter.

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The 2009 annual bonus target for Mr. Vero (55% of base salary) was established based on the median short-term award granted by our peers as reflected in prior compensation surveys.

***Actual Payments Made Under Plan***

In 2009, the company had positive net income applicable to common shareholders, as adjusted and Adjusted EBIT was \$120.1 million, resulting in a payout at 148.9% of target. The amount of the bonus received by each named executive officer can be found in column (g) of the Summary Compensation table.

**2010**

On February 11, 2010, the committee approved the 2010 Annual Short-Term Incentive Program. As a condition of payment of an award under the program, both the company's 2010 net income from continuing operations available to common shareholders excluding special items included in company earnings releases in 2010 must be positive and the company must achieve a minimum earnings from continuing operations before interest and taxes ("2010 EBIT") threshold for 2010.

If the two threshold requirements described above are met, then the amount of the award actually earned depends on achievement of three performance metrics during 2010. The three metrics are weighted equally. To align the program with the strategic direction of the company, the committee chose to use (i) the company's 2010 EBIT; (ii) the ratio of the company's operating profit to gross sales or revenues less returns, allowances, rebates and coupons ("2010 Net Sales") for 2010 ("2010 Return on Sales"); and (iii) the percentage change in overall 2010 Net Sales for the company, adjusted for store closures, store openings, business acquisitions, business divestitures and changes in fiscal periods, and excluding the impact of foreign exchange rates ("2010 Same Location Sales Growth"). If the company's 2010 financial performance equals or exceeds the minimum target for any of the metrics, elected officers will receive a payout based upon the level of performance against the metrics. The minimum payout to an elected officer would be 25% of his or her target award and the maximum payout would be 225% of his or her target award. To receive an award, elected officers must be employed by the company on September 30, 2010, must be employed by the company at the time of award payment (subject to exceptions in certain circumstances including involuntary termination, death, disability or retirement) and must not be performing at an unsatisfactory performance level. In the event of a change in control, as defined in the award agreement, the vesting of the award may accelerate under certain circumstances described in the agreement.

Annual incentive targets were approved for our named executive officers in the following amounts based upon salary grades, or as contractually required, for our named executive officers: Sam Duncan, 100%; Bruce Besanko 55%, Sam Martin, 70%; Deborah O'Connor, 45% and Ryan Vero, 55%. These target percentages, expressed as a percentage of base salary, were identical to the targets applied in 2009.

Mr. Duncan's 2010 Annual Incentive Award Agreement is identical to the agreements of the other named executive officers, except that it provides for the pro rata payment of an award if Mr. Duncan's employment is terminated by the company prior to December 31, 2010 (if payment is made to participants under the program). This is intended to implement the terms of his Transition and Retirement Agreement, described under "Estimated Termination Benefits Mr. Duncan".



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The chart below sets forth the historical achievement of the short-term incentive goals over the previous three years. In each column, the goal shown is the goal to receive a payout at the target percentage.

Year	EBIT Dollars/Adjusted EBIT		Return on Sales		Same Location Sales Growth	
	Goal	Actual	Goal	Actual	Goal	Actual
2007 (1)	\$ 379,200,000	\$ 344,200,000	4.0%	3.8%	4.1%	0.9%
2008 (2)	\$ 356,000,000	\$ 191,900,000 (3)	3.8%	2.3%	0.0%	(10.7)%
2009 (4)	\$ 93,600,000	\$ 120,100,000				

- (1) Resulted in a 10% payout under the program.
- (2) Resulted in zero payout under the program.
- (3) EBIT dollars in 2008 excluded the effect of certain non-cash impairment charges and a charge related to certain field/corporate reductions in force and certain store and site leases. Including all such charges, actual EBIT dollars would have been approximately (\$1,936,200,000).
- (4) The 2009 EBIT goal was Adjusted EBIT, which is different than the EBIT measure used in 2007 and 2008 because it is adjusted for the expenses of the 2009 short-term and long-term incentive plans. Actual performance resulted in a 148.9% payout under the program.

### ***Long-Term Incentive Compensation (Equity Awards)***

#### ***Overview***

The committee provides long-term incentives in the form of various types of equity awards in order to serve several compensation objectives. First, the committee believes that equity awards, in tandem with our executive stock ownership guidelines described below, encourage ownership of our common stock by elected officers, which aligns the interest of those officers with those of our stockholders. In addition, the vesting provisions applicable to the awards help retain elected officers and reward the achievement of long-term business objectives that benefit our stockholders. The committee believes that performance metrics applicable to long-term incentive awards are particularly critical to encourage forward planning for our success. The committee intends to continue to align the metrics for future long-term incentive compensation programs with our strategic and tactical goals as they evolve.

