

OFFICE DEPOT INC
Form 8-K
February 24, 2005

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

CURRENT REPORT

**PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

Date of Report: February 24, 2005

Date of Earliest Event Reported: February 17, 2005

Commission file number 1-10948

OFFICE DEPOT, INC.

(Exact name of registrant as specified in its charter)

Delaware

59-2663954

**(State or other jurisdiction of
incorporation or organization)**

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

2200 Old Germantown Road, Delray Beach, Florida

33445

(Address of principal executive offices)

(Zip Code)

(561) 438-4800

(Registrant's telephone number, including area code)

Former name or former address, if changed since last report: N/A

Check the appropriate box below if the Form 8-K is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement

On February 17, 2005, the Compensation Committee (Committee) of the Board of Directors (the Board) of Office Depot, Inc. (the Company) and the Board, met in a joint session, and the Board approved the recommendations of the Committee in respect of the following executive compensation arrangements:

(a) Annual Bonus Plan for Officers 2005

The Committee established the following performance goal parameters for the Bonus Plan for executive officers for 2005: Operating Income, Return on Invested Capital (ROIC) and attainment of personal business objectives. Bonuses are calculated as a percentage of base salary. The applicable percentages remain unchanged from the percentages applicable to the various classifications of officers in prior years. Plan participants can receive a bonus if the Company meets threshold, minimum, target or maximum attainments, as established by the Committee.

(b) Officer Retention Program

The Committee and the Board approved a retention program (Retention Program) for the Company s officers. The Retention Program is viewed by the Committee and the Board as a one-time program to encourage executive officers and other officers to remain with the Company during the period of transition as the Board completes the search for a new Chief Executive Officer (CEO), the new CEO joins the Company, and a reasonable period of transition to his or her new leadership. Under the Retention Program, officers of the Company will receive awards calculated on the basis of a percentage of base salary, as follows:

| | |
|------------------------|---------------------|
| Executive Officers | 140% of base salary |
| Senior Vice Presidents | 75% of base salary |
| Vice Presidents | 60% of base salary |

Awards are payable to the recipients upon the dates described below. In the event an officer is terminated prior to vesting of the retention award, or resigns for Good Reason as defined in employment agreements, the award will still be paid to the officer upon the attainment of the vesting dates set forth below. However, the award will terminate and become null and void if the officer either resigns without Good Reason, or is terminated for Cause .

Awards under the Retention Program consist of a combination of cash and stock, as follows:

- (i) Forty percent (40%) of the retention award consists of a deferred cash payment (payable on the earlier of October 3, 2005, or six months after the first date of employment of a new Chief Executive Officer).

- (ii) Sixty percent (60%) of the retention award consists of time-based restricted stock, vesting
- (a) 16.6% on October 3, 2005
 - (b) 66.7% on October 3, 2006, and
 - (c) 16.6% on October 3, 2007

(c) Director Compensation Arrangements

The Board approved the following modifications to the terms of the compensation to be paid to the Company's non-employee directors. All changes are effective as of January 1, 2005. The Board voted to dispense with payment of separate fees for attendance at meetings of the Board and its Committees.

| | |
|--|-----------|
| Annual Board Retainer Fee | \$ 75,000 |
| Additional Fee paid to Chair of Audit Committee | \$ 25,000 |
| Additional Fees paid to Chairs of Compensation; Nominating and Corporate Governance and Finance Committees | \$ 15,000 |

Directors also shall receive annual compensation in the form of equity issued under the Company's shareholder-approved Long Term Equity Incentive Plan. For 2005, a Director's equity-based compensation shall consist of 4,200 stock options and 2,100 performance-restricted shares.

(d) Salary Adjustments for Certain Executive Officers

The Board approved the following salary adjustments for certain executive officers of the Company.

| Name of Officer | Title/Position | 2004 Base Salary (at 12/31/2004), Annual Rate | \$ Amount of Increase | Percentage of Increase | 2005 Base Salary (In USD), Annual Rate as of 1/1/2005 |
|----------------------|-----------------------------------|--|--------------------------|------------------------------|---|
| Charles Brown | EVP, CFO | 525,000 | 21,000 | 4.0% | 546,000 |
| David Fannin | EVP, General Counsel | 400,000 | 12,000 | 3.0% | 412,000 |
| Rolf van Kaldekerken | President, Europe | 620,000 | 17,360 | 2.8% | 637,360* |
| Rick Lepley | EVP, North American Retail Stores | 500,000 | 15,000 | 3.0% | 515,000 |
| Carl Rubin | EVP, Marketing, Merchandising | 475,000 | 17,000 | 3.6% | 492,000 |

*Mr. Van Kaldekerken is

paid in euros.
Exchange rate
used
in calculation is
\$1.24 to 1.00

Item 8.01 Other Events

The Board approved the recommendations of the Board's Compensation Committee relating to the following matters:

- a) **Share Ownership Guidelines.** Under the following guidelines, the Company's directors and executive officers are expected to acquire and to hold certain minimum amounts of Company stock, as a further means of aligning the interests of the directors and executive officers with shareholders of the Company. Directors shall have three (3) years in which to achieve the level of ownership specified, and executive officers shall have five (5) years in which to achieve the level of ownership specified. Directors and executive officers are expected to make reasonable progress towards attaining the specified ownership level during each year.

| | |
|-------------------------|--|
| Directors | Three times the annual retainer amount |
| Chief Executive Officer | Five times annual base salary |
| Executive Officers | 1.5 times annual base salary |

b) **Compensation Committee Charter**

The Board adopted a Charter for the Compensation Committee of the Board, a copy of which is attached to this filing on Form 8-K as Exhibit 99.1.1.

SIGNATURE

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

OFFICE DEPOT, INC.

Date: February 24, 2005

By: /s/ DAVID C. FANNIN
David C. Fannin
Executive Vice President and General
Counsel

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