These awards are issued under the OMIPP, which was approved by our stockholders. The OMIPP permits the grant of annual incentive awards, stock, restricted stock, RSUs, performance stock, performance units, stock appreciation rights (SARs), traditional stock options and a variety of performance-based stock options which allows the committee to choose awards they believe will provide competitive long-term incentive compensation.

Annually, the committee approves the plan design of the long-term incentive program for the upcoming year. Management discusses the initial program elements prior to presenting them to our chief executive officer for further review and recommendation to the committee. This includes the type of equity award to be granted as well as the size of the award for elected officers. In determining the type and aggregate size of awards to be provided, as well as the performance metrics that may apply, the committee considers the strategic goals of the company, trends in corporate governance, accounting impact, tax-deductibility, the company's aggregate budget for long-term incentive compensation, cashflow considerations, the impact on the company's earnings per share and the number of shares of stock that would be required to be allocated for the awards.



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Throughout the process, Cook is informed and provides ongoing feedback to the committee and management (at the committee's request).

After consideration of the long-term incentive award data presented in the compensation survey (in years in which one is completed) or general information on long-term incentives issued provided by Hay, the committee approves long-term incentive award targets for the elected officers for the upcoming fiscal year. In 2009, the decision was made to substantially reduce the size of the long-term incentive grants and the target award for each elected officer was a set number of securities based on salary grade. The value of the long-term incentive awards was substantially less than the awards granted in 2008 because of fluctuations in our stock price and the uncertainty of macroeconomic conditions. In addition, the company has a limited number of shares available for grant under the OMIPP because of the company's reduced stock price. The target value of the long-term incentive award decreased by more than 50% compared to 2008.

In years in which peer data is available and in which considerations of competitive comparability are considered more important, the committee considers whether the awards are comparable to similar awards provided by the peer group as well as similar awards previously offered by the company. The committee generally aligns the award target for each elected officer with the median rate for equivalent positions at peer group companies. The committee may also consider some or all of the following: the elected officer's original terms of hire, level of responsibility, performance against annual performance goals, years and type of professional experience, length of employment and considerations of fairness and comparability within the company.

No action may be taken by the elected officer with respect to the securities underlying the award until the award vests. The actual number of securities received upon vesting may depend on achievement of objective performance criteria established by the committee. An elected officer's actual vested number of shares of company stock is likely to be either above or below the targeted amount if the award is performance-based.

In general, the committee grants long-term incentive compensation awards one time per year, typically in February, in order to comply with the provisions of Section 162(m), which require that performance metrics be set within 90 days of the commencement of the performance period. Compliance with Section 162(m) enables the awards to qualify as "performance-based" compensation and thereby allow awards granted to the chief executive officer and other named executive officers that are subject to performance criteria to be tax deductible by us.

***2009 Type of Equity Granted and Performance Metrics***

For 2009, management recommended and the committee approved an award for each elected officer comprised 40% of performance-based RSUs and 60% of nonqualified stock options. In order for any portion of the performance-based RSUs to vest, the sum of the company's 2009 and 2010 Adjusted EBIT must equal a threshold value and the company must have positive net income applicable to common shareholders in 2009 and 2010. This represented a change from the EVA® Improvement goal applying to the RSUs in 2008 because of the uncertainty arising from the unprecedented volatility in the economy. The company continues to emphasize value creation for its stockholders and believes that targeting Adjusted EBIT reinforces the objective of increasing our overall profitability. The performance-based RSU grants were also designed to support the company's strategic plan and both the RSU grants and the option grants reward elected officers for financial performance. In addition, the performance-based RSUs support our financial efficiency objectives as they are tax deductible under Section 162(m) and their cost is variable and only incurred to the extent operating goals are achieved. Options were added in 2009 because they allowed us to maximize the shares available for issuance under the OMIPP and balanced the overall

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equity award by vesting earlier than the RSUs, but functioning as a longer-term incentive because they have a seven-year exercise period. In comparison, the RSUs have a relatively shorter incentive period because they are subject to a performance period that will be complete by the end of 2010 at which point the payout on the awards will be determined.

***Determination of Award Size***

Annually, the committee establishes a target long-term incentive award for each elected officer. In 2009, the number of RSUs and the number of shares underlying an option to be granted pursuant to the program were determined based on the salary grade of each elected officer. The value of the long-term incentive awards is less than the value of the awards granted in 2008 because of fluctuations in our stock price and the uncertainty of current macroeconomic conditions. In addition, the company has a limited number of shares available for grant under the OMIPP because of the company's reduced stock price. The target value of the long-term incentive award decreased by more than 50% compared to 2008. The executive's actual payout can vary from the targeted amount depending on the level of the achievement of the performance goal applied to the RSU awards, as well as changes in the value of the shares of stock underlying the grant that occur between the grant date and payout. The maximum potential RSU award for any participant, including the named executive officers, was 150% of the target RSU award.

The closing price of company common stock on February 12, 2009, the grant date for Messrs. Duncan, Martin, Vero and Ms. O'Connor's awards, was \$4.80. The closing price of company common stock on February 13, 2009, the last business day prior to February 16, 2009, the first day of his employment with the company and the grant date for Mr. Besanko's awards, was \$4.49.

Mr. Duncan's long-term incentive compensation is determined in the same manner as all other named executive officers except that under his employment agreement, we are annually required to grant a long-term incentive compensation award with a present value (as determined by the committee) approximately equal to 350% of Mr. Duncan's then-current annual base salary. On February 12, 2009, Mr. Duncan waived his right to receive the potential long-term incentive program award required under his employment agreement in the amount of 350% of his base salary. Instead, Mr. Duncan agreed to receive an award with a target value of \$1,504,000, or approximately 146% of his base salary, in order to receive a reduction in award commensurate with the other named executive officers.

Mr. Besanko's long-term incentive award, agreed at the time of his hiring, had a target value of \$764,700 (139% of base salary).

All other elected officers in a certain salary grade received an award with an identical value. Long-term incentive awards were approved in the following aggregate target values for the named executive officers of the company: Sam Martin, \$460,000 (71.9% of base salary); Deb O'Connor, \$104,100 (34.7% of base salary); and Ryan Vero, \$321,000 (60.1% of base salary).

For each of our named executive officers, see the table "Grants of Plan-Based Awards for Fiscal Year Ended December 26, 2009" on page 64 for the threshold, target and maximum awards for the performance based RSUs.

***2009 Performance-Based RSUs***

In order for any portion of the RSUs to vest, the sum of the company's 2009 and 2010 Adjusted EBIT must equal a threshold value and the company must have positive net income applicable to common shareholders in 2009 and 2010. Subject to these conditions, one half of the award will vest on February 12, 2011, based on the company's 2009 Adjusted EBIT. The remaining

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half of the award may vest on February 12, 2012, also subject to the conditions described above, based on the company's 2010 Adjusted EBIT. The amount of either tranche that vests may range from 50% to 150% of the target award, depending on the actual performance achieved. The level of difficulty of attaining the 2009 and 2010 Adjusted EBIT targets was intended to be significantly higher than in previous years in order to ensure that the performance required to reach the threshold target results in value sufficient to support the equity vesting. Achievement of the 2009 target was dependent on the successful completion of numerous initiatives designed to increase efficiency, reduce costs and deliver a better customer experience. In 2009, no named executive officer's long-term incentive required accomplishment of individual performance measures.

Awards of performance-based RSUs were approved in the following amounts for the following named executive officers of the company: Sam Duncan, 120,000 RSUs; Bruce Besanko, 50,000 RSUs; Sam Martin, 36,700 RSUs; Deb O'Connor, 8,000 RSUs; and Ryan Vero, 26,000 RSUs. The number of RSUs was determined using the method described above under "Determination of Award Size". As a result of the execution of his Transition and Retirement Agreement, the vesting schedule of Mr. Duncan's RSUs is expected to be affected. See "Estimated Termination Benefits Mr. Duncan".

The form of the award agreement provides that participants must be employed by the company in order for the RSUs to vest (subject to exceptions in certain circumstances including involuntary termination, death, disability or retirement, if the participant was employed with the company and eligible for participation in the plan for a minimum of six months during fiscal years 2009 and/or 2010, in which case a pro rata amount of RSUs will vest and be paid at the time specified in the agreement). RSUs may not be sold or transferred prior to vesting. In addition, recipients of the RSUs do not receive dividends and do not have voting rights with respect to the RSUs until the RSUs vest, at which point such recipients would receive dividends if declared on our common stock.

*2009 Options*

Sixty percent of the long-term incentive award for elected officers consists of an option to purchase shares of our common stock. For Messrs. Duncan, Martin and Vero and Ms. O'Connor, the exercise price of the options is \$4.80, the closing price of our common stock on February 12, 2009. For Mr. Besanko, the exercise price of the options is \$4.49, the closing price of our common stock on February 13, 2009, the last business day prior to the effective date of his employment with the company. One third of each option vested on February 12, 2010, and the remaining two-thirds will vest with respect to one-third of the grant on each of the next two anniversaries of the grant date for those officers who are employed with the company on the vest date and each option will expire in seven years.

Awards of options were approved in the following amounts for the following named executive officers of the company: Sam Duncan, option to purchase 352,900 shares; Bruce Besanko, option to purchase 200,000 shares; Sam Martin, option to purchase 107,800 shares; Deb O'Connor, option to purchase 25,000 shares; and Ryan Vero, option to purchase 74,500 shares. The number of shares underlying each option was determined using the method described above under "Determination of Award Size". As a result of the execution of his Transition and Retirement Agreement, the vesting schedule and exercisability of Mr. Duncan's options are expected to be affected. See "Estimated Termination Benefits Mr. Duncan."

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Pursuant to the terms of the option agreements, if an elected officer terminates employment with the company prior to the third anniversary of the grant date, any unvested options will be forfeited and, if an officer is terminated for disciplinary reasons, as defined in our severance policy, the option, including any vested portion, will immediately be cancelled. The option, to the extent vested, must be exercised on or before the earliest of the seventh anniversary of the grant date; one year after a participant terminates employment as a result of retirement, death, or disability; and three months after termination for any other reason. The exercise price may be paid through cashless exercise, transfer of existing stock, or cash.

***Both Types of Awards***

In the event of a change in control, as defined in the award agreements, the vesting of the securities may accelerate under certain circumstances described in the agreements. The agreements include a non-solicitation and non-compete clause stating that beginning on the award date and ending one year after terminating employment with the company, the award recipient will not (i) employ or solicit for employment any person who is, or was within six months prior to the recipient's termination date, an employee of the company or (ii) commence employment or consult (in a substantially similar capacity to any position held with the company and with responsibility over the same geographic areas over which the recipient had responsibility during the last 12 months of employment) with any competitor engaged in the sale or distribution of products, or in the provision of services, in competition with the products sold or distributed or services provided by the company.

***2008 Long-Term Incentive Plan Actual Results***

For 2008, the long-term incentive plan included a grant of performance-based RSUs requiring achievement of a two-year cumulative EBIT dollar measure and a grant of time-based RSUs. The EBIT dollar measure was not attained and the performance-based RSUs awarded were forfeited. The time-based RSUs will vest on February 20, 2011.

***2010***

On February 11, 2010, the committee approved the 2010 Long-Term Incentive Program. The committee approved a larger aggregate long-term incentive award value for 2010 than in 2009, due to the company's improved financial results and to begin to return the total compensation of named executive officers to the median. This resulted in larger incentive awards for the named executive officers, although all named executive officers in a certain salary grade will receive an award with an identical value. For 2010, each elected officer will receive an award that is comprised 40% of performance-based RSUs and 60% of options.

Target long-term incentive awards were approved in the following aggregate values for the named executive officers of the company: Bruce Besanko, \$556,349; Sam Martin, \$1,001,326; Deb O'Connor, \$201,204 and Ryan Vero, \$556,349. As described under "Estimated Termination Benefits Mr. Duncan", as a result of his planned retirement, Mr. Duncan voluntarily waived his right to a 2010 long-term incentive grant.

***2010 Performance-Based RSUs***

Forty percent of the long-term incentive award for each elected officer consists of performance-based RSUs. In order for any portion of the RSUs to vest, the sum of the company's 2010 and 2011 Net Income must be positive and the sum of the company's 2010 and 2011 EBIT must equal a threshold value. Subject to these conditions, one half of the award may vest on February 11, 2012. The amount of that half of the award that vests will depend upon achievement of a 2010 EBIT

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minimum target, with the amount of the award that vests ranging from 50% to 150% of that half of the target award. The remaining half of the award may vest on February 11, 2013, also subject to the conditions described above. The amount of that half of the award that vests will depend upon achievement of a 2011 EBIT minimum target, with the amount of that half of the award that vests ranging from 50% to 150% of the target award. Awards are paid in shares of company common stock.

Target awards of performance based RSUs were approved in the following amounts for the following named executive officers of the company: Bruce Besanko, 15,326 RSUs; Sam Martin, 27,585 RSUs; Deb O'Connor, 5,543 RSUs; and Ryan Vero, 15,326 RSUs. The number of RSUs was determined based on the salary grade midpoint of each officer. The closing price of company common stock on February 11, 2010 was \$14.52.

The form of the award agreement provides that elected officers must be employed by the company in order for the units to vest (subject to exceptions in certain circumstances including involuntary termination, death, disability or retirement). RSUs may not be sold or transferred prior to vesting. In addition, recipients of the RSUs do not receive dividends and do not have voting rights with respect to the RSUs until the RSUs vest, at which point they would receive dividends if declared on our common stock. In the event of a change in control, as defined in the award agreement, the vesting of the RSUs may accelerate under certain circumstances described in the agreement. The award agreement includes a non-solicitation and non-compete clause stating that, beginning on the award date and ending one year after terminating employment with the company, the elected officer will not (i) employ or solicit for employment any person who is, or was within six months prior to the officer's termination date, an employee of the company or (ii) commence employment or consult (in a substantially similar capacity to any position held with the company and with responsibility over the same geographic areas over which an officer had responsibility during the last 12 months of employment) with any competitor engaged in the sale or distribution of products, or in the provision of services, in competition with the products sold or distributed or services provided by the company.

***2010 Options***

Sixty percent of the long-term incentive award for elected officers consists of an option to purchase shares of our common stock. The exercise price of the options is \$14.52, the closing price of our common stock on February 11, 2010. One third of each option will vest on each of the first three anniversaries of the grant date for those elected officers who are employed with the company on the vest date and each option will expire in seven years.

Target option awards were approved in the following amounts for the following named executive officers of the company: Bruce Besanko, option to purchase 48,914 shares; Sam Martin, option to purchase 88,036 shares; Deb O'Connor, option to purchase 17,690 shares; and Ryan Vero, option to purchase 48,914 shares. The number of shares underlying the option grant was determined based on the salary grade midpoint of each officer.

Pursuant to the terms of the option agreement, if an elected officer terminates employment with the company prior to the third anniversary of the grant date, any unvested options will be forfeited and, if an elected officer is terminated for disciplinary reason, as defined in our severance policy, the option, including any vested portion, will immediately be cancelled. The option, to the extent vested, must be exercised on or before the earliest of the seventh anniversary of the grant date, one year after an elected officer terminates employment as a result of retirement, death, or disability and three months after termination for any other reason. The exercise price may be paid through cashless exercise, transfer of existing stock, or cash. In the event of a change in control, as defined in the option agreement, the vesting of the options may accelerate under certain circumstances

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described in the agreement. The award agreement includes a non-solicitation and non-compete clause that states that, beginning on the award date and ending one year after terminating employment with the company, the elected officer will not (i) employ or solicit for employment any person who is, or was within six months prior to the elected officer's termination date, an employee of the company or (ii) commence employment or consult (in a substantially similar capacity to any position held with the company and with responsibility over the same geographic areas over which an elected officer had responsibility during the last 12 months of employment) with any competitor engaged in the sale or distribution of products, or in the provision of services, in competition with the products sold or distributed or services provided by the company.

***Other Compensation Arrangements***

On February 11, 2010, Mr. Duncan announced that he will retire as the company's chairman and chief executive officer in 2011. In connection with his retirement, Mr. Duncan entered into a Transition and Retirement Agreement with the company dated February 11, 2010. You can read more about Mr. Duncan's Transition and Retirement Agreement under "Estimated Termination Benefits Mr. Duncan" beginning on page 73.

On February 16, 2009, a one-time, sign-on cash bonus was granted to Bruce Besanko in the amount of \$150,000, 50% of which was paid 30 days after he commenced employment and 50% of which was paid 180 days after he commenced employment. The sign-on bonus was provided to encourage Mr. Besanko to accept the company's offer of employment. We entered into an offer letter with Mr. Besanko effective February 16, 2009, to serve as our executive vice president and chief financial officer. Subsequently, he received the title of chief administrative officer. You can read more about Mr. Besanko's offer letter throughout "Compensation Discussion and Analysis" beginning on page 40 and under "Estimated Termination Benefits Mr. Besanko" beginning on page 76.

On July 8, 2008, we entered into an offer letter with Ms. O'Connor effective July 15, 2008, to serve as our senior vice president, finance and chief accounting officer. You can read more about Ms. O'Connor's offer letter throughout "Compensation Discussion and Analysis" beginning on page 40 and under "Estimated Termination Benefits Ms. O'Connor" beginning on page 78.

On September 12, 2007, we entered into an offer letter with Mr. Martin effective September 17, 2007, to serve as our executive vice president and chief operating officer. You can read more about Mr. Martin's offer letter throughout "Compensation Discussion and Analysis" beginning on page 40 and under "Estimated Termination Benefits Mr. Martin" beginning on page 77.

On April 14, 2005, we entered into an employment agreement with Mr. Duncan, who became our chief executive officer on April 18, 2005. Mr. Duncan was subsequently appointed chairman of our board of directors on June 30, 2005. Mr. Duncan was hired at a time when the company was experiencing a number of challenges. In December 2003, Boise Cascade Corporation (the company's former name) completed its purchase of OfficeMax, Inc. Prior to December 2003, the company sold and distributed office products to businesses as one of its lines of business but had no retail presence. In November 2004, the company sold all lines of business other than its office products distribution businesses and changed its name to OfficeMax Incorporated. As a result, the company went through a major restructuring, including adding many new executives to the management team. In December 2004, the company commenced an internal investigation into claims by a vendor to its retail business that certain employees acted inappropriately in requesting promotional payments and in falsifying supporting documentation. In January 2005, the president of the company's retail business and its chief financial officer resigned. In February 2005, the company's chief executive officer resigned and the company announced a restatement arising from its internal investigation. In April 2005, as the company was finalizing its employment arrangements



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with Mr. Duncan, it was threatened with a proxy contest. As a result of all the challenges and uncertainty with respect to the company, it was crucial to chief executive officer recruitment efforts to be able to offer a competitive package that provided some certainty to the candidate. The committee believed that Mr. Duncan's initial overall compensation, as well as each element of his compensation, was reasonable when compared to relevant benchmark data, taking into account the circumstances of his recruitment and his relevant experience. Most of the aspects of Mr. Duncan's compensation that are different than those paid to other named executive officers stem from the initial terms of his employment agreement, which were critical to Mr. Duncan's decision to join the company. The other named executive officers do not have employment agreements. You can read more about Mr. Duncan's agreement throughout "Compensation Discussion and Analysis" beginning on page 40 and under "Estimated Termination Benefits Mr. Duncan" beginning on page 73.

In 2005, the committee awarded Mr. Duncan 50,000 RSUs and stock options to purchase 250,000 shares of our common stock. In 2007, the committee awarded Mr. Martin 11,150 RSUs and stock options to purchase 35,000 shares of our common stock. Each of these awards was made pursuant to the officer's agreement or offer letter with us. These additional items of compensation were part of the packages offered to these officers before they joined the company. The terms applicable to these RSUs and stock options are discussed under "Outstanding Equity Awards" beginning on page 65.

***Other Perquisites and Benefit Programs***

We provide our elected officers with limited perquisites and other benefits. The committee believes these limited programs are necessary to be competitive within our industry and that the expense of these programs is offset by their attraction and retention value.

Officers with the title of senior vice president and above are eligible to participate in our Executive Life Insurance Program, which was adopted by the committee in February 2005. Participants receive life insurance coverage equal to two times their base salary from a designated insurance carrier (or three times base salary, in the case of the chief executive officer). On February 12, 2009, the Executive Compensation Committee voted to convert the variable universal life coverage previously provided under the program to term life coverage. Premiums are paid monthly and treated as taxable income to the participant for the applicable tax year.

Officers with the title of senior vice president and above participate in the Officer Annual Physical Program, which was adopted by the committee in 2005. Under the current program, we pay the costs of an annual physical exam. The costs of the exam are treated as taxable income to the officer in the applicable tax year. In 2009, the income was grossed up for applicable taxes. In February 2010, the committee voted to amend the program to end the practice of grossing-up the benefits.

In February 2010, the committee voted to reinstate the Financial Counseling Program available to officers of the company with the title of senior vice president or higher. Under this program, elected officers are reimbursed for financial counseling services up to an aggregate of \$5,000 annually. The reimbursement is treated as taxable income to the officer in the applicable tax year and under the reinstated program, the benefits will not be grossed-up.

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***Officer Stock Ownership Guidelines***

The committee has established stock ownership guidelines for certain officers. The guidelines are intended to increase the stake these officers hold in us and to more closely align their interests with those of our stockholders. The guidelines provide that:

the chief executive officer should acquire and maintain stock ownership equal in value to five times his base salary;

each executive vice president should acquire and maintain stock ownership equal in value to three times his or her base salary;

each senior vice president should acquire and maintain stock ownership equal in value to twice his or her base salary; and

each vice president should acquire and maintain stock ownership equal in value to his or her base salary.

In determining the appropriate stock ownership levels in 2005, the committee consulted market studies by Hewitt Associates (referred to in the rest of this section as Hewitt) and Cook detailing best practices among a peer group and general industry practices regarding stock ownership guidelines. Stock held directly, vested restricted stock and stock units held indirectly through our Savings Plan and under our Executive Savings Deferral Plan ("ESDP") are taken into consideration when calculating whether an officer has met his or her stock ownership guidelines. Unvested RSUs and stock options are not included in determining ownership levels. Annually, management provides a report to the committee regarding the number and value of the shares of stock held by each officer subject to the guidelines. All of the officers subject to the guidelines are making progress toward satisfying the applicable guideline. Following the vesting of RSUs or the exercise of options, officers subject to the guidelines who have not met the guidelines are expected to retain at least 50% of the net value of shares of stock received (after payment of income tax withholding and, if applicable, exercise price). This policy applies to grants made in 2005 and later for named executive officers. As of December 26, 2009, Mr. Duncan held 195% of his salary, Mr. Besanko held 0% of his salary, Mr. Martin held 11% of his salary, Ms. O'Connor held 0% of her salary and Mr. Vero held 122% of his salary.

***Prohibition on Speculative Stock Transactions***

The company considers it inappropriate for any director, officer, or other employee to enter into speculative transactions in OfficeMax securities. Therefore, the company's insider trading policy also prohibits the purchase or sale of puts, calls, options, or other derivative securities based on the company's securities. This prohibition also includes hedging or monetization transactions, such as forward sale contracts, in which the stockholder continues to own the underlying security without all the risks or rewards of ownership. Finally, directors, officers and other employees may not purchase OfficeMax securities on margin, or borrow against any account in which company securities are held (except for employee loans from Savings Plan accounts).

***Deferral Plan***

Our ESDP is described beginning on page 69. The purpose of this plan is to permit participants to defer amounts that would otherwise be payable in cash and taxable on an immediate basis that may not be deposited in our qualified Savings Plan as a result of Internal Revenue Code limits. The plan thereby supports retention objectives by providing a competitive benefit that is tax-efficient to the participant. The plan also supports our succession planning

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strategy by enabling participants to accumulate sufficient retirement savings, thereby promoting an orderly succession of management talent.

***Pension Provisions***

As described on page 70, Mr. Duncan's employment agreement provides that if he is employed by us on April 18, 2010 (the fifth anniversary of his first day of employment) his supplemental pension benefit will vest. His benefit will generally equal a percentage of his average cash compensation (salary and bonus) over the five years prior to termination of employment. The percentage will be equal to two percent for every full year of employment. This special arrangement was negotiated at the time Mr. Duncan was hired, and in approving this benefit, the committee determined that this was an appropriate replacement for a similar benefit from his previous employer that Mr. Duncan forfeited when he joined us.

For more information, see "Other Compensation and Benefit Plans Pension Benefits" on page 70.

***Change in Control Agreements***

Mr. Duncan and each of the other named executive officers are parties to change in control agreements with us, the principal terms of which are described beginning on page 70. The change in control agreements were amended effective January 1, 2009 to comply with Section 409A. Under the change in control agreements, the officer will receive the benefits provided under the agreement if, after a change in control (or within 12 months prior to a change in control), the officer's employment is terminated other than as a result of his or her death or disability (as defined in the agreement), by the company for cause (as defined in the agreement) or by the officer other than for good reason (as defined in the agreement).

The committee's overall objective in implementing the change in control policy in 2005 was to encourage the company's most senior executives to review and consider possible change in control transactions in an independent and objective manner without the influence of self-interest or fear of economic loss associated with the possible loss of their positions. In support of this objective, the policy is intended to provide reasonable and competitive severance benefits to executives who lose their jobs as a result of a change in control and to avoid windfall payments associated with completing a transaction. For this reason, benefits under the policy are provided only upon the occurrence of a "double trigger" event, which is defined as completion of a change in control followed by a qualifying termination of employment. In the absence of a reasonable change in control policy, an incentive may exist for senior executives to oppose transactions that are in stockholders' best interests, and conversely, an inappropriately designed program that provides benefits without loss of employment could incent management to pursue transactions that are not necessarily in stockholders' best interests. The committee believes the amounts to be paid upon termination following a change in control are market competitive and have an aggregate potential cost that falls within reasonable competitive parameters. In reaching this conclusion, the committee drew on input received from Cook, including Cook's review of the proposed agreement and analysis of potential change in control costs for the executives covered by the agreements. Cook advised the committee that the overall cost of the program was reasonable in relation to the company's market capitalization at the time of approval and that the specific design provisions supported the objectives described above and were consistent with best practice at the time of implementation. In addition to governance and peer group trends, the committee considered the specific competitive circumstances of the company and its industry in approving these agreements. In approving these payments, the committee also reviewed data from Hewitt regarding the average characteristics of change in control agreements among Fortune 200 companies. In 2010, the

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committee determined that all future change in control agreements will no longer include provisions increasing the officer's total payments under the agreement for excise taxes.

***Severance***

The desire to provide reasonable and competitive severance benefits to executives who lose their jobs also affected the decision to include the severance provisions reflected in our executive severance policy and in Mr. Duncan's employment agreement, which is described throughout "Compensation Discussion and Analysis" beginning on page 40. The potential severance benefits arising from his agreement are described in the section entitled "Estimated Termination Benefits - Mr. Duncan" on page 73. The severance provisions in Mr. Duncan's agreement were an important factor in his recruitment to the company.

Our executive officer severance policy applies to all elected officers (unless they have a superseding individual agreement) and provides, among other things, for payment of an amount equal to 12 months' salary if the officer's employment is terminated involuntarily without a disciplinary reason. We may also, at our discretion, continue health, vision and dental group insurance coverage at the associate rate for up to twelve months following the officer's date of termination. An officer is not eligible for benefits under the policy if the officer's employment is terminated as a result of documented unacceptable job performance where at least two corrective action notices have been issued to the officer in the twelve months preceding the termination of employment. We believe this severance policy is similar to policies of many of the other companies with which we compete for management talent, and is therefore a valuable recruiting tool that also helps us to retain management.

We recognize that our severance provisions and change in control provisions can at times overlap. Therefore all agreements or policies providing for such payments require that payments under one type of provision be appropriately adjusted downward if payments are made under a similar provision of another agreement or policy.

***Recapture Policy***

On July 26, 2007, the committee approved a policy that provides that the board shall take such action as it deems necessary against any officer with a title of executive vice president or higher whose misconduct contributes to a financial restatement. The board may (a) require reimbursement of any bonus or incentive compensation awarded to such officer after July 26, 2007, (b) cancel any stock awards granted to such officer after July 26, 2007, and/or (c) require the repayment of stock proceeds.

***Tax Impact and Financial Implications***

Under Section 162(m), certain items of compensation paid to the chief executive officer and to each of the named executive officers, other than Mr. Besanko, our chief financial officer and chief administrative officer ("Covered Employees"), in excess of \$1,000,000 annually are not deductible for federal income tax purposes unless the compensation is awarded under a performance-based plan approved by the stockholders. The committee believes that it is in our best interest to preserve maximum tax deductibility for compensation paid to the Covered Employees under Section 162(m), although to maintain flexibility in compensating named executive officers in a manner designed to promote varying corporate goals, the committee has not adopted a policy that all compensation must be deductible. The compensation plans reflect the committee's intent and general practice to pay compensation that we can deduct for federal income tax purposes. Executive compensation decisions, however, are multifaceted. The committee reserves the right to pay amounts that are not tax deductible to meet the design goals of our executive compensation program. In 2009,

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Mr. Duncan's salary and perquisites were his only items of compensation that were not performance based. His compensation exceeded, by approximately \$68,000, the \$1,000,000 non-performance based compensation threshold for 2009. In order to preserve deductibility, Mr. Duncan was required to defer receipt of 3,000 of his RSUs that vested. See the "Stock Vested Table for Fiscal Year Ended December 26, 2009" on page 68.

The committee also considers other financial implications when developing and implementing the company's compensation program, including tax and accounting effects, the impact on our financial statements and tax returns, cash flow impact, potential share dilution and the risk arising from fluctuations in the value of the compensation.

***Recommendation***

As set forth in the "Executive Compensation Committee Report" on page 39, the committee has reviewed this Compensation Discussion and Analysis and recommended its inclusion in this proxy statement.

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**Summary Compensation Table**


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The following tables present compensation information for Mr. Duncan, our chief executive officer, Mr. Besanko, our chief financial officer and chief administrative officer, Mr. Martin, Ms. O'Connor and Mr. Vero, our three next most highly compensated executive officers serving on December 26, 2009.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Non-Equity Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
							(5)		
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Sam K. Duncan Chairman of the Board and Chief Executive Officer	2009	\$ 1,030,000		\$ 576,000	\$ 928,127	\$ 1,533,670	\$ 981,518	\$ 161,871	\$ 5,211,186
	2008	\$ 1,022,615		\$ 2,999,947			\$ 89,770	\$ 79,868	\$ 4,192,200
	2007	\$ 975,000		\$ 3,150,016		\$ 473,000	\$ 315,739	\$ 114,853	\$ 5,028,608
Bruce Besanko Executive Vice President, Chief Financial Officer, and Chief Administrative Officer	2009	\$ 480,192	(7)	\$ 150,000	\$ 224,500	\$ 540,000	\$ 406,213	\$ 62,498	\$ 1,863,403
Sam Martin Executive Vice President and Chief Operating Officer	2009	\$ 640,000		\$ 176,160	\$ 283,514	\$ 667,072			\$ 1,766,746
	2008	\$ 635,077		\$ 224,000	\$ 930,216			\$ 23,993	\$ 1,813,286
	2007	\$ 181,231		\$ 124,000	\$ 1,496,989	\$ 278,250		\$ 64,667	\$ 2,145,137
Deborah A.	2009	\$ 300,000		\$ 38,400	\$ 65,750	\$ 201,015			\$ 605,165

O'Connor  
Senior Vice  
President and  
Chief  
Accounting  
Officer

2008 \$ 137,308 \$ 100,000 \$ 239,951 \$ 477,259

Ryan T. Vero  
Executive Vice  
President  
and Chief  
Merchandising  
Officer

2009	\$ 533,540		\$ 124,800	\$ 195,935	\$ 436,943	\$ 14,668	\$ 1,305,886
2008	\$ 529,715	\$ 146,723	\$ 647,354			\$ 51,032	\$ 1,374,824
2007	\$ 513,500		\$ 874,886		\$ 134,758	\$ 90,547	\$ 1,613,691